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Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

AdeS/BV/TA

Board of Directors
National Development Bank PLC
No. 40, Nawam Mawatha
Colombo 02

08 September 2021

Accountants' Report
National Development Bank PLC

Dear Sirs/Mesdames

Introduction

This report has been prepared for the purpose of the prospectus issued in connection with the Issue of Eighty Million (80,000,000) Basel III Compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion aggregating to a value of up to Rupees Eight Thousand Million (LKR 8,000,000,000/-) of National Development Bank PLC.

We have examined the Financial Statements of the National Development Bank PLC (the "Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries (the "Group") for the years ended 31 December 2016 to 31 December 2020, and report as follows.

1. Incorporation

Bank

The Bank was incorporated in Sri Lanka on 15 June 2005 as a public limited liability company under the National Development Bank of Sri Lanka Act no 1 of 2005. The Bank was re-registered pursuant to the provisions of The Companies Act No 07 of 2007. The shares of the Bank have a primary listing on the Colombo Stock Exchange.

The registered office of the Bank is located at No 40, Nawam Mawatha, Colombo 02. The principal activities of the Bank involve providing financial services encompassing retail banking, small and medium enterprise (SME) banking, corporate banking, project and infrastructure financing, investment banking, leasing, housing finance, cash management, correspondent banking, remittance services, margin trading, pawning, treasury and investment services, bancassurance and card operations.

2. Financial Information

2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss and Statements of Financial Position of the Bank and a summary of Consolidated Profit or Loss and Consolidated Financial Position of the Group for the financial years ended 31 December 2016 to 31 December 2020, based on the audited Financial Statements are set out on annexure of this Accountants' Report.

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2.2 Audited Financial Statements for the Year Ended 31 December 2020

Our audit report on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its Subsidiaries for the year ended 31 December 2020 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereon is available on the websites of CSE, www.cse.lk, where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

2.3 Audit Reports

We have audited the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2016 to 31 December 2020. Unmodified audit opinions have been issued for the said financial years by our reports dated 21 February 2017, 20 February 2018, 18 February 2019, 18 February 2020, and 18 February 2021 respectively.

2.4 Accounting Policies

The Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2016 to 31 December 2020 comply with Sri Lanka Accounting Standards.

The accounting policies of the Bank and its Subsidiaries are stated in detail in the audited Financial Statements of National Development Bank PLC for the year ended 31 December 2020.

2.5 Dividends

2.5.1 Bank has paid dividend for the years ended 31 December 2016 to 31 December 2019 as follows.

Year	Dividend Per Share (Rs.)	Dividend Paid (LKR'000)
2016	8	660,669
2017*	9	1,664,455
2018**	8	1,200,400
2019***	7	1,682,537

* Dividend paid on ordinary shares includes LKR 5.00 paid as scrip dividends in 2017.
** Dividend paid on ordinary shares includes LKR 6.50 paid as scrip dividends in 2018.
*** Dividend paid on ordinary shares includes LKR 5.00 paid as scrip dividends in 2019.

2.5.2 Dividend details for the year ended 2020 is described in the section 2.6 of this report.

2.6 Events after Reporting Date

On 18 February 2021, the Bank approved and declared in interim dividend of LKR 1.50 per share. Upon completion of the right issue that has been announced, the Board may consider a declaration of a final dividend to its shareholders. (2019 - A first and final dividend of LKR 7.00 per share comprising of a cash dividend of LKR 2.00 per share and a scrip dividend of LKR 5.00 per share).

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of National Development Bank PLC for usage in the application for the purpose of Issue of Eighty Million (80,000,000) Basel III Compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion aggregating to a value of up to Rupees Eight Thousand Million (LKR 8,000,000,000/-) of National Development Bank PLC.

Yours faithfully,

NDB bank

P. O. Box 1825
40, Navam Mawatha,
Colombo - 2, Sri Lanka.

STATEMENT OF PROFIT OR LOSS

	Bank		Group	
	Period ended 31/12/2020 Audited LKR '000	Period ended 31/12/2019 Audited LKR '000	**Period ended 31/12/2020 Audited LKR '000**	Period ended 31/12/2019 Audited LKR '000
Gross Income	**60,657,705**	59,113,537	**61,632,070**	60,237,165
Interest Income	**53,003,875**	53,174,791	**53,153,100**	53,401,614
Interest Expenses	**35,255,426**	35,467,033	**35,228,223**	35,430,833
Net Interest Income	**17,748,449**	17,707,758	**17,924,877**	17,970,781
Net Fee and Commission Income	**4,250,284**	3,909,229	**5,434,045**	4,868,944
Net gain/(loss) from trading	**967,284**	990,160	**967,284**	990,160
Net gain/(loss) from financial assets at fair value Through Profit or Loss	**96,353**	23,437	**113,683**	79,072
Net gains/(losses) from derecognition of financial assets measured at fair value through other comprehensive income	**1,486,023**	686,461	**1,486,023**	686,461
Net gains/(losses) from derecognition of financial assets measured at amortised cost	**-**	9,086	**277**	9,086
Other operating income	**853,886**	320,373	**477,658**	201,828
Total Operating Income	**25,402,279**	23,646,504	**26,403,847**	24,806,332
Impairment charges				
Individual Impairment	**3,840,595**	2,721,578	**3,840,595**	2,721,578
Collective Impairment	**2,390,546**	1,123,979	**2,390,546**	1,123,979
Others	**565,195**	312,224	**562,506**	559,919
	6,796,336	4,157,781	**6,793,647**	4,405,476
Net operating income	**18,605,943**	19,488,723	**19,610,200**	20,400,856
Operating Expenses				
Personnel Expenses	**5,171,547**	4,957,146	**5,748,453**	5,459,822
Depreciation and amortization	**818,582**	761,019	**931,599**	883,323
Other Expenses	**3,409,324**	3,716,314	**3,720,998**	4,065,345
Total operating expenses	**9,399,453**	9,434,479	**10,401,050**	10,408,490
Operating Profit Before VAT, NBT & DRL on Financial Services	**9,206,490**	10,054,244	**9,209,150**	9,992,366
Less: Tax on financial services	**1,818,832**	3,071,440	**1,818,832**	3,071,440
Operating Profit After Tax on Financial Services	**7,387,658**	6,982,804	**7,390,318**	6,920,926
Share of associate companies' profits/(losses)	**-**	-	**-**	-
Profit Before Taxation	**7,387,658**	6,982,804	**7,390,318**	6,920,926
Less : Income tax expenses	**1,857,182**	1,871,204	**2,172,970**	2,035,915
Profit for the year	**5,530,476**	5,111,600	**5,217,348**	4,885,011
Profit Attributable to:				
Equity Holders of the parent	**5,530,476**	5,111,600	**5,116,806**	4,775,932
Non Controlling Interests	**-**	-	**100,542**	109,079
	5,530,476	5,111,600	**5,217,348**	4,885,011
Basic Earnings per share (in LKR)	**23.77**	21.97	**21.99**	20.53
Diluted Earnings per share (in LKR)	**23.77**	21.97	**21.99**	20.53

