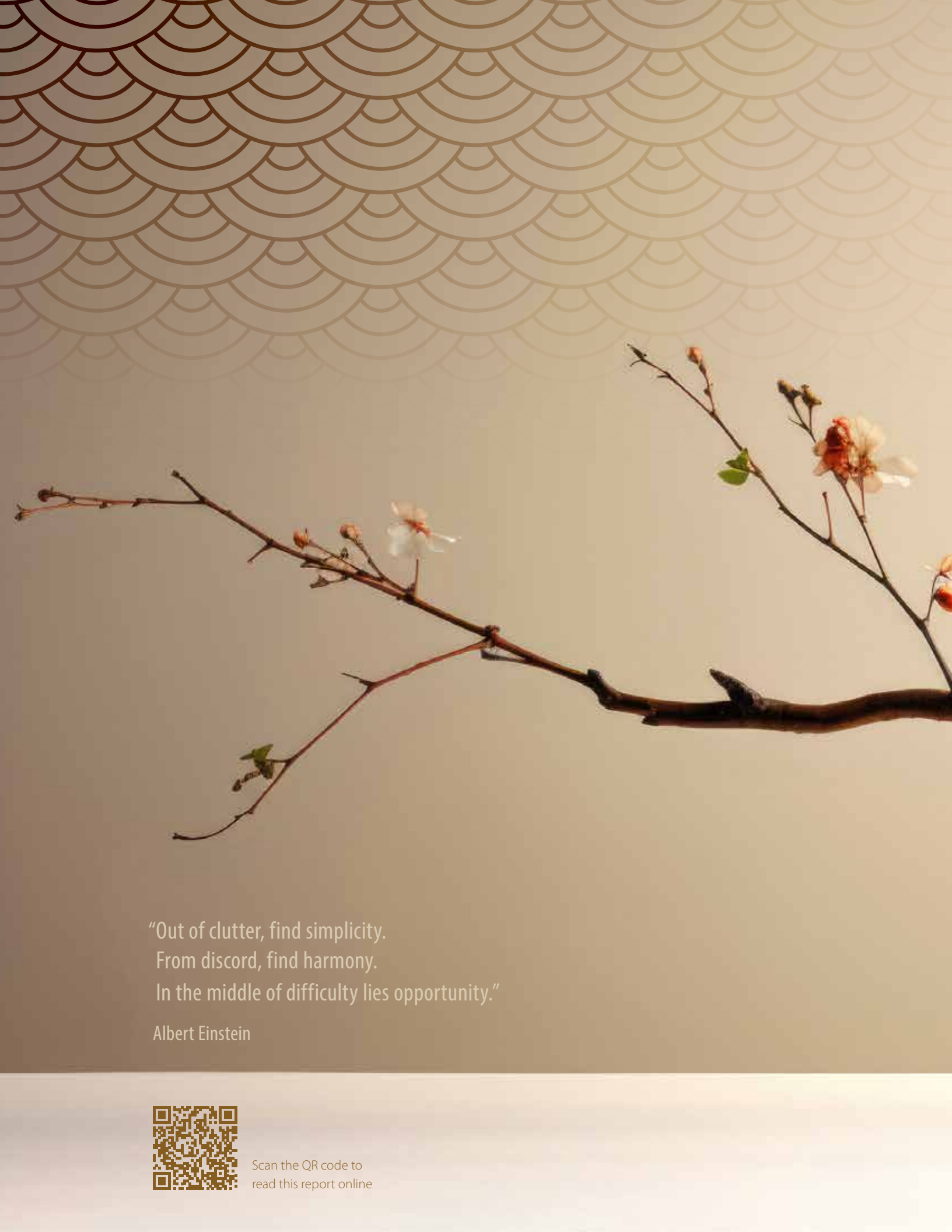


The Power to Simplify



National Development Bank PLC
Annual Report 2023



"Out of clutter, find simplicity.
From discord, find harmony.
In the middle of difficulty lies opportunity."

Albert Einstein



Scan the QR code to
read this report online



The Power to Simplify

In times of complexity, it's only natural to seek life, simplified.

At NDB, we understand what our stakeholders need - and that's why, amidst the clutter and chaos of today, we continuously strive towards simplifying every aspect of their lives by empowering their futures and integrating convenience and accessibility into their world.

Over the years, we have honed and crafted our skills and capabilities to nurture a space for prosperity even through adversity. The year under review was no exception, and this report outlines how we were uniquely positioned to offer our stakeholders a sense of tranquility and peace of mind in the midst of uncertainty and change.

Today, we extend the assurance of simplified, sustainable growth across the vast network of people and partners that fall within our sphere of impact - offering them the freedom to explore new possibilities and map out the next stage in their journey of success.

NDB. Discover the Power to Simplify.

Ikebana is a centuries-old Japanese tradition that demonstrates the value of simplicity, balance and respect for nature. It loosely translates to "making flowers come alive", representing an innate need to seek positivity, harmony, and growth in the midst of imperfection.

The Power to Simplify...



Systems...

NDB utilises the latest version of the core banking platform, which has powered the Bank's potential for greater digitalisation of its processes and swifter services to customers.

The significance lies in the Bank's ability to generate considerable efficiencies across the organisation and drive marked improvements in decision-making capabilities.



Processes...

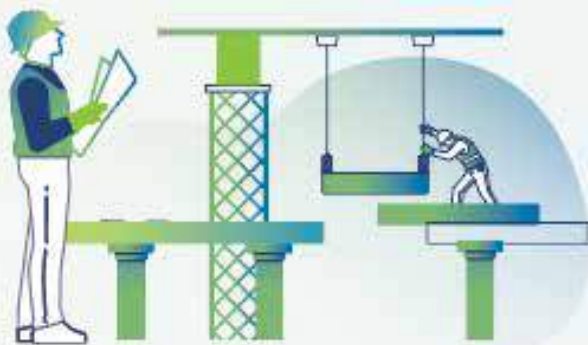
The Bank continues to deploy Robotic Process Automation (RPA) and workflow solutions. At present, approximately 90 mundane and resource-intensive internal processes have been automated, translating into faster turnaround times for customers, while saving time for relationship managers to invest in deeper, meaningful customer relationships.



Transactions...

Swiftly open a NDB account from anywhere in the world via NDB NEOS powered by virtual KYC. This convenient, secure solution reduces the environmental footprint owing to less emissions.





...Financing

NDB has served as a pioneering lead syndicate facility arranger for large projects, thereby simplifying the sourcing of funds among customers. The Bank has extended its facilitation beyond immediate customers in order to serve their customers.



...Businesses

NEOSBIZ for SMEs is the first of its kind in Sri Lanka and offers a range of features originally considered unattainable on a digital platform. The convenience and accessibility of the mobile app eliminates the need for fixed infrastructure, thereby saving costs and valuable time that can be channelled into business development.

...Lives

- ⊙ NDB has integrated some distinct product features/ propositions that offer customers simplicity and convenience; In 2023, 40% of total leasing facilities were approved within 1 day
- ⊙ Credit card installment payment plans are in effect, so purchasing is simplified
- ⊙ Integrated e-statements for a customer's total portfolio with the Bank, thereby replacing multiple paper statements with convenience
- ⊙ Customers can deposit money into the cash recycle machines without the debit card in hand
- ⊙ Customers can obtain a debit card instantly over the counter from any branch of the Bank, regardless of the location at which the account was opened



A top-down photograph of floral arrangement supplies on a grey surface. A bouquet of yellow Eustoma flowers with green leaves is the central focus. To the bottom left is a pair of black-handled scissors with two small green stems nearby. To the top right is a round black container filled with wooden skewers. The word "CONTENTS" is overlaid in white, bold, sans-serif font with a right-pointing chevron icon.

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Our Approach to Reporting

Our Evolution in Reporting Towards Simplicity and Clarity

Having embarked on a journey of integrated thinking and reporting as far back as in 2013, National Development Bank PLC continues to be a pioneer in corporate reporting, continuously aligning its reporting practices to emerging global developments in corporate reporting to improve the relevance, readability and credibility of information. Whilst bringing significant benefits in terms of better resource allocation, greater accountability and enhanced shareholder relations, our commitment to reporting excellence also continues to be recognised both locally and internationally as evidenced from the numerous awards and accolades we have received over the years.

Our reporting journey thus far has been marked by significant improvements introduced year-on-year as depicted here. In an ever-evolving operating context with increasing complexities, we have also been committed to making our banking solutions simpler, which in turn is strongly replicated in our reporting and disclosures. Such simplicity in our reporting has enabled the numerous stakeholders to connect with our Report, and thereby connect with us more seamlessly.

Made initial steps toward possible early adoption of IFRS S1 and IFRS S2

Adoption of SASB Standards - Industry Standard for Investment Banking & Brokerage

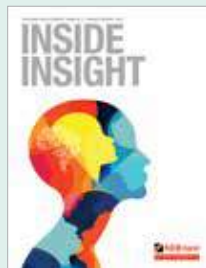


Awards/ assessments to be held during 2024

Obtained external assurance on Integrated Reporting

Adoption of SASB Standards - Industry Standard for Commercial Banks

Initial steps towards aligning with the Task Force on Climate Related Financial Disclosures (TCFD)



CA Sri Lanka - TAGS Awards 2022 - Gold award winner - Private Banks sector

CMA Excellence in Integrated Reporting Awards 2022 - Best Integrated Report - Banking Sector

CMA Excellence in Integrated Reporting Awards 2020

Winner - Ten Best Integrated Reports

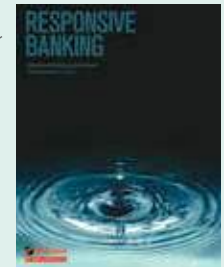
Best Integrated Report - Banking Sector

Reporting evolution

External recognition - Highlights

Adoption of the new GRI Standards (2021)

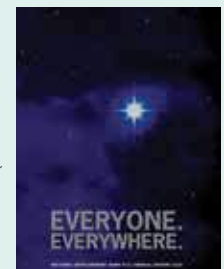
Strengthened disclosures on Way Forward given external turbulences



CA Sri Lanka - TAGS Awards 2023 - Silver award winner - Private Banks sector

Adoption of new GRI Standard: GRI 207 Tax

Dedicated chapter on Digital Capital

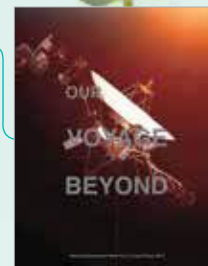


SAFA Best Presented Annual Report Awards - Joint Winner - Integrated Reporting

CA Sri Lanka - 56th Annual Report Awards - Gold Award - Integrated Reporting: Best Disclosure on Capital Management

Adoption of Gender Parity Reporting Framework of CA Sri Lanka

Inclusion of Quantitative Disclosures on stakeholder value creation



ABOUT OUR 2023 INTEGRATED ANNUAL REPORT

The Power to Simplify is our eleventh Integrated Annual Report, and presents a fair and comprehensive account of our performance, progress made towards the strategic priorities and connectivity with stakeholders. 2023 was a year of recovery of the Sri Lankan economy with many of the economic indicators improving post the economic crisis of 2022. This Report, among other things focuses on the impactful role played by us, in supporting this revival whilst delivering value to all our stakeholders. Salient features of the Report are as follows. There is no material restatement of information published in last year's report.



Reporting Boundaries

The Report covers the operations of National Development Bank PLC ("NDB" or "the Bank") and its group companies (collectively referred to as "the Group"). The financial information presented in this Report represents consolidated information unless otherwise stated. The non-financial information relates mostly to the Bank as it accounts for 99% of the Group's assets and revenue.



Reporting Period

The Group adopts an annual reporting cycle for both its financial and sustainability reporting and this Report builds on our previous Annual Report for the financial year ended 31 December 2022. The Report covers the period from 01 January to 31 December 2023 and includes material information up to the date of Board approval on 20 February 2024.



Assurance

We adopt a combined assurance model in ensuring the integrity and accuracy of our reporting, which includes assurance from our management, internal audit and external auditors. Messrs. Ernst & Young provided external assurance on our consolidated financial statements and provided a limited assurance on our Integrated Reporting practices and GRI Reporting.

IMPROVEMENTS TO OUR 2023 REPORT

The seven Guiding Principles of the International <IR> Framework of the Value Reporting Foundation underpin the preparation and presentation of our integrated report, informing the content of the report and how information is presented. We strive to improve on each of these principles each year and introduced the following improvements in this year's Report.

Enhanced Reporting

Strategic focus and future orientation

- Inclusion of a dedicated section "Prepared for the Road Ahead"
- Forward looking statements found across the Report are cross-referenced with for ease of reference

Connectivity of information

- Use of navigation icons across the Report to demonstrate inter-connectivity between Strategy and Outcomes

Materiality

- Linking of material matters to relevant GRI and SASB indicator

Conciseness

- Improved conciseness with a greater focus on materiality

Reliability and completeness

- Initial steps towards aligning with IFRS S1 and S2 sustainability related financial disclosures

REPORT NAVIGATION GUIDE

In keeping with the principle of connectivity of information, we have used the following navigation icons across the report to highlight the interconnectivity of our value creation process.

Capitals

Financial Capital

FC



Digital Capital

DC



Manufactured Capital

MC



Human Capital

HC



Intellectual Capital

IC



Social and Relationship Capital

SC



Natural Capital

NC



Strategic Priorities

Customer Solutions



Business Focus



Digital & Data as Transformers



Organisational Realignment



Empowered Staff



Further References

Outlook and Way Forward



Page Reference



REPORTING GUIDELINES

Our reporting is fully compliant with all applicable regulations. We also endeavour to enhance same with the adoption of voluntary best practice reporting frameworks. Credibility is established through both internal and external assurances. The full set of reporting guidelines adopted in the preparation of this Report is as set out below.

Reporting Frameworks and Guidelines

Strategic focus and future orientation

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Directions issued by the Central Bank of Sri Lanka on SLFRS 9
- Relevant directions/ circulars issued on reporting formats by the Central Bank of Sri Lanka
- Companies Act No. 7 of 2007 (as amended)
- Listing Rules of Colombo Stock Exchange

Internal Assurance

- The Bank's Internal Audit function
- Robust framework of internal controls
- Reporting to the Board Audit Committee and Board of Directors

External Assurance

- Independent Auditors' Report by Messrs. Ernst and Young

Corporate Governance

Regulatory

- Banking Act Direction No. 11 of 2007 (as amended)
- Listing Rules Requirements of the Colombo Stock Exchange, including the new Corporate Governance Rules issued in 2023

Voluntary

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (2023)

Internal Assurance

- Robust governance frameworks in full alignment with regulatory requirements

External Assurance

- Factual Finding Report submitted by Messrs. Ernst and Young in relation to compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended)

Integrated report

Voluntary

- Integrated Reporting Framework of the Value Reporting Foundation
- "Guidelines for Presentation of Annual Reports" issued by the Institute of Chartered Accountants of Sri Lanka
- Non-Financial Reporting Guideline issued by the Institute of Chartered Accountants of Sri Lanka
- Global Reporting Initiative (GRI) Standards - 2023
- Sustainability Accounting Standards Board (SASB) Standards
- Gender Parity Reporting Framework of the Institute of Chartered Accountants of Sri Lanka
- Sustainable Development Goals (SDGs)
- Guide on communicating sustainability issued by the Colombo Stock Exchange

Internal Assurance

- Reporting to the Board Integrated Risk Management Committee and Board of Directors and related reviews
- Assessment of non-financial information by the Corporate Sustainability function
- Environmental and Social Management System (ESMS)

External Assurance

- Independent Assurance on Integrated Reporting by Messrs. Ernst and Young
- Independent Assurance on GRI Reporting by Messrs. Ernst and Young

FEEDBACK

We welcome your suggestions and comments on further improving the readability and relevance of our Report. Kindly direct your feedback to Vice President - Company Secretary and/or Vice President - Finance (page 404).

FORWARD LOOKING STATEMENTS

Our Report includes forward-looking statements, which discuss the Group's future orientation including strategic aspirations, opportunities, risks and potential impacts on the business model, performance and financial stability. Forward looking statements are referenced with the icon for ease of reference. Forward looking statements are presented throughout the report, particularly in the following sections;

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Forward-looking statements and forecasts pertaining to the Group's financial performance, position and operations involve an element of uncertainty given exposure to external conditions; this could lead to actual results differing from the stated projections. These forward-looking statements have not been reviewed by the Group's auditor.

BOARD RESPONSIBILITY STATEMENT

NDB's Board of Directors is ultimately responsible for ensuring the integrity of this Report. We hereby confirm that the 2023 Report addresses all relevant material matters and fairly represents the Group's integrated performance. The Board also confirms that the Report has been prepared in accordance with the requirements of the <IR> Framework. The Report is approved and authorised for publication.

Signed on behalf of the Board,



Ms. Shehani Ranasinghe
Company Secretary
20 February 2024

Awards and Recognition



The Perfect Standard

Our accolades span wide-ranging achievements related to digitisation, service excellence, a rewarding and engaging workplace, corporate social responsibility and corporate reporting to name a few, thereby affirming the organisation's positive impact across its diverse stakeholder groups. This is reflected in the NDB Group collectively winning over 90 awards during 2023.

We are proud to announce that NDB was decorated as the Most Awarded Corporate in Sri Lanka 2022 by LMD for the second consecutive year – a clear indicator of the Bank's commitment to continuous improvement, and its holistic approach towards achieving excellence in every sphere.



Refer pages 296-297 for full list of awards.

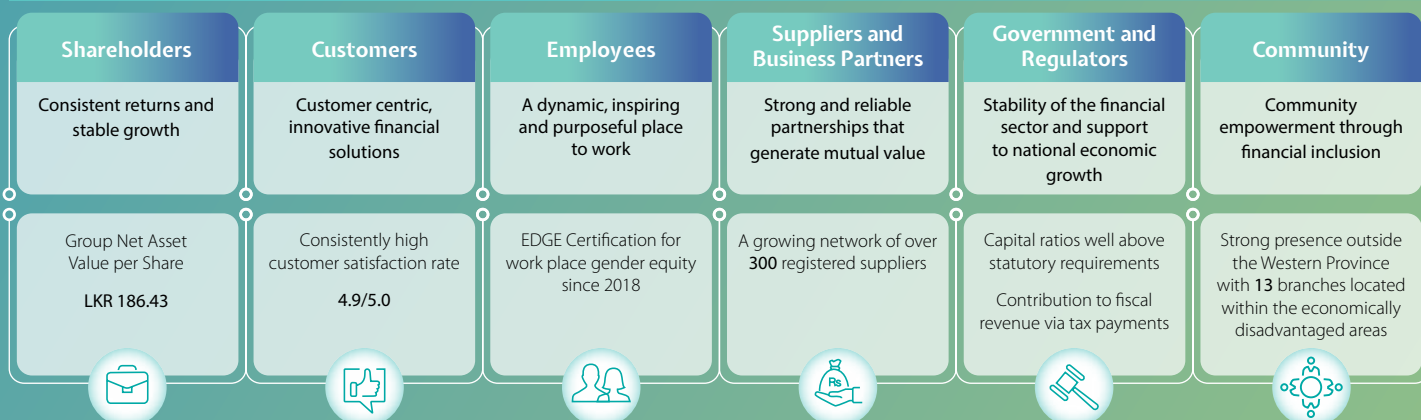
About Us

NDB, The Future is Banking on Us

Established in 1979 as one of the two pioneering development banks in the country, NDB has over the years gradually expanded its value proposition and is today a leading listed commercial bank in Sri Lanka. NDB together with its subsidiaries engaged in capital market services collectively offer the entire gamut of integrated financial solutions to retail, SME and corporate customers across the island. The Bank's journey of growth has been underpinned by an ambitious strategy revolving around customer centricity, digitalisation, diversification and operational excellence that continues to create sustainable value to all its multiple stakeholders.



Our Value Proposition



There were no significant changes made to the operations of the Bank during the year.

A unique financial services power house

The NDB Group is iconic for the one-stop financial services destination it offers through the Bank and the collective of subsidiary companies. Whilst the Bank offers full-spectrum universal banking, the full suite of capital market services are offered by the capital market cluster group companies as follows.

Group Company	Relationship with NDB	Company Profile	Industry Standing
NDB Capital Holdings Limited	Subsidiary with 99.9% shareholding	Full service investment banking group	Leader in the regional capital markets
NDB Investment Bank Limited	Subsidiary with 99.9% shareholding	A Corporate Finance Advisor licensed by Securities and Exchange Commission of Sri Lanka	Provide services in debt and equity structuring and distribution, M&A and corporate advisory. The only Financial Institution in Sri Lanka to win the prestigious Euromoney Award for 12 consecutive years as "Sri Lanka's Best Investment Bank"
NDB Wealth Management Limited	Subsidiary with 99.9% shareholding	Wealth Management solutions provider, offering new and innovative investment options to investors	Sri Lanka's largest private sector fund management company with Assets under Management exceeding LKR 300 Bn
NDB Securities (Pvt) Limited	Subsidiary with 99.9% shareholding	A leading stock-broker	Commands a healthy market share with a sticky retail following
NDB Capital Limited (Bangladesh)	Subsidiary with direct holding of 41.8% and indirect holding of 42.4% through NDB Investment Bank Limited	Full-fledged merchant bank	One of the leading investment banks in Bangladesh
NDB ZEPHYR PARTNERS Limited (Mauritius)	Subsidiary with 60.0% shareholding	NDB Zephyr Partners Limited (Mauritius) is a leading Private Equity Fund Manager in Sri Lanka	Manages a pioneering private equity fund dedicated to investing in small and mid-sized businesses seeking expansion capital in Sri Lanka. The Emerald Sri Lanka Fund investors consists of leading global DFIs including IFC, DEG and FMO

Additionally, the Group comprises a property management arm

DHPL	Development Holdings (Pvt) Limited	Subsidiary with 58.7% shareholding	Property management	State of the art high rise corporate premises with modern facilities in the heart of Colombo

Our Stands

As a leading financial institution in the country, we are conscious of the significant impact we can have on the future trajectory of our economy. We are therefore taking a stand on several key opportunities we think matter the most and taking tangible action to capitalise on them thereby propel growth and prosperity.



Powering SMEs and exports

SMEs and exporters have long been a beneficiary of NDB's patronage. As the country emerges from a deep economic crisis including a foreign exchange crisis, the significance in driving innovative, competitive and value added exports have been more pronounced than ever. We are committed to delivering curated support to our SME clients including exporters harnessing multiple strengths that the Bank enjoys over decades in this sphere such as close ties with international lending agencies for concessionary rated funds, collaborations with state and private sector experts for knowledge and technical-know-how sharing and opening up market opportunities.



Digital Drive

As the country gradually aligns towards a cashless society, we are driving digitisation of the banking sector with ground-breaking innovations. NDB's NEOS digital banking platform offers convenient, secure and speedy transaction platforms to individuals, SMEs and corporates alike. We are progressively shifting more transactions facilitated to digital modes and continue to make investments for a better customer experience.



Women Empowerment

Women empowerment is a strategic imperative for sustainable development with far reaching positive impact on not just women but families, wider communities, and societies as a whole. At NDB, Banking on Women, the dedicated pillar of the Bank's strategy is translated in to impactful support to women via the proposition NDB Araliya and flagship initiative Sri Lanka Vanithabhimana. We are committed to driving women empowerment by offering these financial products and services together with advisory that cater to the specific needs of women, identified in three distinct categories of home makers, salaried women and entrepreneurs.



Green Economy

Sri Lanka, like many other countries, is vulnerable to the impacts of climate change, with significant implications on its economy. As a leading lender to the nation, we are strongly committed to the country's efforts to transition to a greener economy by expanding our sustainable finance portfolio and integrating sustainability into all aspects of our operations. We also have a strong Environment and Social Management System in place in ensuring all our financing is channelled to responsible ventures. Furthermore the Bank is exploring new avenues such as green bonds, etc. to support expedite the national drive towards a greener economy.



Financial Inclusivity

Financial inclusivity is a key driver of economic development, income equality, and overall well-being of individuals and communities. We strive to create greater financial inclusivity by improving access to finance among underserved segments and promoting widespread financial literacy. Our digital banking platform NDB NEOS and numerous financial literacy programmes for target groups across multiple strata in the society help drive financial inclusivity.

Performance Highlights

For the year ended 31 December	BANK			GROUP		
	2023	2022	Change %	2023	2022	Change %
Results for the Year (LKR Mn)						
Gross income	132,326	109,902	20	134,473	111,552	21
Operating profit before tax on financial services	10,096	2,036	396	10,904	2,672	308
Taxation	4,725	(873)	641	5,046	(404)	1,349
Profit for the year	5,370	2,909	85	5,858	3,076	90
Profit attributable to equity holders of the parent	5,370	2,909	85	5,759	3,009	91
Gross dividends for the year *	-	950	-	-	950	-
Assets and Liabilities (LKR Mn)						
Deposits for customers	615,644	672,314	(8)	615,232	671,713	(8)
Gross loans and receivables	496,068	579,561	(14)	496,148	579,608	(14)
Total assets	779,899	832,772	(6)	786,959	839,198	(6)
Total equity (stated capital and reserves)	70,148	63,536	10	74,471	67,505	10
Profitability (%)						
Net interest margin	3.96	4.00	(1)	3.98	4.02	(1)
Return on assets (before taxes)	1.25	0.26	382	1.34	0.34	294
Return on equity	8.03	4.75	69	8.11	4.62	76
Cost to income ratio	30.41	26.65	14	32.01	28.12	14
Asset Quality (%)						
Impaired loans (stage 3) ratio	8.58	6.24	38	8.58	6.24	38
Impairment (stage 3) to stage 3 loans ratio	41.11	37.44	10	41.11	37.44	10
Impairment allowance as a % of gross loans and receivables	8.75	5.81	51	8.75	5.81	51
Investor Information (LKR)						
Net asset value per share	175.60	167.16	5	186.43	177.60	5
Market value per share - as at 31 December	64.90	32.00	103	N/A	N/A	-
Earnings per share - basic/diluted	13.44	7.28	85	14.42	7.53	91
Price earnings (times)	4.83	4.40	10	N/A	N/A	-
Dividend per share *	-	2.50	-	N/A	N/A	-
Dividend cover (times) *	-	2.91	-	N/A	N/A	-
Dividend yield (%) *	-	7.81	-	N/A	N/A	-
Market capitalisation (LKR Mn)	25,925	12,163	113	N/A	N/A	-
Total leverage (times)	11.12	13.11	(15)	10.37	12.18	(15)
Regulatory ratios (%)						
Statutory liquid assets ratio:						
Statutory Liquid Assets Ratio - Bank (Minimum Requirement - 20%)	39.02	27.24	43	N/A	N/A	-
Capital Adequacy Ratios (under Basel III Standards):						
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	11.67	9.34	25	12.22	9.87	24
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	11.67	9.34	25	12.22	9.87	24
Total Capital Ratio (Minimum Requirement - 12.5%)	15.90	13.35	19	16.35	13.81	18
Leverage ratio (Minimum requirement - 3%)	6.74	5.56	21	7.15	5.94	20
Liquidity Ratios (under Basel III Liquidity Standards):						
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 100% (2022 - 90%))	309.61	297.08	4	N/A	N/A	-
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 100% (2022 - 90%))	228.58	232.68	(2)	N/A	N/A	-
Net Stable Funding Ratio (%) (Minimum Requirement - 100% (2022 - 90%))	142.26	130.87	9	N/A	N/A	-

* The Board of Directors will consider a declaration of dividends for the year 2023 in due course. Therefore, the Dividend Cover and Dividend Yield for the year 2023 are not disclosed.

FINANCIAL GOALS AND ACHIEVEMENTS	GOALS	ACHIEVEMENTS				
		2023	2022	2021	2020	2019
Financial Indicators - Bank						
Return on assets (before taxes) (%)	Over 1.5%	1.25	0.26	1.55	1.59	2.01
Return on equity (%)	Over 12%	8.03	4.75	12.27	13.13	13.73
Growth in total operating income (%)	Over 15%	5.11	37.75	22.06	7.43	9.71
Cost to income ratio (%)	Below 40%	30.41	26.65	33.65	37.00	39.90
Growth in profit after tax (%)	Over 10%	84.61	(54.28)	15.04	8.19	(7.87)
Growth in total assets (%)	Below 15%	(6.35)	18.14	12.13	18.36	11.99
Capital Adequacy Ratios - Bank						
Common Equity Tier 1 Capital Ratio - (Minimum requirement - 7.0% in 2023)	Over 9%	11.67	9.34	10.01	9.17	9.18
Total Tier 1 Capital Ratio - (Minimum requirement - 8.5% in 2023)	Over 9%	11.67	9.34	10.01	9.17	9.18
Total Capital Ratio - (Minimum requirement - 12.5% in 2023)	Over 13%	15.90	13.35	15.42	14.32	13.43

Value Creation Highlights



Human Capital

2,756

Total employees

LKR 6.6 Bn

Expenses to employees

78 %

Employee retention rate

24 %

Female representation –
Senior Management

623 No.

New recruits

LKR 39.3 Mn

Investment in training

55.4

Average training
hours/employee
Hours



Digital Capital

23 %

Increase in
digital platform

12 %

Increase in NEOS based
transaction value

LKR 3.4 Bn

Value of
Computer Software



Manufactured Capital

113

Branches

10

Leasing Centres

LKR 3.1 Bn

Property, Plant and
Equipment



Social and Relationship Capital

4.9/ 5.0

Customer Satisfaction Rate

>570,000

Total followers in social media platforms

>2,700

Applicants in Sri Lanka
Vanithabhimana 3rd Edition



Natural Capital

27,643 kg

Paper Consumption

40,457 m³

Water consumption

5,879 MWh

Energy consumption

5,510 tCO₂e

Carbon footprint



Intellectual Capital

LKR 9.2 Bn

Brand Equity

6.17 Years

Average length of employee service

>90

No. of Awards and Accolades
received during the year (Group)



Annual Report of the Board of Directors on the Affairs of the National Development Bank PLC

A YEAR OF RECOVERY AND RESILIENCE

Following continuous external shocks and complexities of many years, Sri Lanka demonstrated its characteristic resilience and embarked on a road to recovery in 2023. Coordinated and well-timed policy decisions throughout the year translated to tangible improvement in the economy as indicated in key macro-economic indicators such as inflation, market interest rates, gross official reserves and exchange rate. The banking sector was better positioned in 2023 compared to the prior year, yet grappled with steep challenges such as deteriorating asset quality, pressure on margins and subdued loan growth due to less than optimum economic activity in the country.

The Board closely monitored these emerging economic developments paying attention to potential implications on financial performance, stability and stakeholder value creation. Together with such Board oversight, NDB navigated the challenges through the year with its usual agility and recalibrated its strategy to ensure efficient pursuit of its goals. The freshly revised mid-term strategy which was launched in the second half of 2023 focuses on certain critical performance aspects such as improving net interest margins, enhancing asset quality and driving transaction banking among others whilst customer-centricity remained as the overarching focus. A detailed discussion on how the Bank's mid-term strategy drove business resilience through the year is found on pages 43 to 46.

Resultantly, the Bank and the Group have been able to post a notable financial performance as reflected in a 308% increase in pre-tax profitability to LKR 10.9 Bn at the Group level and resultant enhancement in a number of financial KPIs. The Bank drove much effort in enhancing stakeholder value creation, whilst being empathetic to their unique needs and challenges in the evolving operating context. Environment, Social and Governance (ESG) aspects also remained deeply integrated in all our actions, ably guided by the Bank's robust policies and frameworks and swiftly operationalised through well-established procedures and knowledgeable staff. The Management Discussion and Analysis available through pages 54 to 101 provides a full account of how the Bank delivered a balanced performance marking a sound equilibrium across all aspects.

ELEVENTH INTEGRATED ANNUAL REPORT – THE POWER TO SIMPLIFY

The Board of Directors are pleased to present to you, the Annual Report 2023 themed The Power to Simplify, comprising the Audited Financial Statements and Integrated Report for the financial year ended 31 December 2023. The former conforms to the requirements of the Companies Act No. 07 of 2007 (as amended), Banking Act No. 30 of 1988 (as amended) and the Directions issued thereunder, the Listing Rules of the Colombo Stock Exchange (CSE) (as amended), other applicable laws and regulations and recommended good governance disclosures as ascertained by the Bank. The same also discharges the obligation of the Board of Directors, as specified in the Companies Act regarding preparing the Financial Statements of the Group and the Bank, which reflect a true and fair view of the financial position and performance of the Group and the Bank.

The 2023 Annual Report marks the eleventh year of our continually enhancing integrated reporting journey. We made foray into integrated reporting in 2013, by adopting the International <IR> Framework issued by the International Integrated Reporting Council (IIRC), now known as the Value Reporting Foundation in our non-financial reporting. This year too, in affirming the credibility of our integrated reporting, we obtained the independent assurance on same and the assurance report by Messrs. Ernst & Young is available on page 105. This year's Report builds on the theme "The Power to Simplify" and focuses on how the Bank's various digitalisation and automation efforts, together with customer-centric solutions have simplified banking for our customers across various segments. The Board of Directors' acknowledgement of its ultimate responsibility towards ensuring the integrity of the Integrated Report and its affirmation that the said Report is a fair presentation of the NDB Group's integrated performance is set out on page 8. The Bank has made every effort to preserve the essence of the <IR> Framework, thereby present clear, concise and relevant information, and also simplified presentations for easy comprehension of diverse stakeholders who refer the Report. Materiality through a double-lens approach, of "impact on the organisation" and "impact on the Bank" has enabled us to present the information with greater clarity

and relevance. Stakeholder mapping, adoption of seven Capitals as a structure for our Management Discussion and Analysis, etc. have all contributed towards a sharper presentation of our Report, whilst enhancing comparability across prior years, and also across peers.

APPROVAL AND SUBMISSION OF THE REPORT TO RELEVANT STAKEHOLDERS

The Report was approved by the Board of Directors on 20 February 2024. The requisite number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines, together with a soft copy uploaded to the Bank's corporate website <https://www.ndbbank.com> consequent to the release of same to the CSE. In complying with good governance practices, the Annual Report is released as soon as possible after the end of the financial year and completion of the audit. In compliance with the CSE Listing Rules, the Annual Report will be distributed by way of a link shared with all shareholders and debenture holders – directing them to the soft copy of the Annual Report hosted on the aforementioned link, as well as in the form of a printed report as and when required.

WAY FORWARD

The Bank is well cognisant of the gradually improving economic performance of the country, which nevertheless will continue to pose certain challenges in the near term. Pressure on loan repayments and net interest margins and anticipated outcome of the restructuring of international sovereign bonds of the Government of Sri Lanka are some factors that will be decisive for the banking sector. The Board and the Management derive guidance from the mid-term strategy that was launched, which focuses on specific, short and medium term target oriented strategic initiatives. Enhancing shareholder returns and integrating the interests of all other key stakeholders, thereby driving sustainable value created for them remain our key priority for 2024 and beyond. As the country pursues an accelerated and ambitious recovery and growth agenda, NDB remains deeply committed to deploying its expertise in supporting such national economic revival agenda, particularly in the areas of SMEs, exporters, women's market segment and renewable energy generation.

STATEMENT OF EXTENT OF COMPLIANCE WITH APPLICABLE STATUTES AND GOOD GOVERNANCE DISCLOSURES

For a full account on the extent of compliance with the requirements of Section 168 of the Companies Act No. 07 of 2007 and amendments thereto, please refer pages 128 to 129. For disclosures on Listing Rules, other laws, rules and regulations and good governance standards adopted by the Board, please refer pages 110 to 138, which shall all be considered as part and parcel of this Annual Report.

Noting that the Board of Directors carries out several of its duties and responsibilities through its Board subcommittees, please refer pages 139 to 155 for the activities carried out in 2023 inter alia to ensure compliance with applicable laws, rules and regulations.

Directors, being aware of the need to be updated and apprised of applicable laws, rules and regulations and changes taking place, ensure that processes are in place to facilitate awareness and ensure compliance.

NINETEENTH (19TH) ANNUAL GENERAL MEETING

Accordingly the nineteenth (19th) Annual General Meeting of the Bank will be held at the DHPL Training Room, 3rd Floor, NDB – EDB Tower, No 42, Nawam Mawatha, Colombo 2 on a date and time to be decided by the Board of Directors and convened, which will be reflected in the Notice of Meeting sent to the shareholders. The Notice of Meeting is reflected on page 403 in accordance with a resolution adopted by the Directors. As required in terms of Section 168 (k) of the Companies Act No. 7 of 2007, the Board of Directors does hereby acknowledge the contents of the Annual Report.

Signed in accordance with a resolution adopted by the Directors.



Mr. Sriyan Cooray
Chair, Board of Directors



Mr. Kelum Edirisinghe
Director/Chief Executive Officer



Mr. Bernard Sinniah
Director



Mr. Sujeewa Mudalige
Director



Mr. Kushan D'Alwis, PC
Director



Ms. (Fay) Piyachat Chetnakarnkul
Director



Ms. Chandima Dilrukshi
Director



Ms. Kasturi Chellaraja
Director



Ms. Shweta Pandey
Director



Mr. Hasitha Premaratne
Director



Ms. Shehani Ranasinghe
Company Secretary

20 February 2024
Colombo

Reflections from the Chair, Board of Directors



Sriyan Cooray
Chair, Board of Directors

During the year we strengthened our relationships with our customers, employees and community, by stepping up our engagement efforts to truly understand their requirements and offer tailor-made support to assist them recover from the crisis. The Remedial Management Unit established during the height of the crisis continues to play an important role in identifying customers with potential repayment pressures across business segments and offering customised financial and advisory support. Meanwhile we continued to leverage technology to enhance the level of customer service across all our customer touch points.

Dear Stakeholders,

In a year characterised by uncertainty and volatility, NDB Group continued to demonstrate resilience and strategic agility; proactively adapting its focus not only to safeguard its financial stability but also to deliver consistent value to its stakeholders. Overcoming significant challenges during the year, the Group recorded an impressive pre-tax profit of LKR 10.9 Bn, a noteworthy achievement in a challenging operating environment. It is therefore my pleasure and honour to present herewith our Integrated Annual Report and Financial Statements for the year ended 31 December 2023.

An Economy on the Mend

Sri Lanka's economy displayed tentative signs of recovery in 2023 with the economic reforms programme implemented by the Sri Lankan authorities yielding notable positive developments particularly towards the latter part of the year. GDP recorded a positive growth in the third and fourth quarters of 2023, after six consecutive quarters of negative growth. Domestic inflation declined significantly reaching single digits in July 2023 after historically high levels that prevailed in 2022. Foreign exchange liquidity pressures eased on the back of the approval of the International Monetary Fund's Extended Fund Facility (IMF-EFF) in March

2023, a continuation of import restrictions and increased inflows through export proceeds, workers' remittances and tourist earnings. The gradual easing of liquidity conditions supported the appreciation of the Sri Lankan Rupee and a stabilisation of the exchange rate following significant volatility in 2022.

The successful finalisation of the Domestic Debt Optimisation (DDO) in July 2023 was an important milestone achieved during the year. The dissipation of uncertainties surrounding the DDO helped to reduce the risk premia attached to interest rates. This together with easing of policy rates by the Central Bank of Sri Lanka (CBSL) since early June 2023 resulted in prime lending rates declining by over 15% during the year. The impact of these macro-economic developments on the banking sector and NDB in particular is more fully discussed in the Chief Executive Officer's Review on page 18.

The progress achieved thus far is commendable, however sustaining this reform momentum is critical in building stakeholder confidence required to graduate from stabilisation to broad-based and sustainable growth. It is imperative therefore that in addition to achieving macroeconomic stability, key areas such as governance and transparency reforms,

fiscal discipline and debt optimisation should also be treated as matters of priority. Policy consistency and political commitment will be key in achieving these goals.

NDB's Contribution to Recovery Efforts

The banking sector has always been a key catalyst in national prosperity, and as the country emerges from a deep setback, NDB as an important market intermediary remains strongly committed to supporting this recovery momentum. As discussed in detail in the Chief Executive Officer's Review on page 18 the Bank stepped up its efforts to proactively support its customers recover from the crisis with customised financial and advisory assistance. Meanwhile, as part of its broader efforts to drive sustainable growth, the Bank continued to leverage its capabilities, partnerships and wide reach to support key sectors such as the SMEs and exports. Two key developments during the year were a Memorandum of Understanding entered into with the Ceylon Chamber of Commerce and the Bank becoming a Participating Financial Institution (PFI) of the National Credit Guarantee Institution to facilitate and expedite the development of the sectors. We also carried out a series of webinars to boost and expand operation of SMEs across Sri Lanka in partnership with the International Finance Corporation (IFC). These together with our ongoing partnerships with multi-lateral agencies continue to drive growth in these vital sectors.

Strong Governance

NDB's strong governance frameworks proved invaluable as it navigated the complexities of the operating environment. The Board continued to closely monitor emerging macro-economic, regulatory, political and social developments to understand the impact of these evolving dynamics on the financial performance of the Group and develop appropriate responses to protect stakeholder interests. Key areas of Board focus during the year included overseeing the Bank's response to the financial crisis, particularly the implementation of the Bank's mid-term strategy, reviewing progress on the Bank's digitalisation drive, providing guidance on risk management and compliance and enhancing the employee value proposition amidst rising levels of talent migration. We remain committed to strengthening our governance structures among other initiatives. In compliance with CBSL directions, we established a Board subcommittee on Discretionary and Capital Expenditure to consider the necessity, urgency and the relevance of the discretionary expenses and the capital expenditure projects as per the subcommittee charter and approve expenditure which are in line with the Bank's strategic objectives.

We are heartened by efforts being taken to improve governance at industry level including greater autonomy and accountability to the CBSL through the Banking (Special Provisions) Act, intensified

statutory examination of licensed banks and stronger corporate governance rules. We will continue to align our internal practices with these developments, whilst adopting best practices as well.

Strengthening Stakeholder Relationships

The value generation for our shareholders enhanced during the year, with sound financial performance. The Group posted a post-tax profit of LKR 5.9 Bn, an impressive year-on-year growth of 90% reflecting the true potential of NDB. Resultantly Return on average shareholder funds and Earnings per share improved to 8.11% and LKR 14.42 respectively. A more detailed account of the financial performance is found in the Chief Executive Officer's Review on page 18. During the year, we strengthened our relationships with our customers, employees and community, by stepping up our engagement efforts to truly understand their requirements and offer tailor-made support to assist them recover from the crisis. The Remedial Management Unit established during the height of the crisis continues to play an important role in identifying customers with potential repayment pressures across business segments and offering customised financial and advisory support. Meanwhile, we continued to leverage technology to enhance the level of customer service across all our customer touch points. Multiple engagement mechanisms are in place to address employee concerns and maintain continuous dialogue. While continuing engagement via virtual platforms, we increased physical engagement activities during the year, which helped motivate employees and strengthen morale amidst uncertain economic and social conditions. We also enhanced financial and non-financial benefits to employees in response to ongoing financial pressures faced by employees. Our holistic Corporate Sustainability agenda meanwhile continued to strengthen our relationships with the wider community through meaningful strategic interventions aimed at promoting entrepreneurship, conserving the environment, channeling support to segments with special needs and empowering women among others.

Way Forward

We are encouraged by the significant progress achieved in the Government's macroeconomic stabilisation programme and are confident that the Sri Lankan economy is converging on a path of recovery and growth. We are however cognisant of persisting risks and challenges in the short-term including the impact on borrower repayment capacities due to higher taxes; and will therefore tread with caution prioritising portfolio quality over credit growth in the coming year.

Our long-term sights are firmly set on redefining the future of banking, in line with our brand promise of "The future is banking on us". Technology will continue to be the game-changer in the industry and we will therefore continue to introduce transformative technologies to elevate the banking

experience. Meanwhile, with ESG factors increasingly seen as indicators of long-term sustainability and risk management by investors, customers, and regulators alike, we will continue to align our operation with CBSL's Roadmap for Sustainable Finance in Sri Lanka by embedding ESG considerations into all our strategic and operational decisions.

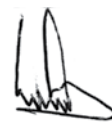
Ongoing developments in the regulatory landscape including proposed amendments to the Banking Act and the CBSL's bank recapitalisation plan will also have a significant bearing on the future of the industry. We will therefore continue to engage closely with policy makers to ensure the successful implementation of these policy measures.

Acknowledgements

In conclusion, I would like to express my deep appreciation to my colleagues on the Board for their continued support and counsel during these challenging times. On behalf of the Board, I congratulate the Group's leadership team and acknowledge their untiring efforts which have enabled delivery of results amidst numerous challenges. I also take this opportunity to extend my gratitude and appreciation to the officials of the CBSL, our valuable customers, business partners and all other stakeholders who have been an integral part of the Bank's success story.

A special note of appreciation is extended to the former CEO Mr. Dimantha Seneviratne who moved from his role on 31 January 2024. Under his transformational leadership, the Bank underwent significant strategic evolution to become the fourth largest listed bank in Sri Lanka. He was instrumental in forging a partnership with the Norwegian Investment Fund for developing countries (Norfund) as NDB's anchor investor whose capital infusion as well as continuing transfer of strategic expertise across numerous critical areas stand the Bank in good stead. Dimantha's visionary efforts to transform NDB from being a conventional bank to one that is digi-savvy, customer centric and future focused have placed us well to embark on the next stage of growth. On behalf of the Bank, I thank him for his untiring efforts and wish him all the very best in all his future endeavours.

Finally, I wish to warmly welcome onboard Mr. Kelum Edirisinghe who assumed duties as CEO from 01 February 2024. I, together with the Board look forward to working with him in the coming years.



Sriyan Cooray
Chair, Board of Directors

20 February 2024
Colombo

Chief Executive Officer's Review



Dimantha Seneviratne
Director/Chief Executive Officer

Having re-calibrated our strategy in response to extraordinary challenges that prevailed during the last two years, we continued to drive stability and resilience both in our own operations and by extension the country's financial system through tactical changes aimed at preserving portfolio quality, focus on interest margins and shifting from an asset driven business to a transaction driven business to enhance fee income and optimise costs.

Dear Stakeholders

Your Bank performed exceptionally well during the year, recording impressive growth on all fronts, especially on profitability, sound liquidity and capital adequacy despite the uncertainties that prevailed. Facilitating this performance was our multi-pronged response aimed at building resilience within the organisation and across our stakeholder groups.

Operating Context

Notwithstanding the impressive recovery momentum witnessed during the year, the banking sector continued to be impacted by the spillover effects of the recent economic crisis. Appetite for credit remained subdued throughout much of the year amidst the tight monetary policy stance adopted until the second half of 2023 and continued inflationary pressures. Meanwhile the combined impact of the economic contraction, high inflation and tax adjustments continued to impact debt repayment capacities of households and businesses, leading to rising non-performing loans and higher levels of default risk across the banking sector.

Despite an improvement in overall sector profitability, attributable mainly to the reduction in new impairment, net interest income (NII) continued to be negatively impacted by lower credit growth and the decline in interest rates. As a result, industry net interest margins continued to be pressured throughout the year.

Encouragingly, however, signs of improvement were observed towards the fourth quarter of the year; credit growth witnessed a gradual increase with the easing of policy rates by the Central Bank of Sri Lanka (CBSL) since June 2023 and some stabilisation of credit risk was witnessed as indicated by the slowdown in the increase of Stage 3 Loans during the second half of the year. The acute shortages of foreign currency liquidity witnessed in 2022 also eased off in 2023, enabling banks to resume foreign currency transactions and trading operations. Meanwhile, pressures on capital buffers also reduced during the year with sector capital adequacy improving considerably as a result of the decline in risk weighted assets and the appreciation of the Sri Lankan Rupee.

Navigating Economic Headwinds

Having re-calibrated our strategy in response to extraordinary challenges that prevailed during the last two years, we continued to drive stability and resilience both in our own operations and by extension the country's financial system through tactical changes aimed at preserving portfolio quality, focus on interest margins and shifting from an asset driven business to a transaction driven business to enhance fee income and optimise costs. Steady progress was achieved during the year in each of these focus areas as summarised below.

Preserving Portfolio Quality

Preserving portfolio quality was a key focus during the year amidst continued pressure on repayment capacities and deteriorating credit quality. Our efforts to preserve portfolio quality revolved around proactively identifying portfolio stresses and supporting our customers through financial difficulties. The Remedial Management Unit established in 2022 played a critical role in these efforts by offering tailor-made solutions and advisory services to address financial difficulties. We also enhanced our monitoring capabilities, and leveraging data analytics capabilities to segment the portfolio based on risk levels and close monitoring and client servicing accordingly. Enhanced underwriting standards and more risk and capital efficient lending meanwhile enabled the Bank to maintain portfolio quality while pursuing cautious growth in relatively low risk segments.

Focused approach in NIMs

The year saw decisive and strategic action taken to improve Net Interest Margin (NIM), and the Bank was able to report a NIM of 3.96% amidst sharp downward adjustments to both lending rates and investment yields. This is testament to our concerted efforts in enhancing interest margins, an area with considerable upside potential.

Transaction Banking drive

The Bank embarked on a concerted transaction drive to enhance fee income and CASA while achieving a broader objective of supporting the economy as it regained momentum, particularly on trade related services. Ongoing enhancements to our digital platforms including the newly introduced NEOS Corporate Platform have also helped provide a safe and seamless mode for transactions. Meanwhile, dedicated Transaction Banking coordinators were also appointed at regional level to work closely with SME clients, co-ordinate and drive transaction business.

Effective cost management

Sustained efforts to effectively manage costs enabled us to achieve one of the lowest cost to income ratios within the industry, in turn positively impacting profitability. Targeted efforts to reduce operational expenses through process automation, efficiency gains and optimisation of human capital enabled us to curtail the increase in operating costs to 20%, despite inflationary pressure and rising fuel and energy costs during the year. Digitalisation and Robotic Process Automation (RPA) have been key enablers of our cost optimisation drive delivering multiple benefits in terms of improved operational efficiencies, lower paper usage and energy consumption.

A Resilient Financial Performance

Proactive and swift strategic realignment enabled us to successfully navigate a complex environment as reflected in the resilient performance both at Group as well as Bank level.

Total operating income of the Bank increased by 5% to LKR 44.9 Bn during the year supported by focused efforts to enhance NII and fee-based income. Despite a moderation of credit growth and sharp decline in interest rates, NII increased by 4% during the year. The Bank's transaction banking drive meanwhile resulted in an impressive 14% growth in fee-based income. Improved earnings and a decline in impairment charges compared to 2022, positively impacted profitability of the Bank which witnessed a 396% increase at pre-tax levels during the year to LKR 10.1 Bn. Reflecting improved performance of the Bank and Group Companies, Group pre-tax profit increased by 308% to LKR 10.9 Bn compared to LKR 2.7 Bn in 2022.

The Group's total assets decreased by 6% to LKR 787.0 Bn in 2023. Gross loans followed a similar trend closing in at LKR 496.1 Bn, with a year on year contraction of 14%, owing to combined effects of a moderation in credit growth, more prudent approach to lending amidst subdued demand conditions and deteriorating asset quality. Total deposits meanwhile witnessed a contraction of 8%, closing in at LKR 615.6 Bn. Balance sheet contraction was also on account of the appreciation of the Sri Lankan Rupee, which drove down the value of foreign currency loans and deposits.

Prudent measures adopted in balance sheet management enabled the Group to maintain sound liquidity and capital adequacy. The consolidated Statutory Liquid Asset Ratio at 39.02% was well above the regulatory minimum of 20%. Shareholders' equity meanwhile increased by 10% and capitalisation levels remained well above regulatory minimum with Tier 1 and Total Capital Adequacy ratios at 12.22% and 16.35% respectively as at 31 December 2023.

Digitalisation Drive

As elaborated under Effective Cost Management initiatives above, we continued to derive substantial and sustainable benefits by deploying digital capabilities in our internal processes. Automations continued through the year led by qualified and dedicated staff towards this end. Simultaneously, our customer-centric and convenience defining digital platforms accelerated their features, benefited by the new core banking system version we migrated to during the year, and now caters to all our customer segments of retail, business banking and corporate through respective dedicated platforms under the NEOS proposition. The efforts are well reflected in the increasing portion of transactions that are shifting from a conventional bank branch to a digital mode.

Creating a Future Ready Team

Building a motivated, creative, and productive team by empowering employees and fostering a culture of innovation is a key long-term objective as we move into a new era of customer-centric banking. We continued with our leadership development initiatives during the year launching a talent identification programme aimed at building a strong leadership team for the future. The programme involved identifying key talent and offering targeted training and development programmes to groom individuals for the next level of leadership.

Increased levels of skilled migration from the country continued to impact the banking sector as a whole and NDB was no exception. As part of our efforts to address this growing challenge we undertook a re-sizing exercise to optimise available resources by re-purposing roles and upskilling employees to take on additional responsibilities. The exercise ensured that there were no redundancies whilst providing exciting new opportunities for our existing employees. Empathic to the continued financial pressures faced by our employees, we conducted a Bank specific salary survey in 4Q 2023 and based on findings, further salary and benefit revisions were implemented from February 2024 onwards. Other support such as interest free Economic Relief Loans were also offered to employees based on their tenure of service.

Prioritising Climate Action

Climate Action is a key focus area in NDB's sustainability agenda, and the Bank remains focused on reducing its own Carbon footprint whilst actively supporting the transition to a low-carbon economy through its lending and investment activities. We continue to work in close partnership with the Sri Lanka Climate Fund (SLCF) to understand our carbon footprint and take tangible steps towards achieving our goal of net zero emissions. A major initiative implemented towards this end in 2023 was the commencement of solarisation of the Bank's key premises in Nawam Mawatha and Dharmapala Mawatha in Colombo. With NDB Kandana branch already powered by solar energy, the Bank will expand this initiative to the rest of the branch network as well. Marking an important step in the country's green economy journey, NDB also entered into a Memorandum of Understanding with the Global Green Growth Institute (GGGI) during the year to build capacity and develop a robust framework to mobilise sustainable funding including Green Bonds. Also supporting our climate action goals is the number of biodiversity conservation and natural ecosystem preservation projects that we continue to undertake as part of our Corporate Sustainability efforts. More details of these projects can be found in our Natural Capital Report on page 97.

Awards and Accolades

The Bank continued to receive a multitude of awards and accolades during the year of over 80 in total, reflecting its continued commitment to excellence in all aspects of its operation. NDB was ranked as the Most Awarded Corporate in Sri Lanka for 2022, for the second consecutive year by LMD Annual Rankings whilst other highlights include being awarded the Best Innovation & Transformation - Sri Lanka by Global Finance USA and the Best Corporate Bank in Sri Lanka by Asiamoney in their Best Bank Awards 2023. We draw much motivation from such external endorsements and continue to raise the bar for better performance.

Way Forward

With critical economic indicators such as interest rate, exchange rate and inflation showing signs of stabilisation, we are optimistic that the worst of the financial crisis is behind us and that the economy is well on its way towards recovery. The effects of monetary policy easing are starting to show results as indicative from the upward momentum in private sector credit during the last quarter of 2023. This recovery momentum, while encouraging is largely dependent on policy consistency and political commitment. As the country gears up for elections during the year, we urge policy makers and those in authority to prioritise policy consistency and economic stability to ensure the country's recovery momentum. The outcome of international debt structuring efforts will also have a significant bearing on the banking sector's recovery trajectory.

From an organisation point of view, we remain firmly committed to delivering sound returns to our shareholders and sustainable value to all our other stakeholders including customers, employees and business partners. Preserving capital and portfolio quality whilst driving profitability with a sharper focus on net interest margin management, fee-based income growth and cost rationalisation will remain priorities in the short term. Meanwhile, we will continue to forge ahead with our digitalisation efforts, women's empowerment and ESG initiatives as we gradually shift gears from recovery mode to growth mode.

Acknowledgements

As I reflect back on my seven years at the helm of this prestigious institution, I take immense pride on our collective efforts to transform NDB into what it is today. NDB today is customer-centric, agile, digitally focused bank that continues to push the boundaries of banking. Strategic interventions during the period have placed it on a firm trajectory of growth which will in turn enable it to meaningfully contribute to the socio-economic progress of Sri Lanka.

As I relinquish my duties as CEO, I wish to take this opportunity to place on record my deep appreciation to the incumbent and past Chairmen and the Board of Directors for their valuable counsel throughout my tenure as CEO. I also extend my sincere appreciation to The Leadership Team and all our employees for their consistent support and commitment. It has been a privilege to lead such a dynamic, resilient and passionate group of individuals. A special note of appreciation also goes out to Ms. Suvendrini Muthukumarana our outgoing Chief Financial Officer and Mr. Deepal Akuretiyagama outgoing Chief Operating Officer, for their respective commitment and years of invaluable service to the Bank. I also extend my thanks to the Governor and officials of the Central Bank of Sri Lanka as well as the Sri Lanka Banks' Association for their continued support. Last but not least, I wish to thank our valued customers, shareholders, business partners and other stakeholders for their continued loyalty.

Looking ahead, I am confident that NDB will reach greater heights under the strong stewardship of the incoming CEO Mr. Kelum Edirisinghe. He will be ably supported by the recently appointed Deputy CEO Mr. K.V. Vinoj who brings with him a wealth of knowledge and insights gathered over his long spanning career at NDB.

As NDB enters a new chapter in its illustrious journey, I wish the Bank, The Leadership Team and employees every success in the future.



Dimantha Seneviratne
Director/ Chief Executive Officer

31 January 2024
Colombo

Leadership Team



A Holistic Commitment

Our core fundamentals guide our operations, enabling us to drive sustainability, efficiency, and people-centricity - bringing to life the future, simplified.

While ikebana is diverse in its iterations, the practice relies on a unifying thread of seven principles that encompass and guide the practitioner's approach towards minimalism and simplicity.

Board of Directors



Seated

Mr. Sriyan Cooray - Chair, Board of Directors - Non-Executive Independent Director

Standing (Left to Right)

Ms. Shehani Ranasinghe - Company Secretary, **Mr. Bernard Sinniah** - Non-Executive Non-Independent Director,

Mr. Sujeewa Mudalige - Non-Executive Independent Director,

Ms. (Fay) Piyachat Chetnakarnkul - Non-Executive Non-Independent Director



Seated (Left to Right)

Mr. Dimantha Seneviratne - Former Chief Executive Officer - Executive Non-Independent Director,
Mr. Kelum Edirisinghe - Chief Executive Officer - Executive Non-Independent Director

Standing (Left to Right)

Mr. Hasitha Premaratne - Non-Executive Independent Director, **Mr. Kushan D'Alwis, PC** - Non-Executive Independent Director,
Ms. Kasturi Chellaraja - Non-Executive Independent Director, **Ms. Shweta Pandey** - Non-Executive Independent Director,
Ms. Chandima Dilrukshi - Non-Executive Non-Independent Director

MR. SRIYAN COORAY / Chair, Board of Directors / Non-Executive Independent Director

Date of appointment:
10 August 2018

Date of Last Re-election / Re-appointment as a Director:
09 April 2021

Length of Service as a Director:
5 years 4 months

Skills and experience

Mr. Sriyan Cooray was appointed as the Chairman of the Bank on 01 July 2022.

An accomplished banker with 28 years of experience at HSBC, Mr. Cooray has served in a wide range of areas ranging from Finance, Operations, Compliance, Administration and Retail Banking at HSBC and retired from HSBC - Sri Lanka and Maldives as the Chief Operating Officer in May 2018. He also functioned in the position of Acting CEO over the last 10 years at HSBC.

Prior to joining HSBC, Mr. Cooray was Financial Controller of Speville M & W Ltd (1987 -1990) and prior to that engaged with KPMG Ford Rhodes Thornton & Company, Chartered Accountants.

Mr. Cooray is a fellow of the Chartered Institute of Management Accountants, UK.

Concurrent appointments

Director - Orient Finance PLC

As at 31 December 2023 Mr. Cooray holds office as Director in a total number of 2 Companies (including the Bank)

MR. BERNARD SINNIAH / Non-Executive Non-Independent Director

Date of appointment:
28 March 2019

Date of Last Re-election / Re-appointment as a Director:
30 March 2022

Length of Service as a Director:
4 years 9 months

Skills and experience

A veteran banker, Mr. Sinniah retired in 2018 as Managing Director of Citibank and Global Head of FX Corporate Sales and e-FX Solutions after 38 illustrious years of service, having started his career at Citibank Colombo, then moving to Citibank Australia, and ending his career based out of London.

Mr. Sinniah holds a Masters in Applied Finance (Macquarie University, Australia). He has also added to his proficiency, knowledge on Digital Transformation Strategies, conducted by the Judge Business School – University of Cambridge – UK and further on Digital Transformation, Strategies for Success, conducted by the MIT Sloan School of Management.

Concurrent appointments

Director Transact Lanka (Pvt) Ltd, Codevus (Pvt) Ltd, Youcan (UK), Knightsbridge eCommerce (Pvt) Ltd, SenzAgro (Pvt) Ltd, Arogya Life Systems Inc. (US), Mintpay (Pvt) Ltd and several subsidiaries of the Bank. He is also the Founder and Director of Flag Forum Guarantee Limited.

As at 31 December 2023 Mr. Sinniah holds office as Director in a total number of 15 Companies (including the Bank and group companies)

MR. SUJEEWA MUDALIGE / Non-Executive Independent Director

Date of appointment:
06 January 2020

Date of Last Re-election / Re-appointment as a Director:
30 March 2022

Length of Service as a Director:
3 years 11 months

Skills and experience

Mr. Mudalige counts over 34 years of experience as a Chartered Accountant. His qualifications are FCA (ICA - SL), FCMA (CIMA – UK), FCCA (ACCA – UK) and FCPA (CPA – Australia).

Mr. Mudalige has vast experience as an Audit Committee Chair in both public and private sector organisations. He is a past President of ICASL and has been a member of the Council of ICASL and of the governing board of CIMA UK, Sri Lanka Division, a Commission member of the Securities and Exchange Commission of Sri Lanka and held several such other positions locally and globally during the span of his career.

Mr. Mudalige was an Non-Executive Independent director of Hatton National Bank PLC (HNB) from 2012 to 2019 and was a Chair and member of several of its board subcommittees during his tenure with HNB. He was also the Deputy Chairman of the Financial System Stability Consultative Committee of the CBSL and a member of the Advisory Committee to advise the National Economic Council and the Advisory Committee for Revival of Failed Licensed Finance Companies. Mr. Mudalige was the Managing Partner of PwC, Sri Lanka and a director of its related companies up until 31 October 2023.

Concurrent appointments

Non-Executive Chairman of Mercantile Services Provident Society (MSPS). He is also an Non-Executive Independent Director at CIC Holdings PLC, CIC Feeds group, NSBM Green University, Link Natural Products Limited, Sherwood Capital and Mahindra Ideal Finance Ltd. He was appointed as a Commissioner of the Securities and Exchange Commission Sri Lanka in March 2023. He is also a committee member of the Ceylon Chamber of Commerce.

As at 31 December 2023 Mr. Mudalige holds office as Director in a total number of 07 Companies (including the Bank).

MR. KUSHAN D'ALWIS / President's Counsel / Non-Executive Independent Director

Date of appointment:

06 July 2020

Date of Last Re-election / Re-appointment as a Director:

30 March 2023

Length of Service as a Director:

3 years, 6 months**Skills and experience**

Mr. Kushan D'Alwis took oaths as an Attorney-at-Law in the year 1985 and is in active practice for over a period of 37 years. He was conferred Silk and took oaths as President's Counsel in November 2012. The areas of specialisation of Mr. D'Alwis are civil, corporate, commercial and administrative law in both the Original and Appellate Courts. Further, he has been actively involved in alternate dispute resolution mechanisms such as arbitrations, advising on corporate legal matters, regulatory frameworks, compliance requirements and legal due diligence.

Mr. D' Alwis was a Member of the Law Commission of Sri Lanka from 2011 to 2015. He was also a Member of the Panel of Legal Advisers to the Tax Appeals Commission. He has served as a Member of the Public Representations Committee on Constitutional Reform appointed by the Cabinet of Ministers. He has also served as the Vice Chairman of the Civil Aviation Authority of Sri Lanka. Mr. D'Alwis served as the Chairman of the Office of the National Unity and Reconciliation (ONUR) of Sri Lanka and was also a Director of the Colombo Lotus Tower Management Company (Pvt) Ltd and a Member of the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka. He also served as a Member of the Board of Investment of Sri Lanka. Mr. D' Alwis served as a Member of the Committee appointed by His Excellency the President to reformulate the guidelines with regard to the appointment of President's Counsel. He was also a Member of the Committee appointed by the Ministry of Defence to review the Issuance of Frequency Permits for Television & Radio Broadcasting and related procedures.

Concurrent appointments

Director Ceylon Tobacco Company PLC, Lanka Hospitals Corporation PLC and Vurthiya Lanka (Pvt) Ltd.

As at 31 December 2023 Mr. D'Alwis holds office as Director in a total number of 4 Companies (including the Bank).

MS. (FAY) PIYACHATR CHETNAKARNKUL / Non-Executive Non-Independent Director

Date of appointment:

25 May 2021

Date of Last Re-election / Re-appointment as a Director:

30 March 2023

Length of Service as a Director:

2 years, 7 months

* The appointment of Ms Chetnakarnkul was initially approved by the Shareholders of the Bank at the EGM held on 09 April 2021.

Skills and experience

Ms. Chetnakarnkul carries with her knowledge and experience in Economics, Information Technology and Investments. She joined the Board in 2021 to represent the interests of The Norwegian Investment Fund for Developing Countries (NORFUND). Ms. Chetnakarnkul holds a Master's Degree in Arts – in Quantitative Methods and Economic Theory and Southeast Asia Studies, School of Advanced International Studies (SAIS), Johns Hopkins University (Washington D.C.) and a Bachelor's Degree in Economics (International Programme) from Thammasat University, Bangkok. She has also followed the Director Certification Programme (DCP 184, Board Training) of the Institute of Directors of Thailand (Bangkok) and a Fintech certification course at the Massachusetts Institute of Technology (MIT).

As the Investment Director, Head of Asia Region of NORFUND, Ms. Chetnakarnkul has been responsible for founding NORFUND's Asia office and for building, leading, and managing NORFUND's investments in Asia. Prior to joining NORFUND, she worked at the International Finance Corporation (IFC) / The World Bank Group. She was also a Director of Yoma Bank, Myanmar.

Concurrent appointments

Ms. Chetnakarnkul, is the Investment Director, Head of Asia Region (Bangkok, Thailand) of the Norwegian Investment Fund for Developing Countries ("NORFUND").

As at 31 December 2023 Ms. Chetnakarnkul holds office as Director in 1 Company (the Bank)

MS. CHANDIMA DILRUKSHI / Non-Executive Non-Independent Director

Date of appointment:
21 June 2021

Date of Last Re-election / Re-appointment as a Director:
***N/A**

Length of Service as a Director:
2 years, 6 months

Skills and experience

Ms. Chandima Dilrukshi is an officer of the Sri Lanka Accountants' Service, with experience of over 20 years in the public service. She is presently working as a Director of the Department of Public Enterprises under the Ministry of Finance, Economic Stabilisation and National Policies. Prior to that, she worked as a Director at the Department of Fiscal Policy and has been, in her career, responsible for monitoring State Owned Enterprises in the Banking, Insurance and Finance sector. Ms. Dilrukshi has also represented the General Treasury on the Boards of Sri Lanka Export Credit Insurance Corporation, Lankaputhra Development Bank Ltd, Sri Lanka Insurance Corporation Ltd and Litro Gas Lanka Ltd. She has also been a Director on the Board of Directors of the Urban Development Authority and Postgraduate Institute of Management. From 2018 - 2022, she has functioned as the Finance Manager on an acting basis at the Rooftop Solar Power Generation Project, which is funded by the Asian Development Bank.

She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a Special Degree in Accountancy and Financial Management from the University of Sri Jayewardenepura, Master of Business Administration from the International University of Japan, a Diploma in Procurement and Contract Administration and a Diploma in Business Communication from the Institute for Government Accounts and Finance.

Concurrent appointments

Ms. Dilrukshi is a Director (non-board) of the Department of Public Enterprises. She also serves as a visiting lecturer at the Sri Lanka Institute of Development Administration and represents number of technical evaluation committees and project committees to assist the standing cabinet appointed procurement committees including that of National Water Supply & Drainage Board and Ministry of Fisheries, in addition to being a member of the Council of the Institute of Chartered Accountants of Sri Lanka, currently.

As at 31 December 2023 Ms. Dilrukshi holds office as Director in 1 Company (the Bank).

MS. KASTURI CHELLARAJA / Non-Executive Independent Director

Date of appointment:
03 October 2022

Date of Last Re-election / Re-appointment as a Director:
30 March 2023

Length of Service as a Director:
1 Year 2 months

Skills and experience

Counting over 20 years of service in the Hemas Group, Ms. Chellaraja is the Group Chief Executive Officer of Hemas Holdings PLC. She has held many senior management positions, including Chief Process Officer and Managing Director of the Hemas Transportation Sector. In 2016, Ms. Chellaraja took over as Managing Director of Hemas Pharmaceuticals, Surgicals and Diagnostics, where she was responsible for driving the company's local and regional expansion. She also functioned as the Managing Director of Hemas Mobility Sector prior to being appointed as Group CEO in October 2020.

Ms. Chellaraja is a Fellow of the Chartered Institute of Management Accountants, and alumni of Harvard Business School.

She is also a past president of the Sri Lanka Chamber of the Pharmaceutical Industry and has also served as a Council Member of the National Sports Council of Sri Lanka till March 2022 and on the Board of SLID (Sri Lanka Institute of Directors), CIMA Sri Lanka and Board of the Lankan Angels Network (LAN) – a leading start up eco system in Sri Lanka.

Ms. Chellaraja has been recognised as one of the twelve Top Women Change-Makers in the country in 2019 by the Parliament of Sri Lanka and was also recognised as one of the ten 'Wise Women' impactful leaders of Sri Lanka by the Ministry of Skills and Vocational Education in 2022.

Concurrent appointments

Ms. Chellaraja serves on the Boards of several Hemas subsidiaries in the healthcare, logistics and consumer sectors. She is an active member of several industry associations and currently serves on the main committee and the Board of the Ceylon Chamber of Commerce and was recently appointed as a Council Member for the UNICEF Sri Lanka Business Council. She is also the Regional Champion for the World Bank for South Asia

As at 31 December 2023 Ms. Chellaraja holds office as Director in a total number of 19 Companies (including the Bank)

MS. SHWETA PANDEY / Non-Executive Independent Director

Date of appointment:
28 April 2023

Date of Last Re-election / Re-appointment as a Director:
N/A

Length of Service as a Director:
0 years, 8 months

Skills and experience

Ms. Shweta Pandey was one of the founding team members and COO & Senior Vice President of Airtel Payments Bank in India. She has also served as a Digital Finance Advisor to IFC/World Bank Group clients in Sri Lanka & India on large scale digital transformation projects. She serves on the board of Maha Agriculture Microfinance in Myanmar as IFC Nominee Director. Ms. Pandey is an advisor to early stage social impact ventures in India. Her digital transformation drive, grounded knowledge in economics and management and varied experience in the Digital Financial Inclusion space contributes towards her excellence. She is a corporate professional turned entrepreneur who believes in building ideas into businesses at scale that directly contribute to the growth and impact of emerging sectors. Turning towards entrepreneurship post a successful career at NCR Corporation, UK, in a global business role; Shweta has set-up Fintech ventures for expanding & delivering of financial access, choice & control in India through YTS Solutions Ltd and Arthimarket Digital Loans (Pvt) Ltd.

Ms. Pandey holds a MBA from MIT Sloan School of Management - USA, a MSc in Economic Management & Policy - UK and a BA (Economics) in India. She has received much praise for her work and has been honoured and recognised in the BW 40 Under 40 "Elite club 2022" by Business World. She has been recognised by MIT Sloan School of Management as the Principal Innovative Leader of the Future and awarded with the Influential Change Maker Award.

Concurrent appointments

Ms. Pandey serves as the Director/CEO of Arthimarket Digital Loans Private Limited and is the IFC Nominee Director at Maha Micro Finance. As of January 2024 Ms. Pandey was appointed as a Director of Trikuta Hills Essentials (Private) Limited.

As at 31 December 2023 Ms. Pandey holds office as Director in a total number of 3 Companies (including the Bank).

MR. HASITHA PREMARATNE / Non-Executive Independent Director

Date of appointment:
15 June 2023

Date of Last Re-election / Re-appointment as a Director:
N/A

Length of Service as a Director:
0 years, 6 months

Skills and experience

Mr. Premaratne is the Managing Director of the Brandix Group and drives the overall strategy and transformative journey of the company in Sri Lanka and overseas. Prior to taking up reigns as Managing Director, Mr. Premaratne served as Group Finance Director and Chief Strategy Officer of the Group, and sits as a Director on its subsidiaries and integrated ventures that include Teejay Lanka PLC.

Being an Independent Director at John Keells Hotels PLC, he serves as Chairman of the Audit Committee. Mr. Premaratne was also a Director at Bank of Ceylon, Sri Lanka's largest state-owned bank, chairing the Board Risk and Nominations Committees. He also served on the Board of CIMA Sri Lanka, and the Sri Lanka Accounting and Auditing Standards Monitoring Board, and was a Committee Member at the Ceylon Chamber of Commerce, Sri Lanka's oldest and most august trade chamber.

Before joining Brandix, Mr. Premaratne was the Head of Research at HNB Stockbrokers (Private) Limited. He brings a wealth of experience including over a decade of service as a lecturer for CIMA (UK), where he won 'Tutor of the Year' at the CIMA Global Financial Management Awards in 2009. Mr. Premaratne was also engaged with the ACCA (UK) in Sri Lanka, India, Singapore and the Philippines. He holds a MBA in International Finance and a BSc in Computer Science. He is a Fellow Member of Chartered Institute of Management Accountants (CIMA - UK), Association of Chartered Certified Accountants (ACCA-UK), and the Institute of Certified Management Accountants (CMA - SL). He is also a Chartered Global Management Accountant (CGMA).

Concurrent appointments

Mr. Premaratne serves as the Managing Director of Brandix Group. He is also Independent Director at John Keells Hotels PLC and holds Directorship in the following Companies namely; Best Pacific Textiles Lanka (Pvt) Ltd, InQube Global (Pvt) Ltd, Ocean Lanka (Pvt) Ltd, Teejay Lanka PLC, Inspired Fashion Inc, Inspired Solutions USA, Ocean Mauritius Limited, Quantum Apparel Cambodia Ltd, Quantum Clothing Group Limited (UK) and Teejay India Private Limited.

As at 31 December 2023 Mr. Premaratne holds office as Director in a total number of 20 Companies (including the Bank).

MR. KELUM EDIRISINGHE / Chief Executive Officer / Executive Non-Independent Director

Date of appointment:

01 February 2024

Date of Last Re-election / Re-appointment as a Director:

N/A

Length of Service as a Director:

New Appointment**Skills and experience**

Mr. Kelum Edirisinghe joined National Development Bank PLC after having completed 30 years with HSBC Sri Lanka and Maldives, where he held several key senior management positions, the last being as the Chief Risk Officer of HSBC Sri Lanka and Maldives where he also served as the Chair of the Risk Committee. His banking experience at HSBC covers a variety of leadership roles in Enterprise-wide Risk Management, Commercial Banking, Fund Management, Debt Restructuring, Financial Analysis and Branch Banking.

Mr. Edirisinghe holds a B.Sc. from the University of Manchester in association with The Chartered Institute of Bankers and a Master of Business Administration from Edith Cowan University, Australia. He also holds a Diploma in Financial Management from the Association of Chartered Certified Accountants and a certification on Treasury and Foreign Exchange Operations from Central Bank of Sri Lanka. Mr. Edirisinghe is a member of the Faculty Advisory Committee of the Centre for Banking Studies of the Central Bank of Sri Lanka.

Concurrent appointments

Mr. Edirisinghe serves as the Chairman/ Director of Development Holdings (Pvt) Ltd with effect from 01 February 2024. Mr. Edirisinghe was also appointed as a Director of NDB Capital Holdings Limited with effect from 14 February 2024.

As at 20 February 2024 Mr. Edirisinghe holds office as Director in a total number of 3 Companies (including the Bank).

MR. DIMANTHA SENEVIRATNE / Former Chief Executive Officer / Executive Non-Independent Director

Date of appointment:

01 January 2017

Date of Last Re-election / Re-appointment as a Director:

N/ALength of Service as a Director: **7 years***(Ceased to be a director w.e.f. 31 January 2024)***Skills and experience**

Mr. Dimantha Seneviratne, the former Chief Executive officer (CEO) of the Bank, counts 34 years in the banking industry contributing his strong strategic focus and drive towards the success of NDB. Having held this position for 7 years, he has transformed NDB as a customer centric and digital savvy, high performing entity. Prior to joining the Bank he was the Director / CEO of Pan Asia Banking Corporation PLC (PABC) for 3 years and prior to that, he spent 15 years with the HSBC Group, where he held key senior management positions including Chief Risk Officer Post for Sri Lanka and Maldives, Bangladesh and Thailand where he was also responsible for business growth, strategy and governance in those respective geographies as a member of the Country Leadership Team.

Mr. Seneviratne commenced his banking career with Sampath Bank and has also served in Overseas Trust Bank, Colombo Branch and Saudi British Bank, Saudi Arabia prior to joining HSBC.

Mr. Seneviratne is a Fellow Member of the Chartered Institute of Management Accountants – FCMA (UK), CGMA and a Senior Fellow Member (SFIB) of the Institute of Bankers of Sri Lanka. He holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenapura, and BSc, from the same University. He is also a Post Graduate Diploma holder in Computer System Design from the National Institute of Business Management. He successfully completed the High Potential Leadership Programme at the Harvard Business School, Boston, USA, in 2016.

He was the former Chairman of Sri Lanka Banks' Association (Guarantee) Limited and a Past President of The Association of Professional Bankers (APB) Sri Lanka, having held various positions in the Executive Council of the APB for over a decade. He was also a Director of Lanka Clear (Pvt) Ltd and the Credit Information Bureau - Sri Lanka.

Concurrent appointments

As at 31 December 2023, Mr. Seneviratne was also the Chairman of Development Holdings (Pvt) Ltd and a Director of The American Chamber of Commerce in Sri Lanka and several subsidiaries of the Bank. He was also a Member of the Board of Management to the National Credit Guarantee Institution Limited and held office as Director in a total number of 11 Companies (including the Bank and group companies).

As at 20 February 2024, Mr. Seneviratne has relinquished the above positions.

Skills and experience

Ms. Shehani Ranasinghe was appointed as the Company Secretary of the Bank in 2012. She was formerly attached to the Legal Department of the Bank where she gained experience in corporate banking and financial law, investment banking and legal advisory services during her career spanning over 30 years with the Bank. She has also functioned as the Company Secretary of several subsidiary companies of the Bank prior to her appointment as the Company Secretary of the Bank. She is an Attorney-at-Law (Hons) of the Supreme Court of Sri Lanka, a Notary Public, Commissioner for Oaths, Qualified Company Secretary and earned her Bachelor of Arts (Hons) degree from the University of Colombo.

Concurrent appointments

None

The Leadership Team



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01 Mr. Kelum Edirisinghe
Director/ Chief Executive Officer

02 Mr. Dimantha Seneviratne
Former Director/ Chief Executive Officer

03 Mr. K V Vinoj
Deputy Chief Executive Officer

04 Mr. Sanjaya Perera
Senior Vice President -
Personal Banking and Customer
Experience

05 Mr. Deepal Akuretiyagama
Chief Operating Officer

06 Mr. Niran Mahawatte
Vice President - Treasury

07 Mr. Indika Ranaweera
Vice President - SME, Middle Market
and Business Banking

08 Ms. Ishani Palliyaguru
Vice President - Project Finance and
Corporate Credit Control

09 Mr. Zeyan Hameed
Vice President - Branch Network
Management and Product Development

10 Ms. Ruwani De Silva
Vice President - Audit

11 Ms. Shehani Ranasinghe
Vice President - Company Secretary

12 Ms. Melody Wickramanayake
Vice President - Legal



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- 13 Mr. Lasantha Dasanayaka**
Vice President - Human Resources
- 14 Mr. Indika Gunawardena**
Vice President - Information Technology/
Chief Information Officer
- 15 Mr. Bimal Perera**
Vice President -
Strategy and Business Intelligence

- 16 Mr. Alex Perera**
Vice President - Risk/ Chief Risk Officer
- 17 Mr. Damitha Silva**
Assistant Vice President -
Product Lifecycle Management
- 18 Mr. Chandima Kannangara**
Assistant Vice President -
Compliance Officer

- 19 Mr. Darshana Jayasinghe**
Assistant Vice President -
Head of Marketing
- 20 Mr. Nilanga Gajaba**
Assistant Vice President -
Centralised Recoveries

- 01 Mr. Kelum Edirisinghe**
Director/ Chief Executive Officer
(Appointed w.e.f. 01 February 2024)
- Please refer page 28 for the profile
- 02 Mr. Dimantha Seneviratne**
Former Director/ Chief Executive Officer
(Relinquished Office w.e.f. 31 January 2024)
- Please refer page 28 for the profile
- 03 Mr. K V Vinoj**
Deputy Chief Executive Officer
(Appointed as the Deputy CEO
w.e.f. 01 November 2023)
- CMA (Australia), ACSI (UK), MBA (University of Southern Queensland), MFE - Merit (University of Colombo), PG Dip. in Business and Finance (Cranfield University School of Management UK/ CA SL), NDHRM (IPM SL)
- 31 years of banking experience, including 18 years with NDB
- 04 Mr. Sanjaya Perera**
Senior Vice President -
Personal Banking and Customer Experience
- MBA (PIM - University of Sri Jayewardenepura), Fellow Member (IBSL), Passed Finalist (AAT - UK)
- 33 years of experience, including 8 years with NDB
- 05 Mr. Deepal Akuretiyagama**
Chief Operating Officer
(Resigned w.e.f. 18 February 2024)
- FCMA (UK), CGMA, FBCS (Chartered Institute for IT - UK), M.Sc. in IT - First Class (Keele University - UK), Project Management Certification (CICC - Japan), Leadership Skills Certification (Asian Institute of Management - Malaysia), Reading a Doctorate in Business Administration (University of Colombo)
- 34 years of banking experience, including 5 years with NDB
- 06 Mr. Niran Mahawatte**
Vice President - Treasury
- FCMA (UK), CGMA, B.Sc. (University of Colombo)
- 31 years of experience, including 22 years with NDB years
- 07 Mr. Indika Ranaweera**
Vice President -
SME, Middle Market and
Business Banking
- MBA - Merit (University of Colombo), MFE - Merit (University of Colombo), PG Dip. in Business Management (University of Colombo), B.Sc. Engineering (Hons) (University of Moratuwa)
- 27 years of experience, including 25 years with NDB
- 08 Ms. Ishani Palliyaguru**
Vice President - Project Finance and
Corporate Credit Control
- FCMA (UK), CGMA, FCMA (SL), AIB (SL), MBA - Merit (PIM - University of Sri Jayewardenepura), B.Sc. (Bio Science) - First Class (University of Colombo)
- 27 years of experience, including 24 years with NDB
- 09 Mr. Zeyan Hameed**
Vice President - Branch Network
Management and Product Development
- ACMA (UK), CGMA, EMBA (PIM - University of Sri Jayewardenepura)
- 31 years of banking experience, including 6.5 years with NDB
- 10 Ms. Ruwani De Silva**
Vice President - Audit
- FCMA (UK), CGMA, FCA (SL)
- 28 years of experience, including 22 years with NDB
- 11 Ms. Shehani Ranasinghe**
Vice President - Company Secretary
- Please refer page 29 for the profile
- 12 Ms. Melody Wickramanayake**
Vice President - Legal
- Attorney-at-Law (Hons) of the Supreme Court of Sri Lanka, Commissioner for Oaths and Qualified Company Secretary
- 32 years of experience, including 30 years with NDB
- 13 Mr. Lasantha Dasanayaka**
Vice President - Human Resources
- Fellow of the Chartered Professional Managers of Sri Lanka (FCPM), Fellow Member (Cambridge Association of Managers - UK), BBA (UNEM), Certified HR Manager
- 25 years of experience, including 4 years with NDB
- 14 Mr. Indika Gunawardena**
Vice President - Information Technology/
Chief Information Officer
- FBCS (UK), CITP (UK), MCS (SL), FCPM(SL), ISO27001LA, CQI & IRCA certified ISO22301LA, ITIL, VCP, OCP, CC(ISC2), MBA (University of Gloucestershire-UK), MBA (University of Mahatma Gandhi), MSc InfoSec (Asia e University, Malaysia), COCC (UK), Executive Dip in Leadership (Northern Illinois University - USA), Dip. in Computer System Design (NIBM), MCSE, MCSA, MCTS, MCITP
- 24 years of experience, including 4 years with NDB
- 15 Mr. Bimal Perera**
Vice President -
Strategy and Business Intelligence
(Appointed w.e.f. 02 May 2023)
- CFA (USA) Charter Holder, Certified Financial Risk Manager (FRM - GARP), Bachelor of Business Management (Finance) - University of Bangalore
- 20 years of experience
- 16 Mr. Alex Perera**
Vice President - Risk / Chief Risk Officer
(Appointed w.e.f. 01 June 2023)
- CFA (USA) Charter Holder, M.Sc. Quantitative Finance and Financial Engineering (University of Manchester), B.Sc. (Hons) in Computer Science and Engineering (University of Moratuwa)
- 19 years of experience
- Mr. Hasitha Athapattu***
Vice President - Finance
(Appointed w.e.f. 20 February 2024)
- CFA (USA) Charter Holder, FCA (SL), FCMA (SL), Masters in Economics (University of Colombo), Bachelor of Business Administration (Sp) (University of Colombo)
- 25 years of experience
- 17 Mr. Damitha Silva**
Assistant Vice President -
Product Lifecycle Management
- FCMA (UK), CGMA, Associate Member (IBSL), MBA - Merit (PIM - University of Sri Jayewardenepura)
- 25 years of experience, including 6.5 years with NDB
- 18 Mr. Chandima Kannangara**
Assistant Vice President -
Compliance Officer
- CAMS (Association of Certified Anti Money Laundering Specialists), MBA (University of Honolulu - USA), PG. Dip. in Bank Management (IBSL), Dip. in Banking and Finance (IBSL), Dip. in Compliance (IBSL)
- 31 years of experience, including 3 years with NDB
- 19 Mr. Darshana Jayasinghe**
Assistant Vice President - Head of Marketing
- Fellow Chartered Marketer (CIM - UK), MBS - Merit (University of Colombo), PG. Dip. in Marketing (CIM - UK), B.Sc. in Marketing Management (Sp.) - First Class (University of Sri Jayewardenepura)
- 17 years of experience
- 20 Mr. Nilanga Gajaba**
Assistant Vice President -
Centralised Recoveries
- MBA (Cardiff Metropolitan University - UK), PG Dip. (IBSL), CISI (UK) - Risk in Financial Services
- 31 years of experience, including 16 years with NDB
- Ms. Suvendrini Muthukumarana***
Vice President/ Chief Financial Officer
(Resigned w.e.f. 31 December 2023)
- FCA (SL), B.Sc. (University of Colombo)
- 29 years of experience, including 23 years with NDB

* Not appearing in the group image.