STATEMENT OF COMPREHENSIVE INCOME

	Period ended 31/12/2020 Audited LKR '000	Period ended 31/12/2019 Audited LKR '000	**Period ended 31/12/2020 Audited LKR '000**	Period ended 31/12/2019 Audited LKR '000
Profit for the year	**5,530,476**	5,111,600	**5,217,348**	4,885,011
Items that will be reclassified to Income Statement				
Exchange differences on translation of foreign operations	**-**	-	**10,880**	(7,052)
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	**8,188**	1,227,304	**5,866**	1,219,194
Changes in allownace in expected credit loss	**(4,193)**	33,469	**(311,450)**	264,848
Net Gains /(losses) on cash flow hedges	**1,613**	(102,924)	**1,613**	(102,924)
Deferred tax effect on gains/(losses) in above financial instruments	**340,178**	(668,675)	**332,575**	(619,856)
A	**345,786**	489,174	**39,484**	754,210
Items that will not be reclassified to Income Statement				
Net Gains/(losses) on Investments in equity Instruments measured at fair value through other Comprehensive Income	**(143,533)**	(376,829)	**(143,533)**	(376,829)
Revaluation of Land & Buildings	**68,804**	307,211	**90,499**	320,991
Deferred tax effect on revaluation gains/(losses)	**(19,265)**	(86,019)	**(25,339)**	(89,876)
Actuarial gains/(losses) on defined benefit plans	**(58,565)**	(287,717)	**(53,822)**	(307,371)
Deferred tax effect on actuarial gains/(losses	**8,245**	38,096	**5,935**	48,561
Less :Tax expense relating to items that will not be reclassified to Income Statements	**(11,020)**	(47,923)	**(19,404)**	(41,315)
B	**(144,314)**	(405,258)	**(126,260)**	(404,524)
Total Other Comprehensive Income after Tax A + B	**201,472**	83,916	**(86,776)**	349,686
Total Comprehensive Income for the year	**5,731,948**	5,195,516	**5,130,572**	5,234,697
Attributable to:				
Equity holders of the parent	**5,731,948**	5,195,516	**5,027,648**	5,125,737
Non Controlling Interests	**-**	-	**102,924**	108,960
	5,731,948	5,195,516	**5,130,572**	5,234,697

The Management is responsible for the Financial Information extracted from the audited Financial Statements given above.
Singed for and on behalf of the Management of the Bank.

ERNST & YOUNG
Chartered Accountants
COLOMBO

NATIONAL DEVELOPMENT BANK PLC
PQ 27
P. O. BOX 1825
40, NAWAM MAWATHA,
COLOMBO 02.

NDB bank

P. O. Box 1825
40, Navam Mawatha,
Colombo - 2, Sri Lanka.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK		Group	
	Current Year	Previous Year	Current Year	Previous Year
	As at 31/12/2020 (Audited) LKR '000	As at 31/12/2019 (Audited) LKR '000	As at 31/12/2020 (Audited) LKR '000	As at 31/12/2019 (Audited) LKR '000
Assets				
Cash and cash equivalents	10,487,608	5,703,468	10,778,947	6,081,359
Balances with the Central Bank of Sri Lanka	6,812,099	13,886,575	6,812,099	13,886,575
Placements with banks	12,401,533	6,291,047	12,401,533	6,291,047
Derivative Financial Instruments	1,429,470	1,596,359	1,429,470	1,596,359
Financial assets recognized through profit or loss measured at fair value	5,574,175	932,253	7,713,222	3,488,735
Financial assets at amortised cost -loans and receivables to other customers	425,605,508	396,648,811	425,681,832	396,672,022
Financial assets at amortised cost - debt and other instruments	44,711,640	27,485,885	44,711,640	27,485,885
Financial assets measured at fair value through other comprehensive income	108,593,183	67,018,254	108,762,972	68,430,331
Investments in subsidiary companies	1,142,884	2,144,774	-	-
Investment Property	-	-	2,361,535	2,272,881
Intangible assets	1,048,326	687,785	1,061,673	700,908
Property, plant & equipment	2,968,993	3,012,213	3,541,018	3,565,166
Right of Use Assets	1,060,843	960,849	1,289,749	1,229,414
Current Tax Assets	-	-	45,098	23,396
Deferred tax Assets	1,875,720	599,215	1,945,730	647,444
Other assets	3,124,716	2,626,940	3,595,101	3,228,104
Total assets	626,836,698	529,594,428	632,131,618	535,599,626
Liabilities				
Due to Banks	24,173,318	18,380,356	24,173,318	18,380,356
Derivative Financial Instruments	1,016,787	728,873	1,016,787	728,873
Financial Liabilities at amortised cost -due to depositors	490,278,126	405,048,024	489,658,746	404,667,529
Financial Liabilities at amortised cost				
- due to debt securities holders	1,500,007	1,398,068	1,500,007	1,398,068
- due to other borrowers	34,284,109	29,342,027	34,284,109	29,342,027
Debt securities issued	19,880,891	23,108,734	19,880,891	23,108,734
Retirement benefit obligations	709,294	583,933	820,109	718,983
Current Tax Liabilities	2,297,296	2,247,997	2,563,345	2,342,373
Deferred Tax Liabilities	-	-	596,112	566,983
Other liabilities	7,829,493	9,197,776	8,348,447	9,732,266
Dividends payable	86,354	74,804	86,355	74,804
Total liabilities	582,055,675	490,110,592	582,928,226	491,060,996
Equity				
Stated Capital	8,794,333	7,685,334	8,794,333	7,685,334
Statutory Reserve Fund	2,196,479	1,896,479	2,196,479	1,896,479
Retained Earnings	33,126,578	29,495,550	36,143,348	33,230,404
Other Reserves	663,633	406,473	842,077	571,133
Total shareholders' equity	44,781,023	39,483,836	47,976,237	43,383,350
Non Controlling Interests	-	-	1,227,155	1,155,280
Total Equity	44,781,023	39,483,836	49,203,393	44,538,630
Total liabilities and equity	626,836,698	529,594,428	632,131,618	535,599,626
Net Book Value Per Share (LKR)	192.49	178.02	206.23	195.60
Contingent liabilities and commitments	343,949,526	293,145,821	344,053,658	293,267,959

The Management is responsible for the Financial Information extracted from the audited Financial Statements given above
Singed for and on behalf of the Management of the Bank.