Senior Management



Mr. Amal Yapa
Assistant Vice President -
Wholesale Banking
BBA (University of Houston - Texas)
30 years of experience in banking



Mr. Sanjeev Kulendran
Assistant Vice President -
Internal Audit
Associate Member (Financial Services
Institute of Australasia), Associate Member
(IBSL), B.Sc. (University of Madras)
31 years of experience in banking



Ms. Vidisha Jayawardena
Assistant Vice President -
Legal
Attorney-at-Law (Hons) of the Supreme
Court of Sri Lanka, Notary Public,
Commissioner for Oaths, Qualified Company
Secretary
31 years of experience in banking



Mr. Lasantha Mathupala
Assistant Vice President -
Information Technology
MBCS, PMI, ISACA, PCI Implementer,
B.Sc. (Hons), PG Dip. in Computer Science
(University of Sri Jayewardenepura)
33 years of experience with 23 years
in banking



Mr. Amila Withanage
Assistant Vice President -
Information Technology
MBA (University of Colombo), M.Sc. - IT,
B.Sc. (University of Kelaniya), PMP, ITIL-V4,
OCP, VCP
20 years of experience with 5.5 years in
banking



Ms. Anushca Saranapala
Assistant Vice President -
Risk Management
41 years of experience in banking



Ms. Shareen Jayasuriya
Assistant Vice President -
Credit
FCMA (UK), CGMA, ACSI, CIM Dip. (UK)
30 years of experience with 28 years in
banking



Mr. Sameera Wijegunawardena
Assistant Vice President - Business
Relationship and Portfolio
Management
MBA (University of Wolverhampton - UK),
Dip. in Credit Management (IBSL)
29 years of experience in banking



Ms. Ganga Wanigaratne
Assistant Vice President -
Operations - Trade Finance,
Payments and Treasury Operations
38 years of experience in banking



Mr. Indika Tennakoon
Assistant Vice President -
Retail Credit and Operations
MBA - Merit (University of Colombo),
MFE - Merit (University of Colombo),
B.Sc. Physical Science (University of Colombo)
31 years of experience in banking



Mr. Vijitha Wettimuny
Assistant Vice President -
Administration & Services
Graduated from Military Academy as
Commissioned Officer of Sri Lanka Air Force
13 years of experience with 4.5 years in
banking



Ms. Camy Somasunderam
Assistant Vice President -
Customer Experience and
Contact Centre
MBA (University of Wales - UK), CIM Dip. (UK)
29 years of experience in banking



Mr. Priyantha Gamage
Assistant Vice President -
Branch Operations
CISI (UK) - Risk in Financial Services, CISSP
(ISC2 - USA), MBA (University of Southern
Queensland), PG Dip. in Business and Finance
(ICASL)
29 years of experience in banking



Mr. Gihan Punchihewa
Assistant Vice President -
Privilege Select Banking
LLM (Master of Laws, Business with Finance,
CMU - UK), MBA (Anglia Ruskin University -
UK), LLB (Hons) (BNU - UK), BA (Hons) - First
Class (UWIC - UK), PQHRM (CIPM), PG Dip in
Business Strategy (ABP-UK), ADBM (NIBM)
18 years of experience in banking



Mr. Sameera Senerath
Assistant Vice President -
Sales
EMBA - Merit (PIM - University of
Sri Jayewardenepura), FIB (IBSL),
PG.Dip. in Marketing (CIM-UK),
Associate Member (SLIM)
23 years of experience in banking



Mr. Sydney Downall
Assistant Vice President -
Colombo Region and Product
Development
MBA (University of Southern Queensland),
Dip. in Marketing (CIM - UK)
30 years of experience in banking



Mr. Sunil Karunaratne
Assistant Vice President -
Treasury

MBA (University of Western Sydney)
38 years of experience in banking



Mr. Damitha Samaranyake
Assistant Vice President -
Treasury

Associate Member (IBSL), ACI Dealing
Certificate - Paris
32 years of experience in banking



Mr. Dilum Amarasinghe
Assistant Vice President -
Leasing

MBA (Anglia Ruskin University - UK)
34 years of experience in finance leasing



Mr. Ashan Wikramanayake
Assistant Vice President -
Card Centre

Member (Association of Business Executives
- UK), MBA (Cardiff Metropolitan University
- UK), Adv. Dip. in Business Administration
(ABE - UK)
17 years of experience in banking



Mr. Romesh Tissera
Assistant Vice President -
Zonal Head - Business Banking

32 years of experience in banking



Mr. Himansu Wickramasinghe
Assistant Vice President -
Mid Corporate & Business Banking
Liabilities

AIB (Sri Lanka), MBA (University of Colombo)
31 years of experience in banking
(locally and overseas)



Ms. Dayani Algama
Assistant Vice President -
Human Resources

Masters in Development Studies (University of
Colombo), BA (Hons) (University of New Delhi)
32 years of experience with 26 years in banking



Ms. Darine Fernando
Chief Manager -
Wholesale Banking

MBA (Edith Cowen University - Australia),
Dip. in Corporate Banking (IBSL)
33 years of experience in banking



Mr. Ramesh Perera
Chief Manager -
Transaction Banking

ACMA (UK), CGMA
34 years of experience in banking



Mr. Thilanke Weerasinghe
Chief Manager -
Transaction Banking

MBA (University of Colombo), PG Dip. (CIM - UK),
BA (Hons) in Leadership and Management
(Northumbria University - UK), CITF (London
Institute of Banking & Finance), CSDG (London
Institute of Banking & Finance), CSCF (London
Institute of Banking & Finance)
19 years of experience in banking



Ms. Ayomi Kaviratne
Chief Manager -
Wholesale Banking

B.Sc. Engineering (University of Moratuwa)
ACMA (UK), CGMA
20 years of experience in banking



Mr. Niroshan De Silva
Chief Manager -
Wholesale Banking

AIB (Sri Lanka), Dip. in Credit
Management (IBSL), MBA - University of
Wales TSD
31 years of experience in banking



Mr. Rukmal Dharmadasa
Chief Manager -
Supply Chain Finance

B.Sc. in Accountancy & Financial Management
(University of Sri Jayewardenepura), ACMA (UK),
Certified Trade Finance Professional (CTFP) - ICC
Academy
23 years of experience in banking



Mr. Indrajith Gamage
Chief Manager -
Wholesale Banking

ACMA (UK), CGMA, MFE (University of
Colombo)
26 years of experience in banking



Ms. Madara Ariyaratne
Chief Manager - Legal

Attorney-at-Law (Hons) of the Supreme
Court of Sri Lanka, Notary Public,
Commissioner for Oaths, Qualified
Company Secretary, BA (Hons) (University of
Sri Jayewardenepura)
30 years of experience in banking



Ms. Anushi Vithanage
Chief Manager - Legal

Attorney-at-Law (Hons) of the Supreme Court
of Sri Lanka, Notary Public, Commissioner
for Oaths, Qualified Company Secretary,
LL.M Master of Laws (with Company Law
and Banking Law) (University of Colombo),
Post Attorney Diploma in Banking Law and
Insurance Law - Merit (Sri Lanka Law College)
29 years of experience in banking



Ms. Champa Wickramanayake
Chief Manager - Legal

Attorney at Law of the Supreme Court of Sri Lanka, LL.B (Hons) (University of Colombo), Post Attorney Diploma in Intellectual Property Law (Institute of Higher Studies - Sri Lanka Law College)

26 years of experience in banking



Ms. Medhini Senathirajasegaram
Chief Manager -
Credit Risk Management

ACMA (UK), CGMA, MBA (University of Colombo), B.Sc. (Hons) in Computer Science (University of Colombo)

21 years of experience with 20 years in banking



Mr. Mohan Paliawadana
Chief Manager -
Credit Review Division

AICM (SL), CISI (UK) - Risk in Financial Services, PG Dip. in Business and Finance (ICASL)

30 years of experience in banking



Mr. Rukshan Liyanage
Chief Manager -
Credit Review Division

MBA (Anglia Ruskin University - UK), PG Certificate in Business Administration (University of Leicester - UK), Professional Diploma in International Business (London School of Commerce - UK), Certificate Course in Credit (IBSL)

27 years of banking experience



Ms. Rasika Dassanayake
Chief Manager - Business Relationship
and Portfolio Management

ACA (SL), B.Sc. in Accounting (Sp.) - First Class (University of Sri Jayawardenepura)

23 years of experience in banking



Ms. Lourdette Wijeyanathan
Chief Manager- Business Relationship
and Portfolio Management

PG Dip. in Business Management (University of Wales), Dip. in Corporate Banking (IBSL), Intermediate Banking Diploma (IBSL)

28 years of experience in banking



Mr. Mano Thaliss
Chief Manager -Compliance

Dip. in Banking & Finance (IBSL) PG Dip. Business Finance & Strategy (ICASL), CAMS (Association of Certified Anti Money Laundering Specialists), Dip. in Compliance (IBSL) Fintek Certified AML/CFT Professional (FCAP), Certificate in Treasury and Foreign Exchange Operations (CBS), Certificate in Foreign Exchange (IBSL)

29 years of experience in banking



Mr. Nishantha Amunugama
Chief Manager -
Centralised Recoveries

MBA (University of Southern Queensland), PG Dip. in Business (AUS - ICASL)

27 years of experience with 25 years in banking



Mr. Ruchinda Kodagoda
Chief Manager -
Centralised Recoveries

Postgraduate Diploma (PDG) in Business Administration London School of Commerce, MBA (Cardiff Metropolitan University)

20 years of experience in banking



Mr. Manjula Gunawardana
Chief Manager - Trade Finance

31 years of experience in banking



Mr. Rohitha Wijesinghe
Chief Manager -
Central Operations , Payments and
Clearing

29 years of experience in banking



Mr. Vinod Sivapragasam
Chief Manager -
Shared Services

MBA (Anglia Ruskin University - UK)

29 years of experience in banking



Ms. Dilhani Piyasena
Chief Manager -
Transformation and Programme
Management Support

MBA (PIM - University of Sri Jayawardenepura), B.Sc. - First Class (Nagarjuna University - India)

30 years of experience in banking



Ms. Aloka Ekanayake
Chief Manager -
Transformation Unit

ACMA (UK), CGMA, ACA (SL), MBA (University of Leicester)

29 years of experience in banking



Mr. Renuke Perera
Chief Manager -
Application Support, Enterprise
Datawarehouse and MIS

MBCS (UK), MBA (Cardiff Metropolitan University - UK), B.Sc. in Computer Science (The Open University of Sri Lanka), Dip. in Management - (ICFAI University - India)

25 years of experience in banking



Mr. Prasanna M. Jayawardhana
Chief Manager -
Privilege and Privilege Select Banking

MBA - Merit (University of Gloucestershire - UK), PQHRM (CIPM - SL), CMA (ANZ)

33 years of experience in banking



Mr. Nilendra Vithanage
Chief Manager - Zonal Head -
Business Banking

FCA (SL), ACMA (UK), CGMA, B.Sc. in Finance (Sp) (University of Sri Jayewardenepura), MFE (University of Colombo), Diploma in Treasury & Risk Management (IBSL)

13 years of experience in banking



Ms. Manik Boteju
Chief Manager -
Project Finance

B.Sc. in Management (University of London)

21 years of experience in banking



Ms. Surani Peiris
Chief Manager -
Financial Analysis

B. Sc. in Physical Science (University of Colombo), ACMA (UK), CGMA, MBA (PIM- University of Sri Jayewardenepura)

22 years of experience with 17 years in banking



Mr. Sanath Susantha
Chief Manager -
Leasing

MBA (University of Ruhuna), B.Sc. in Physical Science (University of Colombo)

34 years of experience in banking



Mr. Chandima Alwis
Regional Manager -
Greater Colombo Region

FCA (SL)

32 years of experience with 26 years in banking



Mr. Nalin Abeyratne
Regional Manager -
North Western Region

Bachelor of laws (LLB), Senior Associate Member (IBSL), MBA (University of Ruhuna), BBA (Sp.) (Hons) (University of Ruhuna)

26 years of experience with 23 years in banking



Mr. Thilina Hewage
Regional Manager - Central Region

MBA (University of Wales - UK), Dip. in Human Resource and Organisational Behaviour (American College of Higher Education), Certificate in Inspiring and Motivating Individuals and Influencing People (University of Michigan - USA)

28 years of experience in banking



Mr. Vinjaya Jayasinghe
Regional Manager - Southern Region

Associate Member (IBSL), MBA (Cardiff Metropolitan University - UK), BMS Degree (The Open University of Sri Lanka), Dip. in Management (The Open University of Sri Lanka), Level 4 Certificate in Advanced Wealth Management (CISI - UK), Level 3 Certificate in Wealth and Investment Management (CISI - UK)

26 years of experience in banking



Mr. Sisira Herath
Regional Manager -
North Central Region

MBA - Merit (Cardiff Metropolitan University - UK), Diploma in Business Finance & Bank Management - IBSL, Micro MBA (Nth Degree Systems, Inc)

32 years of experience in banking



Ms. Himali Nandika
Chief Manager -
Finance

FCA (SL), B.Sc. in Accounting (Sp) - Second Class Upper (University of Sri Jayewardenepura)

23 years of experience with 17 years in banking



Ms. Sudeepa Kumari
Chief Manager -
Finance

MBA (University of Suffolk - UK), FCA (SL), B.Sc. in Accounting (Sp) - Second Class Upper (University of Sri Jayewardenepura)

22 years of experience with 17 years in banking



Mr. Ranisha Perera
Chief Manager - Human Resources

PG Dip. in Management (Cambridge Academy of Management), BBA (Business University of Costa Rica), Adv. Dip. in Teaching, Training and Assessing (City & Guilds), Adv. Dip. in HRM (EIPE), Applied Lean Six Sigma Practitioner (SSMI), Certified HR Business Partner (AON), Executive Certificate in HR Analytics (CIPM), MBA in HRM (University of Bedfordshire)

19 years of experience with 17 years in banking



Mr. Gehan Heenkende
Chief Manager - Business Intelligence

MBCS (UK), CITP (BCS - UK), M.Sc. in Advanced Information Systems (University of London)

33 years of experience with 2 years in banking



Ms. Nadie Samarasena
Chief Manager -
Product Lifecycle Management

ACMA (UK), CGMA, MBA (PIM - University of Sri Jayewardenepura), B.Sc. - First Class (University of Colombo)

25 years of experience in banking



Mr. Deepa Edirisooriya
Chief Manager -
Product Management & Innovation

MBA (Cardiff Metropolitan University - UK), B.Sc. (Hons) in Business Information Technology - Second Class Upper (University of Greenwich - UK)

17 years of experience in banking



Mr. Dharana Korale Arachchi
Chief Manager - Marketing

Member (SLIM), MBM Marketing (University of Kelaniya), B.BMgt. Marketing (Sp.) (Hons) (University of Kelaniya)

12 years of experience with 5 years in banking

Group Subsidiary Leadership Team



04

03

07

02

06

01

05

01 Mr. Kelum Edirisinghe
Director/ Chief Executive Officer

Please refer page 28 for the profile

02 Mr. Dimantha Seneviratne
Former Director/ Chief Executive Officer

Please refer page 28 for the profile

03 Mr. Senaka Kakiriwaragodage
Chief Executive Officer -
NDB Capital Holdings Limited

CFA, FCMA (UK), CGMA, MBA (University of Manchester - UK), B.Sc. in Computer Science and Engineering (University of Moratuwa)

21 years of experience, including 19 years with the NDB Group

04 Mr. Darshan Perera
Chief Executive Officer -
NDB Investment Bank Limited

Associate Member (IBSL), Associate Member (CIM - UK), Passed Finalist (CIMA - UK), Passed Level 2 (CFA - USA), MBA (University of Colombo), B.Sc. in Physical Science (University of Colombo)

31 years of experience, including 22 years with the NDB Group

05 Mr. Ruwan Perera
Chief Executive Officer -
NDB Wealth Management Limited

ACMA (UK), CGMA, MAFE (University of Colombo), MBA in Finance (University of Colombo), B.Sc. in Physical Science (University of Colombo), PG. Dip. in Business Administration and Management (University of Colombo), PG Dip. in Corporate and Strategic Finance (CA - SL)

22 years of experience, including 14 years with the NDB Group

06 Mr. Gihan R. Cooray
Chief Executive Officer -
NDB Securities (Pvt) Limited

MBA in Finance (Cardiff Metropolitan University - UK), Certificate in Capital Markets (SEC - SL), High Potentials Leadership Programme (Harvard Business School - USA)

22 years of experience, including 20 years with the NDB Group

07 Mr. Md Maroof ur Rahman Mazumder

Appointed w.e.f. 20 February 2024

**Chief Executive Officer -
NDB Capital Limited (Bangladesh)**

MBA in Finance (University of Dhaka), PG.Dip. in Computer Application Programs (Bangladesh Institute of Bank Management), B.Sc in Civil Engineering (Bangladesh University of Engineering and Technology)

Over 27 years of experience in the industry

Absent

Mr. Girish Patil
Managing Director -
NDB Zephyr Partners Lanka (Pvt) Limited

PG Dip. in Management (SDM IMD - India)

21 years of experience, including 9 years with the NDB Group

Mr. Kazi Farhan Zahir
Managing Director & Chief Executive
Officer - NDB Capital Limited (Bangladesh)
Resigned w.e.f. 07 January 2024

MBA (North South University - Bangladesh), B.Sc. in Electrical Engineering (Purdue University - USA)

17 years of experience, including 3 years with the NDB Group



Rikka
(15th Century)



Nageirebana
(16th Century)

Operating Landscape and Strategy



Seika
(18th Century)



Moribana
(20th Century)



Modern

A Transformative Spirit

Over the years, we have redefined our approach towards value creation, utilising innovative concepts and creativity to address change, and embody a life of continuous transformation.

Across centuries, ikebana has evolved with the times, reflecting various eras and influences. Each iteration is inspired by changing dynamics and the needs of the time.

Operating Environment

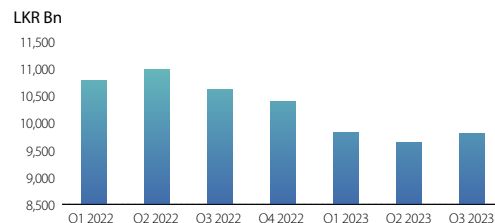
We closely monitored the developments in the macro-economic, socio and political as well as natural environment as they had impact of varying significance on the Group's performance. We were agile in assessing how these developments could affect the Group's value creation process, how they impact our stakeholders and how the Group needed to recalibrate efforts in preserving stakeholder interests.

Macro-Economic Developments

The banking sector continued to be impacted by the lingering effects of the recent economic crisis. Credit demand remained subdued in the backdrop of low economic activities while repayment capacities continued to be impacted by liquidity constraints brought on by persisting inflationary pressures and tax adjustments.

Signs of improvement however were observed towards the third quarter of the year as the effects of the economic reform programmes implemented by the Sri Lankan authorities started to show preliminary results. A gradual increase in credit was witnessed in latter part of 2023 with easing of policy rates by the Central Bank of Sri Lanka (CBSL). Meanwhile stabilisation of credit risk was witnessed during Q3 of 2023 as indicated by the slowdown in the growth of Stage 3 loans.

Credit Growth



Year-on-Year Contraction of Sri Lankan Economy

The lingering impact of the COVID-19 related economic slowdown, social, political, and economic uncertainties and a shrinkage in aggregate demand due to high inflation, monetary tightening and fiscal tightening during 2022 continued to weigh in on the economy resulting a contraction of the economy in the first two quarters of 2023. The economy started showing signs of gradual recovery during the latter part of 2023 with all three key sectors recording growth in Q3 and Q4. Notwithstanding this turnaround the IMF estimates a 3.6% GDP contraction for the full year due to the significant contraction in Q1 and Q2 of the 2023.

An Easing of Inflationary Pressures

Inflation witnessed sharp downward momentum from the historical highs witnessed in 2022 owing to the lagged impact of tight monetary policy, normalisation of domestic supply side bottlenecks, appreciation of the domestic currency and the downward adjustment of global commodity prices. Accordingly, the Colombo Consumer Price Index (CCPI) reached single digits in July 2023 after peaking at 69.8% in September 2022 and remained relatively stable throughout the remainder of the year.

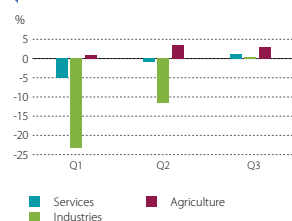
Monetary Policy Easing

The CBSL commenced relaxing its monetary policy stance in June 2023 ending the most stringent monetary policy tightening measures in the history of Sri Lanka. The easing of monetary policy together with the falling risk premia following the finalisation of the Domestic Debt Optimisation (DDO) resulted in market interest rates adjusting downwards.

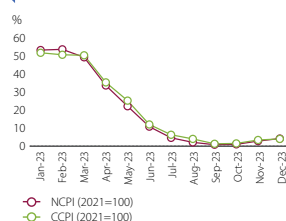
Gradual Appreciation of the Rupee

The acute shortages in foreign exchange liquidity witnessed in 2022 eased in 2023 with an improvement in market confidence with the approval of the International Monetary Fund (IMF) Extended Fund Facility and increased inflows through export proceed conversions, workers' remittances and tourist earning as well as restrictions on imports. Budgetary support from Asian Development Bank and World Bank funds also contributed to the easing of liquidity conditions in the domestic foreign exchange market. As a result the exchange rate which depreciated sharply in 2022 witnessed a notable appreciation and stabilisation during 2023.

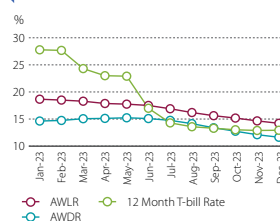
Quarterly GDP Growth by Sector



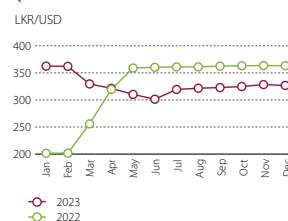
Inflation YoY % Change



Movement in Interest Rates



Monthly Average Exchange Rate



Impact on the Group - High

Impact on the Group - High

Impact on the Group - High

Impact on the Group - High

Opportunities

- A gradual resumption of trading activities due to removal of foreign exchange and certain import restrictions
- Policy stimuli towards supporting the country's SME sector

Threats

- Increased pressure on repayment capacities leading to increased credit risk and a deterioration of credit quality across the banking sector
- Subdued demand for credit growth amidst sluggish economic conditions
- Pressure on NII due to lower credit growth and the decline in interest rates

Strategic Response

- Re-calibrated growth targets, taking a more cautious approach to lending while prioritising on portfolio quality
- Sustained focus on supporting customers through the crisis via financial and non-financial support
- Pursued selected growth opportunities in local manufacturing, import substitution and export industries in line with the national development agenda

Regulatory Developments	Digital Disruption	Growing Impetus for Climate Action
Several measures were implemented by the CBSL to ensure price stability and financial system stability. Key developments during the year include; Structural Reforms - Strengthening the legal framework governing the financial sector of Sri Lanka through the enactment of the Central Bank of Sri Lanka Act (CBA) in September 2023. While increasing the autonomy of the CBSL, the CBA enhanced accountability of the CBSL in relation to its policy actions - Amendments to the existing Banking Act, No. 30 of 1988 to strengthen and streamline the provisions in line with international standards Policy Interventions - Further to accommodative monetary policy stance adopted by CBSL, policy rates were cut by a cumulative 650 basis points and the Statutory Reserve Requirement (SRR) was reduced by 200 basis points during 2023 - Directions on discretionary payments of Licensed Banks (LBs) - Revoking of Margin Requirements against Imports - Imposition of maximum interest rate on certain Rupee lending products - Request to reduce the interest rates of new and existing rupee denominated lending products by specific percentages on target dates subject to a floor rate of 13.5% - Reduction of the penal interest rate to a level not exceeding 2% per annum - Cap on Loan to Value (LTV) for credit facilities granted for housing purposes Impact on the Group - High	Digitalisation continues to disrupt the banking sector, transforming traditional banking models, reshaping customer interactions, and driving innovation in financial services. Key trends impacting the digitalisation drive of the financial sector are discussed below; - Customers are increasingly demanding seamless banking experiences through diverse channels such as mobile applications, online platforms, and chatbots, emphasising the importance of convenience and personalisation in their banking experience. - Banks are responding by allocating more resources towards digital transformation efforts, aiming to deliver a seamless, omnichannel experience to customers while also optimising their operational processes. - AI driven digitalisation, big data and analytics and the integration of blockchain technology are expected to be key disruptors as the banking sector increasingly moves towards more personalised offerings. - Banks are increasingly expanding their reach through ecosystem integration, forging partnerships with non-banking entities like retailers, e-commerce platforms, and service providers. These collaborations enable banks to provide integrated financial services tailored to customer lifestyles. - Managing cybersecurity and safeguarding customer data will remain a key focus as banks increasingly shift to digital channels. Banks are therefore increasingly embracing cutting-edge technologies like biometrics, blockchain, and encryption. Impact on the Group - High	The pandemic has brought the urgency of the climate crisis into sharp focus, and there is a growing recognition that bold and urgent action is needed to address it. Governments, businesses and individuals are increasingly recognising the need for collective action to reduce emissions, transition to renewable energy, and protect vulnerable communities from the impacts of climate change. In Sri Lanka, voluntary, industry-led initiatives have been implemented to promote sustainable finance. Early in 2015, the Sri Lanka Banks' Association (SLBA) launched the Sri Lanka Sustainable Banking Initiative (SL-SBI) with the aim to jointly agree upon minimal standards or principles for integrating environmental and social considerations into operations and to implement these standards among the signatory banks. Spurred by the growing call for meaningful climate action, banks are intensifying their commitment to ESG agendas and progressively integrating environmental and social factors into their fundamental operations. Impact on the Group - High
Opportunities - Opportunities for growing trade business due to removal of margin requirements for imports - Closer monitoring of discretionary expenses and positive impact on cost to income ratio	Opportunities - Opportunities to grow transaction business and fee-based income - Greater cost savings through operational efficiencies - Greater customer centricity	Opportunities - Opportunities to grow renewable energy portfolio due to Government's renewed focus on renewable energy sector - Implement green financing schemes to promote environmentally sustainable businesses
Threats Impact of declining rates on margins	Threats Increasing risks of cyber-attacks and financial crime	Threats - Climate-related risks and implications on key sectors such as tourism and agriculture - Potential disruptions to operations stemming from natural disasters
Strategic Response Maintained close engagement with customers and authorities to ensure open communication lines	Strategic Response - Successful migration to the new version of the core banking system - Driving operational excellence through robotic process automation and digitised processes - Ongoing improvements to digital platforms and digital offering - Obtaining ISO certifications for process standardisation - Increased focus on enhancing digital skills and inculcating a data-driven culture across the organisation	Strategic Response - During the year we strengthened our partnership with leading Green Financing Institution 'Global Green Growth Institute (GGGI)' to build capacity in mobilising green funding - Continued focus on minimising our environmental footprint through responsible consumption of resources including energy and paper - Ongoing engagement with Sri Lanka Climate Fund to formulate an action plan for achieving net zero status

Changing Labour Dynamics

Increasing levels of digitisation in the banking sector has changed the required skill profile of bank employees with an increased emphasis on digital skills, analytics as well as empathy and creativity. Sri Lanka's brain drain continues to be a key problem across sectors, as the country's economic crisis led to a mass exodus of skilled workers. Migration levels are particularly high in younger cohorts.

Impact on the Group - High

Opportunities

- Growth opportunities for existing employees through role enhancement
- Increased focus on process automation and digitisation

Threats

- Loss of tacit knowledge due to the loss of talent
- Increased hiring and training costs involved in new recruitment
- Impact on employee moral and customer satisfaction levels

Strategic Response

- Additional relief allowances to ensure financial security of employees
- Continued upskilling of NDB Team to support organisational realignment
- Increased focus on developing leadership pipeline

Sources: Central Bank of Sri Lanka, Department of Census and Statistics

Outlook

The following section discusses the short-term outlook for the banking sector considering significant macro-economic shifts and policy developments expected in the 2024

Gradually improving momentum in the domestic economy

Economic growth is projected to pick up from -3.6 % in 2023 to 1.8% in 2024, supported by accommodative monetary conditions and the relaxation of import restrictions (Source: IMF)

Downward adjustment in interest rates

Market interest rates are expected to continue to adjust downwards in line with eased monetary policy and administrative measures taken to reduce overall market lending interest rates.

Persisting inflationary pressures

Inflation is expected to remain in the single digit level, however is likely to edge up due to the introduction of the Value-Added Tax (VAT) measures from January 2024.

Continued focus on improving regulatory and governance aspects of the industry

Ongoing developments in the regulatory landscape including proposed amendments to the Banking Act, CBSL's Bank recapitalisation plan and proposed improvements to Corporate Governance frameworks



IMPACT

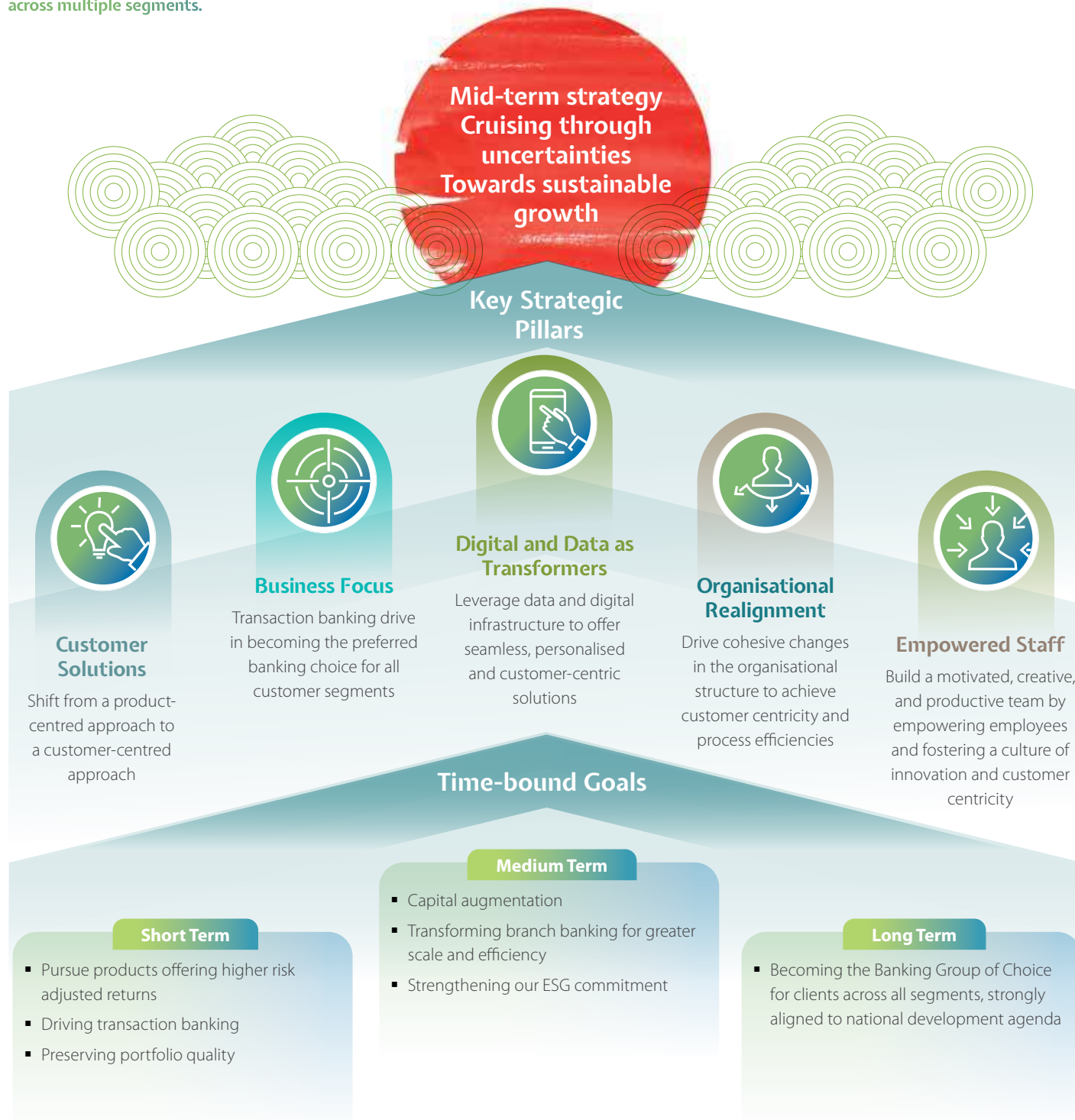
Continued pressure on maintaining a healthy net interest margin in a declining interest rate environment

The gradual normalisation of market lending interest rates and improving investor and business sentiments are expected to support a gradual expansion of credit to the private sector

Income levels and stabilisation of domestic inflation are expected to improve debt repayment capacities

A Futuristic and Agile Strategy

The Group's futuristic long-term strategy was launched in 2020 with the long-term objective of becoming the "Banking Group of Choice" based on a strong proposition of customer centricity. Revolving around five integrated strategic pillars this strategy aims to differentiate the Group's offering by driving customer centricity across all aspects of its operations, to better cater to rapidly evolving customer needs. Higher levels of uncertainty brought about by the unprecedented economic crisis in the country necessitated us to re-evaluate and recalibrate our near term objectives. They also required the development of tactical changes to effectively address short to medium term challenges including slower than expected economic growth, declining interest rates and the unprecedented brain drain from the country. Accordingly, the Group formulated a mid-term strategy to be implemented and guide it during the ensuing two to three years. The mid-term strategy which involves a greater focus on building resilience and operational efficiency was rolled out in the second-half of this year. This mid-term strategy also placed heavy emphasis on transaction banking, whereby we aim to become the preferred bank of choice for all our customers across multiple segments.





CUSTOMER SOLUTIONS

Key Focus

Emphasis on customer centred approach in providing convenient and seamless solutions to customers

Market Dynamics Impacting Strategy in 2023

- Increase in requests from customers for concessions and facility restructures due to economic crisis
- Growing demand for seamless and convenient digital banking channels

Tactical Re-alignment of Strategy

Support customers through the prevailing economic crisis with innovative products and services including advisory support

Strategic Initiatives FY 2023

- Strengthening customer feedback channels by placing QR Boards at branches and sending feedback SMS link to customers to obtain instant feedback on service levels
- Creating more opportunities for customer engagement through targeted customer forums, more one-to-one interaction and greater digital engagement
- Fully integrated digi loans facilities through NEOS App
- Continued emphasis on positioning the Bank as a lifestyle driven bank

Resources Allocated



Ongoing customer-service related training



Enhancements to digital capabilities

Progress Achieved

4.9/5.0

Customer
Satisfaction Rate

LKR 9.2 Bn

Brand
value

Way Forward

- Strategic direction and formulation to be customer centric
- Continued emphasis on staff training to enhance service levels across the organisation
- Improvement of customer engagement levels by leveraging technology, social media platforms and customer relationship management



BUSINESS FOCUS

Key Focus

Transaction banking drive in becoming the preferred banking choice in transacting for all customer segments

Market Dynamics Impacting Strategy in 2023

- Sharp decline in market interest rates
- Continued pressure on repayment capacity of customers
- Slower than anticipated economic recovery and economic activity

Tactical Re-alignment of Strategy

- Drive profitability growth through strategic focus on NII and fee-based income
- Sharper non-performing loans management
- Enabling transactions drive through seamless and convenient platforms

Strategic Initiatives FY 2023

- Strategic emphasis on preserving portfolio quality
- NEOS Corporate with new functionalities including CEFT, Letters of Credit and trade facilities to drive transactions and fee-based income

Resources Allocated



Brand building to drive growth in identified areas



Investments to improve data analytics capabilities

Progress Achieved

8.58%

Impaired loans
(stage 3) ratio

4%

NII
growth

14%

Growth in
fee income

Way Forward

- Continued focus on driving NII
- Driving transaction volumes to grow fee-based income
- Improving and preserving asset quality



DIGITAL & DATA AS TRANSFORMERS

Key Focus

Leverage data and digital infrastructure to offer seamless, personalised and customer-centric solutions

Market Dynamics Impacting Strategy in 2023

- Growing sophistication of customer digital requirements
- Increased risk of cyber threats and fraud
- Cost escalations in IT infrastructure
- Higher labour turnover due to migration resulting in more scope for process automations

Tactical Re-alignment of Strategy

Greater focus on process automation to drive cost savings

Strategic Initiatives FY 2023

- Successfully migrated to the upgraded core banking system with new modules such as Treasury Front Office, Advance Collection, TEMENOS Corporate Internet Banking (TCIB), Digital Layer, and others with greater processing capabilities
- Continued investments in network and information security systems including next-generation core and perimeter firewalls
- Introduction of process standardisation, anomaly-based detection and response to streamline processes
- Obtained new process certifications including ISO 27001, (Information Security Management), ISO 20000 (IT Service Management) and ISO 22301 (Business Continuity)

Resources Allocated



Investments in strengthening IT infrastructure



Investments in data security



80 member strong IT Team



Subject specific training for IT staff

Progress Achieved

11%

Growth in volume of digital transactions

12%

Growth in value of digital transactions

Way Forward

- Continued focus on network and data security
- Emphasis on system stability and security



ORGANISATIONAL REALIGNMENT

Key Focus

Drive cohesive changes in the organisational structure to achieve customer centricity and process efficiencies

Market Dynamics Impacting Strategy in 2023

- Increasing preference of customers for a one-stop solution for banking requirement
- Impact of high staff turnover on organisational tacit knowledge including customer insights and relationships

Tactical Re-alignment of Strategy

Introduction of Product Lifecycle Management, with a view of incorporating digitisation at all product levels, embracing aspects of digital, tech and data together to deliver a better experience to customers

Strategic Initiatives FY 2023

- Re-purposing job roles to fill the vacuum created by relatively high labour turnover
- Enhancements to NEOS App to promote cross selling of Bank's products
- Greater focus on data analytics to enhance share of wallet

Resources Allocated



Training and development for role repurposing



Investments made in data analytics technology

Progress Achieved

Deeper customer relationships and higher wallet share

Increased diversity of earnings profile

Way Forward

- Ongoing focus on developing data analytics capabilities to gain deeper understanding of key business segments to identify cross selling opportunities
- Empower employees through knowledge enhancement, role restructuring and performance evaluation to promote and drive cross selling



EMPOWERED STAFF

Key Focus

Build a motivated, creative, and productive team by empowering employees and fostering a culture of innovation and customer centricity

Market Dynamics Impacting Strategy in 2023

- Higher levels of attrition due to increased migration of skilled workers from the country
- More opportunities for career mobility as a result of new vacancies within and outside the organisation
- Impact on financial and mental well-being as a result of higher levels of uncertainty

Tactical Re-alignment of Strategy

Building internal capacity across all levels and a strong leadership pipeline

Strategic Initiatives FY 2023

- Additional relief allowances to ensure financial security of employees
- Continued upskilling of NDB Team to support organisational realignment
- Increased focus on developing leadership pipeline
- Further deployment of NDBPAL a holistic employee well-being proposition
- Increased employment engagement levels through team building and recreational activities

Resources Allocated



LKR 6.6 Bn in payments to employees



LKR 39.3 Mn training investment

Progress Achieved

24%

Female representation in senior management

78%

Retention rate

EDGE certified

For work place gender equity

Way Forward

- Competency based training aligned to mid-term strategy of the Group
- Succession planning through leadership training

Stakeholder Engagement

Stakeholder engagement is a critical aspect of our value creation process as it enables us to proactively identify, understand and address evolving stakeholder expectations and align our strategic priorities to those of our stakeholders. We continued to engage closely with our stakeholders during the year, exploring innovative modalities to deepen engagement levels.



Shareholders

Engagement Channels

- Annual and Extraordinary General Meetings
- Quarterly financial results publications
- Quarterly performance updates
- Quarterly investor webinars
- Year-round meetings with investment analysts, stock brokers, etc.
- Investor road-shows
- Annual Reports
- Investor presentations and announcements to the CSE
- Dedicated investor relations page on our website www.ndbbank.com
- Dedicated top management persons earmarked for investor relations support

Key Concerns 2023

- Group's financial performance and stability amidst macro-economic crisis
- Effective risk management practices
- Sustainable returns commensurate with the risk undertaken
- Strength of The Leadership Team
- Staff retention ability amidst rising migration levels in the country
- Integrity and high standards of corporate conduct and governance
- Increased focus on ESG considerations

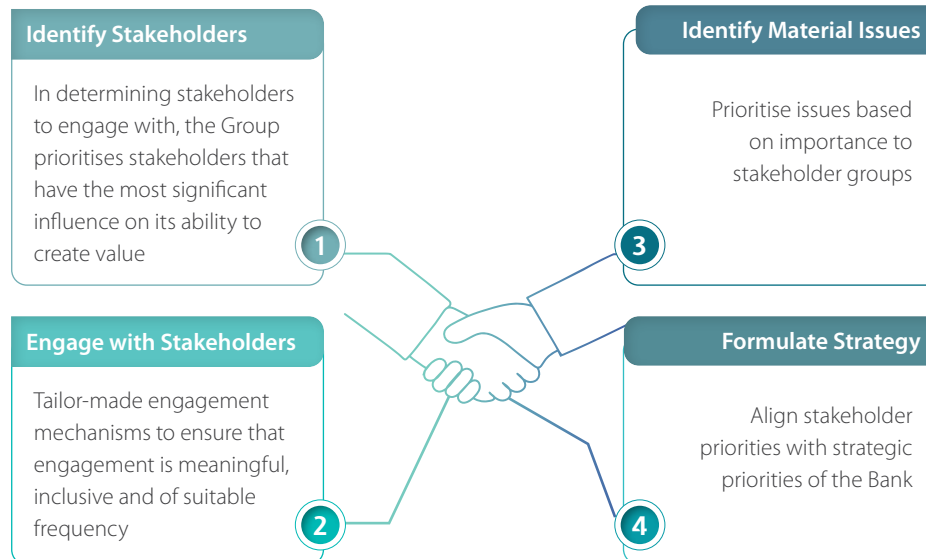
Our Strategic Response

- Implementation of mid-term strategy to address short to medium term challenges
- Continued focus on strong governance and risk management practices

More Information

- A futuristic and Agile Strategy Page 43
- Financial Capital Page 56
- Risk Management & Corporate Governance Page 108
- Investor Relations Page 367

Approach to stakeholder engagement



Our Stakeholder Universe





Employees



Customers



Suppliers and Business Partners

Engagement Channels

• Annual employee satisfaction surveys • Human Capital Management System (HCM) • Periodic Town Hall Meetings for all staff • Weekly leadership team meetings, monthly regional manager and business review meetings, quarterly branch manager meetings, etc. • Induction programmes for all new recruits • Work life balance initiatives conducted by the Staff Recreation Club and Toastmasters Club • Annual Retail Banking Awards	• QR table tops at branches to obtain feedback on customer satisfaction • Dedicated team at the Contact Centre, functioning 24x7 all year round • Ongoing customer interaction at branches and other business lines • Customer visits • Ongoing online and social media interactions • Print and electronic media publications • Online and mobile banking portals	• Supplier reviews and assessments • One-on-one meetings • Dedicated communication channel through ndb.tenders@ndbbank.com • Invitation for bids, tenders and information on the website

Key Concerns 2023

• Financial and job security amidst economic crisis in the country • Increased levels of anxiety and uncertainty regarding future of economy • Effective performance management and attractive remuneration • Career advancement opportunities • Training and development opportunities • Work life balance	• Loan repayment relief in view of macro-economic challenges • Seamless access to digital platforms • Uninterrupted service delivery • Fast response times • Competitive and transparent pricing • Responsible banking practices	• Continuity of business relationships • Fair and transparent pricing • Ease of transacting • Secure and stable platforms for transacting with regards to correspondent banks • Alignment to ESG aspects

Our Strategic Response

• Additional financial support for employees • Ongoing training and development opportunities across all levels • Ensuring employee physical and emotional well-being	• Closer engagement to understand and support customers through the crisis • Continued focus on improving digital platforms • Continued focus on improving service delivery and customer service	• Further streamlining procurement process to bring about greater efficiencies • Driving ESG aspects through policies and processes governing procurement and supplier engagement

More Information

• Human Capital Page 80	• Social and Relationship Capital Page 90	• Social and Relationship Capital Page 90



Community



Government and Regulators

- Publications including the Bank's sustainability reporting and other press releases
- Community capacity building programmes
- Interaction with community through CSR projects
- Engagement through social media

- Statutory reporting
- Liaison with the regulatory bodies on matters concerning the sector
- Engagement through industry associations

- Impact of lending practices on social and environmental issues
- Need for greater financial literacy among underbanked communities
- Employment generation

- Stability of the financial system
- Contribution towards stimulating economic activity
- Compliance with all relevant regulations, directions, and guidelines
- Direct and indirect impact on stakeholders, the society and the environment

- Greater integration between business strategy and wider community needs

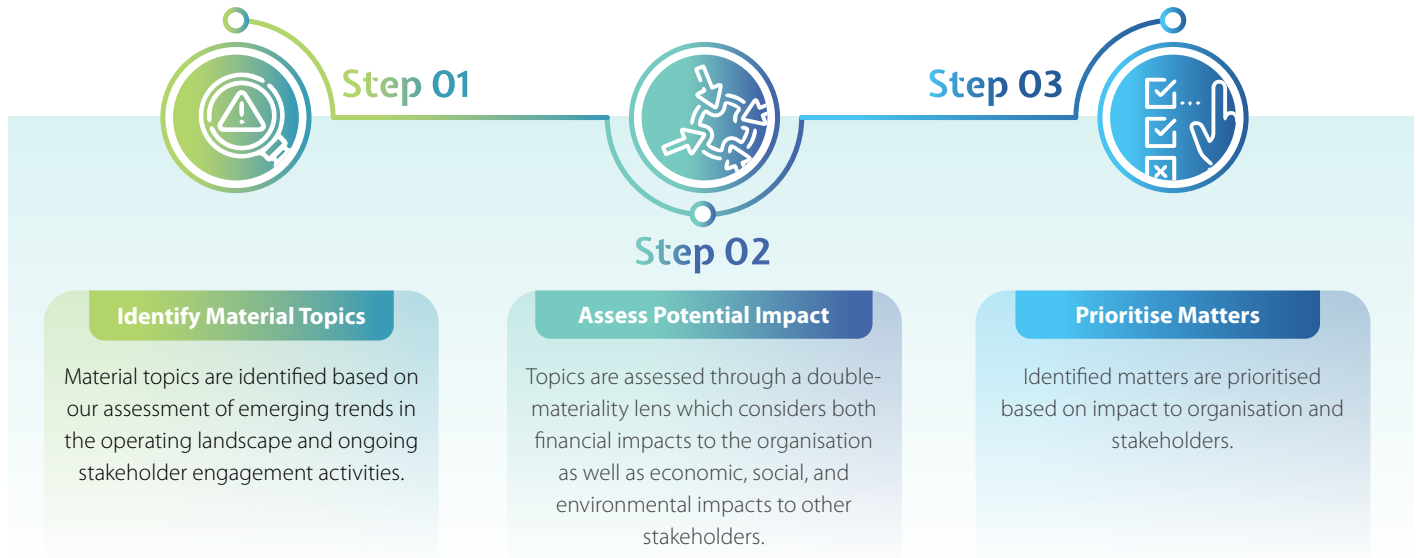
- Active engagement with industry stakeholders
- Full compliance with regulations and congruence with roadmaps/ directions

• Social and Relationship Capital Page 90

• Corporate Governance Page 110

Material Matters

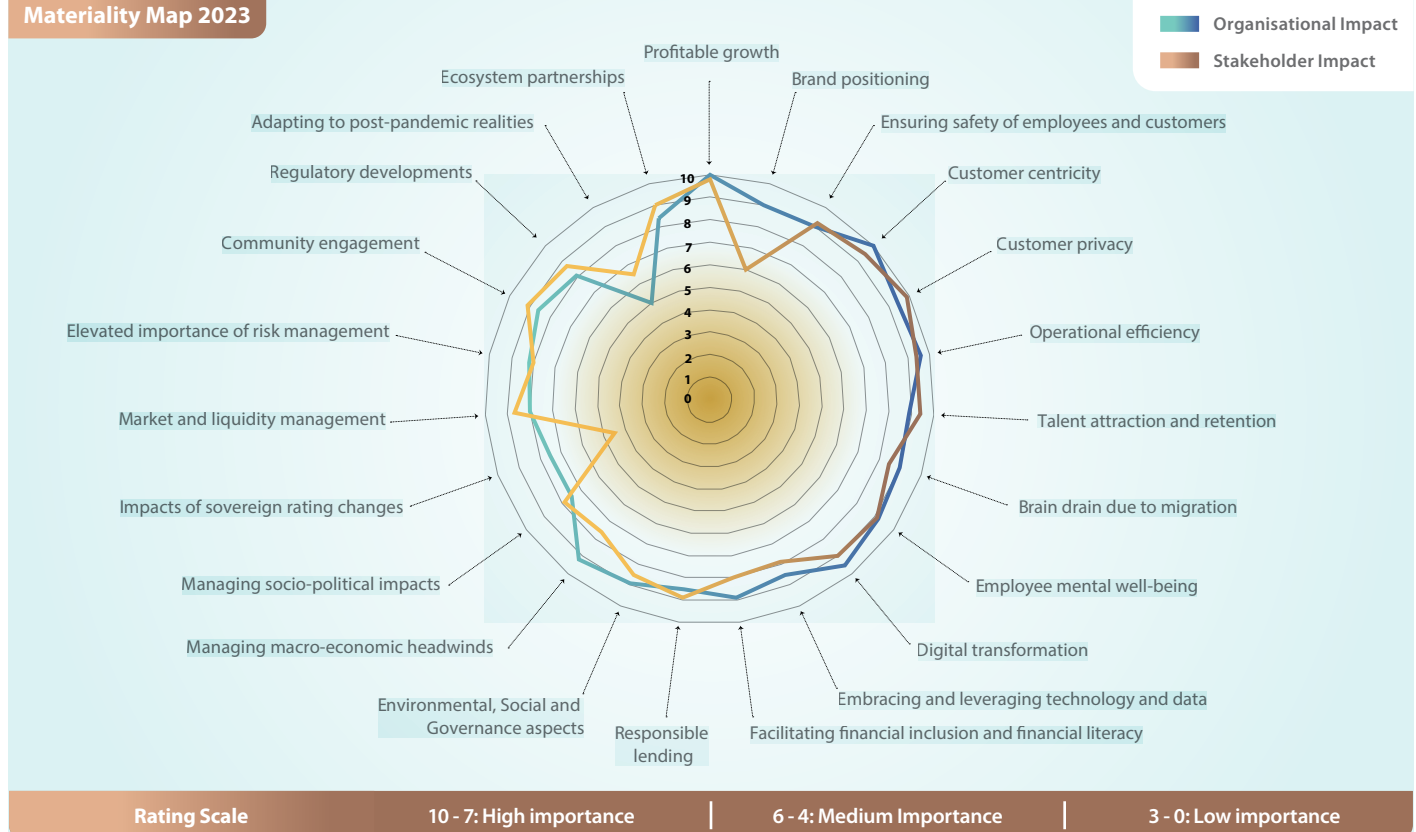
Our material topics are those that represent the Group's most significant impacts on the economy, environment, and people, including impacts on their human rights. We adopt an integrated approach to identifying our material matters; taking into consideration stakeholder views and internal insights to understand our most significant impacts. The material issues thus identified drive our strategic focus and form the basis of our internal and external reporting throughout the year.



Process for determining material matters

The Materiality Map developed for 2023 based on the above process is depicted below

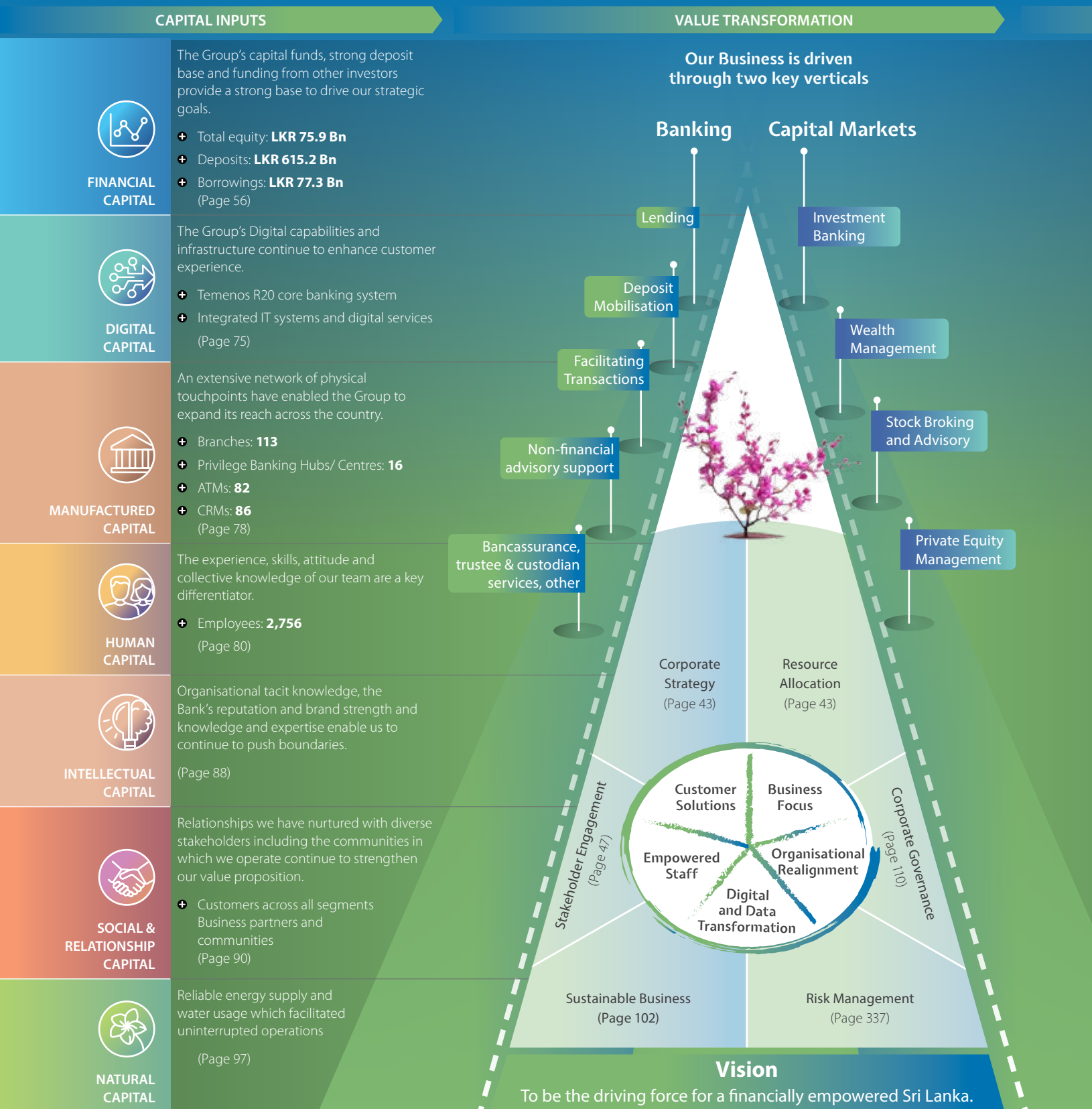
Materiality Map 2023



Material topic	Prioritisation		Changes in materiality compared to last year	Stakeholder group impacted	Relevant GRI/ SASB Standard	Page reference for further information
	Organisational impact	Stakeholder impact				
Profitable growth	H	H	-	Shareholders	GRI 207- Tax GRI 201- Economic Performance	56
Brand positioning	H	M	-	Customers	GRI 417- Marketing and Labeling, SASB FN-IB-510a.2 Business Ethics, SASB FN-CB-510- Business Ethics	88
Ensuring safety of employees and customers	H	H	-	Employees, Customers		80 - 87
Customer centricity	H	H	-	Customers		44
Customer privacy	H	H	-	Customers	GRI 418- Customer Privacy	77
Operational efficiency	H	H	-	Employees, Customers		75 - 77 and 88 - 89
Talent attraction and retention	H	H	-	Employees	GRI 202 - Market Presence, GRI 401-Employment, 402- Labour/Management Relations , 404-Training and Education, 405- Diversity and Equal Opportunity,SASB FN-IB-330- Employee Diversity & Inclusion	80 - 87
Brain-drain due to migration	H	H	Increased importance	Employees		80 - 87
Employee mental well-being	H	H	-	Employees		80 - 87
Digital transformation	H	H	-	Customers, Employees	SASB FN-CB-230: Data Security	75
Embracing and leveraging technology and data	H	H	-	Customers, Employees, Shareholders		75
Facilitating financial inclusion and financial literacy	H	H	-	Communities, Government	SASB FN-CB-240: Financial Inclusion and Capacity Building	90
Responsible lending	H	H	-	Customers, Communities		99
Environmental, Social and Governance aspects	H	H	-	Shareholders, Employees, Business partners	GRI 301-Materials , GRI 302- Energy , GRI 305 Emissions ,SASB FN-IB-410-Incorporation of ESG factors in Investment banking activities, SASB- FN-CB-410-Incorporation of ESG Factors in Credit Analysis	10 - 103
Managing macro-economic headwinds	H	H	-	Shareholders, Employees, Customers	GRI 201- Economic Performance SASB FN-IB-550- Systemic Risk Management SASB FN-CB-550- Systemic Risk Management	40 - 42
Managing socio-political impacts	H	H	-	Shareholders, Employees, Customers		40 - 42
Impacts of sovereign rating changes	H	M	-	Shareholders		40 - 42
Market and liquidity management	H	H	-	Shareholders, Customers		337 - 366
Elevated importance of risk management	H	H	-	Shareholders, Communities		337 - 366
Community engagement	H	H	-	Communities	GRI 413- Communities	90 - 96
Regulatory developments	H	H	-	Government, Shareholders		40 - 42
Adapting to post-pandemic realities	M	M	Decreased importance	Customers, Employees		40 - 42
Ecosystem partnerships	H	H	-	Business Partners		90 - 96

Value Transformation Process

Having discussed the dynamics of the operating environment in which we functioned, how we strategised in navigating them and deepened stakeholder relationships, the below depiction is the culmination of how the Group utilised its resources and relationships in generating stakeholder outcomes. As we have done in the prior years, inputs have been classified based on the six capitals defined by the Integrated Reporting Framework, together with a seventh capital identified by NDB, namely, Digital Capital given its significance and relevance to us. We have depicted the elements of corporate strategy and business verticals among others, which have been integral in our value transformation process.



KEY OUTPUTS		OUTCOMES			
		Net Impact to Capitals		Impact to Stakeholders	Contribution to SDGs
 Interest income generated LKR 119.7 Bn	FC	FINANCIAL CAPITAL	Profit generated LKR 5.4 Bn (+85%) CET1 ratio: 11.67%	Shareholders	
 Gross loans and receivables LKR 496.1 Bn	DC	DIGITAL CAPITAL	Investment in Computer Software LKR 3.4 Bn Total processes automated 86	Customers	
 Tier II Debentures Issued LKR 5.0 Bn	MC	MANUFACTURED CAPITAL	No. of branches relocated 01 Property, Plant and Equipment LKR 3.1 Bn	Employees	
 Tier II Debentures Issued LKR 6.6 Bn	HC	HUMAN CAPITAL	Attrition 22% Training investment LKR 39.3 Mn	Employees	 
 Investments in communities LKR 8.6 Mn	IC	INTELLECTUAL CAPITAL	Brand value LKR 9.2 Bn	Suppliers	
 Carbon footprint 5,510 tCO₂e	SC	SOCIAL & RELATIONSHIP CAPITAL	Improvements in customer satisfaction indicators 93 Correspondent relationships	Suppliers	  
	NC	NATURAL CAPITAL	Reduction in Direct Emissions 27.85%	Community	 



Management Discussion and Analysis



A Meaningful Connection

We believe in cultivating meaningful connections with the world around us, seeking to create a sense of harmony in the midst of diversity.

The elements used in ikebana often symbolise varying characteristics, seamlessly uniting opposing ideas and elements to create a cohesive, yet harmonious balance.



Financial Capital

Despite the challenging conditions that prevailed during the year, we continued to enhance our financial capital through prudent financial management. A strategic focus on managing NIMs, driving non-fund based income, maintaining portfolio quality and managing costs enabled the NDB Group to post an impressive PBT of LKR 10.90 Bn in 2023.

Our Financial Capital Inputs - Group

Total equity

LKR 75.9 Bn

Customer deposits

LKR 615.2 Bn

Borrowings

LKR 77.3 Bn

Value Drivers

- Effective re-pricing of assets and liabilities
- Risk and capital efficient lending
- Organisation-wide efforts to preserve portfolio quality
- Continued focus on cost optimisation
- Efficient liquidity management

Value Created - Group

» 308%
Growth in PBT

» 4%
Growth in NII

» 11%
Increase in
non-fund
based income

» LKR 186.43
Net asset
value per share

» LKR 14.42
Earnings
per share

Strategic Focus Areas 2023

- Focused approach in managing NIMs
- Transaction banking drive towards enhancing non-fund based income
- Capital augmentation



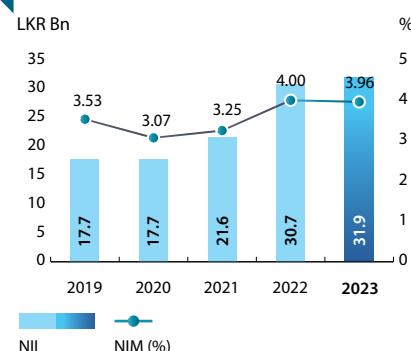
Please refer the full set of Financial Statements from page 161 onwards.

Financial Performance

NET INTEREST INCOME

Interest income enhanced by 22% to LKR 119.4 Bn with interest expenses rising by 30% to LKR 87.4 Bn, leading to a net interest income of LKR 31.9 Bn, a YoY growth of 4%. The resultant Net Interest Margin (NIM) of the Bank was 3.96%. Market wide interest rates came down from their historic highs following policy rates cuts netting 650 bps by the CBSL, whilst average prime lending rate dipped by approximately 16 percentage points during the year. The Bank's NII performance is commendable in such a backdrop and is a result of concerted efforts in driving NIM which carries considerable upside potential.

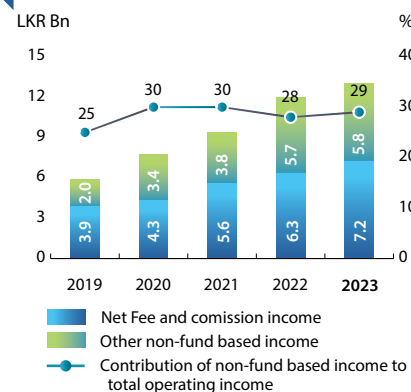
NII Trends



NON-FUND BASED INCOME

Total non-fund based income increased by 8% netting LKR 12.9 Bn. Net fee and commission income increased by 14% to LKR 7.2 Bn, enhancing the dynamism of the Bank's revenue mix. Net fee and commission income represents fee income generated from core banking operations, including trade related services, digital transactions, and card transactions. The Bank's concerted transaction drive with a wider objective of supporting the economy as it gains momentum particularly on trade related services enabled enhanced fee income amidst loan book contraction. The total of net gains from trading, net gains from financial assets at fair value through profit or loss and net gains from derecognition of financial assets amounted to LKR 8.7 Bn, a notable improvement over 2022 due to variation in the exchange rate and interest rates through the prior year.

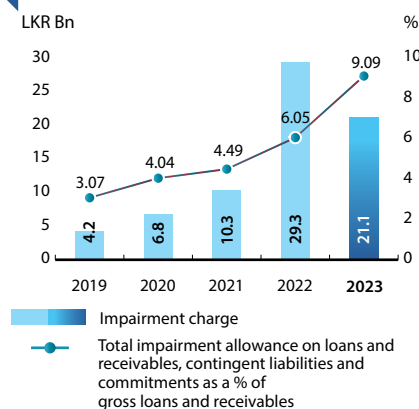
Non-fund based Income



IMPAIRMENT COSTS

Impairment costs during the year decreased by 28% to LKR 21.1 Bn primarily due to higher impairment provisions made for foreign currency denominated Government securities in FY 2022. Adopting a prudent basis, the impairment charge for loans and receivables increased by 35% to LKR 16.0 Bn, given the economic conditions. NDB continued to maintain provisions on investments in foreign currency bonds, for the expected International Sovereign Bond (ISB) restructuring to be announced by the Government of Sri Lanka during the year. As of end December 2023, the Impairment (stage 3) to stage 3 loans ratio was 41.11% (2022: 37.44%) whilst the Impaired loans (stage 3) ratio was 8.58% (2022: 6.24%) reflecting the industry-wide concerns on credit quality.

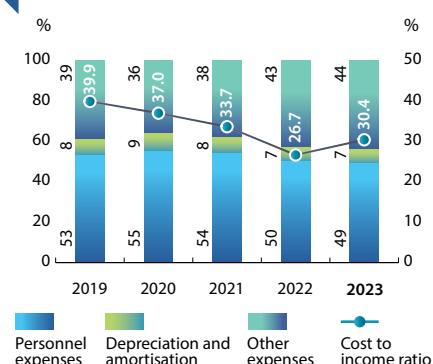
Impairment Charges



TOTAL OPERATING COSTS

Total operating costs increased by 20% during the year to LKR 13.7 Bn. Personnel expenses increased by 17% while other expenses increased by 22% in 2023. The general increase in price levels particularly energy and foreign currency denominated expenses drove costs up during the year. Process automations leading to lesser resource usage and efficiencies, greater shift of client transaction to digital platforms and conscious assessment and rationalisation of discretionary expenses, particularly as per directions issued by the CBSL were key contributors in managing costs increases. The cost to income ratio was 30.4% and compared well within the industry reflecting our ongoing focus on effective cost management.

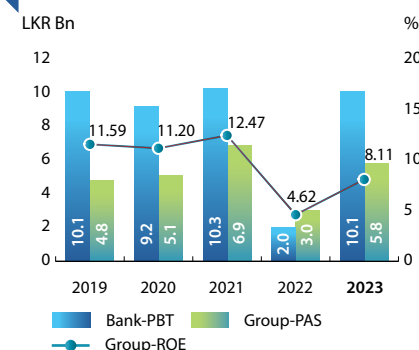
Cost Management



PROFITABILITY

The Bank's pre-tax profit increased by 396% to LKR 10.1 Bn, signalling an impressive rebound after the significant dip in profits in 2022 attributable to external challenges. Profit for the year (PAT) at Bank level meanwhile increased to LKR 5.4 Bn compared to LKR 2.9 Bn in 2022. At consolidated level, NDB Group posted an impressive LKR 10.9 Bn profit before all taxes during the year compared to LKR 2.7 Bn recorded in 2022. PAT at Group level meanwhile amounted to LKR 5.9 Bn, a 90% increase over the previous year. Group Profit Attributable to Shareholders was LKR 5.8 Bn. Healthy performance on revenue, reduction in impairment provisions compared to the comparative period and effective cost management across all operations enabled enhanced profitability.

Profitability



TAXATION

Bank's Taxes on Financial Services increased by 129% to LKR 2.7 Bn on account of the improved profitability during the year. Income tax during the year amounted to LKR 2.0 Bn.

MOVEMENT IN REGULATORY TAX RATES

Tax	2023	2022
FSVAT	18%	18%
Income tax	30%	24% & 30%
SSCL (w.e.f. 01 October 2022)	2.5%	2.5%

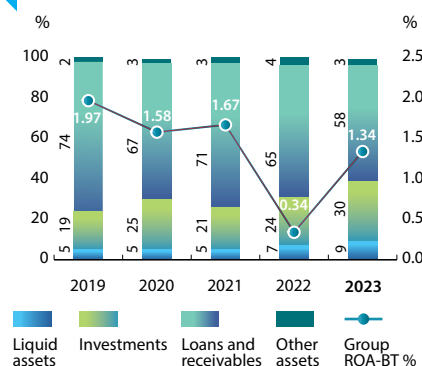
Tax management:

The Bank's tax strategy is formulated and implemented by a dedicated Tax Management Unit, driven by a team of highly skilled finance professionals. A tax consultant has been engaged to compute the income tax liability and handle the administrative functions relating to filing of income tax returns. Tax compliance is consistently monitored by Internal Audit, Compliance Unit, and the external auditors. The Chief Manager in charge of the Tax Management Unit liaises with the tax authorities on a regular basis, while engagement is also supported by the tax consultant. The Bank was fully compliant with all tax related regulations during the year.

TOTAL ASSETS

The Bank's total assets as at end 2023 amounted to LKR 779.9 Bn compared to LKR 832.8 Bn as at end 2022. The 6% reduction in the asset position is predominantly due to the deflation of the foreign currency denominated asset book with the appreciation of the Sri Lankan Rupee versus the severe depreciation seen in 2022. The gross loan book also witnessed a contraction of 14% to LKR 496.1 Bn as a result of the deflationary impact of Rupee appreciation. Lower demand for loans on account of high interest rates during the year, prior to downward adjustments in response to monetary policy easing and low economic activity in the country also affected loan book contraction. Amidst conditions of subdued credit growth, the Bank increased its portfolio of liquid investments. Accordingly, Placements with banks which comprise short-term deposits placed in banks witnessed a growth of 721% to LKR 33.7 Bn. Meanwhile, financial assets measured at fair value through other comprehensive income which include investments in government securities also increased by 88% to LKR 83.8 Bn during the period. Consolidated assets at the Group level declined by 6% to LKR 787.0 Bn during the year.

Group Asset Growth



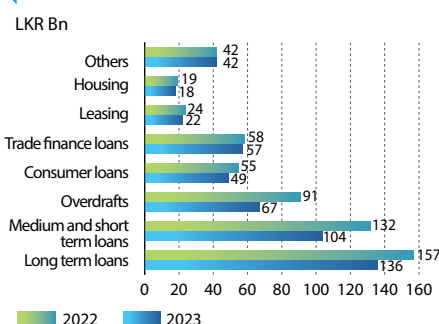
LOANS AND RECEIVABLES

Gross loans to customers in 2023 amounted to LKR 496.1 Bn a 14% decrease compared to FY 2022, as discussed above. A more cautious approach to lending amidst deteriorating credit quality across the industry also contributed to muted credit growth during the year.

Portfolio Quality

Reflecting the industry wide phenomenon, portfolio quality continued to be impacted by the economic conditions in the country. Stage 3 loans in 2023 amounted to LKR 82.5 Bn compared to LKR 65.1 Bn in 2022. Stage 2 loans in 2023 amounted to LKR 103.3 Bn (2022: LKR 177.9 Bn). The Bank continued to focus its efforts on maintaining portfolio quality by engaging closely with financial distressed customers through business lines and the Bank's Remedial Management Unit.

Loan Portfolio by Product

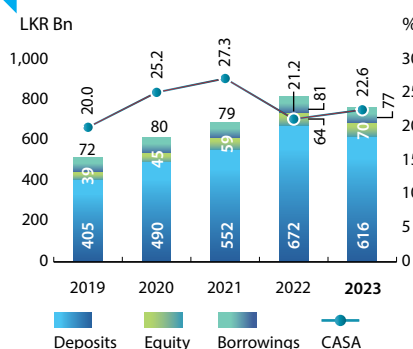


FUNDING AND CAPITAL

The Bank's deposits base as at end 2023 amounted to LKR 615.6 Bn, a 8% reduction compared to 2022. The reduction is partly attributable to the appreciation of the Sri Lankan Rupee while the sharp decline in interest rates towards the latter part of the year also impacted deposit growth. Deposits continued to dominate the mix, funding 79% of the Bank's total assets.

The Balance Sheet remained dynamic and resilient and the Bank maintained sound liquidity and capital adequacy. The Bank's equity base increased by 10% to LKR 70.1 Bn during the year. Regulatory Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency) and Net stable Funding Ratio stood well above the regulatory minimum requirement of 100% at 309.61%, 228.58% and 142.26% respectively. The Statutory Liquid Assets Ratio of 39.02% (2022: 27.24%) was also well above the regulatory minimum requirement of 20%. Tier I and Total Capital Adequacy ratios stood at 11.67% (Group: 12.22%) and 15.90% (Group: 16.35%), well ahead of the regulatory minimum levels of 8.5% and 12.5% respectively. NDB fortified its Tier II capital base with a LKR 5.0 Bn infusion of Basel III compliant listed, rated, unsecured, subordinated, redeemable debentures during the year.

Funding Composition



KEY SHAREHOLDER RETURN INDICATORS - NDB GROUP

For the year ended December 31	2023	2022	2021	2020	2019
Return on equity (%)	8.11	4.62	12.47	11.20	11.59
Gross dividends paid during the year (LKR Mn)*	950	1,964	349	1,553	1,683
Dividend per share (DPS) (LKR)**	-	2.50	5.50	1.50	7.00
Dividend yield (%)**	-	7.81	7.98	1.92	7.00
Dividend payout ratio (%)**	-	33.20	26.34	6.82	34.10
Earnings per share (EPS) (LKR)	14.42	7.53	20.88	21.99	20.53
Dividend cover (Times)**	-	3.01	3.80	14.66	2.93
Total shareholder return ratio (TSR) (%)	110.63	-45.57	-9.86	-14.90	1.12
Price earnings ratio (PE ratio) (Times)	4.50	4.25	3.30	3.55	4.87
Net asset value per share (LKR)	186.43	177.60	175.65	206.23	195.60
Price to book value (Times)	0.35	0.18	0.39	0.38	0.51

* Gross dividends declared and paid during the year with respect to the prior year

** The Board of Directors will consider a declaration of dividends for the year 2023 in due course. The Bank paid a total scrip dividend of LKR 2.50 per share for the year 2022

NURTURING SOUND RELATIONSHIPS WITH OUR SHAREHOLDERS

In early 2024, NDB hosted the Board of Directors of its largest shareholder, Norwegian Investment Fund for developing countries - Norfund, at the NDB Head Office in Colombo 02. Norfund and NDB share mutual interests in promoting SMEs, empowering the women's market segment, accelerating the shift to clean energy and driving digitalisation, amongst others, and will continue their collaborations along these lines. Norfund invested in 9.99% of NDB's shares as the Bank's anchor shareholder in 2021 via a private placement, and the Bank has benefited from knowledge transfer from the investor on critical aspects since then.



 Please refer Investor Relations from page 367 onwards for more investor information.

OUTLOOK

The effects of monetary policy easing are translating in to tangible results as indicative from the upward momentum in private sector credit during the last quarter of 2023. Some stabilisation of credit risk was also witnessed since Q3 of 2023 as indicated by the slowdown in the growth of Stage 3 loans at industry level. We are encouraged by these signs of recovery and will focus on pursuing selective growth opportunities through capital efficient lending. We are however cognisant of persisting risks and challenges in the short term including the impact on repayment capacities due to higher taxes and will therefore continue to focus on preserving capital and portfolio quality whilst driving profitability with a sharper focus on net interest margin management, fee-based income growth and cost rationalisation.

Performance of Business Lines



Retail Banking

Despite its relatively recent foray into Retail Banking compared to mature peers, NDB has successfully developed a strong retail proposition which has allowed NDB to expand its presence beyond its traditional market segments and build a more diverse and inclusive portfolio. NDB's Retail Banking proposition aims to provide customers with a fully-fledged lifestyle banking experience by leveraging its strong digital capabilities and innovative product offerings, which caters to every phase of a customer's lifespan. The Unit recorded strong performance amidst challenging operating conditions during the year, reflecting a resilient and astute strategy.

OUR VALUE PROPOSITION

- A strong portfolio of customer-centric and lifestyle solutions
- Best-in-class digital offerings that focus on simplicity and customer convenience
- Relationship driven service excellence
- A multitude of customer touch points

OPERATING CONTEXT

- Subdued economic conditions
- Lower propensity for savings
- Resultant repayment pressures
- Subdued demand for private credit
- Decline in market interest rates
- Income tax hikes aimed at supporting fiscal consolidation and elevated price levels, affecting spending capacity of individuals
- Gradual appreciation of the Sri Lankan Rupee and impact on dollar denominated portfolio

DRIVING STRATEGY IN 2023

Focus on customer convenience

With customers increasingly seeking more convenient and seamless banking experiences, we continued to enhance our digital value proposition to Retail customers with the aim of creating better user experiences and more convenient methods of executing transactions. This was bolstered by our two-pronged approach in digitisation vis. accentuating digital customer interfaces and automating internal processes for speedier turnaround times. NDB's digital offering to Retail customers includes the NEOS mobile App, NEOS Online, NEOS PAY - QR payment method with which customers can make payments to merchants, pay bills and carry out a wide range of other transactions, ATMs and Cash Recycle Machines placed across the country at convenient locations and video KYC (vKYC) based online account opening powered by AI and end-to-end integrated digi-loans. These platforms collectively drove customer convenience and led to approximately a 87% of conventional branch transactions being channelled via any one of these digital platforms. Affirming its high reception and traction among customers, the NEOS mobile App and NEOS Online banking together recorded a 27% year-on-year increase in transaction value and 9% increase in transaction volumes during the year.



Link to Strategy



Driving financial inclusion of women

Strategic emphasis was placed on actively promoting the NDB Araliya proposition as a part of our overarching objective of empowering Sri Lankan women and promoting female participation in economic and other socially-beneficial activities. During the year we revitalised the NDB Araliya proposition which was launched in 2017, in further driving the message of the support NDB offers to aspiring women. The product re-launch was based on the brand promise of "Giving you more than you want for yourself" and entailed island wide awareness and engagement activities with target female market segments. Ongoing financial literacy programmes and capacity building initiatives meanwhile served to strengthen engagement levels with the eligible female populace. We also continued Sri Lanka Vanithabhimana, an island-wide women's recognition programme, for the fourth consecutive year, as part of our efforts to reward and empower high performance, high potential females across a number of categories (please refer page 94 for more information). These initiatives have served to deepen our relationships with our female clientele and promote sustainable development through women's participation across economic, social and other aspects.



Link to Strategy



Driving CASA

The Retail Banking Unit, with the largest base of customers drove significant efforts in promoting the CASA deposits base during the year. In addition to aforementioned NDB Araliya and NDB Remit Saver (subsequently discussed) propositions, the Bank revamped its proposition for minor savers, NDB Shilpa. Two distinct and attractive campaigns were rolled out during the year coinciding with International Children's Day in October and Christmas respectively. The former, themed "Double your interest, Double your future", encouraged youngsters and parents to cultivate a savings habit from an early age and the message was strongly driven all across the country. "NDB Brings Santa Home Once More" ran through the month of December, for the seventh consecutive year, affording parents the delightful opportunity of depositing any amount over a specified threshold into their child's NDB Shilpa Savings Account, and in return, choosing from a diverse selection of gifts, to be delivered by Santa Claus at their homes. The Bank places special emphasis on minor savers towards striking long-term relationships, particularly as the Bank is better equipped to serve the emerging generations with new-tech enabled banking solutions. The results of driving CASA was reflected in the impressive 55% growth in the Unit's net interest income.



Link to Strategy



Responsive product strategy

Our product strategy continues to be driven by evolving customer and market dynamics. During the year, we took a more cautious approach to growth as risk factors escalated posing a threat to asset quality. However, we strengthened our underwriting standards and shifted focus on capital efficient lending such as pawning and other products such as credit cards and pension loans in response to customer needs. Affirming our close congruence to evolving opportunities, the Bank launched NDB Remit Saver catering to the needs of migrant workers in the backdrop of rising migration levels and the country's need to attract remittances. We also continued to enhance our credit card proposition, focusing on providing customers attractive discounts and additional convenience.

New product launch

NDB Remit Saver

Product: Dedicated savings account

Target market: Migrant workers and their family members, potential migrant workers

Benefits: Attractive interest rates, free hospitalisation cover and a range of value additions

Contribution to the economy: Promotes foreign currency worker remittance inflows to the country



The Unit also further expanded its robust and dynamic cards portfolio. An innovative pre-paid Tourist Card was issued in strategic partnership with the Sri Lanka Tourism Development Authority designed to facilitate seamless transactions for tourists during their stay within the country. This intends to provide much impetus to the thriving tourism industry in the country.



Link to Strategy



Preserving portfolio quality

Supporting our customers with tailor-made solutions to address their financial difficulties was a key priority. As we sought to preserve portfolio quality, we continued to reach out to customers proactively, offering customised restructuring arrangements and innovative products with flexible tenors and special rates to ease financial pressures. Enhanced underwriting standards and targeted lending meanwhile enabled the Unit to maintain portfolio quality while pursuing cautious growth in relatively low risk segments.



Link to Strategy



Outlook and Way Forward

Opportunities

- + Gradual improvement in economic conditions
- + Lower interest rates and expected positive impact on credit demand



Threats

- Impact of higher income tax
- Lower disposable income
- Increasing levels of migration
- Adversely affected asset quality



Strategic Focus in 2024

- ✓ Maximising fee-based income generation
- ✓ Preserving portfolio quality by strengthening underwriting standards, monitoring mechanisms and collection processes
- ✓ Increase use of data analytics to drive customer-centricity
- ✓ Continued focus on empowering the women's market segment
- ✓ Continued emphasis on digital drive with a focus on providing simple and convenient customer solutions
- ✓ Driving process efficiencies to further enhance profitability



Privilege Banking

NDB Privilege Banking continued to uphold its position as the undisputed market leader in the Sri Lankan private banking domain, enabled by excellence in customer service, dynamic solutions and convenience defining digitised platforms.

OPERATING CONTEXT

Comprehensive solutions combining both banking and capital market products curated for customer wealth maximisation

Exceptional customer service extended by relationship managers with high product and market acumen

PERFORMANCE AND STRATEGIC FOCUS

The Privilege Banking Unit's deep segmentation of customers vis. Privilege, Privilege Select and Privilege Select Plus for high net worth to ultra-high net worth customers range and Elevate for emerging high net worth customers, ensured specifically curated life-style and financial solutions which met their unique demands, aspirations and goals. The fully-fledged suite of savings and investment options the Unit affords its clients, transcending both commercial banking and capital markets, remained unmatched by any other player in the segment given NDB's distinct stand as a financial services Group. These dynamic options ensured that customer wealth was preserved and enhanced notwithstanding the challenging market conditions that prevailed due to the macroeconomic headwinds.

The Unit closely aligned its efforts in supporting the achievement of the Bank's overall strategic priorities. Accordingly, Privilege Banking contributed to the growth of the Bank's CASA base and fee income. Segment revenue reported an impressive growth of 46% year on year, making a significant contribution to the Bank's overall revenue. The Unit also continued to promote Family Banking as an integral part of the strategy to build brand loyalty and increase customer retention across generations.

Amidst high staff attrition seen across the banking industry over the past two years, the Unit was able to retain its key talent enabled by the reputation NDB Privilege Banking commands, as a preferred employer for enriching and rewarding career opportunities. This enabled the Unit to maintain its best in class service standards consistently.

The Unit is committed to maintain and strengthen the value proposition by providing solutions that extend above and beyond customer expectations. NDB Privilege Banking also remains focused on pursuing cross sell opportunities within the NDB Group to drive growth.

ACCESSIBILITY

Privilege Banking services remained accessible to all customers as per their preference, through a precise fusion of both digital and physical means. The Unit's swift and intelligent advisory and product support was enjoyed by the valuable clientele spread across the country as well as the globe. NDB NEOS digital platform continued to gain traction given the convenient, seamless and safe transaction platform it afforded with multiple transaction options. Sixteen dedicated Privilege Banking Centres located at strategically important localities, together with the Bank's 113 branches with dedicated relationship management access ensured uncompromised levels of service to all customers. NDB Privilege Newsletter, issued on a quarterly basis comprising insights on the macro-economy, investment options and emerging trends empowered the Unit's customers to make well informed decisions.



NDB Privilege Offering

Financial Advisory Services

An integrated solution for all investment advice done in partnership with the Bank's capital markets cluster group companies

Enhanced Lending Services

Designed to meet complex borrowing requirements

Exclusive Life and Health Benefits

Provided in partnership with international service providers

Priority Services

Priority and personalised services offered across the NDB Group network

Value Added Services

Estate planning advisory, loyalty programmes, philanthropy services, family banking and digital services

Exclusive Concierge Services

Designed to meet global and local lifestyle requirements

Curated Quarterly Newsletter

Containing macroeconomic, investment coverage and emerging themes in banking and finance

Outlook and Way Forward

Opportunities

- + Gradual improvement in economic conditions leading to greater transaction volumes
- + Lower interest rates and expected positive impact on credit demand



Threats

- Impact of higher income tax affecting savings and investments by customers
- Increasing levels of migration which may affect customer base



Strategic Focus in 2024

- ✓ Retaining liability portfolios and enhancing net interest income
- ✓ Supporting CASA growth by leveraging on digital capabilities and transaction banking
- ✓ Maintaining fee-based income by maximising cross sell opportunities
- ✓ Assets growth through strategic lending
- ✓ Use of data analytics to support customer centricity and best in class service



Banking Simplified



I have been banking with NDB since 2016, with the initial objective of making it my secondary bank, but what transpired is NDB being my preferred banking choice, where I have consistently used several services over the years. NEOS is one such great example, all through the pandemic and post-pandemic times, it was extremely useful in keeping track of my banking matters, and payments. The user interface and seamless connectivity offered in the App is highly appreciated, when I am pressed for time, while on the go for personal errands or during work projects. I look forward to seeing even more features in the next version upgrade from the team.

Ms. Dilrukshi Fernando,
IT Consultant



Business Banking

As the country emerged from the aftermath of continuous economic shocks during the year, NDB's Business Banking Unit further augmented its support to the SME clientele in enhancing resilience and accelerating recovery. As SMEs form the backbone of the economy, the Unit closely aligned its efforts to national priorities such as driving exports and extended both financial and advisory support.

OUR VALUE PROPOSITION

A deep understanding of the unique needs of SMEs based on a long history of financing the sector

Tailor-made products and services to meet unique needs of SMEs across multiple sub-sectors

A cohesive business model that prioritises relationship and advisory driven banking services

Access to concessionary credit lines as a Participating Financial Institution (PFI) offered by GOSL and global multilateral funding agencies

OPERATING CONTEXT

Macro-economic pressures including inflationary domestic conditions, high costs of production and subdued consumer sentiment negatively impacting credit demand and repayment capacities

A gradual resumption of trading activities due to removal of certain import restrictions and enhancement in foreign exchange liquidity

Supporting SME Revival

Notwithstanding the external challenges, the Unit maintained its uncompromised focus on supporting the SMEs, particularly as this was one of the most hard hit segments during the economic crisis. We continued to maintain a high level of engagement with customers, strengthening relationships and supporting them in rebuilding their business ventures, which were subject to varying levels of disruption. Providing short term capital remained a key focus during the year in response to one of the most prevalent and common challenges that the SMEs were grappling with, that of liquidity shortage. As debt repayment was also a most pronounced challenge, the Bank's Remedial Management Unit established in 2022 continued to play an important role providing advisory services and tailor-made repayment paths to our clientele. Affirming the dynamism and deep inroads we have made in the SME sector, we extended support to a multitude of sub-sectors that are critical in national economic growth, export revenue generation, employment generation, etc. such as cinnamon, coir, paddy and coconut.

We also leveraged our relationships with funding partners to access credit lines to channel concessionary funding to reduce the interest burden on our SME customers. During the year NDB entered into a Memorandum of Understanding with the Ceylon Chamber of Commerce to facilitate the development of the SME and export sectors in Sri Lanka. The partnership seeks to address some of the key challenges faced by them by creating an economic infrastructure that will ensure more sustainability for these sectors.

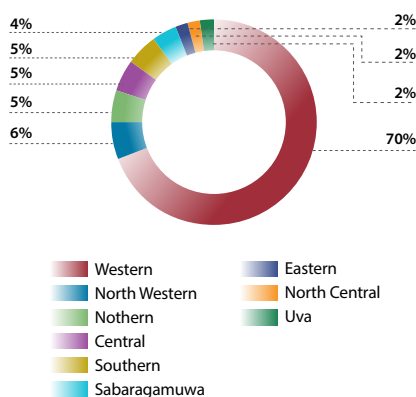
Over 20 capacity building and financial literacy programmes were also conducted across the entire country, in collaboration with the International Finance Corporation (IFC) and USAID to build SME capacity and support revival. Our export customers also continued to benefit from our holistic proposition NDB Jayagamu Sri Lanka which brings together curated financial support, advisory support and expert support from various third parties.