NATIONAL DEVELOPMENT BANK PLC
PQ 27
P. O. BOX 1825
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COLOMBO

NDB bank

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For the year ended 31 December	Stated Capital	Statutory Reserve Fund	Other Reserves			General Reserve	Retained Earnings	Total	Non Controlling Interests	Total
			Revaluation Reserve	Fair Value Reserve	Cash Flow Hedge Reserve					Equity
BANK (Audited)	LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2019	6,469,323	1,636,479	1,041,261	(1,022,229)	101,311	5,805,707	20,966,190	34,998,042	-	34,998,042
Transitional Impact on the adoption of SLFRS 9	-	-	-	-	-	-	(259,925)	(259,925)	-	(259,925)
Restated opening balance under SLFRS 9	6,469,323	1,636,479	1,041,261	(1,022,229)	101,311	5,805,707	20,706,265	34,738,117	-	34,738,118
Total Comprehensive Income for the year										
Profit for the year	-	-	-	-	-	-	5,111,600	5,111,600	-	5,111,600
Other Comprehensive Income before Tax	-	-	307,211	850,474	(102,924)	-	(254,248)	800,513	-	800,513
Tax on Other Comprehensive Income	-	-	(86,019)	(682,613)	-	-	52,034	(716,598)	-	(716,598)
Total Comprehensive Income for the year	-	-	221,192	167,862	(102,924)	-	4,909,386	5,195,516	-	5,195,516
Transfer to statutory reserve fund	-	260,000	-	-	-	-	(260,000)	-	-	-
Final Dividend for the year 2018-Scrip	1,216,011	-	-	-	-	-	(1,367,061)	(151,050)	-	(151,049)
Final Dividend for the year 2018 - Cash	-	-	-	-	-	-	(298,747)	(298,747)	-	(298,747)
Balance as at 31 Dec 2019	**7,685,334**	**1,896,479**	**1,262,453**	**(854,367)**	**(1,613)**	**5,805,707**	**23,689,843**	**39,483,836**	**-**	**39,483,836**
Balance as at 1 January 2020	7,685,334	1,896,479	1,262,453	(854,367)	(1,613)	5,805,707	23,689,843	39,483,836	-	39,483,836
Total Comprehensive Income for the year										
Profit for the year	-	-	-	-	-	-	5,530,476	5,530,476	-	5,530,476
Other Comprehensive Income before Tax	-	-	68,804	(135,344)	1,613	-	(62,758)	(127,686)	-	(127,686)
Tax on Other Comprehensive Income	-	-	(19,265)	341,352	-	-	7,071	329,158	-	329,158
Total Comprehensive Income for the year	-	-	49,539	206,007	1,613	-	5,474,789	5,731,948	-	5,731,948
Transactions with equity holders										
Transfer to statutory reserve fund	-	300,000	-	-	-	-	(300,000)	-	-	-
Transfer to retained earnings	-	-	-	-	-	(5,805,707)	5,805,707	-	-	-
Final Dividend for the year 2019- Scrip	1,108,999	-	-	-	-	-	(1,108,999)	-	-	-
Final Dividend for the year 2019- Cash	-	-	-	-	-	-	(434,761)	(434,761)	-	(434,761)
Balance as at 31 Dec 2020	**8,794,333**	**2,196,479**	**1,311,992**	**(648,360)**	**-**	**-**	**33,126,579**	**44,781,023**	**-**	**44,781,023**

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For the year ended 31 December	Stated Capital	Statutory Reserve Fund	Other Reserves			General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Fair Value Reserve	Cash Flow Hedge Reserve					
GROUP (Audited)	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2019	6,469,323	1,636,479	1,166,840	(1,029,596)	101,311	5,805,707	24,862,382	39,012,446	1,099,042	40,111,488
Transitional Impact on the adoption of SLFRS 9	-	-	-	-	-	-	(305,036)	(305,036)	(37)	(305,073)
Restated opening balance under SLFRS 9	6,469,323	1,636,479	1,166,840	(1,029,596)	101,311	5,805,707	24,557,346	38,707,410	1,099,005	39,806,415
Total Comprehensive Income for the year										
Profit for the year	-	-	-	-	-	-	4,775,932	4,775,932	109,079	4,885,011
Other Comprehensive Income before Tax	-	-	320,991	842,365	(102,924)	-	(49,456)	1,010,976	(119)	1,010,857
Tax on Other Comprehensive Income	-	-	(89,876)	(637,978)	-	-	66,683	(661,171)	-	(661,171)
Total Comprehensive Income for the year	-	-	231,115	204,387	(102,924)	-	4,793,159	5,125,737	108,960	5,234,697
Transactions with equity holders										
Transfer to statutory reserve fund	-	260,000	-	-	-	-	(260,000)	-	-	-
Final Dividend for the year 2018-Scrip	1,216,011	-	-	-	-	-	(1,367,061)	(151,050)	-	(151,050)
Final Dividend for the year 2018 - Cash	-	-	-	-	-	-	(298,747)	(298,747)	-	(298,747)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(52,685)	(52,685)
Balance as at 31 Dec 2019	7,685,334	1,896,479	1,397,955	(825,209)	(1,613)	5,805,707	27,424,697	43,383,350	1,155,280	44,538,630
Balance as at 1 January 2020	7,685,334	1,896,479	1,397,955	(825,209)	(1,613)	5,805,707	27,424,697	43,383,350	1,155,280	44,538,630
Profit for the year	-	-	-	-	-	-	5,116,806	5,116,806	100,542	5,217,348
Other Comprehensive Income before Tax	-	-	90,499	(137,667)	1,613	-	(356,774)	(402,328)	2,381	(399,947)
Tax on Other Comprehensive Income	-	-	(25,340)	341,838	-	-	(3,328)	313,171	-	313,171
Total Comprehensive Income for the year	-	-	65,159	204,171	1,613	-	4,756,704	5,027,649	102,923	5,130,572
Transactions with equity holders										
Transfer to statutory reserve fund	-	300,000	-	-	-	-	(300,000)	-	-	-
Transfer to retained earnings	-	-	-	-	-	(5,805,707)	5,805,707	-	-	-
Final Dividend for the year 2019- Scrip	1,108,999	-	-	-	-	-	(1,108,999)	-	-	
Final Dividend for the year 2019- Cash	-	-	-	-	-	-	(434,761)	(434,761)	-	(434,761)
Adjustment to Non controlling Interest	-	-	-	-	-	-	-	-	(2,382)	(2,382)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(28,667)	(28,667)
Balance as at 31 Dec 2020	8,794,333	2,196,479	1,463,115	(621,038)	-	-	36,143,348	47,976,238	1,227,155	49,203,392

The Management is responsible for the Financial Information extracted from the audited Financial Statements given above.
Singed for and on behalf of the Management of the Bank.