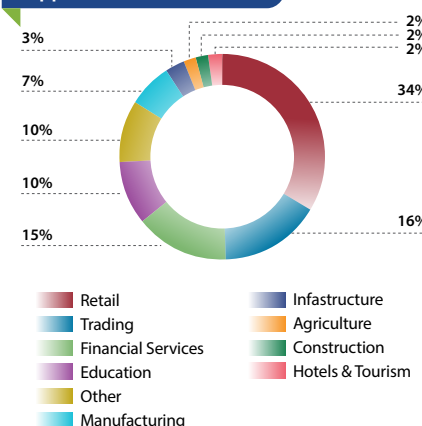
Link to Strategy



Province Wise Composition of Support to SME-S sector



Sector Wise Composition of Support to SME-S sector



Driving the Digital Transformation of SMEs

We continued to work towards bridging the technology knowledge gap within the SMEs by actively extending our digital value proposition to SMEs and creating widespread awareness on using modern digital technologies. Our pioneering business banking mobile app for the sector, NEOSBIZ continued to gain momentum amongst our SME clientele with more SME customers being onboarded to the digital platform during the year. The App which contains a range of features such as Bulk Salary Transfers, Bulk Fund Transfers, Payee Management to manage suppliers, Biller Management and Bill Payments, Transaction Approvals to authorise and approve transactions, Merchant QR Payments among others, allow SME entrepreneurs to have full control and visibility over all transactions that are carried out through the App. As part of our broader efforts to drive SME digitisation we also partnered with the IFC to conduct a series of workshops and webinars to provide SMEs with necessary expertise to efficiently pursue business goals and make their day-to-day business banking transactions easier and faster with the aid of modern digital technologies.

NEOSBIZ performance 2023

>1,500

Active customers

>LKR 38 Bn

Value of transactions



Link to Strategy



Empowering Women Entrepreneurs

Efforts to empower our female clientele continued during the year with a series of initiatives carried out as part of the Bank's 'Banking on Women' proposition. NDB Araliya, our dedicated platform for women, was enhanced during the year and accelerated its support to the female entrepreneurs. The platform offers customised support to women through a range of products and services. Continuing our efforts in holistically supporting the female clientele, we also conducted a number of advisory sessions on pertinent topics such as debt management, financial literacy, financial management during a crisis, etc.



Link to Strategy



Focus on Transaction Banking for SMEs

Given the subdued appetite for longer term financing by SMEs during the year, we placed strategic focus on promoting our transaction banking proposition to our export and commodity import clientele. Dedicated Transaction Banking coordinators were appointed at regional level to work closely with SME customers and drive transactions. We also actively promoted our digital platforms to drive transactional efficiencies and provide a safe and seamless digital platform for transactions. This in turn drove the Unit's fee and commission income which increased by 41% over the prior year.

Please refer Social & Relationship Capital on page 90 for more information on support extended to SME customers, including female entrepreneurs.



Link to Strategy



Outlook and Way Forward

Opportunities

- + Policy stimulus towards supporting the country's SME sector
- + Removal of import restrictions and resultant increase in trading activities
- + The gradual revival of the tourism industry



Threats

- Impact of VAT hike on SME viability
- Delay in loan recovery in particular sectors such as construction and apparel
- Potential instability in the foreign exchange rates
- Limited possibility in reviving certain severely affected SMEs



Strategic Focus in 2024

- ✓ Maximising fee-based income by driving transaction banking proposition
- ✓ Continuous support for revival of SME sector by providing holistic support
- ✓ Pursue selective lending opportunities in sectors such as exports and commodity importers and local manufacturing
- ✓ Preserve portfolio quality by ensuring risk efficient lending and a greater emphasis on monitoring
- ✓ Continued focus on empowering the women's market segment



Banking Simplified



Embarking on my culinary journey, I transitioned from home baking to owning Pink Salt in Dehiwala, and two years later, own Brown Sugar Cafe and Dessert Bar and Isle Amore Pizzeria. Navigating the challenges of the competitive food industry, the invaluable support and advice from NDB, especially for Small and Medium-sized enterprises (SMEs), have been indispensable. Beyond providing financial backing, their guidance has played a crucial role in my journey. A significant boon has been NEOSBIZ, NDB's tailored app for SMEs. It's not just a tool; it's a time-saving marvel, liberating me from lengthy bank queues and allowing me to channel more energy into refining my business. Here's to the ongoing success of my ventures, supported by the guidance of NDB and the efficiency of the NEOSBIZ app and to the exciting journey ahead for other SMEs!

Ms. Diarra Wickremasinghe

Managing Director
Pink Salt - A thematic beach restaurant offering Asian cuisine, situated in Dehiwala

Refinance Operations

NDB is a leading Participating Financial Institution (PFI) in many funding lines offered by the Government of Sri Lanka and global multilateral funding agencies. The strong partnerships nurtured over the years have enabled NDB's Refinance Unit to successfully channel funding at concessionary rates to priority sectors in the economy directly contributing to the economic growth of the country.

PERFORMANCE AND STRATEGIC FOCUS

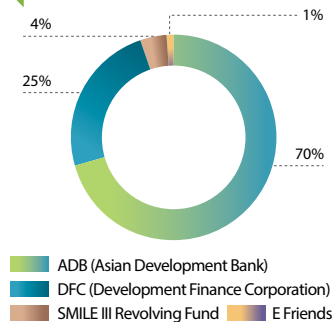
The Unit remained focused on contributing to the country's economic recovery by providing concessionary funding and technical support to SMEs affected by the unprecedented economic crisis. Accordingly, the Unit disbursed LKR 2.6 Bn to 224 projects during the year through a total of fifteen main credit lines.

Lending during the year was mainly through SME-Line of Credit (SMELoC), the Emergency Response Scheme granted by the Asian Development Bank (ADB) to support the working capital requirements of businesses affected by the economic crisis. The scheme mainly targeted the manufacturing and service sectors, with special emphasis on agriculture, export and tourism. As a part of the facilities offered through this scheme, loans amounting to LKR 246 Mn were granted to female entrepreneurs under the women-led business financing initiative. The initiative also included a grant portion resulting in LKR 26.9 Mn of grant funding for 17 women-owned businesses.

In addition to the above, the Bank continued lending actively under ongoing schemes such as ADB SMELoC, DFC, SMILE III Revolving and E Friends II Revolving Fund. A total of LKR 2.06 Bn was granted through these schemes to over 159 projects across the country.

Several technical assistance and capacity building programmes were also conducted during the year in partnership with multilateral agencies. Over 30 SMEs participated in an ADB funded financial literacy programme for tea small holders conducted by PricewaterhouseCoopers, aimed at capacity building of SMEs amidst ongoing challenges. Participants in the programme were also eligible for partial grant funding to meet working capital requirements. An internal capacity building programme was also conducted in partnership with USAID for 35 relationship managers to build capacity and develop skills to evaluate ICT funding project which is an ongoing and upcoming sector.

ADB, DFC, SMILE III & E Friends Loans Granted in 2023



In 2023, NDB became a shareholder of the recently established National Credit Guarantee Institution (NCGI). Operated as a Public-Private Partnership, the NCGI enables SMEs and start-ups to borrow from participating financial institutions based on a guarantee provided by the NCGI, without collateral. NDB's active involvement in NCGI is a testament of its long standing commitment to supporting the SME sector in the country.

Islamic Banking

NDB Shareek is a leading player in the country's Islamic banking space, offering the full spectrum of Sharia compliant products including Diminishing Musharaka, Murabahah, Wakala, Mudarabah and Ijarah. The Unit has continued to strengthen its market position, through a strategic focus on innovative products, superior customer service and widespread geographical reach.

PERFORMANCE AND STRATEGIC FOCUS

The Unit witnessed strong performance during the year recording a 26% growth in total assets. Total operating income grew by 72% while non-performing facility/ advance ratio was contained at 3%. The strong performance despite the economic headwinds faced during the year is a testament of the strength of the Unit's value proposition.

During the year the Unit focused on supporting export sector customers, extending Murabaha and Wakala facilities. Furthermore, we extended long term working capital requirements by offering Diminishing Musharakah and Ijarah facilities. Financial support was extended to a range of industries including poultry, LED based industries, prawn farming, vegetable and mango plantations, minor crops, etc. Meanwhile, we continued to support our customers to recover from the effects of the economic crisis by offering flexible

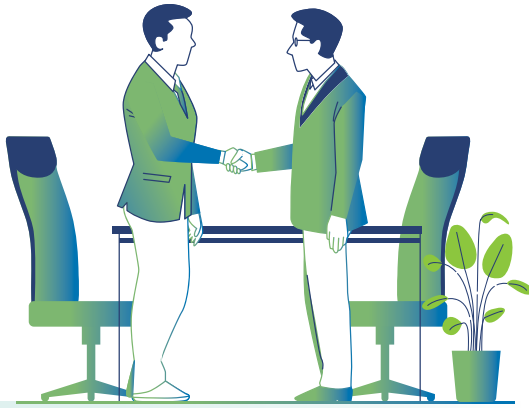
repayment schemes and facility restructures in addition to advisory support. In an effort to bolster economic growth and support various industries, NDB Shareek also channeled funds secured through credit lines at concessionary rates.

Meanwhile, in line with the Bank's strategic thrust towards empowering women, NDB Shareek continued to tap a hitherto unbanked segment in Islamic finance by mobilising deposits from women through the NDB Araliya proposition.

We are confident of the growth prospects of this segment and continue to build internal capacity in Islamic finance concepts. Accordingly, training was provided to branch staff on Islamic banking products and concepts while also educating customers on our Islamic banking value proposition.

NDB Shareek was the proud recipient of two coveted awards in 2023 for a Diminishing Musharaka facility structured for a leading player in the poultry industry. The recognition received highlights our expertise in Islamic finance structuring. The facility received the Gold award for deal of the year at the annual Islamic Finance Forum of South Asia (IFFSA) Forum while also receiving a Gold Award for Deal of the Year from Sri Lanka Islamic Banking & Finance Industry Awards (SLIBFI).





Wholesale Banking

The Wholesale Banking Unit of the Bank caters to our corporate clientele, offering a full gamut of commercial, transaction and cash management services to support their complex financial needs. The Unit maintained its position as the largest contributor to NDB's loans and receivables portfolio accounting for 34% in 2023.

OUR VALUE PROPOSITION

- A comprehensive product portfolio to meet the complex financial requirements of corporates
- Structured working capital solutions for a corporate's entire value chain including their distributors and suppliers
- Strong digital and data capabilities that ensure superior customer experience and convenience
- A holistic offering that includes both financial and non-financial support

OPERATING CONTEXT

- Improvement in foreign currency and Rupee liquidity in the market
- A gradual uptick in trade related activities and industry activities in the latter part of the year due to certain relaxations of restrictions on imports
- Decline in market interest rates as a result of relaxed monetary policy stance from June 2023 creating a demand for lending products

Deepening Customer Relationships

Our ongoing focus on supporting customers navigate the crisis and recover from the downturn with resilience, enabled us to further deepen our customer relationships. During the year, the Bank's Transaction Banking Unit scaled up its support by offering comprehensive trade and cash management solutions to support customers carry out their operations efficiently and manage their cash effectively as they gradually emerged from the crisis. A dedicated trade sales team was also deployed to facilitate customer requests when processing trade transactions. The efforts translated in to 12% growth in net fee and commission income earned by the Unit, contributing to overall performance of the Bank.

Meanwhile, the Remedial Management Unit (RMU) continued to engage closely with customers in need of its specialised support, proactively identifying requirements and offering financial and non-financial support including guidance on new business models, advisory services, and cash management, among others. Such service offered by the RMU was critical and impactful in ensuring business continuity of our customers at the most trying times.



Link to Strategy



Maintaining Portfolio Quality

Maintaining portfolio quality was a key priority amidst continued pressures on the repayment capacity of customers. Closer monitoring of facilities through dashboards ensured that early warning signals were proactively identified and addressed. Meanwhile, we also used our data analytics capabilities to segment the portfolio based on risk levels and tailor monitoring and customer servicing accordingly.



Link to Strategy



Export Drive

Concerted efforts were driven towards strengthening exports as part of our efforts to support the country's economic recovery and bolster foreign exchange reserves. Ongoing engagement and careful planning of export customers' commitments enabled the Unit to meet customer requirement in a full and timely manner, further strengthening relationships with our export clientele.

Leveraging Digital and Data Capabilities

We continued to leverage our digital and data capabilities to enhance the customer experience, deepen customer insights and strengthen monitoring. NEOS Corporate, our electronic banking platform specifically designed for corporate customers was launched during the year with additional capabilities aimed at providing customers more convenience and control. Designed to integrate effortlessly with our IT systems, these platforms provide a straightforward and frictionless process that elevate the customer experience. Additional investments in digital platforms continued through the year fortifying the convenience we offer to our dynamic customer base.

Our advanced data analytics capabilities meanwhile enabled us to utilise information scientifically to make strategic decisions and implement more innovative risk management practices while providing personalised banking solutions to suit each customer's unique needs.



Link to Strategy



Focus on Supply Chain Financing

During the year we focused on enhancing our supply chain financing value proposition as part of our efforts to support the Bank's mid-term strategy of driving fee income and CASA growth. Simultaneously, we empowered our customers through our supply chain financing solutions whereby they were able to grow their sales, reduce financial risks in supply chain and enhance liquidity of their channel partners including suppliers, distributors and dealers. Linking to our settlement platforms also brought them the efficiency of converting paper based payments to digitalised platforms.



Link to Strategy



Link to Strategy



Outlook and Way Forward

Opportunities

- + Gradual resumption of corporate activity in line with anticipated macro-economic stability
- + Policy stimulus towards supporting the export segment
- + Reduction in interest rates is likely to increase demand for investments thereby providing further business opportunities



Threats

- Negative impact on trading activity as a result of VAT hike
- Continued repayment pressure
- Growing competition in the wholesale banking space



Strategic Focus in 2024

- ✓ Managing NIM in a low interest rate environment
- ✓ Being the preferred bank for our customers and encourage transaction volumes routed through the Bank
- ✓ Focus on more online penetration offering low cost products
- ✓ Cautious approach towards lending amidst declining interest rates and higher demand for credit
- ✓ Expanding value chain financing proposition with a focus on supply chain financing
- ✓ Continued emphasis on export sector
- ✓ Driving cost rationalisations through greater digitalisation and operational efficiencies
- ✓ Sustained focus on preserving portfolio quality with greater emphasis on recoveries and managing impairments



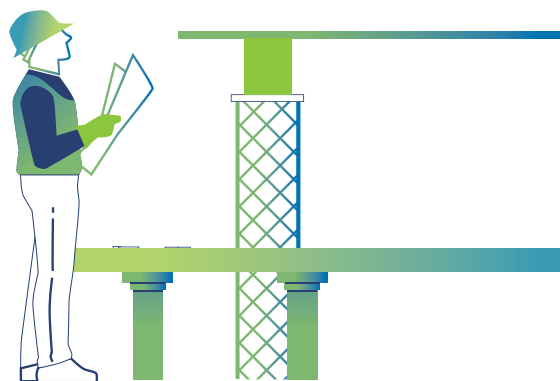
Banking Simplified

NDB has been one of our main bankers for more than a decade and partnered with us in our journey so far to reach where we are today. In the past NDB has supported the Aberdeen Group in its expansion projects in different sectors and the journey continues even today, where NDB has been efficient in terms of the speed of response to our funding requirements and the flexibility granted whilst maintaining high standards. NDB is also continuing to invest in technology front and we have benefitted immensely by using their online banking platforms and different financial products to leverage on our business model. It has been a mutually-beneficial and a strong relationship with NDB to date and it will continue in the same passion in the future too.



Aberdeen Holdings (Pvt) Ltd

A leading diversified conglomerate in Sri Lanka with operations spanning over 10 countries in 11 distinct sectors



Project & Infrastructure Financing (PIF)

Recognised as a leader in the project financing space of Sri Lanka, the Bank's PIF Unit extends specialised financing to a wide range of large scale projects comprising utility infrastructure, residential, leisure and energy generation, amongst many others, together with a holistic value proposition honed over four decades. With the winding-up of previously extended moratoria, PIF customers entered a fresh set of challenges in the post economic-crisis context during 2023. The PIF Unit consolidated its position towards extending curated support to them in ensuring their financial resilience and business agility.

OUR VALUE PROPOSITION

- Unique insights and domain specific knowledge in project financing
- Key lender to the renewable energy sector in Sri Lanka
- An integrated banking solution that includes long term lending products, debenture investments and advisory services

OPERATING CONTEXT

- Repayment capacity of both State and private sector continued to be impacted by economic crisis in the country
- Inflationary pressures and liquidity constraints continued to impact project costs, resulting in a slow-down of ongoing projects
- Demand for long term funding remained subdued amidst low economic activity and customer expectations of a further reduction in interest rates

Supporting our Customers

Supporting our customers through the economic crisis remained a key priority amidst continued pressures on payment capacities of customers. We continued to engage with customers closely to proactively identify payment stresses and offer customised solutions including facility restructures concessions and interest waivers. During the year 56 customers accounting for almost 50% of the portfolio was restructured owing to the stressed economic conditions.



Link to Strategy



Building Capabilities

Strategic emphasis was placed on upskilling the PIF team particularly in emerging areas such as sustainable finance. Training programmes were conducted on green funding, CBSL's Green Financing Taxonomy and ESG considerations in financing together with awareness programmes on compliance issues and regulatory developments. Meanwhile, we continued to explore scope enhancement and new career opportunities for employees amidst the growing challenge of skill migration in the country.



Link to Strategy



Contribution to a Green Economy

With the Government increasing its focus on renewable energy sources, we see significant growth potential in this segment in the short to medium term. NDB with its established track record and unique capabilities in this segment is ideally placed to contribute to the country's Green energy drive and remains focused on taking advantage of this emerging opportunity. During the year we strengthened our partnership with leading green Financing Institution Global Green Growth Institute (GGGI) to build capacity and mobilise funding, thereby further enhancing our value proposition in this segment.

Meanwhile, as a key lender to the renewable energy sector in Sri Lanka, we took a leading role in industry efforts to address challenges faced in the industry including liquidity constraints; by driving multi stakeholder engagement and closely collaborating with other banks to formulate a common restructuring model for renewable energy suppliers.



Link to Strategy



Outlook and Way Forward

Opportunities

- + Acceleration in demand for project finance with anticipated stabilisation of critical economic factors such as interest rates, exchange rate and inflation
- + Opportunities to grow renewable energy portfolio on account of the Government's renewed focus on renewable energy sector
- + Offshore opportunities in plantation, tourism and power sectors particularly in Maldives, East Africa and South East Asia



Threats

- Delayed economic recovery
- Impact of lower interest rates on NII
- Challenges in employee retention due to brain drain



Strategic Focus in 2024

- ✓ Sustained emphasis on maintaining portfolio quality
- ✓ Increase fee-based income through a greater focus on transaction business
- ✓ Leverage existing relationships and digital capabilities to drive CASA base
- ✓ Pursue capital efficient projects in thrust industries such as pharmaceuticals, food and beverages, manufacturing and renewable energy and financial services
- ✓ Pursue strategic opportunities in off-shore markets



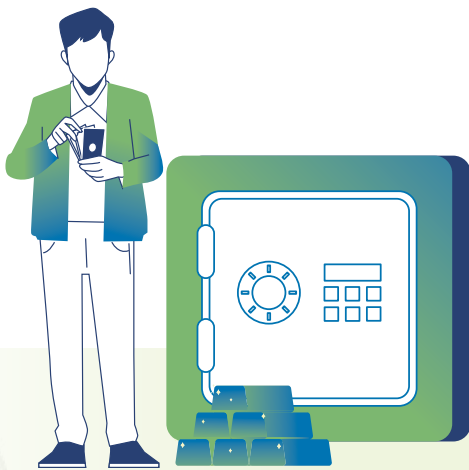
Banking Simplified



Being a former development bank, NDB has its roots well established in funding new projects, especially in the local renewable energy sector. NDB has pioneered many renewable energy projects in the country as well as overseas, which was a key reason for us to partner with the Bank for various projects our group has undertaken over the years. In addition to the above, NDB has been a lead arranger in many syndicate term loan facilities granted to important projects. NDB has a great team of professionals who possesses immaculate knowledge and know-how in structuring facilities that are complex in nature. Further, the Bank was able to meet very tight deadlines imposed by the country's main utility provider when bidding for new projects in the renewable energy sector. So quite frankly, NDB has simplified for us what otherwise would be a very complicated banking relationship given the intricate nature of projects we undertake.

Mr. P K Pathmanatha

CEO/ Chief Executive Director
Panasian Power PLC - Sri Lanka's pioneering supplier of clean and renewable energy



Treasury

NDB's Treasury Unit is a market maker in the foreign exchange and debt market and plays a vital role in managing the Bank's market risks such as interest rate and liquidity risk through the Asset Liability Management (ALM) desk.

OUR VALUE PROPOSITION

- Highly-skilled and experienced Treasury team
- Wide array of products to cater to the evolving needs of a dynamic market

OPERATING CONTEXT

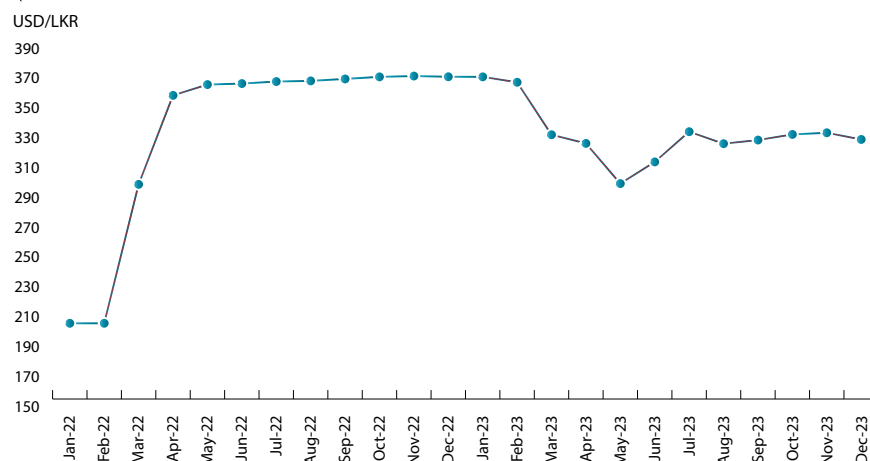
- The severe foreign exchange and liquidity shortages witnessed in 2022 gradually eased and stabilised with the increase in foreign exchange inflows
- In response to the accommodative monetary policy adopted by the CBSL in 2023, overall market Rupee interest rates eased significantly with the benchmark AWPL rates declining by approximately 16 percentage points during 2023
- Yields in Government Securities also moved lower across all maturities, in line with the easing of interest rates

STRATEGY AND PERFORMANCE

Foreign Exchange (FX) Desk:

FX revenue, which was severely impacted by restrictive and limited trading during the previous year, witnessed a significant improvement during 2023 with the easing of market restrictions which resulted in a gradual increase in foreign trade volumes and foreign currency remittances. Focused efforts to capture market opportunities in trade/transaction related business enabled the Unit to increase FX revenue by 106% to LKR 2.9 Bn during the year.

Exchange Rate Movement 2022 - 2023



ALM Desk

The ALM Desk performed exceptionally well, specifically in Fixed Income Trading, building a sound Treasury Bill and Treasury Bond portfolio capitalising on the LKR interest movement post Domestic Debt Optimisation finalisation in 2023. Total capital gains realised enhanced through 2023 contributing to net revenue of the Bank through a high yielding portfolio. The Bank's Balance Sheet mismatches were also managed effectively to optimise Bank's net interest margins.

Outlook and Way Forward

Opportunities

- Expected finalisation of external debt restructuring by the first-half of 2024 may result in positive revision of the country sovereign rating by the rating agencies, thus opening opportunities for renewed investment inflows and easing restrictions placed on international trade
- Interest rates are expected to stabilise and remain low as CBSL's primary objective is to maintain domestic price stability, keeping the CCPI based inflation at 5%
- Exchange rates are expected to remain stable in the near term subject to stable external environment



Threats

- Continued pressure on margins due to increased competition
- Possible impact on tourism inflows due to impending presidential/ parliamentary elections in 2024
- Slower than expected economic recovery may limit new market opportunities



Strategic Focus in 2024

- Continued focus on trade and transaction banking amidst improvement in market conditions
- Ongoing focus on increasing net interest margins and capital gains
- Sustained focus on maintaining healthy liquidity levels and managing ALM risk



Performance of Group Companies

2023 saw Sri Lanka gradually emerge from its worst ever economic crisis with macroeconomic fundamentals stabilising following painful reforms undertaken to put the economy back on track. Responding to these positive developments, capital markets also witnessed some growth momentum during the year. The benchmark All Share Price Index (ASPI) and the S&P SL20 Index gained 25.50% and 16.42% respectively during the year. However overall market participation declined with average daily turnover declining to LKR 1.69 Bn from LKR 2.97 Bn in the previous year. In contrast, the volatile interest rate environment fostered significant interest and activity in the fixed income space, with large inflows seen to the money market unit trust funds and Government securities in general. Corporate Debt raising activities also gradually regained momentum during the second half of the year with improvements in the overall business climate. In this backdrop the performance of NDB's Group companies engaged in capital market services were as follows.

	NDB Capital Holdings Limited	NDB Investment Bank Limited
Profile and Business Activities	NDB Capital Holdings Limited (NCAP) is the holding company of the NDB Group Investment Banking Cluster. NCAP directly manages its funds through strategic investments in listed equities, private equity, fixed income securities, Government bonds, structured debt, acquisition funding, pre- IPO placements/ mezzanine financing, and other Balance Sheet related activities.	NDB Investment Bank Limited (NDBIB) is a leader in the Sri Lankan Investment Banking sphere, offering a wide array of investment banking services such as debt and equity structuring and distribution, mergers and acquisitions, and corporate advisory services. During the year NDBIB became the first Corporate Finance Advisor to be licensed by the Securities and Exchange Commission of Sri Lanka. NDBIB was crowned as 'Best Investment Bank in Sri Lanka' by the Euromoney Magazine for the 12th consecutive year and was recognised by the Asiamoney Magazine as the "Best Investment Bank in Sri Lanka" for the 7th consecutive year in 2023. NDBIB's competitive edge is underpinned by innovative and customised investment banking solutions, a highly skilled and diverse team, and deep-rooted stakeholder relationships and collaborations built over the years.
Strategic Priorities	- Investment returns increased significantly compared to the previous year. - NDBIB maintained its reputation and position in the market. - NDBWM strengthened its market leadership reaching highest ever Assets Under Management with Total AUM of LKR 300.0 Bn - NDBS maintained its performance while keeping the market share steady. - Ongoing investment in NDB Capital Scholarship Trust which aids deserving undergraduates across disciplines	Despite a yet another challenging year for capital markets amidst sluggish economic conditions, NDBIB was able to complete several transactions and advisory assignments in 2023. - Exclusive Financial Advisors and Managers to Hela Apparel Holdings PLC in its USD 14 Mn fund raising from Norfund to support Hela Kenya. This transaction marked NDBIB's debut in the African continent. - Exclusively managed the Initial Public Offering (IPO) of UB Finance PLC and jointly managed the IPO of Cargills Bank PLC. Both the Issues were oversubscribed on opening day. Accordingly, NDBIB played an active role in 2 out of the 3 Equity IPOs which took place in the market in 2023. - NDBIB also managed the Rights Issues of Pegasus Hotels of Ceylon PLC and Equity Hotels Limited. - Financial Advisors to; (1) Commercial Bank of Ceylon PLC on the valuation and structuring of its Employee Share Option Scheme, (2) Goodhope PLC, Indo-Malay PLC, Selinsing PLC and Shalimar (Malary) PLC on their respective de-listings from the Colombo Stock Exchange, and (3) Dankotuwa Porcelain PLC, by facilitating an Independent Opinion on the Mandatory Offer made by Ceyline Investments (Private) Limited. - Carried out valuations for multiple local and regional players operating in power generation, entertainment, mixed development, materials, and oil and energy sectors, among other sectors. - Managed the Basel III Compliant, Tier 2, Listed, Rated, Subordinated, Redeemable Debentures with non-viability conversion option for NDB Bank worth LKR 5 Bn. - Managed the structured term loan facility for Ninewells Hospital (Private) Limited worth LKR 1 Bn. - Arranged USD 3.6 Mn worth funds for a Maldivian resort company.
Performance Highlights	- Operating income - LKR 387 Mn (-42%) - Pre-Tax profit - LKR 226 Mn (-56%) - Net profit of - LKR 137 Mn (-63%) Reduction in profitability mainly due to NDB Capital Holdings not obtaining subsidiary dividends and losses incurred from exchange rate appreciation throughout the year.	64 assignments undertaken during the year (comprising of comprehensive investment banking assignments including; equity and debt raisings, valuation assignments and sell and buy-side advisory assignments, among others) - Funds raised – Approx. LKR 20 Bn
Opportunities/Risks	➕ Potential opportunities in equity markets due to depressed asset prices . ➖ Macro-economic uncertainty and volatility. ➖ Frequent changes in tax policy and increase in tax rates. ➖ Subdued business sentiments and high volatility in the economy and stock market.	➕ Uptick in demand for new listings and corporate debt instruments on the back of normalised interest rates and improved market sentiments. ➕ Ability to capitalise on new capital market initiatives and novel capital market products. ➕ Opportunities for corporate debt restructuring due to the reduction in the single borrower limits of banks. ➕ Increased activity in the Mergers and Acquisitions space in a volatile macro-economic environment. ➕ Potential to introduce foreign investors to the market for the purpose of SOE and corporate restructurings.
Way Forward	Continued focus on enhancing returns of the investment portfolio while supporting subsidiaries in the respective business lines.	NDBIB intends to focus on strengthening its deal pipeline and improving transaction execution by leveraging on strategic collaborations and the multifaceted capabilities and experience of its staff. Going forward, NDBIB will pay particular focus in sourcing and executing cross-border transactions with higher fee potential and exposure, whilst continuing to cater to Sri Lankan corporates.

	NDB Wealth Management Limited	NDB Securities (Pvt) Limited
Profile and Business Activities	NDB Wealth Management Limited (NDBWM) maintains its stronghold as the leading private sector fund management company in the country. With a legacy spanning over 32 years in Sri Lanka's asset management sector, it serves a diverse clientele, including individuals, high-net-worth individuals, and institutional investors, totalling over 35,000. The company continues to innovate and expand its product offering and during the year entered into a strategic partnership with AIA Insurance, to offer high net worth clients comprehensive insurance solutions to fulfil their protection, retirement and health requirements.	NDB Securities (Pvt) Limited (NDBS) is a leading stockbroker with a strong retail and institutional client base. Its competitive edge lies in its superior customer proposition that centres on strong relationship management, a state-of-the-art online trading facility, and market-leading research capabilities. NDBS continues to contribute towards enhancing the vibrancy of the stock market by introducing foreign and local institutions and individuals to the Sri Lankan capital market.
Strategic Priorities	• To expand the product offering of the Unit Trust portfolio by introducing a range of new unit trust investment options. • To diversify the asset classes and available investment opportunities for the discretionary portfolios. • To grow the assets under management and focus on client retention and value addition. • To enhance the customer journey through digitisation.	• Continued focus on new client acquisition. • Sustained focus on robust risk management and compliance to strengthen long-term resilience • Leveraged Group synergies to strengthen non-core revenue streams
Performance Highlights	• In 2023, the company attained numerous noteworthy milestones. Total assets under management surpassed LKR 300 Bn, with total Unit Trust Assets under Management reaching LKR 200 Bn, establishing the company as the leading Unit Trust manager in the industry with a market share nearing 50%. The company's flagship unit trust fund, NDB Wealth Money Fund meanwhile quadrupled in assets to reach LKR 189.5 Bn, retaining its number one position as the largest Fund in the Unit Trust Industry. • Moreover, during the year, the company collected LKR 123 Bn (Net) for its Unit trusts, which represents more than 62% of the net collection of the entire unit trust industry. • The Company also achieved an all-time high revenue of LKR 817 Mn, an increase of over 90% compared to 2022. • Profit after tax surged by over 269% to LKR 213.4 Mn. • Return on shareholders' Equity (ROE) exceeded 91%.	• In 2023, the average daily market turnover decreased by 43% compared to the previous year. The average daily market turnover reduced from Rs. 2.97 Bn to Rs. 1.70 Bn in 2023. • Despite the challenging operating environment, NDBS recorded a brokerage income of LKR 195.72 Mn. • NDBS maintained a market share of 4% in 2023. • In an effort to increase investor awareness, NDBS has been actively participating in investor forums held by SEC and CSE, as well as conducting webinars and podcasts.
Opportunities/Risks	⊕ As Sri Lanka emerges from a crisis environment, macroeconomic fundamentals are returning to normal, resulting in decreased risk premiums and greater attractiveness and accessibility of corporate debt investment opportunities. ⊕ Stabilising businesses listed on the CSE especially through the normalisation of their operations and significant reductions in finance costs, may open up new equity investment opportunities. ⊕ A continuation of monetary easing and resultant decrease in interest rates is conducive for growth in Unit Trust assets. ⊖ Pick-up in economic activity may be delayed due to 2024 being an election year resulting in investors taking a wait-and-see approach. ⊖ Increased taxes and higher cost of living may restrict funds available for savings and investment. ⊖ The uncertainty regarding external debt restructuring remains a topic of discussion.	⊕ A likely improvement in market sentiments once the external debt restructuring is completed and remaining IMF tranches are received. ⊕ A gradual recovery of the tourism sector, and its positive externalities to the economy. ⊕ Moderation in inflation to single digit levels, and its pass-through effect on interest rates. ⊕ Industry-wide technological developments such as the introduction of Regulated Short Selling and Stock Borrowing and Lending increasing the market participation and liquidity. ⊕ Recovery of global economies to bode well for export companies. ⊖ Fiscal tightening, including the increase in tax rates and its impact on consumer demand and corporate earnings. ⊖ Slowdown in the drop of market interest rate dampening the demand for equities.
Way Forward	NDBWM will continue to offer investors alternative opportunities via new and innovative products and asset classes to enhance investor returns in the medium to long term. Moreover, the company will deliver value-added financial services through strategic partnerships.	Strategic focus will be placed on expanding the high-net-worth client base by leveraging the Bank's captive clients. We will continue to seek collaborations with Group companies, leveraging our position and unique capabilities as a total financial service provider (on the back of Group strengths).

	NDB Capital Ltd (Bangladesh)	NDB Zephyr Partners Limited (Mauritius)	Development Holdings (Pvt) Limited
Profile and Business Activities	NDB Capital Limited (Bangladesh) offers a wide array of investment banking services in Bangladesh including M&A, advisory, IPO, portfolio management, fund raising, bonds and preference shares, project finance and working capital, among others	NDB Zephyr is the Fund Manager of Emerald Sri Lanka Fund, a pioneering private equity fund dedicated to investing in small and mid-sized businesses seeking expansion capital in Sri Lanka. NDB Zephyr is jointly owned by NDB Capital Holdings Limited (NCAP) (60%) and Zephyr Management, LP (Zephyr) (40%), a New York-based global emerging markets investment firm.	Development Holdings (Pvt) Limited (DHPL) owns and maintains the DHPL building (also known as NDB-EDB Tower), the 16-storeyed commercial property located at No. 42, Nawam Mawatha, Colombo 02. The building houses Sri Lanka Export Development Board (EDB), several departments of NDB Bank, Japan International Cooperation Agency (JICA), Sri Lanka Export Credit Insurance Corporation (SLECIC) and many other reputed global and local corporate and multi-lateral agencies.
Strategic Priorities	- Proactively pursued opportunities in equity investments and IPO participation. - Engaged in debt and equity transactions with reputable organisations, thereby maintaining market leadership and enhancing market reputation. - Pursued new opportunities under corporate advisory, agency and trusteeship and M&A. - Several large ongoing transactions including 11 advisory and fund-raising mandates during the period including an IPO mandate and multiple approvals from the Securities & Exchange Commission.	- NDB Zephyr continued to support its portfolio companies. Arimac Lanka (Pvt) Limited, Idea Group Limited, and Cleanline Linen Management (Pvt) Limited - in expanding into export markets, implementing business diversification strategies, improving access to working capital, and rationalising costs amidst challenging economic conditions. - Consolidated Business Systems Ltd exited the fund in December 2023.	The property continued to leverage its strategic location, state-of-the-art facilities and reputation as a premier business space to pursue further opportunities
Performance Highlights	- Loss after tax of BDT 7.2 Mn in 2023 (2022: loss of BDT 11.6 Mn). - Conclusion of several major transactions such as: - BDT 2,000 Mn Zero Coupon Bond issued by Envoy Textile Limited - Syndicated Fund Arrangement of USD 30 Mn and BDT 1.3 Bn for Intraco Solar Power Limited - Secured several agency deals which will generate recurring fees for the next 15 years.	- Revenue remained flat in USD terms. - Loss after Tax of USD 27,976 (-298%).	- Profit Before Tax of LKR 444 Mn supported by revaluation gains of LKR 254 Mn. - The continuous increase in value reflects the Management's ongoing efforts to develop the property.
Opportunities/Risks	⊕ Economic recovery with large scale businesses is likely to open up restructuring opportunities. ⊕ Gradual relaxation of the floor pricing mechanism in the stock market after the national elections could improve the market sentiments. ⊖ Liquidity crunch and rising interests likely to negatively impact fund raising.	⊕ Government thrust towards the SME, tourism, export, and domestic manufacturing sectors. ⊕ Exit opportunities for portfolio companies, given positive market sentiments around export businesses.	⊕ Leverage on the strategic location and state-of-the-art facilities to attract prospective investors. ⊕ Ongoing investments in upgrading facilities and amenities offered. ⊕ Increased competition from emerging largescale mixed market developments in the city
Way Forward	We will primarily concentrate on capitalising on investment banking opportunities emerging in the Bangladeshi market to improve operational efficiency and strengthen our position in the market. In doing so we will continue to explore non-conventional areas of corporate advisory such as M&As to diversify the business portfolio. Meanwhile we will collaborate with other subsidiaries of NDB Group to secure cross-border deals for both equity and debt arrangements	The company will continue to focus on improving the performance and governance in portfolio companies. NDB Zephyr is currently exploring exit opportunities for one of its portfolio companies and is also planning to establish the second fund as part of its investment strategy.	DHPL is shaping up to have one of the most modern and state-of-the-art auditoriums in Colombo, which will be open for use during 2024. Focus will be based on driving operational results using its unique proposition.

A hand holding a white chrysanthemum flower next to a pink vase with yellow flowers. The background is a solid light brown color. The vase is a simple, rounded, pink ceramic vessel. The yellow flowers are small and clustered on thin stems. The white flower is a single, large, multi-petaled chrysanthemum. The hand is wearing a white sleeve.

Designed with a Purpose

Armed with a vision and the power of precision, we utilise the resources at our disposal to create a masterpiece that will deliver timeless value to all.

Digital Capital

Digital capital plays a vital role in driving the Bank's digital banking momentum; connecting customers to enhanced experiences, improving employee productivity, optimising resources and creating a digital workforce that will propel NDB into an era of digital transformation in a rapidly evolving environment.



NDB neos

Our Digital Capital Inputs

- Seamlessly integrated IT systems and advanced digital services
- IT equipment and related software applications
- Robotic Process Automation (RPA) infrastructure and workflow solutions
- Customer-facing digital platforms and touchpoints
- Data centres, hosting networks and enterprise tools

Value Drivers

- Continuous investment in digital infrastructure to support the Bank's aspiration of becoming an increasingly digitally enabled bank
- Obtaining ISO certifications for process standardisation
- Successful migration to the core banking system - latest version
- Driving operational excellence through RPA and digitised processes
- Increased focus on enhancing our digital skills and inculcating a data-driven culture across the organisation

Value Created

- » 11% increase in number of digital transactions
- » Over 400,000 digital platform users
- » 99.25% system uptime
- » Zero instances of data breach

Strategic Focus Areas 2023

- Acceleration of our digital journey
- Responding to sophisticated customer demands
- Achieving operational efficiencies
- Strengthening security and IT governance

MANAGING OUR DIGITAL CAPITAL

With digital investments increasing in both priority and value, the Bank has strengthened its digital governance structure and policy framework which articulates the Bank's priorities, facilitates resource allocation and supports the overall internal control framework of the Bank.

The Board Digital Transformation Committee provides oversight in the implementation of the digital strategy of the Bank while the framework of IT policies, proactive risk management practices and the clear demarcation of responsibilities through the three lines of defence governance model ensures that IT risks are identified and managed in a systematic manner.

A fully fledged team of over 80 highly skilled professionals who are experienced in their respective roles make up the IT Department. The IT team is well equipped to support the Bank's operations and security needs. Strengthening their capabilities remains a priority for the Bank, with continuous training and certification programmes being encouraged.

The Bank is further guided by voluntarily obtained global certifications to ensure process standardisation and optimisation within the IT department.

- » ISO/IEC 27001 Information Security Standard
- » ISO 22301 Business Continuity Management Systems Standard
- » ISO 20000 IT Service Management Certificate (currently being implemented)
- » Mandatory surveillance audits carried out annually to ensure standards are maintained

OUR TRANSFORMATIVE DIGITAL STRATEGY

NDB's digital strategy has been a key cog in driving the Bank's mid-term strategic agenda. The strategy seeks to future-proof NDB by elevating technology to a transformational role, thereby maximising the value of assets, enhancing partnerships and sharpening our competitive edge. While remaining committed to the Bank's transformational digital strategy, it was re-evaluated during the year to address our short to medium term goals of improving Net Interest Margin (NIM) and preserving asset quality amidst the high levels of uncertainty brought about by the country's economic crisis.



Core Banking System Upgrade

The migration to the latest version of the Core Banking System was successfully completed during the year providing the Bank with a solid system that supports its medium-term goals. Additional modules including Treasury Front Office (TFO), Advance Collection, TEMENOS Corporate Internet Banking (TCIB), Digital Layer and others are also in function, generating increased efficiencies, providing increased flexibility and supporting improved decision-making.

Upgrade of the core banking system supports our day-to-day business operations, leading to significant efficiencies across the organisation. The latest version of the Core Banking System equips the Bank with state-of-the-art technology to adopt futuristic banking features which will transform the value proposition to both external and internal customers. Integrated modules supporting customer relationship management will further enhance the customer experience.

ENHANCING CUSTOMER EXPERIENCES

NDB was able to cater to the unprecedented customer shift towards digital platforms having strategically invested in elevating its digital propositions over the years. The Bank's mobile-first approach transformed the customer experience by addressing customer concerns, ensuring service efficiencies and offering customised solutions to meet evolving customer needs. This approach enabled the Bank to optimise available infrastructure while facilitating a wider reach of customers.

Initiatives launched to strengthen digital offerings to external and internal customers are as follows:

External Customers

- Launch of NEOS Corporate and introduction of new functionalities including CEFT, Letters of Credit and trade facilities
- Conducted customer visits and town-storming activities to promote the services offered through Agency Banking
- Additionally, NEOS App for the retail clientele and NEOSBIZ, the only mobile app for the SME clientele also consolidated their position and extended enhanced performance through the year

Internal Customers (Staff members)

- Digitised internal processes through IT Service Management
- Data analytics to bring increased visibility of branch/ business lines performance
- Establishment of a Programme Management Unit to successfully implement new projects
- Further deployment of RPA technology to address gaps in customer service and process efficiencies

Organisational re-alignment for superior solutions and enhanced customer experience

The Digital Financial Services Unit of the Bank was recently restructured, where the focus of digitisation as a separate pillar has now been evolved to encompass a journey of holistic digitisation at product design level. The new Unit is named Product Lifecycle Management, with a view of incorporating digitisation at all product levels, embracing aspects of digital, tech and data together to deliver a better experience to customers.



DATA DRIVEN DECISION-MAKING

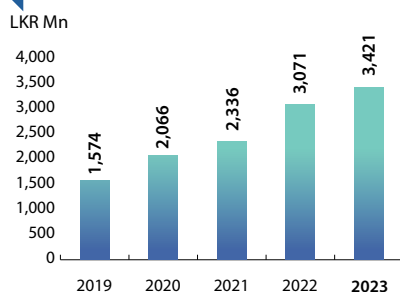
The Bank leverages big data analytics to develop data driven forecasts and make informed decisions which enable us to offer our customers innovative and relevant solutions that cater to their needs. Data analytics capabilities are strengthened through a data driven culture and embedding of data insights into daily operations and decisions.

Digital dashboards across all areas of the organisation enhance the quality of decision making by ensuring access to real-time data which is accurate and relevant. Insights gathered from these dashboards are shared across branches supporting performance monitoring.

During the year, targeted data visualisation brought visibility into the Bank's three key priorities of improving margins, maximising asset quality and driving transactions, thereby supporting the mid-term strategy developed in response to the economic crisis experienced in the country.

Along with the new Core Banking System, specific modules like the Advance Collection Module (TAC) and Treasury Front Office (TFO) have been implemented to provide better visibility to customer exposure and help manage interest rates effectively.

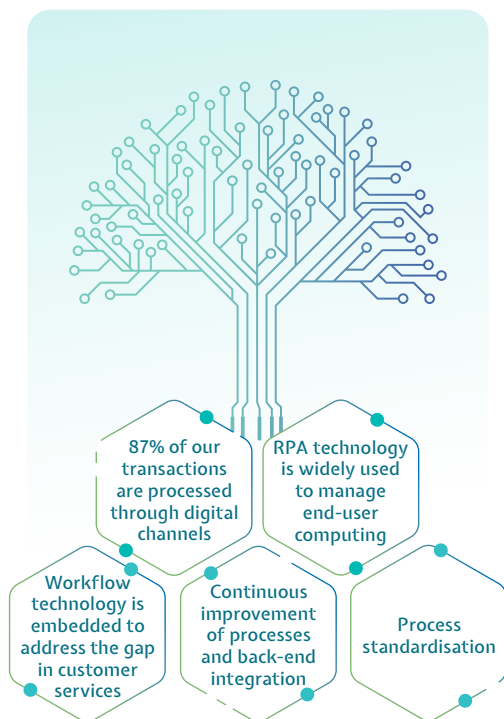
Value of Computer Software



OPTIMISING OPERATIONAL EFFICIENCIES

Technology transformation is changing the way we work and interact with each other. Timely investments in IT infrastructure and ongoing focus on enhancing IT capabilities facilitated a smooth shift to a hybrid working model. The team continued to opt for Work from Home arrangements on a roster basis thereby minimising office space requirement.

The gradual move to paperless offices and automation of processes led to significant operational efficiencies, productivity improvements and cost savings for the Bank. Employees were free to do more meaningful work, for example managing relationships with customers, as mundane and repetitive manual tasks were automated. This has also created a sense of satisfaction among our employees, contributing towards the creation of an empowered team.



INFORMATION AND CYBERSECURITY

Ensuring security and privacy of customer information is a top priority for NDB along with the increased thrust towards digitalisation and the rapid expansion of our digital and online services. In an environment where cyber risk has emerged as a key risk, we continued to strengthen the IT security infrastructure in place to ensure uninterrupted services to all stakeholder groups while maintaining the confidentiality of information.

The Bank has a robust defence-in-depth strategy in place, including firewalls, endpoint protection, mock simulations for employees, staff training on an ongoing basis and a comprehensive set of security controls spanning physical to logical security layers.

Key IT Security Protocols in Place

- Next generation core and perimeter firewalls
- Anomaly-based detection and response
- Full Endpoint Detection and Response (EDR) implementation
- Implementation of Data Loss Prevention
- Vulnerability assessment and penetration testing
- Network Access Control (NAC)
- Web Application Firewalls
- Privileged Access Management (PAM)
- Intrusion Prevention System (IPS)
- Intrusion Detection System (IDS)
- Endpoint Security Solutions

The ISO/IEC 27001 Information Security Certification obtained last year provides external assurance on our information security, cyber security and privacy protection. During the year, there were no incidents of security breaches or substantiated complaints regarding breaches of customer privacy and losses of customer.

OUTLOOK

While remaining aligned to our mid-term strategy, NDB's digital strategy will play a key role in achieving our medium-term objectives. Information security and maintaining system stability will continue to be a focus area, while we will also continuously invest in digital infrastructure that will enable us to meet the evolving needs of a new generation of customers. We will look at eliminating extra paperwork and completely digitalising the customer onboarding process in order to enhance the overall customer experience. We will also leverage big data and data analytics for better insights while nurturing partnerships which will strengthen our stakeholder value proposition.





Manufactured Capital

Comprising physical infrastructure including an island-wide network of branches, ATMs, CRMs and other built assets, NDB's Manufactured Capital plays an integral role in delivering superior customer experiences.

OUR MANUFACTURED CAPITAL

Manufactured capital consists of physical and digital infrastructure which includes property, plant and equipment, investment properties and right-of-use assets. Given the significant strategic emphasis we place on digital infrastructure, for reporting purposes, same is segregated as Digital Capital and set out on page 75. At Group level property, plant and equipment amounted to LKR 3.1 Bn as at the end of the year. Continuous investments in nurturing manufactured capital have enabled the Group to transform to a customer centric, digitally enabled organisation, supporting our ability to deliver value to multiple stakeholders.



The Bank's Head Office located at No.40, Nawam Mawatha, Colombo 02

Our Manufactured Capital Inputs

- An island wide branch network of 113 branches which facilitates financial inclusion, enhances brand visibility and provides an effective platform to deliver the Bank's products and services to customers
- A network of 168 ATM and CRMs which provides customers a range of banking services and ensures enhanced customer convenience

Value Drivers

- Enhancing customer experiences by ensuring efficient services through the branch network
- Strengthening mechanisms to measure customer satisfaction at branches
- Improving efficiency levels through automation and process improvements

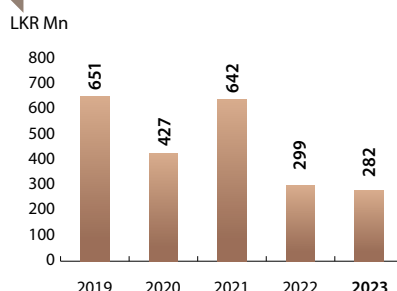
Value Created

- » 4.9/ 5.0 Customer satisfaction rate
- » Expanded customer reach
- » Driving financial inclusion through the 13 branches located in economically disadvantaged areas
- » Direct interaction for financial advisory support for retail mass, high net worth and SME clients
- » 33% of transactions conducted using ATMs and CRMs

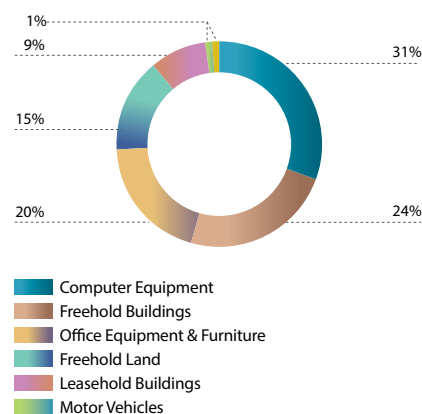
Strategic Focus Areas 2023

- Strengthening customer relationships by enhancing customer engagement at branches
- Enhancing customer connectivity and reach
- Building brand value through branch network
- Improving operational efficiency at branches through process improvements

New Additions to Property, Plant & Equipment



Composition of Property, Plant & Equipment



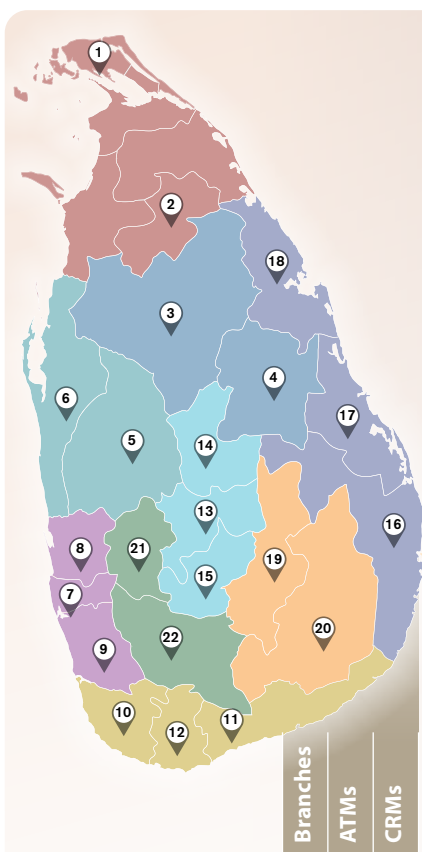
THE BRANCH NETWORK

NDB's Manufactured Capital comprises an extensive branch network of 113 branches spread out across all nine provinces, enabling the Bank to increase banking penetration to the most underserved segments of society; 13 out of the 113 branches are located in economically disadvantaged areas, playing a vital role in promoting financial inclusion.

The current network of branches complements the Bank's digital drive, playing a pivotal role in servicing customers across all segments, while providing the human interaction that drives engagement, trust and loyalty.

The island-wide branch network facilitates additional offerings such as Privilege Banking for the high net worth customer segment, Elevate for emerging high net worth customers, SME banking and Islamic finance, thereby ensuring deeper penetration of these propositions. Dedicated resources have also been deployed at each branch to facilitate NDB's Banking on Women initiative to identify and address the needs of female customers.

Branch Network



113
Branches

82
ATMs

86
CRMs

Number of Branches in Economically Disadvantaged Areas

District	No. of Branches
Ampara	3
Batticaloa	2
Trincomalee	1
Jaffna	6
Vavuniya	1
Total	13

Vintage

Vintage	No. of Branches
< 5 years	6
5 - 10 years	34
10 - 20 years	66
> 20 years	7
Total	113

Branches Offering 365 Days Banking

District	No. of Branches	Branch names
Colombo	3	Mount Lavinia Havelock Town Rajagiriya
Kandy	1	Kandy City Center (KCC)
Total	4	

Privilege Banking Centres 16

Number of Branches Relocated During the Year 1

Nuwara Eliya

ATM and CRM Network

Total onsite ATMs	54
Total off-site ATMs	28
Total onsite CRMs	58
Total offsite CRMs	28
Total network of ATMs and CRMs	168

BRANCH STRATEGY IN 2023

As the main touchpoint for customer interactions, the branch strategy focused on enhancing the Bank's reputation and brand by ensuring uninterrupted customer access to our services and improving the overall customer experience. Given the operating environment that prevailed during the year, the Bank did not actively seek to expand its footprint geographically.

While the footfall at branches continues to be impacted by the growing importance of digital platforms, the branch network remains pivotal in driving customer relationships, enhancing brand visibility and providing an effective platform for the delivery of product/ service innovations as well as advisory support.

Key aspects of our branch strategy are given below:

Branch Operations

- Branch visits were conducted at all branches across the country and staff issues, service level gaps and required infrastructure upgrades were identified and escalated to relevant parties with remedial action taken
- Emphasis was placed on standardising service delivery as high staff turnover had an impact on the service levels
- Focus on driving process efficiencies and cost optimisation was intensified

Enhancing the Customer Experience

- Structured QR-code-based platform placed across the branch network in order to capture insights of walk-in customers and measure their satisfaction levels
- Data on customer complaints, respond times and customer service tracked and shared daily with the branches to strengthen service

Brand Building

- Face-to-face interactions at branches
- Investments to drive digital transactions
- Workshops and activities conducted through the Bank's branch network to promote the dedicated proposition for the women's market segment - NDB Araliya

OUTLOOK

The gradual reduction in customer footfall to branches along with our ongoing focus on driving digital transactions is expected to rationalise geographical expansion over the medium term. We will leverage our existing branches located at strategic locations to further penetrate customers and pursue selective growth opportunities, while strengthening the product and service propositions offered by the branches.

We will also continue to revamp and refurbish selected branches as we strive to enhance the customer experience and upgrade our branch network. Plans are also underway to green our physical footprint through our premises solarisation project, which will accelerate our journey towards net zero emission levels.



Human Capital

The knowledge, skills and attitude of Team NDB have been key to driving resilience and ensuring the sustainability of our business. In turn, we remained steadfast in our commitment to supporting them with a holistic value proposition, aligned to both personal and organisational goals.

OUR MANAGEMENT APPROACH

Management of human capital at NDB is underpinned by a comprehensive suite of HR policies and procedures which are compliant with the ISO 9001: 2015 standard and benchmarked against industry best practices. It seeks to promote inclusive employment in an environment conducive to dignity, mutual respect and employee wellbeing.

All employees are required to adhere to the Bank Code of Conduct which sets out the professional and ethical conduct expected from our employees.

The HR governance structure set out below is also a core aspect of Human Resource Management and further supports the HR policies and procedures in place to manage our people.

Changes to the HR Policy Framework in 2023

New policies introduced

- Employee bereavement leave policy

Policy revisions implemented

- All policies relating to operational allowances where required were revised to reflect prevailing market conditions

Our Human Capital Inputs

- Team NDB comprising of 2,756 highly skilled, knowledge-based employees is a key differentiator for the Group
- 43% female representation reflecting our efforts to create a gender balanced organisation
- The combined expertise and experience of our team over the years is a key component of our organisational knowledge

Value Drivers

- Providing opportunities for competency-based development through LKR 39.3 Mn investment in training and development
- Remuneration, bonuses and increments were safeguarded in full despite the challenging operating environment
- Ongoing efforts to nurture a diverse and inclusive organisational culture
- Comprehensive measures to ensure wellbeing of employees, particularly during the economic crisis
- Establishing tangible pathways for career progression

Value Created

- » LKR 2.4 Mn Value addition per Employee
- » 152,299 training hours
- » EDGE certified for workplace gender equality
- » 581 promotions and 127 job upgrades

Strategic Focus Areas 2023

- Upskilling and reskilling of talent
- Role repurposing
- Ensuring employee safety and wellbeing
- Maintaining proactive engagement
- Nurturing a performance-based culture

HR GOVERNANCE STRUCTURE OF THE GROUP

Board of Directors

Responsible for approving HR Strategy and monitoring the implementation of strategy and managing related risks

Board Human Resources & Remunerations Committee

Responsible for assisting the Board in discharge of its duties by recommending HR strategy, policy and monitoring implementation of strategy and related risks

The CEO

Responsible for implementing strategy and managing related risks

HR function

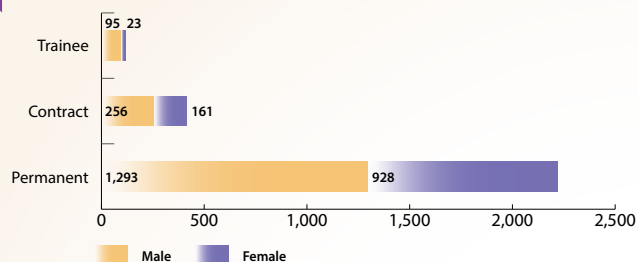
Responsible for implementing HR strategy of the Group in line with the business strategy and regulatory requirements

While overall Group HR strategy and policies are formulated centrally, each subsidiary has its own HR department, which is tasked with managing day-to-day operational matters. Group HR plays only a consultative role on policy matters related to the subsidiaries on a needs basis.

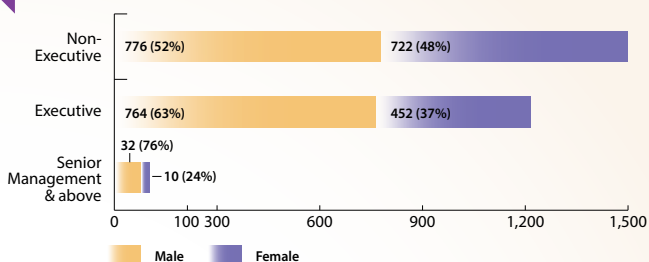
TEAM PROFILE

Team NDB comprises 2,756 employees who are a key source of our competitive strength. As an equal opportunity employer, we do not discriminate against employees based on gender, age, religion, race or any other factor, thereby ensuring a level playing field for all employees. All employees are engaged on a full-time basis. The profile of our team is presented below:

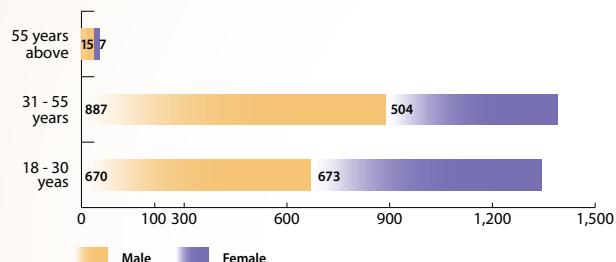
Employees by Contract & Gender



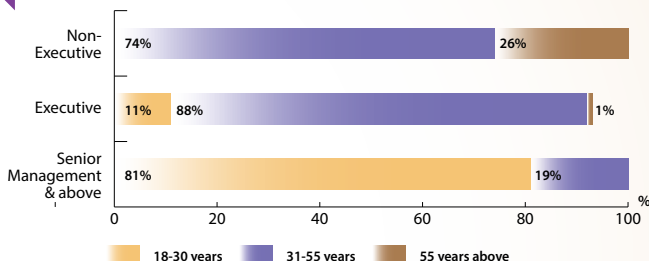
Employees by Staff Category & Gender



Employees by Age & Gender



Employees by Category & Age



Employees by Contract/Region

	Permanent	Contract	Trainee	Total
Western	1,694	353	73	2,120
Southern	95	11	16	122
North Western	102	20	3	125
Central	103	17	5	125
Sabaragamuwa	66	8	6	80
Northern	64	7	1	72
Eastern	39		8	47
North Central	31	1	4	36
Uva	27		2	29
Total	2,221	417	118	2,756

81% of the talent pool is engaged on a permanent basis while the remainder is engaged on a contract and trainee basis for sales and non-critical functions. We make every effort to recruit from communities surrounding our branches. Over 20% of our staff and senior management are recruited from outside the Western Province, thereby promoting regional economic development.

MOVEMENTS IN OUR TEAM

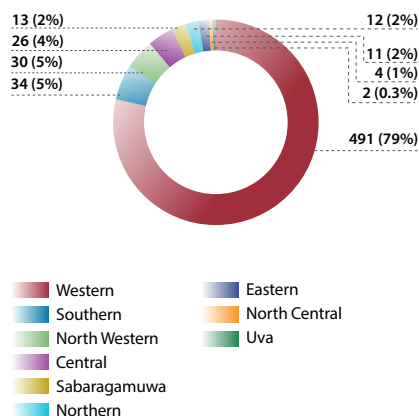
Recruitment and retention of skilled employees remained a key challenge during the year amidst the high levels of labour migration due to the economic crisis in the country. Eight employees retired during the year while a further 779 employees resigned, resulting in a attrition rate of 21.9% during the year.

NDB took a strategic approach to addressing this challenge, undertaking a re-sizing exercise to optimise available resources. Accordingly roles were re-purposed and employees were upskilled to fill the vacuum created by relatively high labour turnover. 71% of the roles left vacant were filled internally through role re-purposing, re-deployments and promotions. The exercise ensured that there were no redundancies whilst providing exciting new opportunities for our existing employees.

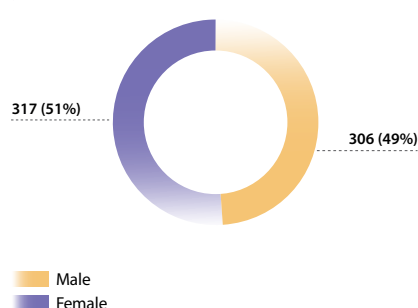


Movements in our team are graphically presented below:

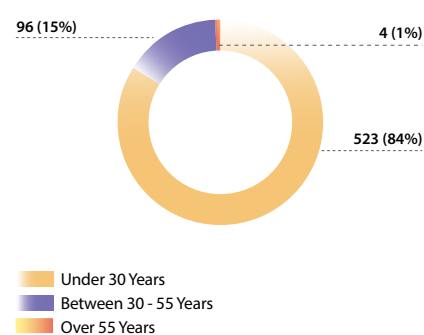
Recruitment by Region



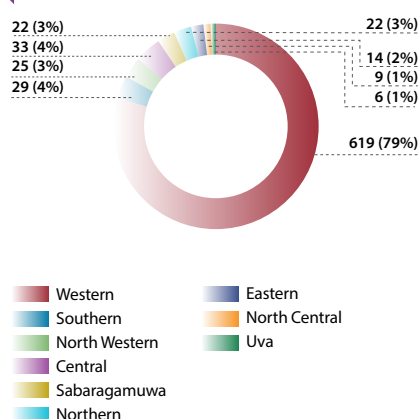
Recruitment by Gender



Recruitment by Age



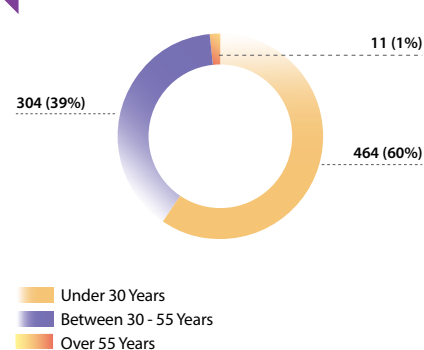
Turnover by Region



Turnover by Gender



Turnover by Age



REMUNERATION, RECOGNITION AND REWARDS

Remuneration and Other Benefits

We are able to attract talented individuals by ensuring transparent, unbiased and consistent remuneration and reward schemes that are on par with industry best practices. The basic remuneration to permanent employees includes a variable pay component linked to employee performance in addition to the guaranteed fixed pay component. In addition to the basic remuneration, we provide a host of statutory and other benefits designed to retain and motivate our employees. There is no statutory minimum wage for the entry level in the banking industry.

Employee expenses amounted to LKR **6.6 Bn** during the year

Periodic salary surveys are conducted to ensure alignment to industry best practice

Additional benefits introduced last year to combat challenges posed by the economic crisis were continued



Supporting Employees during the Economic Crisis

All employees salaries were increased to align with the current market conditions based on a salary survey conducted in January 2023

Interest free Economic Relief Loan was offered to employees based on their tenure of service

Rewards and Benefits

Guaranteed Pay and Allowances

- Fuel/ travelling allowance
- Leave pay/ holiday allowance
- Job specific allowance
- Accommodation assistance
- Weekend/ holiday banking allowance
- Fixed Bonus

Reimbursable Expenses

- Professional and club subscriptions
- Education assistance for MBA's

Retirement Benefits

- EPF/ ETF, Gratuity (higher contribution to EPF than what is stipulated by statutes)

Variable Pay

- Performance bonus
- Sales incentives and overtime

Other Prerequisites

- Holiday bungalow/ annual trip
- Medical insurance scheme
- Parental leave
- Toastmasters club
- Recreational club

Subsidised Loan Schemes

- Housing, vehicle, sundry loans

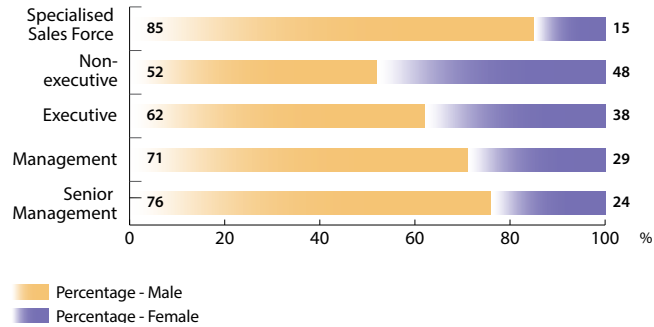


Of the above, holiday allowances, weekend/ holiday banking allowances, performance bonus, subscriptions and educational assistance are not provided to contract employees whilst different schemes/conditions are applicable for medical insurance.

PERFORMANCE MANAGEMENT

A performance-based culture is driven within NDB, with all eligible employees being subject to an annual performance appraisal based on predetermined key performance indicators. Individuals who meet targets are recognised and rewarded without any discrimination, thereby boosting employee morale. Performance appraisal plays a key role in employee development, facilitating discussions on career progression and identification of training requirements.

Percentage of Staff Receiving Regular Performance Appraisals



OPPORTUNITIES FOR TRAINING AND DEVELOPMENT

Providing opportunities for continuous learning and development is a vital component of our HR strategy. Our training proposition centres on a competency-based learning approach with the aim of upskilling our talent pool and equipping them with the right technical, digital and soft skills to drive organisational success. Role-based competency mapping was carried out for all critical business functions, enabling the identification of the required skills and formulation of suitable training programmes.

During the year, emphasis was also placed on strengthening the leadership capabilities of our personnel and several programmes were conducted in this regard. A summary of training and development interventions for the year is given below:

Inductions & Orientations

15
programmes
453
participants

Technical Training Programmes

125
programmes
3,289
participants

Digital and Skill Development

28
programmes
2,353
participants

General Health, Awareness & Other

43
programmes
780
participants

Leadership Training

30
programmes
1,228
participants

Type of training programme	% of total hours
On The Job Training	63
Inductions & Orientations	7
Strategic Development	6
Structured Development	5
Soft Skills	4
Service	4
Compliance	3
Branch Operations	2
Products	2
Other	4

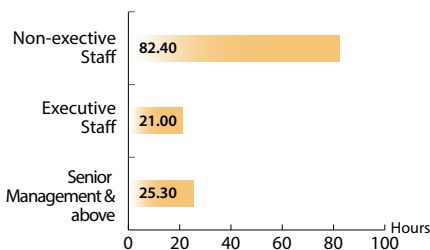
The total investment in training amounted to LKR 39.3 Mn, while a total of 2,749 employees underwent 152,299 hours of training during the year.

Average training hours per employee was 55.4.

Average Training Hours per Gender

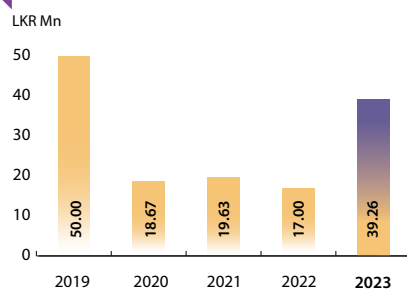


Average Training Hours per Category



Learning Platforms Used	No. of Hours	No. of Staff	No. of Hours (%)	No. of Staff (%)
E-learning	2,069.5	2,173	1.4	28.4
Physical	149,350.5	5,041	98.1	65.9
Virtual	879.0	436	0.6	5.7

Investment in Training



EMPLOYEE HEALTH AND WELLBEING

We are committed to providing a safe, secure and healthy work environment for our employees. Although the stringent health and safety measures put in place during the pandemic have been relaxed, we continued to maintain basic hygiene and safety protocols. Meanwhile, the Bank also continued its employee wellness proposition, NDBPAL which was introduced in 2022 and aimed at uplifting employee wellbeing, particularly during the economic crisis.

NDBPAL

- NDBPAL is a holistic employee wellness proposition targeting both, the mental and emotional well-being of our people. The proposition offers counselling services targeted at emotional and financial wellbeing as well as maintaining healthy relationships in their personal lives as well as in the workplace.
- This proposition is an element under the bigger umbrella of NDB Cares which extends to the families of employees as well as to the community.
- Support is provided in partnership with a professional service provider ensuring confidentiality and anonymity. It creates a safe space for employees to talk about issues and better understand themselves, improve coping skills and develop effective solutions to problems.
- Examples of NDBPAL support includes:
 - Social or professional relationships, like conflict resolution, networking, relationship building, understanding your emotions, managing job stress etc.
 - Family situations, such as pre-marital, marital issues, marriage, childcare and pregnancy, sexual and reproductive health issues
 - Financial related counselling
 - Recovery from substance abuse and traumatic events, like accidents or the loss of a loved one

ACTIVE ENGAGEMENT



Open-door policy encourages all employees to come forward with any grievances, concerns and suggestions

Formal **grievance handling, whistleblower, and disciplinary** process

Regular staff and team meetings ensure effective communication

"Talk to HR" feature, on the Bank's HCM (Human Capital Management System) facilitates ongoing and real time connectivity between employees and the HR team

Multiple formal and informal engagement mechanisms are in place to address employee concerns and maintain engagement. While continuing engagement via virtual platforms, we increased physical engagement activities during the year, which helped motivate employees and strengthen morale given the uncertain operating environment.

Informal engagement mechanisms carried out year-round to cultivate a work life balance included the following:

- NDB Avurudu Kumarya/ Kumaryana 2023
- Regional sports days
- NDB Speedup Challenge
- Poson Bhakthi Geetha Competition
- NDB Dinner Dance
- NDB Christmas Carols
- NDB Kids Party & Family Day Out

A Preferred Employer

Employee surveys offer valuable insights into the employee work environment and enable us to assess employee satisfaction levels on an ongoing basis. It also affords the employees an opportunity to share their candid feedback with anonymity. A Bank-wide survey was conducted during the year as a part of the re-certification process for EDGE – Economic Dividends for Gender Equality, an internationally recognised certification for work place gender equality.

Additionally, the Bank relies on the globally accepted Great Place To Work® (GPTW) survey once in two years, which offers valuable insights on employee concerns and areas for improvement. The certification is purely on employee feedback and is a testimony to the high level of employee trust in the organisation and the leadership team.

Trade Union Relationships

The Bank does not have any collective bargaining agreements in place. During the year under review, there were no material issues relating to employees or industrial relations which required disclosure. All employees are given adequate notice regarding any significant operational changes.

Gender Parity at NDB

We believe that a diverse and inclusive work environment enriches decision making through the combination of different skills, ideas, and perspectives. As an equal opportunity employer, we continue to take measures to foster a conducive work environment free from discrimination for all our employees. We strive for gender parity in our organisation and the wider society by....

...developing policy and structural enablers to promote gender parity

Driving gender equality continues to be a key pillar of our HR strategy and we are committed to ensuring our policy framework, HR practices and organisational culture reflect this stance. Our strategy to create a gender-balanced organisation begins with recruitment to retention of employees and building their capabilities.

Conducive Policy Framework

- Equal opportunity recruitment policy
- Equal opportunity promotion policy
- No discrimination in remuneration between genders
- Strict policy framework covering all forms of harassment at workplace

Improvements in 2023

- Maternity leave increased from 84 to 100 working days

HR Practices

- Flexi hours
- Work from Home arrangements enabled for over 1,500 staff
- 'Dignity at Work' mailbox was launched for employees to raise concerns over behaviours that constitute discrimination, bullying, harassment and sexual harassment

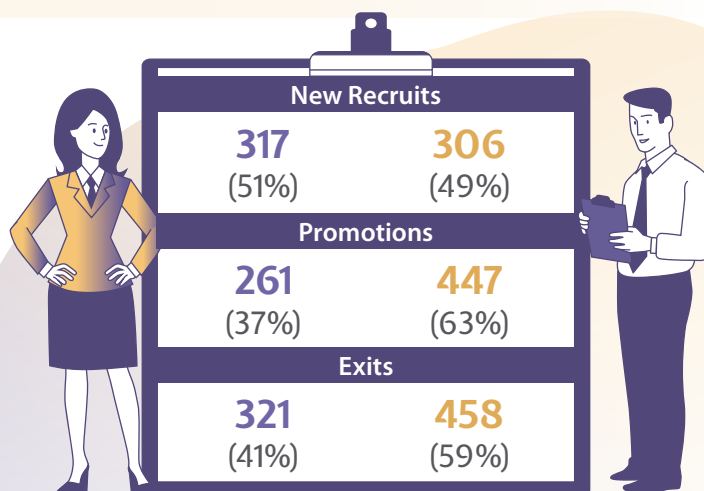
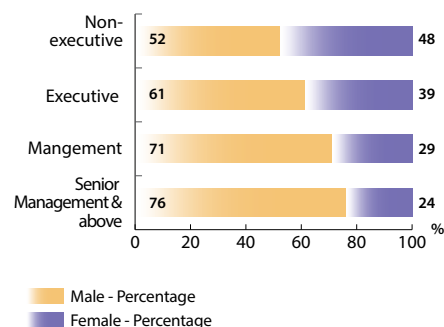
Improvements in 2023

- Driving the Fearlessly Female project dedicated to empowering our female staff members

...ensuring female representation at every level

Our workplace is conducive for individuals of both genders to achieve their career aspirations while maintaining a good work-life balance. We have maintained an enabling culture for women and explore alternate working arrangements such as flexible working hours to provide women the flexibility to remain in the workforce even after childbirth.

Gender Representation by Grade



Maternity leave was increased to **100 working days** during the year to increase female participation in the workforce

Parental Leave	Male	Female
Employees entitled to parental leave	1,524	1,157
Employees that took parental leave	60	51
Number of employees that returned to work in the reporting period after parental leave ended	60	28
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	47	47

Accolades

The Bank was recently honoured as one of the Most Outstanding Women Friendly Workplaces in Sri Lanka at the third edition of the Women Friendly Workplace Awards (WFWA) 2023. The WFWA measures the wellbeing and progress of women in the workplace and seeks to recognise organisations that empower and acknowledge contributions of women in the Sri Lankan workplace.



...actively driving change to **close the Gender Gap**

We are committed to closing the Gender Gap and encourage discussions on addressing unconscious gender bias to drive meaningful change. We do not engage in any form of gender-based discrimination when determining reward structures or offering promotions. The ratio of basic salary between women and men was 0.95 : 1.

...and communicating a positive gender narrative throughout the organisation and the wider community



Economic Dividends for Gender Equality (EDGE) is the only global certification standard available for gender equality at the workplace and is issued and administered by EDGE certified foundation (Switzerland). The certification drives organisations to ensure a strong gender balance at all levels, supported by a robust workforce analytics approach and provides a solid framework for effective gender equality policies and practices to ensure equitable career flows.

At NDB, we actively encourage female participation in economic activity. Translating this in to support for our own staff, we were the first corporate in Sri Lanka to receive the Economic Dividends for Gender Equality (EDGE) certification for workplace gender equality in 2018, as an initiative under the Banking on Women pillar of the Bank's strategy. The Bank was re-certified for EDGE in November 2023. This certification is valid through two more years.

The evaluation covered three critical aspects, viz. HR statistics, infrastructure policies and practices and a Bank wide employee survey. The results were audited and verified by a globally authorised auditor for EDGE certification, FloCERT, GmbH.

The mark of a great company lies in its ability to attract and retain great managers who inspire, guide, and develop their teams to achieve remarkable results!



NDB was recognised as a “Company with Great Managers” for 2022 (held in 2023). Thirteen senior leaders of the Bank also won awards at the “Great Managers 2022”, Award hosted by the Colombo Leadership Academy for Leadership Excellence. The categories included Driving Results & Execution Excellence, Aligning Organisational Vision, Coaching Others for Growth, Leadership Integrity & Holistic Approach and Team Effectiveness & Collaboration. NDB Bank had the highest number of female managers recognised across all winning corporates for the year 2022. The Bank has been producing Great Managers at this awards programme since 2019, and a total of 43 senior leaders have been the recipient of this awards since.

OUTLOOK

We will continue our holistic value proposition to employees in line with the overall Group strategy. Our focus will be on building a team that is skilled, motivated and future fit to navigate the volatilities in the operating environment, while continuing to relentlessly drive our long-term strategy of becoming the “Banking Group of Choice”.



Intellectual Capital

Our intellectual capital is what sets us apart, and remains a key driver of our growth journey. Ongoing efforts to nurture intellectual capital enhances our ability to understand changing customer preferences and respond with innovative solutions, fostering the trust and confidence of key stakeholder groups.

Our Intellectual Capital Inputs

- Brand value of LKR 9.2 Bn
- Unique base of tacit knowledge and experience of our team
- Dynamic organisational structures
- Robust systems, standards and processes

Value Drivers

- Training investment of LKR 39.3 Mn
- Nurturing a culture of learning and knowledge-sharing
- Streamlining systems and processes to drive efficiency and productivity levels
- Empowering decision makers with access to high quality, real time information to enable data-driven decision making
- Cross-functional collaboration to drive synergies

Value Created

- » Ascended to the 15th position in brand value as per Brand Finance Lanka and LMD
- » Targeted customer solutions
- » Increased social media visibility
- » 3 new process certifications

Strategic Focus Areas 2023

- Increasing brand stature through brand building initiatives
- Investing in training and development
- Driving service excellence
- Providing unique customer experiences through innovation

MANAGING OUR INTELLECTUAL CAPITAL

We continued to nurture the Bank's intellectual capital base by strengthening brand value, retaining and harnessing organisational tacit knowledge and by driving innovation across all aspects of the operation.

A TRUSTED BRAND

The NDB brand has gone through significant transformation over the years and is today a leading national brand recognised for its customer centricity, digital prowess and future readiness. During the year we continued to strengthen our brand value and enhance brand ranking through targeted brand building initiatives.

Awards and accolades further strengthened the brand, reflecting our unwavering commitment to pursuing excellence. (Please refer page 296 Awards and Recognition). Our brand is frequently featured by independent parties among the most valuable brands in the country, reflecting the success of our brand building initiatives.

Key brand building initiatives carried out during the year include:

- Securing the prestigious Grand Prix Award for the third time for Cross Platform Integration at the SLIM Digis 2.3
- Strengthening digital presence by using a multi-pronged approach including search engine optimisation, working with social media influencers and increasing presence on social media
- Creating awareness on the Bank's digital capabilities including NDB NEOS, NEOSBIZ, digital onboarding for digi-loans and account opening among others
- Empowering youth related sports including school level rugby through sponsorships to increase brand presence and strengthen position as a national brand
- Re-launching unique products including NDB Shilpa children's saving account and the NDB Araliya proposition for women to position ourselves as a lifestyle driven bank
- Third edition of the Sri Lanka Vanithabhimana Awards Ceremony concluded and the fourth edition launched in collaboration with News 1st. This unique programme which aims to recognise and reward women for their contribution to the society and the economy reflects our brand's commitment to empowering women in different spheres (Refer page 94 for more information)
- Launch of Sri Lanka's first AI generated calendar featuring futuristic visions of children, and extending the initiative to a charitable act, thereby driving the brand as a digi-savvy and an empathetic brand

Brand Visibility

LKR 9.2 Bn

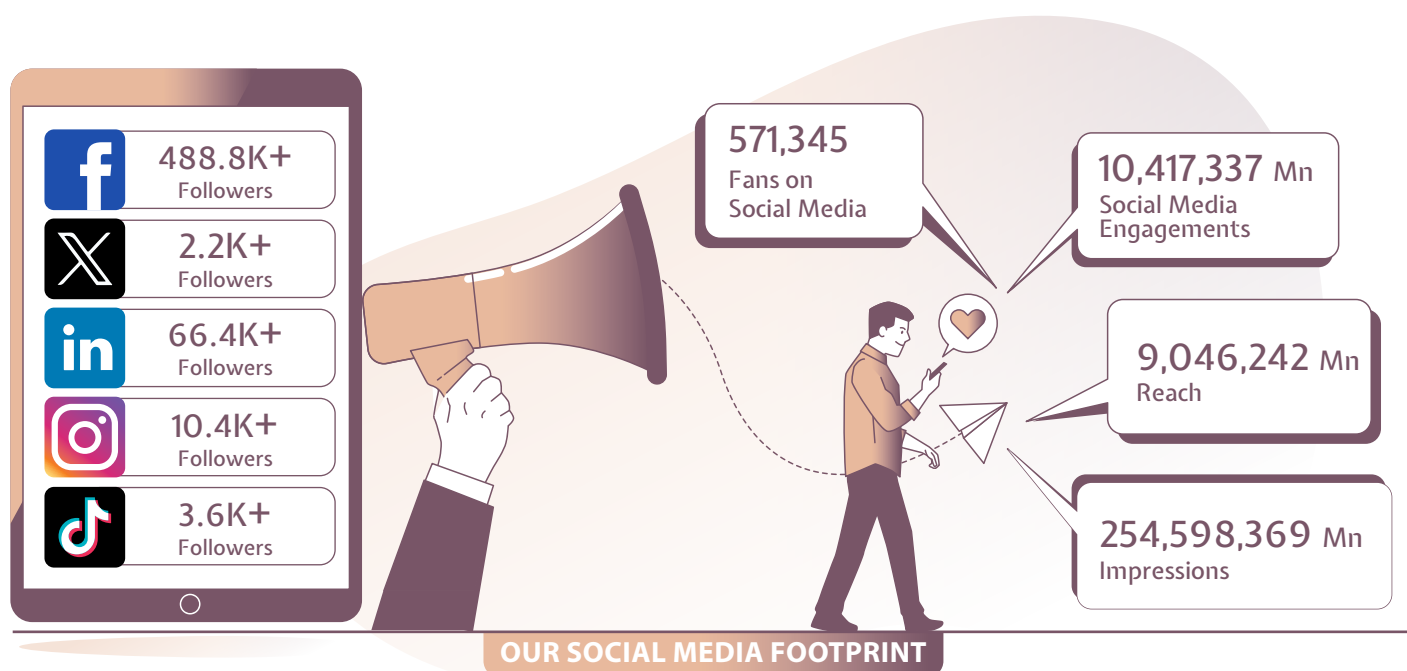
Brand Value by Brand Finance Sri Lanka & LMD

>90

Total awards won by the Group

**BANK ON US
TO MAKE THE
MOST OF
YOUR FUTURE**





LEVERAGING ORGANISATIONAL TACIT KNOWLEDGE

The invaluable base of tacit knowledge and collective experience underpins every aspect of our operations, enabling the Group to understand customer and market dynamics, drive strategy and facilitate collaborations with business partners. We will look to further enhance this knowledge-base through continued investments in learning propositions and a culture of mentoring and knowledge sharing.

Strong Learning Propositions

LKR 39.3 Mn investment in Training and Development to enhance the skills of our people

Organisational Culture

The knowledge sharing culture within the Group empowers employees in their roles and enables them to achieve service and operational excellence

Strength of Leadership Team

The skills, experience and knowledge of our strong leadership team enabled us to swiftly identify and adapt to the volatilities in the operating environment, thereby supporting the long-term strategies

Data Analytics Capabilities

The Bank has a dedicated Data Analytics Team which engages in data mining, behavioural analysis, predictive analysis and provides valuable insights to the business units to make data-driven decisions

Cross Functional Capabilities

- Cross-functional committees with oversight responsibility on specific functions serve as an effective tool in pooling and sharing diverse views and knowledge within the Group
- Other cross functional committees include IT Steering Committee, Asset and Liability Management Committee, Procurement Committee and Corporate Sustainability Committee, among many others

Tenure of Service

- The years of knowledge and experience gathered by our team has not only enabled us to gain a competitive edge but also contributed towards industry growth
- Over 600 employees have completed more than 10 years of service with us



SYSTEMS AND PROCESSES

Process improvements and enhancements to our systems have brought about greater efficiency and flexibility to our operations. Continuous investments in digital technology have also contributed towards strengthening our capabilities and sharpening our competitive edge. This serves as reassurance to our stakeholders regarding the stability and integrity of our activities and business processes.

CAPACITY FOR INNOVATION

Our capacity to continuously drive innovation helps us to evolve and stay ahead of the competition. We promote a culture of innovation and empower employees to think out of the box in anticipating customer requirements, resulting in innovative new products, primarily through our digital offerings. (Please see page 61 for details of new products and product relaunches introduced during the year).

OUTLOOK

Enhancing brand equity will be a key focus in this increasingly competitive and complex operating landscape. Our brand building strategy will focus on the customer journey, customer centricity, promoting integrated solutions and digital journeys. We will also further strengthen our extensive base of organisational knowledge by continuing to nurture a data and innovation driven culture.



Social and Relationship Capital

We are committed to nurturing relationships with our customers, value chain partners and the community, actively engaging with them to retain their trust and confidence. Our holistic value proposition to stakeholders generates mutual benefit, ensuring we maintain our social license to operate.

Contact Centre Satisfactory Rating



First Response Time
93%

OUR MANAGEMENT APPROACH

Our comprehensive set of policies and robust governance structure in place guide us in managing our social and relationship capital. The unprecedented challenges stemming from the operating environment during the year necessitated a strengthening of relationships through various formal and informal engagement platforms. We focused on sharpening our value proposition to ensure satisfied customers, value chain partners and communities.

During the year under review, there were no reported incidents of corruption and/or fraud and no fines/penalties for non-compliance with laws and regulations pertaining to socio-economic compliance including customer health and safety, marketing/ labelling information and/or marketing communications. Where relevant, the Bank makes its communications in all three languages of Sinhala, Tamil and English on products, services and other relevant announcements.