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For the year ended 31 December	BANK 2020 LKR '000	BANK 2019 LKR '000	GROUP 2020 LKR '000	GROUP 2019 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	50,953,861	48,177,253	51,107,977	48,357,057
Fee based income received	4,257,929	3,927,886	5,443,759	4,716,160
Dividend income received	572,267	419,938	97,941	76,462
Other Operating income received	2,738,510	1,562,829	2,761,515	1,569,068
Interest paid	(35,090,639)	(32,959,532)	(35,092,828)	(32,965,191)
Personnel costs paid	(5,016,210)	(4,867,086)	(5,591,500)	(5,226,060)
Other expenses paid	(3,659,444)	(4,223,990)	(4,022,492)	(4,568,110)
Operating Profit before changes in operating assets and liabilities	14,756,274	12,037,298	14,704,372	11,959,387
(Increase)/decrease in operating assets				
Deposits held for regulatory or monitory control purposes	7,074,476	1,659,812	7,074,476	1,659,812
Financial Assets at amortised cost -loans and receivables to other customers	(33,757,683)	(50,965,915)	(33,757,688)	(50,966,827)
Net (increase)/decrease in operating assets	(286,208)	898,225	(155,786)	848,053
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	84,678,922	55,691,828	84,678,922	55,691,828
Financial liabilities at amortised cost - due to debt securities holders	49,383	(5,613,250)	49,383	(5,613,250)
Financial liabilities at amortised cost - due to other borrowers	11,746,713	(1,924,850)	11,746,713	(1,924,850)
Repayment of principal portion of lease liabilities	(366,601)	(344,416)	(427,069)	(403,516)
Net increase/(decrease) in other liabilities	(646,463)	(1,942,494)	(152,338)	(1,888,487)
Net cash generated from operating activities before taxation	83,248,813	9,496,238	83,760,985	9,362,150
Tax on Financial Services paid	(1,618,514)	(1,906,763)	(1,618,516)	(1,906,763)
Income taxes paid	(2,755,230)	(2,956,685)	(2,929,685)	(3,017,590)
Net cash provided by/(used in) operating activities	78,875,069	4,632,790	79,212,784	4,437,797
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(62,103,594)	(16,792,449)	(62,435,858)	(16,657,445)
Purchase of Intangible assets	(525,167)	(477,826)	(525,167)	(479,066)
Purchase of property, plant & equipment	(426,776)	(650,538)	(489,939)	(698,430)
Proceeds from sale of property, plant & equipment	2,762	994	2,921	3,050
Net cash (used in) from investing activities	(63,052,775)	(17,919,819)	(63,448,043)	(17,831,891)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debts securities issued	(10,000,000)	-	(10,000,000)	-
Interest paid on debts securities issued	(1,004,127)	(1,750,930)	(1,004,127)	(1,750,930)
Proceeds from debt securities issued	6,500,000	5,561,200	6,500,000	5,561,200
Dividends paid to non-controlling interests	-	-	(28,999)	(48,902)
Dividends paid to shareholders of the Bank	(423,212)	(302,077)	(423,212)	(302,077)
Net cash provided by /(used in) financing activities	(4,927,339)	3,508,193	(4,956,338)	3,459,291
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,894,955	(9,778,835)	10,808,403	(9,934,803)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,994,515	21,774,885	12,372,406	22,308,744
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22,889,470	11,996,050	23,180,809	12,373,941
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	10,487,608	5,703,468	10,778,947	6,081,359
Placements with banks	12,401,862	6,292,582	12,401,862	6,292,582
Cash and cash equivalents at end of the period (Gross)	22,889,470	11,996,050	23,180,809	12,373,941

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NATIONAL DEVELOPMENT BANK PLC
PQ 27
P. O. BOX 1825
40, NAWAM MAWATHA,
COLOMBO 02.

ERNST & YOUNG
Chartered Accountants
COLOMBO

NDB bank

P. O. Box 1825
40, Navam Mawatha,
Colombo - 2, Sri Lanka.

STATEMENT OF PROFIT OR LOSS

	Bank			Group		
	Year ended 31/12/2018 LKR '000	Year ended 31/12/2017 Audited LKR '000	Change %	Year ended 31/12/2018 LKR '000	Year ended 31/12/2017 Audited LKR '000	Change %
Gross Income	51,103,421	42,520,594	20	52,071,241	43,017,759	21
Interest Income	44,354,296	37,118,699	19	44,621,712	37,421,114	19
Interest Expenses	29,549,656	26,368,585	12	29,517,983	26,334,787	12
Net Interest Income	14,804,640	10,750,114	38	15,103,729	11,086,327	36
Net Fee and Commission Income	3,136,329	2,520,532	24	3,947,738	3,416,002	16
Net gain/(loss) from trading	1,218,338	1,063,944	15	1,218,338	1,063,944	15
Net gain/(loss) from financial investments at fair value Through Profit or Loss	(6,712)	8,935	(175)	56,194	97,155	(42)
Net gains/(losses) from derecognition of financial assets	383,565	513,710	(25)	449,880	572,400	(21)
Other operating income	2,017,605	1,294,774	56	1,777,379	447,144	297
Total Operating Income	21,553,765	16,152,009	33	22,553,258	16,682,972	35
Impairment charges						
Individual Impairment	2,827,052	586,488	382	2,827,052	586,488	382
Collective Impairment	770,069	662,238	16	770,069	662,238	16
Other provision - charge/(release)	(16,112)	9,829	(264)	167,737	41,571	303
Less : Impairment charges	3,581,009	1,258,554	185	3,764,858	1,290,297	192
Net operating income	17,972,756	14,893,455	21	18,788,400	15,392,675	22
Operating Expenses						
Personnel Expenses	4,443,795	3,611,339	23	4,898,398	4,024,851	22
Depreciation and amortization	442,169	423,248	4	508,895	477,699	7
Other Expenses	3,592,763	3,311,448	8	3,959,287	3,698,385	7
Total operating expenses	8,478,727	7,346,035	15	9,366,580	8,200,935	14
Operating Profit Before VAT & NBT & DRL on Financial Services	9,494,029	7,547,420	26	9,421,820	7,191,740	31
Less: Tax on financial services	2,173,521	1,547,450	40	2,173,521	1,547,450	40
Operating Profit After Tax on Financial Services	7,320,508	5,999,970	22	7,248,299	5,644,290	28
Share of associate companies' profits/(losses)	-	-	-	-	-	-
Profit Before Taxation	7,320,508	5,999,970	22	7,248,299	5,644,290	28
Less :Taxation	1,772,116	1,648,341	8	1,972,312	2,211,987	(11)
Profit for the year	5,548,392	4,351,629	28	5,275,987	3,432,303	54
Profit Attributable to:						
Equity Holders of the parent	5,548,392	4,351,629	28	5,136,168	3,489,752	47
Non Controlling Interests	-	-		139,819	(57,449)	343
	5,548,392	4,351,629	28	5,275,987	3,432,303	54
Basic Earnings per share (in LKR)	28.44	24.52	16	26.33	19.66	34
Diluted Earnings per share (in LKR)	28.44	24.52	16	26.33	19.66	34

STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31/12/2018 LKR '000	Year ended 31/12/2017 LKR '000	Change %	Year ended 31/12/2018 LKR '000	Year ended 31/12/2017 LKR '000	Change %
Profit for the year	5,548,392	4,351,629	28	5,275,987	3,432,303	54
Items that will be reclassified to Income Statement						
Gains/(losses) from Available for Sale Investments	-	648,763		-	604,471	-
Exchange differences on translation of foreign operations	-	-	-	58,443	(371)	15,853
Net Gains/(losses) on Investments in debt Instruments at fair value through other Comprehensive Income						
Net change in fair value during the year	(1,210,600)	-	(100)	(1,198,934)	-	(100)
Changes in Impairment allowance for Expected credit losses	16,308	-	100	98,275	-	100
Net Gains /(losses) on cash flow hedges	115,502	(70,339)	264	115,502	(70,339)	264
Less :Tax expense relating to items that will be reclassified to Income Statements	562,442	(308,218)	282	554,595	(298,266)	286
A	(516,348)	270,206	(291)	(372,119)	235,495	(258)
Items that will not be reclassified to Income Statement				-		
Net Gains/(losses) on Investments in equity Instruments	(148,875)	-	(100)	(148,875)	-	(100)
Revaluation of Land & Buildings	-	361,948	(100)	30,186	378,100	(92)
Actuarial Gains/(losses) on defined benefit plans	76,492	(99,429)	177	74,874	(99,021)	176
Less :Tax expense relating to items that will not be reclassified to Income Statements	2,308	(177,180)	176	2,308	(214,143)	180
B	(70,075)	85,339	(127)	(41,507)	64,936	(115)
Total Other Comprehensive Income after Tax (A + B)	(586,423)	355,545	(265)	(413,626)	300,431	(238)
Total Comprehensive Income for the year	4,961,969	4,707,174	5	4,862,361	3,732,734	30
Attributable to:						
Equity holders of the parent	4,961,969	4,707,174	5	4,709,202	3,790,029	24
Non Controlling Interests	-	-	-	153,159	(57,295)	367
	4,961,969	4,707,174	5	4,862,361	3,732,734	30

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NATIONAL DEVELOPMENT BANK PLC
PQ 27
P. O. BOX 1825
40, NAWAM MAWATHA,
COLOMBO 02.

ERNST & YOUNG
COLOMBO

Telephone : 94 11 2448448 Fax : 94 11 2440262 E-mail: contact@ndbbank.com Website : www.ndbbank.com

NDB bank

P. O. Box 1825
40, Navam Mawatha,
Colombo - 2, Sri Lanka.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Period	Previous Period		Current Period	Previous Period	
	As at 31/12/2018 LKR '000	As at 31/12/2017 (Audited) LKR '000	Change %	As at 31/12/2018 LKR '000	As at 31/12/2017 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	6,537,579	5,274,466	24	7,071,438	5,343,314	32
Balances with the Central Bank of Sri Lanka	15,546,386	15,364,920	1	15,546,386	15,364,920	1
Placements with banks	15,237,306	840,684	1,712	15,237,306	840,684	1,712
Derivative Financial Instruments	3,937,847	2,471,706	59	3,937,847	2,471,706	59
Financial Assets measured at fair value through profit or loss	1,947,242	1,216,439	60	4,052,409	2,659,883	60
Financial Assets at amortised cost -loans and receivables to other customers	344,203,289	274,029,448	26	344,276,363	274,078,788	26
Financial Assets at amortised cost - debt instruments	24,070,365	-	100	24,175,346	-	100
Financial Investments - Loans and receivables	-	21,171,508	(100)	-	23,316,328	(100)
Financial Assets measured at fair value through Other comprehensive income	52,908,306	-	100	54,487,227	-	100
Financial Investments - Available for sale	-	52,620,584	(100)	-	52,975,690	(100)
Financial Investments - Held to maturity	-	3,524,051	(100)	-	4,077,096	(100)
Investments -Held for sale	-	18,526	(100)	-	33,302	(100)
Investments in subsidiary companies	2,166,714	2,106,021	3	-	-	-
Investment Property	-	-		2,110,661	1,894,848	11
Intangible assets	379,896	384,369	(1)	396,742	397,053	(0)
Property, plant & equipment	2,569,873	2,356,679	9	3,144,359	2,917,017	8
Deferred tax Assets	1,059,485	-	100	1,059,485	-	100
Other assets	2,347,642	1,693,641	39	2,932,641	2,274,809	29
Total assets	**472,911,930**	383,073,042	23	**478,428,210**	388,645,438	23
Liabilities						
Due to Banks	15,047,481	20,236,719	(26)	15,047,481	20,236,719	(26)
Derivative Financial Instruments	2,906,572	936,754	210	2,906,572	936,754	210
Financial Liabilities at amortised cost -due to depositors	347,511,223	273,369,023	27	347,169,564	273,041,417	27
Financial Liabilities at amortised cost						
- due to debt securities holders	6,394,211	8,719,243	(27)	6,382,024	8,719,243	(27)
- due to other borrowers	37,040,987	19,387,802	91	37,040,987	19,387,802	91
Debt securities issued	16,811,808	19,336,855	(13)	16,811,808	19,336,855	(13)
Retirement benefit obligations	408,308	363,138	12	501,531	460,080	9
Current Tax Liabilities	3,077,151	1,578,447	95	3,147,224	1,575,091	100
Deferred Tax Liabilities	-	1,371,659	(100)	471,281	1,796,492	(74)
Other liabilities	8,638,014	8,963,364	(4)	8,760,117	9,104,809	(5)
Dividends payable	78,133	72,203	8	78,133	72,203	8
Total liabilities	**437,913,888**	354,335,207	24	**438,316,722**	354,667,465	24
Equity						
Stated Capital	6,469,323	2,208,520	193	6,469,323	2,208,520	193
Statutory Reserve Fund	1,636,479	1,336,479	22	1,636,479	1,336,479	22
General Reserve	5,805,707	5,805,707	-	5,805,707	5,805,707	-
Retained Earnings	20,966,190	18,585,255	13	24,862,382	22,775,440	9
Other Reserves	120,343	801,874	(85)	238,555	886,081	(73)
Total shareholders' equity	**34,998,042**	**28,737,835**	**22**	**39,012,446**	**33,012,227**	**18**
Non Controlling Interests	-	-	-	1,099,042	965,746	14
Total Equity	**34,998,042**	**28,737,835**	**22**	**40,111,488**	**33,977,973**	**18**
Total liabilities and equity	**472,911,930**	**383,073,042**	**23**	**478,428,210**	**388,645,438**	**23**
Net Book Value Per Share (LKR)	**166.41**	**167.58**	**(1)**	**185.49**	**192.51**	**(4)**
Contingent liabilities and commitments	**288,882,867**	**269,160,399**	**7**	**289,758,239**	**269,877,849**	**7**

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NATIONAL DEVELOPMENT BANK PLC
P. O. ... 1825
40, NAVAM MAWATHA,
COLOMBO 02.