Our Social and Relationship Capital Inputs

- ⊙ Customer Relationships
- ⊙ Value Chain Partners
 - » Over 300 Registered suppliers
 - » Other business partners
 - » Industry Stakeholders
- ⊙ The Wider Community

Value Drivers

- ⊙ Delivering unique value propositions which are aligned to the overall mission and strategy of the Bank
- ⊙ Ongoing investments in community engagement initiatives
- ⊙ Responding to the needs of our customers through meaningful and informed engagement
- ⊙ Enhancing the overall customer experience through improved service levels
- ⊙ Greater engagement with business partners

Value Created

- » 4.9 customer satisfaction rate (Out of 5.0)
- » LKR 6.5 Bn in payments to suppliers
- » Industry collaborations to create a conducive industry environment
- » LKR 8.6 Mn investment in community engagement

Strategic Focus Areas 2023

- ⊙ Enhancing customer service
- ⊙ Empowering women entrepreneurs
- ⊙ Supporting SME exporters and innovators
- ⊙ Community engagement

CUSTOMER RELATIONSHIPS

We cater to a diverse customer base comprising individuals, corporates and SMEs through our seamless digital channels and island-wide network of branches. Understanding and effectively responding to customer needs remains an integral part of maintaining our competitive advantage.

The challenging operating environment during the year necessitated a re-alignment of our overall strategy in the mid-term, with NDB mainly focusing on consolidating its existing customer base by enhancing the overall customer experience and service levels. Critical needs of our customers were identified and responded to, while ensuring their financial requirements were met with minimal disruption.

Navigating the Economic Crisis

Flexible Repayment Schemes

Flexible repayment schemes and reschedulements were offered to customers faced with financial difficulties led by the Remedial Management Unit



Improving Accessibility

In ensuring continued accessibility of the Bank's services, we continued to enhance the omni-channel experience through innovation

During the year, there were no instances of non-compliance on product and service information and labelling or marketing communications.

Advisory and Customer Support

The Bank maintained close engagement with customers, offering advisory and support through regional programmes and forums

Special Training for Staff

The Bank's staff was trained to handle customers with empathy and route them to the correct channels for remedial action

CUSTOMER EXPERIENCE & CONTACT CENTRE

Engaging with Our Customers

Excellence in customer service and experience is a key value proposition we offer to our customers as we constantly strive to enhance customer convenience. We maintain proactive engagement with customers supported by a year-round calendar of marketing and promotional activities, a systematic process for handling complaints and robust mechanisms to measure customer satisfaction levels.



The Bank's main customer touchpoint is through the island-wide network of 113 branches and all other touch points including Contact Centre. Staff at our branches have direct access to customers and are provided with adequate training in customer handling and service. During the year, branch visits were completed across all branches and departments after a lapse of four years. Staff issues, service level gaps and branch and department infrastructure issues were identified and escalated to relevant parties in order to find solutions.

In recent years, there has been a noticeable shift in customer preference towards digital channels of engagement resulting in an increased volume of requests flowing through digital channels. Therefore, focus was placed on enhancing our digital channels of engagement, providing customers with convenience and seamless accessibility to our services.

The Bank follows a standard process to escalate any customer concerns or requests that may arise. All concerns and requests are recorded on the Customer Service Request Management (CSRM) platform. This platform has a dashboard which provides improved analytics and insights allowing us to serve customers better.

NDB Contact Centre

NDB's Contact Centre extends round-the-clock support to customers powered by state-of-the-art technology. The main objective of the Contact Centre is to increase contact ability and offer seamless channels for customers to connect with the Bank. Comprising an empathetic and well-trained team that is supported by updated knowledge and training, the Contact Centre continued its 24x7 service, despite high staff turnover during the year.

The dedicated Contact Centre contributes directly and indirectly towards revenue generation through tele-marketing, credit reminders to customers based on requests from the relevant divisions and proactive customer engagement to promote new products and services based on customer analytics.

Key Concerns in 2023

- High staff turnover of the front-line staff during the year had an impact on the service aspect to the end customer and there was insufficient staff to serve customers
- Difficulty in upskilling staff with all-round product and channel knowledge within short time frames
- Other customer concerns included loan rate revisions and credit card issues

Our Response

- Enhancing service efficiencies by improving the people skills of the front-line staff through training
- Year-round refresher training programmes covering all service aspects
- During stages of high call volumes, SMSs were sent to customers to initiate a WhatsApp conversation
- Empowering the front-line staff by giving them standardised scripts for consistent levels of service
- Empowered front line staff with DAs to provide first call resolution
- Accreditation for dedicated quality supervisors to coach and develop competencies of staff members
- Service recovery calls by dedicated agents to customers who rated the service below standard
- Introduced service based Agent KPIs and incentives focusing on continuous improvement
- Educating staff on any new products that have been introduced, including key features, promotions, product guidelines etc.
- Monitoring of internal telephone etiquette standards via call surveys

Way Forward

- Implementation of Advanced Interactive Voice Response (IVR) to increase self-servicing options
- Introduction of automated digital channels to improve service deliveries
- Emphasis on outbound & telemarketing calls to increase customer engagement/sales
- Organising more training sessions for new recruits in order to enhance service levels and increase awareness on SOP guidelines

CUSTOMER SATISFACTION

We have in place a structured QR-code-based platform across the branch network to seamlessly capture insights from walk-in customers and measure their satisfaction levels. Findings are tracked daily on the dashboard and shared proactively with employees through internal communication on a weekly and monthly basis. The Bank sends a SMS link to customers at the point of establishing new accounts to gather service insights from the customer. Feedback from customers helps us to enhance the customer experience and drive the organisation towards achieving its goals.



STRENGTHENING OUR CUSTOMER SERVICE CAPABILITIES

- Customer Service Week (CSW) was celebrated in a more rewarding and energetic manner in order to get the involvement of all staff, thereby celebrating togetherness in providing service to external as well as internal customers
- A new e-learning module was created to refresh the minds of existing employees on important Standard Operating Procedure (SOP) guidelines
- 70 inspiring service stories which customers shared with us were published in order to appreciate the superior service provided by our staff
- Encouraged cross functional feedback among staff across the organisation in order to boost the morale and team spirit with the ultimate aim of providing the best experience for our valuable customers
- New EDMs (Electronic Direct Mail) designed to increase the knowledge of all staff and to strengthen their abilities to provide a better customer experience towards our valuable clients.
- Improved customer privacy and data management systems

MEASURING SERVICE EXCELLENCE

	Service Indicator	Goals	Achievement
Contact Centre	Service levels of the incoming calls	To maintain 80% or more	70%
	Abandon rate	To maintain below 5%	8%
	Call quality effectiveness	To maintain at 80%	79%
Internal Telephone Handling Standards	Percentage of calls answered within 3 rings (Average YTD)	80%	85.54%
Customer Requests and Concerns Handling	Requests turnaround time	80% to be resolved within 5 working days	73%
	Concern turnaround time	80% to be resolved within 8 working days	67%
Online Channels	NEOS and contact@ndb mailbox response time (TAT)	80% or more to be responded within 3 working days	EMC (email channel) 87% NEOS (mobile app) 90%
Customer Feedback QR and Account Opening	Percentage of Very Good and Good responses received	80%	Very Good and Good response percentage QR 99.33% Account opening 92.38%

WAY FORWARD CUSTOMER EXPERIENCE

- Enhancing staff morale to deliver superior customer service as well as to adhere to SOP guidelines in order to achieve "Desired" level of service all throughout the organisation.
- Arranging more training sessions for new recruits to enhance service levels as well as to increase awareness on SOP guidelines.

OUR PRODUCT MAP

Striving to serve our customers better, NDB's comprehensive product proposition to customers across the different business lines is presented below.

	Retail	Wholesale	Business Banking	PIF
Investment Products	- Savings accounts (women's, minor, youth) - Investment Planners - Current accounts - Fixed deposits - Foreign currency deposits	- Current accounts - Foreign currency deposits - Fixed deposits - Savings and call deposits	- Savings - Time deposits - Current accounts - Foreign currency deposits	- Savings - Fixed deposits - Foreign currency deposits - REPO
Lending Products	- Personal - Housing - Education - Leasing - NDB Good Life Credit Card - Salary advances - Solar - Pawning - Vismitha loans	- Term loans - Working capital finance - Trade services - Leasing - Cash management - Trade card services - Distributor/Supplier financing	- CAPEX funding - Leasing - Trade services - Cash management - Revolving and structured working capital funding - Channel finance for distributors - Industry specific working capital solutions	- Term loans - Islamic Banking for long-term financing - Financing for leveraged buy outs - Securitisation - Investment in listed securities
Other	- NDB Debit cards - NDB Travel Pal - Privilege Banking - Safe deposit lockers - Remittances - Bancassurance - Custodian services	- Digital financial solutions - Custodian services - Trustee services	- Credit cards - Debit cards - Bancassurance - Custodian services - Trustee services	- Services on debt syndications such as lead arranger function - Facility agent function and Escrow agent function - Custodian services - IPO underwriting services - Cash collection services - Trade services - Trustee services
Customer value propositions	- NDB Araliya for the women's market segment - NDB Aachara for senior citizens - NDB ZEE for Youth		- NDB Jayagamu Sri Lanka for exporters, innovators and SMEs - Islamic Banking solutions	

CREATING OPPORTUNITIES – NDB JAYAGAMU SRI LANKA

The Group created opportunities for the country's SME exporters, aspiring entrepreneurs and enthusiastic innovators to overcome the challenges faced by the effects of the pandemic and the resultant economic downturn through its unique platform, NDB Jayagamu Sri Lanka. This is a holistic value proposition, directly contributing towards the country's economic recovery by aligning growth strategies to areas of critical national interest. The programme takes a multi-faceted approach and continued to provide support and empowerment to the target audiences throughout the year 2023, particularly in enhancing resilience at the face of challenges brought about by the economic crisis.

Financial assistance

- Dynamic loan schemes at concessionary rates with expedited approvals; working capital facilities, pre and post export finance, trade related facilities and capital expenditure facilities
- Concessions on charges particularly on international trade

Non-financial assistance

- Curated products in supporting unique needs of SMEs
- Trade desk to facilitate exporters
- Access to foreign and local buyers through online platforms
- Capacity building through webinars/ physical sessions on topics such as business registration, gaining access to markets, financial management
- Advisory support in enhancing business resilience

Ecosystem partnerships

- Partnerships with Export Development Board, Ceylon Chamber of Commerce, Daraz, Maersk, CodeVus, ICTA, ThinkCube Solutions, Cord 360, etc. to provide access to markets, networking opportunities and a range of other services
- Participating Financial Institution (PFI) of National Credit Guarantee Institution

Technology and IT support

- Cash management solutions including gateway for payments and trade related transactions
- Payroll management
- ERP support
- Access to dashboards and real-time status of information
- NEOSBIZ Mobile App dedicated for SMEs

BANKING ON WOMEN

As a bank that supports women empowerment, NDB continued to strengthen its targeted banking solutions to drive socio-economic progress among its female customers and broader communities. Through its Banking on Women platform, NDB goes beyond banking, providing access to affordable finance, skills development programmes and identifying solutions to barriers which are often faced by women-owned businesses. Two distinct propositions offered are NDB Araliya and Sri Lanka Vanithabhimana.

NDB Araliya

NDB's women focused proposition Araliya was re-profiled and revamped during the year with several awareness programmes, workshops and customer engagement activities conducted across the country, via the branch network as well as via digital platforms. This proposition is especially designed to enable females to do more under the theme, "Giving you more than what you want for yourself".

Financial Services

Female entrepreneurs can obtain a range of exclusive banking solutions including NDB Araliya Business Loans, credit/ debit cards and working capital facilities which offer preferential interest rates and insurance covers.

Non-financial Services

The proposition also provides access to NDB Araliya knowledge sharing forums, mentoring and networking sessions.

Leveraging Partnerships

NDB provides greater market access and networking opportunities for women through partnerships with third parties such as Daraz, Women's Chamber of Industries & Commerce (WCIC) and the Bobbin Group. The Bank has partnered with Satyn magazine to share knowledge on women-centric topics of interest. NDB has also partnered with the Asian Development Bank (ADB) via the Government of Sri Lanka in extending advisory services and training on women empowerment to small and medium sized entrepreneurs

Target women's market segments

Home-makers
Salaried employees
Entrepreneurs

NDB Araliya Knowledge sharing forums

1,450	12
participants	physical forums
70,000	2
views	digital forums



SRI LANKA VANITHABHIMANA

Sri Lanka Vanithabhimana (SLV) is NDB's flagship initiative dedicated in discovering, empowering and recognising high performing females across multiple economic and social landscapes in form of a competition and awards ceremony. The programme is a collaboration with News 1st and takes a structured approach, comprising multiple rounds of evaluation of applicants by an eminent panel of judges. In 2023, SLV marked two milestones viz. celebrating winners of the 2022/2023 (Third edition) of SLV in a pinnacle awards ceremony and launching the fourth consecutive edition for 2023/2024.

SLV affords high performing females across eight categories at both provincial and national level to showcase their talents, namely Sports, Entrepreneur (Micro Scale), Entrepreneur (Small Scale), Entrepreneur (Up Coming), Social Services, Arts and Literature, Education Services and Young Leader. Additionally the Corporate Sector competition is tailored for professionals in fields such as HR, Financial Management, Sales and Marketing, State Sector, Tourism, Art, Sports and Entrepreneurship.

The main aim of SLV is to stimulate female participation in both economic and social activities and accelerate their contribution to the socio-economic progress of the country. It also yields numerous other benefits to participants such as opportunity to network, gain access to market places, exposure on various topics via workshops organised linked to SLV and gain access to financing and advisory support from the Bank.

SLV Third Edition
Impact

Over 2,700
Total number of applicants
across **09** provinces

24
females recognised
with awards



VALUE CHAIN PARTNERS

The mutually beneficial partnerships we have developed with our value chain partners play a crucial role in linking us with customers as we strive to broaden our reach and ensure the smooth functioning of our operations. We continued to work closely with our value chain partners comprising an ecosystem of over 300 suppliers and 93 correspondent banks, in order to drive greater synergies and come up with innovative solutions to address challenges faced during the year.

The bulk of our suppliers are local corporates and SMEs, through whom we procure a range of IT equipment, office equipment and consumables. The Procurement Committee plays a vital role in selecting the right suppliers with potential vendors identified through a comprehensive supplier assessment which considers factors beyond cost, such as quality, reliability, sustainability and innovation. Furthermore, we ensure that the selected vendors align with NDB's values and Corporate Sustainability principles.

Meanwhile, the Bank's Procurement Policy sets out the economic, social and environmental criteria to be considered when evaluating suppliers. This enables NDB to propagate its sustainability agenda across the supply chain.

The Bank adopts the following practices when engaging suppliers.

- Comprehensive supply chain audits conducted with findings used for process enhancements.
- Negotiating favourable terms and pricing, exploring bulk purchasing and carrying out market surveys to identify suppliers who could give us quality products and services.
- Dedicated channel for receiving supplier grievances via ndbtenders@ndbbank.com and a mechanism to resolve them.

Initiatives undertaken by the Procurement Unit during the year:

- Shift to a completely paperless system
- Introduction of vendor evaluation on a quarterly basis
- Introduction of coding system for vendors
- Introduction of Excel based Purchase Order tracking system
- Introduction of tender status tracking system and weekly status update with all departments

INDUSTRY COLLABORATIONS

We actively collaborate with industry stakeholders with the aim of contributing to the growth and development of the industry. Further, we encourage our employees to take part in numerous forums and use these opportunities to share knowledge with industry peers. The Bank holds membership in a wide number of industry associations to harness strength and partner for the mutual benefit of the industry. A few examples are below:

- Sri Lanka Banks' Association
- Institute of Bankers of Sri Lanka (IBSL)
- The Association of Professional Bankers Sri Lanka (APBSL)
- Sri Lanka Forex Association
- Payment Card Industry Association of Sri Lanka
- Association of Banking Sector Risk Professionals of Sri Lanka
- Biodiversity Sri Lanka (BSL)

UPLIFTED COMMUNITIES

NDB's CS initiatives are aligned to its triple bottom line aspirations and designed to build impactful relationships that create sustainable shared value by delivering economic, environmental and social benefits to the wider community.

CORPORATE SUSTAINABILITY GOVERNANCE

The Bank's Corporate Sustainability (CS) Committee provides oversight on the Corporate Sustainability initiatives of the Bank. Initiatives are prioritised and selected based on community needs, resource availability and accessibility to relevant expertise, thereby ensuring alignment of objectives.

NDB believes that community involvement goes beyond core business activities. In nurturing a community-conscious culture, employees are encouraged to volunteer their time and effort for these initiatives.

Key focus areas of our CS agenda are set out below:

Supporting national sustainable development & UN SDGs

Protection and conservation of the environment

Employee volunteerism

Special projects to address specific community needs

There were no significant negative impacts on local communities through our operations during the year. Progress made in delivering the CS agenda for 2023 is mentioned below.

'Adopt an Ambulance' Project - a National cause

- NDB Bank reaffirmed its commitment to community-driven initiatives by joining forces with the 1990 Suwaseriya Foundation to support their vital 'Adopt an Ambulance' programmes. In a significant step towards enhancing emergency medical services across the nation, NDB Bank sponsored the operational cost of one ambulance for an entire year.
- This collaborative effort aims to address the challenges faced by the Suwaseriya Foundation in funding the operational expenses of their island-wide Pre-Hospital Care and Ambulance Services, particularly amidst the economic difficulties they are currently navigating.
- The adopted ambulance, will service the area of Hikkaduwa and will play a crucial role in providing free ambulance services to the communities in need in Hikkaduwa, ensuring timely and efficient emergency care.



LKR 5.0 Mn
Investment

Over 100,000
Beneficiaries

Supporting an Inclusive Culture on International Sign Language Day 2023

- International Sign Language Day 2023 was celebrated by the Department of Social Services (DSS) at Sethsiripaya, Battaramulla with over 250 participants including representatives from the deaf community, Government officials, sponsors, well-wishers and guests.
- DSS is the main Government body that provides Sign Language interpretation services to the deaf community in the country.
- For the first time in Sri Lanka, the DSS published and ceremoniously launched a 'Code of Ethics' Book for Sign Language interpreters and conducted an all island 'Sign Language Oratory Competition' for deaf children and adults.
- As part of NDB's Corporate Sustainability activities, the Bank sponsored the publishing of the 'Code of Ethics' book and the prizes for the winners of the 'Sign Language Oratory Competition'.
- This 'Code of Ethics' book is a vital tool to ensure that interpreters maintain high standards of professional conduct in their capacity and identity as an interpreter.
- To date there has been no legal document for Sign Language interpreters. Therefore, the publishing of the 'Code of Ethics' book is a huge achievement on behalf of the deaf community in Sri Lanka and is a forerunner to the proposed Act of Parliament pertaining to Sign Language for the deaf community in Sri Lanka. The Bank will continue to support and empower the differently-abled paving the way for an inclusive culture in our nation.

LKR 0.1 Mn
Investment

500,000
Beneficiaries

Employee Volunteerism

- NDB's 'Employee Volunteerism' initiative was implemented this year in connection with the Bank's 'Life to Our Mangroves' project (discussed in detail on page 97 Natural Capital)
- Volunteers of the Bank, under the leadership of the Management and Corporate Sustainability Committee, engaged in the planting of mangroves and assisted in a floral survey for research purposes.
- The Bank volunteers were joined by the officials from Biodiversity Sri Lanka (BSL), the Department of Wildlife Conservation (DWC) and the Wayamba University of Sri Lanka (WUSL).
- A second Volunteer event was implemented towards the end of 2023, for the new recruits of the Bank. Participation at this event was part of the Bank's new recruits' structured development under 'Employee Volunteerism' with the objective of increasing employee engagement, creating a more cohesive team, providing new experiences to broaden their vision, teaching the importance of acting together to tackle the challenges of our time and most importantly providing opportunities to give back to the society and environment.



LKR 3.5 Mn
Investment for a
period of 5 years

255
Hours of Employee
Volunteerism

Supporting the differently abled and less privileged

- As part of our commitment to uplifting and empowering the lives of the less privileged and differently abled, the Bank extended a helping hand to 'Mother Charitable Foundation' in Moratuwa who assists children and adults with disabilities, the elderly, individuals living with HIV, cancer and thalassemia, and those who have been socially ostracized.
- Essential groceries, stationery items, and thoughtful gifts including educational toys were carefully selected to aid in skill development and donated as part of this initiative.
- The donated stationery items will be utilised by the differently abled individuals to craft decorative items which will not only showcase their unique talents but also serve as a means to raise funds for their own support.



LKR 0.4 Mn
Investment

**Beneficiaries include 40
differently abled children and
elders at the Mother Charitable
Foundation**

Outlook

The Bank will seek to further strengthen its relationships with customers by delivering customer centricity and fulfilling lifecycle needs throughout the customer journey. Enhancing service levels will be a key focus and the Bank will seek to adopt digital banking concepts including the implementation of advanced Interactive Voice Response (IVR) and Automated digital channel interactions such as WhatsApp and Facebook, along with the increased customer shift to digital banking.

Empowering SMEs and the women's market segment will also be a key focus area while continuing investments in community engagement and development initiatives, in line with the Bank's overall Corporate Sustainability agenda.



Natural Capital

Being in the service industry, NDB does not rely heavily on the use of natural resources to conduct operations and its direct environmental impact is limited. However, having understood the role it can play in supporting the transition to a lower carbon economy, the Group actively drives environmental consciousness and propagates sustainable businesses through responsible business practices and environment positive decisions.

OUR MANAGEMENT APPROACH

NDB is committed to reducing its impact on the environment, as implications of climate change intensify. In addition to reducing the carbon footprint of our operations and contributing to the preservation of ecosystems, we have embedded principles of green financing to our lending strategy while working with clients to support climate risk adaptation and mitigation.

Our approach to identifying, managing and measuring our progress across our environmental focus areas is guided by the Group's ESG agenda and a comprehensive Environment and Social Management System. The Bank's Corporate Sustainability Committee and Environment and Social Risk Management Integrated Committee are tasked with implementing the same.

The Bank is also a founder signatory to the 'Sustainable Banking Principles for Sri Lanka' by the Sri Lanka Banks' Association developed in collaboration with leading European investors such as DEG, Proparco, FMO and OeEB, which set out guidelines on environment and social considerations in decision-making.

During the year, there were no incidents of non-compliance with environmental laws and regulations.

Our Natural Capital Inputs

Water consumption

40,457 m³

Material consumption

Usage of paper:
27,643 kg

Energy consumption

Electricity consumption
from the National Grid:
5,879 MWh

Usage of fuel:
96,740 L

Value Drivers

- Digitisation drive and automation of processes to reduce paper consumption within operations
- Reducing energy consumption and enhancing efficiencies in resource utilisation
- Encouraging responsible waste management
- Supporting the transition to low carbon economy by lending to renewable energy projects
- Incorporation of E&S considerations to lending decisions to propagate environmental sustainability among customers
- Eco system preservation through long term strategic projects
- Contribution to National Goals of Biodiversity Conservation and Climate Change Adaptation

Value Created

- » 27.85% reduction in Direct Emissions
- » 18% reduction in paper consumption
- » 453 employees trained on ESG
- » LKR 1.68 Mn investment in ecosystem preservation

Strategic Focus Areas 2023

- Climate action
- Material and Waste management
- Responsible lending
- Ecosystem Conservation

CLIMATE ACTION

Climate change is rising to the forefront of the global business agenda, with wide ranging implications both globally and locally. The devastating consequences of rising temperature, natural disasters, food and water insecurity as well as economic disruption, has made it clear that unless bold and collective action is adopted now, the cost of climate change will be inevitable and irreversible.

At NDB, we continue to deepen our understanding of climate related opportunities and risks by defining how they impact our business and how our business contributes to adverse ecological effects and long-term climatic shifts. This enables us to take proactive steps towards supporting sustainable development and safeguarding our assets and investments from climate-related risks.



Climate-related Opportunities

- Potential lending opportunities in renewable energy when transitioning to a low Carbon economy
- Reduced cost through energy efficiency
- Improved resilience to business disruptions
- Improved reputation and access to global capital markets

Climate-related Risks

- Credit risk from lending exposure to industries which are highly vulnerable to climate change (such as agriculture and tourism)
- Erratic weather patterns and natural disasters can directly or indirectly disrupt the Group's operations
- More stringent scrutiny and regulations relating to mitigating climate change may impact our business model and key lending decisions

OUR APPROACH TO COMBATTING CLIMATE CHANGE

- ➔ Managing our Carbon Footprint
- ➔ Climate Conscious Lending
- ➔ Biodiversity Conservation
- ➔ Material and Waste Management



NDB has consistently invested in and implemented measures to reduce emissions through the enhancement of energy efficiency and optimisation of air conditioning systems. However, despite these efforts, the increase in electricity usage in 2023 in comparison to 2022 has led to a 2.71% increase in emissions.

The main reason for the lower electricity usage in 2022 was due to the prevailing power cuts in the country.

This also led to an increase in the fuel consumption in generators in 2022 and a decrease in 2023.

MANAGING OUR CARBON FOOTPRINT

A key element of NDB Bank's sustainability strategy is measuring and reducing our carbon footprint. The Bank has engaged the 'Sri Lanka Climate Fund' operating under the Ministry of Environment to perform an independent third-party verification as well as train the key internal stakeholders including the Bank's Leadership Team.

The Bank calculates its annual GHG emissions in accordance with the requirements provided in ISO 14064-1: 2018 – Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals. The organisation boundary established for this reporting has been expanded this year to include all the operationally controlled business operations of National Development Bank PLC (including the Head Office, office complex at Dharmapala Mawatha, 113 branches islandwide and other operationally controlled properties). The Bank expanded the boundary for GHG reporting for the FY 2023 by considering the GHG emissions of the properties leased to the Bank where the Bank has operational control, thereby covering the full boundary of the organisation. Furthermore, in order to maintain the consistency of GHG reporting, the GHG inventory for the FY 2022 has been recalculated to reflect this boundary expansion.

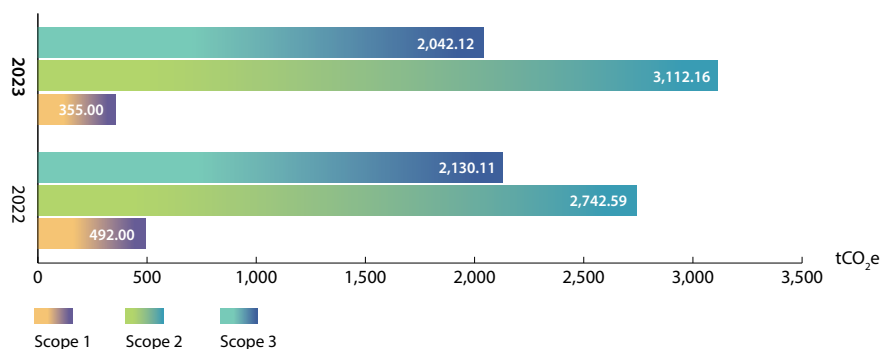
The inventory is worked out relying on the primary data provided by the divisions/ branches of the Bank. The methodologies and factors appropriate to computation of emissions are obtained from the IPCC Guideline - 2006, the latest Energy Balance Report published by Sustainable Energy Authority of Sri Lanka and the emission factor database published by Department of Environment, Food and Rural Affairs (DEFRA).

	Unit	2023	2022
Purchased electricity	kWh	5,878,651	5,179,499
Fuel consumption			
(Owned vehicles and fuel paid by the company)			
Petrol	L	62,794	33,732
Diesel	L	13,490	13,109
Diesel consumption in generators	L	20,456	109,006

tCO ₂ e	YoY Change (%)	2023	2022
Direct GHG emissions - Scope 1	-27.85	355.00	492.00
Indirect GHG emissions	5.79	5,155.00	4,873.00
Imported energy - Scope 2	13.48	3,112.16	2,742.59
Transportation - Scope 3	-8.52	1,636.92	1,789.22
Products used - Scope 3	38.63	97.40	70.26
Other - Scope 3	13.74	307.80	270.63
Total (Direct & Indirect) emissions	2.71	5,510.00	5,365.00

* R-22 (HCFC) is a potent greenhouse gas regulated under the Montreal Protocol. Its production and import were phased out as of 2020 due to its detrimental impact on the ozone layer. GHG reporting framework provided in ISO 14064-1:2018 does not necessitate the calculation and reporting of emissions for R-22. Hence, it was excluded from the NDB inventory, effective from 2023 and this has also been removed from the inventory for FY 2022 in the above table in order to enable a fair comparison.

Direct and Indirect Emissions



CLIMATE CONSCIOUS LENDING

NDB is committed to combating climate change, actively seeking to promote projects and activities that contribute to a greener, more sustainable economy in Sri Lanka.

The Bank is a key lender to the country's renewable energy sector emerging as an industry leader in directing funds towards reduction of national reliance on fossil fuels, funding approximately 25% of the country's total installed capacity of renewable energy since 2017. Renewable energy is a key contributor in driving reductions in the Carbon Footprint, through avoidance of harmful emissions of gases such as Carbon Dioxide (CO₂), Sulphur Dioxide (SO₂) and Nitrogen Oxide (NO_x).



	Investment by NDB (LKR Mn)	Capacity (MW)	GHG emissions and other harmful gases avoided (tCO ₂ e)
 Solar – ground mounted	2,313	41	34,793
 Solar – mounted	4,259	44	48,254
 Mini hydro	5,663	137	389,690
 Wind	8,635	115	266,527
 Bio mass	1,992	10	
Total	22,862	347	739,264

739,264 tCO₂e

GHG emissions and other harmful gases avoided through Renewable Energy Projects

The Bank's renewable energy portfolio includes investments in solar, mini-hydro, wind, and biomass energy with a capacity of **347 MW**, nearing **LKR 23 Bn.**

NDB's Environment and Social Risk Management (ESRM) blueprint



Board approved ESRM Policy and Manual outlining comprehensive processes to be followed



Oversight of the Board Integrated Risk Management Committee



Dedicated full-time Associate Manager overseeing ESRM procedures



Clearly established mandatory pre-requisites to be met at each approval level



Continuous training and development to all connected staff members



Partnerships and networking for learning on best practices

Capacity Building Programmes for Staff

Evaluation of Environment and Social Risks in the lending portfolio

Over 453 employees, across 1,042.5 training hours from related functions, including business lines participated in these programmes which covered a wide range of topics including sustainable financing, environmental and social safeguard policies and regulations, overview of ESMS and its purpose and global trends, etc. Training sessions were augmented with a visit to a chosen factory which has excelled in ESG practices.

Relevant employees also completed the e-Certification on Sustainable Banking Principles of Sri Lanka Bank's Association

BIODIVERSITY CONSERVATION

NDB is fully committed to protecting and nurturing the environment and continues to support a range of biodiversity conservation and natural ecosystem preservation projects. The flagship project launched in 2022 is themed "Life to our Mangroves". This collaborative project focuses on achieving nationally significant outcomes in the realm of mangrove and coastal ecosystem conservation and aims to contribute towards the national goals of biodiversity conservation and climate change adaptation.

Life to Our Mangroves project

A Public-Private-Community Partnership and a Multi-Partner Project receiving support from eight private sector member companies including NDB

Project implementer

Biodiversity Sri Lanka

Other collaborating parties

The Department of Wildlife Conservation and the University of Wayamba

Time span

Five years

Project scope

Restoration of 10 hectares of degraded mangrove forest within the Anawilundawa Ramsar Wetland Sanctuary through accelerated natural regeneration process

Impact and recognition



Action items in 2023

- ⦿ 60 nursery-reared true mangrove plants planted with the assistance of community members and the voluntary cooperation of NDB
- ⦿ In 2023, approximately 6,000 true mangrove species were established through community-driven mangrove planting efforts, employing both direct planting and seed dispersal methods. Of these, 1,400 were *Rhizophora mucronata*, 1,300 were *Bruguiera cylindrica*, and 3,000 were *Avicennia marina*
- ⦿ Canal excavation allowing natural conditioning, showcasing successful seed establishment and the flourishing of authentic mangrove species
- ⦿ On-going field surveys conducted bi-annually covering diverse studies, including flora and fauna surveys, water quality measurements, butterfly monitoring, plant measurements, mangrove phenology observations, and soil carbon estimations
- ⦿ Water quality surveys were conducted in mangrove restoration areas and vicinity
- ⦿ Seven undergraduate research projects exploring various disciplines at the Anawilundawa mangrove restoration site
- ⦿ NDB volunteers visiting the site and participation in plant measuring activities



In February 2024 Sri Lanka was recognised as one of the seven UN World Restoration Flagships for its ambitious initiative to restore/ expand mangrove cover by over 50%. This features one of the best examples of large-scale and long-term ecosystem restoration in any country or region, embodying the 10 Restoration Principles of the UN Decade on Ecosystem Restoration. 'Life to Our Mangroves' project is part of this initiative and NDB is proud to be a part of this impactful initiative.

Progress made in other projects during the year is mentioned below

Let's Grow Campaign

Project details

In 2020, the Bank partnered with the Department of Forest Conservation on a five year project to reforest a degraded forest area of 5 ha in the Hibiliyakada Forest in Matale.

3,000 trees planted

Expected outcomes

- Increase forest cover and enrich biodiversity

Adopt a Beach

Project details

The Bank became the 1st local bank to partner with 'Clean Ocean Force Lanka' (COF) to 'Adopt a Beach'. The Bank has adopted a stretch of beach at 'Kapumgoda', ensuring daily cleaning while encouraging employees to volunteer for the clean ups.

1,159 kgs of pollutants removed since the project inception in November 2023

Expected outcomes

- Marine life conservation and improving the ecosystem
- Contributing to the livelihood development of the women in the community
- Preserving our natural environment



MATERIAL AND WASTE MANAGEMENT

Customer Processes

11% increase in number of digital transactions

23% increase in NEOS registrations across all platforms

NDB's increased thrust towards implementing a digital workplace continues to contribute towards creating a green atmosphere within the organisation. Ongoing efforts to automate and digitise both customer-facing and internal processes have not only resulted in a considerable reduction in paper consumption within the organisation but also contributed to minimising downstream carbon emissions.

Internal Processes

Close to 30 processes automated through RPA

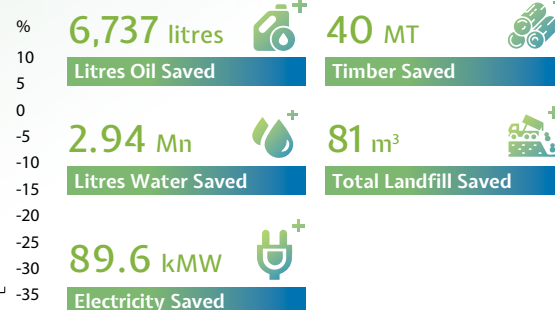
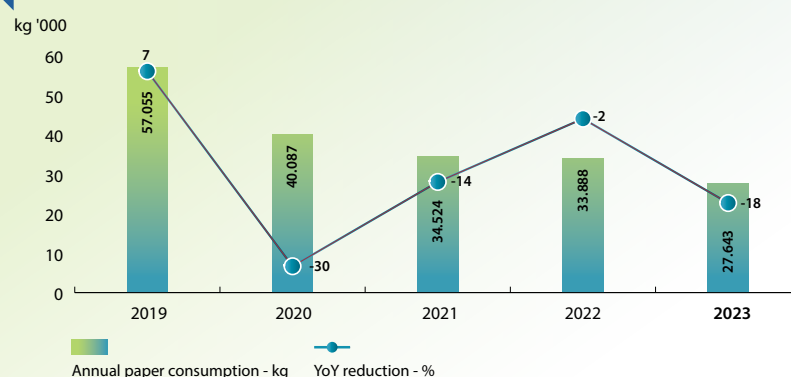
Over 60 processes automated through and workflow solutions

PAPER CONSUMPTION AND RECYCLING

We also continue to practice recycling extensively across our operation. Paper waste is collected and sent to an approved third-party recycler for recycling, while e-waste is segregated and responsibly disposed off through third party recyclers.

Quantifying our Impact

Annual Paper Consumption



Three-year impact analysis of paper recycling

		2023	2022	2021
Paper mass	kg	31,903	31,709	23,600
Timber Saved	MT	40	39.5	30
Electricity Saved	kWh	89.6	89	66.7
Oil Saved	Litres	6,737.3	6,700	5,014
Water Saved	Litres	2,944,000	2,938,000	2,191,125
Landfill Saved	m³	81	80	60.28
Carbon Footprint Saved	MTCO ₂	24	23.7	17.86

Note : Based on the recommendations given in the ISO 14064 standard, an updated EIA Tool (Environmental Impact Assessment Tool) was used to calculate the impact for 2023, and in order to maintain consistency in reporting, the calculations for 2022 and 2021 have been recalculated using this new tool.

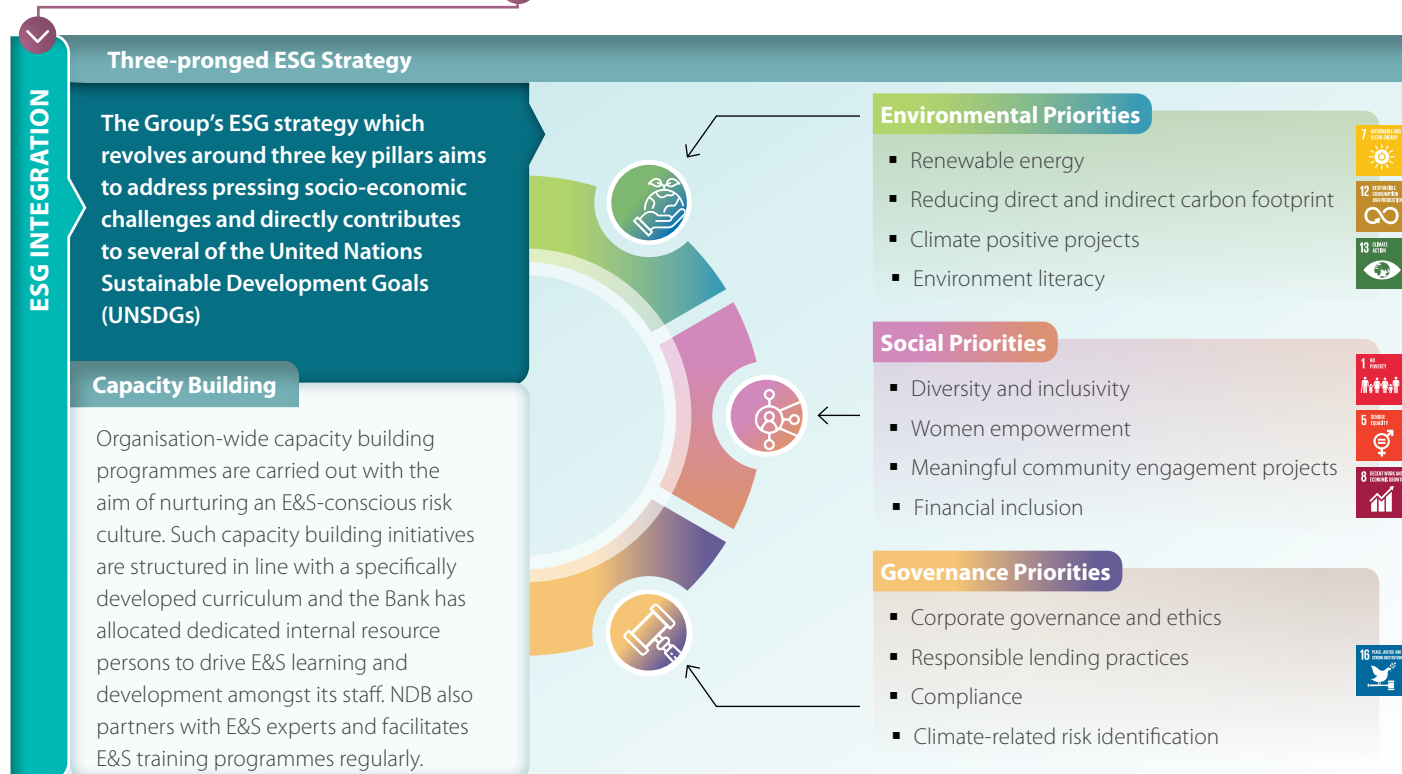
Our ESG Agenda

As is evident in the disclosures thus far on how we created value to our diverse stakeholders along seven distinct capitals, environment, social and governance aspects have been intricately embedded to them. Furthermore, as a systemically important bank in the country we are cognisant of the significant role we can play in promoting a more sustainable environment and economy for future generations. Sustainability has thus always been a part of NDB's DNA, and we have strived to integrate ESG considerations into all aspects of our operation through a holistic Sustainability Policy. ESG considerations however now go well beyond moral obligation and are increasingly seen as a business imperative. Regulation pertaining to ESG is tightening in response to growing global challenges and systemic risks to organisations whilst stakeholders are placing increasing emphasis on ESG issues. We therefore continue to align our sustainability strategy to respond to emerging issues whilst strengthening our systems, processes and capabilities to drive our sustainability agenda forward.

THE ESG FRAMEWORK

The Group's ESG framework supports the Roadmap for Sustainable Finance issued by the Central Bank of Sri Lanka by embedding policies, strategy, structures and systems that enhance resilience against environmental, social and governance (ESG) risks.

ESG GOVERNANCE	Lending Activities	Corporate Sustainability Activities
	A dedicated Environment and Social Risk Management Integrated Committee (ESRMIC) with representation from all business lines and related enabling functions such as Human Resources, IT and Legal ensure that all connected stakeholders within the Bank are aligned towards responsible lending. The ESRMIC receives guidance from the top management, as well as from the Board of Directors, as the Bank's ESRM function comes under the purview of the Board Integrated Risk Management subcommittee.	The Bank's Corporate Sustainability Committee comprising top management and cross-functional representation drives the Bank's sustainability agenda. The Committee works closely and collectively in selecting, implementing and monitoring relevant sustainability projects.
POLICY FRAMEWORK	Board approved ESRM Policy and ESRM Manual	Environment and Social (E&S) Risk Rating System
	Developed based on international best practices the Board approved Environment and Social Risk Management (ESRM) Policy and ESRM Manual ensures environmentally and socially responsible lending practices whilst strategically supporting businesses that are financially, socially, and environmentally sustainable.	The E&S Risk Rating system which categorises customers based on their E&S impact enables the Bank to mitigate environmental and social lending risks and proactively support customers minimise and/or eradicate the identified E&S gaps.



ESG Score Card

Environment



2023

2022

Reducing carbon emissions

The Bank computed and verified its GHG emissions inventory in partnership with the Sri Lanka Climate Fund towards formulating its action plan for achieving net zero

• Carbon footprint	tCO ₂ e	5,510	5,365
• Carbon intensity	tCO ₂ e/ LKR Mn	0.04	0.05

Climate positive projects

Let's Grow reforestation project at Himbilyakada Matale
(trees planted in 2020 nurtured to maturity till 2024)

No. of trees	3,000	3,000

Environmental literacy programs

The Bank conducts awareness sessions to address contemporary environmental issues.

• Sessions conducted (both physical and virtual)	No.	N/A	66
• Beneficiaries	No.	N/A	>7,000

Social Priorities



2023

2022

Diversity and Inclusivity

The Bank has obtained and continues to comply with the EDGE Certification for gender equality at the workplace.

• Female representation at senior management levels	%	24	31

Women empowerment

Through the Banking on Women initiative and Sri Lanka Vanithabhimana initiative the Bank drives women's socio-economic empowerment

• Participants from across the country	No.	>2,700	>3,500

Financial inclusion

The Bank drives socio-economic empowerment through lending to unbanked/underprivileged sections.

• First time mortgage customers	No.	130	200
• Lending to first time mortgages	LKR Mn	977	2,018
• Lending to small-business owners	LKR Mn	2,095	3,654

Community Engagement

• Investment in community empowering projects	LKR Mn	8.6	8.0

Governance Priorities



2023

2022

Responsible lending practices

The Bank has implemented a comprehensive ESMS system to embed social and environmental consciousness to lending decisions

• Percentage of loans screened	%	100	100
• Employees trained on ESMS	No.	453	650
• Employee training hours on ESMS	Hours	1,042.5	786

Way Forward

Prepared for the Road Ahead

Strategic evolutions during the last decade aimed at building digital readiness and a future-fit workforce together a sustainability mindset have placed us well to embark on our next stage of growth. Today, we proudly stand as an agile, innovative, and future-focused bank, backed by the financial strength to weather challenges and capitalise on emerging opportunities. As we embark on the next stage of growth, our strategic foundations position us to lead in an era of transformative change, delivering value to our stakeholders and contributing positively to the communities we serve.

Digital Readiness

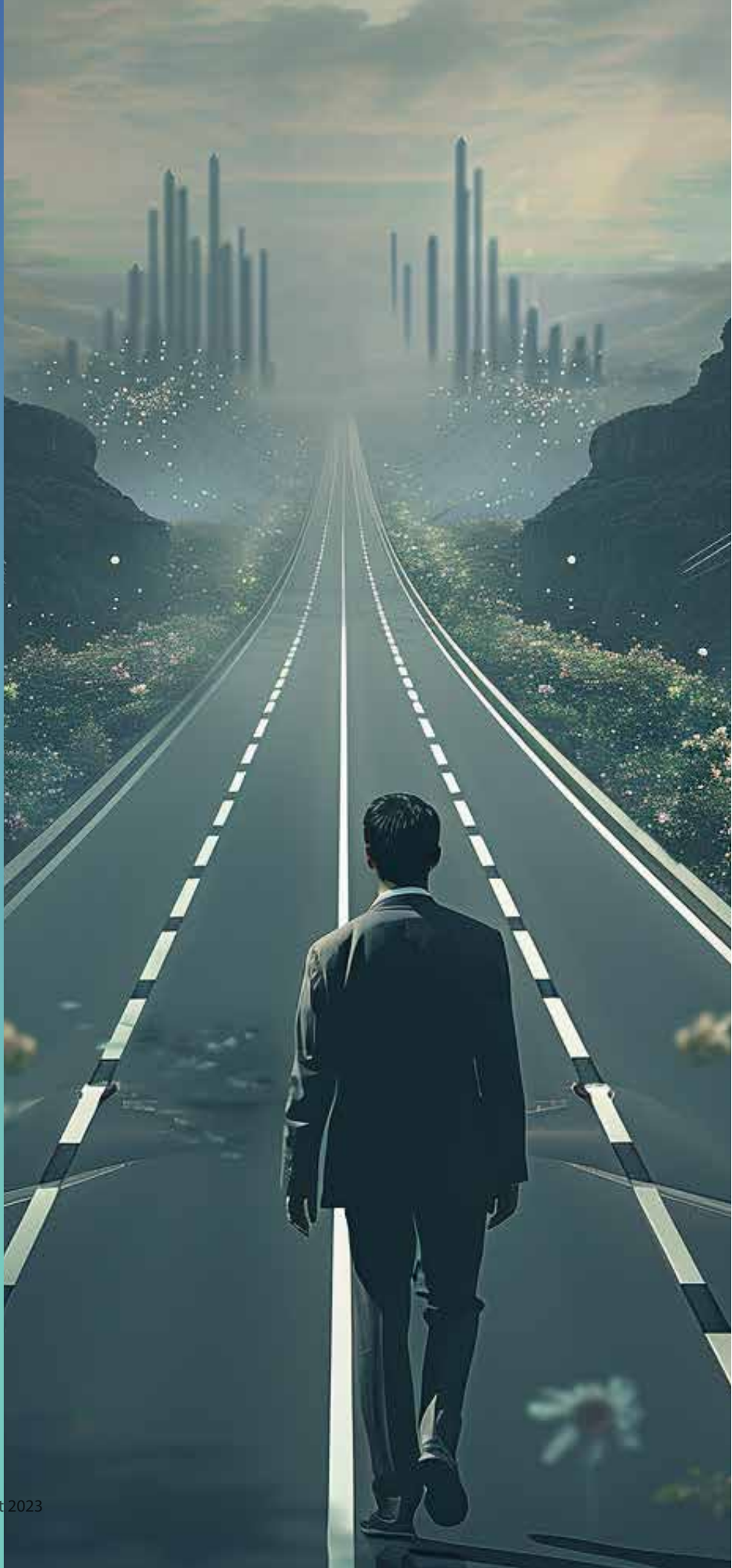
We have achieved significant progress in our digitisation drive, through ongoing investments in digital technologies to enhance customer experiences, streamline operations, and offer innovative services through digital channels. These farsighted investments in strengthening our digital infrastructure as well as AI and big data capabilities strongly position us to adapt to the rapidly evolving financial landscape, foster innovation, and deliver cutting-edge solutions that empower our customers and elevate their overall banking experience.

Future-fit Workforce

Our holistic employee value proposition and comprehensive training and development strategy has equipped our employees with the skills, knowledge and attitudes required to thrive in the workplace of the future. This has been supported by sustained efforts to build and strengthen a strong leadership pipeline well equipped to lead the Bank into the future.

Sustainability Mindset

As ESG considerations increasingly take center stage, our strong ESG framework that is closely aligned to the Roadmap For Sustainable Finance issued by the Central Bank Of Sri Lanka gives us a competitive edge in terms of regulatory compliance, enhanced reputation, access to funding opportunities, and positioning as a market leader committed to sustainable and responsible banking practices.



EY
Building a better
working world

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pycm

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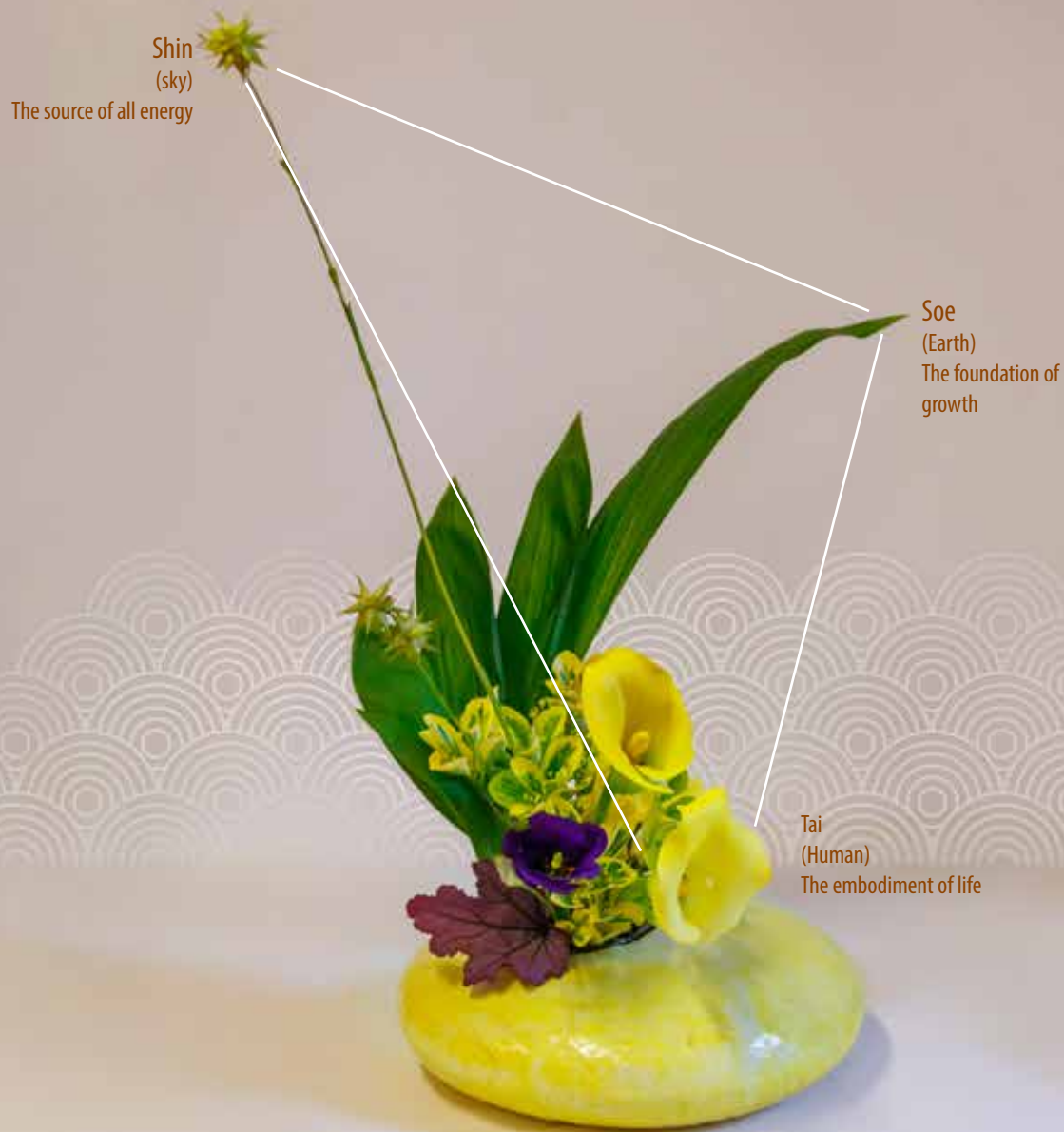
EY
Building a better
working world

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pycni

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of National Development Bank PLC for the year ended 31 December 2023, in order for it to be in accordance with the Criteria.

A member of the Eron & Young Family Limited

Risk Management and Corporate Governance



A Perfect Structure

Our longstanding structures are precise, flexible and balanced, thereby creating a three-pronged focus on harmony, vitality and stability.

Across the various schools of ikebana, a triangular layout principle is utilised. It serves as a strong foundation for precision, and a core framework upon which endless possibilities can be built.

Risk Management Overview

APPROACH TO RISK MANAGEMENT

The Group adopts an enterprise-wide approach to risk management and has implemented an Integrated Risk Management (IRM) Framework, clearly setting out the governance structures, policies, processes, and procedures for managing risks in a manner that balances profitability and financial stability. This framework has continued to serve the Group well amidst the unprecedented challenges of recent years, supporting strategic foresight and agility.

The Bank's Board of Directors holds apex responsibility for risk management and is supported by the Integrated Risk Management Committee (IRMC) and the Audit Committee (AC) in discharging its risk-related duties. Risk management is underpinned by the Three Lines of Defence Governance model, which drives accountability and ownership while facilitating an appropriate level of independence and segregation of duties.

RISK LANDSCAPE IN 2023

The risk landscape for the banking sector in 2023 remained highly volatile amidst uncertainty surrounding restructuring of sovereign debt, persisting volatility in macroeconomic variables and continued economic and policy uncertainty. Credit Risk remained elevated during the year due to the lingering effects of the economic crisis, while foreign currency Liquidity Risk continued to persist during the year, albeit lower than 2022. The sharp decline in interest rates also impacted the risk landscape during the year.



Kintsugi-style Ikebana is a unique fusion of two Japanese art forms: Kintsugi and Ikebana. Kintsugi is the art of repairing broken pottery with lacquer dusted or mixed with powdered gold, silver, or platinum, highlighting the imperfections rather than hiding them. Ikebana, on the other hand, is the Japanese art of flower arrangement, which emphasises minimalism, balance, and harmony.

PRINCIPLES OF OUR IRM FRAMEWORK

Risk Appetite and Strategy

Formulated in line with the nature, type and level of risk the Board is willing to take in achieving its strategic aspirations.

Capital Management

Driven by the Group's strategic agenda, regulatory requirements and stresses in the operating landscape.

Governance and Oversight

Clear and effective governance structures promoting judicious empowerment.

Risk Culture

Risk conscious culture that nurtures professional, responsible and ethical behaviour.

Risk Policies and Processes

Effective, robust and stringent framework of policies.

Infrastructure

Adequate resources and systems infrastructure.

KEY DEVELOPMENTS IN 2023

- ✓ Strengthened the risk appetite framework to reflect emerging stresses
- ✓ Proactive management and optimisation of foreign currency liquidity
- ✓ Enhanced stress testing to reflect economic developments
- ✓ Organisation-wide focus on preserving credit quality through deployment of increased resources to the Remedial Management Unit
- ✓ Frequent cash flow projections to mitigate Liquidity Risk



KEY RISKS IN 2023

Key risks	Developments and metrics	Response and mitigating action in 2023
Macro-economic Risk	- Continued macro-economic uncertainty with broad-based implications for the banking sector - Pace of recovery dependent on political will and commitment to implement much needed reforms and progress in External Debt Restructuring Programme - Potential implications on profitability stemming from impairment of investments in foreign currency denominated government securities	- Proactive monitoring of emerging developments in the socio-economic and political landscape - Managing foreign currency liquidity to optimise the returns in foreign currency assets - Ongoing assessment of impacted portfolios and stress testing
Credit Risk	- Continued pressure on credit quality due to economic contraction, escalation in cost of living and sharp increase in taxes - Impaired loans (Stage 3) ratio increased to 8.58% (2022: 6.24%)	- Proactive management of Stage 2 portfolio with a dedicated Task Force to analyse customer specific strategies on an ongoing basis to prevent deterioration into non-performing assets - Risk Elevated Sectors reviewed on a quarterly basis and monitored accordingly - Repurposed lending portfolio based on the Return on Risk Adjusted Capital (RORAC) model - Implemented pre-emptive rehabilitation solutions through the Remedial Management Unit (RMU) - Strengthened recovery efforts by providing additional resources and infrastructure to support the Recoveries team
Market Risk	- Inevitable pressure on foreign exchange position due to repayment of specific Government foreign currency debts in LKR terms - Pressure on maintaining a healthy net interest margin in a declining interest rate environment - Lack of alternative investment opportunities in foreign currency assets	- Proactive real-time monitoring of foreign currency position including internal limits, daily cash flows and regulatory developments - Strengthened stress tests and scenario analysis - Daily sensitivity analysis of foreign currency net open positions - Timely re-pricing strategies - Explored alternative investment opportunities based on careful risk and return analysis
Liquidity Risk	- Managing the Balance Sheet amidst of excess LKR liquidity due to growth of deposits being higher than the growth of loans - Decline in foreign currency liquid assets with the repayment of specific Government foreign currency debts in LKR terms	- Structural Balance Sheet management with close monitoring of maturity mismatches - Daily cash flow forecasting to optimise foreign currency liquidity - Daily monitoring of exposure to market liquidity, deposit mix, portfolio of marketable securities and movements in loans and advances
Operational Risk	Majority of losses during the year categorised as high frequency / low impact risks	- Close monitoring of potential areas at risk by revisiting the vulnerable processes and introducing new/ improved controls as appropriate - All department level business continuity plans were reviewed and approved including the Bank's Business Continuity Plan (BCP)
IT and Cyber Security Risk	Zero instances of significant data breaches and disruptions to the system	- Stringent cyber-security measures to avoid cyber -attacks/ security threats - Continuous vulnerability assessments and penetration testing - Security solutions for prevention of data leakage and privileged account monitoring - Frequent awareness programmes on social engineering and other ongoing scams for customers and employees
Climate related Risks	- Environmental risks continue to rank among the top global risks affecting humanity over the next decade due to rising impacts of climate change (World Economic Forum) - Increasing risks of climate change on several key sectors including agriculture, power and energy and tourism - Possible disruptions to operations stemming from natural disasters and erratic weather patterns	- Further improved the Bank's Environment and Social Risk Management (ESRM) Policy and ESRM Manual - Appointment of an Environment and Social Management System (ESMS) coordinator to the RMU - Ongoing learning and development programmes on ESMS/ ESRM to enhance the capacities of the staff members involved in lending and credit procedures of the Bank - Improved internal and external Environmental and Social Governance (ESG) related communication

Chairman's Message on Corporate Governance



Dear Shareholders,

NDB Group continues to keep pace with developments in corporate governance, ensuring they are fit for purpose and address the concerns of our stakeholders. As a regulated entity, sound governance and compliance are the solid foundations that we depend on to build a business that can thrive, without fear of lapses in compliance.

COMPOSITION IS KEY

The collective skills, experience and knowledge of the Board are key to effectiveness of the Board in providing leadership to the Group. Accordingly, we strengthened the Board with the appointment of 2 independent, non-executive directors and also appointed a new Chief Executive Officer with effect from 1 February 2024, following the resignation of Mr. Hiran Perera and Mr. Dimantha Seneviratne relinquishing office. Accordingly, we welcomed to the Board. Ms. Shweta Pandey whose career spans continents and industries with relevant experience in IT, payments and fin-tech that will be invaluable in taking the Bank to a new era. We also welcomed Mr. Hasitha Premaratne who is the Managing Director of the Brandix Group who brings valuable financial expertise and perspectives from the private sector of the country.

Mr. Kelum Edirisinghe brings 30 years of banking experience with expertise in risk management having served as Chief Risk Officer of HSBC in Sri Lanka and the Maldives. He took over as Chief Executive Officer on 1 February 2024. I take this opportunity to thank Mr. Dimantha Seneviratne, the former CEO, for his leadership of the Bank over the past seven years.

All members of the Board of Directors satisfy the fit and proper criteria stipulated in the Corporate Governance Direction of CBSL, Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance (2023).

BOARD PRIORITIES

Moving into 2023 with high rates of inflation, interest rates and exchange rates coupled with elevated credit risk, the Board remained vigilant to ensure that profitability and financial stability were balanced. Accordingly, performance oversight was at the top of the Board agenda and ensuring that material, useful information was available to facilitate decision making including resource allocation.

Asset quality was a concern and the Board monitored credit risk exposures and progress made on recovery initiatives throughout the year with a view to supporting the revival of businesses. Capital and liquidity management were also areas where Board exercised regular oversight, maintaining comfortable levels above regulatory requirements.

IT Governance was another priority as the Group's digital transformation strategy moved centre stage with the core-banking system upgrade. The Board continued to strengthen this aspect, allocating necessary resources for the purpose as reliability of information, safeguarding of digital assets and customer data privacy are critical to the smooth operations of the Bank.

Integrating ESG principles into our strategy and processes is a key area of focus as sustainable finance gains increasing focus from stakeholders including regulators. NDB Bank has commenced its journey with Environmental and Social Management Systems institutionalised as part of the credit evaluation process while it also monitors a number of non-financial indicators to manage the Bank's carbon footprint. NDB has been at the forefront of sustainability reporting, gaining recognition for its reports and initiatives. The Board will continue to monitor developments in this area to support the Group's transition as a responsible corporate citizen.

GOVERNANCE MATTERS

The Board reviewed the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange and have in place a road map to ensure compliance by the specified dates. It was encouraging to note that there were only a few areas that needed to be addressed, bearing testament to the robust corporate governance framework already existing in the Bank, in line with the industry standards. The Board is also cognizant of the revised Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in December 2023 and is pleased to note the Bank's proactive approach in ensuring compliance with the same. The Bank continues to have a zero-tolerance policy for non-compliances, bribery and corruption.

COMPLIANCE

This Report details the "Factual Finding Report" submitted by the External Auditors in relation to the compliance with the Banking Act Direction No 11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka (Corporate Governance Direction). Further as stipulated by the revised Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2023, I affirm that I am not aware of any material violations of any provisions of the internal Code of Corporate Governance for Directors and Key Management Personnel and the Bank's Code of Conduct for Employees and of any activities of the Bank which contravenes laws and regulations. I also hereby confirm that the Bank's current state of affairs is not harmful to the business of the Bank in any form.

Mr. Sriyan Cooray

Chair, Board of Directors

20 February 2024
Colombo

Statement of Compliance

Corporate Governance reporting: The subsequent discussion provides a high-level overview of how the Board created value to the Organisation during the year, including its key area of focus, operations and deliverables during the year. Detailed information regarding the Bank's extent of compliance with the requirements of the Corporate Governance Direction of CBSL, the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance (2023) are available from page 298 to 336 of this Report.

BOARD OF DIRECTORS 2023

As the highest governance body, the Board provides leadership, strategic guidance and sets the tone at the top for the Bank and the Group. Their collective strength lies in the diversity of skills, experience, perspectives and objectivity enabling them to exercise their independent judgment on matters set before the Board as set out below.



Mr. Sriyan Cooray

Chair, Board of Directors/
Independent/Non-Executive Director

Appointed in August 2018

Value added to Board: Expertise in Banking, Finance, Risk Management and Management



Mr. Bernard Sinniah

Non-Independent/Non-Executive Director

Appointed in March 2019

Value added to Board: Banking, Sales/Retail, Management, Treasury, Entrepreneurship and IT



Mr. Sujeewa Mudalige

Independent/Non-Executive Director

Appointed in January 2020

Value added to Board: Accounting, Auditing, Financial Analysis and Management



Mr. Kushan D'Alwis, PC

Independent/Non-Executive Director

Appointed in July 2020

Value added to Board: Law (Litigation/Banking, Corporate, Commercial and Administrative Law)



Ms. (Fay) Piyachatr Chetnakarnkul

Non-Independent/Non-Executive Director

Appointed in May 2021

Value added to Board: Economics, IT and Business Investments



Ms. Chandima Dilrukshi

Non-Independent/Non-Executive Director

Appointed in June 2021

Value added to Board: Accounting and Financial Management



Ms. Kasturi Chellaraja

Independent/Non-Executive Director

Appointed in October 2022

Value added to Board: Retail/Consumer Sector Experience, Accounting, Financial Analysis and Management



Ms. Shweta Pandey

Independent/Non-Executive Director

Appointed in April 2023

Value added to Board: IT, Economics, Payment Systems, Fintech & Entrepreneurship



Mr. Hasitha Premaratne

Independent/Non-Executive Director

Appointed in June 2023

Value added to Board: Accounting & Finance Management, Textile/Apparel Sector Expertise



Mr. Kelum Edirisinghe

CEO - Non-Independent/Executive Director

Appointed in February 2024

Value added to Board: Risk Management, Commercial Banking, Fund Management, Debt Re-structuring, Financial Analysis, Branch Banking



Mr. Dimantha Seneviratne

Former CEO - Non-Independent/Executive Director

Appointed in January 2017

Ceased to be a Director in January 2024

Value added to Board: Strategic Leadership in Banking, Finance and Management



Mr. Hiran Perera

Non-Independent/Non-Executive Director

Appointed in April 2020

Resigned in February 2023

Value added to Board: Banking, Credit Review, Risk Management, Treasury and Corporate Finance

- Nominations and Governance Committee
- Strategic Issues Committee
- Human Resources and Remuneration Committee
- Discretionary and Capital Expenditure Committee

- Audit Committee
- Credit Committee
- Related Party Transactions Review Committee

- Integrated Risk Management Committee
- Digital Transformation Committee

Highlights 2023/2024

Appointment of Directors

Ms. Shweta Pandey appointed as Non-Executive Independent Director in April 2023

Mr. Hasitha Premaratne appointed as Non-Executive Independent Director in June 2023

Appointment of CEO

Appointment of Mr. Kelum Edirisinghe as Chief Executive Officer with effect from 1 February 2024, following

Mr. Dimantha Seneviratne relinquishing office with effect from 31 January 2024

Capital Augmentation

Raised LKR 5.0 Bn through the issue of Basel III compliant rated unsecured subordinated redeemable debentures with a non-viability conversion at a par value of LKR 100 each in December 2023

Listing of 19,369,640 ordinary voting shares issued as a scrip dividend in May 2023

Reporting to Shareholders

Quarterly financial reporting to shareholders through the CSE on 21 February, 12 May, 14 August and 14 November 2023

Eighteenth Annual General Meeting was held on 30 March 2023

Nineteenth Annual General Meeting is scheduled for 28 March 2024

Board Effectiveness

Board appraisals were conducted in January 2023 and results were discussed by the Chairman at the March meeting

All subcommittees conducted appraisals of their effectiveness and results were discussed by the respective Chairpersons during 2023

Board Committees

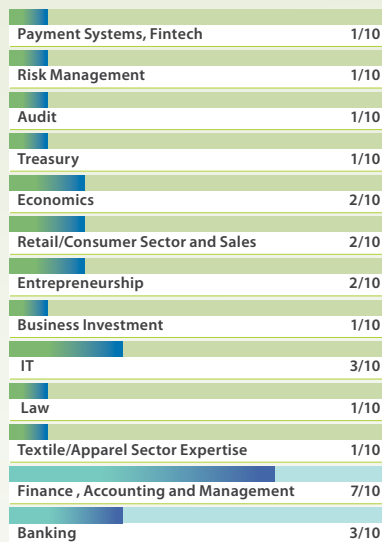
The Nominations Committee was renamed as the Nominations and Governance Committee

Most Committees were reconstituted during the year

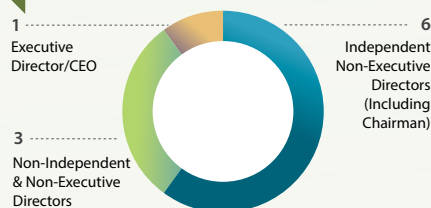
New Committee was formed as Discretionary and Capital Expenditure Committee

Strength in Diversity

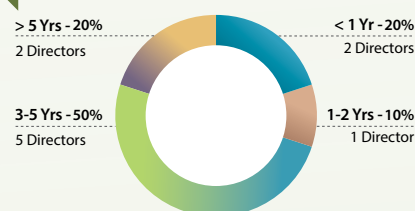
Board Composition



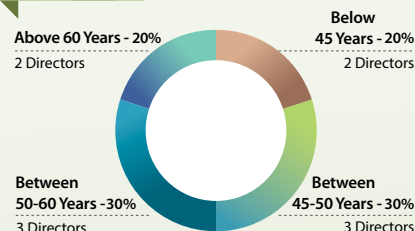
Board Balance



Tenure on the Board



Age Diversity



Board Composition



Governance Mechanisms

Internal Code of Corporate Governance applicable to Board and Key Management Personnel

Systematic process to obtain and assess Director information to ensure independence and avoid conflicts of interest

Recommended a Code of Conduct & Ethics for Group Company Directors, in line with the corporate governance standards of the Bank

Complemented the Whistle blowing policy by establishing an external independent mechanism, known as the "NDB Ombudsperson"

9/10 Directors are Non-Executive Directors

Equal voting rights for all shareholders

Unique organisational culture centering on sincerity, integrity and transparency

Self-assessments of Board, subcommittees

Proactive year-round stakeholder engagement programmes

Commitment to integrate ESG considerations

Strategic Pillars

Customer Solutions



Business Focus



Digital & Data as Transformers



Organisational Realignment



Empowered Staff



GOVERNANCE PHILOSOPHY

The Group's corporate governance is shaped by the legal enactments, regulatory requirements and voluntary frameworks and standards set out below. They form the basis of internal governance mechanisms and policy framework which go beyond mere legal and regulatory requirements to articulate sound corporate values which uphold stakeholder rights while also safeguarding the reputation, assets and other business interests of the Group, carefully balancing interests.

Governance Framework

Key changes during the year to the framework included the following:

- **Issue of Section 9 of the CSE Listing Rules on Corporate Governance** - Road map prepared for compliance in full by 3Q 2024. See pages 330 - 336 for the Statement of Compliance with Section 9 of the Listing Rules.
- **Issue of a new Code of Best Practice on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka in December 2023** – The Bank is proactively ensuring full compliance with the Code along with the revised Listing Rules. See pages 314 - 329 for the Statement of Compliance with the Code of Best Practices on Corporate Governance (2023).
- **Appointing a Discretionary Expenses Committee** of the Board in compliance with CBSL regulations.
- **Issue of Regulation on Financial Consumer Protection**
See page 119 for detailed status of compliance.
- **Issue of IFRS Sustainability Standards S1 and S2**
This standard is yet to be issued locally and will be considered for adoption in 2024.

Steering Instruments of the Governance Framework

Regulations	Voluntary Standards	Internal Frameworks/Standards	Internal Mechanisms
• Companies Act No.7 of 2007 • Banking Act No.30 of 1988 (as amended) and all Directions, Guidelines issued thereunder • Laws and Regulations related to Anti-Money Laundering and Countering the Financing of Terrorism • Corporate Governance Direction No.11 of 2007 (as amended) issued by the Central Bank of Sri Lanka • Listing Rules of the Colombo Stock Exchange (CSE) • Securities and Exchange Commission of Sri Lanka Act. No 19 of 2021 • Banking (Special Provisions) Act, No. 17 of 2023 • Financial Consumer Protection Regulations- Regulations No. 01 of 2023	• Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023) • Gender Parity Reporting Framework (2019) of CA Sri Lanka • Integrated Reporting Framework published by the IIRC • Global Reporting Standards of the Global Reporting Initiative • Standards issued by the Sustainability Accounting Standards Board	• Articles of Association • Internal Code of Corporate Governance for Board and Key Management Personnel • Charters/Terms of Reference of subcommittees and Management Committees • Code of Conduct for Employees • Comprehensive suite of internal policies (Refer page 117)	• Stakeholder engagement • Strategic planning • Budgeting and Finance • Investor Relations • People Management • Risk Management • IT Governance

Governance Principles

Structure and delegation

114

Effective and ethical leadership

112, 115 - 117

Robust control environment

117 - 118

Good corporate citizenship

119

Founded on our Corporate Values

Integrity

Creativity

Excellence

Sincerity

Accountability

Dependability

Key aspects of our Governance Framework

Board Governance

- Board structure
- Rotation
- Committee charters
- Policies
- Board evaluation
- Culture & ethics

Financial Governance

- Budgeting and financial control
- Capital allocation
- Performance management
- Taxation

Risk Governance

- Risk management
- Internal controls
- Internal audit
- Compliance

Sustainability Governance

- Sustainability Policy
- Environmental and Social Management System

Contribution to creating and preserving value in 2023

Guidance and oversight on strategic direction

110

Oversight on compliance and risk management

124

Shaping the organisational culture through the right tone at the top

125

Stakeholder engagement and ESG integration

125

STRUCTURES AND DELEGATION

Governance structures facilitate balance of power and authority, accountability, transparency, and performance oversight. The Board of Directors has set in place a fit for purpose governance structure founded on these principles which facilitate value creation for stakeholders.



Management Committees										
Asset and Liability Management Committee	Human Resource Committee	Credit Committee	Outsourcing Committee	Procurement Committee	Operational Risk Management Committee	IT Steering Committee	Credit & Market Risk Policy Committee	Management Committee	Environmental & Social Risk Management Integrated Committee	Information Security Committee
Defining strategies for balance sheet planning in optimising risk-return dynamics.	Determine Human Resources (HR) strategies and policies and recommend solutions to improve effectiveness of the HR function at the Bank.	Corporate & Branch Credit Committees Review and approve facilities within delegated limits and monitor portfolios.	Assess, approve, monitor and review all the outsourcing arrangements.	Facilitate procurement of goods and services ensuring fairness, transparency and consistency when assessing suppliers.	Assess effectiveness of operational risk policies and review the Bank's operational risk profile.	Provide guidance and direction on IT strategy to ensure business objectives are achieved.	Regularly assess the Credit/Market/Liquidity risk policies of the Bank.	Discuss daily operations and implement value added solutions. Identify new market opportunities and areas to improve operational efficiencies, cost savings and customer service while owning and driving the implementation of these projects.	To implement environmental and social governance risk aspects in relation to responsible lending as per the environmental and social risk management framework and the environmental and social management system.	The apex management level body responsible for information security and technology resilience of the bank. The Committee shall be responsible for both strategic and operational aspects of information security and technology risk management

Elected/Appointed by	Reporting/Engage
	

RESPONSIBILITIES OF THE BOARD

The Board of Directors serves as the custodian of the Bank's corporate governance framework and practices. The Internal Code of Corporate Governance clearly sets on the responsibilities of the Directors, which has supported high-performance strategic leadership and ensured that greater value is derived from the Board and subcommittee activities.

Powers retained by the Board



- Determining the strategic objectives and policies of the NDB Group to deliver long-term value and providing overall strategic direction within a framework of reward incentives and controls.
- Making decisions on matters that have significant strategic, financial, or reputational implications to the NDB Group as a whole.
- Providing effective leadership within a framework of prudent and effective controls for the operations of the Bank which demonstrates and nurtures the collective vision of NDB's purpose, values, culture, and behaviour.
- Ensuring that management strikes an appropriate balance between promoting long term growth and delivering short term objectives.
- Ensuring that accurate, timely, clear and pertinent information is obtained, and clarification is sought where necessary.
- Presenting a balanced and understandable assessment of the Bank's position and satisfying itself on the integrity of the Bank's financial statements.
- Engaging with and considering the opinions of shareholders and other stakeholders.
- Assessing the Board's effectiveness through a comprehensive self-assessment as detailed on page 116

Measures taken to improve structures and delegation in 2023

- The Bank reviewed and approved the Delegation of Authority
- Board and Board subcommittees conducted self-assessments at both Board and subcommittee to level to ensure the required focus, oversight and guidance is provided to the management.
- The Board was expanded during the year by one taking the total number of directors to 10
- Subcommittee reports were prepared in line with the requirements of the new CSE rules.
- The Nominations Committee was renamed as the Nominations and Governance Committee and its scope was expanded
- The Terms of Reference for Audit Committee, Related Party Transactions Review Committee, Human Resources and Remuneration Committee and Nominations and Governance Committee were amended to ensure conformity with Section 9 of the CSE Listing Rules

BALANCE OF POWER

Composition of the Board and clear segregation of responsibilities facilitate an appropriate balance of power, which is essential for good performance and effective control. We have therefore established clear delineations between the role of Directors and the executive management.

Chairman (Independent, Non-Executive Director)

Provides leadership to the Board and ensures its' integrity and effective functioning with good corporate governance.

CEO (Executive Director)

Leads the Bank towards the achievement of its strategic objectives and ensures the Board receives timely, accurate and clear information on the Group's performance and position.

Independent Director

Provides independent judgement through objectively and constructively challenging the Board and Management.

BOARD SUBCOMMITTEES

Nine (9) subcommittees have been established by the Board to dedicate additional time and resources to specific areas of focus. This includes five (05) mandatory subcommittees and four (04) additional committees, aligned to the Group's strategic aspirations and regulatory requirements. Subcommittees Terms of Reference (TOR) define the responsibilities and scope of each Committee. Please refer to the Reports of the subcommittees from page 139 to page 155 of this Report for further information.

Board Subcommittee	Link to Strategy	Link to Capital
Mandatory Committee		
Audit Committee	 	  
Nominations and Governance Committee	 	
Human Resources and Remuneration Committee		 
Related Party Transactions Review Committee		 
Integrated Risk Management Committee	    	    
Discretionary Committee		
Strategic Issues Committee	    	   
Credit Committee	 	 
Digital Transformation Committee		 
Discretionary and Capital Expenditures Committee		

Please refer page 7 for Navigation Icons

COMPANY SECRETARY

The Bank has appointed the Company Secretary as prescribed by applicable laws and regulations and in accordance with the Bank's Article of Association. The Company Secretary exclusively serves in the capacity of Company Secretary and does not hold simultaneous employment in another capacity within the Bank. The Company Secretary ensures that proper Board procedures are followed in line with applicable laws, rules and regulations. All directors have access to the advice and services of the Company Secretary, and she assists the Chairman and CEO in setting the agenda for the Board meetings and is responsible for maintaining sufficiently detailed Board minutes in consultation with the Chairman. Board minutes are circulated to the Board well before the next monthly meeting providing adequate time for consideration.

AN EFFECTIVE BOARD

Appointments, Re-election & Retirements

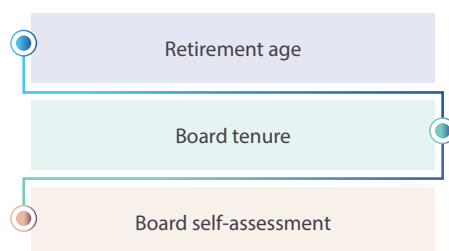
The Nominations and Governance Committee considers potential nominees and recommends them to the Board who will review and recommend to shareholders or appoint if it is to fill a casual vacancy. All appointments of new directors are approved by the Central Bank of Sri Lanka and the Securities and Exchange Commission (on account of the licences held by the Bank) who apply the fit and proper criteria to such appointments. The Nominations and Governance Committee also applies the fit and proper criteria in terms of the Corporate Governance Direction of CBSL, the CSE Listing Rules and the Code of Best Practices on Corporate Governance (2023) on account of the licences held by the Bank, prior to recommending candidates to the Board. An announcement is made to the Colombo Stock Exchange on receipt of approval together with the profile of the director including whether the director is executive or non-executive and independent or non-independent.

The Board focuses on balancing the need to maintain continuity and bringing in fresh perspectives through an enhanced succession framework. As per the Articles of Association, 1/3rd of the Directors (except the CEO, any Director appointed to fill a casual vacancy and any Nominee Director of the Ministry of Finance) should retire at each AGM and be subject to re-election.

The Board has also complied with the rules on Related Party Transactions issued by the CSE.

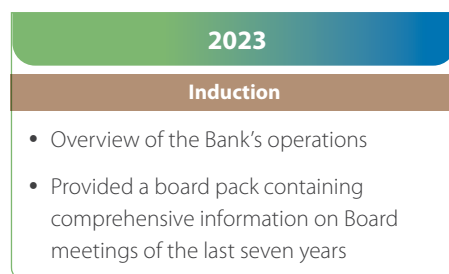
The Board continues to focus on the collective skills and experience required to achieve its strategic goals while ensuring its fiduciary duties are discharged effectively.

Rotation guidelines as per the Articles



Director Induction and Training

Directors have continued access to training and knowledge, which enables them to effectively discharge their duties. A process is in place to carry out inductions and orientation for all new directors upon joining the Board. Directors receive opportunities for upgrading knowledge and their professional skills throughout their tenure and timely information is provided to assist them keeping abreast of economic, regulatory and industry trends. As necessary, the cost for such sessions are borne by the Bank. Additionally, circulars, directions, and guidelines issued by the regulators are circulated to the Directors on a quarterly basis for their information. Management also makes representations to the Group on relevant matters from time to time.



Board Minutes

- Summary of information used for Board deliberations
- Matters considered by the Board
- Fact finding discussions and issues of content or dissent
- Testimonies and confirmations from the Senior Management
- Board knowledge and understanding of risk to which the Bank is exposed
- Decisions and Board resolutions

Board access to information

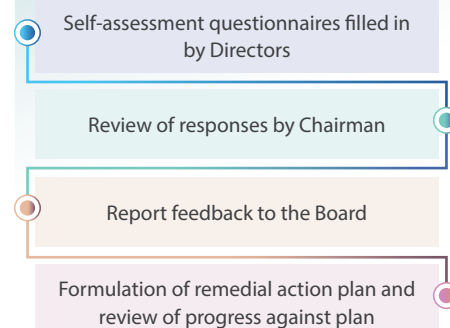
Directors also have unrestricted access to the management team, Group information as well as other resources required to effectively execute their responsibilities. Access to external professional advice is available to Directors at the Bank's expense and directors have on several occasions, availed of same in 2023.

Board Appraisals

The Board and subcommittees engage in an annual self-assessment to identify the potential areas of improvement to board practices and performance. The evaluation findings focus on the Board as a whole and the performance of individual Directors.

In 2023, noting the rapidly evolving economic, regulatory landscape, the Board noted the need to enhance opportunities to increase awareness and education for the directors. The need to focus more on talent management and succession planning at the Bank was noted as another area requiring focus.

How we assessed Board effectiveness in 2023



Independence

All Directors are required to submit annual declarations of independence or non-independence in accordance with the stipulations of the Corporate Governance Direction of CBSL, the Listing Rules of the CSE and the Code of Best Practice on Corporate Governance (2023).



Conflicts of interest

The Bank's Internal Code of Corporate Governance, the Articles of Association, the Corporate Governance Direction of CBSL, and the Listing Rules of the Colombo Stock Exchange require each Director to determine and disclose whether he/ she has a potential or actual conflict of interest. Multiple channels are in place to disclose potential conflicts of interest or any material interests in contracts involving the Bank, including during onboarding, post on-boarding, annual update of the disclosures, during the quarterly update of the Bank's related party disclosures and/or as and when such conflicts arise. The Company Secretary maintains a record of such details which are disseminated through an established process to the business lines to ensure management of conflicts of interest and arm's length dealings. When such matters are discussed at Board level the relevant director refrains from participating in the discussion and abstains from voting.

Key mechanisms in place to mitigate the risk of such conflicts of interest arising include,

- Directors are required to maintain strict arm's length basis when initiating new business
- Due consideration is given in assessing Director's interests, position, association, or relatives in decision-making

Accordingly, it has been confirmed that none of the Directors or their close family members have material business relationships (as defined in the CSE Listing Rules) with other Directors of the Bank.

CONTROL ENVIRONMENT

The Board ensures that risk management, compliance and controls are embedded across all key processes, which facilitates an appropriate balance between realising opportunities for gain and mitigating the potential negative impacts of risks. The Group's control environment comprises an enterprise-wide suite of internal controls and risk management frameworks, processes and activities that provide a solid foundation for navigating internal and external dynamics.

The Group's policy framework (set out below) provide reasonable assurance on the effective delivery of the Group's strategic aspirations. Policies are reviewed and revised annually to ensure applicability to evolving operating conditions.

In line with the recent revisions to the CSE Listing Rules, the Bank is in the process of further strengthening its policy framework and improving transparency in relation to several key policies. This exercise is expected to be completed in the Third Quarter of 2024.

Policy Framework

Human Resources (HC)

HR manual including,

- Diversity and Inclusion Policy
- Harassment Policy and the Harassment Redressal Policy
- Health and Safety Policy
- Staff Account Operations and Monitoring Policy
- Consequence Management Framework
- Grievance Policy

Technology & Digital (DC)

- Information Security Policy
- Information Security Compliance Policy
- Data Classification Policy
- Acceptable Usage Policy
- Electronic Data Retention and Destruction Policy

Ethics and Integrity

- Corporate Governance Code
- Code of Conduct for Employees
- Group Securities Trading Policy
- Group Anti-Bribery and Corruption Policy
- Whistleblowing Policy
- Ombudsperson Policy
- Disclosure Policy
- HR Manual
- Fraud Risk Management Policy
- Procurement Policy
- Corporate Social Responsibility Policy
- Related Party Transactions Policy
- Codes of Ethics & Standard of Conduct for Treasury Front office, Treasury Operations and Treasury Middle Office
- Anti-Money Laundering, Suppression of Terrorism Financing and Sanctions Policy and Procedures

Risk Management

- Credit Risk Related Governance Policy
- Impairment Policy
- Market Risk Management Policy
- Operational Risk Management Policy
- Fraud Risk Management Policy
- Foreign Exchange Risk Management Policy
- Liquidity Risk Management Policy
- Stress Testing Policy and Framework
- Internal Capital Adequacy Assessment Process Document
- Risk Model Validation Policy
- Expenses Management Policy
- MIS Policy

Investment Policy

- Investment Policy
- Bank's Exposure to Stock Market Activities

Communication

- Communication Policy
- Disclosure Policy
- Complaints Handling Policy.

Policies revised in 2023

The following policies were reviewed and revised in 2023

1. Related Party Transactions Policy	11. Code of Conduct and Ethics for Group Company Directors	21. Compliance Risk Management Policy and Framework
2. Corporate Governance Code	12. Remuneration Policy for Directors & KMPs	22. Communication Policy
3. Policy on Bank's Indirect Exposure to Stock Market Activities	13. Revised Procedure for Selection and Appointment of Directors	23. Internal Audit Procedure Manual
4. Agent Selection Policy and Risk Management Framework	14. Code of Conduct and Ethic for Group Company Directors	24. Market Risk Management/Middle Office Policy
5. Operational Risk Policy	15. Stress Testing Policy & Framework for 2023	25. Liquidity Risk Management Policy
6. Bank Counterparty Limit Assessment, Repurchase/Reverse Repurchase Limits And Haircut Rules	16. Treasury Policy	26. Investment Policy
7. Remedial Management Policy and Procedure Guideline	17. Credit Policy Manual	27. Asset Liability Management Policy
8. Compliance Charter	18. Policy on Payment Related Mobile Applications	28. Liquidity Contingency funding Plan
9. Procedure for Selection & Appointment of Directors	19. Group Anti-Bribery & Corruption Policy	29. Market Risk Treasury Middle Office – TOR
10. Amendments to Group Audit Procedure Manual	20. NDB Group Securities Trading Policy	30. Liquidity Contingency Funding Plan – TOR
		31. Impairment Policy
		32. ESRM Policy & Manual
		33. Information Security Policies

COMBINED ASSURANCE

The Group adopts a combined assurance framework, integrating the assurance obtained from both internal mechanisms and external providers. This approach has enhanced the integrity of internal controls and information used for reporting to both internal and external stakeholders.