ERNST & YOUNG
Chartered Accountants
COLOMBO

P. O. Box 1825
40, Navam Mawatha,
Colombo - 2, Sri Lan

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Stated Capital	Statutory Reserve Fund	Other Reserves					General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Share Based Payment Reserves	Available for Sale	Fair Value Reserve	Cash Flow Hedge Reserve					
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK												
Balance as at 1 January 2017	1,246,479	1,246,479	853,456	13,841	(565,741)	-	56,148	5,805,707	16,088,681	24,745,050	-	24,745,050
Profit for the period	-	-	-	-	-	-	-	-	4,351,629	4,351,629	-	4,351,629
Other Comprehensive Income before Tax	-	-	361,948	-	648,763	-	(70,339)	-	(99,429)	840,943	-	840,943
Tax on Other Comprehensive Income	-	-	(174,143)	-	(308,218)	-	-	-	(3,037)	(485,398)	-	(485,398)
Total Comprehensive Income for the period	-	-	187,805	-	340,545	-	(70,339)	-	4,249,162	4,707,173	-	4,707,174
Transactions with equity holders												
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	-	(90,000)	-		-
Expiry of the ELCP option exercise period	-	-	-	(13,841)	-	-	-	-	-	(13,841)		(13,841)
Final Dividend for year 2016 -Scrip	962,041	-	-	-	-	-	-	-	(991,113)	(29,072)	-	(29,072)
Final Dividend for year 2016 - Cash	-	-	-	-	-	-	-	-	(328,505)	(328,505)	-	(328,505)
Interim Dividend for year 2017 - Cash	-	-	-	-	-	-	-	-	(342,971)	(342,971)	-	(342,971)
Balance as at 31 December 2017	2,208,520	1,336,479	1,041,261	-	(225,196)	-	(14,191)	5,805,707	18,585,255	28,737,834	-	28,737,835
Balance as at 1 January 2018	2,208,520	1,336,479	1,041,261	-	(225,196)	-	(14,191)	5,805,707	18,585,255	28,737,835	-	28,737,835
Transitional adjustment on the implementation of SLFRS 9	-	-	-	-	225,196	(225,196)	-	-	(2,457,013)	(2,457,013)	-	(2,457,013)
Defferred tax on Transitional adjustments	-	-	-	-	-		-	-	687,964	687,964	-	687,964
Restated Balance as at 1 January 2018 under SLFRS 9	2,208,520	1,336,479	1,041,261	-	-	(225,196)	(14,191)	5,805,707	16,816,206	26,968,785	-	26,968,786
Total Comprehensive Income for the period												
Profit for the period	-	-	-	-	-		-	-	5,548,392	5,548,392	-	5,548,392
Other Comprehensive Income before Tax	-	-	-	-	-	(1,359,475)	115,502	-	92,800	(1,151,173)	-	(1,151,173)
Tax on Other Comprehensive Income	-	-	-	-	-	562,442	-	-	2,308	564,750	-	564,750
Total Comprehensive Income for the period	-	-	-	-	-	(797,033)	115,502	-	5,643,500	4,961,968	-	4,961,969
Transactions with equity holders												
Issue of Shares	3,449,676	-	-	-	-	-	-	-	-	3,449,676	-	3,449,676
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	-	(300,000)	-	-	-
Final Dividend for year 2017- Scrip	811,127	-	-	-	-	-	-	-	(857,429)	(46,302)	-	(46,302)
Final Dividend for year 2017- Cash	-	-	-	-	-	-	-	-	(336,087)	(336,087)	-	(336,087)
Balance as at 31 December 2018	6,469,323	1,636,479	1,041,261	-	-	(1,022,229)	101,311	5,805,707	20,966,190	34,998,041	-	34,998,042

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Stated Capital	Statutory Reserve Fund	Other Reserves: Revaluation Reserve	Other Reserves: Share Based Payment Reserves	Other Reserves: Available for Sale	Other Reserves: Fair Value Reserve	Other Reserves: Cash Flow Hedge Reserve	General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
GROUP												
Balance as at 1 January 2017	1,246,479	1,246,479	969,795	13,841	(542,587)	-	56,148	5,805,707	21,140,725	29,936,587	1,076,709	31,013,296
Profit for the period	-	-	-	-	-	-	-	-	3,489,752	3,489,752	(57,449)	3,432,303
Other Comprehensive Income before Tax	-	-	378,100	-	604,471	-	(70,339)	-	(99,546)	812,686	154	812,840
Tax on Other Comprehensive Income	-	-	(211,241)	-	(298,266)	-	-	-	(2,902)	(512,409)	-	(512,409)
Total Comprehensive Income for the period	-	-	166,859	-	306,205	-	(70,339)	-	3,387,304	3,790,029	(57,295)	3,732,734
Transactions with equity holders										-		
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	-	(90,000)	-	-	-
Expiry of the ELCP option exercise period	-	-	-	(13,841)	-	-	-	-	-	(13,841)	-	(13,841)
Final Dividend for year 2016 -Scrip	962,041	-	-	-	-	-	-	-	(991,113)	(29,072)	(53,668)	(82,740)
Final Dividend for year 2016 - Cash	-	-	-	-	-	-	-	-	(328,505)	(328,505)	-	(328,505)
Interim Dividend for year 2017 - Cash	-	-	-	-	-	-	-	-	(342,971)	(342,971)	-	(342,971)
Balance as at 31 December 2017	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,191)	5,805,707	22,775,440	33,012,227	965,746	33,977,973
Balance as at 1 January 2018	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,191)	5,805,707	22,775,440	33,012,227	965,746	33,977,973
Transitional adjustment on the implementation of SLFRS 9	-	-	-	-	236,382	(236,382)	-	-	(2,456,276)	(2,456,276)	2	(2,456,274)
Defferred tax on Transitional adjustments	-	-	-	-	-		-	-	688,663	688,663	-	688,663
Restated Balance as at 1 January 2018 under SLFRS 9	2,208,520	1,336,479	1,136,654	-	-	(236,382)	(14,191)	5,805,707	21,007,827	31,244,614	965,748	32,210,362
Total Comprehensive Income for the period												
Profit for the period	-	-	-	-	-	-	-	-	5,136,168	5,136,168	139,819	5,275,987
Other Comprehensive Income before Tax	-	-	30,186	-	-	(1,347,809)	115,502	-	218,252	(983,869)	13,340	(970,529)
Tax on Other Comprehensive Income	-	-	-	-	-	554,595	-	-	2,308	556,903	-	556,903
Total Comprehensive Income for the period	-	-	30,186	-	-	(793,214)	115,502	-	5,356,728	4,709,202	153,159	4,862,361
Transactions with equity holders												
Issue of Shares	3,449,676	-	-	-	-	-	-	-	-	3,449,676	-	3,449,676
Adjustment due to changes in group companies	-	-	-	-	-	-	-	-	(8,657)	(8,657)	30,660	22,003
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	-	(300,000)	-	-	-
Final Dividend for year 2017- Scrip	811,127	-	-	-	-	-	-	-	(857,429)	(46,302)	-	(46,302)
Final Dividend for year 2017- Cash	-	-	-	-	-	-	-	-	(336,087)	(336,087)	(50,525)	(386,612)
Balance as at 31 December 2018	6,469,323	1,636,479	1,166,840	-	-	(1,029,596)	101,311	5,805,707	24,862,382	39,012,446	1,099,042	40,111,488

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Chartered Accountants
COLOMBO

NDB bank

P. O. Box 1825
40, Navam Mawatha,
Colombo - 2, Sri Lanka.

STATEMENT OF CASH FLOW

For the year ended 31 December	BANK 2018 LKR '000	BANK 2017 LKR '000	GROUP 2018 LKR '000	GROUP 2017 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	40,951,417	37,419,186	41,252,618	37,731,389
Fee based income received	3,165,779	2,520,532	4,068,512	3,260,952
Dividend income received	568,518	1,098,879	123,146	119,119
Other Operating income received	2,943,489	1,606,826	2,943,489	1,626,502
Interest paid	(28,022,485)	(24,292,670)	(28,031,190)	(24,300,757)
Personnel costs paid	(4,348,634)	(3,519,150)	(4,691,092)	(3,747,676)
Other expenses paid	(3,404,759)	(2,825,077)	(3,821,127)	(3,235,552)
Operating Profit before changes in operating assets and liabilities	**11,853,325**	12,008,526	**11,844,356**	11,453,977
(Increase)/decrease in operating assets				
Deposits held for regulatory or monitory control purpose	(181,466)	(3,549,643)	(181,466)	(3,549,643)
Financial Assets at amortised cost -loans and receivables to other customers	(73,574,161)	(47,719,008)	(73,574,161)	(47,727,740)
Net (increase)/decrease in operating assets	(1,557,659)	(328,380)	(1,516,458)	(364,477)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	72,511,339	66,892,475	72,511,339	66,892,475
Financial liabilities at amortised cost - due to debt securities holders	(3,132,870)	(16,569,615)	(3,132,870)	(16,569,615)
Financial liabilities at amortised cost - due to other borrowers	(2,491,485)	(1,794,077)	(2,487,007)	(1,794,077)
Net increase/(decrease) in other liabilities	1,244,708	1,784,698	1,157,400	1,787,769
Net cash generated from operating activities before taxation	**4,671,731**	10,724,976	**4,621,133**	10,128,669
Tax on Financial Services paid	(1,893,940)	(1,631,150)	(1,893,940)	(1,631,150)
Income taxes paid	(1,451,843)	(821,084)	(1,531,746)	(994,077)
Net cash provided by/(used in) operating activities	**1,325,948**	8,272,742	**1,195,447**	7,503,442
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(1,002,720)	545,200	(358,785)	1,509,406
Net cash flow from liquidation of associate company	23,400	-	23,400	-
Purchase of Intangible assets	(218,304)	(295,216)	(231,436)	(118,798)
Purchase of property, plant & equipment	(724,174)	(292,794)	(763,420)	(617,678)
Proceeds from sale of property, plant & equipment	40,690	21,027	40,690	22,224
Net cash (used in) from investing activities	**(1,881,108)**	(21,783)	**(1,289,551)**	795,154
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	3,449,676	-	3,499,677	-
Repayment of subordinated debts	(2,771,590)	(326,700)	(2,771,590)	(326,700)
Interest paid on subordinated debts	(2,032,758)	(2,061,507)	(2,032,758)	(2,061,507)
Repayment of Institutional borrowings	(6,922,794)	(26,459,112)	(6,922,794)	(26,459,112)
Proceeds from Institutional borrowings	24,822,518	19,045,016	24,822,518	19,045,016
(Decrease)/ Increase in other borrowings	-	-	(0)	-
Dividends paid to non-controlling interests	-	-	(46,046)	(99,740)
Dividends paid to shareholders of the Bank	(330,157)	(649,206)	(330,157)	(649,206)
Net cash provided by /(used in) financing activities	**16,214,895**	(10,451,509)	**16,218,850**	(10,551,249)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,659,735	(2,200,550)	16,124,746	(2,252,653)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,115,150	8,315,700	6,183,998	8,436,651
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**21,774,885**	6,115,150	**22,308,744**	6,183,998
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	6,537,579	5,274,466	7,071,438	5,343,314
Dues from banks and other financial institutions	15,237,306	840,684	15,237,306	840,684
	21,774,885	6,115,150	**22,308,744**	6,183,998

The Management is responsible for the Financial Information extracted from the audited Financial Statements given above.
Singed for and on behalf of the Management of the Bank.

NATIONAL DEVELOPMENT BANK PLC
PQ 27
P. O. BOX: 1825
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ERNST & YOUNG
Chartered Accountants
COLOMBO

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STATEMENT OF PROFIT OR LOSS

	Bank	Group
	year ended 31/12/2016 LKR '000	year ended 31/12/2016 LKR '000
Gross Income	33,281,736	33,776,905
Interest Income	28,618,247	28,960,606
Interest Expenses	20,130,935	20,099,837
Net Interest Income	8,487,312	8,860,769
Net Fee and Commission Income	2,253,226	3,046,132
Net gain/(loss) from trading	982,123	982,123
Net gain/(loss) from financial investments	211,370	440,748
Other operating income	1,216,770	347,296
Total Operating Income	13,150,801	13,677,068
Less: Impairment for loans and receivables and other losses	1,366,953	1,424,573
Net operating income	11,783,848	12,252,495
Operating Expenses		
Personnel Expenses	3,434,550	3,792,589
Depreciation and amortization	434,792	490,987
Other Expenses	2,579,502	2,875,373
Total operating expenses	6,448,844	7,158,949
Operating Profit Before Tax on Financial Services	5,335,004	5,093,546
Less: Tax on Financial Services	1,048,000	1,048,000
Operating Profit After Tax on Financial Services	4,287,004	4,045,546
Share of associate companies' profits/(losses)	-	-
Profit Before Taxation	4,287,004	4,045,546
Less :Taxation	1,116,733	1,230,587
Profit for the year	3,170,271	2,814,959
Profit Attributable to:		
Equity Holders of the parent	3,170,271	2,691,014
Non Controlling Interests	-	123,945
	3,170,271	2,814,959
Basic Earnings per share (in LKR)	19.19	16.29
Diluted Earnings per share (in LKR)	19.19	16.29

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STATEMENT OF COMPREHENSIVE INCOME

	year ended 31/12/2016 LKR '000	year ended 31/12/2016 LKR '000
Profit for the year	3,170,271	2,814,959
Other comprehensive income /(expenses) to be reclassified to profit or loss in subsequent period		
Exchange differences on translation of foreign operations	-	7,537
Gains/(losses) from Available for Sale Investments	(372,240)	(436,305)
Gains /(losses) on cash flow hedges	(54,012)	(54,012)
Other comprehensive income /(expenses) not to be reclassified to profit or loss in subsequent period		
Revaluation of Land & Buildings	-	21,000
Actuarial Gains/(losses) on defined benefit plans	(73,151)	(79,530)
Total Other Comprehensive Income /(expenses)	(499,403)	(541,310)
Less : Tax expenses relating to components of other comprehensive Income	24,320	44,806
Total Other Comprehensive Income after Tax	(475,083)	(496,504)
Total Comprehensive Income for the year	2,695,188	2,318,455
Attributable to:		
Equity holders of the parent	2,695,188	2,192,078
Non Controlling Interests	-	126,377
	2,695,188	2,318,455