Executive Management

Management functions

Risk and Compliance

Independent Risk Management and Compliance functions, Integrated Risk Management Committee

Independent Internal Assurance

Internal Audit, Audit Committee

Independent External Assurance

External Auditors

Internal Audit

- Independent and objective assurance function
- Serves as the third line of defence in the Bank's risk management structure
- The Head of Internal Audit reports directly to the Audit Committee

Audit Committee

- Responsible for ensuring the integrity of the Company's financial statements as well as internal controls and compliance
- Skill profile represents extensive experience in finance, accounting and auditing
- The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Audit Committees issued by ICASL and guidelines stipulated by the CSE. (Please refer pages 147 to 148 for the Report Audit Committee.)

External Audit

- Measures in place to ensure the independence and objectivity of the External Auditors as discussed furthermore in the Audit Committee Report on pages 147 to 148.
- The Group's External Auditors are Messrs. Ernst and Young and the principal/consolidator auditor has not engaged in any services which are in the restricted category as stipulated by the CSE for External Auditors.

COMMUNICATION OF CRITICAL CONCERNS TO THE BOARD

The Board has set in place a number of mechanisms to facilitate communication of critical concerns to the Board as follows;

- **Meetings of the Board and subcommittees** – These provide a regular platform for communicating critical concerns to the Board. In particular, independent lines of reporting established for the Chief Risk Officer to IRMC, the Compliance Officer to IRMC and the Head of Internal Audit to the Audit Committee strengthen this mechanism. Additionally, critical concerns may be circulated via a Board paper to the Board or subcommittee if it is deemed sufficiently important and time sensitive.
- **Whistleblower Policy** – This is an effective mechanism available for any employee to raise important matters/concerns to identified Board and management personnel of the Bank. All whistle blowing complaints received during the year have been evaluated and as appropriate, investigated and action taken via a process managed by the AC.
- **Ombudsperson Policy** – This is an independent mechanism available for any employee or third party to confidentially highlight important concerns/matters to an independent individual appointed to this position. There is a process in place for the Ombudsperson to evaluate and recommend further steps/investigations/inquiries as may be needed in a process established with the Board.
- **Company Secretary** – Shareholders may contact the Company Secretary to bring critical concerns to the attention of the Board which are then informed to the Chairman for suitable action.

CORPORATE CITIZENSHIP

ORGANISATIONAL ETHICS

The Board of Directors hold apex responsibility in driving ethical leadership and nurturing an organisational culture founded on commonly accepted set of values of Integrity, Excellence, Creativity, Accountability and Sincerity. The Group's ethical foundation is built on key policies including the Internal Code of Corporate Governance, Code of Conduct for Employees, Group Anti-Bribery and Corruption Policy and Whistleblowing Policy among others.

APPROACH TO ANTI-BRIBERY AND CORRUPTION

NDB Group has zero tolerance for bribery and corruption and is firmly committed to acting with integrity, professionalism and fairness in all its business dealings and relationships.

The Bank has developed Board approved Anti-Bribery and Corruption (ABC) policy in accordance with these commitments as well as in adherence to the applicable laws and regulations with a view to promote a culture of compliance. The policy forbids Directors, Employees, and third parties operating on its behalf from making any form of facilitation payments and on behalf of NDB Group, no political contributions may be given to political action committees, political parties, elected officials, or candidates for public office. The Bank's appetite towards Political Donations is zero. In line with regulatory requirements, the Bank has also rolled out an anti-money laundering, Suppression of Terrorism Financing policy and process across the Group.

In 2023, a set of training sessions on ABC were conducted to a specific group of Bank employees in collaboration with Transparency International Sri Lanka (TISL).

SUSTAINABILITY GOVERNANCE

The Board has integrated sustainability and ESG considerations into the Group's strategy and decision-making, institutionalising sustainability reporting processes to monitor and manage impacts. The Group's Environmental and Social Sustainability Framework sets on triple bottom line aspirations and is driven by the Corporate Sustainability committee-which includes Leadership Team and multi-functional representation (refer to page 102 for further information).

Meanwhile clearly defined and communicated grievance mechanisms are in place to identify negative impacts of the Bank/Group on employees, business partners and communities. The Bank has also established an external informational mechanism, known as the NDB Ombudsman to further strengthen the whistleblowing mechanism.

FINANCIAL CONSUMER PROTECTION REGULATIONS (FCPR)

The FCPR regulations encompass a wide range of requirements and good practices designed to ensure that individuals and businesses dealing with financial products and services of regulated financial institutions are treated in a fair and transparent manner with improved service levels enabling them to take well informed decisions on their financed activities with confidence. Latest developments in the fields of digital financial services and customer data protection; as well as requirements of financial consumers with special needs have also been incorporated into these Regulations.

In line with the above regulatory requirements, the Bank formed the Financial Consumer Protection Unit and Key Management Personnel and Operational Management Personnel were appointed in 2023 to oversee the FCPR's implementation alongside the pertinent units. The Bank will continued to maintain financial system integrity in line with the Regulation.

Ethics in Action

Personal Conduct

- Directors and KMP are guided by the Internal **Code of Corporate Governance**
- All other employees are bound by the **Code of Conduct for Employees** which provides a roadmap aligning the values to behavioural, ethical, and practical compliance aspects of our business
- **The Whistleblower and Ombudsperson Policies** encourages employees and third parties to come forward and voice their concerns anonymously, thereby nurturing a culture of transparency.
- **The Gifts and Entertainment Policy** which is part of the Code of Conduct for Employees clearly articulates the Banks stance on accepting and giving gifts. Further it provides threshold for seasonal gifts and the disclosure requirements applicable.

Market Conduct

- **The Group Anti-Bribery and Corruption policy** sets out the minimum standards expected by all Directors, employees and third-party service providers engaged by the NDB Group
- **Codes of Ethics & Standard of Conduct for Treasury Front Treasury Operations and Treasury Middle Office** are in place with the prevailing regulations to strengthen market conduct and practices for treasury operations and to strengthen market risk management systems.

Societal Conduct

- **Environmental and Social Sustainability framework** provides guidance on contributing to the wider community through meaningful and impactful engagements

CREATING AND PRESERVING VALUE IN 2023

The following section provides an overview of how the Board of Directors' contributed to creating and preserving value during the year. The persistent and evolving challenges that have prevailed in recent years have tested the robustness, strength and agility of the Group's governance mechanisms and practices, which served as an anchor in navigating the unprecedented operating conditions of 2023.



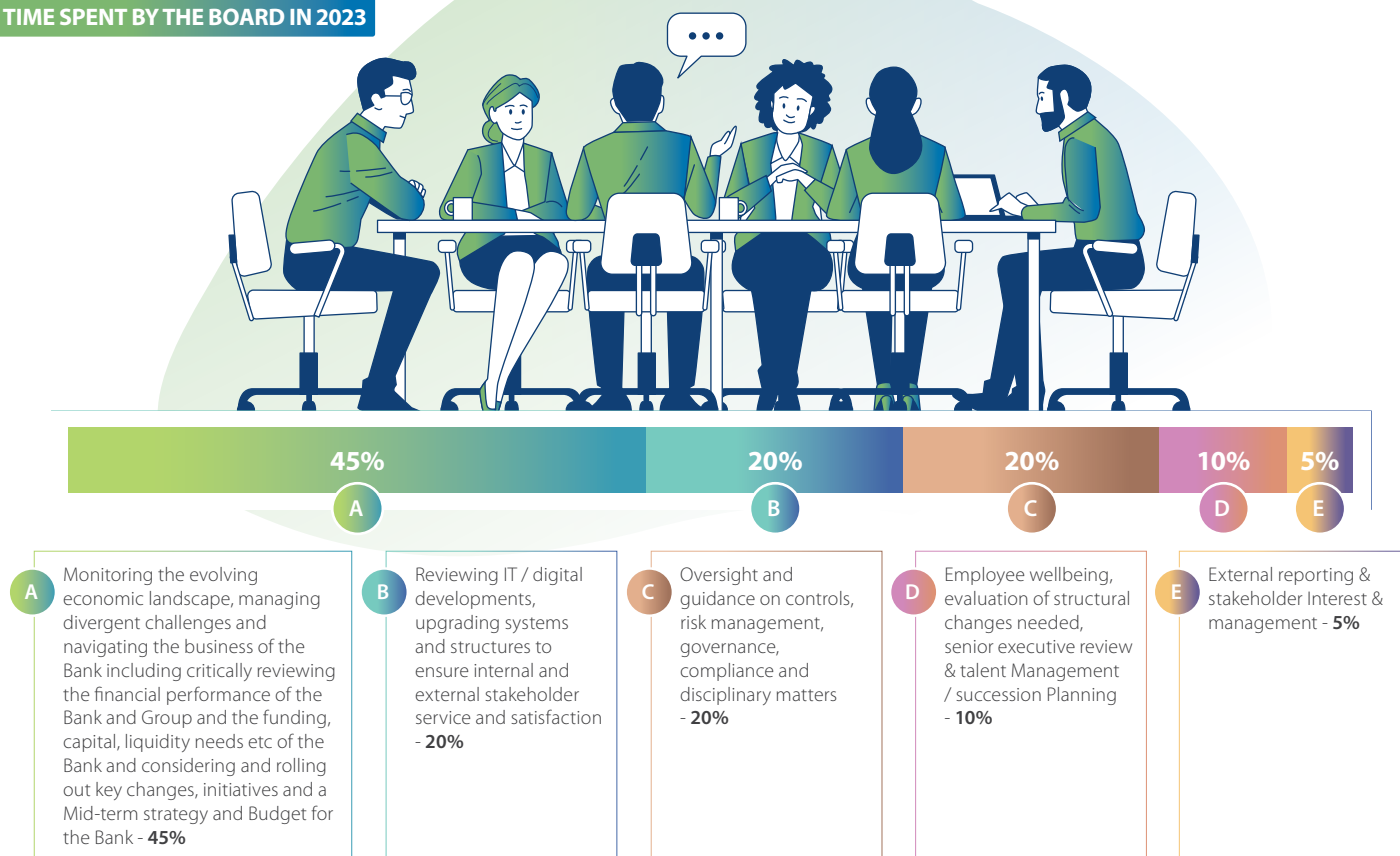
STRATEGY, PERFORMANCE AND REPORTING

The Directors have unfettered access to the Leadership Team and have ongoing interactions across various functions and levels in the organisation, enabling a deep understanding of the business. Board oversight on strategic implementation is facilitated through engagement during strategy sessions and Board/Subcommittee meetings where KMPs attend by invitation.

How the Board engaged with the business in 2023

- All 10 Directors serve on Board subcommittees, enabling engagement with KMPs on specific matters
- Debate and approval of the Bank's strategic framework
- The Board has access to first-hand insights on the activities of the subsidiaries through common directors
- Attendance at investor forums and roadshows
- Onsite visits to various Bank operations and business units
- Assessment of regular performance reports
- Digital engagement

TIME SPENT BY THE BOARD IN 2023



MATTERS DISCUSSED BY THE BOARD IN 2023

Areas of focus	Matters discussed
Monitoring the evolving operating landscape and potential impact	• Keeping a close eye on the economy of the country considering the volatility in the FX situation, liquidity situation, DDR, ISB restructuring dynamics and proposals etc and following closely on the directions of the Central Bank of Sri Lanka • Focus on recovery from the Pandemic and the prevalent economic conditions, Asset quality, restructuring, remedial (& NPL) management and deliberating all options that could be considered by the Bank- including timely policy implementation/changes and evaluating emerging risks and approving the Recovery Plan. • Reviewing the Bank's financial position, cash flow management and aggressively managing escalating costs with in depth review/justifications and introducing alternative routes/automation to better manage same. • Considering and advising on the capital management, forecasting capital augmentation plans including approving a Tier 2 Debenture Issuance to strengthen Capital. • Consideration and approval of the Bank's Internal Capital Adequacy Assessment Process (ICAAP)

Areas of focus	Matters discussed
Monitoring the evolving operating landscape and potential impact (Contd.)	• Detailed assessment of the financial and business performance of the Bank, including controls in place in relation to the operations of the Bank and improving control processes and policies. • Reviewing and guiding the Bank's business strategies / key new initiatives resulting in a critical review of the Bank's financial performance vis a vis its peers and rolling out of a new Mid-term Strategy for 2024-25 to better navigate the current economic/performance challenges facing the Bank including advising on new focus areas and mindset change. • Providing insight and guidance on specific business line strategies and ways forward for CASA, Retail Banking, Marketing and Treasury • Approval of and reviewing the annual Budget to ensure applicability with the changing economic situation and strictly monitoring / advising on the performance of the Bank in the circumstances with specific focus on the impact and management of multiple industry/local/global challenges.
Reviewing IT / digital developments, security, upgrading systems and structures	• Oversight and guidance on the core banking system upgrade, follow up on post migration issues and standards with a view to ensuring a smooth transition to the upgraded system to improve internal and external stakeholder services and satisfaction and oversight on IT security and risks
Oversight and guidance on controls, risk management, governance, compliance and disciplinary matters	• Focus and deliberation on ensuring good governance, regulatory compliance and related in depth review of and improvements to policies and procedures of the Bank. • Ensuring thorough investigation and inquiry into whistle blowing, customer and other complaints and ensuring disciplinary, corrective actions are taken and required process and policy changes are implemented. • Focus on compliance requirements including regulatory compliance and risk assessment. • Introducing new policies / reviewing all major policy documents of the Bank to strengthen the governance and control environment of the Bank • Review and approval of Board subcommittee deliberations and recommendations, conducting board and subcommittee level self-assessments etc to ensure the required focus, oversight and guidance is provided to the management of the Bank and to the Board.
Employee wellbeing, evaluation of structural changes needed, senior executive review & talent Management / succession Planning	• Deliberating and devising structural changes appropriate for the Bank's smooth operation and future strategy and focus. • Assessing the Fitness of Directors and KMPs of the Bank, setting of the Goals and Targets for the Board & KMPs for the year in line with the overall strategy and direction of the Bank and discussing self-assessments to aptly identify gaps and areas for improvement and identifying suitable Board & KMP replacements and new infusions to strengthen the structure brining in the required new expertise in line with the strategy of the Bank. • Approving/reviewing employee talent review, infusion, management, retention and succession needs of the Bank with a view to strengthening the organisation structure. • Consideration of the Bank's employee wellbeing in the current economic - social backdrop and introducing several measures to address same
External reporting & stakeholder Interest & management	• Keeping a close eye on the economy of the country considering the volatility in the FX situation, liquidity situation, DDR, ISB restructuring dynamics and proposals etc and following closely on the directions of the Central Bank of Sri Lanka • Reviewing and guiding the Bank's business strategies / key new initiatives resulting in a critical review of the Bank's financial performance vis a vis its peers and rolling out of a new Mid-term Strategy for 2024-25 to better navigate the current economic/performance challenges facing the Bank including advising on new focus areas and mindset change. • Focus on recovery from the Pandemic and the prevalent economic conditions, Asset quality, restructuring, remedial (& NPL) management and deliberating all options that could be considered by the Bank- including timely policy implementation/changes and evaluating emerging risks and approving the Recovery Plan. • Focus and deliberation on ensuring good governance, regulatory compliance and related in depth review of and improvements to policies and procedures of the Bank. • Ensuring thorough investigation and inquiry into whistle blowing, customer and other complaints and ensuring disciplinary, corrective actions are taken and required process and policy changes are implemented. • Focus on compliance requirements including regulatory compliance and risk assessment. • Introducing new policies / reviewing all major policy documents of the Bank to strengthen the governance and control environment of the Bank

BOARD MEETINGS

The Board strengthened engagement given the rapidly changing operating landscape and potential stresses on the Group's operations. The Board convened 16 times during the year, while 72 subcommittee meetings were also held. (Please refer below table on meeting held during 2023 and page 124 for subcommittees attendance). Clearly defined guidelines and processes ensure the effectiveness of Board meetings.

Beginning of the year

- Board meetings are scheduled and duly informed to the Board at the end of the previous calendar year.
- Meeting modes and venues are agreed upon.

Setting the agenda

- Directors are entitled to include matters and proposals in the agenda for discussion
- Chairman draws up the agenda in coordination with the CEO and with the assistance of the Company Secretary

Circulation of Board papers

- Formal notice of meetings, the agenda and Board papers related to each Board meeting are circulated at least 7 days in advance of the Board meeting
- Documents are uploaded through a secure connection to the tablets of all directors in order to ensure that Board members have access to complete information prior to Board meetings
- Board members prepare in advance to ensure effective and robust discussions on key matters.

During Board meeting

- The Chairman encourages and facilitates constructive dialogue during Board meetings
- If a Director has a conflict of interest in a matter to be considered by the Board, such matters are disclosed and discussed at the Board meetings, where Non-Executive Independent Directors who have no material interest in the transaction, are present. The relevant Director excuses himself from the meeting during such discussions
- Directors are also given the opportunity to participate through electronic means

After Board meeting

- Board minutes are prepared by the Company Secretary and circulated among Directors as soon as possible within 2 weeks of the meeting
- The Board minutes contain adequate details appropriate to the matters dealt with during Board meeting including dissenting views



Number of Subcommittee Meetings Held

Nominations and Governance Committee	12
Human Resources and Remuneration Committee	06
Integrated Risk Management Committee	05
Audit Committee	07
Related Party Transactions Review Committee	04
Strategic Issues Committee	07
Credit Committee	12
Digital Transformation Committee	05
Discretionary and Capital Expenditures Committee	14

Number of Management Committee Meetings Held

Asset and Liability Committee	17
Credit and Market Risk Committee	04
Operational Risk Management Committee	04
Credit committees	
Corporate Credit Committee	98
Branch Network Credit Committee	59
Procurement Committee	99
IT Steering Committee	03
Human Resources Committee	06
Outsourcing Committee	06
Management Committee (MANCO)	-
Environmental & Social Risk Management Integrated Committee	02
Information Security Committee	02

THE STRUCTURE, COMPOSITION AND ATTENDANCE OF THE BOARD AS AT 31 DECEMBER 2023

Name of Director	Independent/ Non-Independent under CBSL Direction	Independent/ Non-Independent under ICASL	Independent/Non Independent under CSE Listing Rules	Date of Appointment	Number of Board Meetings Eligible to Attend	Number of Meetings Attended
Mr. Sriyan Cooray Chair, Board of Directors	Independent	Independent	Independent	10.08.2018	16	16
Mr. Bernard Sinniah	Non-Independent	Independent	Independent	28.03.2019	16	16
Mr. Sujeewa Mudalige	Independent	Independent	Independent	06.01.2020	16	16
Mr. Kushan D'Alwis, PC	Independent	Independent	Independent	06.07.2020	16	16
Ms. (Fay) Piyachat Chetnakarnkul	Non-Independent	Non-Independent	Independent	25. 05.2021	16	16
Ms. Chandima Dilrukshi	Non-Independent	Independent	Independent	21.06.2021	16	16
Ms. Kasturi Chellaraja	Independent	Independent	Independent	03.10.2022	16	15
Ms. Shweta Pandey (Appointed w.e.f. 28.04.2023)	Independent	Independent	Independent	28.04.2023	10	10
Mr. Hasitha Premaratne (Appointed w.e.f. 15.06.2023)	Independent	Independent	Independent	15.06.2023	9	8
Mr. Dimantha Seneviratne (CEO) (Ceased to be Director w.e.f. 31.01.2024)	Non-Independent	Non-Independent	Non-Independent	01.01.2017	12	12
Mr. Hiran Perera (Resigned w.e.f. 14.02.2023)	Non- Independent	Non- Independent	Independent	23.04.2020	1	1

DETAILS OF MEMBERS OF THE BOARD SUBCOMMITTEES AS AT 31 DECEMBER 2023

Name of Director	Nominations and Governance Committee		Human Resources and Remuneration Committee		Related Party Transactions Review Committee		Strategic Issues Committee		Audit Committee		Integrated Risk Management Committee		Credit Committee		Digital Transformation Committee		Discretionary and Capital Expenditures Committee	
	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA
Mr. Sriyan Cooray	C	20.08.2021	C	20.08.2021	C	01.07.2022	C	01.05.2019	M	01.09.2018	C	01.09.2018						
Mr. Bernard Sinniah	M	19.02.2020	M	19.02.2020			M	19.02.2020					C	01.05.2019	M	30.04.2021		
Mr. Sujeewa Mudalige	M	21.06.2022	M	22.03.2022	M	19.02.2020	M	19.02.2020	C	18.02.2020	M	19.02.2020						
Mr. Kushan D'Alwis, PC	M	21.06.2022			M	22.07.2020							M	22.07.2020				
Ms. (Fay) Piyachat Chetnakarnkul							M	22.06.2021			M	22.06.2021			M	29.10.2021		
Ms. Chandima Dilrukshi					M	20.08.2021			M	22.06.2021	M	22.06.2021	M	01.10.2022			M	27.03.2023
Ms. Kasturi Chellaraja			M	20.06.2023							M	25.10.2022	M	20.06.2023			C	27.03.2023
Ms. Shweta Pandey (Appointed w.e.f. 28.04.2023)									M	20.06.2023					C	19.06.2023		
Mr. Hasitha Premaratne (Appointed w.e.f. 15.06.2023)			M	18.07.2023	M	20.06.2023					M	20.06.2023						
Mr. Dimantha Seneviratne (Ceased to be Director w.e.f. 31.01.2024)							M	23.07.2019			M	01.07.2017	M	01.06.2017	M	30.04.2021		
Mr. Hiran Perera (Resigned w.e.f. 14.02.2023)													M	01.05.2020				

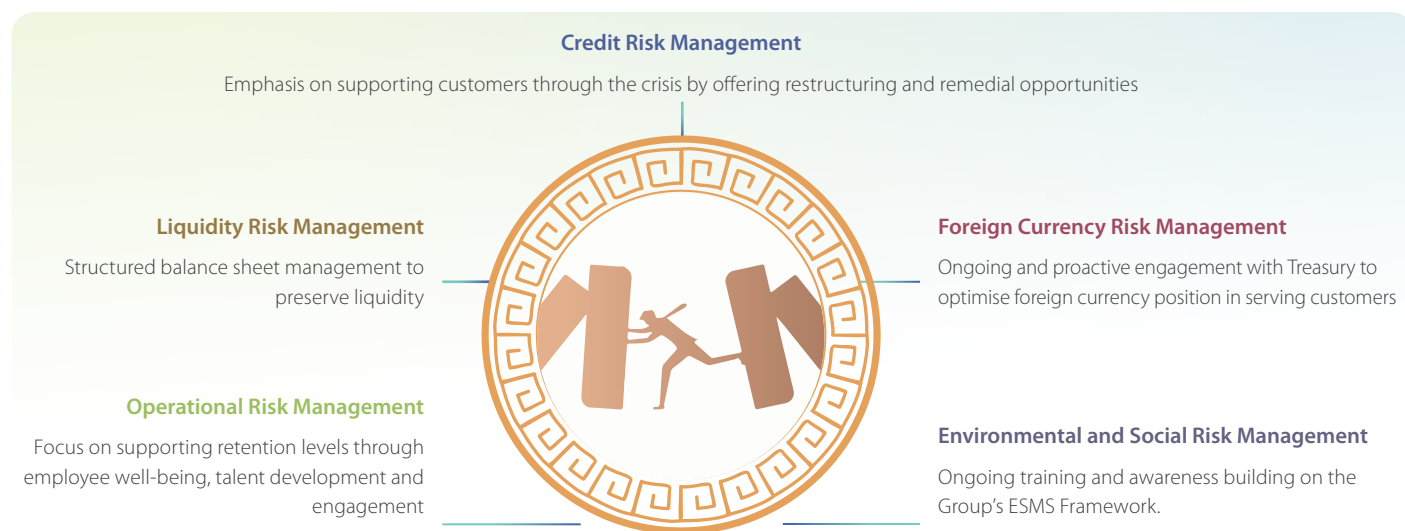
DOA - Date of Appointment Status - C - Chairman/ M - Member

NUMBER OF MEETINGS HELD AND ATTENDANCE OF THE BOARD SUBCOMMITTEES AS AT 31 DECEMBER 2023

Name of Director	Nominations and Governance Committee		Human Resources and Remuneration Committee		Related Party Transactions Review Committee		Strategic Issues Committee		Audit Committee		Integrated Risk Management Committee		Credit Committee		Digital Transformation Committee		Discretionary and Capital Expenditures Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. Sriyan Cooray	12	12	6	6	4	4	7	7	7	7	5	5	-	-	-	-	-	-
Mr. Bernard Sinniah	12	10	6	6	-	-	7	7	-	-	-	-	12	12	5	4	-	-
Mr. Sujeewa Mudalige	12	12	6	6	2	2	7	7	7	7	5	5	-	-	-	-	-	-
Mr. Kushan D'Alwis, PC	12	11	-	-	4	4	-	-	-	-	-	-	12	11	-	-	-	-
Ms. (Fay) Piyachatr Chetnakarnkul	-	-	-	-	-	-	7	6	-	-	5	3	-	-	5	3	-	-
Ms. Chandima Dilrukshi	-	-	-	-	4	4	-	-	7	6	5	4	12	11	-	-	14	13
Ms. Kasturi Chellaraja	-	-	1	1	-	-	-	-	-	-	5	5	6	3	-	-	14	14
Ms. Shweta Pandey (Appointed w.e.f. 28.04.2023)	-	-	-	-	-	-	-	-	3	1	-	-	-	-	4	4	-	-
Mr. Hasitha Premaratne (Appointed w.e.f. 15.06.2023)	-	-	1	1	2	2	-	-	-	-	2	1	-	-	-	-	-	-
Mr. Dimantha Seneviratne (Ceased to be Director w.e.f. 31.01.2024)	-	-	-	-	-	-	7	7	-	-	5	5	12	11	5	5	-	-
Mr. Hiran Perera (Resigned w.e.f. 14.02.2023)	-	-	-	-	-	-	-	-	-	-	-	-	2	1	-	-	-	-

OVERSIGHT ON RISK MANAGEMENT

Managing emerging risks emerged as a key priority during the year, reflecting increasing complexities of external headwinds and escalating macro-economic stress. The Audit Committee and the Board Integrated Risk Management Committee played a vital role in monitoring changes to the Group's risk landscape. Key areas of focus are summarised below while further details are provided in the Risk Management Review from page 337 to 340 of this Annual Report.



Managing IT and Cyber- Security Risks

The Group is cognisant of its' increased exposure to IT and cyber security risks stemming from the thrust towards digitalisation. A framework of robust IT policies & procedures, clear demarcation of responsibilities and a highly skilled IT team ensure that IT risks and vulnerabilities are managed in a holistic and consistent manner through the three lines of defence governance model. During the year, the Bank further strengthened its IT risk framework through successfully obtaining the ISO/IEC 27001 Information Security Management Standard and increasing the investments in the data center infrastructure, access controls, data loss prevention controls and firewalls among others. Further, creating awareness amongst staff and key stakeholders also considered as priority areas in managing information security and related risks.

SHAPING ORGANISATIONAL CULTURE

The Board of Directors set the right tone at the top aligned to NDB's corporate values. This culture has been a key factor in ensuring resilience and agility amidst the unprecedented challenges that have prevailed over the recent years. During 2023, Board oversight and monitoring of culture was supported by the following engagements:

1. Anti- Bribery and Corruption – The Code of Conduct of the Bank includes provision on this key topic which all employees are required to comply with.
2. Organisational Transparency – The Bank champions sustainability reporting, going beyond regulatory requirements to voluntarily report its impacts in line with international best practice
3. A comprehensive policy framework including the Ombudsman Policy and Whistleblowing Policy
4. Financial reporting – Quarterly financial reporting to shareholders through the CSE
5. Reporting on Gender and Non Discrimination – The Gender Report on pages 85 to 87 of this AR provides insights into this vital topic.
6. Reporting on Procurement related to Government Contract/Tenders

Organisational change management

Embedding the aspirations of Voyage 2025 in the organisational culture through training and ongoing engagement

Employee well-being

Focus on employee mental well-being to mitigate anxiety and stress given prevalent socio-economic challenges



Talent Review

Competency based mapping and training

Digitalisation of work

Emphasis on how the Group's digital transformation can enhance the meaningfulness of work, by automating mundane and repetitive process, thereby driving increased employee fulfillment

RESPONSIBLE CORPORATE CITIZENSHIP

Our organisational culture emphasizes the importance of driving excellence in relationships, both with our internal and external stakeholders. This is nurtured in the way we engage with, respond to and drive meaningful value creation to our stakeholders. As described on pages 47 to 49, the Group maps its material stakeholders based on their level of influence, tailors the engagement strategy and delivers it through formal and informal platforms. The frameworks which govern the communication with stakeholders is set out alongside.

Communication Policy

- Ensures the effective and consistent communication of internal and external communication of corporate information

Disclosure Policy

- Supports the dissemination of timely, accurate and balanced regulatory disclosures based on applicable laws and regulations.

Grievance Mechanisms

- **Customer complaints handling:** Outlines the complaints handling policy of the Bank and governs the procedure through which complaints are tracked, monitored and resolved
- **Employee grievance handling:** Transparent mechanism encouraging employees to bring forward any grievances

SHAREHOLDER ENGAGEMENT

We are committed to preserving the rights of our shareholders and ensure that all ordinary shareholders of the same class of shares issued by the Bank are treated equitably. The Group conforms to the principle of one share, one vote and one dividend and currently there are no non-voting shares in issue. We also adopt an array of measures to ensure that shareholder views are heard and fully considered.

- **Annual General Meeting:** The AGM provides shareholders the opportunity to contribute their views and engage with the Board of Directors, including the Chairpersons of certain subcommittees and members of senior management. The Bank's AGMs are generally well attended, and we encourage shareholders to participate in fostering a constructive dialogue. Resolutions requiring shareholder approval are tabled separately for adoption at the AGM. The Bank held its AGM physically on the 30 March 2023 with nearly 54% of the shareholding represented.
- **Dissemination of information:** The Bank provides shareholders with timely information on performance and any other material developments, including price sensitive information. Numerous platforms are in place to disseminate information amongst shareholders and analysts; these include investor presentations, press releases, email notifications, market announcements, online investor webinar, road shows and the investor relations webpage within the Bank's corporate website.
- **Investor Relations:** A dedicated Investor Relations function ensures that shareholders are kept aware of emerging developments

Treatment of minority shareholders

The rights of the Group's minority shareholders are preserved through the following mechanisms:

- All shareholders have equal voting and transfer rights
- Efficient voting mechanisms to protect minority shareholders
- Process for engaging with minority shareholders- All shareholders have direct access to the Company Secretary
- All avenues available to minority shareholders in line with the laws and regulations and facilitated

Disclosure and transparency

The Group has embraced international best practices in both financial and non-financial reporting. Our key publication to stakeholders is the Group's Integrated Annual Report, which adheres to several voluntary reporting frameworks such as the Global Reporting Initiative and the SASB guidelines (refer to page 388 to 396 for full list). The financial and non-financial information included in the Report as well as the Integrated Reporting process, has been externally assured. The content included in the Annual Report is determined through a comprehensive materiality assessment and all relevant developments pertaining to these material topics are disclosed in a full and transparent manner.

ESG INTEGRATION

Shifting risk landscapes and evolving stakeholder needs have compelled organisations to view ESG considerations strategically, integrating social and environmental considerations into the business. The Group's sustainability strategy is set out on pages 102 to 103 of this Report, along with the progress made in each of the Group's priority areas.

Key measures taken to support implementation of the Group's ESG strategy during the year are listed below:

Reporting

- Approval of the Group's Integrated Annual Report in 2023
- Verification of the Group's carbon footprint through engagement with Climate Fund Sri Lanka

Implementation of ESMS Framework

- Policy framework updated and approved at Board Level to drive Sustainable Finance
- Revision of credit formats in capturing criteria for sustainable finance
- Evaluation of Environmental and Social risks through ESMS Framework

Capacity building

- Capacity building through training propositions

REMUNERATION REVIEW

OUR APPROACH TO REMUNERATION

The Group's approach to Remuneration aims to attract, motivate, and retain employees of high-calibre, with the right mix of experience, skills and knowledge to deliver strategy and drive business performance. Our framework also reinforces a culture of ethical behaviour, by linking rewards to individual and collective value creation objectives. The Bank's Compensation Policy is structured based on job evaluation using the compensable factors such as knowhow/job complexity, communication and coordination/customer interaction, supervision exercised and risk impact/ consequences. Key principles of our Remuneration Framework are,

- Recognising sustainable financial performance and business results
- As an equal opportunity employer, we do not discriminate between ethnicity, gender or other form of diversity when determining remuneration
- Balance between fixed and variable components
- Performance appraisals enable the identification of talent at all levels thereby resulting in fair remuneration

ROLE OF THE HRRC

The Bank's Human Resources and Remuneration Committee plays a pivotal role in determining the Human Resource and Remuneration policies (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer and Key Management Personnel of the Bank. The committee comprises exclusively of non-executive directors, a majority of whom are independent directors, and processes are in place to ensure that no Director is involved in determining his or her own remuneration.

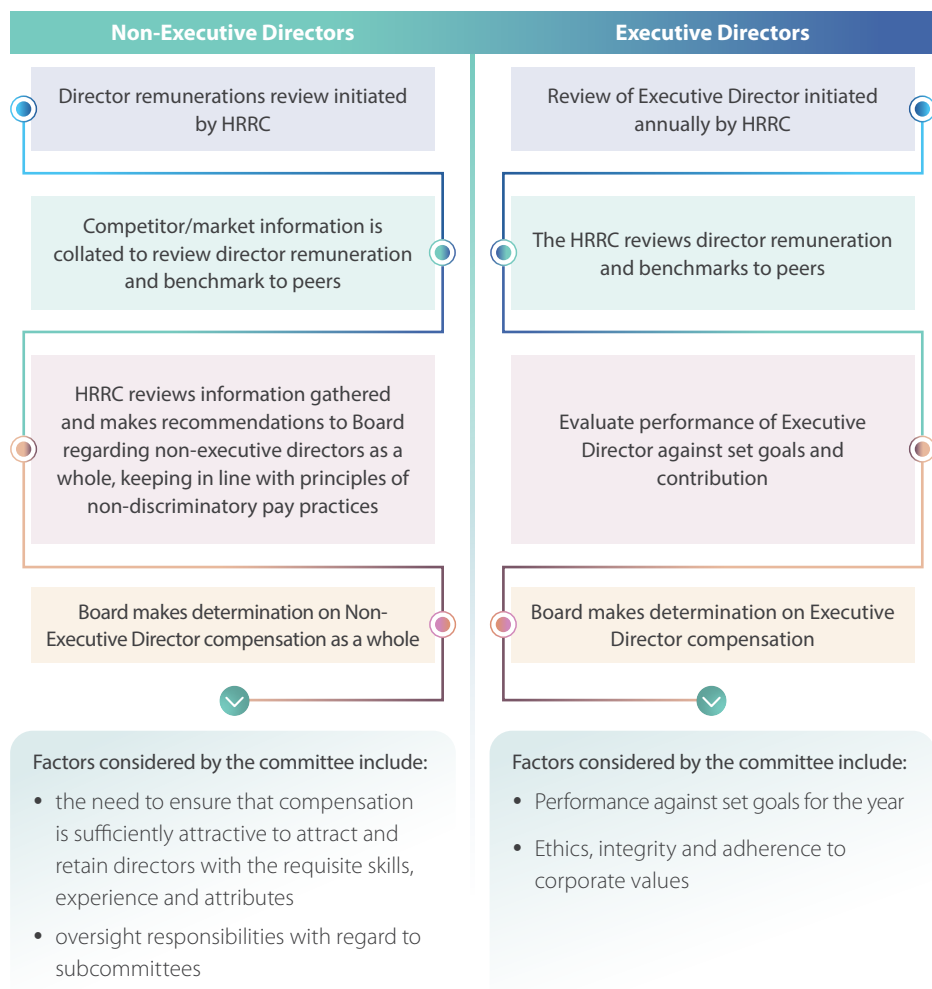
The Committee's responsibilities include,

- Determining the remuneration policy relating to the directors, CEO and KMPs of the Bank
- Evaluating the performance of the CEO and KMPs against the set goals and targets periodically and determining the basis for revising remuneration, benefits and other payments of performance-based incentives.
- Discussing and assessing with the Management the overall remuneration expenditure on all staff and their distribution among different categories and obtaining information on the remuneration and benefits paid/given to consultants engaged by the Bank.

(Please refer to pages 142 to 143 for HRRC Report)

PROCESS TO DETERMINE COMPENSATION

The process to determine compensation of the Non-Executive and Executive Directors are given below:



SUMMARY OF COMPENSATION SCHEMES

Total employee remuneration includes salaries and bonus, terminal benefit charges, share-based payments, and other related expenses. Despite the conditions that prevailed during the year, the Group maintained full remuneration for all employees, even paying bonus rewards earlier. Further details on each of these elements is available on page 195, Note 14 to the Financial Statements.

A summary of the Group's remuneration/personnel expenses during the year are given below;

	2023	
	Bank LKR' 000	Group LKR' 000
Directors' emoluments	94,509	106,904
Personnel expenses		
Salary and bonus	5,219,419	5,823,543
Contribution to EPF and ETF	585,454	640,650
Contribution to defined benefit plan	164,562	189,850
Others	663,920	725,149

Compliance Disclosures

Further to the Annual Report of Board of Directors presented on pages 14 to 15, and as required by Section 168 of the Companies Act No. 7 of 2007, the following information is disclosed in this Annual Report prepared for the year ended 31 December 2023.

	Information required to be mandatorily disclosed as per Section 168 of the Companies Act No. 07 of 2007	Reference to the Companies Act	Disclosure reference for compliance closure reference	Pages
1	The nature of the business of the Bank and the Group together with any change thereof during the accounting period.	Section 168 (1) (a)	Note 01 to the Financial Statements –Corporate Information.	176
			Nature of businesses of the Company and its subsidiaries / the classes of business in which the Bank has an interest.	40 - 53
			Confirmation that the state of affairs of the Bank will not be harmful to the business of the Bank.	
2	Signed Financial Statements of the Bank and the Group for the accounting period completed.	Section 168 (1) (b)	The Financial Statements of the Bank and the Group for the year ended 31 December 2023.	166 - 174
3	Auditor's Report on Financial Statements of the Bank and the Group.	Section 168 (1) (c)	Independent Auditor's Report.	166 - 168
4	Accounting Policies and any changes therein (Group also included).	Section 168 (1) (d)	Notes to the Financial Statements: Significant Accounting Policies adopted in the preparation of the Financial Statements of the Bank and the Group.	176 - 290
5	Particulars of the entries made in the Interest Registers of the Bank and its Subsidiaries during the accounting period.	Section 168 (1) (e)	All Directors have made declarations as required by Section 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Register during the year under review.	
			Directors' Dealing in shares and Debentures.	371 - 375
			The Interest Register is available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.	
			Note 52 to the Financial Statements : Related Party Disclosures.	252
6	Remuneration and other benefits paid to Directors of the Bank and its Subsidiaries during the accounting period.	Section 168 (1) (f)	Note 14 to the Financial Statements –Other Expenses.	195
			Corporate Governance report - Director's and Executive remuneration.	320
7	Total amount of donations made by the Bank and its Subsidiaries during the accounting period..	Section 168 (1) (g)	Note 14 to the Financial Statements –Other Expenses.	195
8	Names of persons holding office as directors as at the end of accounting period and names of persons who ceased to hold office.	Section 168 (1) (h)	List of Board of Directors of the Bank.	22 - 29, 123
			New Appointments and Resignations.	123
			List of Directors of Subsidiaries of the Bank.	404
9	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Bank and its Subsidiaries.	Section 168 (1) (i)	Note 14 to the Financial Statements – Other Expenses.	195
10	Auditor's relationship or any interest with the Bank and its Subsidiaries.	Section 168 (1) (j)	The Financial Statements of the Bank for the year ended 31 December 2023 have been audited by Messrs Ernst & Young, Chartered Accountants. They also function as the auditors of the Bank's subsidiary companies namely, NDB Capital Holdings Limited, NDB Wealth Management Limited, NDB Securities (Private) Limited, NDB Investment Bank Limited, Development Holdings (Private) Limited, and NDB Zephyr Partners Lanka (Private) Limited.	148

	Information required to be mandatorily disclosed as per Section 168 of the Companies Act No. 07 of 2007	Reference to the Companies Act	Disclosure reference for compliance closure reference	Pages
10	Auditor's relationship or any interest with the Bank and its Subsidiaries. (Contd.)		Based on the declaration provided by Messrs Ernst & Young, Chartered Accountants, and as far as the Directors are aware, the Auditors do not have any relationship with or interest in the Bank that in our judgement may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report. The Auditors have indicated their willingness to offer themselves for reappointment. The Audit Committee and the Board of Directors have recommended the reappointment of the Auditors. A resolution appointing Messrs Ernst & Young as Auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.	403
11	Acknowledgement of the Contents of this Report / Signatures on behalf of the Board.	Section 168 (1) (k)	Complied as stipulated on page 15 of the Annual Report.	15

Other Disclosures as required by the Central Bank of Sri Lanka Directions, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance 2023 (ICASL Code) issued by the Institute of Chartered Accountants of Sri Lanka, Other Laws and Regulations and Good Governance Disclosures as followed by the Bank.

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
Central Bank of Sri Lanka Directions (CBSL Direction)				
12	Disclosures required to be made by the Board in terms of the Corporate Governance Directions	CBSL Direction No 11 of 2007 (as amended)	The Board has ensured that the required disclosures have been made. The classification of Directors as Executive, Non-Executive, Independent and Non-Independent as at 31 December 2023 is provided.	298 - 313 111, 123
13	Annual Corporate Governance Reports	3 (1) (xvi)	An annual Corporate Governance report setting out the compliance with Direction 3 of these Directions.	110 - 127, 128 - 136
14	Audited Financial Statements	3 (8) (ii) (a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	156, 159, 177
15	Internal Control Mechanisms	3 (8) (ii) (b)	A report by the Board on the Bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	157, 158
16	Factual Findings Report	3 (8) (ii) (g)	A confirmation that all the findings of the 'Factual Findings Reports' of Auditors issued under 'Sri Lanka Related Services Practice Statement 4750' have been incorporated in the Annual Corporate Governance Report.	110
17	Compliance with Laws	3 (8) (ii) (h)	A report setting out the details of compliance with prudential requirements, regulations, laws and internal controls that affected the Bank.	313
18	Regulatory Supervisory Process	3 (8) (ii) (i)	A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision of the CBSL.	313

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
Listing Rules (LR) of the Colombo Stock Exchange				
19	Statement of Compliance	9.1	Bank has published a statement confirming the extent of compliance with the CSE Corporate Governance Rules, in the Annual Report of the Entity.	14, 110, 330-336
20	Waivers from compliance with the Internal Code of business conduct and ethics	9.2.2 w.e.f 1st October 2024	Disclosure requirement not applicable.	N/A
21	List of Policies required by the Listing Rules and details	9.2.3 w.e.f 1st October 2024	Disclosure requirement not applicable and pending compliance.	N/A
22	Shareholder communications and relations policy	9.4.2 w.e.f 1st October 2024	Disclosure requirement not applicable and pending compliance.	N/A
23	Policy governing matters relating to the Board of Directors	9.5.2 w.e.f 1st October 2024	Disclosure requirement not applicable and pending compliance.	N/A
24	Director fitness and propriety	9.7.5	Following statements on director fitness and propriety have been included in the Annual Report. a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s.	110 N/A
25	Number of independent directors	9.8.5	The Non-Executive Independent Directors are detailed in this report.	111, 123
26	Director disclosures	9.10.4	Bank has made the requisite disclosures regarding Directors in the Annual Report a) name, qualifications and brief profile; b) the nature of his/her expertise in relevant functional areas; c) whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity; d) whether Executive, Non-Executive and/or independent Director; e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel; f) number of Board meetings of the Listed Entity attended during the year; g) names of Board Committees in which the Director serves as Chairperson or a member; h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member; and, i) The terms of reference and powers of the SID (where applicable).	24 - 28 111 117 111 24 - 28 123 123 124 N/A
27	Chairperson and members of Nominations and Governance Committee	9.11.4 w.e.f 1st October 2024	Chairperson and members of Nominations and Governance Committee are identified in the Annual Report	139

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
28	Nominations and Governance Committee report	9.11.6	Chairperson and members of Nominations and Governance Committee are identified in the Annual Report The following disclosures have been made in the Nominations and Governance Committee report. (a) the names of the Chairperson and members of the Committee and the nature of directorships held by such members) (b) the date of appointment to the Committee; (c) whether a documented policy and processes are in place when nominating Directors; (d) whether all directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years; e) a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance (f) Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors. (g) The following information regarding directors who are re-elected or being proposed for re-election during the year: • Board Committees served on (as a member or Chairperson), • Date of first appointment and last re-appointment • Directorships and other principal commitments both present and over past 3 years in other Listed Entities; and, • Other relationships with directors material shareholders etc. (h) Whether periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Bank as specified in Rule 9.11.5 (i) Processes adopted by the Listed Bank to inform the Independent Directors of major issues relating to the Bank; (j) Induction programs/orientation programs conducted for newly appointed Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, or an appropriate negative statement; (k) Annual update given to existing Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations, or an appropriate negative statement. (l) A statement that the Directors of the Bank meet the criteria for determining independence. (m) A statement that the Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met and where the Bank's fail to comply with any provisions of such Rules, a statement explaining the reason for such noncompliance and the proposed remedial action taken for the rectification of such noncompliance.	139 - 141
29	Remuneration Committee disclosures/report	9.12.8	The following have been disclosed in this Annual Report, as required. (a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (b) A statement regarding the remuneration policy (c) The aggregate remuneration of the Executive and Non-Executive Directors	142 - 143

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
30	Audit Committee Report	9.13.5 w.e.f. 1st October 2024	The following have been disclosed in this Annual Report, as required. (a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company) (b) The status of risk management and internal control of the Bank and as a Group (where applicable) (c) A statement that it has received assurance from the CEO and the CFO of the Bank's operations and finances (d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (e) whether the Bank has a formal Audit Charter; (f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Bank (h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement (i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination and such other details specified in 9.13.5	147 - 148 See IRMC Report on pages 144 - 146 for item (b)
31	Related Party Transactions	9.14.8	Disclosures in the Annual Report- to be made on recurrent and non-recurrent related party transactions.	N/A
32	Related Party Transactions Committee Report	9.14.8	The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: 1. The names of the Directors comprising the Committee; 2. A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated its comments/observations to the Board of Directors. 3. The policies and procedures adopted by the Committee for reviewing the Related Party Transactions. An affirmative declaration by the Board of Directors in the Annual Report that these Rules pertaining to Related Party Transactions have been complied with or if the Entity has not entered into any Related Party Transaction/s a negative statement to that effect.	149 - 150
33	Additional Disclosures	9.16	Additional Disclosures to be included in the Annual Report, by the Board of Directors to the effect that:	
			(i) they have declared all material interests in contracts involving in the Bank and whether they have refrained from voting on matters in which they were materially interested;	137 - 138
			(ii) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith;	157 - 158
			(iii) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	15
			(iv) disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.	352

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
Code of Best Practice on Corporate Governance 2023 (the "Code")				
34	Statement of Compliance with the Code of best Practice on Corporate Governance 2017		All required disclosures have been made and status of compliance has been detailed.	14, 110, 314 - 329
35	Senior Independent Director/ Chairman and CEO	A.2.1 and A.5.7	The Bank is not required to appoint a Senior Independent Director, hence this requirement is not applicable.	N/A
36	Board Balance	A.5.5	Non-Executive Independent directors are identified and disclosed.	111, 123
			The Bank has not declared any Directors as "nevertheless independent".	N/A
37	Appraisal of Board Performance	A.9.4	The Bank has disclosed how performance evaluations have been conducted.	116
38	Board related disclosures	A. 10.1	The Bank has disclosed the required Director details in this Annual Report.	See item 26
39	Disclosure of Remuneration	B.3 and B.3.1	A statement of remuneration policy;	142 - 143
			Details of remuneration of the board as a whole;	
			Names of directors comprising the remuneration committee, scope and number of meetings held.	
40	Major and Material Transactions	C.3, C.3.1 and C.3.3	Bank has no major transactions to disclose in 2023.	Nil
41	Code of Business Conduct and Ethics	D.6.1,D.6.4 and D.6.7	Noting the new requirements and timelines stipulated by the Colombo Stock Exchange, the Bank is in the process of establishing a Code of Business Conduct and Ethics	N/A
42	Communication with shareholders	C.2.2- C.2.7	Noting the new requirements and timelines stipulated by the Colombo Stock Exchange, the Bank is in the process of establishing a Policy on Communication with Shareholders.	N/A
			Contact person for shareholder communication.	404
			The process to make all directors aware of major issues and concerns of shareholders.	140, 118
43	Cyber Security	G. 5	Process to identify and manage cyber security risks	124
44	Sustainability: ESG Disclosures	H.5, H.5.2 H.5.3	Information on the Bank's commitment to sustainability and integrating ESG consciousness.	97 - 103
45	Financial Statements	D. 1.5	Statement of responsibility by the Board of Directors for the preparation and presentation of financial statements.	156
			Auditor's statement on reporting responsibility	166
46	Risk Management and Internal Control	D.1.5 D.2.1.7 D.2.2.1 D.4.5	Statement on risk management and internal control.	157 - 158
			Report of the Integrated Risk Management Committee.	144 - 146
47	Related Party Transactions	D.1.8	The Board has disclosed the related parties and related party transactions as specified by SEC/ Sri Lanka Accounting Standards/Sri Lanka Auditing Standards and similar regulations	252 - 256
48	Management Report	D.1.6	Management Discussion and Analysis Report	54 - 104
49	Related Party Transactions Review Committee Report	D.5.3	Report of the Related Party Transactions Review Committee	149 - 150
50	Audit Committee Report	D.4.5 D.3.3 Schedule F	Report of the Audit Committee	147 - 148
51	Remuneration Committee Report	B.3.1	Report of the Human Resources and Remuneration Committee	142 - 143

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
Report of the Board of Directors				
52	Report of the Board of Directors	D.1.4	Statement that the Annual Report and Financial Statements are fair, balanced and understandable to all stakeholders.	14
53	Compliance with Laws	D.1.4	Statement of compliance with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations.	14
54	Material Interests in contracts	D.1.4	Declaration of all material interests by Directors in contracts involving the Bank and refrained from voting on matters in which they were materially interested.	117, 137 - 138
55	Best practices of corporate governance	D.1.4	A confirmation that the Directors have complied with the best practices of corporate governance.	110
56	Internal Controls	D.1.4	A confirmation that the Board has conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.	157 - 158
57	Plant and Property	D.1.4	The Bank has reported Property, Plant and Equipment at fair value, and where it differs from fair value, adequate disclosures are made.	222
58	Equitable treatment to shareholders	D.1.4	Disclosure on how the Bank ensures equitable treatment of all shareholders.	125
59	Going Concern	D.1.4	The Board of Directors is satisfied that the Bank has adequate resources to continue the business activities in the foreseeable future. Therefore, the Bank has adopted a 'going concern' basis in preparing these Financial Statements.	156, 179
Other Laws and Regulations				
60	Duty of the Board of Directors to prepare the Financial Statements of the Bank and the Group	S 150 - 153 of the Companies Act (CA) No. 7 of 2007	Board of Directors acknowledges its responsibility to prepare the Financial Statements of the Bank and the Group, which reflect a true and fair view of the financial position and performance of the Bank and the Group. In this regard, the Board of Directors wishes to confirm that the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Significant Accounting Policies and Notes thereto have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto.	156
61	Dividends on Ordinary Shares	S 56 of the CA No. 7 of 2007	Note 19 to the Financial Statements – Dividends and Events after the Reporting period	199
			Financial Capital	59
62	Appointment of Auditor, Auditor's fees, duty to avoid conflict of interest etc	S 154, 155, 162 & 163 of the CA No. 7 of 2007	The Bank's External Auditors, Messrs Ernst & Young, who were appointed in accordance with a resolution passed at the 16th Annual General Meeting held on 9th April 2021 have expressed their opinion in this Annual Report. The details on the remuneration of External Auditors have been disclosed in this Annual Report. As far as the Directors are aware, the Auditors do not have any other relationship with the Bank, or any of its subsidiaries and its associate. The External Auditors do not have any interest in contracts with the Bank, or any of its subsidiaries and its associates.	166 - 168, 195, 147 - 148
63	Insurance and Indemnity	S 218 of the CA No. 7 of 2007	Pursuant to a decision of the Board, the Bank obtained an Insurance Policy to cover Directors' liability. The Bank has accordingly paid an insurance premium in respect of the said insurance policy for the benefit of the Bank and the Directors and certain employees of the Bank and related body corporates as defined in the insurance policy.	316

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
64	Own share purchases	CA s.64	The Bank has not purchased its own shares	N/A
65	Taxation	Laws related to taxation	Note 15 and 17 to the Financial Statements	195 - 196
66	Statutory payments	Laws and regulations related to all statutory payments	The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government of Sri Lanka and the employees have been made up to date.	156
Good Governance Disclosures as followed by the Bank (GGD)				
67	Vision, Mission and Corporate Conduct	GGD	The Bank and the Group practices high ethical standards in carrying out their business activities in line with the vision of the Bank.	119
			All employees of the Bank abide by the Bank's Code of Conduct and the Directors and the Key Management Personnel of the Bank additionally abide by the Code of Corporate Governance of the Bank.	110
68	Review on Operations of the Group and the Bank and future developments	GGD	A review of the operations of the Bank and the Group are discussed in the Chairman's Message, Chief Executive Officer's Review and the Management Discussion and Analysis.	16, 18, 56 - 106
			Note 51 to the Financial Statements: Segmental Analysis - Group	250
69	Changes to the Group structure	GGD	There were no changes to the group structure during the year.	176
70	Gross Income	GGD	Note 04 to the Financial Statements – Gross Income.	184
71	Performance of the Bank and the Group	GGD	Statement of Profit and Loss.	169
72	Reserves & appropriations	GGD	Statement of Changes in Equity.	172 - 173
			Note 44 and 46 of the Financial Statements –Statutory Reserves, Retained Earnings and Other Reserves.	241, 242
73	Investment Property	GGD	Note 31 to the Financial Statements - Investment Property.	221
74	Capital commitments	GGD	The Bank has a Capital commitment totalling approximately LKR 50 Mn over the next 12 months.	246
			Note 48.2 to the Financial Statements	219
75	Issue of Shares and Debentures by the Subsidiaries and Associates during the year	GGD	Note 29 and 30 to the Financial Statements.	220
76	Disclosure of Director's Dealing in shares and Debentures	GGD	Section 6.0 and Section 14.0 of the Section on "Investor Relations"	371 and 375
77	Environmental Protection	GGD	The Bank and the Group have not engaged in any activity that is detrimental to the environment, and have complied with the environmental laws and regulations at all times. Specific activities carried out during the year to protect the environment are detailed in the Management Discussion and Analysis.	102 - 103, 97 - 101
78	Events Occurring after the Date of the Statement of Financial Position	GGD	There have been no events that require adjustment to the Financial Statements or disclosure in the Financial Statements that has occurred subsequent to the date of the Statement of the Financial Position of the Bank.	256
			Note 53 to the Financial Statements.	
79	Human Resources	GGD	The Human Resources activities carried out during the year to focus on the strategic objectives are detailed in the Human Resources and Remuneration Committee report and Management Discussion and Analysis.	80 - 87

	Other Disclosures	Reference to the relevant statute/ rule	Disclosure reference for compliance	Pages
80	Operational Excellence	GGD	Operational Excellence is also a key Strategic Objective of the Bank and focusses on increasing efficiency and managing operational costs. The Bank has on going initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.	75 - 77
81	Outstanding Litigations	GGD	In the opinion of the Directors and the Bank's lawyers, pending litigations against the Bank disclosed in the Financial Statements will not have a material impact on the financial position of the Bank or its future operations. Note 48.3 to the Financial Statements.	246
82	Corporate Social Responsibility (CSR)	GGD	CSR Initiatives 2023.	90 - 96
83	Sustainability	GGD	All Business strategies are formulated considering the sustainability aspects of the Bank including Sustainability practices and reporting.	13, 47 - 50, 102 - 103
84	Technology	GGD	All processes of the Bank are improved focusing superior customer services through imbedding state-of-the-art technology to all its processes and products.	75 - 77

Directors' Interests in Contracts with the National Development Bank PLC

The Bank in its ordinary course of business, conducts transactions on an arm's length basis with entities, where the Chairman or any Director of the Bank maintain a relationship with such entities as listed below.

Relationship	Company	Accommodation Granted, Deposits & Investments	Balance Outstanding as at 31 December 2023 LKR '000	Balance Outstanding as at 31 December 2022 LKR '000
Mr. Sriyan Cooray				
Director	Orient Finance PLC	Deposits & Investments	208	5,091
		Loans & Receivables	325,383	416,700
Mr. Dimantha Seneviratne				
Chairman	Development Holdings (Pvt) Limited	Deposits & Investments	341,321	343,330
		Loans & Receivables	0	1
		Off -Balance Sheet Accommodations	702	-
Director	The American Chamber of Commerce in Sri Lanka	Deposits & Investments	27,000	22,773
Director	NDB Capital Holdings Limited	Deposits & Investments	35,137	218,282
		Off -Balance Sheet Accommodations	12,112	45,951
Director	NDB Wealth Management Limited	Deposits & Investments	8,382	8,943
Director	NDB Investment Bank Limited	Deposits & Investments	15,438	10,186
		Loans & Receivables	1	11
Director	NDB Securities (Pvt) Limited	Deposits & Investments	4,144	8,381
		Loans & Receivables	6,438	4,542
		Off -Balance Sheet Accommodations	100,000	100,000
Director	NDB Zephyr Partners Lanka (Pvt) Limited	Deposits & Investments	5,064	9,296
Director	NDB Zephyr Partners Limited, Mauritius	Deposits & Investments	2,043	2,268
Mr. Bernard Sinniah				
Director	Codevus (Pvt) Limited	Deposits & Investments	654	644
Director	NDB Capital Holdings Limited	Deposits & Investments	35,137	218,282
		Off -Balance Sheet Accommodations	12,112	45,951
Director	NDB Securities (Pvt) Limited	Deposits & Investments	4,144	8,381
		Loans & Receivables	6,438	4,542
		Off -Balance Sheet Accommodations	100,000	100,000
Director	NDB Wealth Management Limited	Deposits & Investments	8,382	8,943
Director	NDB Investment Bank Limited	Deposits & Investments	15,438	10,186
		Loans & Receivables	1	11
Director	NDB Zephyr Partners Lanka (Pvt) Limited	Deposits & Investments	5,064	9,296

Relationship	Company	Accommodation Granted, Deposits & Investments	Balance Outstanding as at 31 December 2023 LKR '000	Balance Outstanding as at 31 December 2022 LKR '000
Mr. Sujeewa Mudalige				
Director	PwC (Pvt) Limited (retired w.e.f. 27 October 2023)	Deposits & Investments	N/A	1,800
Managing Partner	PwC Partnership (retired w.e.f. 27 October 2023)	Deposits & Investments	N/A	120
Chairman of the Committee	Mercantile Services Provident Society (MSPS)	Deposits & Investments	1,090,304	1,090,304
Director	CIC Holdings PLC	Deposits & Investments	113,238	116,144
Director	Sherwood Capital (Pvt) Limited	Deposits & Investments	24	-
Director	Mahindra Ideal Finance Limited	Deposits & Investments	586	350
		Loans & Receivables	-	90,000
Director	Link Natural Products Limited	Deposits & Investments	28	28
Committee Member	The Ceylon Chamber of Commerce	Deposits & Investments	2,330,611	2,322,208
Mr. Kushan D'Alwis, PC				
Director	Ceylon Tobacco Company PLC	Deposits & Investments	-	18,750
Ms. Kasturi Chellaraja				
Director	Atlas Axillia Co. (Pvt) Limited	Deposits & Investments	32,889	10,717
Director	Far Shipping Agency Lanka (Pvt) Limited (Resigned w.e.f. 12 December 2023)	Deposits & Investments	N/A	211,595
		Loans & Receivables	N/A	102,436
Director	Forbes Air Services (Pvt) Limited	Deposits & Investments	637,005	452,097
Director	Hemas Capital Hospital (Pvt) Limited	Deposits & Investments	1,202,958	794,896
Group CEO	Hemas Holdings PLC	Deposits & Investments	2,801	2,712
Director	Hemas Hospitals (Pvt) Limited	Deposits & Investments	888,318	467,046
Director	Hemas Manufacturing (Pvt) Limited	Deposits & Investments	1,797,712	1,884,197
Director	Hemas Pharmaceuticals (Pvt) Limited	Deposits & Investments	24,233	97,193
Director	Hemas Transportation (Pvt) Limited	Deposits & Investments	7,147	292,673
Trustee	Hemas Wellness Trust	Deposits & Investments	45,371	47,168
Director	Morison Limited	Deposits & Investments	984	209
Board Member / Committee Member	The Ceylon Chamber of Commerce	Deposits & Investments	2,330,611	2,322,208
Mr. Hasitha Premaratne				
Director	Ocean Lanka (Pvt) Limited	Deposits & Investments	4,665,528	N/A
		Off -Balance Sheet Accommodations	5,890,356	N/A
Director	Teejay Lanka PLC	Deposits & Investments	32,068	N/A

For Related Party Disclosures as per the Sri Lanka Accounting Standard – LKAS 24: Related Party Disclosures, please refer Note 52 to the Financial Statements on page 252 of this Annual Report.

Nominations and Governance Committee Report



Mr. Sriyan Cooray
Chairman
Nominations and Governance Committee

COMPOSITION OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

The Board appointed Nominations and Governance Committee (formally known as the Nominations Committee) comprised four Non-Executive Directors including the Chairman who is an Independent Director as set out below.

As at 31 December 2023 the Committee comprised the following:

Board Members

1	Mr. Sriyan Cooray (Chairman) Independent Director	20 Aug 2021
2	Mr. Bernard Sinniah Non-Independent Director	19 Feb 2020
3	Mr. Sujeewa Mudalige Independent Director	21 Jun 2022
4	Mr. Kushan D'Alwis, PC Independent Director	21 Jun 2022

Date of Appointment to the Committee

Secretary to the Committee

Ms. Shehani Ranasinghe
Vice President - Company Secretary

CHARTER OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

The Nominations and Governance Committee was initially formed in compliance with the Section 3 (6) of Direction No. 11 of 2007, "Corporate Governance for Licensed Commercial Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No 30 of 1988. The Charter of the Committee was revised and expanded to be in compliance with recent amendments to the Listing Rules of the Colombo Stock Exchange (CSE) introduced via CSE Circular No 04/2023 dated 11 September 2023.

The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction and the Listing Rules. The Charter of the Nominations and Governance Committee was approved by the Board of Directors and is reviewed annually. As part of the annual review process, the Committee reviewed the Charter in 2023. The Committee carries out the following duties and responsibilities.

- Establishes, maintains and implements formal and transparent procedures to evaluate, select and appoint/re-appoint Chief Executive Officer (CEO), Key Management Personnel (KMPs) and new Directors to the Board and the Board Committees
- Considers and recommends the re-election of current Directors, taking into account the performance and contribution made by the Director/s concerned towards the overall discharge of the Board's responsibilities and strategic demands of the Bank, combined knowledge, experience, the number of directorships held by the Director in other listed and unlisted companies and other principal commitments
- Sets out and maintains the criteria such as academic and professional qualifications, skills, experience and key attributes required for eligibility to be considered for appointment as Director to a Bank or promotion to the post of CEO and KMPs
- Ensures that Directors, CEO and KMPs are fit and proper persons to hold office as specified in the criteria given in applicable laws
- Sets the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to select/appoint fit and proper persons as the Nominee Directors to the Boards of the Bank's group companies

- Considers and recommends from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and KMPs
- Establishes and maintains a suitable process for the periodic evaluation of the performance of the Board and the CEO of the Bank to ensure that their responsibilities are satisfactorily discharged
- Reviews the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities
- Reviews and recommends the overall Corporate Governance Framework of the Bank taking into account the Listing Rules of the Colombo Stock Exchange, other applicable regulatory requirements and industry/ international best practices, as applicable
- Periodically reviews and updates the corporate governance policies/framework of the Bank in line with the regulatory and legal developments relating to same, as a best practice

COMMITTEE MEETINGS

The Committee held twelve (12) meetings during the year under review. The attendance of committee members at meetings is stated in the table on refer page 124. The quorum for a meeting is three members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

The Chief Executive Officer (CEO) and other Directors have been present at meetings only if invited by the Committee.

METHODOLOGY USED BY THE COMMITTEE

The Committee meets as and when necessary in order to assess the suitability of individuals for appointment as Directors and KMPs in the manner aforementioned as well as to conduct such other affairs which the Charter of the Committee mandates the Committee to carry out.

DISCLOSURES BY THE COMMITTEE

- A policy and process is in place for the nomination of Directors. This policy and process was followed in the appointment Ms Shweta Pandey and Mr Hasitha Premaratne to the Board in 2023

- In accordance with the Articles of Association of the Bank, except for Directors appointed in terms of Articles 35 (ii), 37 and 44, 1/3rd of the Directors for the time being, or if their number is not a multiple of three, the number nearest to, but not greater than 1/3rd shall retire from office at each annual general meeting. The Directors who retire at each annual general meeting shall be the longest in office as stated in Article 42. As such, eligible Directors submit themselves for re-election at least once in every 3 years
- Board diversity is an integral consideration to ensure Board performance is at the highest level. Please refer page 112 for information on the Directors range of experience, skills, age and gender. Board diversity was a consideration when appointing new directors in 2023.
- Directors to be re-elected or re-appointed at the annual general meeting to be held in 2024

- Periodic evaluations have been conducted in 2023 on the performance of the Board of Directors and the Chief Executive Officer as agreed by the Board
- The Chairman informs the Independent Directors/Non-Executive Directors as and when major issues arise
- A procedure is in place to induct and carry out orientation for newly appointed Directors primarily led by the Chairman in order to ensure a sound understanding of the corporate governance requirements, the applicable laws and regulations and such other matters deemed to be of importance at the point of on-boarding and as needed thereafter
- Directors are updated quarterly on new laws and regulations and changes to existing laws and regulations including those relating to governance
- The Committee annually assesses the Independence of Directors against the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka and the Listing Rules of the Colombo Stock Exchange and is satisfied that the Independent Directors of the Bank meet the applicable criteria
- The Committee believes that it has met the corporate governance requirements stipulated in the Listing Rules of the Colombo Stock Exchange



Mr. Sriyan Cooray



Mr. Sujeewa Mudalige

Board Committees served on (member/chairperson)	• Integrated Risk Management Committee • Audit Committee • Strategic Issues Committee • Human Resources & Remuneration Committee • Nominations & Governance Committee • Related Party Transactions Review Committee	• Integrated Risk Management Committee • Audit Committee • Strategic Issues Committee • Nominations & Governance Committee • Human Resources & Remuneration Committee
Date of first appointment	10 August 2018	06 January 2020
Date of last re-appointment	09 April 2021	30 March 2022
Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities	Orient Finance PLC	CIC Holdings PLC
Any relationships including close family relationships between the candidate and the Directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity	Nil	Nil

KEY ACTIVITIES IN 2023

During the year, the Committee carried out the following activities in line with its policies and procedures –

- Assessed the fitness and propriety of the continuing Directors of the Bank and affidavits and declarations submitted by Directors were forwarded to the Regulator/s for approval as required by applicable laws and regulations. In this process, the Committee assessed the diversity in experiences, qualifications, competencies etc. and the contribution and commitment made towards the Bank vis a vis the economic landscape and backdrop in which the Bank functioned.
- Recommended to the Board the re-election of Directors retiring by rotation and offering themselves for re-election at the Annual General Meeting in line with the Articles of Association of the Bank and applicable regulations, having assessed the fitness and propriety of the Directors

- Considered the suitability of several candidates and recommended the appointment of new Directors to the Board of Directors of the Bank considering succession needs, gaps in expertise as identified in the Board etc. which resulted in two appointments being made to the Bank Board to fill casual vacancies including specific expertise such as a technology expert

- The Committee further reviewed and recommended the appointment and continuation of Directors to the Boards of subsidiary companies of the Bank

In these processes, the Committee assessed the qualifications, experience, skills and competencies of the Directors vis à vis the gaps and needs of the Boards in line with the current gaps, challenges faced and any applicable regulatory requirements. The Committee was conscious of the overall composition of the Boards and striking the ideal balance in terms of expertise, experience, age, gender etc. on the boards

- Reviewed policies and procedures on selection and appointment of Directors and appointment process for the CEO and KMPs of the Bank
- Recommended a Code of Conduct & Ethics for Directors of the Bank's subsidiary companies with a view to ensuring the stringent governance framework within which the Bank operates permeates to its group
- Reviewed the succession plan for the KMPs of the Bank with a view to proactively ensure talent identification, retention and grooming for smooth succession including identification of areas where external recruitment and expertise as may be required, in line with the strategic vision and direction of the Bank
- Selected and recommended suitable candidates to hold existing KMP positions when vacancies were created after a thorough evaluation of internal talent as well as external expertise and talent available in the market. This included identifying and recommending a suitable candidate to take over the CEO position of the Bank being the chief apex management position, considering the current challenges and the future trajectory of the Bank in line with the vision and strategy set forth
- The Board/HRRC having evaluated the need for certain structural changes in the organisation after careful consideration of the current needs of the Bank, to equip the Bank better to handle the challenging environment and in line with the strategic vision and direction of the Bank, the Committee considered and recommended a suitable candidate to fill an identified new KMP role created in the organisation structure

- The Committee advised and assisted the Board in carrying out extensive investigations and inquiries on matters relating to fitness and propriety of KMPs of the Bank in connection with certain disciplinary matters that arose during 2023, arising from whistle blowing and other concerns raised by stakeholders

WAY FORWARD

The Committee is cognizant of its widening scope and duties in line with prevailing Rules and Regulations, noting that with the most recent revision to the CSE Listing Rules, going forward, the Committee will be overseeing the Governance pillar on behalf of the Board.

APPRECIATION

The Committee places on record its appreciation of its members for the contribution and commitment throughout 2023.



Mr. Sriyan Cooray

Chairman

Nominations & Governance Committee

20 February 2024

Colombo

Human Resources and Remuneration Committee Report



Mr. Sriyan Cooray
Chairman
Human Resources &
Remuneration Committee

COMPOSITION OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

The Board appointed Human Resources & Remuneration Committee comprised five Non-Executive Directors inclusive of the Chairman who is an Independent Director and a majority of Independent Directors as set out below.

As at 31 December 2023 the Committee comprised the following:

Board Members

1	Mr. Sriyan Cooray (Chairman) Independent Director	20 Aug 2021
2	Mr. Bernard Sinniah Non-Independent Director	19 Feb 2020
3	Mr. Sujeewa Mudalige Independent Director	22 Mar 2022
4	Ms. Kasturi Chellaraja Independent Director	20 Jun 2023
5	Mr. Hasitha Premaratne Independent Director	18 Jul 2023

Date of Appointment to the Committee

Secretary to the Committee

Ms. Shehani Ranasinghe
Vice President - Company Secretary

CHARTER OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

The Human Resources & Remuneration Committee was formed in compliance with Section 3 (6) of Direction No. 11 of 2007, on the subject "Corporate Governance for Licensed Commercial Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No. 30 of 1988. The Charter of the Committee was revised and expanded to be in compliance with recent amendments to the Listing Rules of the Colombo Stock Exchange introduced via CSE Circular No 04/2023 dated 11 September 2023.

The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction and the Listing Rules. The Charter of the Human Resources & Remuneration Committee was approved by the Board of Directors and is reviewed annually. As part of the annual review process, the Committee reviewed the Charter in 2023. As per the Charter, the scope of work includes the following;

1. Establishing, maintaining and periodically reviewing the Remuneration Policy (salaries, allowances and other financial payments and perquisites) and recommend remuneration payable to Executive Directors, the CEO and Key Management Personnel (KMP/s) of the Bank in terms of the Remuneration Policy/ Bank's Articles etc. for the approval of the Board
2. Recommending to the Board the apportionment of the remuneration perquisites and benefits of the Non-Executive Directors including the Chairman out of the total sum determined for the purpose by the shareholders in terms of the Bank's Articles
3. Reviewing and recommending to the Board in consultation with the Nominations and Governance Committee, personnel considered fit and proper for appointment to KMP positions of the Bank
4. Responsibility of setting and reviewing goals and targets for Directors, CEO and KMPs and determining their periodic revision
5. Evaluating the performance of the CEO and KMPs against the set goals and targets periodically and determining the basis for revising remuneration, benefits and other payments of performance based incentives
6. Consulting with the Nominations and Governance Committee when considering the succession plans and proposals recommended by the Senior Management of the Bank for all existing KMP positions of the Bank and making necessary recommendations for the approval of the Board
7. Discussing and analysing with the Management the overall remuneration expenditure on all staff and their distribution among different categories and obtaining information on the remuneration and benefits paid/given to consultants engaged by the Bank
8. Receiving information on the role and activities of the Human Resources Department and making recommendations for the strengthening of the role of the said department if necessary
9. Reviewing the recommendations made by the Senior Management on appropriate incentives/awards to achieve objectives such as rewarding performance and retaining KMPs, including the review/ recommendation of share option schemes for employees of the Bank
10. Reviewing and recommending to the Board any termination payments that are proposed to be paid to Directors, the CEO and/or KMPs in the event the same are deemed necessary and ensuring that such payments are in terms of the Remuneration Policy of the Bank and are approved in accordance with applicable statutes, rules and regulations
11. Reviewing and approving the scope and any changes proposed to the Terms of Reference of the Management Human Resources Committee as may be recommended by the Management from time to time

COMMITTEE MEETINGS

The Committee held six (06) meetings during the year under review. The attendance of committee members at meetings is stated in the table on page 124. The quorum for a meeting is three members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

The CEO has been present at meetings subsequent to being invited by the Committee, other than in instances where matters relating to the CEO have been discussed.

STATEMENT REGARDING REMUNERATION STRATEGY/POLICY

The Committee acknowledges rewards as one of the essential components in influencing employee behaviour, thus impacting business results. Therefore, the reward programmes are designed to attract, retain and to motivate employees to deliver results by linking performance to demonstrable performance based criteria. In this regard, the Committee evaluates the performance of the CEO and KMPs against the pre-agreed targets and goals that balance short and long term financial and strategic objectives of the Bank.

The Bank's variable (bonus) pay plan is determined according to the overall achievements of the Bank and pre-agreed individual targets, which are based on various performance parameters. The level of variable pay is set to ensure that individual rewards reflect the overall performance of the Bank, the particular business unit and individual performance. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against predetermined targets. In this regard and as and when needed, the Committee is aware that it can seek external independent professional advice on matters falling within its purview.

The Committee has as a practice ensured that the Bank organises and takes part in compensation surveys as and when required and at a minimum, every two to three years and has utilised such feedback to ascertain that compensation practices are benchmarked to the "best practices" and are relevant and current as far as possible.

The comprehensive Remuneration Policy in place, sets the principles and a formal and transparent procedure to set and review remuneration which includes cash and non-cash benefits payable to Directors, the CEO and the KMPs of the Bank. This policy also ensures that non-discriminatory pay practices are followed in setting remuneration payable to Non-Executive Directors to ensure that their independence is not impaired.

DISCLOSURES BY THE COMMITTEE

The Committee notes that the Bank has in place a Remuneration Policy as stated above and further that the aggregate remuneration of the Executive and Non-Executive Directors is stated in page 127 of this Report.

KEY ACTIVITIES IN 2023

During the year, the Committee comprehensively reviewed the rewards strategy of the Bank in the context of the current economic landscape including the significant levels of attrition witnessed in 2023 and the retention challenges faced.

The Committee evaluated the performance of the CEO and KMPs of the Bank for the year 2023 against the set goals and targets, using the Balanced Scorecard methodology and recommended to the Board of Directors of the Bank, the increments, performance based bonuses and promotions for the staff members in general and individually, for the KMPs in 2023, in line with current Strategy and Direction of the Bank.

Staff benefits, grading and schemes were also reviewed during the year with a view of improving staff satisfaction in line with market standards with focus on the Bank's strategic journey and the impact of the prevailing environment, whilst ensuring compliance with applicable rules and regulations. Changes to the organisational structure too was carried out during the year to ensure alignment and delivery of the Strategic Plan of the Bank in order to be better equipped to manage the local and global environment and challenges.

The Committee also advised and set goals and targets for the Directors, the CEO and KMPs for 2023 in line with the Strategic Vision and Direction of the Bank in 2023. The Committee reviewed Directors' fees paid to Non-Executive Directors in line with the Remuneration Policy of the Bank whilst being cognizant of market dynamics and related regulations.

The Performance Management Cycle was robustly reviewed and revised during the year. The Committee also advised on commencing a talent identification, talent mapping, and leadership competency development plan covering all key roles at the Bank with a view to improving succession planning at the Bank. The Remuneration Policy was revised during the year in line with applicable laws and regulations and to make same more relevant and practical to the Bank.

The Committee also received information on the role and activities of the Human Resources Department and made recommendations to strengthen governance and management practices.

The Committee assisted the Nominations and Governance Committee and advised on certain disciplinary matters that arose during 2023 from whistle blowing and other concerns raised by stakeholders.

WAY FORWARD

The Committee will consistently improve its scope and purview in line with local and global trends in Human Resource Management whilst taking into consideration any changes to applicable Rules and Regulations.

APPRECIATION

The Committee places on record its appreciation of its members for the contribution and commitment throughout 2023.



Mr. Sriyan Cooray

Chairman

Human Resources and Remuneration Committee

20 February 2024
Colombo

Integrated Risk Management Committee Report



Mr. Sriyan Cooray
Chairman
Integrated Risk Management Committee

COMPOSITION OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Board appointed Integrated Risk Management Committee (IRMC) comprised six Non-Executive Directors of which three are independent Directors which includes the Chairman of the Committee.

As at 31st December 2023 the Committee comprised the following;

Board Members

1	Mr. Sriyan Cooray (Chairman) Independent Director	01 Sep 2018
2	Mr. Sujeewa Mudalige Independent Director	19 Feb 2020
3	Ms. Chandima Dilrukshi Non-Independent Director	22 Jun 2021
4	Ms. Fay Piyachatr Chetnakarnkul Non-Independent Director	22 Jun 2021
5	Ms. Kasturi Chellaraja Independent Director	25 Oct 2022
6	Mr. Hasitha Premaratne Independent Director	20 Jun 2023
7	Mr. Dimantha Seneviratne Chief Executive Officer - Non-Independent Director (Ceased to be a Director w.e.f. 31 January 2024)	01 Jul 2017

Non-Board Members

8	Chief Risk Officer (Mr. Alex Perera)
9	Vice President - Legal (Ms. Melody Wikramanayake)
10	Compliance Officer (Mr. Chandima Kannangara)

Date of Appointment to the Committee

Secretary to the Committee

Mr. Alex Perera
Chief Risk Officer/ Vice President - Risk Management

CHARTER OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee (IRMC) was formed in June 2008 replacing the Risk & Credit Committee of the Board, in compliance with the Section 3 (6) of Direction No. 11 of 2007 (as amended), on the subject "Corporate Governance for Licensed Commercial Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No 30 of 1988. The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction.

The Charter of the IRMC was approved by the Board of Directors and is reviewed annually. As part of the annual review process, the Committee last reviewed the Charter in February 2023. As per the Charter, the scope of work includes the following:

- Work closely with Key Management Personnel (as defined by the Management from time to time) and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee
- Assess all risks of the Bank and Group on a monthly basis through appropriate risk indicators and management information
- Submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions
- Review the adequacy and effectiveness of all management level committees such as the Credit Committees, Credit and Market Risk Policy Committee, Operational Risk Management Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee/ Board
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee/ Board on the basis of the Bank's policies and regulatory and supervisory requirements
- Inform the Human Resources Department to take appropriate action against the officers who fail to identify specific risks, and/ or take prompt corrective actions as recommended by the Committee, and/ or as directed by the Director of Bank Supervision. The course of action to be taken against staff would be governed by the HR disciplinary action procedure in force

- Receive copies of regulatory examination reports pertaining to matters that are within the purview of the Committee and Management's responses thereto
- Ensure staffs are trained adequately on compliance related laws, regulations, policies and procedures as a tool in mitigating bank's compliance risk by educating employees and maintaining their ongoing awareness. The programmes include both formal training courses and ongoing communications

COMMITTEE MEETINGS

The Committee held four (04) meetings, during the year under review to discuss the normal scope of work and one special IRLC meeting held in May 2023, to review the Internal Capital Adequacy Assessment Process (ICAAP) & Stress Testing Framework of the Bank. The attendance of committee members at meetings is stated in the table on page 124. Key members of the staff participated at the meetings as appropriate. The quorum for a meeting is four members of which two shall be Non-Executive Directors.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

KEY ACTIVITIES IN 2023

The ongoing Sri Lankan economic crisis has emerged as a formidable challenge for the Banking Industry. In 2023, despite the continuing macroeconomic challenges that affected the banking industry, the Bank continued to adopt prudent measures in balance sheet management in line with the external developments, specially with the easing off of uncertainties associated around the Government of Sri Lanka's Domestic Debt Optimisation (DDO) mechanism which exerted considerable pressure on the industry. The finalisation of the DDO and the options extended to banks removed ambiguity and helped lessen the risk premia added to interest rates. The Bank recalibrated its strategy in the current context, in order to remain well on track in achieving the set targets and deliver continued value to its stakeholders. The Committee, thus, in addition to carrying out its duties under the normal scope of work devoted special attention to reviewing the risks and mitigants associated with the impact on portfolios affected and the factors that are within the control of the Bank to mitigate the risks with a view of arresting deterioration of credit quality.

The key areas of focus in this regard are detailed under each category below:

Integrated Risk Management

- Annual Review of Internal Capital Adequacy Assessment Process (ICAAP) Document for 2023 together with the Stress Testing Policy & Framework were reviewed and approved taking into consideration of the impact on the operating environment of the Bank due to prevailing economic condition of the country. The Risk Appetite Framework and Risk Tolerance limits were reviewed and adjusted by the Committee considering the challenges in operating environment. The risk levels of each material risk of the Bank and the mitigants in place were critically reviewed as part of the ICAAP review
- The Integrated Risk Management Framework and the Model Validation Policy were reviewed and approved
- Bank's Recovery Plan (RCP) was reviewed and approved in line with the CBSL direction and the ICCAP document of the Bank
- The Committee reviewed the Key Risk Indicators of the Bank and Group Companies on a monthly basis through the monthly KRI statements and quarterly Risk Assessment Reports

Credit Risk

- The key focus for 2023 was arresting the deteriorating asset quality in the aftermath of successive crisis stemming from the Easter Attack in 2019, Covid Pandemic in 2020 & 2021 and the Economic crisis in 2022. The weakened operating climate was further exacerbated by multiple geopolitical issues
- The Bank's Credit related policies (including the main Credit Policy of the Bank and the Impairment policy) and Operating Guidelines were thus reviewed and approved taking into account the prevailing market environment. The Bank's Delegated Lending Authority structure for credit related approvals was also reviewed in order to tighten controls considering the challenging environment and rising non-performing assets
- The portfolio quality of the Bank was periodically reviewed in order to assess the impact of the stresses on sectors, products and business segments consequent to the existing country situation and economic conditions
- The remedial and rehabilitation actions taken by the Remedial Management Unit and the Centralised Recoveries Department were reviewed in assessing the progress made towards managing the portfolio quality of the Bank

- The findings/ observations from the Loan Review Mechanism unit were reviewed and emphasis was placed on the implementation of the learnings in order to ensure improvements to the Underwriting Standards and Credit Administration Processes
- The work carried out by the Credit Committees, Credit and Market Risk Policy Committee and the decisions taken by each committee were reviewed

Operational Risk

- The Operational Risk Policy was reviewed and approved to include process efficiencies
- The Operational Risk reports were reviewed including but not limited to:
 - Emerging Operational Risks and significant incidents and losses
 - Key Risk Indicator breaches related to Human Resources, Information Technology, Finance, Compliance and Business lines
 - Scenario Analysis - Events which would have a significant impact on the Bank's Operations and the Action Plans to mitigate same
- Reviewed the proceedings of the Operational Risk Management Committee (ORMC) including the decisions taken by the Committee

Market and Liquidity Risk

- Market & Liquidity Risk related Policies along with Procedure Guidelines and Terms of Reference were reviewed and approved to ensure facilitation, identification & assessment of related risks together with adequacy of controls
- The Bank's Liquidity Contingency Funding Plan was reviewed and approved in line with the Bank's Recovery Plan
- Treasury Risk Limit Framework & Funding needs were reviewed and approved based on the Strategic Initiatives, Balance Sheet Structure and the Risk Profile of the Bank
- Stringent internal risk tolerance limits were imposed in monitoring Foreign Exchange risk to be within the Regulatory Limits ensuring that potential losses arising out of fluctuations in FX rates are minimised
- Impact of sovereign downgrading on managing foreign currency liquidity position with regard to contraction of money market lines with foreign counterparts, funding lines and the impact on International Sovereign Bond (ISB)/ Sri Lanka Development Bond (SLDB) portfolio of the Bank were reviewed

Compliance

- The Committee ensured that the Compliance Framework, Policies and Processes are designed to identify, manage, monitor and report non-compliances and to minimise potential for breaches, fines or penalties and to ensure that appropriate remedial action is taken to address instances of non-compliance
- The Committee also assessed the implications of new regulations and ensured that emerging risks and regulatory requirements were adequately managed during these challenging times
- The Committee noted that all regulatory engagements were managed effectively meeting regulator's expectations
- The Bank's compliance with laws, regulations and regulatory obligations were assessed based on the Quarterly Compliance Report submitted
- All applicable Compliance related Policies and Frameworks were reviewed and approved which enables the Bank to identify, prioritise and assign accountability for managing existing or potential compliance risks that could lead to fines, penalties or reputational damage
- The Annual Compliance Program work carried out was reviewed and approved. Periodic management information reports were submitted to the Board through the Committee informing the status of implementation related to Compliance programme
- Committee also noted that adequate training programmes were conducted on regulatory requirements and staff were well conversant with the regulations

Legal Affairs (Litigation)

- The Committee reviewed court cases filed against the Bank, cases filed by the Bank as well as other cases where the Bank is made a party to. Probable outcomes of such cases were also detailed. Updates on cases outsourced to external law firms were discussed as well
- Committee was appraised on the progress on Parate actions, any issues related to the Title Policy of the Bank, latest laws related to the Legal actions filed and the latest cases in the industry which may have an adverse impact on the Bank's recovery process
- Bank was an intervenient party to the case where a landmark Judgment was delivered by the Supreme Court in respect of Mortgages over lands of 3rd parties can be taken over under Parate action

IT & Cyber Risk

- IT Security Policy Revision for 2023 was reviewed and approved. Periodic updates on Technology Risk Resilience and Cyber Risk/ IT Security were also reviewed
- Policies related to Information Security Management System (ISMS) and Business Continuity Management System (BCMS) were reviewed and approved. The Policies were aligned with ISO 27001 Standard and ISO 22301 Standard respectively

Environment & Social Risk Management (ESRM)

- The ESRM Policy and the ESRM Manual of the Bank were reviewed and approved during the year to ensure the relevance of the Policy and Manual in a rapidly evolving ESG landscape
- The revision introduced new processes around credit facilities appraisal and approval which further strengthened the scrutiny on environmental and social aspects linked to Bank's lending
- The function continued to cover the Operations of the Bank as well as the Group companies. Within the Bank additional stakeholders were engaged with newly introduced responsibilities under the Policy and Manual revision, which derives more dynamic contribution towards ensuring the effectiveness of the E&S function
- The IRMC was updated on a quarterly basis on ESMS related matters
- Committee noted that several capacity building programmes to the staff members involved in lending, credit process and ESRM related process of the Bank were carried out with the external resource contribution of eminent professionals in the field and internal contributors

Other

- Revision to the Policy on Payment Related Mobile Applications and Agent Selection Policy and Risk Management Framework relating to Digital Financial Services Unit was reviewed and approved

WAY FORWARD

- Implement a Loan Origination System for Wholesale Banking, Project Finance and Business Banking which will enable a smooth functioning of the Loan Originating Process
- Integrate Risk Rating model validation outcomes and roll out the re-developed models in order to strengthen the existing Risk Rating Models of the Bank

- Implement an advance approach, Alternative Standardised Approach (ASA) for the computation of Risk Weighted amount for Operational risk from the current Basic Indicator Approach (BIA).
- Improve system capabilities in monitoring Market Risk, Liquidity Risk and Treasury Middle Office Function to enhance the efficiency of risk control mechanisms
- Work towards strengthening the Financial Crime Compliance programme in collaboration with Norfund and Ernst & Young (EY). Special emphasis will be made on Anti-Bribery and Corruption (ABC) training and E learning
- Implement a holistic ESG Policy amalgamating the Bank's ESRM Policy, Corporate Sustainability Policy and other related policies/ processes
- Implementation of a Security Operations Center (SOC) and Security Incident & Event Management System (SIEM) to strengthen the security control environment

COMMITTEE EVALUATION

- The Self-Assessment of the IRMC for the year 2023 was carried out by its members and the Committee agreed on the final satisfactory rating score and suggestions for improvement were discussed

Appreciation

- The Committee wishes to convey its gratitude to former Director Mr. Hiran Perera for his valuable contribution to the Committee



Mr. Sriyan Cooray

Chairman

Integrated Risk Management Committee

20 February 2024
Colombo

Audit Committee Report



Mr. Sujeewa Mudalige
Chairman
Audit Committee

COMPOSITION OF THE AUDIT COMMITTEE

The Board appointed Audit Committee comprised four Non-Executive Directors inclusive of the Chairman who is an Independent Director.

As at 31 December 2023 the Committee comprised the following;

Board Members

1	Mr. Sujeewa Mudalige (Chairman) Independent Director	18 Feb 2020
2	Mr. Sriyan Cooray Independent Director	01 Sep 2018
3	Ms. Chandima Dilrukshi Non-Independent Director	22 Jun 2021
4	Ms. Shweta Pandey Independent Director	20 Jun 2023
Date of Appointment to the Committee		

Secretary to the Committee

Ms. Ruwani de Silva
Vice President - Internal Audit

CHARTER OF THE AUDIT COMMITTEE

The Charter of the Committee approved by the Board, clearly defines the Terms of Reference of the Committee and is periodically reviewed and revised with the concurrence of the Board of Directors. This process ensures that new developments relating to the Committee's functions and concerns are adequately addressed. The Audit Committee Charter was last reviewed and approved in November 2023 by the Board of Directors.

Audit Committee assists the Board in the discharge of its responsibilities by exercising oversight over the Bank's financial reporting, internal controls, internal audit and external audit practices.

COMMITTEE MEETINGS

The Committee held seven (07) meetings during the year under review. The attendance of Committee Members at meetings is stated in the table on page 124. The quorum for a meeting is three (03) members.

The proceedings of the Committee Meetings have been regularly reported to the Board of Directors.

Vice President Internal Audit, Chief Executive Officer (CEO), Vice President/Chief Financial Officer and the Bank's External Auditors attended all meetings on invitation. The Committee also invited the Deputy Chief Executive Officer (DCEO) and members of the Senior Management of the Bank to participate in the meetings from time to time on a need basis.

METHODOLOGY USED BY THE COMMITTEE

The Committee functions are structured and regulated in accordance with the guidelines issued in the Banking Act Direction No.11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments (hereinafter referred to as the Direction), "Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Committee is empowered by the Board to:

- Review the Interim Financial Statements and the Bank's Annual Financial Statements in order to monitor the integrity of such statements prepared for disclosure, prior to submission to the Board of Directors
- Examine any matter relating to the financial and other connected affairs of the Bank
- Ensure that efficient and sound financial reporting systems are in place and are well managed in order to provide accurate, appropriate and timely information to the Board of Directors, Regulatory Authorities, the Management and Other Stakeholders
- Ensure the Bank has adopted and adhere to policies which firmly commits the Bank to achieve the highest standards of good corporate governance practice

- Review the quality and the appropriateness of Accounting Policies and their adherence to Statutory and Regulatory Compliance requirements and applicable Accounting Standards
- Review the outcome of the Annual Risk Assessment Process and Internal Audit Plan assessing independence and performance of the Internal Audit function
- Review internal audit reports and liaising with Management in taking precautionary measures to minimise control weaknesses, procedure violations, frauds and errors
- Review External Audit Management Letter and Statutory inspection reports in relation to matters under Audit Committee purview and follow up on their findings and recommendations

SUMMARY OF ACTIVITIES IN 2023

Reporting of Financial Position and Performance

The Committee assists the Board to discharge their responsibility in the preparation of Financial Statements that evidence a true and fair view on the financial position and performance in accordance with the Bank's accounting records and as per the stipulated requirements of the Sri Lanka Accounting Standards and other regulatory requirements. In fulfilling its oversight responsibilities, the Committee reviews;

- The adequacy and effectiveness of the Internal Controls, Systems and Procedures over Financial Reporting
- The effectiveness of the Financial Reporting Systems in place to ensure reliability of the information provided to the Stakeholders
- The Bank's Financial Statements, Accounting Policies and practices and reasonableness of the underlying assumptions for estimates and judgments made in preparing the Financial Statements
- The Tax Assessments outstanding and action initiated for resolution through regular reports submitted by VP/CFO
- The processes by which compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory provisions relating to financial reporting and disclosures are ensured
- The Annual Report and Accounts, and the Interim Financial Statements prepared for publication together with the press releases prior to submission to the Board
- The assurance statement received from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's Operations and Finances in line with the requirement of listing rules

Compliance with the Revised Sri Lanka Accounting Standards

During the year the Audit Committee placed additional focus on the assessment of adequacy of provision for Expected Credit Loss (ECL) recognised

in the Financial Statements based on the internal models, management overlay computed based on stress testing, the exposures to risk elevated sectors, to strengthen the impairment provision process.

Bank also implemented an automated solution in the workflow system commencing from Q3 2023 to evaluate objective evidences and compute impairment provision for individually significant loans to expedite the Financial Reporting Process.

Further a separate team from our External Audit Firm conducted an awareness session to the Committee in the third quarter on overview of Domestic Debt Restructure (DDR), DDR Scenarios, SLDBs and FCBUs accounting and risk implications and key considerations.

Mechanism of Internal Controls

During the year, the Committee reviewed the effectiveness of the Bank's Internal Control System and the CEO's quarterly confirmation on the Internal Control Environment, derived through the Operational Risk process which supports strengthening the Second Line of Defence of the Bank. Additionally, the Committee assessed the effectiveness of the Bank's internal controls over financial reporting as of 31 December 2023, as required by the Banking Act Direction No.11 of 2007 (as amended), Corporate Governance for Licensed Commercial Banks in Sri Lanka, Subsection 3(8) (ii) (b), based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by The Institute of Chartered Accountants of Sri Lanka. The result of the assessment is given on page 157 to 158, in the "Directors' Statement on Internal Control" in the Annual Report. The External Auditors have also issued an Assurance Report on the Directors' Statement on Internal Controls. The report is given on page 160 of the Annual Report.

The Committee also regularly reviews the Internal Control Procedures in place to ensure that necessary control and mitigating measures are available in respect of newly identified risks.

Internal Audit Function

The Committee ensures that the Internal Audit Function is independent of the activities it audits and that the audits are performed with impartiality, proficiency and due professional care.

The Vice President Internal Audit reports directly to the Audit Committee.

The Bank has adopted a risk-based audit methodology and audit approach. The Audit universe consists of all auditable areas/processes of the Banking Group, which are audited annually based on a risk based audit plan approved by the BAC.

A risk grading matrix has been adopted for assessing and measuring the risks identified during audit assignments carried out by the Internal Audit department.

The Audit Committee reviewed the findings along with the Management action plans of the audits completed and their evaluation of the Bank's Internal Control Systems. The Committee also reviewed the coverage including the action plans given to address the issues and the implementation status.

Major findings of internal investigations with recommendations of the Management were discussed by the Committee in detail.

The Committee also met with the Vice President Internal Audit in the absence of the Management to ensure independence of the Internal Audits Operations.

The Audit Committee reviewed the independence, objectivity & performance of the Internal Audit function and the adequacy of its resources. The Audit Committee also evaluated the performance of Vice President Internal Audit and reviewed the performance of the senior staff members of the Internal Audit function.

Audit Charter and Audit Manual

The Internal Audit function is governed by the Audit Charter which defines the mission, authority, responsibility, independence, reporting, commitment and access in order to assist Audit to discharge its function independently. The Audit Charter and the Audit Manual were revised and approved in June and November 2023 respectively, by the Board.

External Audit

The Audit Committee undertook the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process.

During the audit, the External Auditor presented to the Committee their audit approach and procedures, including matters relating to the scope of the audit and Auditor's independence.

The Committee reviewed the audited Financial Statements with the External Auditor responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards and discussed in detail the action taken by the Management with regard to the Key Audit Matters raised by the Auditors.

The Committee also reviewed the Management Letter issued by the External Auditor and the management responses thereto.

The Audit Committee met the External Auditors twice (2) during the year, without the presence of CEO and the Corporate Management, to ensure that the Auditors had the independence to discuss any concerns and express their opinions on any matter and also for the Committee to have the assurance that the Management provided all information and explanations requested by the Auditors.

The Audit Committee was of the view that the Non-Audit Services provided by the External Auditor were not within the category of services identified as prohibited under:

1. The guidelines issued by the Central Bank of Sri Lanka for External Auditors, relating to their statutory duties in terms of Section 39 of Banking Act No.30 of 1988 and amendments thereto
2. The guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka

In carrying out the overseeing responsibilities, the Committee adopted the overview principles of the Basel Committee on Banking Supervision on External Audits of the Banks, issued in March 2014.

The Engagement Partner was changed in 2023 to be in line with the Corporate Governance requirements.

Re-appointment of External Auditor

The Audit Committee performed an evaluation of the External Auditor based on certain defined criteria and independent evaluation done by VP/CFO and recommended to the Board of Directors that Messrs. Ernst and Young, Chartered Accountants, to be re-appointed for the financial year ending 31 December 2024 subject to the approval of the shareholders at the next Annual General Meeting.

Oversight on Regulatory Compliance

The Internal Audit department performed verifications covering mandatory banking and other statutory requirements during their process audits ensuring that systems and procedures are in place to ensure compliance with such requirements.

Good Governance and Whistle Blowing

The Bank's Whistle Blowing Policy was reviewed and amended in April 2022 in order to further strengthen the policy. The Policy is intended to serve as a channel of Corporate Fraud Risk Management. The policy will educate and encourage any team member who has a legitimate concern on an existing or potential "wrong doing", done by any person within the Bank, to come forward voluntarily, and bring such concern to the notice of an independent designated authority. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle blowing. The Whistle blowing Policy guarantees the maintenance of strict confidentiality of the identity of the whistle blowers.

The Bank also has an established external informational mechanism, known as the "NDB Ombudsman" further strengthening the whistle blowing mechanism where the Bank introduced a feature of reporting through the staff intranet for added convenience and security. This Policy was reviewed in July 2023.

EVALUATION OF THE AUDIT COMMITTEE

The Audit Committee carried out a formal self-evaluation/appraisal on the effectiveness of the Committee for the year 2023 based on certain defined criteria. The Audit Committee Members concurred that the Committee had carried out its responsibilities in an effective and satisfactory manner.



Mr. Sujeeva Mudalige
Chairman
Audit Committee

20 February 2024
Colombo

Related Party Transaction Review Committee Report



Mr. Sriyan Cooray
Chairman
Related Party Transaction Review Committee

COMPOSITION OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Board appointed Related Party Transaction Review Committee comprised Four Non-Executive Directors inclusive of the Chairman who is an Independent Director as set out below.

As at 31 December 2023 the Committee comprised the following:

Board Members

1	Mr. Sriyan Cooray (Chairman) Independent Director	01 Jul 2022
2	Mr. Kushan D'Alwis, PC Independent Director	22 Jul 2020
3	Ms. Chandima Dilrukshi Non-Independent Director	20 Aug 2021
4	Mr. Hasitha Premaratne Independent Director	20 Jun 2023

Date of Appointment to the Committee

Secretary to the Committee

Ms. Shehani Ranasinghe
Vice President - Company Secretary

CHARTER OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Board of Directors of the Bank constituted a Related Party Transactions Committee voluntarily in December 2014 further to the provisions contained in the Listing Rules of the Colombo Stock Exchange (CSE) so as to ensure compliance with the Rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE at that time, which required mandatory compliance from 1 January 2016. The Terms of Reference (TOR) of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually. As part of the annual review process, the Committee reviewed the TOR in 2023 recommending certain changes including changes to be in line with the recent amendments to the Listing Rules via CSE Circular No 04/2023. The composition and the scope of work of the Committee are in conformity with the said Rules.

The primary objective of the Committee is to assess and consider all transactions with related parties of the Bank in line with the Listing Rules, in order to ensure that interests of shareholders as a whole are taken into account when entering into transactions with related parties of the Bank noting that the objective and the economic and commercial substance of such transactions should take precedence over the legal form and technicality.

The Committee carries out the duties and responsibilities as mandated in its Charter including the following:

1. Reviews, evaluates and determines the advisability of any Related Party Transactions except for transactions set out in Rule 9.14.10 of the CSE Listing Rules, that require consideration by the Committee under the Related Party Transaction Policy of the Bank and taking into consideration, Rule 9.14.5 of the Listing Rules of the CSE
2. Approves or rejects the Related Party Transaction upon the required internal approvals being obtained
3. Determines whether the relevant Related Party Transaction is fair to, and in the best interests of, the Bank and its stakeholders; and
4. Recommends to the full Board what action, if any, should be taken by the Board with respect to any Related Party Transaction. In such an instance, approval of the Board of Directors should be obtained prior to entering in to the relevant Related Party Transaction

5. Recommends to the full Board where necessary that the approval of the shareholders of the Bank be obtained by way of a Special Resolution prior to the concerned transaction being entered into as specified in Section 9.14.6 and 9.14.9 of the Listing Rules
6. In respect of transactions with Related Parties which are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of the Bank or its subsidiaries, determines if the terms of a transaction with a Related Party is not favourable to the Related Party than those generally available to the public
7. Approves any proposed material changes in any previously reviewed Related Party Transactions prior to the completion of the Transaction
8. Establishes guidelines for the Senior Management to follow in its on-going dealings with the Related Party
9. Reviews and assesses on-going relationships with Related Parties, if any
10. Establishes and maintains a clear policy, procedure and process in place for the identification, clarification, monitoring and reporting the Related Party Transactions on an end-to-end basis across the Bank's operations
11. Ensures that the Interests of shareholders as a whole are taken into account by the Bank when entering into Related Party Transactions
12. When assessing a Related Party Transaction, the Committee ensures that the objective and the economic and commercial substance of the transaction take precedence over the legal form and technicality

COMMITTEE MEETINGS

The Committee held four (04) meetings during the year under review. The attendance of committee members at meetings is stated in the table on page 124. The quorum for a meeting is three members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors. The Board of Directors take due consideration of the comments/observations made by the Committee and the approvals granted by the Committee for Related Party Transactions.

The Chief Executive Officer (CEO) has been present at meetings only if invited by the Committee.

METHODOLOGY USED BY THE COMMITTEE

The Committee is guided by the Listing Rules of the CSE pertaining to Related Party Transactions and by/as reflected in the Terms of Reference of the Committee. It also takes into consideration the Board approved Related Party Transaction Policy when reviewing the transactions, the Related Party's relationship to the Bank and interest in the transaction, the material facts of the proposed transaction including the aggregate value of the same, the benefits to the Bank of the proposed transaction, the availability of other sources of comparable products or services and further carries out an assessment of whether the proposed Related Party Transaction is on terms generally available to an unaffiliated third party under the same or similar circumstances or to employees generally.

In carrying out the duties of the Committee, the Committee avoids 'conflicts of interest' which may arise from any transaction of the Bank with any person, particularly with related parties and ensures arm's length dealings with related parties. Whilst noting the approval procedure to be followed by the Board when granting of accommodation to related parties of the Bank in line with the Banking Act, the Committee advises on ensuring adherence to the Corporate Governance Directions of the Banking Act which requires the Bank to avoid engaging in transactions with related parties in a manner that would grant such parties 'more favourable treatment' than accorded to other Constituents of the Bank carrying on the same business and that the security requirements as stated in the Banking Act Directions have been adhered to.

KEY ACTIVITIES IN 2023

During the year the Committee approved transactions relating to the provision of services by the Bank to various related parties on an 'arms-length' basis. This included in depth deliberations to ensure that where transactions with related parties were approved, same did not take place on more favourable terms. Some of the transactions reviewed included obtaining and providing expert services from/to group companies and other related parties of the Bank on an arm's length basis.

Recommendations were also made to improve/strengthen processes at ground level/through automation etc. when financial as well as non-financial transactions with related parties are contemplated and to monitor transactions and make required disclosures.

The Related Party Transaction Policy of the Bank was reviewed and revised during the year to ensure that same is aligned to the revised Listing Rules of the CSE and any other related laws and regulations.

The Committee has reviewed new and on-going Related Party Transactions of the Bank during the period of 1 January 2023 to 31 December 2023 and has thus complied with the rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE. The Bank has not entered into any transactions as contemplated in Section 9.14.8 (1) & (2) of the Listing Rules of the CSE and accordingly there are no disclosures to be made in this regard in accordance with Section 9.14.8 of the Listing Rules of the CSE.

WAY FORWARD

The Committee continuously guides the Bank in setting up more robust mechanisms for monitoring and identifying Related Party Transactions and in fostering awareness among the business lines/staff of the Bank on the proper procedures to be followed with regard to Related Party Transactions.

APPRECIATION

The Committee places on record its appreciation to the outgoing committee member during 2023, Mr Sujeewa Mudalige, for his contributions and further appreciates all its members for their contributions and commitment.



Mr. Sriyan Cooray

Chairman

Related Party Transactions Review Committee

20 February 2024
Colombo

Strategic Issues Committee Report



Mr. Sriyan Cooray
Chairman
Strategic Issues Committee

COMPOSITION OF THE STRATEGIC ISSUES COMMITTEE

The Board appointed Strategic Issues Committee comprised Four Non-Executive Directors inclusive of the Chairman who is an Independent Director and the Chief Executive Officer (CEO).

As at 31 December 2023 the Committee comprised the following:

Board Members

1	Mr. Sriyan Cooray (Chairman) Independent Director	01 May 2019
2	Mr. Bernard Sinniah Non-Independent Director	19 Feb 2020
3	Mr. Sujeewa Mudalige Independent Director	19 Feb 2020
4	Ms. (Fay) Piyachatr Chetnakarnkul Non-Independent Director	22 Jun 2021
5	Mr. Dimantha Seneviratne Chief Executive Officer Non-Independent (Ceased to be a Director w.e.f. 31 January 2024)	23 Jul 2019

Date of Appointment to the Committee

Secretary to the Committee

Ms. Shehani Ranasinghe
Vice President - Company Secretary

CHARTER OF THE STRATEGIC ISSUES COMMITTEE REPORT

With the formation of the Strategic Issues Committee as a Board subcommittee, its Charter has been approved by the Board and is reviewed annually. Accordingly, the Committee reviewed the Charter in 2023.

The Committee carries out the following duties and responsibilities:

1. Providing the strategic direction and strategic thinking of the Board to the Management in the development and implementation of the Bank's strategic plan
2. Developing the Bank's strategy and its implementation together with the Management
3. Reviewing and assessing the formulation and implementation of strategic plans developed by the Management and approved by the Board
4. Guiding and assisting the Management in implementing strategic decisions taken by the Board
5. Making recommendations regarding strategic capital allocation and reviewing proposals for raising of funds as submitted by the Management and making recommendations/ suggestions in that respect to the Board
6. Reviewing and evaluating strategic issues and plans of subsidiary companies of the NDB Group to ensure that the same are in line with the strategic initiatives and strategic direction of the Bank with a view to optimising the NDB Group's operational effectiveness

The Committee is responsible for determining the following decisions:

- Approving of all strategic investments and divestments and recommending the same to the Board (e.g. assess new business proposals including acquisitions/joint ventures and make appropriate recommendations)
- Approving the periodical Strategic Plan (covering three to five years or more) and recommending the same to the Board
- Approving any significant amendments to the existing Strategic Plan and recommending the same to the Board
- Reviewing and recommending the annual business plan/budget and capital structure of the Bank before onward submission to the Board for approval
- Reviewing of NDB Bank's strategic investments including its investments in subsidiaries in relation to performance and returns on such investments, ideally on an annual basis with a view to recommending to the Board any necessary action related to such investments

COMMITTEE MEETINGS

The Committee held seven (07) meetings during the year under review. The attendance of committee members at meetings is stated in the table on refer page 124. The quorum for a meeting is three members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Other Directors and Members of the Management Team attend meetings upon invitation by the Committee.

METHODOLOGY USED BY THE COMMITTEE

The Committee meets as and when necessary in order to, inter alia; deliberate in detail on matters of strategic importance to the Bank and the NDB Group so as to advise the Board in a timely manner. The Committee meets to examine and evaluate any strategic issues that may arise and further to evaluate any changes to strategic plans/ decisions already in place, as well as to conduct such other affairs which the Charter of the Committee mandates the Committee to carry out.

KEY ACTIVITIES IN 2023

The Committee commenced the year with an in depth deliberation in to the performance and strategy of NDB Capital Holdings Group vis a vis the unfolding capital market environment and challenges. The focus on the performance of the subsidiaries of the Bank continued through the year with a view to streamlining and improving their performance, arriving at a few key action points to be followed up.

The strategic challenges facing the Bank was presented to the Committee including the capital raising plans whilst deliberating areas of possible strategic focus to better manage the unfolding challenges. The Committee guided the Management in deliberating on a few areas of strategic focus and whether further expert advice was needed. The impact of the local economic environment and challenges such the Domestic Debt Restructure (DDR) etc were points which were deliberated in detail during the year.

The Committee spent considerable time in deliberating in depth on identified business lines such as Retail Banking and Treasury providing oversight and guidance.

The Budget for 2024 was presented to the Committee where an active deliberation took place prior to same being presented and approved by the Board.

Upon being apprised by the Management, the Committee deliberated in depth on the Medium term Strategy for the Bank up to 2025 recommending key focus areas for the years 2024 and 2025 and strategies to improve stability, profitability and operational efficiencies of the Bank, taking into consideration the rapidly evolving local and global economic landscape.

WAY FORWARD

The Committee will continue to improve the Bank's robust strategy to navigate through the volatile social, economic and political conditions locally and globally.

APPRECIATION

The Committee places on record its appreciation to the members for their contributions and commitment throughout the year.

Mr. Sriyan Cooray
Chairman
Strategic Issues Committee
20 February 2024
Colombo

Credit Committee Report



Mr. Bernard Sinniah
Chairman
Credit Committee

COMPOSITION OF THE CREDIT COMMITTEE

The Board appointed Credit Committee comprised four Non- Executive Directors and the Chief Executive Officer (CEO).

As at 31 December 2023 the Committee comprised the following;

Board Members

1	Bernard Sinniah (Chairman) Non-Independent Director	01 May 2019
2	Mr. Kushan D'Alwis, PC Independent Director	22 Jul 2020
3	Ms. Chandima Dilrukshi Non-Independent Director	01 Oct 2022
4	Ms. Kasturi Chellaraja Independent Director	20 Jun 2023
5	Mr. Dimantha Seneviratne Chief Executive Officer Non-Independent Director (Ceased to be a Director w.e.f. 31 January 2024)	01 Jun 2017

Date of Appointment to the Committee

Secretary to the Committee

Ms. Shareen Jayasuriya
Assistant Vice President - Credit

CHARTER OF THE CREDIT COMMITTEE

The Charter of the Credit Committee (CC) is reviewed annually and the principal purpose of the Committee is to approve or recommend facilities in line with Board approved Delegated Lending Authority Limits. As per the Charter, the Committee is empowered to:

- Evaluate, assess and approve credit facilities which fall within the delegated authority level of the Committee as prescribed from the Board from time to time
- Review and recommend credit facilities which fall within the purview of the Board
- Review changes proposed by the Management from time to time to the Credit Policy and recommend to Integrated Risk Management Committee
- Approve all Counterparty bank limits falling within the policy guidelines approved by the Board of Directors
- Review a summary of the clients classified under "Stage 3", Overdue Annual Reviews, Covenant compliance status of Clients on a periodic basis in order to ensure maintenance of the overall quality of the Bank's loan book
- Reviewed and recommended ninety seven credit proposals for the approval of the Board of Directors and twenty seven credit proposals comprising of new facilities, annual review of revolving facilities, ratification requests, reschedulements, changes to terms and conditions of facilities already approved and pre clearance proposals, were reviewed and approved by Committee
- Reviewed and approved the renewal of Bank Counter Party limits
- Reviewed status of facility annual reviews, covenant compliance and account strategies of "Stage 3" accounts
- Reviewed Bank's exposure to Government of Sri Lanka, Construction and renewable energy sectors, loans under moratorium concessions and discussed on account strategies and way forward.

COMMITTEE MEETINGS

The Committee held twelve (12) meetings during the year under review. The attendance of Committee members at meetings is stated in the table on page 124. The quorum for a meeting is three (03) members inclusive of two Non-Executive Director Members. Presence of CEO or his designate is mandatory.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

METHODOLOGY USED BY THE COMMITTEE

The Committee reviews the Credit Proposals submitted by the Business Line, its risks and adequacy of pricing or covenants to mitigate the identified risks. Proposals are recommended to the Committee by CEO and the Corporate Credit Committee. Key staff members are required to present the proposals and answer any queries as and when required.

KEY ACTIVITIES IN 2023

During the meetings held in 2023 the Committee carried out the following activities

- Reviewed and agreed on the revised Terms of Reference of the Committee and proposed same for approval of the Board of Directors

APPRECIATION

The Committee wishes to convey its gratitude to Mr. Hiran Perera for his valuable contribution to the Committee.

Mr. Bernard Sinniah
Chairman
Credit Committee

20 February 2024
Colombo

Digital Transformation Committee Report



Ms. Shweta Pandey
Chairperson
Digital Transformation Committee

COMPOSITION OF THE DIGITAL TRANSFORMATION COMMITTEE

The Board appointed Digital Transformation Committee comprised (DTC) four Non-Executive Directors inclusive of the Chairman who is a Non-Independent Director and the Chief Executive Officer (CEO).

As at 31 December 2023 the Committee comprised the following:

Board Members

1	Ms. Shweta Pandey (Chairperson) Non-Independent Director	19 Jun 2023
2	Mr. Bernard Sinniah Non-Independent Director	30 Apr 2021
3	Ms. (Fay) Piyachatr Chetnakarnkul Non-Independent Director	29 Oct 2021
4	Mr. Dimantha Seneviratne Chief Executive Officer - Non-Independent Director (Ceased to be a Director w.e.f. 31 January 2024)	30 Apr 2021

Non-Board Members

5	Deputy Chief Executive Officer (Mr. K. V. Vinoj)
6	Chief Operating Officer (Mr. Deepal Akuretiyagama)
7	Senior Vice President - Personal Banking & Customer Experience (Mr. Sanjaya Perera)
8	Vice President - Treasury (Mr. Niran Mahawatte)
9	Vice President - Information Technology/ Chief Information Officer (Mr. Indika Gunawardena)
10	Vice President - SME, Middle Markets and Business Banking (Mr. Indika Ranaweera)
11	Vice President - Strategy & Business Intelligence (Mr. Bimal Perera)
12	Assistant Vice President - Product Lifecycle Management (Mr. Damitha Silva)
13	Chief Manager - Product Lifecycle Management (Mr. Deepa Edirisooriya)

Secretary to the Committee

Ms. Dulani Weerasinghe
Deputy Manager - Product Lifecycle Management

Date of Appointment to the Committee

CHARTER OF THE DIGITAL TRANSFORMATION COMMITTEE

The objective of the DTC is to formulate and provide oversight on the Bank's digitalisation strategy, ensuring its alignment to the Bank's business strategy, in driving customer centricity, enhancing the customer experience and generating operational efficiencies across business verticals.

COMMITTEE MEETINGS

The Committee held five (05) meetings during the year 2023. The attendance of committee members at meetings is stated in the table on refer page 124. The quorum for a meeting is Four (04) members of which Two (02) shall be Non-Executive Directors.

A new Chairman to the Committee was appointed during the year.

The main focus of the Committee meetings was on tracking the user feedback, issues and status of the core banking migration project to the latest available version. In addition, new initiatives and improvements that are to be introduced were also taken up.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Members of the Core Banking Project Team, and representatives of other business lines were invited to the meetings on a needs basis.

KEY ACTIVITIES IN 2023

- A structured weekly and monthly tracking mechanism for recording the on-going status of the core banking migration project to the latest available version was put in place. This provided the Management with the ability to have a more comprehensive understanding of the issues that the operational staff faces in their day to day operations
- A comprehensive competitor analysis was carried out on the Digital presence of NDB against the key four competitors in the Industry. Focus group discussions were conducted with both internal staff, as well as a selected customer base to understand positioning of NDB in the customer mindset, and to identify areas for improvement
- The new Chairman to the Committee visited Sri Lanka, and met with all Key Management Personnel to understand the current challenges, obstacles and proposed improvements in the digital offerings. She also conducted a visit to a few of the branches in the Southern area, as well as a field visit to the Bank's agent, appointed under Agency Banking

- Under the guidance of the new Chairman to the Committee the bank's Digital Financial Services Team underwent a structural change, where the focus of digitisation as a separate pillar has now been evolved to encompass a journey of holistic digitisation at product design level. The new unit is named as Product Lifecycle Management, with a view of incorporating digitisation at all product levels
- Further structural changes were carried out in the IT and Data Analytics Teams. A new programme management office was introduced within the IT department to focus more on delivery
- 30-, 60- and 90-day strategic plans are being formulated for each role within the new structures, and same are reviewed with the Chairman to the Committee

WAY FORWARD

During 2024, the Committee will continue its focus on monitoring the performance of the new Core Banking System. Further, initiatives have been taken to provide a better digital experience to the Bank's customers and the Committee will drive these initiatives, by monitoring, oversight and recommendations. The performance of the new structures will be closely monitored by the Committee.

APPRECIATION

We thank the former Chairman to the Committee, Mr. Bernard Sinniah for the guidance and support given to the Committee since its inception. Under his leadership, the Committee formulated its charter and formalised its structure. We look forward to his continued support to the Committee as a valued member.



Ms. Shweta Pandey

Chairperson
Digital Transformation Committee

20 February 2024
Colombo

Discretionary and Capital Expenditure Committee Report



Ms. Kasturi Chellaraja
Chairperson
Discretionary and Capital Expenditure
Committee Report

COMPOSITION OF THE DISCRETIONARY AND CAPITAL EXPENDITURE COMMITTEE

The Board appointed Discretionary and Capital Expenditure Committee comprised an Independent Director, Non - Independent Director and two members from the Senior Management of the Bank.

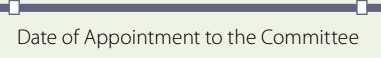
As at 31 December 2023 the Committee comprised the following:

Board Members

1	Ms. Kasturi Chellaraja (Chairperson) Independent Director	
2	Ms. K V Chandima Dilrukshi Non-Independent Director	

Non-Board Members

3	Chief Operating Officer (Mr. Deepal Akuretiyagama)
4	Head of Compliance (Mr. Chandima Kannangara)

 Date of Appointment to the Committee

Secretary to the Committee

Ms. Aloka Ekanayake
Chief Manager - Transformation

CHARTER OF THE DISCRETIONARY AND CAPITAL EXPENDITURE COMMITTEE

The Discretionary and Capital Expenditure Committee was formed in March 2023 in compliance with the Direction No. 01 of 2023 to all Licensed Banks issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board in terms of the Banking Act No. 30 of 1988. The Committee will operate during the years 2023 and 2024. The composition and the scope of work of the Committee are in conformity with the Provisions of the said Direction.

The Chairperson and the members of the Committee were appointed by the Board of Directors. As per the Charter the Committee carries out the following duties and responsibilities.

- Evaluating and approving the discretionary expenses to be incurred by the Bank above a certain threshold
- Evaluating and approving capital expenditure to be incurred by the Bank above a certain threshold

COMMITTEE MEETINGS

The Committee held fourteen (14) meetings during the year under review. The attendance of committee members at meetings is stated in the table on page 124. All key members of the staff participated at all meetings. The quorum for a meeting is three (03) members of which at least one (01) shall be a Director.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

METHODOLOGY USED BY THE COMMITTEE

The Committee meets every fortnightly to approve discretionary and capital expenses to be incurred by the Bank, in the manner in which the Charter of the Committee mandates the Committee to carry out.

The Committee considers the necessity, urgency and the relevance of the discretionary expenses and the capital expenditure projects as per the charter and approve expenditure which are in line with the Banks strategic objectives. In approving the mandated expenditure/investment, the Committee evaluates the strategic alignment, Return on Investment, and the impact to the Bank's business continuity. In the evaluation process the Committee reviews the outcomes and the key milestones committed by the Management in justifying the ROI of projects. A review of such outcome/targets is also done by the Committee upon the completion of the discretionary expense projects.

SUMMARY OF ACTIVITIES IN 2023

During the year, the Committee considered the necessity and urgency of several discretionary and capital expenditure projects and approved expenditure which fell in line with the Banks strategic objectives. In the process, the Committee assessed the Return on Investment (ROI), Strategic fit, and the impact to the Bank's business continuity in the manner aforementioned as well as to conduct affairs which the Charter of the Committee mandates the Committee to carry out.

The Committee held fourteen (14) meetings to advice and approve several discretionary and capital expense projects. In the evaluation process the Committee considered the outcome/targets and the key milestones committed by the Management in justifying the ROI of projects for the year. A review of the same was carried out by the Committee upon the completion of the approved discretionary expense projects and evaluated outcomes. Where progressive milestones were committed, the evaluation will be continued to ensure monitoring of outcomes. The Committee also made recommendations to further negotiate and get the best possible deal wherever applicable and also gave suggestions to the management to strengthen the post monitoring process on the agreed deliverables thereby inculcating a frame work for being accountable on agreed deliverables.

EVALUATION OF THE DISCRETIONARY AND CAPITAL EXPENDITURE COMMITTEE

The Discretionary and Capital Expenditure Committee carried out a formal self-evaluation/ appraisal on the effectiveness of the Committee for the year 2023 and reported the results of the same to the Board. The Board concurred that the Committee had carried out its responsibilities in an effective and satisfactory manner.

WAY FORWARD

The Committee will continue to add value by focusing on the strategic alignment, ROI and cost efficiencies with respect to all discretionary and capital Expenditure. This will be done by inculcating a frame work for being accountable on achieving agreed deliverables.

APPRECIATION

The Chairperson and the Committee wishes to convey its gratitude to former member Mr. Deepal Akuretiyagama who resigned from the Committee on the 31 January 2024, for his valuable contribution to the Committee.



Kasturi Chellaraja
Chairperson
Discretionary and Capital Expenditure Committee

20 February 2024
Colombo

Statement of Directors' Responsibilities for Financial Reporting

This statement sets out the responsibility of the Directors in relation to the Financial Statements of National Development Bank PLC (the Bank) and the Consolidated Financial Statements of the Bank and its subsidiaries (the Group). The Directors are required by relevant statutory provisions to prepare and table at a General Meeting of the Bank, such Financial Statements as may be necessary, which give a true and fair view of the state of affairs of the Bank and the Group.

It is also the responsibility of the Directors to ensure that the Bank maintains proper accounting records and to take reasonable steps as far as practical to ensure the accuracy and reliability of accounting records and to prepare Financial Statements using appropriate Accounting Policies applied consistently and supported by reasonable and prudent judgment and estimates in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS), the Banking Act No. 30 of 1988 (as amended), the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. Changes in the Accounting Policies where applicable and the rationale for the changes have been disclosed in the 'Notes to the Financial Statements'.

Accordingly, the Directors confirm that the Financial Statements of the Bank and the Group give a true and fair view of:

- the financial position of the Bank and the Group as at the reporting date; and
- the financial performance of the Bank and the Group for the financial year ended on the reporting date.

The Financial Statements of the Bank and the Group have been certified by the Vice President - Strategy & Business Intelligence and Vice President - Finance of the Bank, the officer responsible for their preparation, as required by the Companies Act. In addition, the Financial Statements of the Bank and the Group have been signed by two Directors and the Company Secretary of the Bank on 20 February 2024 as required by the Companies Act and other regulatory requirements. The Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Bank's transactions are maintained and that the Bank's financial position, with reasonable accuracy, at any point of time is determined by the Bank, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements.

The Financial Statements for the year 2023, prepared and presented in this Annual Report have been prepared in compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No. 07 of 2007 (as amended), Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange

Commission of Sri Lanka (SEC)(2023). The Bank and Group has also complied with the Directions/Guidelines issued by the Central Bank of Sri Lanka in the preparation of the Financial Statements including the Direction No. 13 of 2021 and Direction No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities and Financial Assets Other Than Credit Facilities which were effective from 1 January 2022.

The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors.

In addition, these Financial Statements comply with the prescribed formats issued by the Central Bank of Sri Lanka, Direction No. 02 of 2019 for publication of annual and quarterly Financial Statements and other disclosures by the licensed banks.

The Directors have been responsible for taking reasonable measures and care to safeguard the assets of the Bank and the Group and to prevent and detect frauds and other irregularities. The Directors have instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness, internal audit being one of them.

The Directors' Statement on Internal Control over Financial Reporting is given on pages 157 and 158 of this Annual Report. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective review performed by the Audit Committee. Please refer the Audit Committee Report on pages 147 to 148 of this Report.

Messrs Ernst & Young, Chartered Accountants, who were appointed in terms of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, have been made available with all records of the Bank including the Financial Statements by the Board of Directors and provided every opportunity to undertake the inspections they considered appropriate, all of which they have examined and have expressed their opinion which appears as reported by them on page 147 of this Report.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing the Financial Statements exhibited on pages 169 to 290 including, appropriate Accounting policies have been applied on a consistent basis, and where necessary changes to accounting policies have been made with adequate disclosures while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

The Board of Directors wishes to confirm that, as required by the Section 56 (2) of the Companies Act No. 07 of 2007 (as amended), they have authorised distribution of the dividends paid upon being satisfied that the Bank would satisfy the solvency

test after such distributions are made in accordance with the Section 57 of the Companies Act No. 07 of 2007 and have obtained in respect of dividends paid, necessary certificates of solvency from the External Auditors.

The Board of Directors also wishes to confirm that, as required by Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every Shareholder and Debenture holder of the Bank, who have expressed desire to receive a printed copy or to other Shareholders and Debenture holders a soft copy each shared by way of a link containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) of Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all Shareholders have been treated equitably in accordance with the original terms of issue.

Further, the Board of Directors wishes to confirm that the Bank has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange and other regulations, laws and internal controls and there were no material non-compliances.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Bank and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and the Group, and all other known statutory dues as were due and payable by the Bank and the Group as at the reporting date have been paid or, where relevant, provided for, except as specified in Note 48.3 to the Financial Statements on 'Litigation Against the Bank' on page 246. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC), the Directors have a reasonable expectation that the Bank and the Group possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the Financial Statements. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board



Ms. Shehani Ranasinghe
Company Secretary

20 February 2024
Colombo

Directors' Statement on Internal Control over Financial Reporting

RESPONSIBILITY

In line with the Banking Act Direction No. 11 of 2007(as amended), Section 3 (8) (ii) (b) and principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) , the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at National Development Bank PLC ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and the Group and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board in line with the 'Guidance for Directors of Banks on the Directors' Statement on Internal Control' issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking in to account principles for the assessment of the internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and

procedures on risk and control by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various Committees are established by the Board Including those mandatory committees as required by the Banking Act Direction No. 11 of 2007 and the Listing Rules of the Colombo Exchange, to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
 - Policies/Procedures are developed covering all areas, which are approved by the relevant Board subcommittees and the Board. These Policies/Procedures are reviewed periodically and the Compliance department follows up on the review of Policies to ensure that they are reviewed timely.
 - Internal Audit department checks compliance with policies and procedures and the effectiveness of internal control systems on an ongoing basis during their process audits. The Internal Audit department uses a top down risk based auditing approach enhancing the Risk Based Auditing Process. The entire audit universe is audited annually, at determined intensities based on the risk assessment covering the entire group. The Audit Committee reviews the findings of the internal audits completed and their evaluation of the Bank's internal control systems at their periodic meetings. The Committee also reviews updates on audit activities and the scope and adequacy of coverage of the approved audit plan and any improvements thereto, and has detailed discussions on any audits that
- are rated below Satisfactory, reviewing the action plans to address these areas and the implementation status. All audit reports are shared with the Operational Risk Management for their necessary actions and the regulatory issues are shared with the Compliance department.
- The Committee also reviews the internal audit functions with particular emphasis on risk assessment, scope of audits and quality of internal audit. The minutes of the Audit Committee meetings are tabled at the meetings of the Board of Directors of the Bank on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the 'Audit Committee Report' on pages 147 to 148.
 - The Audit Committee of the Bank also reviews internal control issues identified by the External Auditor, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. Also on a quarterly basis the internal control confirmation is presented to the Committee by Vice President Risk Management.
 - In assessing the internal control system over financial reporting, identified officers of the Bank collate all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn are observed and checked by the Internal Audit department for suitability of design and effectiveness on an ongoing basis. The comments/recommendations made by the External Auditors in connection with the internal control system over financial reporting during the year was taken into consideration to further strengthen the internal control system over the financial reporting process.
 - The Integrated Risk Management Committee (IRMC) is established to assist the Board to oversee the overall management of principal areas of risk of the Bank. The committee reviews the adequacy and effectiveness of all management level committees such as the Credit Committees, Credit and Market Risk Policy Committee etc. Further IRMC works closely with Key

Management Personnel (as defined by the Management from time to time) and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.

- The Bank took necessary steps to further improve the models used for Impairment computations under the Sri Lanka Accounting Standard – SLFRS 9 on ‘Financial Instruments’ in consultation with the External Auditors. The required processes and controls have been designed to be in line with SLFRS - 9 and regulatory requirements. Also adequate training and awareness sessions have been conducted for all stakeholders. The Credit Review Department independently reviews the Individually Significant loan impairment process at each reporting date. The Board will continuously strengthen the processes and controls around management information systems and reports required for validation and compliance in line with SLFRS 9; and financial statement disclosures related to risk management.
- With the core banking system upgrade in 2023, the preliminary staging of the customers was automated based on certain criteria such as days past due count, restructure count, reschedule status, industry classification etc. Bank also implemented an automated solution in the workflow system commencing Q3 2023 to evaluate objective evidences and compute impairment provision for individually significant loans to expedite the financial reporting process.

CONFIRMATION

The Board of Directors and the Management re-evaluated Financial and other operational risks and assessed the impact of any noted changes on internal controls.

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs.’ Ernst & Young have reviewed the above Directors’ Statement on internal control over financial reporting included in the Annual Report of the Bank for the year ended 31 December 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank.

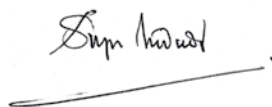
Their independent assurance report on the Directors’ Statement on Internal Control is given on the page 160 of this Annual Report.

By order of the Board,



Mr. Sriyan Cooray

Chair, Board of Directors



Mr. Sujeewa Mudalige

Chairman Audit Committee



Mr. Kelum Edirisinghe

Director/ Chief Executive Officer

20 February 2024
Colombo

Responsibility Statement of the Chief Executive Officer and Vice President - Finance

The Financial Statements of the National Development Bank PLC (the Bank) and the Consolidated Financial Statements of the Bank and its Group Companies (the Group) as at 31 December 2023 are prepared and presented in compliance with the following regulatory requirements:

- i. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- ii. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- iii. Statements of Alternative Treatments (SoAT) on Accounting issued by The Institute of Chartered Accountants of SL
- iv. Companies Act No. 7 of 2007
- v. Banking Act No. 30 of 1988 and amendments thereto
- vi. Directions, circulars and guidelines issued to licensed commercial banks by the Central Bank of Sri Lanka including but not limited to Banking Act Direction No. 11 of 2007 (as amended) issued by the Monetary Board of the Central Bank of Sri Lanka on corporate governance
- viii. Listing Rules of the Colombo Stock Exchange (as amended)
- ix. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2023)

These Financial Statements comply with the prescribed formats issued by the Central Bank of Sri Lanka.

The Accounting Policies of the Bank and the Group are in compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka. Circular No. 2 of 2019, Direction No. 13 of 2021 and Direction No. 14 of 2021 for publication of annual and quarterly Financial Statements and other disclosures by the licensed banks.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and the External Auditors. Comparative information has been reclassified wherever necessary to comply with the current

year's presentation. All significant items have been disclosed and explained by way of Notes to the Financial Statements. We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the cash flows of the Bank and the Group for the year. We also believe that the Bank and the Group have adequate resources to continue its operations in the foreseeable future and accordingly adopt the going concern basis for the preparation of the Financial Statements.

The Board of Directors and the Management of the Bank and the Group accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; in order that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Bank and the Group is reasonably presented. To ensure this, the Bank and the Group have taken proper and sufficient care in implementing internal control systems, with the use of a comprehensive core banking system, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Internal Auditor of the Bank and the Group has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank and the Group are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its Group Companies were audited by Messrs Ernst & Young, Chartered Accountants. The Report issued by them is available on page 166 of Annual Report. The audit and non-audit services provided by Messrs Ernst & Young are approved by the Audit Committee in line with the relevant audit policy, to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka or impair Messrs Ernst & Young's independence. The Audit Committee reviews the adequacy and the effectiveness of the Internal Control Systems including the effectiveness of the internal controls over

financial reporting to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account and the processes by which compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and other regulatory provisions relating to financial reporting and disclosures are ensured. The Audit Committee Report is available on pages 147 to 148. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm to the best of our knowledge that

- The Bank and the Group have complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Bank and the Group other than those disclosed in Note 48.3 on page 246 of the Financial Statements section of Annual Report;
- All taxes, duties, levies and all statutory payments by the Bank and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and the Group as at the reporting date have been paid, or where relevant provided for.



Mr. Kelum Edirisinghe
Director/ Chief Executive Officer



Mr. Bimal Perera
Vice President - Strategy & Business Intelligence



Mr. Hasitha Athapattu
Vice President - Finance

20 February 2024
Colombo

EY
Building a better
working world

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E-mail: ovs@k.pycm
k.pycm

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Financial Statements



A Future of Growth

We continue to seek out and explore new opportunities for growth, while expanding our scope to reach new heights of innovation and excellence.

The term "way of flowers," or "kado," is now more commonly used in Japan to refer to ikebana conveying the essence of the art as a lifetime learning process. This sense of impermanence communicates the importance of continuous exploration in the quest for excellence..

Financial Calendar 2023/2024

Annual General Meetings	Date
19th Annual General Meeting	28 March 2024
18th Annual General Meeting	30 March 2023

Dividends	Amount – LKR	Date dividends announced	Date dividends paid
Dividends for 2022	2.50 (Scrip)	19 April 2023	18 May 2023

FINANCIAL STATEMENTS

Interim Financial Statements	Submission to CSE	Publication in the Newspapers		
		English	Sinhala	Tamil
Q4/ For the twelve months ended 31.12.2023	20 February 2024	15 March 2024	15 March 2024	15 March 2024
Q3/For the nine months ended 30.09.2023	14 November 2023	24 November 2023	29 November 2023	29 November 2023
Q2/ For the six months ended 30.06.2023	14 August 2023	23 August 2023	31 August 2023	31 August 2023
Q1/ For the three months ended 31.03.2023	12 May 2023	25 May 2023	31 May 2023	31 May 2023
Q4/ For the twelve months ended 31.12.2022	21 February 2023	17 March 2023	17 March 2023	17 March 2023

Annual Financial Statements	Submission to CSE	Publication in the Newspapers		
		English	Sinhala	Tamil
Annual Financial Statements for 2023	04 March 2024	15 March 2024	15 March 2024	15 March 2024
Annual Financial Statements for 2022	07 March 2023	17 March 2023	17 March 2023	17 March 2023

Investor engagements on quarterly financial results	Online Webinar
Q4 2023	12 March 2024
Q3 2023	29 November 2023
Q2 2023	18 August 2023
Q1 2023	23 May 2023
Q4 2022	16 March 2023

PROPOSED FINANCIAL CALENDAR 2024/2025 (TENTATIVE)

Interim Financial Statements

Interim financial statements will be released to the Colombo Stock Exchange (CSE) and published in newspapers in all three languages of Sinhala, Tamil and English within the regulator stipulated deadlines. Investor Webinars will be held per each quarter, within a maximum of ten working days from releasing the financial statements to the CSE.

Annual Financial Statements

Annual financial statements for 2024 will be released to CSE in March 2025.

Annual General Meeting

20th Annual General Meeting will take place in March 2025.

As per Rule 7.4 of the Listing Rules of the Colombo Stock Exchange (CSE), quarterly Financial Statements (un-audited) for the first three quarters should be released to the CSE as soon as the said statements are approved by the Board of Directors and in any event not later than 45 days from the end of each quarter and in respect of the final quarter, within two months from the end of the final quarter. According to Rule 7.5 of the Listing Rules of the CSE, the audited Financial Statements should be published in accordance with the Sri Lanka Accounting Standards and audited in accordance with Sri Lanka Auditing Standards and shall comply with any other applicable regulatory requirements and the Annual Report should be sent to the shareholders and the CSE within five months from the close of the financial year.

As per the Banking Act Direction No 11 of 2007 - Corporate Governance for Licensed Commercial Banks (as amended), the annual audited Financial Statements and quarterly Financial Statements should be prepared and published in accordance with the requirements of supervisory and regulatory authorities and applicable accounting standards and such statements must be published in the newspapers in an abridged form in Sinhala, Tamil and English.

All of the dates above are/ will be updated in the Events Calendar in the Events section of the Investor Relations page of the Bank's corporate web site on <https://www.ndbbank.com/investor-relations/events>.

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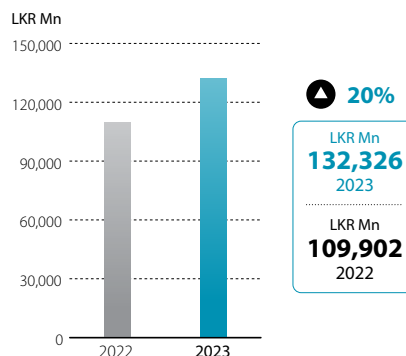
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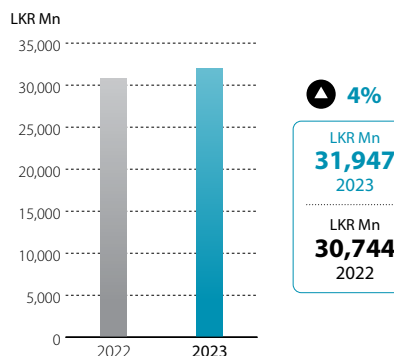
Financial Performance

For the purpose of reporting financial performance, the Bank represents National Development Bank PLC, separate financial statements and the Group represents the Bank and the subsidiary companies.

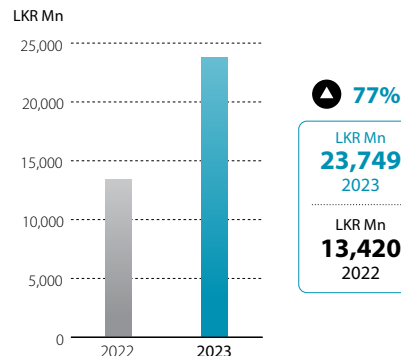
GROSS INCOME



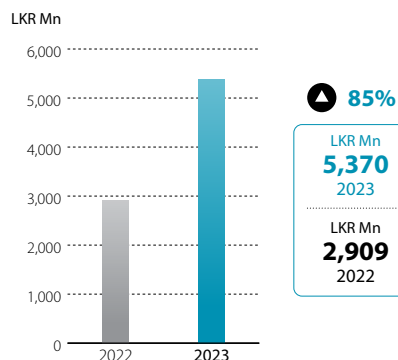
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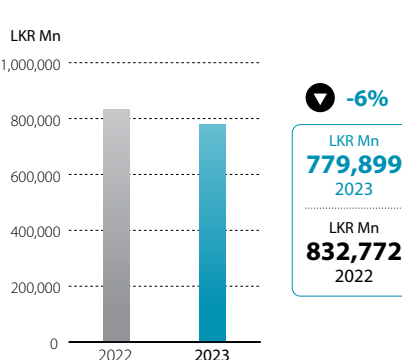
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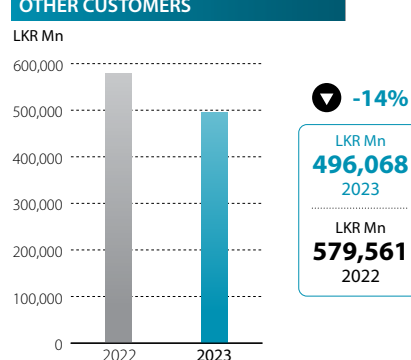
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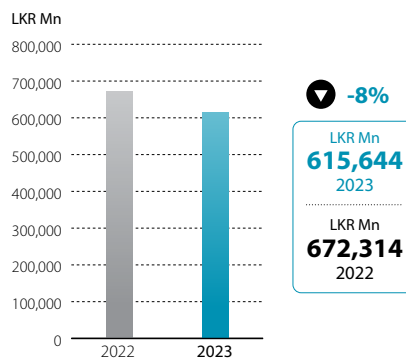
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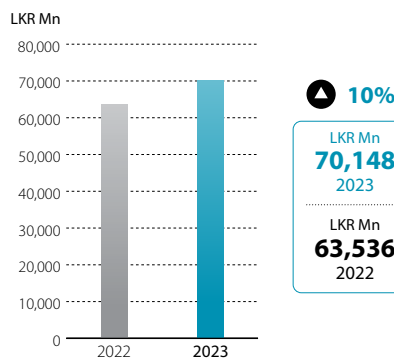
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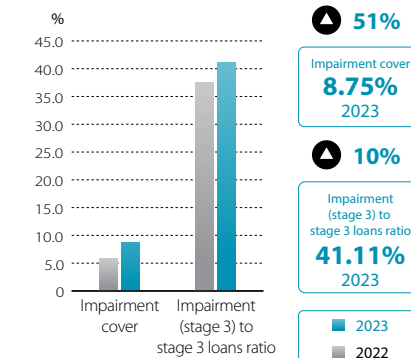
DUE TO DEPOSITORS



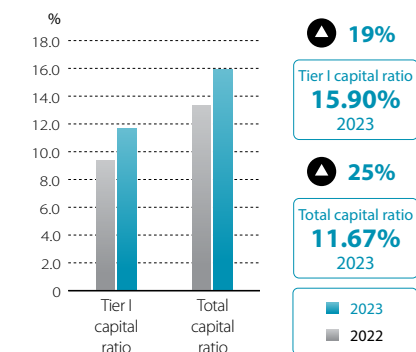
EQUITY



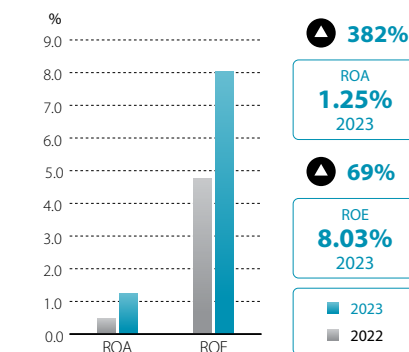
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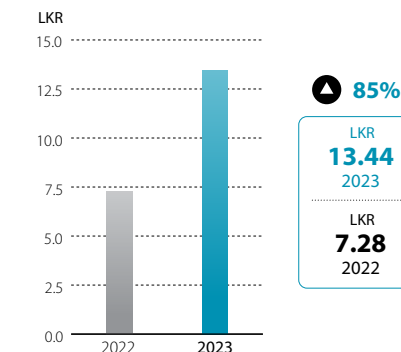
CAPITAL ADEQUACY RATIOS



RETURN ON ASSETS AND EQUITY



EARNINGS PER SHARE



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Report on the audit of the consolidated financial statements

We have audited the financial statements of National Development Bank PLC (the “Bank”) and the consolidated financial statements of the Bank and its subsidiaries (the “Group”), which comprise the statement of financial position as at 31 December 2023, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (“SLAuSS”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section

of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (including Sri Lanka Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment allowance for financial assets carried at amortised cost. Impairment allowance for financial assets measured at amortised cost comprising of both loans and advances and debt and other instruments as stated in Note 26 & 27, respectively, is determined by management based on the accounting policies described in Note 11. This was a key audit matter due to - the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating management expectation of future cash flows to recover such financial assets; and - the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination. Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment allowance for financial assets measured at amortised cost included: assumed future occurrence of events and conditions relating to the ongoing foreign currency debt restructuring exercise, forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.	In addressing the adequacy of the impairment allowance for financial assets carried at amortised cost, our audit procedures included the following key procedures. - Assessed the alignment of the Bank's impairment allowance computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report. - Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management. - Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. - Evaluated the reasonableness of credit quality assessments and related stage classifications.

[illegible][illegible]

A PARTNER OF THE FROTH & MOISTURE CARE COMPANY

Key audit matter	How our audit addressed the key audit matter
	In addition to the above, the following procedures were performed: - For loans and advances assessed on an individual basis for impairment: - Checked the arithmetical accuracy of the underlying individual impairment calculations. - Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with particular focus on current economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. - For financial assets assessed on a collective basis for impairment: - Tested the key inputs and the calculations used in the allowances for expected credit losses. - Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Assessed the adequacy of the related financial statement disclosures set out in notes 11, 26, 27 & 56.3.
Information Technology (IT) systems related internal controls over financial reporting. Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: - Obtained an understanding of the internal control environment of the processes and test checked relevant controls relating to financial reporting and related disclosures. - Involved our internal specialised resources and; - Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and - Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry. - Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Bank and the Group

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

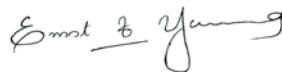
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Bank.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2965.



20 February 2024

Colombo

Statement of Profit or Loss

For the year ended 31 December	Note	Page No.	BANK			GROUP		
			2023 LKR '000	2022 LKR '000	%	2023 LKR '000	2022 LKR '000	%
Gross income	4	184	132,326,003	109,902,478	20	134,472,594	111,551,511	21
Interest income	5.1	184	119,372,564	97,917,822	22	119,722,233	98,217,310	22
Less: Interest expenses	5.2	185	87,425,434	67,174,164	30	87,341,751	67,086,940	30
Net interest income	5	184	31,947,130	30,743,658	4	32,380,482	31,130,370	4
Fee and commission income	6.1	187	7,164,891	6,274,698	14	8,566,191	7,438,752	15
Less: Fee and commission expenses	6.2	187	7,084	16,929	(58)	7,084	16,929	(58)
Net fee and commission income	6	186	7,157,807	6,257,769	14	8,559,107	7,421,823	15
Net gains/(losses) from trading	7	187	2,905,753	(340,346)	954	2,905,753	(340,346)	954
Net gains/(losses) from financial assets at fair value through profit or loss	8	188	1,745,982	(389,767)	548	1,947,286	(340,388)	672
Net gains/(losses) from derecognition of financial assets	9	188	4,057,348	15,127	26,722	4,108,332	15,127	27,059
Other operating income	10	188	(2,920,535)	6,424,944	(145)	(2,777,201)	6,561,056	(142)
Total operating income			44,893,485	42,711,385	5	47,123,759	44,447,642	6
Less: Impairment charges	11	189	21,144,038	29,291,660	(28)	21,137,016	29,276,538	(28)
Net operating income			23,749,447	13,419,725	77	25,986,743	15,171,104	71
Less: Operating expenses								
Personnel expenses	12	193	6,633,355	5,650,176	17	7,379,192	6,277,028	18
Depreciation and amortisation expenses	13	194	984,510	846,634	16	1,054,459	926,034	14
Other expenses	14	195	6,035,825	4,886,836	24	6,649,013	5,296,103	26
Total operating expenses			13,653,690	11,383,646	20	15,082,664	12,499,165	21
Operating profit before tax on financial services			10,095,757	2,036,079	396	10,904,079	2,671,939	308
Less: Tax on financial services	15	195	2,749,840	1,203,092	129	2,749,840	1,203,092	129
Operating profit after tax on financial services			7,345,917	832,987	782	8,154,239	1,468,847	455
Share of associate companies' profits/(losses)	16	196	-	-	-	-	-	-
Profit before taxation			7,345,917	832,987	782	8,154,239	1,468,847	455
Less: Income tax expenses/(reversals)	17	196	1,975,590	(2,076,058)	195	2,296,029	(1,606,957)	243
Profit for the year			5,370,327	2,909,045	85	5,858,210	3,075,804	90
Profit attributable to equity holders of the parent			5,370,327	2,909,045	85	5,759,436	3,008,737	91
Non-controlling interests			-	-	-	98,774	67,067	47
Profit for the year			5,370,327	2,909,045	85	5,858,210	3,075,804	90
Basic/Diluted Earnings per share (LKR)	18	198	13.44	7.28	85	14.42	7.53	91
Dividend per share (LKR)	19	199	-	2.50				

The Notes to the Financial Statements disclosed on pages 176 to 290 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 December	Note	Page No.	BANK			GROUP		
			2023 LKR '000	2022 LKR '000	%	2023 LKR '000	2022 LKR '000	%
Profit for the year			5,370,327	2,909,045	85	5,858,210	3,075,804	90
Other comprehensive income items that will be reclassified to the Statement of Profit or Loss								
Exchange differences on translation of foreign operations			-	-	-	(67,465)	191,168	(135)
Gains/(losses) on investments in debt instruments - fair value through other comprehensive income								
Net change in fair value during the year	46.2	243	5,259,686	2,420,880	117	5,268,192	2,421,371	118
Changes in impairment allowances	28.1 (c)	218	-	(181,155)	100	-	(181,155)	100
Deferred tax effect on gains/ (losses) in above financial instruments			(1,577,905)	(675,432)	(134)	(1,577,918)	(675,432)	(134)
Net gains/(losses) on investments			3,681,781	1,564,293	135	3,690,274	1,564,784	136
Gains/(losses) on cash flow hedge reserve			(3,191,786)	4,385,238	(173)	(3,191,786)	4,385,238	(173)
Deferred tax effect on gains/ (losses) of cash flow hedge reserve			957,535	(1,315,571)	173	957,535	(1,315,571)	173
Net gains/(losses) on cash flow hedge reserve	24.1(b)	205	(2,234,251)	3,069,667	(173)	(2,234,251)	3,069,667	(173)
Net other comprehensive income that will be reclassified to the Statement of Profit or Loss (a)			1,447,530	4,633,960	(69)	1,388,558	4,825,619	(71)
Items that will not be reclassified to the Statement of Profit or Loss								
Net gains/(losses) on investments in equity instruments - fair value through other comprehensive income	28.2	218	315,123	(304,245)	204	315,123	(304,245)	204
Revaluation of freehold land and buildings	46.1	243	50,483	249,651	(80)	92,531	316,789	(71)
Deferred tax effect on revaluation gains/(losses)			(15,145)	(185,581)	92	(27,760)	(217,679)	87
Net gains/(losses) on revaluation of freehold land and buildings			35,338	64,070	(45)	64,771	99,110	(35)
Actuarial gains/(losses) on defined benefit plans	41.2 (g)	239	(581,395)	68,094	(954)	(605,550)	58,168	(1,141)
Deferred tax effect on actuarial gains/(losses)			87,606	42,044	108	94,853	45,022	111
Net actuarial gains/(losses) on defined benefit plans			(493,789)	110,138	(548)	(510,697)	103,190	(595)
Net other comprehensive income that will not be reclassified to the Statement of Profit or Loss (b)			(143,328)	(130,037)	(10)	(130,803)	(101,945)	(28)
Total other comprehensive income for the year, net of taxes (a+b)			1,304,202	4,503,923	(71)	1,257,755	4,723,674	(73)
Total comprehensive income for the year			6,674,529	7,412,968	(10)	7,115,965	7,799,478	(9)
Attributable to:								
Equity holders of the parent			6,674,529	7,412,968	(10)	7,029,011	7,685,035	(9)
Non-controlling interests			-	-	-	86,954	114,443	(24)
Total comprehensive income for the year			6,674,529	7,412,968	(10)	7,115,965	7,799,478	(9)

The Notes to the Financial Statements disclosed on pages 176 to 290 form an integral part of these Financial Statements

Statement of Financial Position

For the year ended 31 December	Note	Page No.	BANK			GROUP		
			2023 LKR '000	2022 LKR '000	%	2023 LKR '000	2022 LKR '000	%
Assets								
Cash and cash equivalents	21	202	28,100,515	34,849,521	(19)	28,580,676	35,727,665	(20)
Balances with the Central Bank of Sri Lanka	22	203	7,040,421	18,187,547	(61)	7,040,421	18,187,547	(61)
Placements with banks	23	203	33,743,602	4,108,989	721	33,743,602	4,108,989	721
Derivative financial instruments	24	204	3,083,815	7,909,252	(61)	3,083,815	7,909,252	(61)
Financial assets recognised through profit or loss - measured at fair value	25	206	24,021,340	19,318,483	24	26,040,046	20,788,523	25
Financial assets at amortised cost - loans and receivables to other customers	26	207	452,660,461	545,873,027	(17)	452,739,928	545,919,824	(17)
Financial assets at amortised cost - debt and other instruments	27	213	125,672,370	135,047,886	(7)	125,672,370	135,047,886	(7)
Financial assets measured at fair value through other comprehensive income	28	216	83,805,398	44,685,230	88	84,645,423	45,454,490	86
Investments in subsidiary companies	29	219	1,108,772	1,115,794	(1)	-	-	-
Investments in associate companies	30	220	-	-	-	-	-	-
Investment property	31	221	-	-	-	3,112,440	2,879,091	8
Property, plant & equipment	32	222	3,141,117	3,261,362	(4)	3,817,097	3,907,994	(2)
Right of use assets	33	225	1,145,601	1,170,763	(2)	1,260,055	1,323,368	(5)
Intangible assets	34	226	1,883,447	1,804,321	4	1,898,270	1,813,213	5
Current tax receivables	39	232	-	-	-	43,102	43,488	(1)
Deferred tax assets	40	232	9,648,118	9,004,747	7	9,717,805	9,048,896	7
Other assets	35	228	4,844,183	6,435,328	(25)	5,563,827	7,037,671	(21)
Total assets			779,899,160	832,772,250	(6)	786,958,877	839,197,897	(6)
Liabilities								
Due to banks	36	228	7,679,195	20,251,657	(62)	7,679,195	20,298,844	(62)
Derivative financial instruments	24	204	93,361	96,246	(3)	93,361	96,246	(3)
Financial liabilities at amortised cost								
Due to depositors	37.1	229	615,643,999	672,314,023	(8)	615,232,470	671,713,337	(8)
Due to debt securities holders	37.2	230	15,632,569	130,541	11,875	15,632,569	130,541	11,875
Due to other borrowers	37.3	231	24,636,539	32,372,265	(24)	24,636,539	32,372,265	(24)
Debt securities issued	38	231	29,388,875	27,979,631	5	29,388,875	27,979,631	5
Current tax liabilities	39	232	7,265,070	6,470,353	12	7,430,773	6,635,188	12
Deferred tax liabilities	40	232	-	-	-	921,189	873,280	5
Retirement benefit obligations	41.1	235	1,299,909	916,007	42	1,439,374	1,019,294	41
Other liabilities	42	239	8,111,766	8,705,664	(7)	8,608,209	9,183,115	(6)
Total liabilities			709,751,283	769,236,387	(8)	711,062,554	770,301,741	(8)
Equity								
Stated capital	43	241	20,738,231	19,870,665	4	20,738,231	19,870,665	4
Statutory reserve fund	44	241	3,046,479	2,746,479	11	3,046,479	2,746,479	11
Retained earnings	45	242	41,027,500	37,381,043	10	45,079,167	41,116,154	10
Other reserves	46	242	5,335,667	3,537,676	51	5,607,516	3,771,599	49
Total equity to equity holders of the Bank			70,147,877	63,535,863	10	74,471,393	67,504,897	10
Non-controlling interests	47	244	-	-	-	1,424,930	1,391,259	2
Total equity			70,147,877	63,535,863	10	75,896,323	68,896,156	10
Total liabilities and equity			779,899,160	832,772,250	(6)	786,958,877	839,197,897	(6)
Contingent liabilities and commitments	48	244	277,965,419	293,609,756	(5)	278,127,046	294,376,707	(6)
Net asset value per share (LKR)	49	247	175.60	167.16	5	186.43	177.60	5

The Notes to the Financial Statements disclosed on pages 176 to 290 form an integral part of these Financial Statements.

We certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



Mr. Bimal Perera

Vice President - Strategy and Business Intelligence



Mr. Hasitha Athapattu

Vice President - Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.



Mr. Sriyan Cooray

Director/Chairman

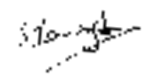
20 February 2024

Colombo



Mr. Kelum Edirisinghe

Director/Chief Executive Officer



Mrs. Shehani Ranasinghe

Company Secretary

Statement of Changes in Equity

	Note	BANK							Total
		Stated Capital	Statutory Reserve Fund	Share Based Payment Reserve	Fair Value through Other Comprehensive Income Reserve	Revaluation Reserve	Cash Flow Hedge Reserve	Retained Earnings	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK									
For the year ended 31 December									
Balance as at 01 January 2022		18,263,609	2,571,479	44,479	(2,483,938)	1,402,195	-	39,134,382	58,932,206
Surcharge Tax		-	-	-	-	-	-	(2,456,403)	(2,456,403)
Adjusted balance as at 01 January 2022		18,263,609	2,571,479	44,479	(2,483,938)	1,402,195	-	36,677,979	56,475,803
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	2,909,045	2,909,045
Other comprehensive income before tax		-	-	-	2,116,635	249,651	4,385,238	(113,060)	6,638,464
Tax on other comprehensive income		-	-	-	(675,432)	(185,581)	(1,315,571)	42,044	(2,134,540)
Total comprehensive income for the year		-	-	-	1,441,203	64,070	3,069,667	2,838,029	7,412,968
Transactions with equity holders, recognised directly in equity									
Transfer to the statutory reserve fund	44	-	175,000	-	-	-	-	(175,000)	-
Final dividend for 2021: Scrip	19	1,607,056	-	-	-	-	-	(1,607,056)	-
Final dividend for 2021: Cash	19	-	-	-	-	-	-	(357,124)	(357,124)
Reversal of dividends paid in prior years		-	-	-	-	-	-	4,215	4,215
Balance as at 31 December 2022		19,870,665	2,746,479	44,479	(1,042,735)	1,466,265	3,069,667	37,381,043	63,535,863
2023									
Balance as at 01 January 2023		19,870,665	2,746,479	44,479	(1,042,735)	1,466,265	3,069,667	37,381,043	63,535,863
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	5,370,327	5,370,327
Other comprehensive income before tax		-	-	-	5,574,809	50,483	(3,191,786)	(581,395)	1,852,111
Tax on other comprehensive income		-	-	-	(1,577,905)	(15,145)	957,535	87,606	(547,909)
Total comprehensive income for the year		-	-	-	3,996,904	35,338	(2,234,251)	4,876,538	6,674,529
Transactions with equity holders, recognised directly in equity									
Transfer to the statutory reserve fund	44	-	300,000	-	-	-	-	(300,000)	-
Final dividend for 2022: Scrip	19	867,566	-	-	-	-	-	(950,237)	(82,671)
Reversal of dividends paid in prior years		-	-	-	-	-	-	20,156	20,156
Balance as at 31 December 2023		20,738,231	3,046,479	44,479	2,954,169	1,501,603	835,416	41,027,500	70,147,877

For the year ended 31 December		GROUP									
	Notes	Stated Capital	Statutory Reserve Fund	Share Based Payment Reserve	Fair Value through Other Comprehensive Income Reserve	Revaluation Reserve	Cash Flow Hedge 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
GROUP											
Balance as at 01 January 2022											
		18,263,609	2,571,479	44,479	(2,467,181)	1,583,831	-	42,730,952	62,727,169	1,339,373	64,066,542
	Surcharge Tax	-	-	-	-	-	-	(2,554,396)	(2,554,396)	(21,780)	(2,576,176)
Adjusted Balance as at 01 January 2022											
		18,263,609	2,571,479	44,479	(2,467,181)	1,583,831	-	40,176,556	60,172,773	1,317,593	61,490,366
Total comprehensive income for the year											
	Profit for the year	-	-	-	-	-	-	3,008,737	3,008,737	67,067	3,075,804
	Other comprehensive income before tax	-	-	-	2,117,126	316,789	4,385,238	20,804	6,839,957	47,377	6,887,334
	Tax on other comprehensive income	-	-	-	(675,432)	(217,680)	(1,315,571)	45,022	(2,163,661)	-	(2,163,661)
Total comprehensive income for the year											
		-	-	-	1,441,694	99,109	3,069,667	3,074,563	7,685,033	114,444	7,799,478
Transactions with equity holders, recognised directly in equity											
	Transfer to the statutory reserve fund	-	175,000	-	-	-	-	(175,000)	-	-	-
	Dividend attributable to non controlling interests	-	-	-	-	-	-	-	-	(40,778)	(40,778)
	Final dividend for 2021: Scrip	19	1,607,056	-	-	-	-	(1,607,056)	-	-	-
	Final dividend for 2021: Cash	19	-	-	-	-	-	(357,124)	(357,124)	-	(357,124)
	Reversal of dividends paid in prior years	-	-	-	-	-	-	4,215	4,215	-	4,215
Balance as at 31 December 2022											
		19,870,665	2,746,479	44,479	(1,025,487)	1,682,940	3,069,667	41,116,154	67,504,897	1,391,259	68,896,156
Balance as at 01 January 2023											
		19,870,665	2,746,479	44,479	(1,025,487)	1,682,940	3,069,667	41,116,154	67,504,897	1,391,259	68,896,156
Total comprehensive income for the year											
	Profit for the year	-	-	-	-	-	-	5,759,436	5,759,436	98,774	5,858,210
	Other comprehensive income before tax	-	-	-	5,583,315	92,531	(3,191,786)	(661,195)	1,822,865	(11,820)	1,811,045
	Tax on other comprehensive income	-	-	-	(1,577,918)	(27,760)	957,535	94,853	(553,290)	-	(553,290)
Total comprehensive income for the year											
		-	-	-	4,005,397	64,771	(2,234,251)	5,193,094	7,029,011	86,954	7,115,965
Transactions with equity holders, recognised directly in equity											
	Transfer to the statutory reserve fund	-	300,000	-	-	-	-	(300,000)	-	-	-
	Dividend attributable to non controlling interests	-	-	-	-	-	-	-	-	(53,283)	(53,283)
	Final dividend for 2022: Scrip	19	867,566	-	-	-	-	(950,237)	(82,671)	-	(82,671)
	Reversal of dividends paid in prior years	-	-	-	-	-	-	20,156	20,156	-	20,156
Balance as at 31 December 2023											
		20,738,231	3,046,479	44,479	2,979,910	1,747,711	835,416	45,079,167	74,471,393	1,424,930	75,896,323

Statement of Cash Flows

ACCOUNTING POLICY

The Statement of Cash Flows has been prepared by using 'The Direct Method' in accordance with Sri Lanka accounting standard LKAS 7 on "Statement of Cash Flows", whereby gross cash receipts and gross cash payments of operating, investing and financing activities have been recognised. For the purpose of the preparation of the Statement of Cash Flows, cash and cash equivalents include cash in hand, balances with banks and placements with banks, as presented in the Statement of Financial Position.

For the year ended 31 December	Note	Page No.	BANK		GROUP	
			2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cash flows from operating activities						
Interest received			115,721,380	92,732,700	116,098,876	92,930,324
Fee and commission income received			6,724,305	6,350,791	8,097,965	7,715,104
Dividend income received			77,194	345,679	15,402	56,010
Other operating income received			296,105	5,575,291	457,150	5,771,691
Interest paid			(88,033,051)	(51,885,500)	(88,031,617)	(51,895,768)
Personnel costs paid			(6,530,159)	(5,591,768)	(7,272,194)	(6,124,495)
Other expenses paid			(7,082,535)	(4,625,884)	(7,551,205)	(5,003,505)
Operating profit before changes in operating assets and liabilities (a)			21,173,239	42,901,309	21,814,377	43,449,361
Increase/decrease in operating assets						
Deposits held for regulatory or monetary control purposes			11,147,126	(1,784,185)	11,147,126	(1,784,185)
Financial assets at amortised cost - loans and receivables to other customers			77,234,867	(49,031,658)	77,234,867	(49,266,112)
Net (increase)/decrease in operating assets			4,984,338	(3,667,367)	5,063,435	(2,656,530)
Increase/decrease in operating liabilities						
Financial liabilities at amortised cost - due to depositors			(57,694,801)	106,277,952	(57,505,645)	106,460,463
Financial liabilities at amortised cost - due to debt securities holders			15,502,028	(1,210,519)	15,502,028	(1,210,519)
Financial liabilities at amortised cost - due to banks/other borrowers			(15,280,423)	4,699,078	(15,280,423)	4,699,078
Repayment of principal portion of lease liabilities	42.1.2	240	(435,836)	(420,768)	(511,440)	(485,967)
Net increase/(decrease) in other liabilities			115,767	(2,697,938)	(2,593)	(3,611,245)
Net cash (outflow)/inflow from operating activities before taxation			56,746,305	95,065,904	57,461,732	95,594,344
Tax on financial services paid			(2,689,010)	(1,357,619)	(2,689,010)	(1,357,619)
Income taxes paid	39.2	232	(2,372,153)	(1,582,804)	(2,674,348)	(1,824,899)
Surcharge tax paid			-	(2,456,403)	-	(2,576,177)
Net cash (used in)/from operating activities			51,685,142	89,669,078	52,098,374	89,835,649
Cash flows from investing activities						
Net changes in financial investments			(24,482,448)	(67,569,963)	(25,191,301)	(67,146,633)
Purchase of intangible assets			(1,925,214)	(830,787)	(1,933,715)	(832,700)
Purchase of property, plant and equipment			(357,644)	(323,417)	(398,262)	(346,237)
Proceeds from disposal of property, plant and equipment			5,069	1,714	5,109	1,788
Net cash from/(used in) investing activities			(26,760,237)	(68,722,453)	(27,518,169)	(68,323,782)
Cash flows from financing activities						
Repayment of debts securities issued	38	231	(3,637,980)	-	(3,637,980)	-
Proceeds from debt securities issued	38	231	5,000,000	-	5,000,000	-
Interest paid on debt securities issued			(3,348,150)	(3,348,149)	(3,348,150)	(3,348,149)
Dividends paid to non-controlling interests			-	-	(53,283)	(40,549)
Dividends paid			-	(345,731)	-	(345,731)
Net cash from/(used in) financing activities			(1,986,130)	(3,693,880)	(2,039,413)	(3,734,429)

For the year ended 31 December	Note	Page No.	BANK		GROUP	
			2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net (decrease)/increase in cash and cash equivalents			22,938,775	17,252,745	22,540,792	17,777,438
Cash and cash equivalents at the beginning of the year			38,958,510	21,713,982	39,836,654	22,067,433
Cash and cash equivalents at the end of the year			61,897,285	38,966,727	62,377,446	39,844,871
Reconciliation of cash and cash equivalents						
Cash and cash equivalents	21	202	28,104,415	34,857,500	28,584,576	35,735,644
Placements with banks	23	203	33,792,870	4,109,227	33,792,870	4,109,227
Cash and cash equivalents at the end of the year (Gross)			61,897,285	38,966,727	62,377,446	39,844,871
Less : Impairment allowance			53,168	8,217	53,168	8,217
Cash and cash equivalents at the end of the year (Net)			61,844,117	38,958,510	62,324,278	39,836,654

(a) Reconciliation of Operating Profit before Changes in Operating Assets and Liabilities

For the year ended 31 December	Note	Page No.	BANK		GROUP	
			2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Operating profit before tax on financial services			10,095,757	2,036,079	10,904,079	2,671,939
Gains on disposal of property, plant & equipment			(3,489)	(1,436)	(5,712)	(3,830)
Accruals for interest/other income			(3,651,184)	(5,185,122)	(3,654,744)	(5,241,668)
Accruals for interest expenses			(607,617)	15,288,665	(607,617)	15,310,779
Accruals for general expenses			(849,732)	352,291	(610,077)	459,739
Unrealised revaluation gains/(losses) from investments			(5,803,330)	374,640	(6,055,618)	320,201
Contribution made to the pension fund			(93,782)	(32,931)	(93,782)	(32,931)
Depreciation of property, plant & equipment	13	194	393,336	397,748	420,837	433,647
Amortisation of intangible assets	13	194	271,056	135,787	275,353	141,118
Depreciation of Right of use assets	13	194	320,118	313,099	358,269	351,269
Impairment charges for financial assets and investments in subsidiaries	11	189	21,144,038	29,291,660	21,137,016	29,276,538
Scrip dividend received from investments			(41,932)	(69,171)	(42,075)	(69,171)
Fair value adjustments on investment property			-	-	(211,552)	(168,269)
Operating profit before changes in operating assets and liabilities			21,173,239	42,901,309	21,814,377	43,449,361

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

The National Development Bank of Sri Lanka was incorporated under the National Development Bank of Sri Lanka Act No. 2 of 1979. In 2005, pursuant to the provisions of the National Development Bank of Sri Lanka (consequential provisions) Act No.1 of 2005, a company by the name of 'National Development Bank Limited' was incorporated for the purposes of taking over the business of National Development Bank of Sri Lanka. Accordingly, on 15 June 2005, the National Development Bank Limited was incorporated and with effect from that date, the National Development Bank of Sri Lanka Act No. 2 of 1979 was repealed except for certain provisions contained therein.

In terms of the new Companies Act No. 7 of 2007, the name of the Bank was changed as 'National Development Bank PLC' ('The Bank'). The Bank was re-registered in terms of the new Companies Act, on 04 July 2007 and was assigned with PQ 27 as the new Registration Number. The Bank is listed on the Colombo Stock Exchange. The Registered Office of the Bank and its principle place of business are situated at No.40, Nawam Mawatha, Colombo 02. The number of branches of the Bank as at 31 December 2023 was 113 (2022 - 113) and the number of staff employed as at 31 December 2023 was 2,756 (2022 - 2,929).

1.2 Principle Activities of the Bank and the Group

The principal activities of the Bank and its Group companies are summarised below:

National Development Bank PLC	
PARENT COMPANY	
40, Nawam Mawatha, Colombo 02, Sri Lanka	
Retail banking, small and medium enterprise (SME) banking, corporate banking, project and infrastructure financing, trade finance, investment banking, leasing, housing finance, credit cards, cash management, correspondent banking, remittance services, margin trading, pawning, treasury, underwriting, custodian, investment services and bancassurance.	

SUBSIDIARIES	Local Subsidiaries	ENTITY	HOLDING %		PRINCIPAL ACTIVITY	PRINCIPAL PLACE OF BUSINESS	COUNTRY OF INCORPORATION
			99.9% NDB Capital Holdings Limited	Direct Holding	Full service investment banking	Level 1,135, Bauddhaloka Mawatha, Colombo 04	Sri Lanka
			99.9% NDB Investment Bank Limited	Indirect Holding	Investment banking	Level 1,135, Bauddhaloka Mawatha, Colombo 04	Sri Lanka
			99.9% NDB Wealth Management Limited	Indirect Holding	Wealth management	Level G, 135, Bauddhaloka Mawatha, Colombo 04	Sri Lanka
			99.9% NDB Securities (Pvt) Limited	Indirect Holding	Investment advisory and securities	Level 2, 135, Bauddhaloka Mawatha, Colombo 04	Sri Lanka
			58.7% Development Holdings (Pvt) Limited	Direct Holding	Property management	42, NDB EDB Tower (2nd Floor), Nawam Mawatha, Colombo 02	Sri Lanka
	Foreign Subsidiaries		60% NDB Zephyr Partners Lanka (Pvt) Limited (Fully owned subsidiary of NDB Zephyr Partners Limited)	Indirect Holding	Management of private equity funds	48/5/1 (West Wing), Parkway Building, Park Street, Colombo 02	Sri Lanka
			60% NDB Zephyr Partners Limited	Indirect Holding	Management of private equity funds	IFS Court, Bank Street, Twenty-Eight Cybercity, Ebene 72201, Republic of Mauritius	Mauritius
			41.8% Direct 84.2% Direct and Indirect NDB Capital Limited	Direct/ Indirect Holding	Investment banking	Bilquis Tower (5th Floor), Plot 6, Gulshan 2, Dhaka 1212, Bangladesh	Bangladesh

The Bank also holds 50% shareholding in Ayojana Fund (Pvt) Limited (an Investment in Associate) which is under liquidation.

1.3 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2023 comprise of the Bank (parent company) and the subsidiaries and associate companies, together referred as the Group.

The Bank is the ultimate parent of the NDB Group the Financial Statements of all companies in the group have a common financial year which ends in 31 December.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank as at 31 December 2023 comprises of -

- The Statement of Profit or Loss and Statement of Comprehensive Income providing information on the performance for the year under review (Refer pages 169 and 170).
- Statement of Financial Position providing the information on the financial position of the Bank and the Group as at the year end (Refer page 171).
- Statement of Changes in Equity providing the movement in the shareholders' funds during the year under review for the Bank and the Group (Refer pages 172 and 173).
- Statement of Cash Flow providing the information to the users, on the ability of the Bank and the Group to generate cash and cash equivalents and the needs for entities to utilise those cash flows (Refer pages 174 and 175);

- Notes to the Financial Statements, which comprise of the Accounting Policies and other explanatory notes and information (Refer pages 176 to 290).

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 7 of 2007 and the Banking Act No. 30 of 1988 and amendments thereto. These Financial Statements also provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange. The Group has also complied with directions/guidelines issued by the Central Bank of Sri Lanka including the Direction No 13 of 2021 and the Direction No. 14 of 2021 which were effective from 1 January 2022.

These Financial Statements, except for information on cash flows, have been prepared following the accrual basis of accounting. The Group did not adopt any inappropriate accounting treatment, which are not in compliance with the requirements of the SLFRSs and LKASs and regulations governing the preparation and presentation of the Financial Statements.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Sri Lanka (CBSL) in the Circular No.02 of 2019 dated 18 January 2019, on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks".

2.2 Functional and Presentation Currency

The Financial Statements of the Bank and the Group are presented in Sri Lanka Rupees (LKR) which is the currency of the primary economic environment in which the Bank and the Group operates. Financial information presented in Sri Lanka Rupees (LKR) has been rounded to the nearest thousand unless indicated otherwise.

2.3 Responsibility for the Financial Statements

The Board of Directors is responsible for these Financial Statements of the Group, in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) and provisions of the Companies Act No. 7 of 2007 and listing rules of the Colombo Stock Exchange. The Board of Directors acknowledge their responsibility as set out in the 'Annual Report of the Board of Directors' on the affairs of the Bank, 'Statement of Directors Responsibilities on Financial Reporting' and the certification given on the 'Statement of Financial Position' on pages 14, 156 and 171 respectively.

2.4 Approval of the Financial Statements by Directors

The Financial Statements of the Bank and the Group for the year ended 31 December 2023 (including the comparative figures) have been approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 20 February 2024.

2.5 Basis of Measurement

The Financial Statements of the Group have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:

Item	Basis of Measurement	Note	Pages
Derivative financial instruments	Fair value	24	204
Financial assets recognised through profit or loss - measured at fair value	Fair value	25	206
Financial assets measured at fair value through other comprehensive income	Fair value	28	216
Investment property	Fair value	31	221
Freehold land and buildings	Measured at cost at the time of acquisition and subsequently measured at revalued amounts, which represented the fair value at the date of revaluation.	32	222
Retirement benefit obligations	Recognised at the present value of the defined benefit obligations less the fair value of the assets of the plan.	41	234
Employee Share Option Scheme	Fair value	46.3	243

2.6 Presentation of Financial Statements

The Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding the recoveries and settlements within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 50 to the Financial Statements.