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION	BANK	Group
	Current Period	Current Period
	As at 31/12/2016	As at 31/12/2016
	LKR '000	LKR '000
Assets		
Cash and cash equivalents	5,018,438	5,139,389
Balances with the Central Bank of Sri Lanka	11,815,277	11,815,277
Placements with banks	3,297,262	3,297,262
Derivative Financial Instruments	1,544,621	1,544,621
Financial Assets - Held for trading	832,694	3,661,530
Loans and Receivables to banks	37,032	37,032
Loans and Receivables to other customers	227,639,844	227,679,939
Financial Investments - Loans and receivables	41,992,533	43,896,593
Financial Investments - Available for sale	31,500,020	31,899,259
Financial Investments - Held to maturity	4,137,601	4,946,120
Investments -Held for sale	18,526	33,303
Investments in subsidiary companies	2,115,850	-
Investment Property	-	1,776,000
Intangible assets	368,083	384,742
Property, plant & equipment	2,078,570	2,528,258
Other assets	2,148,384	2,092,444
Total assets	**334,544,735**	**340,731,768**
Liabilities		
Due to Banks	17,124,944	17,124,944
Derivative Financial Instruments	474,770	474,770
Due to other Customers	203,866,547	203,515,828
Debt Securities issued and other borrowed funds	59,233,264	59,233,265
Current Tax Liabilities	845,660	852,454
Deferred Tax	791,791	744,880
Other liabilities	7,966,275	8,275,897
Dividends payable	49,933	49,933
Subordinated Term Debts	19,446,501	19,446,501
Total liabilities	**309,799,685**	**309,718,472**
Equity		
Stated Capital (Bank & Group - 165,185,506 shares)	1,246,479	1,246,479
Statutory Reserve Fund	1,246,479	1,246,479
General Reserve	5,805,707	5,805,707
Retained Earnings	16,088,680	21,140,724
Other Reserves	357,705	497,198
Total shareholders' equity	**24,745,050**	**29,936,587**
Non Controlling Interests	-	1,076,709
Total Equity	**24,745,050**	**31,013,296**
Total liabilities and equity	**334,544,735**	**340,731,768**
Net Book Value Per Share (LKR)	**149.80**	**181.23**
Contingent liabilities and commitments	**234,221,049**	**235,130,473**

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STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2016	Stated Capital	Reserves							Total	Non Controlling Interests	Total
		Statutory Reserve Fund	General Reserve	Revaluation Reserve	Share Based Payment Reserves	Available For Sale Reserves	Cash Flow Hedge Reserve	Retained Earnings			Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK											
Balance as at 1 January 2016	1,242,772	1,242,772	5,805,707	853,456	14,590	(207,277)	110,160	13,638,678	22,700,858	-	22,700,858
Total Comprehensive Income for the year											
Profit for the year	-	-	-	-	-	-	-	3,170,271	3,170,271	-	3,170,271
Other Comprehensive Income before Tax	-	-	-	-	-	(372,240)	(54,012)	(73,151)	(499,403)	-	(499,403)
Tax on Other Comprehensive Income	-	-	-	-	-	13,775	-	10,544	24,320	-	24,320
Total Comprehensive Income for the year	-	-	-	-	-	(358,465)	(54,012)	3,107,664	2,695,188	-	2,695,188
Transactions with equity holders											
Issue of Shares	2,958	-	-	-	-	-	-	-	2,958	-	2,958
Transfer to statutory reserve fund	-	3,707	-	-	-	-	-	(3,707)	-	-	-
Transfer from share based payment reserves	749	-	-	-	(749)	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	(653,954)	(653,954)	-	(653,954)
Balance as at 31 December 2016	1,246,479	1,246,479	5,805,707	853,456	13,841	(565,741)	56,148	16,088,681	24,745,050	-	24,745,050

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STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2016	Stated Capital	Reserves								Non Controlling Interests	Total
		Statutory Reserve Fund	General Reserve	Revaluation Reserve	Share Based Payment Reserves	Available For Sale Reserves	Cash Flow Hedge Reserve	Retained Earnings	Total		Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
GROUP											
Balance as at 1 January 2016	1,162,963	1,242,772	5,805,707	948,795	81,098	(139,559)	110,160	19,170,268	28,382,204	1,018,513	29,400,717
Total Comprehensive Income for the year											
Profit for the year	-	-	-	-	-	-	-	2,691,014	2,691,014	123,945	2,814,959
Other Comprehensive Income before Tax	-	-	-	21,000	-	(436,305)	(54,012)	(74,425)	(543,742)	2,432	(541,310)
Tax on Other Comprehensive Income	-	-	-	-	-	33,277	-	11,529	44,806	-	44,806
Total Comprehensive Income for the year				21,000		(403,028)	(54,012)	2,628,118	2,192,078	126,377	2,318,455
Transactions with equity holders											
Issue of shares	2,958	-	-	-	-	-	-	-	2,958	-	2,958
`	-	-	-	-	-	-	-		-	(17,976)	(17,976)
Transfer from share based payment reserves	749	-	-	-	(749)	-	-	-	-	-	-
Transfer to statutory reserve fund	-	3,707	-	-	-	-	-	(3,707)	-	-	-
Adjustment to share based payment reserves	79,809	-	-	-	(66,508)	-	-	-	13,301	-	13,301
Dividend to equity holders	-	-	-	-	-	-	-	(653,954)	(653,954)	(50,205)	(704,159)
Balance as at 31 December 2016	1,246,479	1,246,479	5,805,707	969,795	13,841	(542,587)	56,148	21,140,725	29,936,587	1,076,709	31,013,296

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STATEMENT OF CASH FLOW

	BANK	GROUP
For the year ended 31 December	2016 LKR '000	2016 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	26,492,391	26,770,059
Fee based income received	2,253,226	3,273,243
Dividend income received	481,457	81,208
Other Operating income received	1,370,942	1,377,172
Interest paid	(19,700,090)	(19,705,603)
Personnel costs paid	(3,387,278)	(3,488,904)
Other expenses paid	(2,574,442)	(3,121,736)
Operating Profit before changes in operating assets and liabilities	**4,936,206**	**5,185,439**
Net increase in loans and receivables to other customers	(17,564,396)	(17,568,625)
Net Increase in deposits from customers	18,271,867	18,271,867
Net (increase)/decrease in other assets	130,036	174,537
Net increase/(decrease) in other liabilities	(297,687)	(319,036)
Net cash inflow/(outflow) from operating activities before taxation	**5,476,025**	**5,744,182**
Tax on Financial Services paid	(985,188)	(985,188)
Income taxes paid	(643,843)	(732,167)
Super Gain Tax Paid by the Bank /Group	-	-
Super Gain Tax Paid by non controlling interests	-	-
Net cash provided by/(used in) operating activities	**3,846,994**	**4,026,827**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net changes in financial Investments	(6,741,637)	(6,740,813)
Disposal of subsidiaries/associates	-	-
Expenditure on property, plant & equipment	(612,468)	(654,471)
Proceeds from sale of property, plant & equipment	10,556	11,759
Net cash used in investing activities	**(7,343,549)**	**(7,383,525)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	2,958	2,958
Net Proceeds from issue of subordinated debts	-	-
Interest paid on subordinated debts	(2,032,761)	(2,032,761)
(Decrease)/ Increase in other borrowings	6,363,234	6,363,234
Dividends paid to non-controlling interests	-	(45,977)
Dividends paid to shareholders of the Bank	(664,029)	(664,029)
Net cash provided by /(used in) financing activities	**3,669,402**	**3,623,425**
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,848	266,727
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	19,958,129	19,985,201
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**20,130,977**	**20,251,928**
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	5,018,438	5,139,389
Balances with the Central Bank of Sri Lanka	11,815,277	11,815,277
Placements with banks	3,297,262	3,297,262
	20,130,977	**20,251,928**
Amount due to foreign Banks	-	-
	20,130,977	**20,251,928**

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