2.6.1 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on "Presentation of Financial Statements".

2.6.2 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when it is permitted under SLFRSs, or for gains and losses arising from a group or similar transactions such as in the Group's trading activity.

2.7 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standards - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

2.8 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's presentation and the details of which are given in Note 54 to the Financial Statements.

2.9 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Bank and its subsidiaries for the year ended 31 December 2023. The Financial Statements of the Bank's subsidiaries are prepared for the same reporting year as the Bank, using consistent Accounting Policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

"Subsidiaries are fully-consolidated from the date on which, control is transferred to the Bank. Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank."

Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position, but separate from the Parent shareholders' equity.

2.10 Foreign Currency Translation

(a) All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees (LKR), using the exchange rates prevailing at the dates, the transactions were affected. Monetary assets and liabilities denominated in foreign currencies are retranslated at the middle exchange rate of the functional currency ruling, at the date of the Statement of Financial Position. The resulting gains and losses are accounted for in the Statement of Profit or Loss.

(b) Accordingly, transactions of the Foreign Currency Banking Unit have been recorded in accordance with Note (a) above. Net gains and losses are dealt within the Statement of Profit or Loss.

(c) Non-monetary assets and liabilities that are measured on a historical cost basis in foreign currency are translated using the exchange rates prevailing at that date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(d) Forward exchange contracts are valued at the forward market rates prevailing at the date of the Statement of Financial Position. Profits or losses on such transactions are dealt within the Statement of Profit or Loss.

(e) As at the reporting date, the assets and liabilities of overseas subsidiaries/ associates are translated into the Bank's presentation currency at the rate of exchange ruling at the date of the Statement of Financial Position and its profits and losses are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

(f) On disposal of a foreign subsidiary/ associate, the deferred cumulative amount recognised in equity relating to that particular foreign subsidiary/associate is recognised in the Statement of Profit or Loss in 'other operating expenses' or 'other operating income', respectively.

2.11 Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Group, the Management is required to make judgments, which may have significant effects on the amounts recognised in the Financial Statements. Further, the Management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

The key significant accounting judgments, estimates and assumptions for each type of assets, liabilities, income and expenses along with the respective carrying amounts of such items are presented along with the notes to the Financial Statements.

The following table includes the items that involve significant accounting judgements, estimates and assumptions in the preparations of the Financial Statements of the Group.

Notes to the Financial Statements	Note	Pages
Impairment charges	11	189
Income tax expense	17	196
Derivative financial instruments	24	204
Financial assets recognised through profit or loss - measured at fair value	25	206
Financial assets at amortised cost - debt and other instruments	27	213
Financial assets measured at fair value through other comprehensive income	28	216
Investment property	31	221
Property, plant & equipment	32	222
Right of use assets	33	225
Intangible assets	34	226
Retirement benefit obligations	41.1	235
Pension fund	41.2	236
Share based payment reserve	46.3	243
Fair value of financial instruments and non financial instruments	55	257

2.11.1 Going Concern-basis of accounting

The Board of Directors of the Bank and its group companies have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Group to continue as a going concern.

Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

3. ACCOUNTING POLICIES

The Group has consistently applied the accounting policies for all periods presented in the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Apart from the general accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the Financial Statements. These material accounting policy information have been applied consistently to all periods presented within the respective notes to the Financial Statements of the Group. The accounting policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly.

Accounting policy	Note	Pages
Material accounting policy information		
Financial instruments	3.1	180
Material accounting policy information - Recognition of income and expenses		
Gross income	4	184
Net interest income	5	184
Net fee and commission income	6	186
Net gains/(losses) from trading	7	187
Net gains/(losses) from financial assets at fair value through profit or loss	8	188
Net gains/(losses) from derecognition of financial assets	9	188
Other operating income	10	188
Impairment charges	11	189
Personnel expenses	12	193
Depreciation and amortisation expenses	13	194
Other expenses	14	195
Tax on financial services	15	195
Income tax expenses	17	196
Material accounting policy information - Recognition of assets and liabilities		
Basic/Diluted EPS	18	198
Dividend Per Share	19	199
Cash and cash equivalents	21	202
Placements with banks	23	203
Derivative financial instruments	24	204
Financial assets recognised through profit or loss - measured at fair value	25	206
Financial assets at amortised cost - loans and receivables to other customers	26	207
Financial assets at amortised cost - debt and other instruments	27	213
Financial assets measured at fair value through other comprehensive income	28	216
Investments in subsidiary companies	29	219
Investments in associate companies	30	220
Investment property	31	221
Property, plant & equipment	32	222
Right of use assets	33	225
Intangible assets	34	226
Current tax receivables/liabilities	39	232
Deferred tax assets/liabilities	40	232
Other assets	35	228
Due to banks	36	228
Financial liabilities at amortised cost - Due to depositors	37.1	229
Financial liabilities at amortised cost - Due to debt securities holders	37.2	230
Financial liabilities at amortised cost - Due to other borrowers	37.3	231
Debt securities issued	38	231
Retirement benefit obligations	41	234

3.1 Financial Instruments - SLFRS 9

The Group applies the requirements under SLFRS 9 - Financial Instruments in classifying, measuring, re-classifying and de-recognition of financial instruments.

3.1.1 Date of recognition

Financial assets and financial liabilities, with the exception of loans and receivables to other customers and balances due to depositors, are initially recognised on the trade date.

The trade date means the date that the Bank becomes a party to the contractual provisions of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables to other customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to depositors when funds are transferred to the Bank.

3.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3.1.4.(a) and (b). Financial instruments are initially measured at their fair value (as defined in Note 55), except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss, transaction costs are added to, or subtracted from, this amount. Trade receivables of subsidiaries are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below in Note 3.1.3.

3.1.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the Statement of Profit or Loss over the tenor of the financial instrument using Effective Interest Rate method. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

3.1.4 Classification and subsequent measurement of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measures at either:

- Fair Value through profit or loss (FVPL) as explained in Note 25.
- Amortised cost, as explained in Note 3.1.4.1. and in Note 27.
- Fair Value through Other Comprehensive Income (FVOCI), as explained in Note 28.

The Bank measures its derivative portfolio at FVPL as explained in Note 24.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and financial liabilities designated upon initial recognition as at FVPL.

The subsequent measurement of financial assets/liabilities depends on their classification.

3.1.4 (a) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The business model of the Group is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

If cash flows after initial recognition are realised in a way that is different from the original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1.4 (b) Assessment of whether contractual cash flows are Solely Payments of Principle and Interests (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

An entity has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as "SPPI").

For the purpose of this assessment, principle is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period of which the interest rate is set.

3.1.4.1 Measurement of financial assets at amortised cost

Cash and cash equivalents, balances with the Central Bank of Sri Lanka, placements with banks, loans and receivables to other customers, financial assets at amortised cost - debts and other instruments are measured at amortised cost by the Group.

The Group only measures financial assets at amortised cost if both of the following conditions are met and is not designated as at FVPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely based on SPPI.

3.1.5 Reclassification of financial assets and liabilities

As per SLFRS 9, financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.1.6 Derecognition of financial assets and financial liabilities other than for substantial modification

3.1.6(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

3.1.6(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

3.1.7 Government securities denominated in local currency – Treasury bills and bonds

Treasury bills and bonds denominated in local currency, issued by the Government of Sri Lanka, are classified under Stage 1 in line with Banking Act Direction No. 14 of 2021 - Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

3.2 Borrowing Costs

As per the Sri Lanka Accounting Standard -LKAS 23 on "Borrowing Costs", the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

3.3 Taxation

3.3.1 Current tax and deferred tax

Details of "Income tax expense" and "Deferred tax assets and liabilities" are given in Note 17.

3.3.2 Tax on financial services

Details of "Value Added Tax (VAT) on financial services" and "Social Security Contribution Levy (SSCL) on financial services" are given in Note 15.

3.3.3 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.3.4 Surcharge tax

As per the Provisions of the Surcharge Tax Act No. 14 of 2022, if the aggregate of the taxable income of the holding company and all subsidiaries in a group of companies, for the Year of Assessment 2020/2021, exceed LKR 2,000 Mn, each company in the group of companies was liable to pay Surcharge Tax calculated at 25% on the taxable income (after deducting profit from dividends received from subsidiaries included in the taxable income). Total surcharge tax liability has been recognised by the Group as an opening adjustment to the retained earnings in the Statement of Changes in Equity as at 01 January 2022 as per the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka.

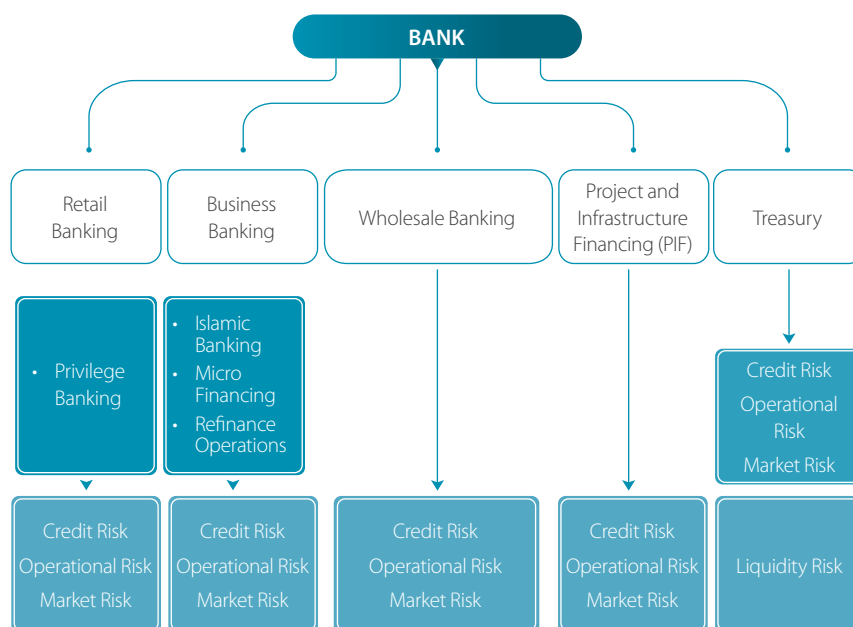
3.3.5 Withholding Tax (WHT) on dividends

As per the Inland Revenue (Amendment) Act No. 45 of 2022, dividends are subject to WHT effective from 01 January 2023. Accordingly, dividend income is liable to WHT at the rate of 15% which is considered as a final tax for the Group.

3.4 Bank's Risk Management Framework

The Board of Directors of the Bank has the overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Risk Management Policy of the Bank translates overall risk appetite on business activities in a holistic approach to provide the guidance required for convergence of strategic and risk perspectives of the Bank. The Board Integrated Risk Management Committee (IRMC) meets quarterly to review and assess the Bank's overall risks and to focus on policy recommendations and strategies in an integrated manner and the Board of Directors are duly updated of its activities.

A detailed disclosure on how the risk management is carried out within the Bank's Risk Management Framework with due consideration given to Credit risk, Market risk and Liquidity risk are given in the Notes to the Financial Statements Section on "Risk Management disclosures" on pages 267 to 290.



3.5 Changes in Accounting Policies

3.5.1 New and amended accounting standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Certain prior year figures and phrases have been rearranged in order to compatible with the presentation requirements of the Central Bank of Sri Lanka.

The other accounting policies adopted by the Group are consistent with those of the previous financial year.

3.5.2 Amendments to Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1

On 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

- **Highly Probable Requirement:** According to SLFRS 9 and LKAS 39, when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. By the Phase 1 amendments, when determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform.
- **Prospective assessments:** A hedging relationship qualifies for hedge accounting only if there is an economic relationship between the hedged item and the hedging instrument (described in SLFRS 9) or the hedge is expected to be highly effective in achieving off-setting (described in LKAS 39). An entity must demonstrate such prospective assessments on a regular basis. By the Phase 1 amendments, when performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- **LKAS 39 retrospective assessment:** To apply hedge accounting under LKAS 39, an entity must demonstrate that the actual results of the hedge are within a range of 80% - 125%. This requirement is commonly known as the 'LKAS 39 retrospective assessment'. By the Phase 1 amendments, an entity is not required to undertake the LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.
- **Separately identifiable risk components:** While there are some differences between SLFRS 9 and LKAS 39 regarding designation of risk components, both Standards require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. An entity may designate an item in its entirety or a component of an item as a hedged item in a hedging relationship. SLFRS 9 and LKAS 39 require the component to be separately identifiable to qualify as a hedged item. By the Phase 1 amendments, for hedges of non contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients.

- A practical expedient require, contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2023 in the Sri Lankan context.

The requirements under phase 1 amendments have to be applied retrospectively. However, the reliefs only apply to hedging relationships that existed at the beginning of the reporting period in which an entity first applies those requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements. It follows that it is not possible to apply the reliefs retrospectively to hedge relationships that were not previously designated as such.

The requirements under phase 2 amendments have to be applied retrospectively. Hedge relationships are not designated retrospectively. However, discontinued hedging relationships must be reinstated if, and only if,

- The hedging relationship was discontinued solely due to changes required by the Reform, and, therefore, the entity would not have been required to discontinue that hedging relationship if the Phase 2 Amendments had been applied at that time and
- At the date of initial application of the Phase 2 Amendments, that discontinued hedge relationship continues to meet all the qualifying criteria for hedge accounting, after taking account of the Phase 2 Amendment.

As of 31 December 2023, the Group does not have any material impact from the IBOR Reform.

3.6 Standards issued but not yet effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Group's financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025. The Bank/Group expects that the implementation of this standard may not have a material impact on the financial statements of the group.

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

As of 31 December 2023, the Group does not have any material impact from the SLFRS 17 - Insurance Contracts.

4. GROSS INCOME

ACCOUNTING POLICY

The Gross Income represents the Interest Income and the Non-Interest Income earned by the Group during the year.

Gross Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria, for each type of Gross Income are given under the respective notes.

For the year ended 31 December	Note	BANK		GROUP	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Interest income	5.1	119,372,564	97,917,822	119,722,233	98,217,310
Fee and commission income	6.1	7,164,891	6,274,698	8,566,191	7,438,752
Net gains/(losses) from trading	7	2,905,753	(340,346)	2,905,753	(340,346)
Net gains/(losses) from financial assets at fair value through profit or loss	8	1,745,982	(389,767)	1,947,286	(340,388)
Net gains/(losses) from derecognition of financial assets	9	4,057,348	15,127	4,108,332	15,127
Other operating income	10	(2,920,535)	6,424,944	(2,777,201)	6,561,056
Total		132,326,003	109,902,478	134,472,594	111,551,511

5. NET INTEREST INCOME

ACCOUNTING POLICY

Recognition of Interest Income and Interest Expenses

The Group uses the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 9 - Financial Instruments. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or the financial liability.

The carrying amount of financial assets or financial liabilities is adjusted if the Group revises their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR. The EIR (and therefore, the amortised cost) is calculated by taking into account any discount or premium on an acquisition, fees and costs that are an integral part of the EIR. The change in the carrying amount is recorded as 'interest income' for financial assets and 'Interest expenses' for financial liabilities.

Group ceases the recognition of interest income on assets which are impaired (over 90 days past due) when it is probable that the economic benefits associated will not continue to flow to the Bank.

5.1 Interest Income

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Placements with banks	2,851,076	2,284,922	2,898,626	2,363,675
Financial assets recognised through profit or loss measured at fair value	5,027,171	2,863,301	5,027,171	2,913,525
Financial assets measured at fair value through other comprehensive income	16,389,156	5,443,943	16,584,965	5,527,118
Financial assets at amortised cost - loans and receivables to other customers	72,019,997	70,408,770	72,031,029	70,375,045
Interest income on impaired loans and receivables to other customers	1,250,873	2,804,639	1,250,873	2,804,639
Financial assets at amortised cost - debt and other instruments	21,537,882	14,107,642	21,537,882	14,107,642
Other interest income	296,409	4,605	391,687	125,666
Total interest income (a)	119,372,564	97,917,822	119,722,233	98,217,310

5.2 Interest Expenses

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Due to banks	3,860,848	4,070,485	3,860,848	4,016,986
Financial liabilities at amortised cost				
Due to depositors	77,298,817	58,949,307	77,215,134	58,915,582
Due to debt securities holders	1,231,932	294,995	1,231,932	294,995
Due to other borrowers	1,642,788	492,611	1,642,788	492,611
Debt securities issued	3,391,049	3,366,766	3,391,049	3,366,766
Total interest expenses (b)	87,425,434	67,174,164	87,341,751	67,086,940
Net interest income (a)-(b)	31,947,130	30,743,658	32,380,482	31,130,370

5.3 Net Interest Income from Sri Lanka Government Securities

Interest income and interest expenses on Government Securities have been extracted from interest income and interest expenses given in Notes 5.1 and 5.2 respectively and disclosed separately, as required by the Guidelines issued by the Central Bank of Sri Lanka.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Interest income				
Financial assets recognised through profit or loss measured at fair value	5,027,171	2,863,301	5,027,171	2,863,301
Financial assets measured at fair value through other comprehensive income	16,389,156	5,443,943	16,565,542	5,504,900
Financial assets measured at amortised cost - debt and other instruments	20,521,024	13,387,207	20,521,024	13,387,207
	41,937,351	21,694,451	42,113,737	21,755,408
Less : Interest expenses				
Financial liabilities at amortised cost - Due to debt securities holders	1,231,932	294,995	1,231,932	294,995
Net interest income from Sri Lanka Government Securities	40,705,419	21,399,456	40,881,805	21,460,413

6. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Income from Fee-based Activities

Fee and Commission Income

The Group recognises the fee and commission earned from depositors and the loans and receivables to other customers as per the requirements of SLFRS 9 - Financial Instruments and all other fee and commission income are recognised based on the SLFRS 15 - Revenue from contracts with customers.

The fee and commission income are recognised by the Group within the scope of SLFRS 15 (Revenue from contracts with customers) only when all of the following criteria are met:

- (i) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) obligations; and are committed to perform their respective obligations;
- (ii) The entity can identify each party's rights regarding the services to be transferred;
- (iii) The entity can identify the payment terms for the services to be transferred;
- (iv) The contract has commercial substance (ie the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- (v) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Fees and commission income that are integral to the EIR of a financial asset are capitalised and included in the measurement of the EIR and recognised in the Statement of Profit or Loss over the expected life of the instrument. Other fees and commission income on account servicing, investment management, underwriting, advisory work, loan syndication and all other fees and commissions earned during the normal course of the business of the Group are recognised as the related services are performed and are recorded on accrual basis. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Income from Financial Guarantees

The Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances, in the normal course of its business activities. Financial guarantees are initially recognised in the Statement of Financial Position as a contingent liability at the guarantee value. The premium received is recognised in the Statement of Profit or Loss on a straight-line basis over the life time of the guarantee and the balance amount to be amortised to the Statement of Profit or Loss after the reporting date, is recognised in the Statement of Financial Position, as Other Liabilities.

Rental Income

The Group recognises the rental income arising from operating leases including the investment property on an accrual basis by equalising the rental income over the tenure of the rent agreement in line with the requirement of SLFRS 16-Leases.

Fee and Commission Expenses

Fee and commission expenses mainly relates to transactions of loans and receivables to other customers and service fees, which are paid when the services are received. Fee and commission expenses are recognised on an accrual basis.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fee and commission income (Note 6.1)	7,164,891	6,274,698	8,566,191	7,438,752
Less: Fee and commission expenses (Note 6.2)	7,084	16,929	7,084	16,929
Net Fee and commission income	7,157,807	6,257,769	8,559,107	7,421,823

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
6.1 Fee and Commission Income on				
Cards	1,928,905	1,708,769	1,928,905	1,708,769
Due to depositors	422,159	333,750	422,159	333,750
Guarantees	745,043	850,612	745,043	850,612
Loans and receivables to other customers	647,225	658,179	647,225	658,179
Remittances	1,232,093	1,002,662	1,232,093	1,002,662
Trade finance	1,688,617	1,271,469	1,688,617	1,271,469
Other financial services	354,247	326,197	427,425	399,857
Bancassurance	144,663	121,318	144,663	121,318
Investment banking and wealth management	-	-	994,530	627,332
Brokerage	-	-	153,625	273,573
Rental income	1,939	1,742	181,906	191,231
Total (a)	7,164,891	6,274,698	8,566,191	7,438,752

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
6.2 Fee and Commission Expenses on				
Loans and receivables to other customers	4,159	4,300	4,159	4,300
Other financial services	2,925	12,629	2,925	12,629
Total (b)	7,084	16,929	7,084	16,929
Net Fee and commission income (a)-(b)	7,157,807	6,257,769	8,559,107	7,421,823

7. NET GAINS/(LOSSES) FROM TRADING

ACCOUNTING POLICY

Net gains/(losses) from trading includes the unrealised gains/(losses) derived from revaluation of the foreign exchange contracts and other derivative financial instruments. All derivative financial instruments are fair valued at each reporting date as per the SLFRS 09 - Financial Instruments.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Income from foreign exchange contracts				
With banks	1,924,931	(834,958)	1,924,931	(834,958)
With other customers	980,822	494,612	980,822	494,612
Total	2,905,753	(340,346)	2,905,753	(340,346)

8. NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY

Net gains/ (losses) from financial assets at fair value through Profit or Loss comprises all realised and unrealised fair value changes, related capital gains and losses derived from the financial assets classified as financial assets recognised through profit or loss measured at fair value.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Financial assets recognised through profit or loss measured at fair value				
Realised/ unrealised revaluation gains/(losses);				
Investment in unit trusts	-	(365,514)	140,495	(365,514)
Sri Lanka Government Securities - treasury bills/bonds	1,745,982	(24,253)	1,745,982	(6,555)
Equity securities	-	-	60,809	31,681
Total	1,745,982	(389,767)	1,947,286	(340,388)

9. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

ACCOUNTING POLICY

All realised gains and losses from derecognition of financial assets classified as financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income are given below.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Financial assets - Measured at Fair Value through Other Comprehensive Income				
Debt securities	4,057,348	15,127	4,108,332	15,127
Total	4,057,348	15,127	4,108,332	15,127

10. OTHER OPERATING INCOME

ACCOUNTING POLICY

Other operating income includes capital gains/(losses), dividend income, foreign exchange gains, disposal gains/(losses) from property, plant & equipment and gains/(losses) from investment properties.

Dividend Income

Dividend income from group investments in subsidiary companies and associate companies and other investments in quoted and non quoted shares are recognised when the Group's right to receive the payment is established.

Foreign Exchange Gains

The change in exchange rate differences arising from the valuation of the retained profits held in foreign currency is included under 'foreign exchange gains'.

Gains/(Losses) on disposal of Property, Plant & Equipment

Gains/(losses) on disposal of property, plant & equipment represent the difference between the sales proceeds and the net book value of property, plant & equipment that are disposed during the year.

Gains/(Losses) on Investment Properties

Gains/(losses) from investment properties arise from the changes in the fair values of investment properties and are included in the Statement of Profit or Loss, in the year in which they arise. The valuation methodology and the basis of valuation adopted by the Group is explained in detail in Note 31 on page 221.

Initial recognition of fair value on LKR bonds replaced for Sri Lanka Development Bonds

The Day 1 losses relating to LKR bonds which replaced Sri Lanka Development Bonds as a part of the Domestic Debt Optimisation exercise undertaken in July 2023 by the Government of Sri Lanka was estimated considering a comparable instrument as at 31 December 2023.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Dividend income from securities				
- Quoted investments	41,932	69,171	52,302	86,883
- Non-quoted investments	28,712	38,841	28,712	38,841
Dividend income from group investments - Non-quoted investments	48,482	306,838	-	-
Foreign exchange gains/(losses)	(2,606,158)	5,917,072	(2,632,844)	6,121,572
Gains/(losses) on disposal of property, plant & equipment	3,489	1,436	5,712	3,830
Gains/(losses) on investment properties (Note 31)	-	-	211,552	168,269
Initial recognition of fair value on LKR bonds replaced for Sri Lanka Development Bonds	(450,000)	-	(450,000)	-
Others	13,008	91,586	7,365	141,661
Total	(2,920,535)	6,424,944	(2,777,201)	6,561,056

11. IMPAIRMENT CHARGES

ACCOUNTING POLICY

The Group recognises the impairment (Expected Credit Loss) on financial instruments assessed as per SLFRS 9 - Financial Instruments. Further, the Group also recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset.

Overview of the Expected Credit Loss (ECL)

The Group records the allowance for expected credit loss for all loans and receivables and other financial assets not held at Fair Value through Profit or Loss (FVPL), together with loan commitments, financial guarantee contracts and letters of credit which are referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The Expected Credit Loss (ECL) allowance is based on the credit losses expected to arise over the life of the asset [The Life Time Expected Credit Loss (LTECL)], when there is a significant increase in credit risk since origination. In all other instances ECL is based on the 12 months ECL (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 56.3.4.5.

The 12 months ECL is the portion of life time ECLs that represents the ECLs that result from default events on a financial instruments that are possible within the 12 months after the reporting date.

Both Life time ECLs and 12 months ECLs are calculated either on an individual basis or a collective basis, based on a predetermined threshold of customer exposures. If a particular loan is credit impaired under individual impairment the amount of loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows. If the individually assessed asset is determined that it is not credit impaired

under individual impairment, such financial assets are then collectively assessed for any impairment along with other portfolios having similar risk characteristics under collective impairment. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 56.3.4.5.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 56.3.4.6.

As per SLFRS 9, the Group adopts a three stage model for impairment based on changes in credit quality since initial recognition.

STAGE 1

A financial asset that is not originally credit impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of LTECL that result from default events possible within the next 12 months (12mECL). Stage 1 also include financial assets of which the credit risk has improved and hence reclassified from stage 2 and stage 3.

STAGE 2

Financial asset is moved to Stage 2 if a significant increase in credit risk (SICR) since origination is identified and the Group records an allowance for LTECL. Stage 2 also includes financial assets of which credit risk has improved and hence reclassified from stage 3.

STAGE 3

If a financial asset is credit impaired (as outlined in Note 56.3.4.1), it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

The calculation of Expected Credit Loss (ECL)

The Group calculates ECLs under the three staging approach to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis or on a collective basis as per the Group's impairment policy. The collective assessments are made separately for portfolio of facilities with similar credit risk characteristics.

The mechanics of the ECL calculations are outlined below and the key elements, Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) under collective impairment assessment are as follows:

PD

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 56.3.4.2.

ACCOUNTING POLICY

EAD

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest whether scheduled by contract or otherwise, expected drawdowns on committed facilities. To calculate EAD for a stage 1 loan, the Group assesses the possible default events within 12 months. For all other loans, the EAD is considered for default events over the life time of the financial instruments. The EAD is further explained in Note 56.3.4.3.

LGD

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. They are calculated on a discounted cashflow basis using EIR as the discounting factor. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 56.3.4.4.

The above parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward looking information.

When estimating the ECLs, the Group considers three scenarios (a base case, best case and worse case) of Economic Factor Adjustment (EFA). When relevant, the assessment of multiple scenarios are also incorporated to assess how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of Credit cards and other revolving facilities, for which the treatment is separately set out below under "Credit cards and other revolving facilities", the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Provisions for ECLs for undrawn loan commitments are assessed as set out below under "Loan commitments and letters of credit". The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained below under "Credit cards and other revolving facilities".

Forward looking information

The Group incorporates forward looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Group considers three economic scenarios (base case, best case and worse case). Quantitative economic factors are based on economic data and forecasts published by CBSL and other reliable sources.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Quantitative factors - GDP growth, Unemployment rate, Rate of Inflation, Interest rate and Exchange rate
- Qualitative factors - Government policies, average loan to value ratio and management outlook on delinquencies etc.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements.

Detailed information about these inputs and sensitivity analysis are provided in Note 56.3.4.7.

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities within a short period of time. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is one year.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's number of days past due, as explained in Note 56.3.4.5, but greater emphasis is also given to qualitative factors also.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the

facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

Loan commitments and letters of credit:

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR of the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit or Loss and the ECL allowance. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holders for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

Impairment of Debt Instruments

The Group calculates the impairment on debt instruments at amortised cost and debt instruments at FVOCI. Thus the Group considers PDs based on the rating scales of external rating agencies as at the reporting date.

LGD for all debt instruments are based on the guideline issued by the Central Bank of Sri Lanka. Further, the Group applied the Economic Factor Adjustment based on the macro economic factor model. Exposure of Default (EAD) of a debt instrument is its gross carrying amount.

Recognition of impairment on Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI)

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the Statement of Profit or Loss. The accumulated loss recognised in OCI is recycled to the Statement of Profit or Loss upon derecognition of the assets.

ACCOUNTING POLICY

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credits enhancements such as netting agreements etc.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at inception and re-assessed on a regular basis. Details of the impact of the Bank's various credit enhancements are disclosed in Note 56.3.4.11.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

Collateral repossessed

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auctions, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, assets under legal repossession processes are not recorded on the Statement of Financial Position.

The Bank's policy is to sell the repossessed assets at the earliest possible opportunity. Such collaterals repossessed are held on a memorandum basis without derecognising the underlying receivable.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the impairment allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Statement of Profit or Loss.

Forborne and modified loans (restructured/rescheduled loans)

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The

Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. Accordingly, all rescheduled loans are classified as Stage 3 unless upgraded due to satisfactory performing period as specified in the Direction on "Classification, Recognition and Measurement of Credit Facilities in Licensed Banks" issued by the Central Bank of Sri Lanka. Further loans which have been restructured are classified as stage 2 or 3 based on the number of times restructured unless upgraded due to satisfactory performing period as specified in the said Direction.

Significant Accounting Judgements, Estimates and Assumptions on Impairment Allowance on financial assets

The measurement of impairment allowance under SLFRS 9 across all categories of financial assets requires judgement in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of impairment allowances. Accounting judgements, estimates and assumptions are reviewed regularly and revisions to the same are recognised prospectively.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include;

- The Group's criteria for assessing if there has been a significant increase in credit risk and hence allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.

- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

A sensitivity analysis of impairment allowance to feasible changes in various factors used has been disclosed in note 56.3.4.14

Management overlays on impairment allowances

The Group considered the following management overlays to the model in computing expected credit loss provisions at the end of the period to mitigate any unforeseen increased credit risk in addition to the expected credit loss resulted from the modelled computation.

- The economic assumptions applied in respect of forward-looking information were adjusted significantly by increasing the weightage given to worst case scenario and adjusting the other factors as required.
- Staging of the facilities included in the identified risk elevated industries were moved to a higher stage where necessary to capture the significant increase in credit risk.

11. IMPAIRMENT CHARGES (CONTD.)

For the year ended 31 December	Note	BANK		GROUP	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Charges/(reversals) to the Statement of Profit or Loss;					
Loans and receivables to other customers					
- Impairment on individually significant loans	11.1	10,167,636	10,772,845	10,167,636	10,772,845
- Impairment on collective loan portfolio	11.1	5,500,035	1,733,532	5,500,035	1,733,532
Impairment on contingent liabilities and commitments	11.1	291,802	(660,626)	291,802	(660,626)
Total impairment charges for loans and receivables to other customers and contingent liabilities and commitments		15,959,473	11,845,751	15,959,473	11,845,751
Total impairment charges on financial assets	11.1	5,177,543	17,430,787	5,177,543	17,430,787
Impairment charges on investments in subsidiaries	11.1	7,022	15,122	-	-
Total		21,144,038	29,291,660	21,137,016	29,276,538

11.1 Analysis of Impairment Charges - Stage wise Impairment

A further analysis of the impairment charges on financial instruments for the year are given below.

Current Year 2023	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Impairment on loans and receivables								
Financial assets at amortised cost								
- loans and receivables to other customers	(340,178)	721,519	15,286,330	15,667,671	(340,178)	721,519	15,286,330	15,667,671
Individual impairment [Note 26.6 (a)]	-	561,863	9,605,773	10,167,636	-	561,863	9,605,773	10,167,636
Collective impairment [Note 26.6 (a)]	(340,178)	159,656	5,680,557	5,500,035	(340,178)	159,656	5,680,557	5,500,035
Contingent liabilities and commitments [Note 48.1 (b)]	278,635	44,253	(31,086)	291,802	278,635	44,253	(31,086)	291,802
Total impairment charges on loans and receivables to other customers and contingent liabilities and commitments	(61,543)	765,772	15,255,244	15,959,473	(61,543)	765,772	15,255,244	15,959,473
Impairment on financial assets								
Cash and cash equivalents (Note 21.1)	(4,079)	-	-	(4,079)	(4,079)	-	-	(4,079)
Placements with banks (Note 23.1)	49,030	-	-	49,030	49,030	-	-	49,030
Financial assets at amortised cost - debt and other instruments [Note 27.1 (d)]	279	5,132,313	-	5,132,592	279	5,132,313	-	5,132,592
Total impairment charges on financial assets	45,230	5,132,313	-	5,177,543	45,230	5,132,313	-	5,177,543
Impairment charges on investments in subsidiaries (Note 29.1)	7,022	-	-	7,022	-	-	-	-
Total impairment charges	(9,291)	5,898,085	15,255,244	21,144,038	(16,313)	5,898,085	15,255,244	21,137,016

Previous Year 2022	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Impairment on loans and receivables								
Financial assets at amortised cost								
- loans and receivables to other customers	334,730	1,316,121	10,855,526	12,506,377	334,730	1,316,121	10,855,526	12,506,377
Individual impairment [Note 26.6 (a)]	-	821,341	9,951,504	10,772,845	-	821,341	9,951,504	10,772,845
Collective impairment [Note 26.6 (a)]	334,730	494,780	904,022	1,733,532	334,730	494,780	904,022	1,733,532
Contingent liabilities and commitments [Note 48.1 (b)]	(353,957)	(101,473)	(205,196)	(660,626)	(353,957)	(101,473)	(205,196)	(660,626)
Total impairment charges on loans and receivables to other customers and contingent liabilities and commitments	(19,227)	1,214,648	10,650,330	11,845,751	(19,227)	1,214,648	10,650,330	11,845,751
Impairment on financial assets								
Cash and cash equivalents (Note 21.1)	7,310	-	-	7,310	7,310	-	-	7,310
Placements with banks (Note 23.1)	(1,853)	-	-	(1,853)	(1,853)	-	-	(1,853)
Financial assets at amortised cost - debt and other instruments [Note 27.1 (d)]	(180)	17,425,510	-	17,425,330	(180)	17,425,510	-	17,425,330
Total impairment charges on financial assets	5,277	17,425,510	-	17,430,787	5,277	17,425,510	-	17,430,787
Impairment charges on investments in subsidiaries (Note 29.1)	15,122	-	-	15,122	-	-	-	-
Total impairment charges	1,172	18,640,158	10,650,330	29,291,660	(13,950)	18,640,158	10,650,330	29,276,538

12. PERSONNEL EXPENSES

ACCOUNTING POLICY

Personnel expenses include salaries and bonus, terminal benefit charges, share-based payments and other related expenses. The provisions for bonus is recognised when it is probable that an outflow of resources, embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Defined Contribution Plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions, in accordance with the respective statutes and regulations. The Bank contributes 15% and 3% of gross salaries of employees to the Bank's Employees' Provident Fund and the Employees' Trust Fund respectively. Group companies contribute 12% and 3% of gross salaries of employees to the Employees' Provident Fund of Central Bank of Sri Lanka and Employees' Trust Fund respectively.

The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in the Sri Lanka Accounting Standard - LKAS 19

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, the pension fund and staff gratuity were considered as defined benefit plans as per Sri Lanka Accounting Standard - LKAS 19, Employee Benefits. The contributions to the defined benefit plans are recognised in the Statement of Profit or Loss, based on an actuarial valuation carried out for the gratuity liability and the pension fund of the Group in accordance with LKAS 19.

The basis of measurement, assumptions used in actuarial valuations are given in detail in Note 41 to these Financial Statements.

12. PERSONNEL EXPENSES (CONTD.)

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Salary and bonus	5,219,419	4,543,796	5,823,543	5,062,479
Contribution to Employees' Provident Fund	487,878	441,180	532,368	478,666
Contribution to Employees' Trust Fund	97,576	88,107	108,282	97,131
Contribution to defined benefit plan				
- Pension Fund [Note 41.2 (a)]	(93,782)	(32,931)	(93,782)	(32,931)
- Gratuity [Note 41.1 (a)]	258,344	177,685	283,632	197,725
Others	663,920	432,339	725,149	473,958
Total	6,633,355	5,650,176	7,379,192	6,277,028

13. DEPRECIATION AND AMORTISATION EXPENSES

ACCOUNTING POLICY

Useful Life Time of Property, Plant & Equipment and Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from the date when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. No depreciation is charged in the month of disposal of the asset and the Group does not charge depreciation on freehold land. The depreciation rates are determined separately for each significant part of the assets.

The Group reviews the residual values, useful lives and methods of depreciation of property, plant & equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

The estimated useful lives of the assets for the year ended 31 December 2023 and 2022, are as follows:

	Period (Years)	% per Annum
Freehold buildings	50	2.00
Leasehold buildings	5	20.00
Motor vehicles	4	25.00
Office equipment and furniture	5	20.00
Computer equipment - ATMs	8	12.50
Computer equipment - Servers	6	16.67
Computer equipment - iPads	4	25.00
Computer equipment - Others	5	20.00
Mobile Phones	3	33.33
Sundry fittings	4	25.00

Above rates are compatible with the rates used by the group companies.

Amortisation of Intangible Assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the years ended 31 December 2023 and 2022 are given as follows:

Class of Assets	Period (Years)	% per Annum
Computer software - Application software	6	16.67
Computer software - Data Base Software	8	12.50
Computer software - Operating System software	8	12.50
Computer software - Utility Software	6	16.67
Computer software - Core Banking	10	10.00
Computer software - Others	5-10	20.00-10.00

Above rates are compatible with the rates used by the group companies.

Depreciation of Right of Use Assets

Depreciation is calculated using the straight-line method over the tenor of the lease agreements and it is recognised in the Statement of Profit or Loss. An analysis of depreciation and amortisation expenses are given below.

For the year ended 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Own assets				
Depreciation of property, plant & equipment (Note 32.1 & 32.4)	393,336	397,748	420,837	433,647
Amortisation of intangible assets (Note 34.1)	271,056	135,787	275,353	141,118
Assets under operating leases				
Depreciation of right of use assets (Note 33)	320,118	313,099	358,269	351,269
Total	984,510	846,634	1,054,459	926,034

14. OTHER EXPENSES

ACCOUNTING POLICY

Other expenses include operating expenses of the Group which are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income and are recognised on an accrual basis.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Directors' emoluments	94,509	117,622	106,904	131,006
Auditors' remuneration				
Audit fees and expenses	14,006	11,944	22,375	19,073
Audit related fees and expenses	9,692	5,354	12,596	5,354
Non-audit fees and expenses*	4,206	3,559	4,206	3,933
Professional and legal expenses	30,693	31,710	69,130	55,997
Donations	8,550	7,963	14,102	12,063
Office administration and establishment expenses	2,862,367	2,209,399	3,157,389	2,372,194
Deposit insurance expenses	755,337	621,852	755,337	621,852
Others	2,256,465	1,877,433	2,506,974	2,074,631
Total	6,035,825	4,886,836	6,649,013	5,296,103

Directors' emoluments consists of the salary/fees paid to both Executive and Non-Executive Directors of the Group.

*In addition to the above, an amount of LKR 1.1 Mn (2022-1.1 Mn) in relation to the implementation of core banking project which is included under computer software in Note 34.1, had been paid to the auditors during the year.

15. TAX ON FINANCIAL SERVICES

ACCOUNTING POLICY

Tax on Financial Services include Value Added Tax and Social Security Contribution Levy on financial services.

Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on financial services is calculated in accordance with Value Added Tax Act, No. 14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on financial services is the accounting profit before income tax and emoluments payable to employees, which is adjusted for the depreciation of property, plant & equipment computed at the prescribed rates. The emoluments payable include aggregate of both benefits in money and benefits not in money payable to the employees and any contribution or provision in relating to terminal benefits. The regulatory tax rate applicable for the current year was 18%. (2022 - 18%).

Social Security Contribution Levy (SSCL) on Financial Services

SSCL on financial services is calculated with effect from 01 October 2022 in accordance with Social Security Contribution Levy Act, No. 25 of 2022 and subsequent amendments thereto. The base applicable for Value Added Tax on financial services as explain above is applied for the computation of the SSCL on financial services and the regulatory tax rate applicable for the current year was 2.5% (2022-2.5%).

15. TAX ON FINANCIAL SERVICES (CONTD.)

	BANK & GROUP	
	2023	2022
	LKR '000	LKR '000
Value Added Tax on financial services	2,414,923	1,149,682
Social Security Contribution Levy on financial services	334,917	53,410
Total	2,749,840	1,203,092

16. SHARE OF ASSOCIATE COMPANIES' PROFITS/(LOSSES)

The Group's share of profits/(losses) of an investment in an associate company which is recognised as per the equity method, is shown on the face of the Statement of Profit or Loss outside operating profits. The Bank has not recognised profits/(losses) from its associate company, Ayojana Fund (Pvt) Limited, as the company is under liquidation. Please refer Note 30 to these Financial Statements.

17. INCOME TAX EXPENSES

ACCOUNTING POLICY

As per Sri Lanka Accounting Standard - LKAS 12, Income Taxes, income tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

Current tax

Current tax consists of the expected tax payable to or receivable from the taxation authorities for the year and any adjustment to the tax payable or receivable in respect of previous years. The tax rates and tax laws used to compute the charge are those that are enacted or substantively enacted on the reporting date. Current tax also includes any tax arising from dividends. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and amendments there to, at the rates specified in Note 17.2 of these Financial Statements..

Provision for taxation of the foreign subsidiaries is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant statutes in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

Deferred Tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax laws of the relevant jurisdiction. Details of deferred tax liabilities/(assets) are given in Note 40 to the Financial Statements.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

ACCOUNTING POLICY

The Group applies IFRIC Interpretation 23, "Uncertainty Over Income Tax Treatment" in determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over the income tax treatment. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. It assessed whether the Interpretation had an impact on its consolidated Financial

Statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. Accordingly the Group has already estimated and recorded the probable effect of uncertainty over income tax treatment in its consolidated Financial Statements.

Significant Accounting Estimates & Assumptions

The amount of current tax receivable or payable is the best estimate of the tax amount expected to be received or paid that reflects uncertainty related to income taxes, if any.

Management periodically evaluates the positions taken in the tax returns, with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The components of the income tax expenses for the years ended 31 December 2023 and 2022 are:

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Current tax expense				
Taxation based on the profit for the year	4,080,574	5,868,752	4,337,945	6,074,946
Under/(over) provision in respect of previous years	(913,704)	(222,838)	(867,626)	(216,621)
Total current tax expense	3,166,870	5,645,914	3,470,319	5,858,325
Deferred tax expense				
Deferred tax reversal (Note 40.2)	(1,191,280)	(7,721,972)	(1,174,290)	(7,465,282)
Total income tax charged/(reversal) to the Statement of Profit or Loss (Note 17.1)	1,975,590	(2,076,058)	2,296,029	(1,606,957)
Effective tax rate (including deferred tax) (%)	27	(249)	28	(109)
Effective tax rate (excluding deferred tax) (%)	43	678	43	399

17.1 Reconciliation of the Accounting Profit to Income Tax Expenses

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Profit before taxation	7,345,917	832,987	8,154,239	1,468,847
Income tax expenses for the year (accounting profit @ applicable tax rate)	2,203,775	180,859	2,546,830	415,178
Income tax expenses for the year (dividend @ applicable tax rate)	-	22,355	-	59,511
Tax effect on				
Disallowable expenses	1,363,123	344,080	1,389,760	360,490
Tax deductible expenses	(3,364)	(388)	(43,142)	(23,700)
Exempt income	(674,240)	(921,786)	(714,668)	(929,540)
Change in tax rate	-	(1,478,340)	-	(1,272,275)
Tax losses	-	-	(15,125)	-
Total income tax for the year	2,889,294	(1,853,220)	3,163,655	(1,390,336)
Under/(over) provision in respect of previous years	(913,704)	(222,838)	(867,626)	(216,621)
Total income tax charged/(reversal) to the Statement of Profit or Loss	1,975,590	(2,076,058)	2,296,029	(1,606,957)

17.2 Applicable Income Tax Rates

The applicable income tax rates of the Bank and the subsidiary companies for the years 2023 and 2022 are as follows:

	2023 %	2022 %
National Development Bank PLC	30	24 & 30
NDB Capital Holdings Limited	30	24 & 30
Development Holdings (Pvt) Limited	30	24 & 30
NDB Investment Bank Limited	30	24 & 30
NDB Securities (Pvt) Limited	30	24 & 30
NDB Wealth Management Limited	30	24 & 30
NDB Zephyr Partners Lanka (Pvt) Limited	Exempt	Exempt
NDB Zephyr Partners Limited (Mauritius)*	15	15
NDB Capital Limited (Bangladesh)**	37.5	37.5

*The Company is however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of the Mauritius tax chargeable on its foreign source income.

**The Company is liable to pay income tax at the rate of 37.5% on the taxable profits or 0.6% on gross receipts which ever is higher.

The income tax rate of 24% was increased to 30% with effect from 01 October 2022 with the legalisation of the Inland Revenue (Amendment) Act, No. 45 of 2022 during the previous period. Accordingly, the Group computed the income tax liability for the first six months of the year of assessment 2022/2023 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act, No. 45 of 2022 were considered to calculate the income tax liability of the Group for the second six months of the same year of assessment. The income tax rate applicable for the current year is 30%.

Dividend received out of taxable profits was liable to income tax at 14% up to 30 September 2022. During the period from 01 October 2022 to 31 December 2022, dividend received out of taxable profits were liable to income tax at 15%.

17.3 The Deferred Tax (Credit)/Charge in the Statement of Profit or Loss Comprise the Following:

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
(Reversal)/origination of deferred tax liabilities	(98,991)	(37,522)	(55,682)	242,508
Origination of deferred tax assets	(1,092,289)	(7,684,450)	(1,118,608)	(7,707,790)
Deferred tax (credit)/charge to the Statement of Profit or Loss (Note 40.2)	(1,191,280)	(7,721,972)	(1,174,290)	(7,465,282)

The deferred tax assets/liabilities of the Group as at 31 December 2023 and 2022 were computed using the revised income tax rate of 30%.

18. BASIC/DILUTED EARNINGS PER SHARE

ACCOUNTING POLICY

The Group presents basic and diluted Earning Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. The Group did not have any dilutive potential ordinary shares as at 31 December 2023.

Earnings per Share: Basic/Diluted

	BANK		GROUP	
	2023	2022	2023	2022
Amount used as the numerator				
Profit attributable to equity holders of the parent (LKR '000)	5,370,327	2,909,045	5,759,436	3,008,737
Amount used as the denominator				
Weighted average number of ordinary shares [Note 18.1]	399,464,362	399,464,362	399,464,362	399,464,362
Basic/diluted earnings per share (LKR)	13.44	7.28	14.42	7.53

18.1 Weighted Average Number of Ordinary Shares for Basic/Diluted EPS

	BANK & GROUP	
	2023	2022
Number of shares held as at 01 January as per stated capital	380,094,722	357,123,647
Add: Number of shares issued due to final scrip dividend for the year 2021	-	22,971,075
Add: Number of shares issued due to final scrip dividend for the year 2022	19,369,640	19,369,640
Weighted average number of shares held as at 31 December used as the denominator for EPS	399,464,362	399,464,362

19. DIVIDEND PER SHARE

ACCOUNTING POLICY

Interim and final dividends are recognised and accrued when the dividends are recommended and declared by the Board of Directors in accordance with the Companies Act No. 7 of 2007.

The Board of Directors will consider a declaration of dividends for the year 2023 in due course. The Bank paid a final dividend of LKR 2.50 per share as a scrip dividend for the financial year 2022.

	BANK & GROUP	
	2023 LKR	2022 LKR
Final dividend per share - Cash	-	-
Final dividend per share - Scrip	-	2.50
Total dividend per share	-	2.50

Dividend Paid during the Year	BANK & GROUP			
	Dividend per Share LKR	2023 LKR '000	Dividend per Share LKR	2022 LKR '000
Final scrip dividend declared and paid for the prior year	2.50	950,237	4.50	1,607,056
Final cash dividend declared and paid for the prior year	-	-	1.00	357,124
Gross dividends declared and paid during the year with respect of prior year	2.50	950,237	5.50	1,964,180
Reversal of dividends paid in prior years		(20,156)		(4,215)
Dividends to equity holders		930,081		1,959,965

20. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

ACCOUNTING POLICY

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instrument is measured and how income and expenses, including fair value gains and losses are recognised. The following tables analyse the carrying amount of the financial instruments by category as defined in Sri Lanka Accounting Standard SLFRS 9 - 'Financial Instruments' under headings of the Statement of Financial Position:

20. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

As at 31 December 2023		BANK			
		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Assets					
Cash and cash equivalents	21	-	28,100,515	-	28,100,515
Balances with the Central Bank of Sri Lanka	22	-	7,040,421	-	7,040,421
Placements with banks	23	-	33,743,602	-	33,743,602
Derivative financial instruments	24	3,083,815		-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	25	24,021,340	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	26	-	452,660,461	-	452,660,461
Financial assets at amortised cost - debt and other instruments	27	-	125,672,370	-	125,672,370
Financial assets measured at fair value through other comprehensive income	28	-	-	83,805,398	83,805,398
Other financial assets	35	-	1,427,296	-	1,427,296
Total financial assets		27,105,155	648,644,665	83,805,398	759,555,218

As at 31 December 2023		BANK		
		Fair value through profit or loss	Amortised cost	Total
	Note	LKR '000	LKR '000	LKR '000
Liabilities				
Due to banks	36	-	7,679,195	7,679,195
Derivative financial instruments	24	93,361	-	93,361
Financial liabilities at amortised cost - due to depositors	37.1	-	615,643,999	615,643,999
Financial liabilities at amortised cost - due to debt securities holders	37.2	-	15,632,569	15,632,569
Financial liabilities at amortised cost - due to other borrowers	37.3	-	24,636,539	24,636,539
Debt securities issued	38	-	29,388,875	29,388,875
Other financial liabilities	42.1	-	2,391,221	2,391,221
Total financial liabilities		93,361	695,372,398	695,465,759

As at 31 December 2023		GROUP			
		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Assets					
Cash and cash equivalents	21	-	28,580,676	-	28,580,676
Balances with the Central Bank of Sri Lanka	22	-	7,040,421	-	7,040,421
Placements with banks	23	-	33,743,602	-	33,743,602
Derivative financial instruments	24	3,083,815	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	25	26,040,046	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	26	-	452,739,928	-	452,739,928
Financial assets at amortised cost - debt and other instruments	27	-	125,672,370	-	125,672,370
Financial assets measured at fair value through other comprehensive income	28	-	-	84,645,423	84,645,423
Other financial assets	35	-	1,965,544	-	1,965,544
Total financial assets		29,123,861	649,742,541	84,645,423	763,511,825

As at 31 December 2023

	Note	GROUP		
		Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Liabilities				
Due to banks	36	-	7,679,195	7,679,195
Derivative financial instruments	24	93,361	-	93,361
Financial liabilities at amortised cost - due to depositors	37.1	-	615,232,470	615,232,470
Financial liabilities at amortised cost - due to debt securities holders	37.2	-	15,632,569	15,632,569
Financial liabilities amortised cost - due to other borrowers	37.3	-	24,636,539	24,636,539
Debt securities issued	38	-	29,388,875	29,388,875
Other financial liabilities	42.1	-	2,592,786	2,592,786
Total financial liabilities		93,361	695,162,434	695,255,795

As at 31 December 2022

	Note	BANK			
		Fair value through profit or loss LKR '000	Amortised cost LKR '000	Fair value through other comprehensive income LKR '000	Total LKR '000
Assets					
Cash and cash equivalents	21	-	34,849,521	-	34,849,521
Balances with the Central Bank of Sri Lanka	22	-	18,187,547	-	18,187,547
Placements with banks	23	-	4,108,989	-	4,108,989
Derivative financial instruments	24	7,909,252	-	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	25	19,318,483	-	-	19,318,483
Financial assets at amortised cost - loans and receivables to other customers	26	-	545,873,027	-	545,873,027
Financial assets at amortised cost - debt and other instruments	27	-	135,047,886	-	135,047,886
Financial assets measured at fair value through other comprehensive income	28	-	-	44,685,230	44,685,230
Other financial assets	35	-	1,963,077	-	1,963,077
Total financial assets		27,227,735	740,030,047	44,685,230	811,943,012

As at 31 December 2022

	Note	BANK		
		Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Liabilities				
Due to banks	36	-	20,251,657	20,251,657
Derivative financial instruments	24	96,246	-	96,246
Financial liabilities at amortised cost - due to depositors	37.1	-	672,314,023	672,314,023
Financial liabilities at amortised cost - due to debt securities holders	37.2	-	130,541	130,541
Financial liabilities at amortised cost - due to other borrowers	37.3	-	32,372,265	32,372,265
Debt securities issued	38	-	27,979,631	27,979,631
Other financial liabilities	42.1	-	2,958,157	2,958,157
Total financial liabilities		96,246	756,006,274	756,102,520

20. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

As at 31 December 2022		GROUP			
		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total
		LKR '000	LKR '000	LKR '000	LKR '000
	Note				
Assets					
Cash and cash equivalents	21	-	35,727,665	-	35,727,665
Balances with the Central Bank of Sri Lanka	22	-	18,187,547	-	18,187,547
Placements with banks	23	-	4,108,989	-	4,108,989
Derivative financial instruments	24	7,909,252	-	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	25	20,788,523	-	-	20,788,523
Financial assets at amortised cost - loans and receivables to other customers	26	-	545,919,824	-	545,919,824
Financial assets at amortised cost - debt and other instruments	27	-	135,047,886	-	135,047,886
Financial assets measured at fair value through other comprehensive income	28	-	-	45,454,490	45,454,490
Other financial assets	35	-	2,424,812	-	2,424,812
Total financial assets		28,697,775	741,416,723	45,454,490	815,568,988

As at 31 December 2022		GROUP		
		Fair value through profit or loss	Amortised cost	Total
		Note	LKR '000	LKR '000
Liabilities				
Due to banks	36	-	20,298,844	20,298,844
Derivative financial instruments	24	96,246	-	96,246
Financial liabilities at amortised cost - due to depositors	37.1	-	671,713,337	671,713,337
Financial liabilities at amortised cost - due to debt securities holders	37.2	-	130,541	130,541
Financial liabilities amortised cost - due to other borrowers	37.3	-	32,372,265	32,372,265
Debt securities issued	38	-	27,979,631	27,979,631
Other financial liabilities	42.1	-	3,273,911	3,273,911
Total financial liabilities		96,246	755,768,529	755,864,775

21. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

For the purpose of reporting in the Statement of Financial Position, cash and cash equivalents comprise of cash in hand and balances with banks. The cash in hand comprises of both local currency and foreign currency. Balances with banks represent local and foreign Nostro accounts. The balances of cash in hand are recorded at book value and the balances with banks are carried at amortised cost in the Statement of Financial Position.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cash in hand				
Local currency	9,780,585	7,579,661	9,780,780	7,579,849
Foreign currency	321,145	295,246	321,180	295,311
Balances with banks				
Local currency	1,759,615	997,999	1,759,615	1,670,324
Foreign currency	16,243,070	25,984,594	16,723,001	26,190,160
Sub Total	28,104,415	34,857,500	28,584,576	35,735,644
Less : Impairment allowance (Note 21.1)	3,900	7,979	3,900	7,979
Total	28,100,515	34,849,521	28,580,676	35,727,665

21.1 Movement in Impairment Allowance During the year

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Stage 1				
Balance as at 01 January	7,979	669	7,979	669
Charges/(reversals) for the year	(4,079)	7,310	(4,079)	7,310
Balance as at 31 December	3,900	7,979	3,900	7,979

22. BALANCES WITH THE CENTRAL BANK OF SRI LANKA

Balances with the Central Bank of Sri Lanka include the cash balance that is required to be maintained with the Central Bank of Sri Lanka as per the provisions of the Monetary Law Act. The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. There is no reserve requirement for foreign currency deposits liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Offshore Banking Unit (OBU) in Sri Lanka. Balances with the Central Bank of Sri Lanka is carried at amortised cost in the Statement of Financial Position.

The minimum cash reserve requirement to be maintained by the Bank during the year was as follows.

	Period	Reserve Requirement (SRR)	Period	Reserve Requirement (SRR)
	2023		2022	
All Rupee deposit liabilities	01.01.2023 - 15.08.2023	4.0%	01.01.2022 - 31.12.2022	4.0%
	16.08.2023 - 31.12.2023	2.0%		

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Statutory balances with the Central Bank of Sri Lanka	7,040,421	18,187,547	7,040,421	18,187,547
Total	7,040,421	18,187,547	7,040,421	18,187,547

23. PLACEMENTS WITH BANKS

ACCOUNTING POLICY

Placements with Banks include short-term deposits placed in banks and are subjected to insignificant risk of changes in fair value, and are used by the Group in the management of its short-term commitments. These are recorded in the Financial Statements at the face values or the gross values, where appropriate, net of impairment charges.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Placements - in local banks				
Local Currency	450,334	4,109,227	450,334	4,109,227
Foreign Currency	3,936,674	-	3,936,674	-
Placements - in Foreign banks	29,405,862	-	29,405,862	-
Sub total	33,792,870	4,109,227	33,792,870	4,109,227
Less : Impairment allowance (Note 23.1)	49,268	238	49,268	238
Total	33,743,602	4,108,989	33,743,602	4,108,989

23.1 Movement in Impairment Allowance during the year

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Stage 1				
Balance as at 01 January	238	2,091	238	2,091
Charges/(reversals) for the year	49,030	(1,853)	49,030	(1,853)
Balance as at 31 December	49,268	238	49,268	238

24. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include, cross-currency swaps, forward foreign exchange contracts and currency options. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The changes in the fair value of derivatives are included in 'Net gains/(losses) from trading except the currency SWAP entered with the Central Bank of Sri Lanka.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Bank only has hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge).

Hedge Accounting

The Group elected to continue to apply hedge accounting in accordance with SLFRS 9 Financial Instruments.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met. At the inception, the Group document the transaction, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also document their assessment, both at the inception of the hedge and on an ongoing basis, if the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash Flow Hedge

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss.

The amounts accumulated in Equity are reclassified to the Statement of Profit or Loss in the periods in which the hedged items, affect, profit or loss. When a hedging instrument is expired or is sold, or when a hedge no longer meets the criteria for hedge accounting. Any cumulative gain or loss existing in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in Equity are immediately transferred to the Statement of Profit or Loss.

The changes in the fair value of any derivative instrument which do not qualify for hedge accounting are recognised immediately in the Statement of Profit or Loss.

	BANK & GROUP			
	Financial Assets 2023 LKR '000	Financial Liabilities 2023 LKR '000	Financial Assets 2022 LKR '000	Financial Liabilities 2022 LKR '000
Forward foreign exchange contracts	344,343	93,361	209,134	96,246
Currency SWAP (Note 24.1)	2,739,472	-	7,700,118	-
Total	3,083,815	93,361	7,909,252	96,246

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding as at 31 December 2023 and are indicative of neither the market risk nor the credit risk.

	BANK & GROUP					
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
	2023 LKR '000	2023 LKR '000	2023 LKR '000	2022 LKR '000	2022 LKR '000	2022 LKR '000
Forward foreign exchange contracts						
- Sales	574	15	34,114,080	20,200	68,177	17,608,734
- Purchases	343,769	93,346	34,438,553	188,934	28,069	17,726,451
Currency SWAP - Purchases [Note 24.1]	2,739,472	-	10,692,000	7,700,118	-	13,212,000
Total	3,083,815	93,361	79,244,633	7,909,252	96,246	48,547,185

24.1 Currency SWAP

The Bank entered in to a SWAP arrangement with the Central Bank of Sri Lanka effective from 18 March 2022 USD 36 Mn out of a total foreign borrowing value of USD 50 Mn which has a tenure of seven years with a grace period of 1 year for the repayment of capital.

The SWAP arrangement is with twelve cross currency SWAPS which are maturing semi annually over the tenure of the foreign borrowings.

As per Sri Lanka Accounting Standard - SLFRS 9 - Financial Instruments, the Bank identified this particular transaction as a 'Cash Flow Hedge' after documenting the hedge relationship.

A brief description of the cash flow hedge is given below:

24.1(a) SWAP agreement

Details	Description of the Hedge
Hedged instrument	SWAP contract - 12 cross currency swaps Counterparty - Central Bank of Sri Lanka Notional amount - USD 36 Mn which is 72% of the total amount of the foreign borrowings that is hedged.
Hedged item	USD denominated borrowing - USD 50 Mn with a tenure of 7 years and grace period of 1 year. Repayment periods commenced from April 2023 until 2029 which is paid once in three months.
The periods when the cash flows are expected to occur	As explained above
The amount recognised in other comprehensive income	LKR 2.2 Bn debit to the cash flow hedge reserve (net of tax)
Fair value of the hedged item	LKR 14.04 Bn
Fair value of the hedged instrument	LKR 2.7 Bn
Any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur	None
The amount that was reclassified from equity to profit or loss as a reclassification adjustment	None

24.1(b) Total amount recognised in the Statement of Comprehensive Income relating to the cash flow hedge

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
Cash flow hedge reserve-SWAP	(3,191,786)	4,385,238
Deferred Tax-effect on gains/(losses) of cash flow hedge reserve	957,535	(1,315,571)
Total	(2,234,251)	3,069,667

24.1(c) Sensitivity analysis of effective interest rate of discounting factor on cash flow hedge

The fair value of derivative financial assets/liability discounted based on effective interest rate and sensitivity analysis presented below

Increase/(Decrease) in Discount rate %	BANK & GROUP	
	Sensitivity Effect on Other Comprehensive Income Increase/ (Decrease) in Comprehensive Income	Sensitivity Effect on Other Comprehensive Income Increase/(Decrease) in Comprehensive Income
	2023 LKR 'Mn	2022 LKR 'Mn
2.00	(159)	(552)
(2.00)	172	604
1.00	(81)	(282)
(1.00)	84	295

25. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

ACCOUNTING POLICY

The Group classifies financial assets as financial assets recognised through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Financial assets recognised through profit or loss are recorded and measured in the Statement of Financial

Position at fair value. The changes in fair value are recognised in the Statement of Profit or Loss under Net gains/(losses) from financial assets at fair value through profit or loss.

Financial assets recognised through profit or loss include of quoted equity securities, Unit Trust Investments and Sri Lanka Government Debt Securities, that have been acquired principally for the purpose of selling or repurchasing in the near term, and are recorded at fair values using assumptions

that a market participant would make, when valuing such instruments. The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange. Sri Lanka Government Securities are valued based on the market rates publish by the money brokers. Investment in private equity funds are measured at fair value based on the change in the net asset value of the funds and is recognised through profit or loss. The unit trust investments are valued at unit prices available in the market.

Accounting Judgements, Estimates and Assumptions

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Government Securities - treasury bonds	3,964,209	1,790,818	3,964,209	1,790,818
Sri Lanka Government Securities - treasury bills	20,057,131	17,527,665	20,057,131	17,527,665
Quoted ordinary shares	-	-	430,552	242,957
Non-quoted ordinary shares	-	-	126,200	126,200
Investment in private equity fund	-	-	701,718	749,668
Investment in unit trusts	-	-	760,236	351,215
Total	24,021,340	19,318,483	26,040,046	20,788,523

25.1 Analysis of financial assets recognised through profit or loss measured at fair value

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
By collateralisation				
Pledged as collateral	421,499	-	421,499	-
Unencumbered	23,599,841	19,318,483	25,618,547	20,788,523
Total	24,021,340	19,318,483	26,040,046	20,788,523
By currency				
Sri Lanka Rupee	24,021,340	19,318,483	25,338,328	20,038,855
United States Dollar	-	-	701,718	749,668
Total	24,021,340	19,318,483	26,040,046	20,788,523

26. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS

ACCOUNTING POLICY

The accounting policy applied by the Group for Financial assets at amortised cost - Loans and receivables to other customers, impairment, collateral valuations, write-off of loans and receivables to other customers and restructured/rescheduled loan facilities are described in Note 3.1, Financial instruments - SLFRS 9 and Note 11, Impairment charges.

Financial assets at amortised cost - Loans and receivables to other customers include, loans and receivables and lease receivables of the Group. As per SLFRS 9, "Loans and receivables to other customers" are assets that are held within a business model with the objective of holding the assets in order to collect

contractual cash flows and the contractual terms of the assets that give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

When the Group is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and impairment allowance are classified as leasing and are presented within "Loans and receivables to other customers" in the Statement of Financial Position.

After initial measurement, "Loans and receivables to other customers" are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less impairment allowance, except when the Group designates loans and receivables at fair value through profit or loss. Amortised cost is calculated by considering any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income" in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss as "Impairment charges for loans and receivables to other customers".

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Gross loans and receivables to other customers	496,068,383	579,560,964	496,147,850	579,607,761
Less: Impairment allowance for loans and receivables to other customers (Note 26.1)	43,407,922	33,687,937	43,407,922	33,687,937
Net loans and receivables to other customers	452,660,461	545,873,027	452,739,928	545,919,824

26.1 Loans and Receivables to Other Customers - Stage wise Analysis

	BANK							
	2023				2022			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Individually impaired loans	-	17,478,525	52,017,957	69,496,482	-	65,750,586	43,555,523	109,306,109
Collectively impaired loans	310,214,726	85,826,186	30,530,989	426,571,901	336,560,467	112,103,321	21,591,067	470,254,855
Gross loans and receivables to other customers (a)	310,214,726	103,304,711	82,548,946	496,068,383	336,560,467	177,853,907	65,146,590	579,560,964
Individual impairment [Note 26.6.(a)]	-	2,897,936	23,103,845	26,001,781	-	2,336,073	19,400,586	21,736,659
Collective impairment [Note 26.6.(a)]	3,348,395	3,178,694	10,879,052	17,406,141	3,688,573	3,019,038	5,243,667	11,951,278
Total impairment allowance (b)	3,348,395	6,076,630	33,982,897	43,407,922	3,688,573	5,355,111	24,644,253	33,687,937
Net loans and receivables to other customers (a)-(b)	306,866,331	97,228,081	48,566,049	452,660,461	332,871,894	172,498,796	40,502,337	545,873,027

	GROUP							
	2023				2022			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Individually impaired loans	-	17,478,525	52,017,957	69,496,482	-	65,750,586	43,555,523	109,306,109
Collectively impaired loans	310,294,193	85,826,186	30,530,989	426,651,368	336,607,264	112,103,321	21,591,067	470,301,652
Gross loans and receivables to other customers (a)	310,294,193	103,304,711	82,548,946	496,147,850	336,607,264	177,853,907	65,146,590	579,607,761
Individual impairment [Note 26.6.(a)]	-	2,897,936	23,103,845	26,001,781	-	2,336,073	19,400,586	21,736,659
Collective impairment [Note 26.6.(a)]	3,348,395	3,178,694	10,879,052	17,406,141	3,688,573	3,019,038	5,243,667	11,951,278
Total impairment allowance (b)	3,348,395	6,076,630	33,982,897	43,407,922	3,688,573	5,355,111	24,644,253	33,687,937
Net loans and receivables to other customers (a)-(b)	306,945,798	97,228,081	48,566,049	452,739,928	332,918,691	172,498,796	40,502,337	545,919,824

26.2 Loans and Receivables to Other Customers - By Product

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Long-term loans	136,295,624	157,268,970	136,295,624	157,268,970
Medium and short-term loans	104,077,967	131,870,229	104,077,967	131,870,229
Micro finance loans	154,519	219,352	154,519	219,352
Overdrafts	67,132,135	91,368,075	67,132,135	91,368,075
Consumer loans	49,429,148	55,359,969	49,429,148	55,359,969
Trade finance loans	57,260,792	58,282,323	57,260,792	58,282,323
Leasing and hire purchases (Note 26.7)	22,021,922	23,510,550	22,021,922	23,510,550
Housing loans	17,815,976	19,219,995	17,815,976	19,219,995
Islamic loans	14,821,426	16,471,991	14,821,426	16,471,991
Credit cards	8,860,732	8,329,859	8,860,732	8,329,859
Auto finance loans	2,644,898	3,453,044	2,644,898	3,453,044
Pawning	12,996,626	11,864,851	12,996,626	11,864,851
Staff loans	2,556,618	2,341,756	2,636,085	2,388,553
Total	496,068,383	579,560,964	496,147,850	579,607,761

26.3 Loans and Receivables to Other Customers - By Currency

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Rupee	381,552,152	448,718,704	381,631,619	448,765,501
United States Dollar	113,390,503	126,046,161	113,390,503	126,046,161
Euro	956,248	4,650,615	956,248	4,650,615
Great Britain Pound	1,224	1,454	1,224	1,454
Others	168,256	144,030	168,256	144,030
Total	496,068,383	579,560,964	496,147,850	579,607,761

26.4 Loans and Receivables to Other Customers - By Industry

	BANK			
	2023		2022	
	LKR '000	%	LKR '000	%
Agriculture, forestry and fishing	28,042,379	6	35,375,808	6
Manufacturing	94,265,828	19	116,077,903	20
Tourism	35,285,674	7	41,051,063	7
Transportation and storage	4,491,459	1	6,787,754	1
Construction	24,112,792	5	28,576,796	5
Infrastructure development	61,901,361	12	72,450,680	13
Wholesale and retail trade	73,148,126	15	88,999,335	15
Information technology and communication services	1,448,842	-	1,088,222	-
Financial services	34,012,452	7	55,007,498	9
Professional, scientific and technical activities	16,862,036	3	12,597,834	2
Arts, entertainment and recreation	10,749	-	-	-
Education	1,108,761	-	1,507,636	-
Health care, social services and support services	552,635	-	1,011,453	-
Consumption	120,825,289	25	119,028,982	22
Total	496,068,383	100	579,560,964	100

As per the Central Bank requirements, mandatory lending to the agriculture sector is minimum of 10% of the total loans and advances. The Bank is complied with the said requirement as at 31 December 2023 and 31 December 2022. The computation method used to derive the CBSL mandatory lending requirement to agriculture sector is different from the method used for the above note.

26.5 Loans and Receivables to Other Customers - By Province

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Western Province	421,835,158	494,840,521	421,914,625	494,887,318
Southern Province	15,336,582	17,410,309	15,336,582	17,410,309
North-Western Province	13,994,887	14,935,706	13,994,887	14,935,706
Central Province	14,989,823	16,914,840	14,989,823	16,914,840
Sabaragamuwa Province	8,775,455	9,525,702	8,775,455	9,525,702
North-Central Province	7,788,793	10,891,945	7,788,793	10,891,945
Eastern Province	4,693,019	5,704,520	4,693,019	5,704,520
Northern Province	4,216,417	4,792,202	4,216,417	4,792,202
Uva Province	4,438,249	4,545,219	4,438,249	4,545,219
Total	496,068,383	579,560,964	496,147,850	579,607,761

The province-wise disclosure is made based on the location of the branch from which the facilities have been disbursed.

26.6 Impairment Allowance for Loans and Receivables to Other Customers

26.6(a) Movement in impairment allowance during the year

	BANK & GROUP							Total LKR '000
	COLLECTIVE				INDIVIDUAL			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2023	3,688,573	3,019,038	5,243,667	11,951,278	2,336,073	19,400,586	21,736,659	33,687,937
Charges/(reversals) for the year [Note 11.1]	(340,178)	159,656	5,680,557	5,500,035	561,863	9,605,773	10,167,636	15,667,671
Net amount written off	-	-	(45,172)	(45,172)	-	(5,902,514)	(5,902,514)	(5,947,686)
Other movement	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	3,348,395	3,178,694	10,879,052	17,406,141	2,897,936	23,103,845	26,001,781	43,407,922

	BANK & GROUP							Total LKR '000
	COLLECTIVE				INDIVIDUAL			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2022	3,353,843	2,524,258	4,339,645	10,217,746	1,514,732	9,869,596	11,384,328	21,602,074
Charges/(reversals) for the year [Note 11.1]	334,730	494,780	904,022	1,733,532	821,341	9,951,504	10,772,845	12,506,377
Net amount written off	-	-	-	-	-	(578,490)	(578,490)	(578,490)
Other movement	-	-	-	-	-	157,976	157,976	157,976
Balance as at 31 December 2022	3,688,573	3,019,038	5,243,667	11,951,278	2,336,073	19,400,586	21,736,659	33,687,937

26.6(b) Impairment allowance for loans and receivables to other customers - by product

BANK & GROUP												
	Long-term Loans	Medium & Short-term Loans	Overdrafts	Trade Finance Loans	Consumer Loans	Leasing & Hire Purchase Rental Receivables	Housing Loans	Credit Cards	Pawning	Islamic Banking	Staff Loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January 2023	6,424,946	13,427,975	4,837,663	1,804,395	2,845,329	1,537,388	814,848	1,400,797	44,525	549,253	818	33,687,937
	3,915,629	7,022,849	536,751	2,102,280	572,754	285,417	371,105	613,738	(43,157)	290,305	-	15,667,671
	(99,842)	(4,475,696)	(495,212)	(67,375)	(137,982)	(138,569)	(9,377)	(523,633)	-	-	-	(5,947,686)
As at 31 December 2023	10,240,733	15,975,128	4,879,202	3,839,300	3,280,101	1,684,236	1,176,576	1,490,902	1,368	839,558	818	43,407,922
Individual impairment	7,267,357	13,143,635	1,909,703	2,531,280	414,046	391,677	22,988	-	-	321,095	-	26,001,781
Collective impairment	2,973,376	2,831,493	2,969,499	1,308,020	2,866,055	1,292,559	1,153,588	1,490,902	1,368	518,463	818	17,406,141
As at 31 December 2023	10,240,733	15,975,128	4,879,202	3,839,300	3,280,101	1,684,236	1,176,576	1,490,902	1,368	839,558	818	43,407,922
Gross amount of loans individually determined to be impaired, before deduction of individually assessed impairment allowances	61,713,800	44,255,954	8,244,345	12,276,250	414,046	1,998,248	584,793	-	-	3,263,812	-	132,751,248
Gross amount of loans individually impaired, before deduction of individually assessed impairment allowances	26,324,947	31,292,190	4,538,965	5,379,619	414,046	572,929	237,277	-	-	736,509	-	69,496,482
Gross amount of loans individually impaired, after deduction of individually assessed impairment allowances	19,057,590	18,148,556	2,629,347	2,848,339	-	181,252	214,289	-	-	415,328	-	43,494,701

26.6(c) Impairment allowance for loans and receivables to other customers - by product

BANK & GROUP												
	Long-term Loans	Medium & Short-term Loans	Overdrafts	Trade Finance Loans	Consumer Loans	Leasing & Hire Purchase Rental Receivables	Housing Loans	Credit Cards	Pawning	Islamic Banking	Staff Loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 01 January 2022	4,435,711	6,283,317	3,321,239	1,430,536	2,800,165	1,446,425	678,241	831,381	5,047	369,194	818	21,602,074
Charges/(reversals) for the year	1,894,857	7,873,232	1,527,835	377,936	45,164	19,769	136,607	569,416	39,478	22,083	-	12,506,377
Amount (written off)/written back	94,378	(728,574)	(11,411)	(4,077)	-	71,194	-	-	-	-	-	(578,490)
Other movement	-	-	-	-	-	-	-	-	-	157,976	-	157,976
As at 31 December 2022	6,424,946	13,427,975	4,837,663	1,804,395	2,845,329	1,537,388	814,848	1,400,797	44,525	549,253	818	33,687,937
Individual impairment	5,651,721	11,999,680	2,237,173	1,146,187	16,227	297,795	45,614	22,687	2,141	317,434	-	21,736,659
Collective impairment	773,222	1,428,295	2,600,491	658,208	2,829,102	1,239,593	769,234	1,378,111	42,384	231,820	818	11,951,278
As at 31 December 2022	6,424,943	13,427,975	4,837,664	1,804,395	2,845,329	1,537,388	814,848	1,400,798	44,525	549,254	818	33,687,937
Gross amount of loans individually determined to be impaired, before deduction of individually assessed impairment allowances	69,383,478	46,315,211	12,085,347	14,027,803	34,150	2,735,623	688,020	24,780	2,141	659,516	-	145,956,069
Gross amount of loans individually impaired, before deduction of individually assessed impairment allowances	54,829,068	38,138,252	7,757,965	7,196,818	32,572	514,213	312,756	24,461	2,141	497,863	-	109,306,109
Gross amount of loans individually impaired, after deduction of individually assessed impairment allowances	49,177,347	26,138,572	5,520,792	6,050,631	16,345	216,418	267,142	1,774	-	180,429	-	87,569,450

26.7 Leasing and Hire Purchases

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
Gross lease and hire purchase rental receivables	26,963,013	27,666,807
Less: Unearned income	4,941,091	4,156,257
Total lease and hire purchase rental receivables (Note 26.2)	22,021,922	23,510,550
Less: Impairment allowance [Note 26.7.(a)]	1,684,236	1,537,388
Total	20,337,686	21,973,162

26.7 (a) Impairment allowance

	BANK & GROUP							Total LKR '000
	COLLECTIVE				INDIVIDUAL			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2023	168,167	554,038	517,388	1,239,593	4,442	293,353	297,795	1,537,388
Charges/(reversals) for the year	39,340	(250,518)	264,144	52,966	11,414	221,037	232,451	285,417
Amount (written off)/written back	-	-	-	-	-	(138,569)	(138,569)	(138,569)
Balance as at 31 December 2023	207,507	303,520	781,532	1,292,559	15,856	375,821	391,677	1,684,236

Gross amount of loans individually determined to be impaired, before deduction of the individually assessed impairment allowance	1,998,248
Gross amount of loans individually impaired, before deduction of the individually assessed impairment allowance	572,929
Gross amount of loans individually impaired, after deduction of the individually assessed impairment allowance	181,252

	BANK & GROUP							Total LKR '000
	COLLECTIVE				INDIVIDUAL			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Sub total LKR '000	
Balance as at 01 January 2022	190,512	426,769	501,205	1,118,486	331	327,608	327,939	1,446,425
Charges/(reversals) for the year	(22,345)	127,269	16,183	121,107	4,111	(105,449)	(101,338)	19,769
Amount (written off)/written back	-	-	-	-	-	71,194	71,194	71,194
Balance as at 31 December 2022	168,167	554,038	517,388	1,239,593	4,442	293,353	297,795	1,537,388

Gross amount of loans individually determined to be impaired, before deduction of the individually assessed impairment allowance	2,735,623
Gross amount of loans individually impaired, before deduction of the individually assessed impairment allowance	514,213
Gross amount of loans individually impaired, after deduction of the individually assessed impairment allowance	216,418

26.8 Maturity of Leasing and Hire Purchases

	BANK & GROUP			
	2023			
	Less than 1 Year LKR '000	1-5 Years LKR '000	More than 5 Years LKR '000	Total LKR '000
Gross lease and hire purchase rentals receivables				
Total rental receivables	2,364,988	24,353,725	244,300	26,963,013
Less : Impairment allowance	525,441	1,121,338	37,457	1,684,236
Unearned income	66,646	4,783,559	90,886	4,941,091
Net rentals receivables	1,772,901	18,448,828	115,957	20,337,686

	BANK & GROUP			
	2022			
	Less than 1 Year LKR '000	1-5 Years LKR '000	More than 5 Years LKR '000	Total LKR '000
Gross lease and hire purchase rentals receivables				
Total rental receivables	2,175,609	25,317,190	174,008	27,666,807
Less : Impairment allowance	327,810	1,206,436	3,142	1,537,388
Unearned income	64,193	4,031,675	60,389	4,156,257
Net rentals receivables	1,783,606	20,079,079	110,477	21,973,162

27. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

ACCOUNTING POLICY

In line with the requirements of SLFRS 9, the Group applies the amortised cost method to measure financial instruments for which an entity has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as "SPPI").

- Principle is the fair value of the instrument at initial recognition.
- Interest is the return within a basic lending arrangement and typically consists of consideration for the time value of money, and credit risk. It may also include consideration for other basic lending risks such as liquidity risk as well as a profit margin.

The Group determines its business model at the level that best reflect how it manages the financial assets to achieve its business objective. The details of the accounting policy on financial assets at amortised cost - debt and other instruments and impairment are described in Notes 3.1 and 11.

Accounting Judgements Estimates and Assumptions

The Group assesses impairment of financial assets measured at amortised cost - debt and other instruments in line with the same principles used for assessment of impairment of loans and receivables as described in Note 11. The impairment loss on financial assets measured at amortised cost - debt and other instruments is disclosed in Note 27.1 (d) to the financial statements.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Government Securities - treasury bonds	53,940,949	32,340,388	53,940,949	32,340,388
Sri Lanka Government Securities - treasury bills	39,819,701	40,292,351	39,819,701	40,292,351
Sri Lanka Development Bonds	-	22,206,894	-	22,206,894
Sovereign Bonds	51,091,414	54,105,234	51,091,414	54,105,234
Quoted debentures	6,611,788	6,606,309	6,611,788	6,606,309
Sub Total	151,463,852	155,551,176	151,463,852	155,551,176
Less: Impairment allowance [Note 27.1 (d)]	25,791,482	20,503,290	25,791,482	20,503,290
Total	125,672,370	135,047,886	125,672,370	135,047,886

27.1 (a) Analysis of financial assets at amortised cost - Debt and other instruments

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
By collateralisation				
Pledged as collateral	8,245,387	160,802	8,245,387	160,802
Unencumbered	143,218,465	155,390,374	143,218,465	155,390,374
Gross total	151,463,852	155,551,176	151,463,852	155,551,176
By currency				
Sri Lanka Rupee	100,372,438	79,239,048	100,372,438	79,239,048
United States Dollar	51,091,414	76,312,128	51,091,414	76,312,128
Gross total	151,463,852	155,551,176	151,463,852	155,551,176

27.1 (b) Financial assets at amortised cost - Debt and other instruments - stage wise analysis
Staging and allowances for expected credit loss of sovereign bonds

International Sovereign Bonds issued by GOSL (SLISBs) are classified under stage 2 in line with Banking Act Direction No. 14 of 2021- Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

The Bank considered the latest available information including the indicative terms of the debt restructuring exercise currently being undertaken by the Government of Sri Lanka in estimating the impairment allowance of SLISB's as at 31st December 2023.

	BANK & GROUP							
	2023				2022			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Sri Lanka Government securities- treasury bonds	53,940,949	-	-	53,940,949	32,340,388	-	-	32,340,388
Sri Lanka Government Securities - treasury bills	39,819,701	-	-	39,819,701	40,292,351	-	-	40,292,351
Sri Lanka Development Bonds	-	-	-	-	-	22,206,894	-	22,206,894
Sovereign Bonds	-	51,091,414	-	51,091,414	-	54,105,234	-	54,105,234
Quoted debentures	6,366,788	-	245,000	6,611,788	6,361,309	-	245,000	6,606,309
Securities purchased under resale agreements (Note 27.1 (c))	-	-	-	-	-	-	-	-
Sub Total	100,127,438	51,091,414	245,000	151,463,852	78,994,048	76,312,128	245,000	155,551,176
Less: Impairment allowance for investments [Note 27.1 (d)]	775	25,545,707	245,000	25,791,482	496	20,257,794	245,000	20,503,290
Total	100,126,663	25,545,707	-	125,672,370	78,993,552	56,054,334	-	135,047,886

27.1 (c) Disclosure as per the direction No. 01 of 2019 dated 20 December 2019 on repurchase and reverse repurchase transactions of dealer direct participants in scripless treasury bonds and scripless treasury bills

Carrying value of Securities Allocated for Repurchase Transactions

As at 31 December	BANK			
	Face value of securities allocated for Repos	Market value of securities allocated for Repo	Face value of securities allocated for Repos	Market value of securities allocated for Repo
	2023 LKR '000	2023 LKR '000	2022 LKR '000	2022 LKR '000
Financial assets recognised through profit or loss measured at fair value (Note 25.1)	421,499	397,511	-	-
Financial assets at amortised cost - Debt and other instruments (27.1 (a))	8,245,387	8,432,799	160,802	143,273
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) (28.1 (a))	8,184,566	7,856,452	-	-
Total	16,851,452	16,686,762	160,802	143,273

Market value of Securities Received for Reverse Repurchase Transactions

As at 31 December	BANK			
	Face Value of securities received for Reverse Repos	Market value of securities received for Reverse Repos	Face Value of securities received for Reverse Repos	Market value of securities received for Reverse Repos
	2023 LKR '000	2023 LKR '000	2022 LKR '000	2022 LKR '000
Reverse Repurchase Agreements	Nil	Nil	Nil	Nil

Bank's policy on haircuts for repurchase and reverse repo transactions are explained below.

The Bank's Board approved Policy Guideline outlines the allocation of securities and haircut rules for Repurchase and Reverse Re-purchase agreements and valuation process. The Policy has been formulated in line with Central Bank Direction No. 01 of 2019 and considering the market practice. Securities are allocated/obtained as per the set guidelines and the Bank was not exposed to any penalties due to non-compliance.

The Bank was not liable to any penalties imposed for the non compliance with the Direction No. 01 of 2019 on Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance dated 20 December 2019 issued by the Monetary Board of the Central Bank of Sri Lanka.

27.1 (d) Movements in impairment allowance during the year

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Stage 1				
Balance as at 01 January	496	2,652,491	496	2,652,491
Transfer / Adjustment	-	(2,651,815)	-	(2,651,815)
Charges/(reversals) to Statement of Profit or Loss	279	(180)	279	(180)
Balance as at 31 December	775	496	775	496
Stage 2				
Balance as at 01 January	20,257,794	-	20,257,794	-
Transfer / Adjustment	155,600	2,832,284	155,600	2,832,284
Charges/(reversals) to Statement of Profit or Loss	5,132,313	17,425,510	5,132,313	17,425,510
Balance as at 31 December	25,545,707	20,257,794	25,545,707	20,257,794
Stage 3				
Balance as at 01 January	245,000	245,000	245,000	245,000
Charges/(reversals) to Statement of Profit or Loss	-	-	-	-
Balance as at 31 December	245,000	245,000	245,000	245,000
Total	25,791,482	20,503,290	25,791,482	20,503,290

28. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ACCOUNTING POLICY

Debt Instruments at Fair Value through Other Comprehensive Income (FVOCI)

The Group categorised debt instruments measured at FVOCI under SLFRS 9 when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial assets are solely payments of the principle amount and the interest (SPPI).

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the Statement of Profit or Loss in the same manner as for financial assets measured

at amortised cost as explained in Note 27.

The ECL calculation for debt instruments at FVOCI is explained in Note 11, impairment charges. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Statement of Profit or Loss.

The accounting policy applied by the Group for the Debt Instruments at Fair Value through Other Comprehensive Income (FVOCI) and impairment is described in Notes 3.1 and 11.

Equity Instruments at Fair Value through Other Comprehensive Income (FVOCI)

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI

when they meet the definition of Equity under SLFRS 9, Financial Instruments and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in the Statement of Profit or Loss as other operating income when the right to receive the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Government Securities - treasury bonds	38,890,209	18,248,043	39,264,956	18,248,043
Sri Lanka Government Securities - treasury bills	43,772,475	25,651,529	44,143,876	26,354,221
Quoted ordinary shares (Note 28.2)	1,136,489	779,434	1,136,489	779,434
Non-quoted ordinary shares (Note 28.3)	16,569	16,568	16,569	16,568
Quoted debentures	-	-	93,877	66,568
Sub total	83,815,742	44,695,574	84,655,767	45,464,834
Less: Impairment allowance	10,344	10,344	10,344	10,344
Total	83,805,398	44,685,230	84,645,423	45,454,490

28.1 (a) Analysis of financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
By collateralisation				
Pledged as collateral	8,184,566	-	8,184,566	-
Unencumbered	75,631,176	44,695,574	76,471,201	45,464,834
Total	83,815,742	44,695,574	84,655,767	45,464,834
By currency				
Sri Lanka Rupee	83,815,742	44,695,574	84,655,767	45,464,834
United States Dollar	-	-	-	-
Total	83,815,742	44,695,574	84,655,767	45,464,834

28.1 (b) Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - stage wise analysis

	BANK							
	2023				2022			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Sri Lanka Government Securities - treasury bonds	38,890,209	-	-	38,890,209	18,248,043	-	-	18,248,043
Sri Lanka Government Securities - treasury bills	43,772,475	-	-	43,772,475	25,651,529	-	-	25,651,529
Quoted ordinary shares (Note 28.2)	1,136,489	-	-	1,136,489	779,434	-	-	779,434
Non-quoted ordinary shares (Note 28.3)	6,225	-	10,344	16,569	6,224	-	10,344	16,568
Sub Total	83,805,398	-	10,344	83,815,742	44,685,230	-	10,344	44,695,574
Less: Impairment allowance for investments	-	-	10,344	10,344	-	-	10,344	10,344
Total	83,805,398	-	-	83,805,398	44,685,230	-	-	44,685,230

28. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)

	GROUP							
	2023				2022			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Sri Lanka Government Securities - treasury bonds	39,264,956	-	-	39,264,956	18,248,043	-	-	18,248,043
Sri Lanka Government Securities - treasury bills	44,143,876	-	-	44,143,876	26,354,221	-	-	26,354,221
Quoted ordinary shares (Note 28.2)	1,136,489	-	-	1,136,489	779,434	-	-	779,434
Non-quoted ordinary shares (Note 28.3)	6,225	-	10,344	16,569	6,224	-	10,344	16,568
Quoted debentures	93,877	-	-	93,877	66,568	-	-	66,568
Sub Total	84,645,423	-	10,344	84,655,767	45,454,490	-	10,344	45,464,834
Less: Impairment allowance for investments	-	-	10,344	10,344	-	-	10,344	10,344
Total	84,645,423	-	-	84,645,423	45,454,490	-	-	45,454,490

28.1(c) Movement in impairment allowance during the year

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Stage 1				
Balance as at 01 January	-	181,155	-	181,155
Impairment allowance transferred to financial assets at amortised cost	-	(181,155)	-	(181,155)
Balance as at 31 December	-	-	-	-
Stage 3				
Balance as at 01 January	10,344	10,344	10,344	10,344
Impairment charges	-	-	-	-
Balance as at 31 December	10,344	10,344	10,344	10,344

28.2 Quoted ordinary shares

	BANK & GROUP			
	2023		2022	
	No of Ordinary Shares	LKR '000	No of Ordinary Shares	LKR '000
Cost of investments as at 01 January	24,665,596	2,080,367	23,056,971	2,011,196
Scrip dividend received during the year	1,222,493	41,932	1,608,625	69,171
Cost of the investments as at 31 December	25,888,089	2,122,299	24,665,596	2,080,367
Gains/(losses) from fair valuations as at 01 January		(1,300,933)		(996,688)
Unrealised gains/(losses) during the year		315,123		(304,245)
Gains/(losses) from fair valuations as at 31 December		(985,810)		(1,300,933)
Market value		1,136,489		779,434

28.2.(a) Quoted ordinary shares

Details of quoted ordinary shares - 31 December 2023

Name of the Company	BANK & GROUP			
	No of Shares	Market price	Cost of Investments	Market value
		LKR	LKR '000	LKR '000
Seylan Bank PLC	25,888,089	43.90	2,122,299	1,136,489

Details of quoted ordinary shares - 31 December 2022

Name of the Company	BANK & GROUP			
	No of Shares	Market price	Cost of Investments	Market value
		LKR	LKR '000	LKR '000
Seylan Bank PLC	24,665,596	31.60	2,080,367	779,434

28.3 Non-quoted ordinary shares

The majority of non-quoted ordinary shares held by the Bank include share investments that have been made primarily for regulatory purposes. Such investments are recorded at cost due to unavailability of information to value such investments at fair value.

29. INVESTMENTS IN SUBSIDIARY COMPANIES

ACCOUNTING POLICY

Subsidiaries are investees that are controlled by the Group. The Group is presumed to control an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date, the Group reassesses whether it controls an investee, if facts and circumstances indicate that there are changes to one or more elements of control mentioned above.

The Financial Statements of subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The Financial Statements of the Bank's subsidiaries are prepared for the same reporting year as per the Bank, using consistent accounting policies.

The cost of acquisition of a subsidiary is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition.

Subsequent to the initial measurement, investments in subsidiary companies are accounted at cost less impairment allowance in the Financial Statements of the Bank. The net assets of each subsidiary company are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its loss in net assets.

	Corporate Status	2023		2022	
		Percentage Holding (%)	Cost LKR '000	Percentage Holding (%)	Cost LKR '000
NDB Capital Holdings Limited	Non-quoted	99.9	802,888	99.9	802,888
Development Holdings (Pvt) Limited	Non-quoted	58.7	228,150	58.7	228,150
NDB Capital Limited (Bangladesh)	Non-quoted	41.8	180,552	41.8	180,552
Sub total			1,211,590		1,211,590
Less: Impairment allowance for investments (Note 29.1)			102,818		95,796
Total			1,108,772		1,115,794

29.1 Movement in impairment allowance for investments in subsidiary companies

	2023 LKR '000	2022 LKR '000
As at 01 January	95,796	80,674
Charges/(reversals) to the Statement of Profit or Loss (Note 29.2)	7,022	15,122
As at 31 December	102,818	95,796

- 29.2** During the annual review of impairment allowance of investment in subsidiary companies, it was noted that the net assets position of NDB Capital Limited as at 31 December 2023 had decreased from LKR 202.9 Mn to LKR 186.1 Mn which is excluding the currency conversion impact on exchange rate movement. Accordingly, an impairment charge of LKR 7 Mn was recorded during the year to reflect the Bank's share of the net assets position of the Company as at 31 December 2023. The Bank assumed that the net book value of the company is the best approximate to the fair value less cost to sale.

29.3 Summarised Financial Information of the NDB Group's Investments in Subsidiaries

	Total	Development Holdings (Pvt) Limited	NDB Capital Limited (Bangladesh)	NDB Capital Holdings Limited (NCAP)	NDB Investment Bank Limited (Held through NCAP)	NDB Wealth Management Limited (Held through NCAP)	NDB Securities (Pvt) Limited (Held through NCAP)	NDB Zephyr Partners Limited (Group) (Held through NCAP)
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2023								
Total assets	9,418,790	4,183,569	244,508	2,813,757	475,918	586,432	974,514	140,092
Total liabilities	1,944,213	943,009	9,707	278,616	105,062	258,744	318,338	30,737
Net assets	7,474,578	3,240,560	234,800	2,535,141	370,856	327,688	656,177	109,356
Gross income	2,348,375	534,432	81,959	387,014	171,740	817,806	282,143	73,281
Profits/(losses)	653,833	314,763	(21,713)	137,294	(36,084)	213,475	55,229	(9,131)
Cash Flow								
Cash flows from operating activities	314,431	115,995	54,925	129,619	(130,176)	146,250	(862)	(1,320)
Cash flows from investing activities	(758,332)	(28,541)	(122,877)	(190,457)	22,178	(146,618)	(272,863)	(19,154)
Cash flows from financing activities	(143,097)	(97,310)	-	-	-	-	-	(45,787)

	Total	Development Holdings (Pvt) Limited	NDB Capital Limited (Bangladesh)	NDB Capital Holdings Limited (NCAP)	NDB Investment Bank Limited (Held through NCAP)	NDB Wealth Management Limited (Held through NCAP)	NDB Securities (Pvt) Limited (Held through NCAP)	NDB Zephyr Partners Limited (Group) (Held through NCAP)
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2022								
Total assets	8,968,597	3,916,753	365,027	2,551,575	528,698	301,721	1,078,942	225,881
Total liabilities	1,871,414	875,455	59,532	156,334	106,862	178,357	471,520	23,354
Net assets	7,097,183	3,041,298	305,495	2,395,241	421,836	123,364	607,422	202,527
Gross income	2,389,028	517,748	61,993	640,667	245,537	430,498	403,511	89,074
Profits/(losses)	703,451	175,515	(56,138)	374,488	6,740	57,615	138,715	6,516
Cash Flow								
Cash flows from operating activities	813,397	184,930	(13,231)	452,937	(72,006)	(65,375)	286,769	39,373
Cash flows from investing activities	369,321	(66,771)	49,704	(153,823)	199,771	324,604	15,836	-
Cash flows from financing activities	(597,420)	(97,310)	-	(250,077)	-	(250,033)	-	-

30. INVESTMENTS IN ASSOCIATE COMPANIES

ACCOUNTING POLICY

An associate is an entity in which the Group has significant influence, but not control, over the variable returns through its power over the investee. An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Group's investments in its associate companies are accounted for by using the equity method. Under the equity method, the investment in the associate is carried in the Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate. The carrying value of the investment in associates is reviewed for impairment at each reporting period.

The Bank's investments in Associate companies represent Ayojana Fund (Pvt) Limited (a 50% share holding) at a cost of LKR 100,000 for which full impairment allowance has been made as the companies under liquidation.

31. INVESTMENT PROPERTY

ACCOUNTING POLICY

Basis of Recognition

An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property is reliably measured.

Distinction Between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. The Group considers each property separately in making its judgment.

Measurement

The Land and Building of Development Holdings (Pvt) Limited, which is held to earn rental income and for capital appreciation has been classified as an 'investment property', and is reflected at fair value in accordance with LKAS 40, Investment Property. Investment properties are initially recognised at cost. Subsequent to the initial recognition, the investment properties are stated at fair values. In estimating the fair values, the Independent Valuer considers current market prices of similar assets, so as to reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values are included in the Statement of Profit or Loss, in the year in which they arise. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials, direct labour and any other costs directly attributable to bringing the investment property to a working condition for their intended use. Owner-occupied portion of an investment property is recognised and measured in line with the accounting policy used for property, plant & equipment of the Group and are presented under property, plant & equipment in the Financial Statements.

De-Recognition

Investment properties are derecognised when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Basis of Valuation

As at 31 December 2023, the fair value of the property was based on the valuation performed by an Independent Professional Valuer, A A M Fathihu, B.Sc. (Hons.) EMV, FIV Sri Lanka who is having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, to determine the fair value of land and buildings. The income approach using the current market rent including passing rents has been used as the methodology by the Valuer to value the investment property as recommended by SLFRS 13 - 'Fair Value Measurements'.

Significant Assumptions Used for the Valuation

- Outgoing at 35% of estimated rent (2022 - 40%)
- Capitalise YP at 16% (2022 - 16%)

	GROUP	
	2023 LKR '000	2022 LKR '000
As at 01 January	2,879,091	2,528,228
Additions during the year	24,400	182,594
Change in the fair value during the year	253,600	235,406
Less: Fair value of the owner-occupied portion	42,048	67,137
Net change in the fair value during the year (Note 10)	211,552	168,269
Less: Change in the owner occupied portion	2,603	-
As at 31 December	3,112,440	2,879,091

The maturity analysis of investment property is given in Note 50 - Maturity Analysis.

There were no capitalised borrowing cost related to the acquisition of investment property during the year 2023 (2022-Nil).

31.1 Statement of Income and Expenditure of the Investment Property

	GROUP	
	2023 LKR '000	2022 LKR '000
Rental income derived from investment property	225,484	236,865
Direct operating expenses (including repair and maintenance) in generating rental income	(42,329)	(38,187)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(36,315)	(27,223)
Profit arising from investment property carried at fair value	146,840	171,455

31.2 Information on Investment Property of the Group - Extent and Locations

As required by Rule No 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange

	Business location of the premises	Number of Buildings	Land Extent (Perches)	Building Sq ft.	Fair Value as at 31 December 2023 LKR '000	Fair Value as at 31 December 2022 LKR '000
Through the subsidiary company of Development Holdings (Pvt) Limited (DHPL)	No: 42 Nawam Mawatha, Colombo 02	1	71.27	175,190	3,708,000	3,430,000

Valuation amounts include fair value of owner occupied portion of LKR 595 Mn (2022 - LKR 551 Mn).

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancement.

Fair value hierarchy disclosures for investment property are given in Note 55 (a), to these Financial Statements.

32. PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

Basis of Recognition

Property, plant & equipment are recognised, if it is probable that future economic benefits associated with the asset will flow to the Group and the cost or the fair value of the asset can be reliably measured.

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and subsequent cost as explained below. The cost of selfconstructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring the site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost Model

The Group applies the 'Cost Model' to all property, plant & equipment other than freehold land and buildings and record at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Group applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Group are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

A letter of confirmation is obtained from the Independent Professional Valuer annually, except the year in which full valuation is carried out by the Group, to ensure that the fair values of the freehold land and building at the reporting date do not significantly vary from their carrying amounts.

Subsequent Cost

These are costs that are recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Group and it can be reliably measured. Ongoing repairs and maintenance are expensed as incurred.

Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, which will be capitalised with the completion of the project and when the asset is ready to be used. These are stated in the Statement of Financial Position at cost. Capital work-in-progress is transferred to the relevant asset when it is completed and converted into a usable condition as expected by the Management of the Group.

Derecognition

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount

of the asset) is included in the Statement of Profit or Loss in the year, in which the asset is derecognised.

Depreciation and amortisation

The accounting policy and the judgement and estimates used in the computation of depreciation and amortisation of property, plant & equipment are explained in detail in Note 13 on page 194.

Accounting Judgements, Estimates and Assumptions

Fair value of freehold land and buildings

The freehold land and buildings of the Group are reflected at fair value. The Group engaged an Independent Professional Valuer, A A M Fathihu, B.Sc. (Hons.) EMV, FIV Sri Lanka to determine the fair value of freehold land and buildings in terms of Sri Lanka Accounting Standard- SLFRS 13 on "Fair Value Measurement". In estimating the fair values, the Independent Valuer considered current market prices of similar assets.

The methods used to determine the fair value of the freehold land and buildings are further explained in Note 55 & 55(c) to the financial statements.

Useful Life Time of Property, Plant & Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Management exercises judgement in the estimation of these values, rates, methods and hence those are subject to uncertainty.

32.1 The Movement in Property, Plant & Equipment - Bank

	Freehold Land	Freehold Buildings	Leasehold Buildings	Computer Equipment	Motor Vehicles	Office Equipment & Furniture	Capital Work-in-Progress	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
(a) Cost or Valuation								
As at 1 January 2022	919,305	1,374,679	566,922	1,989,130	69,620	1,221,617	99,531	6,240,804
Additions during the year	-	19,897	37,159	142,609	-	81,462	17,879	299,006
Disposals during the year	-	(134)	(32,639)	(186,866)	-	(51,089)	-	(270,728)
Revaluation adjustment during the year	104,695	144,956	-	-	-	-	-	249,651
Transfers/adjustments	-	-	-	-	-	(39)	(33,020)	(33,059)
As at 31 December 2022	1,024,000	1,539,398	571,442	1,944,873	69,620	1,251,951	84,390	6,485,674
Additions during the year	-	6,433	18,159	151,238	-	96,604	9,527	281,961
Disposals during the year	-	(147)	(4,746)	(29,896)	(3,100)	(32,417)	-	(70,306)
Revaluation adjustment during the year	-	50,483	-	-	-	-	-	50,483
Transfers/adjustments	-	-	-	(9,884)	-	-	(53,545)	(63,429)
As at 31 December 2023	1,024,000	1,596,167	584,855	2,056,331	66,520	1,316,138	40,372	6,684,383
(b) Depreciation/Amortisation								
As at 1 January 2022	-	339,985	435,341	1,266,712	67,746	987,190	-	3,096,974
Charge for the year (Note 13)	-	50,554	53,940	188,212	775	104,267	-	397,748
On disposals	-	(134)	(32,628)	(186,664)	-	(51,024)	-	(270,450)
Transfers/Adjustments	-	(6)	-	6	-	40	-	40
As at 31 December 2022	-	390,399	456,653	1,268,266	68,521	1,040,473	-	3,224,312
Charge for the year (Note 13)	-	56,866	50,402	191,446	326	94,296	-	393,336
On disposals	-	(98)	(4,678)	(29,702)	(2,328)	(31,920)	-	(68,726)
Transfers/Adjustments	-	-	-	(5,656)	-	-	-	(5,656)
As at 31 December 2023	-	447,167	502,377	1,424,354	66,519	1,102,849	-	3,543,266
Net book value as at 31 December 2023	1,024,000	1,149,000	82,478	631,977	1	213,289	40,372	3,141,117
Net book value as at 31 December 2022	1,024,000	1,149,000	114,789	676,607	1,099	211,478	84,390	3,261,362

32.2 Details of Revalued Freehold Land and Buildings - Bank

As at 31 December 2023

The freehold land and building of the Bank have been revalued by the independent professional Valuer A A M Fathihu, B.Sc (Hons) EMV, FIV Sri Lanka, for the year ended 31 December 2023. Accordingly gains/(losses) on revaluation of land and building has been recognised during the year as given below.

Date of valuation - 31 December 2023

Freehold Land	Extent (Perches)	Revaluation of Land LKR '000	Book Value before Revaluation LKR '000	Revaluation Gains/(Losses) Recognised on Land LKR '000
Head Office No. 103A, Dharmapala Mawatha, Colombo 07	60.00	1,000,000	1,000,000	-
Head Office No. 40, Nawam Mawatha, Colombo 02	1.43	24,000	24,000	-
Sub Total (a)		1,024,000	1,024,000	-

Freehold building	Extent (Square Feet)	Revaluation of Buildings LKR '000	Book Value before Revaluation LKR '000	Revaluation Gains/(Losses) Recognised on Buildings LKR '000
Head Office No. 103A, Dharmapala Mawatha, Colombo 07	41,143	383,000	369,580	13,420
Head Office No. 40, Nawam Mawatha, Colombo 02	95,343	766,000	728,937	37,063
Sub Total (b)		1,149,000	1,098,517	50,483
Total (a)+(b)		2,173,000	2,122,517	50,483

32.3 Freehold Land and Buildings on Cost Basis - Bank

The carrying amount of the Bank's revalued freehold land and buildings that would have been included in the Financial Statements at cost less accumulated depreciation is as follows:

	2023			2022		
	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000
Class of assets						
Freehold land	165,016	-	165,016	165,016	-	165,016
Freehold buildings	613,598	507,047	106,551	608,365	494,775	113,590
Total	778,614	507,047	271,567	773,381	494,775	278,606

32.4 The Movement in Property, Plant & Equipment - Group

	Freehold Land LKR '000	Freehold Buildings LKR '000	Leasehold Buildings LKR '000	Computer Equipment LKR '000	Motor Vehicles LKR '000	Office Equipment & Furniture LKR '000	Capital Work- in- Progress LKR '000	Total LKR '000
(a) Cost or Valuation								
As at 1 January 2022	919,305	1,885,882	588,004	2,076,007	88,080	1,606,302	99,530	7,263,110
Additions during the year	-	19,897	37,159	151,168	-	95,723	51,859	355,806
Disposals during the year	-	(134)	(32,639)	(186,911)	-	(51,881)	-	(271,565)
Revaluation adjustment during the year	104,695	212,093	-	-	-	-	-	316,788
Transfers/adjustments	-	-	146	3,693	5,923	7,238	(66,999)	(49,999)
As at 31 December 2022	1,024,000	2,117,738	592,670	2,043,957	94,003	1,657,382	84,390	7,614,140
Additions during the year	-	48,481	18,159	160,924	-	101,865	9,527	338,956
Disposals during the year	-	(147)	(4,746)	(30,255)	(3,100)	(144,584)	-	(182,832)
Revaluation adjustment during the year	-	50,483	-	-	-	-	-	50,483
Transfers/adjustments	-	-	-	(11,388)	(3,708)	(4,688)	(53,545)	(73,329)
As at 31 December 2023	1,024,000	2,216,555	606,083	2,163,238	87,195	1,609,975	40,372	7,747,418
(b) Depreciation/Amortisation								
As at 1 January 2022	-	365,669	444,859	1,331,048	87,937	1,298,299	-	3,527,812
Charge for the year (Note 13)	-	50,554	56,063	198,822	899	127,309	-	433,647
On disposals	-	(134)	(32,628)	(188,923)	-	(51,168)	-	(272,853)
Transfers/adjustments	-	(6)	146	8,712	3,588	5,100	-	17,540
As at 31 December 2022	-	416,083	468,440	1,349,659	92,424	1,379,540	-	3,706,146
Charge for the year (Note 13)	-	56,866	51,936	201,714	450	109,871	-	420,837
On disposals	-	(98)	(4,678)	(30,061)	(2,328)	(143,183)	-	(180,348)
Transfers/adjustments	-	-	-	(7,110)	(3,679)	(5,525)	-	(16,314)
As at 31 December 2023	-	472,851	515,698	1,514,202	86,867	1,340,703	-	3,930,321
Net book value as at 31 December 2023	1,024,000	1,743,704	90,385	649,036	328	269,272	40,372	3,817,097
Net book value as at 31 December 2022	1,024,000	1,701,655	124,230	694,298	1,579	277,842	84,390	3,907,994

32.5 Cost of Fully Depreciated Property, Plant & Equipment and Intangible Assets

The initial cost of fully depreciated property, plant & equipment and intangible assets which are still in use are as follows:

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Freehold buildings	44,619	32,149	44,619	32,149
Leasehold building	351,304	307,017	351,304	749,528
Motor vehicles	66,519	66,519	67,549	67,549
Office equipment and furniture	854,424	764,607	1,010,680	914,440
Computer equipment	773,583	712,753	840,152	769,608
Computer software	853,119	749,528	964,985	406,499
Total	2,943,568	2,632,573	3,279,289	2,939,773

32.6 Information on Freehold Land and Buildings of the Bank - Extent and Locations

As required by Rule No.7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange.

Location	No of buildings	Extent (Perches)	Buildings (Square)	Revalued land LKR '000	Revalued buildings LKR '000	Total revalued amount LKR '000	Net Book Value before Revaluation LKR '000	Revaluation Gains/ (Losses) Recognised on Land LKR '000
Head Office No. 103A, Dharmapala Mawatha, Colombo 07	1	60	41,143	1,000,000	383,000	1,383,000	1,369,580	13,420
Head Office No. 40, Nawam Mawatha, Colombo 02	1	1.43	95,343	24,000	766,000	790,000	752,937	37,063
Total				1,024,000	1,149,000	2,173,000	2,122,517	50,483

Title restriction on property, plant and equipment

There were no restrictions on the title of the property, plant and equipment of the Group as at the reporting date (2022 - Nil).

Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment of the Group that have been pledged as securities for liabilities as at the reporting date (2022 - Nil).

Borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023 (2022 - Nil).

33. RIGHT OF USE ASSETS

ACCOUNTING POLICY

Basis of Recognition

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision of services.

Basis of Measurement

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are amortised on a straight line basis over the term of the lease.

Lease Liability

At the commencement date of the lease, the Group recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The Group applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and operating lease liabilities.

The interest expense on the lease liabilities and the depreciation expense on the right-of-use assets are recognised separately in the Statement of Profit or Loss in line with the requirements of SLFRS 16-Leases.

Further the lease liabilities will be remeasured upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Group will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Significant Accounting Judgments, Estimates and Assumptions

The Group use its judgment to determine whether an operating lease agreement qualifies as recognition of right-of-use assets. In estimating the borrowing cost of lease liabilities, the Group uses the interest rate applicable to loans given for housing purposes, based on a similar tenor, collateral and economic environment. The present value of operating lease commitments has been calculated using weighted average incremental borrowing rates at which the Group opts to borrow such assets.

There is no change in the incremental borrowing rates use for land and vehicles as there were no additions during the year 2023.

The incremental borrowing rates used for the year ended 31 December 2023 and 2022, are as follows:

Class of Assets	BANK & GROUP	
	2023 %	2022 %
Buildings	9.50-25	9.50-12
Land	14	14
Vehicles	15	15

33. RIGHT OF USE ASSETS (CONTD.)

	BANK			GROUP		
	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000
Cost						
As at 01 January 2023	2,205,196	101,492	2,306,688	2,510,401	101,492	2,611,893
Additions during the year	297,801	-	297,801	297,801	-	297,801
Transfers/adjustments	(2,845)	-	(2,845)	(2,845)	-	(2,845)
As at 31 December 2023	2,500,152	101,492	2,601,644	2,805,357	101,492	2,906,849
Depreciation/Amortisation						
As at 01 January 2023	1,049,497	86,428	1,135,925	1,202,097	86,428	1,288,525
Charge for the year (Note 13)	305,054	15,064	320,118	343,205	15,064	358,269
As at 31 December 2023	1,354,551	101,492	1,456,043	1,545,302	101,492	1,646,794
Net book value as at 31 December 2023	1,145,601	-	1,145,601	1,260,055	-	1,260,055

	BANK			GROUP		
	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000	Land and Building LKR '000	Vehicle LKR '000	Total LKR '000
Cost						
As at 01 January 2022	1,815,941	101,492	1,917,433	2,121,149	101,492	2,222,641
Additions during the year	389,749	-	389,749	389,749	-	389,749
Transfers/adjustments	(494)	-	(494)	(497)	-	(497)
As at 31 December 2022	2,205,196	101,492	2,306,688	2,510,401	101,492	2,611,893
Depreciation/Amortisation						
As at 01 January 2022	758,006	64,820	822,826	872,436	64,820	937,256
Charge for the year (Note 13)	291,491	21,608	313,099	329,661	21,608	351,269
As at 31 December 2022	1,049,497	86,428	1,135,925	1,202,097	86,428	1,288,525
Net book value as at 31 December 2022	1,155,699	15,064	1,170,763	1,308,304	15,064	1,323,368

34. INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets of the Group include the value of computer software and software under development.

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relate. All other expenditure is expensed as incurred.

Computer Software and Software under Development

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Software under development mainly includes the cost incurred for the core banking upgrade.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the Statement of Profit or Loss in the year in which the asset is derecognised.

Research and Development Costs

Research costs are expensed as incurred. Development costs on an individual project are recognised as an intangible asset when the Group can demonstrate:

- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Group did not have development costs that were capitalised as an internally-generated intangible asset.

ACCOUNTING POLICY**Accounting Judgements, Estimates and Assumptions****Useful Life Time of Intangible Assets**

The Group reviews the residual values, useful lives and methods of depreciation of intangible assets at each reporting date. Management exercises judgement in the estimation of these values, rates, methods and hence those are subject to uncertainty.

Assessment for Impairment

Irrespective of whether there is any indication of impairment, the Bank assesses an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amounts. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset shall be tested

for impairment before the end of the current annual period and recognised in the Statement of Profit or Loss if there is any impairment allowance.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Computer Software [Note 34.1]	1,869,547	552,380	1,884,370	561,272
Software Under Development [Note 34.2]	13,900	1,251,941	13,900	1,251,941
Total	1,883,447	1,804,321	1,898,270	1,813,213

34.1 Computer Software

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cost				
As at 01 January	1,819,448	1,499,397	1,944,439	1,619,189
Additions during the year	1,590,383	324,161	1,599,426	326,074
Disposals during the year	(150)	(975)	(150)	(975)
Transfers/adjustments	(2,160)	(3,135)	(2,236)	151
As at 31 December	3,407,521	1,819,448	3,541,479	1,944,439
Depreciation/Amortisation				
As at 01 January	1,267,068	1,132,256	1,383,167	1,238,877
Charge for the year (Note 13)	271,056	135,787	275,353	141,118
Disposals during the year	(150)	(975)	(150)	(975)
Transfers/adjustments	-	-	(1,261)	4,147
As at 31 December	1,537,974	1,267,068	1,657,109	1,383,167
Net book value as at 31 December (a)	1,869,547	552,380	1,884,370	561,272

Additions during the year includes the consultancy fees paid to Ernst & Young LLP for the core banking project, amounting to LKR 59 Mn (2022 - LKR 72 Mn).

34.2 Software Under Development

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cost				
As at 01 January	1,251,941	836,799	1,251,941	836,799
Additions during the year	38,450	429,495	38,450	506,626
Transfer to computer software during the year	(1,276,491)	(14,353)	(1,276,491)	(91,484)
As at 31 December (b)	13,900	1,251,941	13,900	1,251,941
Net book value of total intangible assets (a) + (b)	1,883,447	1,804,321	1,898,270	1,813,213

35. OTHER ASSETS

ACCOUNTING POLICY

The Group classifies other assets as 'other financial assets' and 'other non-financial assets'. Other assets mainly comprise of deposits and prepayments, unamortised staff costs and sundry receivables. Deposits are carried at historical cost less impairment allowance.

Prepayments are amortised during the period in which they are utilised and are carried at historical cost less impairment allowance.

As all staff loans granted at below market interest rates are recognised at fair value, the difference between the fair value and the

amount disbursed was treated as a Day 1 difference. The Day 1 difference is classified as 'unamortised staff cost' and is amortised over the loan period by using the Effective Interest Rate (EIR). The staff loans are subsequently measured at amortised costs.

Other financial assets and other non-financial assets included under other assets are summarised below:

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Other financial assets	1,427,296	1,963,077	1,965,544	2,424,812
Other non-financial assets (Note 35.1)	3,416,887	4,472,251	3,598,283	4,612,859
Total	4,844,183	6,435,328	5,563,827	7,037,671

35.1 Other Non-Financial Assets

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sundry receivables	1,282,857	2,711,610	1,295,306	2,774,666
Deposits and prepayments	739,245	432,543	873,111	497,511
Unamortised staff cost (Note 35.2)	1,394,785	1,328,098	1,429,866	1,340,682
Total	3,416,887	4,472,251	3,598,283	4,612,859

35.2 Unamortised Staff Cost

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	1,328,098	1,275,233	1,340,682	1,289,352
Add: Adjustment for new grants and settlements	281,165	204,331	320,129	209,091
Charged to personnel expenses	(214,478)	(151,466)	(230,945)	(157,761)
As at 31 December	1,394,785	1,328,098	1,429,866	1,340,682

36. DUE TO BANKS

ACCOUNTING POLICY

Due to banks, include call money borrowings and credit balances in Nostro accounts. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on these dues are recognised in the Statement of Profit or Loss under 'Interest Expenses'.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Borrowing from local banks	7,123,403	13,056,364	7,123,403	13,056,364
Borrowing from foreign banks	555,792	7,195,293	555,792	7,242,480
Total	7,679,195	20,251,657	7,679,195	20,298,844

36.1 Due to Banks - By Currency

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Local currency	7,123,403	9,721,801	7,123,403	9,721,801
Foreign currency	555,792	10,529,856	555,792	10,577,043
Total	7,679,195	20,251,657	7,679,195	20,298,844

37. FINANCIAL LIABILITIES AT AMORTISED COST

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Due to depositors (Note 37.1)	615,643,999	672,314,023	615,232,470	671,713,337
Due to debt securities holders (Note 37.2)	15,632,569	130,541	15,632,569	130,541
Due to other borrowers (Note 37.3)	24,636,539	32,372,265	24,636,539	32,372,265
Total	655,913,107	704,816,829	655,501,578	704,216,143

37.1 Due to Depositors

ACCOUNTING POLICY

Due to depositors include non-interest bearing deposits, savings deposits, term deposits, margins and other deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on deposits are recognised in the Statement of Profit or Loss under 'Interest Expenses'.

37.1 (a) Due to depositors - by product

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Savings deposits	95,292,997	100,382,052	95,167,612	100,353,168
Time deposits	475,907,790	529,230,558	475,626,572	528,672,078
Demand deposits	42,074,697	41,324,347	42,069,771	41,311,025
Margin deposits	1,787,476	934,169	1,787,476	934,169
Other deposits	581,039	442,897	581,039	442,897
Total	615,643,999	672,314,023	615,232,470	671,713,337

37.1 (b) Due to depositors - by deposit composition

	BANK				GROUP			
	2023		2022		2023		2022	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Local currency deposits								
Savings deposits	67,889,639	11	63,027,142	9	67,771,213	11	63,006,056	9
Time deposits	335,388,665	55	374,560,470	56	335,143,112	55	374,223,346	56
Demand deposits	33,683,062	5	31,435,221	5	33,678,136	5	31,421,899	5
Margin deposits	1,704,276	-	908,369	-	1,704,276	-	908,369	-
Other deposits	201,691	-	129,154	-	201,691	-	129,154	-
Sub total	438,867,333	71	470,060,356	70	438,498,428	71	469,688,824	70
Foreign currency deposits								
Savings deposits	27,403,358	4	37,354,910	6	27,396,400	4	37,347,112	6
Time deposits	140,519,125	23	154,670,088	23	140,483,459	23	154,448,732	23
Demand deposits	8,391,635	2	9,889,126	1	8,391,635	2	9,889,126	1
Margin deposits	83,200	-	25,800	-	83,200	-	25,800	-
Other deposits	379,348	-	313,743	-	379,348	-	313,743	-
Sub total	176,776,666	29	202,253,667	30	176,734,042	29	202,024,513	30
Total	615,643,999	100	672,314,023	100	615,232,470	100	671,713,337	100

37.1 (c) Due to depositors - by currency

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka Rupee	438,867,335	470,060,356	438,498,430	469,688,823
United States Dollar	153,218,088	177,218,962	153,175,464	176,989,809
Australian Dollar	7,746,506	9,692,108	7,746,506	9,692,108
Great Britain Pound	8,539,778	7,828,817	8,539,778	7,828,817
Euro	5,419,961	4,829,249	5,419,961	4,829,249
Other currencies	1,852,331	2,684,531	1,852,331	2,684,531
Total	615,643,999	672,314,023	615,232,470	671,713,337

37.1 (d) Due to depositors - by institutions/customers

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Deposits from banks	10,338,442	3,612,003	10,338,442	3,612,003
Deposits from finance companies	8,480,366	11,978,135	8,480,366	11,978,135
Deposits from other customers	596,825,191	656,723,885	596,413,662	656,123,199
Total	615,643,999	672,314,023	615,232,470	671,713,337

37.1 (e) Due to depositors - by province

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Western Province	527,193,408	578,428,470	526,781,879	577,827,784
Central Province	19,197,166	21,232,755	19,197,166	21,232,755
North-Western Province	16,998,953	17,985,702	16,998,953	17,985,702
Southern Province	15,073,287	16,858,113	15,073,287	16,858,113
Sabaragamuwa Province	10,216,677	10,630,948	10,216,677	10,630,948
Northern Province	14,566,199	13,435,462	14,566,199	13,435,462
Eastern Province	4,751,970	5,724,165	4,751,970	5,724,165
North-Central Province	3,744,157	4,030,224	3,744,157	4,030,224
Uva Province	3,902,182	3,988,184	3,902,182	3,988,184
Total	615,643,999	672,314,023	615,232,470	671,713,337

37.2 Due to Debt Securities Holders

ACCOUNTING POLICY

Due to Debt Securities Holders consists of securities sold under repurchase agreements. The Group sells financial assets and simultaneously enter into an agreement to repurchase the asset (or similar asset) at a fixed price at a future date. Such an arrangement is accounted for as a financial liability and the underlying asset continues to be recognised in the Financial Statements of the Group, as the Group retain substantially all risks and rewards of ownership. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method with the corresponding interest paid/payable being recognised in the Statement of Profit or Loss, under 'Interest Expenses'.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Securities sold under repurchase agreements	15,632,569	130,541	15,632,569	130,541
Total	15,632,569	130,541	15,632,569	130,541

37.3 Due to Other Borrowers

ACCOUNTING POLICY

Due to other borrowers represents the funds borrowed by the Group for long-term and short-term liquidity funding requirements and include borrowings from concessionary credit lines, institutional borrowings and funds received from the Central Bank of Sri Lanka including the funds received under the Saubagya COVID-19 Renaissance facilities. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on "Due to Other Borrowers" are recognised in the Statement of Profit or Loss, under 'Interest Expenses'.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Concessionary credit lines	7,508,062	7,651,466	7,508,062	7,651,466
Saubagya COVID-19 borrowings	336,879	2,052,792	336,879	2,052,792
Refinance borrowings	2,755,457	3,213,582	2,755,457	3,213,582
Institutional borrowings - Local	-	502,893	-	502,893
- Foreign	14,036,141	18,951,532	14,036,141	18,951,532
Total	24,636,539	32,372,265	24,636,539	32,372,265

37.4 Maturity Analysis of Due to Debt Securities Holders and Due to Other Borrowers - Based on the Contractual Maturity

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Payable within 12 Months				
Concessionary credit lines	877,490	960,784	877,490	960,784
Saubagya COVID-19 borrowings	336,879	2,044,984	336,879	2,044,984
Refinance borrowings	644,464	524,158	644,464	524,158
Institutional borrowings - Local	-	502,893	-	502,893
- Foreign	14,036,141	18,951,532	14,036,141	18,951,532
Securities sold under repurchase agreements	15,632,569	130,541	15,632,569	130,541
Sub total	31,527,543	23,114,892	31,527,543	23,114,892
Payable after 12 Months				
Concessionary credit lines	6,630,572	6,690,682	6,630,572	6,690,682
Saubagya COVID-19 borrowings	-	7,808	-	7,808
Refinance borrowings	2,110,993	2,689,424	2,110,993	2,689,424
Sub total	8,741,565	9,387,914	8,741,565	9,387,914
Total (Note 37.2 & Note 37.3)	40,269,108	32,502,806	40,269,108	32,502,806

38. DEBT SECURITIES ISSUED

ACCOUNTING POLICY

Debt securities issued includes the funds borrowed by the Group for long-term and short-term funding requirements by way of quoted debentures. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Interest paid/payable on debt securities issued are recognised in the Statement of Profit or Loss. The direct costs attributable to these term debts are amortised over the term of the debt and are offset in the presentation of debt securities issued, in the Statement of Financial Position.

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
As at 01 January	27,979,631	27,960,731
Additions during the year	5,000,000	-
Redemptions	(3,637,980)	-
Net effect on amortised interest payable	47,224	18,900
As at 31 December (Note 38.1)	29,388,875	27,979,631

38.1 Debenture

	Interest Payable Frequency	Issued Date	Maturity Date	Effective Annual Yield %	BANK & GROUP	
					2023 LKR '000	2022 LKR '000
Fixed Rate Debenture Issuance - December 2013						
Type C - 13.90% - (120 Months)	Annually	19-Dec-2013	19-Dec-2023	13.17	-	3,634,951
Type D - 14.00% - (144 Months)	Annually	19-Dec-2013	19-Dec-2025	13.26	3,584,911	3,582,653
Total (a)					3,584,911	7,217,604
Fixed Rate Debenture Issuance - March 2019						
Type A - 13.50% - (60 Months)	Semi-annually	30-Mar-2019	30-Mar-2024	13.16	1,284,278	1,283,027
Type B - 13.95% - (60 Months)	Annually	30-Mar-2019	30-Mar-2024	13.15	4,765,170	4,760,731
Total (b)					6,049,448	6,043,758
Fixed Rate Debenture Issuance - September 2020						
9.50% - (60 Months)	Annually	24-Sep-2020	24-Sep-2025	9.16	6,650,716	6,645,899
Total (c)					6,650,716	6,645,899
Fixed Rate Debenture Issuance - November 2021						
Type A - 11.90% - (60 Months)	Semi-annually	23-Nov-2021	23-Nov-2026	11.66	7,960,520	7,955,337
Type B - 12.00% - (84 Months)	Semi-annually	23-Nov-2021	23-Nov-2028	11.73	117,081	117,033
Total (d)					8,077,601	8,072,370
Fixed Rate Debenture Issuance - December 2023						
Type A - 15.00% - (60 Months)	Annually	12-Dec-2023	11-Dec-2028	14.05	3,351,932	-
Type B - 14.22% - (60 Months)	Quarterly	12-Dec-2023	11-Dec-2028	14.05	1,674,267	-
Total (e)					5,026,199	-
Debt securities issued (a)+(b)+(c)+(d)+(e)					29,388,875	27,979,631
The contractual maturity of the debt securities issued are given below:						
Due within one year					6,354,630	4,386,729
Due after one year					23,034,245	23,592,902
Total					29,388,875	27,979,631

39. CURRENT TAX (RECEIVABLES)/LIABILITIES

ACCOUNTING POLICY

The accounting policy on current tax (receivables)/liabilities for the Group is included in Note 17 on page 196.

As at 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
39.1 Summary of Net Current Tax Liabilities				
Current tax liabilities	7,265,070	6,470,353	7,430,773	6,635,188
Current tax receivables	-	-	(43,102)	(43,488)
Net current tax liability	7,265,070	6,470,353	7,387,671	6,591,700
39.2 Movement in Net Current Tax Liabilities				
As at 01 January	6,470,353	2,407,243	6,591,700	2,558,274
Current tax based on profit for the year	4,080,574	5,868,752	4,337,945	6,074,946
Under/(over) provision in respect of previous years	(913,704)	(222,838)	(867,626)	(216,621)
Payment of tax	(2,372,153)	(1,582,804)	(2,674,348)	(1,824,899)
As at 31 December	7,265,070	6,470,353	7,387,671	6,591,700

40. DEFERRED TAX (ASSETS)/LIABILITIES

ACCOUNTING POLICY

The accounting policy on deferred tax (assets)/liabilities for the Group is included in Note 17 on page 196.

40.1 Summary of Net Deferred Tax (Assets)/Liabilities

As at 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Recognised under assets	(9,648,118)	(9,004,747)	(9,717,805)	(9,048,896)
Recognised under liabilities	-	-	921,189	873,280
Net deferred tax assets (Note 40.3 and 40.4)	(9,648,118)	(9,004,747)	(8,796,616)	(8,175,616)

40.2 Movement in Net Deferred Tax (Assets)/Liabilities

	BANK				GROUP			
	2023		2022		2023		2022	
	Temporary difference LKR '000	Tax effect LKR '000	Temporary difference LKR '000	Tax effect LKR '000	Temporary difference LKR '000	Tax effect LKR '000	Temporary difference LKR '000	Tax effect LKR '000
As at 01 January	(30,015,822)	(9,004,747)	(14,238,813)	(3,417,315)	(27,252,050)	(8,175,616)	(11,974,974)	(2,873,994)
Amount originating/(reversing) to Statement of Profit or Loss (Note 17.3)	(3,970,937)	(1,191,280)	(23,030,122)	(7,721,972)	(3,914,300)	(1,174,290)	(22,629,189)	(7,465,282)
Amount originating/(reversing) to Other Comprehensive Income	1,826,366	547,909	7,253,113	2,134,540	1,844,300	553,290	7,352,113	2,163,660
As at 31 December	(32,160,393)	(9,648,118)	(30,015,822)	(9,004,747)	(29,322,050)	(8,796,616)	(27,252,050)	(8,175,616)

The deferred tax assets/liabilities of the Group as at 31 December 2023 were computed using the income tax rate of 30% (2022-30%).

Deferred tax effect on Statement of Profit or Loss and Other Comprehensive Income for the previous year includes the impact of tax rate change on deferred tax assets/liabilities as at 31 December 2022 amounting to a tax reversal of LKR 2,195 Mn and a tax charge of LKR 394 Mn recorded to the Statement of Profit or Loss and Other Comprehensive Income of the Bank respectively. The reversal recorded to the Statement of Profit or Loss and charge recorded to the Other Comprehensive Income of the Group was LKR 2,052 Mn and LKR 405 Mn respectively.

40.3 Reconciliation of Net Deferred Tax (Assets)/Liabilities

	BANK					
	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Deferred tax liabilities						
Accelerated depreciation for tax purposes	102,621	56,976	45,645	21,597	-	-
Revaluation gains on freehold land and buildings	643,475	628,329	-	-	15,145	185,581
Finance leases	138,093	282,729	(144,636)	(59,119)	-	-
Gains on fair value adjustment of financial assets measured at fair value through other comprehensive income	1,688,561	110,656	-	-	1,577,905	110,656
Cash flow hedge reserve	358,036	1,315,571	-	-	(957,535)	1,315,571
Total	2,930,786	2,394,261	(98,991)	(37,522)	635,515	1,611,808
Deferred tax assets						
Defined benefit plans	389,973	274,801	(27,565)	(56,195)	(87,606)	(42,044)
Losses on fair value adjustment of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	564,776
Operating leases	78,868	75,180	(3,688)	(13,278)	-	-
Impairment allowances						
On loans and receivables to other customers	5,029,573	4,992,404	(37,169)	(2,297,892)	-	-
On other financial assets (Note 40.3 (a))	7,080,490	6,056,623	(1,023,867)	(5,317,085)	-	-
Total	12,578,904	11,399,008	(1,092,289)	(7,684,450)	(87,606)	522,732
Deferred tax effect on Statement of Profit or Loss and Other Comprehensive Income for the year	-	-	(1,191,280)	(7,721,972)	547,909	2,134,540
Net deferred tax (assets)/liabilities as at 31 December (Note 40.1)	(9,648,118)	(9,004,747)	-	-	-	-

40.3 (a) As at 31 December 2023, the Bank has judgements estimated a deferred tax asset on the impairment allowance of financial assets amounting to LKR 7,080 Mn of which LKR 7,037 Mn was recognised on the impairment allowance on investments in SLISBs.

40.4 Reconciliation of Net Deferred Tax (Assets)/Liabilities

	GROUP					
	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Deferred tax liabilities						
Accelerated depreciation for tax purposes	113,498	73,628	39,870	27,799	-	-
Revaluation gains on freehold land and buildings	736,012	708,252	-	-	27,760	217,679
Revaluation gains on investment property	756,818	693,351	63,467	179,054	-	-
Finance leases	138,093	282,729	(144,636)	(59,119)	-	-
Gains on fair value adjustment of financial assets measured at fair value through other comprehensive income	1,735,281	171,746	(14,383)	55,228	1,577,918	116,518
Cash flow hedge reserve	358,036	1,315,571	-	-	(957,535)	1,315,571
Unrealised forex gain	39,546	39,546	-	39,546	-	-
Total	3,877,284	3,284,823	(55,682)	242,508	648,143	1,649,768
Deferred tax assets						
Defined benefit plans	429,567	303,052	(31,662)	(60,862)	(94,853)	(45,022)
Losses on other operations	15,125	-	(15,125)	-	-	-
Losses on fair value adjustment of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	558,914
Operating leases	105,001	104,335	(666)	(27,292)	-	-
Impairment allowances						
On loans and receivables to other customers	5,029,573	4,992,404	(37,169)	(2,297,892)	-	-
On other financial assets	7,094,634	6,060,648	(1,033,986)	(5,321,744)	-	-
Total	12,673,900	11,460,439	(1,118,608)	(7,707,790)	(94,853)	513,892
Deferred tax effect on Statement of Profit or Loss and Other Comprehensive Income for the year	-	-	(1,174,290)	(7,465,282)	553,290	2,163,660
Net deferred tax (assets)/liabilities as at 31 December (Note 40.1)	(8,796,616)	(8,175,616)	-	-	-	-

41. RETIREMENT BENEFIT OBLIGATIONS

ACCOUNTING POLICY

Retirement benefit obligations include the provisions made for retirement gratuity and the pension fund.

Retirement Gratuity

In compliance with the Gratuity Act, No.12 of 1983, provisions are made on behalf of the employees from the first year of service for employees who joined the Bank on or after 1999, as they are not in pensionable service of the Bank and for employees of the group companies. The costs of retirement gratuities are determined by a qualified Actuary using the projected unit credit method. Actuarial gains and losses are recognised as income or expense in the Statement of Comprehensive Income, during the financial year in which it arises.

Pension Fund

The Bank operates an approved employee non-contributory pension fund for the payment of pensions to members of its permanent staff, who qualify for such payments when retiring. Employees who joined after 1999, are not covered under the said pension scheme. These employees are entitled to retirement gratuity. Up to 31 December 2002, annual contributions to the pension fund was payable by the Bank, based on a percentage of gross salaries, as stipulated in the pension deed. However, following the formulation of a revised pension deed, which has been approved by the Department of Inland Revenue, the contributions in subsequent years are determined on the basis of an actuarial valuation carried out each year.

Basis of Measurement

The cost of the defined benefit plans (retirement gratuity and the pension fund) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties. All assumptions are reviewed at each reporting date. The assumptions used to arrive at the value of defined benefit obligation is given in Note 41.1 (b) and 41.2 (d).

ACCOUNTING POLICY

In determining the appropriate discount rate, the Management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities, corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Estimated future salary increases are based on expected future inflation rates and the policy on salary revisions of the Group.

41.1 Provision for Retirement Gratuity

As at 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	916,007	735,666	1,019,294	829,873
Provision made during the year				
Statement of Profit or Loss [Note 41.1 (a)]	258,344	177,685	283,632	197,725
Other Comprehensive Income [Note 41.1 (a)]	292,019	103,862	316,174	113,788
Contribution made for retirement gratuity	550,363	281,547	599,806	311,513
Benefits paid by the plan	(166,461)	(101,206)	(179,726)	(122,092)
As at 31 December	1,299,909	916,007	1,439,374	1,019,294

41.1 (a) Provision for Retirement Gratuity

As at 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Current service cost	93,463	88,964	101,876	98,646
Interest cost	164,881	88,721	181,756	99,079
Amount recognised in the Statement of Profit or Loss	258,344	177,685	283,632	197,725
Liability experience loss/(gain)	20,653	141,302	25,198	141,302
Liability loss/(gain) due to changes in;				
Financial assumptions	271,366	(37,440)	288,909	(27,514)
Demographic assumptions	-	-	2,067	-
Amount recognised in Other Comprehensive Income [Note 41.2 (g)]	292,019	103,862	316,174	113,788

41.1 (b) Assumptions and the Sensitivity of the Assumptions used for the Provision of Retirement Gratuity - Bank

The actuarial valuations of the retirement gratuity liability were carried out as at 31 December 2023 and 31 December 2022 by a professional Actuary, Messers. Actuarial and Management Consultants (Pvt) Ltd.

The valuation method used by the Actuary to value the liability is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

Assumptions and the sensitivity of the assumptions used for the Gratuity plan

Type of assumption	Criteria	Description
Demographic	Mortality	UP 1984 Mortality Table
	Retirement age	Normal retirement age
Financial	Rate of discount	The discount rate of 13% p.a. (2022 - 18% p.a.) has been used to discount future liabilities
	Salary increases	Estimated long term salary increment of 12% p.a. (2022 - 15% p.a.) has been used in respect of the active employees

The above assumptions except salary increment rate have been used by the group companies, in arriving at the provision for retirement gratuity.

The group companies used the salary increment rate of 8% - 12% p.a (2022 - 15% p.a).

41.1 (b) Assumptions and the Sensitivity of the Assumptions used for the Provision of Retirement Gratuity - Bank (Contd.)

Sensitivity of Assumptions used in the Actuarial Valuation

Reasonably possible changes at the reporting date to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the provision for retirement gratuity and Other Comprehensive Income by the amounts shown below.

		BANK			
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2023		2022	
		Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability
		LKR Mn	LKR Mn	LKR Mn	LKR Mn
1		113.58	(113.58)	72.71	(72.71)
(1)		(131.99)	131.99	(83.33)	83.33
	1	(133.81)	133.81	(86.73)	86.73
	(1)	116.97	(116.97)	76.64	(76.64)

		GROUP			
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2023		2022	
		Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/(Decrease) in Liability
		LKR Mn	LKR Mn	LKR Mn	LKR Mn
1		122.33	(122.33)	80.05	(80.05)
(1)		(141.92)	141.92	(91.74)	91.74
	1	(144.17)	144.17	(95.60)	95.60
	(1)	126.24	(126.24)	84.48	(84.48)

41.1 (c) The expected benefit payout in the future years for retirement gratuity

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Within next 12 months	67,843	48,499	92,968	52,621
Between 2 and 5 years	235,895	190,368	280,632	234,098
Beyond 5 years	996,171	677,140	1,065,774	732,575

The expected benefits are estimated, based on the same assumptions used to measure the retirement benefit obligation of the Bank at the end of the year and include benefits attributable to estimated future employee service.

The average duration of the defined benefit obligation is 10.6 years (2022 -10 years).

41.2 Pension Fund

The amount recognised in the Statement of Financial Position is as follows:

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
Present value of the funded obligation as at 31 December [Note 41.2 (b)]	970,979	656,258
Fair value of plan assets as at 31 December [Note 41.2 (c)]	(1,359,817)	(1,240,690)
Retirement Benefit (Asset)/Liability*	(388,838)	(584,432)

*The over payment is recognised as prepaid expenses in Other Assets.

41.2(a) Contribution made to the pension fund

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
Current service cost	11,416	14,512
Net Interest on defined benefit obligation	(105,198)	(47,443)
Amount recognised in the Statement of Profit or Loss	(93,782)	(32,931)
Assets loss/(gain) from plan assets	4,857	10,744
Actuarial (gain)/loss due to experience adjustments	39,113	(9,068)
Actuarial (gain)/loss due to changes in;		
Financial assumptions	245,406	(173,632)
Demographic assumptions	-	-
Amount recognised in the Other Comprehensive Income [Note 41.2 (g)]	289,376	(171,956)

41.2(b) Defined benefit obligation reconciliation

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
As at 01 January	656,258	790,708
Current service cost	11,416	14,512
Interest cost	118,127	98,839
Actual benefits paid from the plan	(99,341)	(65,101)
Actuarial (gain)/loss due to changes in assumptions	245,406	(173,632)
Actuarial (gain)/loss due to experience adjustments	39,113	(9,068)
As at 31 December	970,979	656,258

41.2(c) Fair value of plan assets reconciliation

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
As at 01 January	1,240,690	1,170,253
Expected return on plan assets	223,325	146,282
Actual employer contributions	-	-
Actual benefit paid from the plan	(99,341)	(65,101)
Actuarial (loss)/gain from plan assets	(4,857)	(10,744)
As at 31 December	1,359,817	1,240,690

41.2(d) Assumptions and the sensitivity of the assumptions used for the pension fund

The actuarial valuations of the Pension Fund were carried out by a professional Actuary, Messers. Actuarial and Management Consultants (Pvt) Ltd as at 31 December 2023 and 2022.

The valuation method used by the Actuary to value the Fund is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

Assumptions and the sensitivity of the assumptions used for the Pension Fund

Type of assumption	Criteria	Description
Demographic	Mortality	UP 1984 Mortality Table
	Retirement age	Normal retirement age
Financial	Rate of discount	The discount rate of 13% p.a. (2022 - 18% p.a.) has been used to discount future liabilities
	Salary increases	Estimated long term salary increment of 12% p.a. (2022 - 15% p.a.) has been used

41.2(d) Assumptions and the sensitivity of the assumptions used for the pension fund (Contd.)

Sensitivity of assumptions used in the actuarial valuation

Reasonably possible changes at the reporting date to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the pension liability and Other Comprehensive Income by the amounts shown below:

		BANK & GROUP			
		2023		2022	
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn
%	%				
1		68.96	(68.96)	40.17	(40.17)
(-1)		(78.13)	78.13	(44.70)	44.70
	1	(27.41)	27.41	(19.74)	19.74
	(-1)	25.96	(25.96)	18.66	(18.66)

		BANK & GROUP			
		2023		2022	
Increase/ (Decrease) in Life expectancy		Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn	Sensitivity Effect on the Other Comprehensive Income Increase/(Decrease) in Comprehensive Income for the Year LKR Mn	Sensitivity Effect on Provision for Retirement Obligation Increase/(Decrease) in Liability LKR Mn
+1 Year		(11.34)	11.34	(8.59)	8.59
- 1 Year		11.86	(11.86)	8.91	(8.91)

41.2(e) Fair value of total plan assets consists of the following

	BANK	
	2023 LKR '000	2022 LKR '000
Investments in Sri Lanka Government Securities	709,692	632,108
Investments in time deposits	638,248	573,558
Others	11,877	35,024
Total	1,359,817	1,240,690

41.2(f) The expected benefit payout from the pension fund in future years

	BANK	
	2023 LKR '000	2022 LKR '000
Within next 12 months	72,076	59,591
Between 2 and 5 years	217,943	165,791
Beyond 5 years	680,960	430,876

The expected benefits are based on the same assumptions used to measure the Bank's retirement benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

The average duration of the defined benefit obligation is 8.5 years as at 31 December 2023 (2022 7.6 years).

41.2(g) The total amount recognised in Other Comprehensive Income relating to retirement benefit obligations

As at 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Retirement Gratuity [Note 41.1 (a)]	292,019	103,862	316,174	113,788
Pension Fund [Note 41.2 (a)]	289,376	(171,956)	289,376	(171,956)
Total	581,395	(68,094)	605,550	(58,168)

42. OTHER LIABILITIES

Other liabilities include other financial liabilities and other non-financial liabilities. Other non-financial liabilities include fees, expenses and amounts payable for deposit insurance, dividend payable and other provisions. These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Dividends on ordinary shares are recognised as a liability and deducted from equity, when they are approved by the Board of Directors. Other financial liabilities and other non-financial liabilities included under other liabilities are summarised below:

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Other financial liabilities (Note 42.1)	2,391,221	2,958,157	2,592,786	3,273,911
Other non-financial liabilities (Note 42.2)	5,720,545	5,747,507	6,015,423	5,909,204
Total	8,111,766	8,705,664	8,608,209	9,183,115

42.1 Other Financial Liabilities

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Unpresented cheques/pay orders	1,053,026	1,600,092	1,053,026	1,609,576
Unpresented cheques - Dividend Payable (Note 42.1.1)	78,655	99,001	78,655	99,001
Lease liabilities (Note 42.1.2)	1,257,024	1,246,341	1,458,589	1,496,130
Others	2,516	12,723	2,516	69,204
Total	2,391,221	2,958,157	2,592,786	3,273,911

42.1.1 Unpresented cheques - dividend payable

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	99,001	91,823
Cash dividend declared for the prior year	-	357,124
Reversal of dividends declared in prior years [Note 42.1.1 (a)]	(20,156)	(4,215)
Dividend cheques realised	(190)	(345,731)
Balance as at 31 December	78,655	99,001

42.1.1 (a) Reversal of dividends declared in prior years

Reversal of dividends declared in previous years represents unclaimed dividends which are written back to equity after six years.

42.1.2 Lease liabilities

Set out below are the carrying amount of lease liabilities recognised on adoption of SLFRS 16 - Leases.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 01 January	1,246,341	1,207,930	1,496,130	1,490,757
Additions	259,842	305,892	259,842	305,892
Accretion of interest	186,677	153,287	214,057	185,448
Payments	(435,836)	(420,768)	(511,440)	(485,967)
Balance as at 31 December	1,257,024	1,246,341	1,458,589	1,496,130

42.1.2 (a) Undiscounted cash flow

The following table illustrates the maturity analysis of the lease liability of the Bank on the basis of undiscounted cash flows.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Less than 1 year	430,515	364,517	506,119	429,716
1 to 5 years	1,270,472	1,207,387	1,512,405	1,524,924
More than 5 years	184,011	196,016	184,011	513,553
Total	1,884,998	1,767,920	2,202,535	2,468,193

42.1.2 (b) Sensitivity analysis of lease liabilities

Asset Class	BANK			GROUP	
	2023				
	Increase/ (Decrease) in Interest Rate	Sensitivity Effect on the Profit or Loss Increase/(Decrease) for the Year	Sensitivity Effect on the Financial Position Increase/(Decrease) in Lease Liabilities	Sensitivity Effect on the Profit or Loss Increase/(Decrease) for the Year	Sensitivity Effect on the Financial Position Increase/(Decrease) in Lease Liabilities
	%	LKR Mn	LKR Mn	LKR Mn	LKR Mn
Building	1	(8.31)	(27.10)	(10.15)	(30.09)
	(1)	8.73	28.11	10.51	31.04
Land	1	-	(0.02)	-	(0.02)
	(1)	-	0.03	-	0.03
Vehicles	1	(0.09)	-	(0.09)	-
	(1)	0.09	-	0.09	-

Asset Class	BANK			GROUP	
	2022				
	Increase/ (Decrease) in Interest Rate	Sensitivity Effect on the Profit or Loss Increase/(Decrease) for the Year	Sensitivity Effect on the Financial Position Increase/(Decrease) in Lease Liabilities	Sensitivity Effect on the Profit or Loss Increase/(Decrease) for the Year	Sensitivity Effect on the Financial Position Increase/(Decrease) in Lease Liabilities
	%	LKR Mn	LKR Mn	LKR Mn	LKR Mn
Building	1	(8.55)	(28.61)	(10.58)	(33.45)
	(1)	9.02	29.74	10.95	34.45
Land	1	-	-	-	-
	(1)	-	-	-	-
Vehicles	1	(0.31)	(0.09)	(0.31)	(0.09)
	(1)	0.31	0.09	0.31	0.09

42.2 Other Non-Financial Liabilities

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Accrued expenses	1,267,945	706,850	1,283,857	822,792
Provision for deposit insurance	187,212	163,194	187,212	163,194
Impairment allowance for commitments and contingencies	1,660,688	1,368,885	1,660,688	1,368,885
Other liabilities	2,604,700	3,508,578	2,883,666	3,554,333
Total	5,720,545	5,747,507	6,015,423	5,909,204

43. STATED CAPITAL

	BANK & GROUP			
	2023 Number of Shares	2023 LKR '000	2022 Number of Shares	2022 LKR '000
Issued and fully paid	380,094,722	19,870,665	357,123,647	18,263,609
Shares issued due to scrip dividends (Note 43.1)	19,369,640	867,566	22,971,075	1,607,056
Total	399,464,362	20,738,231	380,094,722	19,870,665

43.1 Scrip Issue

On 19 April 2023, the Board of Directors approved and declared a final scrip Dividend of LKR 2.50 per share for the financial year ended 31 December 2022. Accordingly, 19,369,640 ordinary voting shares have been listed as scrip dividends on 18th May 2023. As a result, the stated capital of the Bank increased to LKR 20.74 Bn (31 December 2022 - LKR 19.87 Bn).

44. STATUTORY RESERVE FUND

The Statutory Reserve Fund is maintained as per the requirements under Section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profits that are transferred to elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of the said reserve fund is equal to the stated capital of the Bank.

The balance in the Statutory Reserve Fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
As at 01 January	2,746,479	2,571,479
Transferred from retained earnings (Note 45)	300,000	175,000
As at 31 December	3,046,479	2,746,479

45. RETAINED EARNINGS

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	37,381,043	39,134,382	41,116,154	42,730,952
Surcharge Tax	-	(2,456,403)	-	(2,554,396)
Total comprehensive income for the year	4,876,538	2,838,029	5,193,094	3,074,563
Transferred to the statutory reserve fund (Note 44)	(300,000)	(175,000)	(300,000)	(175,000)
Dividends paid to equity holders	(950,237)	(1,964,180)	(950,237)	(1,964,180)
Reversal of dividends paid in prior years	20,156	4,215	20,156	4,215
As at 31 December	41,027,500	37,381,043	45,079,167	41,116,154

46. OTHER RESERVES

Current Year 2023	BANK			GROUP		
	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000
Revaluation reserve (Note 46.1)	1,466,265	35,338	1,501,603	1,682,940	64,771	1,747,711
Fair value through other comprehensive income reserve [Note 46.2]	(1,042,735)	3,996,904	2,954,169	(1,025,487)	4,005,397	2,979,910
Share based payment reserve (Note 46.3)	44,479	-	44,479	44,479	-	44,479
Cash flow hedge reserve	3,069,667	(2,234,251)	835,416	3,069,667	(2,234,251)	835,416
Total	3,537,676	1,797,991	5,335,667	3,771,599	1,835,917	5,607,516

Prior Year 2022	BANK			GROUP		
	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000	Opening Balance LKR '000	Movement/ Transfers LKR '000	Closing Balance LKR '000
Revaluation reserve (Note 46.1)	1,402,195	64,070	1,466,265	1,583,831	99,109	1,682,940
Fair value through other comprehensive income reserve [Note 46.2]	(2,483,938)	1,441,203	(1,042,735)	(2,467,181)	1,441,694	(1,025,487)
Share based payment reserve (Note 46.3)	44,479	-	44,479	44,479	-	44,479
Cash flow hedge reserve	-	3,069,667	3,069,667	-	3,069,667	3,069,667
Total	(1,037,264)	4,574,940	3,537,676	(838,871)	4,610,470	3,771,599

46.1 Revaluation Reserve

Revaluation reserve represents the fair value changes of freehold land and buildings net of deferred tax effect on revaluation surplus as at the date of revaluation.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	1,466,265	1,402,195	1,682,940	1,583,831
Revaluation of freehold land and building	50,483	249,651	92,531	316,789
Deferred tax effect including the effect of rate change on the opening balance on revaluation gains/(losses)	(15,145)	(185,581)	(27,760)	(217,680)
Net impact during the year	35,338	64,070	64,771	99,109
As at 31 December	1,501,603	1,466,265	1,747,711	1,682,940

46.2 Fair Value through Other Comprehensive Income Reserve

The fair value through Other Comprehensive Income reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through Other Comprehensive Income until they are derecognised or impaired.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	(1,042,735)	(2,483,938)	(1,025,487)	(2,467,181)
Reclassification of debt instruments at FVOCI to amortised cost	-	2,052,026	-	2,052,026
Net change in fair value during the year in debt instruments	5,259,686	368,854	5,268,192	369,345
Sub Total	5,259,686	2,420,880	5,268,192	2,421,371
Net change in fair value during the year in equity instruments	315,123	(304,245)	315,123	(304,245)
Deferred tax effect including the effect of rate change on the opening balance of fair value through other comprehensive income reserve	(1,577,905)	(675,432)	(1,577,918)	(675,432)
Net impact during the year	3,996,904	1,441,203	4,005,397	1,441,694
As at 31 December	2,954,169	(1,042,735)	2,979,910	(1,025,487)

46.3 Share Based Payment Reserve

Employee Share Option Scheme (ESOS)

An Employee Share Option Scheme (ESOS 2016) was approved by the shareholders of the Bank at an Extraordinary General Meeting (EGM) held in March 2016 in order to, enable the management staff in the rank of Senior Manager and above of the Bank and the respective Chief Executive Officers of NDB Capital Holdings Limited, NDB Wealth Management Limited, NDB Investment Bank Limited and NDB Securities (Pvt) Limited to take part in the voting ordinary share capital of the Bank, subject to certain limits, terms and conditions.

As per the ESOS 2016, the Bank will offer share options relating to voting shares to the eligible employees up to a maximum of 5% of the total number of shares issued by the Bank. The shares under the said scheme shall be issued during a period of five years from the year 2017 (performance year 2016) subject to the performance criteria set out in the Circular to Shareholders dated 01 March 2016, and each year the share options will be limited to 1.25% of the total number of shares then issued by the Bank. The details of the currently applicable scheme (Tranche 5) is as given below.

Although the scheme commenced in the year 2017, the Bank did not meet the 'Qualifying Performance Criteria' set out in the Circular to Shareholders dated 01 March 2016 for the performance years 2016, 2017 and 2019.

ESOS tranche 3 (performance year 2018)

The Bank was able to meet the performance criteria for the performance year 2018 and the approved management staff are eligible to exercise their share options during the period from 01 July 2020 to 30 June 2023. However, as no share options were exercised by any eligible staff up to 30 June 2023, ESOS tranche 3 was expired as at 30 June 2023.

46.3 Share Based Payment Reserve (Contd.)

ESOS tranche 5 (performance year 2020)

In additions to the Tranche 3, the Bank was able to achieve the performance criteria under Tranche 5 for the performance year 2020 and the approved management staff are eligible to exercise their share options during the period from 01 July 2022 to 30 June 2025 as per the ESOS.

The details of the Tranche 5 is as given below.

Tranche	Period of Performance Evaluation	Option grant date	Vesting Period (From -To)	Exercise Period (From -To)
5	2020	01 July 2021	01 July 2021 - 30 June 2022	01 July 2022 - 30 June 2025

However, no share options were exercised by any eligible staff up to 31 December 2023.

The Group recognised a Share Based Payment Reserve for the value of the share options under Tranche 5 based on a valuation carried out by an independent Valuer as required by SLFRS 2, "Share-based Payment" using the Binomial Valuation Model. The inputs used in measurement of fair value of the share option were : Exercise price of the share options, Market price of a share, Risk-free rate, Exercise period, Volatility of the share price. The share based payment reserve was LKR 44.5 Mn and corresponding charge of the same is represented in the Statement of Profit or Loss under Note 12-Personnel Expenses in year 2021. However, no adjustment was made to the fair value of the share option since the amount was not material to the financial statements as at 31 December 2023.

It is further confirmed that the Board of Directors has declared that the entity or any of its subsidiaries has not directly or indirectly provided funds for the ESOS. No any new share Option scheme was granted for the management staff during the year 2023.

46.4 Cash Flow Hedge Reserve

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
As at 01 January	3,069,667	-	3,069,667	-
Additions during the year	(3,191,786)	4,385,238	(3,191,786)	4,385,238
Deferred tax effect on gains/(losses)	957,535	(1,315,571)	957,535	(1,315,571)
As at 31 December	835,416	3,069,667	835,416	3,069,667

47. NON-CONTROLLING INTERESTS

ACCOUNTING POLICY

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interests even if it is a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of net assets acquired is recognised as equity. Therefore no goodwill is recognised as a result of such transactions.

	GROUP	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	1,391,259	1,339,373
Surcharge Tax	-	(21,780)
Profit for the year	98,774	67,067
Other comprehensive income, net of tax	(11,820)	47,377
Dividends paid to equity holders	(53,283)	(40,778)
Balance as at 31 December	1,424,930	1,391,259

48. CONTINGENT LIABILITIES AND COMMITMENTS

ACCOUNTING POLICY

All discernible risks are accounted for in determining the amount of all known liabilities. Commitments and contingencies represent possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured, as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

To meet the financial needs of customers, the Group enter into various irrevocable commitments and contingent liabilities. These consist of the financial guarantees, letters of credit and forward foreign exchange contracts and other undrawn commitments to lend. The letters of credit and guarantees commit the Group to make payments on behalf of customers in the event of a specific act, generally related to import or export of goods. The guarantees and standby letters of credit carry a similar credit risk of that loans/contingent liabilities and are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

48.1 Business Commitments and contingencies

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Contingencies				
Guarantees	42,963,031	47,386,645	42,850,919	47,240,694
Performance Bonds	14,024,918	25,810,093	14,024,918	25,810,093
Documentary Credits	9,283,417	7,745,122	9,282,715	7,745,122
Other Contingencies [Note 48.1 (a)]	49,121,387	34,128,635	49,121,387	34,128,635
Commitments				
Undrawn commitments	162,572,666	178,539,261	162,847,107	179,452,163
Total	277,965,419	293,609,756	278,127,046	294,376,707
Less: Impairment allowance [Note 48.1 (b)]	1,660,687	1,368,885	1,660,687	1,368,885
Net of impairment	276,304,732	292,240,871	276,466,359	293,007,822

The maturity analysis of the commitments and contingencies is disclosed in Note 56.4.(f)

48.1 (a) Other contingencies

	BANK & GROUP	
	2023 LKR '000	2022 LKR '000
Forward Exchange Contracts	42,607,440	27,739,854
Acceptances	6,513,947	6,388,781
Total	49,121,387	34,128,635

48.1 (b) Impairment allowance for commitments and contingencies

	BANK & GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Balance as at 01 January 2023	1,124,091	187,019	57,775	1,368,885
Charges/(reversals) during the year	278,635	44,253	(31,086)	291,802
Balance as at 31 December 2023	1,402,726	231,272	26,689	1,660,687
Balance as at 01 January 2022	1,478,048	288,492	262,971	2,029,511
Charges/(reversals) during the year	(353,957)	(101,473)	(205,196)	(660,626)
Balance as at 31 December 2022	1,124,091	187,019	57,775	1,368,885

48.1 (c) Analysis of commitments and contingencies (before impairment allowance)

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Domestic Currency				
Guarantees	33,719,455	34,757,932	33,607,343	34,611,981
Performance Bonds	10,458,016	13,688,432	10,458,016	13,688,432
Documentary Credits	389,683	203,745	388,981	203,745
Forward Exchange Contracts	7,071,544	8,353,450	7,071,544	8,353,450
Acceptances	211,343	-	211,343	-
Undrawn commitments	161,390,908	177,198,954	161,665,349	178,111,856
Sub Total	213,240,949	234,202,513	213,402,576	234,969,464
Foreign Currency				
Guarantees	9,243,575	12,628,713	9,243,575	12,628,713
Performance Bonds	3,566,902	12,121,661	3,566,902	12,121,661
Documentary Credits	8,893,734	7,541,377	8,893,734	7,541,377
Forward Exchange Contracts	27,042,536	9,255,284	27,042,536	9,255,284
Currency Swap Agreement	8,493,360	10,131,120	8,493,360	10,131,120
Acceptances	6,302,605	6,388,781	6,302,605	6,388,781
Undrawn commitments	1,181,758	1,340,307	1,181,758	1,340,307
Sub Total	64,724,470	59,407,243	64,724,470	59,407,243
Total	277,965,419	293,609,756	278,127,046	294,376,707

48.2 Capital Commitments

The Bank has a capital commitments totalling approximately LKR 50 Mn over the next 12 months in relation to the capital expenditure of the bank and it was LKR 400 Mn in previous year in relation to the upgrade of the Core Banking system.

48.3 Litigation Against the Bank

In the normal course of business, the bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements. Based on the assessment carried out, the Bank is of the view that the legal cases filed against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.

48.4 Tax Assessments Against the Bank and Group Companies

The following tax assessments are outstanding, against which the Bank and Group companies have duly appealed.

1. The VAT on financial services assessments received by the Bank for the years 2012 and 2013 amounting to LKR 302.6 Mn, which were determined by the Commissioner General of Inland Revenue and the Tax Appeals Commission as payable. The stated cases against the determination of the Tax Appeals Commission were forwarded to the Court of Appeal for their opinion.
2. The assessment on income tax for the year of assessment 2019/2020 received by the Bank amounting to LKR 605 Mn is pending determination from the Commissioner General of Inland Revenue.
3. The assessment on VAT on financial services received by NDB Capital Holdings Limited for the year 2013 amounting to LKR 109 Mn was determined by the Commissioner General of Inland Revenue and the Tax Appeals Commission as payable. The stated case against the determination of the Tax Appeals Commission will be forwarded to the Court of Appeal for their opinion.
4. The assessments on VAT on financial services received by NDB Capital Holdings Limited for the year 2012 amounting to LKR 74.7 Mn, which was determined by the Commissioner General of Inland Revenue as payable has been forwarded to the Tax Appeals Commission for their determination. Further the assessment on VAT on financial services for the year 2018 received by the Company amounting to LKR 79.5 Mn is pending determination by the Commissioner General of Inland Revenue.

The Company has taken up the position that the Company does not carry on the business of provision of loans, as charged in the assessments/ determinations.

The Group is of the view that the above assessments will not have any material adverse impact on the Financial Statements.

49. NET ASSETS VALUE PER ORDINARY SHARE

	BANK		GROUP	
	2023	2022	2023	2022
Amount used as the Numerator:				
Total equity attributable to equity holders of the Bank (LKR '000)	70,147,877	63,535,863	74,471,393	67,504,898
Number of Ordinary Shares used as the Denominator:				
Total number of shares	399,464,362	380,094,722	399,464,362	380,094,722
Net Assets value per share (LKR)	175.60	167.16	186.43	177.60

50. MATURITY ANALYSIS

An analysis of the assets and liabilities, based on the remaining period as at the date of the Statement of Financial Position to the respective contractual maturity dates, are as follows:

As at 31 December 2023	BANK		
	Within 12 Months LKR '000	After 12 Months LKR '000	Total LKR '000
Assets			
Cash and cash equivalents	28,100,515	-	28,100,515
Balances with the Central Bank of Sri Lanka	6,543,157	497,264	7,040,421
Placements with banks	33,743,602	-	33,743,602
Derivative financial instruments	3,083,815	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	290,214,417	162,446,044	452,660,461
Financial assets at amortised cost - debt and other instruments	60,664,538	65,007,832	125,672,370
Financial assets measured at fair value through other comprehensive income	83,805,398	-	83,805,398
Investments in subsidiary companies	-	1,108,772	1,108,772
Property, plant & equipment	-	3,141,117	3,141,117
Right of use assets	33,665	1,111,936	1,145,601
Intangible assets	-	1,883,447	1,883,447
Deferred tax assets	-	9,648,118	9,648,118
Other assets	4,844,183	-	4,844,183
Total assets	535,054,630	244,844,530	779,899,160
Liabilities			
Due to banks	7,679,195	-	7,679,195
Derivative financial instruments	93,361	-	93,361
Financial Liabilities at amortised cost			
Due to depositors	572,161,180	43,482,819	615,643,999
Due to debt securities holders	15,628,569	4,000	15,632,569
Due to other borrowers	17,260,742	7,375,797	24,636,539
Debt securities issued	6,049,328	23,339,547	29,388,875
Current tax liabilities	3,557,410	3,707,660	7,265,070
Retirement benefit obligations	67,843	1,232,066	1,299,909
Other liabilities	6,657,283	1,454,483	8,111,766
Total liabilities	629,154,911	80,596,372	709,751,283
Maturity GAP	(94,100,281)	164,248,158	70,147,877

The Bank classified LKR 12.8 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met due to the economic conditions that prevailed with the emergence of the prolonged economic crisis during the year. The Bank has intimated the reasons for the covenant breaches to the lenders which are not entirely within the control of the Banking operations and is mainly due to subdued economic conditions prevailed during the year and the debt restructuring process. It is expected that the waivers would be processed by the lenders in due course, considering the current economic environment.

50. MATURITY ANALYSIS (CONTD.)

As at 31 December 2022	BANK		
	Within 12 Months	After 12 Months	Total
	LKR '000	LKR '000	LKR '000
Assets			
Cash and cash equivalents	34,849,521	-	34,849,521
Balances with the Central Bank of Sri Lanka	17,271,993	915,554	18,187,547
Placements with banks	4,108,989	-	4,108,989
Derivative financial instruments	7,909,252	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	19,318,483	-	19,318,483
Financial assets at amortised cost - loans and receivables to other customers	345,247,610	200,625,417	545,873,027
Financial assets at amortised cost - debt and other instruments	87,353,044	47,694,842	135,047,886
Financial assets measured at fair value through other comprehensive income	44,685,230	-	44,685,230
Investments in subsidiary companies	-	1,115,794	1,115,794
Property, plant & equipment	-	3,261,362	3,261,362
Right of use assets	33,665	1,137,098	1,170,763
Intangible assets	-	1,804,321	1,804,321
Deferred tax assets	-	9,004,747	9,004,747
Other assets	6,435,328	-	6,435,328
Total assets	567,213,115	265,559,135	832,772,250
Liabilities			
Due to banks	20,251,657	-	20,251,657
Derivative financial instruments	96,246	-	96,246
Financial Liabilities at amortised cost			
Due to depositors	638,470,006	33,844,017	672,314,023
Due to debt securities holders	130,541	-	130,541
Due to other borrowers	31,726,688	645,577	32,372,265
Debt securities issued	4,386,729	23,592,902	27,979,631
Current tax liabilities	1,792,967	4,677,386	6,470,353
Retirement benefit obligations	42,407	873,600	916,007
Other liabilities	7,699,533	1,006,131	8,705,664
Total liabilities	704,596,774	64,639,613	769,236,387
Maturity GAP	(137,383,659)	200,919,522	63,535,863

The Bank classified LKR 17.9 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met due to the economic conditions that prevailed with the emergence of the prolonged economic crisis during the year. The Bank has intimated the reasons for the covenant breaches to the lenders which are not entirely within the control of the Banking operations and is mainly due to subdued economic conditions that prevailed in 2022.

As at 31 December 2023	GROUP		
	Within 12 Months	After 12 Months	Total
	LKR '000	LKR '000	LKR '000
Assets			
Cash and cash equivalents	28,580,676	-	28,580,676
Balances with the Central Bank of Sri Lanka	6,543,157	497,264	7,040,421
Placements with banks	33,743,602	-	33,743,602
Derivative financial instruments	3,083,815	-	3,083,815
Financial assets recognised through profit or loss- measured at fair value	26,040,046	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	290,233,475	162,506,453	452,739,928
Financial assets at amortised cost - debt and other instruments	60,664,538	65,007,832	125,672,370
Financial assets measured at fair value through other comprehensive income	84,645,423	-	84,645,423
Investment property	-	3,112,440	3,112,440
Property, plant & equipment	-	3,817,097	3,817,097
Right of use assets	33,665	1,226,390	1,260,055
Intangible assets	-	1,898,270	1,898,270
Current tax receivables	43,102	-	43,102
Deferred tax assets	-	9,717,805	9,717,805
Other assets	5,563,827	-	5,563,827
Total assets	539,175,326	247,783,551	786,958,877
Liabilities			
Due to banks	7,679,195	-	7,679,195
Derivative financial instruments	93,361	-	93,361
Financial liabilities at amortised cost			
Due to depositors	571,749,650	43,482,820	615,232,470
Due to debt securities holders	15,628,569	4,000	15,632,569
Due to other borrowers	17,260,742	7,375,797	24,636,539
Debt securities issued	6,049,328	23,339,547	29,388,875
Current tax liabilities	3,681,236	3,749,537	7,430,773
Deferred tax liabilities	-	921,189	921,189
Retirement benefit obligations	25,125	1,414,249	1,439,374
Other liabilities	6,911,793	1,696,416	8,608,209
Total liabilities	629,078,999	81,983,555	711,062,554
Maturity GAP	(89,903,673)	165,799,996	75,896,323

The Bank classified LKR 12.8 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met due to the economic conditions that prevailed with the emergence of the prolonged economic crisis during the year. The Bank has intimated the reasons for the covenant breaches to the lenders which are not entirely within the control of the Banking operations and is mainly due to subdued economic conditions prevailed during the year and the debt restructuring process. It is expected that the waivers would be processed by the lenders in due course, considering the current economic environment.

50. MATURITY ANALYSIS (CONTD.)

As at 31 December 2022	GROUP		
	Within 12 Months	After 12 Months	Total
	LKR '000	LKR '000	LKR '000
Assets			
Cash and cash equivalents	35,727,665	-	35,727,665
Balances with the Central Bank of Sri Lanka	17,271,993	915,554	18,187,547
Placements with banks	4,108,989	-	4,108,989
Derivative financial instruments	7,909,252	-	7,909,252
Financial assets recognised through profit or loss- measured at fair value	20,788,523	-	20,788,523
Financial assets at amortised cost - loans and receivables to other customers	345,262,478	200,657,346	545,919,824
Financial assets at amortised cost - debt and other instruments	87,353,044	47,694,842	135,047,886
Financial assets measured at fair value through other comprehensive income	45,454,490	-	45,454,490
Investment property	-	2,879,091	2,879,091
Property, plant & equipment	-	3,907,994	3,907,994
Right of use assets	33,665	1,289,703	1,323,368
Intangible assets	-	1,813,213	1,813,213
Current tax receivables	43,488	-	43,488
Deferred tax assets	-	9,048,896	9,048,896
Other assets	7,037,671	-	7,037,671
Total assets	570,991,258	268,206,639	839,197,897
Liabilities			
Due to banks	20,298,844	-	20,298,844
Derivative financial instruments	96,246	-	96,246
Financial liabilities at amortised cost			
Due to depositors	637,869,320	33,844,017	671,713,337
Due to debt securities holders	130,541	-	130,541
Due to other borrowers	31,726,688	645,577	32,372,265
Debt securities issued	4,386,729	23,592,902	27,979,631
Current tax liabilities	5,866,492	768,696	6,635,188
Deferred tax liabilities	-	873,280	873,280
Retirement benefit obligations	48,499	970,795	1,019,294
Other liabilities	7,976,079	1,207,036	9,183,115
Total liabilities	708,399,438	61,902,303	770,301,741
Maturity GAP	(137,408,180)	206,304,336	68,896,156

The Bank classified LKR 179 Bn of its other borrowed funds included under due to other borrowers, within 12 months in the maturity analysis as there were few financial covenants that were not met due to the economic conditions that prevailed with the emergence of the prolonged economic crisis during the year. The Bank has intimated the reasons for the covenant breaches to the lenders which are not entirely within the control of the Banking operations and is mainly due to subdued economic conditions that prevailed in 2022.

51. SEGMENTAL ANALYSIS - GROUP

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Senior Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Group has identified four operating segments based on products and services, as follows:

- Banking
- Capital Markets
- Property Investment
- Others

Income taxes are managed on a Group basis and are not allocated to operating segments. Interest income is reported net, as management primarily relies on net interest income as a performance measure, not the gross interest income and interest expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2023 or 2022.

For the year ended 31 December	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Revenue										
Interest income	119,372,564	97,917,822	267,534	212,264	-	-	-	-	119,640,098	98,130,086
Net fee and commission income	7,164,891	6,274,698	1,061,062	758,631	180,114	189,605	66,161	88,908	8,472,228	7,311,842
Net gains/(losses) from trading	2,905,753	(340,346)	-	-	-	-	-	-	2,905,753	(340,346)
Net gain/(loss) from financial investments at fair value through Profit or Loss	1,745,982	(389,767)	201,304	49,379	-	-	-	-	1,947,286	(340,388)
Net gains/(losses) from derecognition of financial assets measured at fair value through other comprehensive income	4,057,348	15,127	50,984	-	-	-	-	-	-	15,127
Other operating income	(2,969,017)	6,118,106	(19,736)	274,681	211,552	168,269	-	-	4,108,332	6,561,056
Total revenue from external customers	132,277,521	109,595,640	1,561,148	1,294,955	391,666	357,874	66,161	88,908	134,296,497	111,337,377
Inter-segment revenue	-	-	75,377	121,397	100,720	92,737	-	-	176,097	214,134
Total Revenue	132,277,521	109,595,640	1,636,525	1,416,352	492,387	450,611	66,161	88,908	134,472,594	111,551,511
Impairment (charge)/reversal	(21,137,016)	(29,276,538)	-	-	-	-	-	-	(21,137,016)	(29,276,538)
Depreciation and Amortisation expenses	(984,510)	(846,634)	(62,063)	(70,052)	(7,206)	(7,800)	(680)	(1,548)	(1,054,459)	(926,034)
Segment expenses	(100,004,709)	(77,627,573)	(1,194,658)	(956,801)	(63,964)	(10,235)	(113,707)	(82,391)	(101,377,040)	(78,677,000)
Total segment expenses	(122,126,235)	(107,750,745)	(1,256,721)	(1,026,853)	(71,170)	(18,035)	(114,387)	(83,939)	(123,568,515)	(108,879,572)
Segment results	10,151,286	1,844,895	379,804	389,499	421,216	432,576	(48,227)	4,969	10,904,079	2,671,939
Income tax expense/(reversal)	-	-	-	-	-	-	-	-	2,296,029	(1,606,957)
Taxes on financial services	-	-	-	-	-	-	-	-	2,749,840	1,203,092
Profit for the year	10,151,286	1,844,895	379,804	389,499	421,216	432,576	(48,227)	4,969	5,858,210	3,075,804
Other information										
Segment assets	779,856,014	832,553,967	3,399,131	3,117,485	3,593,518	3,334,898	110,215	191,547	786,958,877	839,197,897
Segment liabilities	709,314,127	768,617,780	791,037	799,755	926,653	860,852	30,737	23,354	711,062,554	770,301,741
Segmental cash flows										
Cash flows from operating activities	51,685,142	89,669,078	298,557	(58,138)	115,995	184,930	(1,320)	39,779	52,098,374	89,835,649
Cash flows from investing activities	(26,760,237)	(68,722,453)	(729,932)	465,442	(28,541)	(66,771)	-	-	(27,518,169)	(68,323,782)
Cash flows from financing activities	(1,986,130)	(3,693,880)	89,813	56,761	(97,310)	(97,310)	(45,787)	-	(2,039,413)	(3,734,429)

52. RELATED PARTY DISCLOSURES

52.1 Parent and Ultimate Controlling Party

The Bank does not have an identifiable Parent of its own.

52.2 Terms and Conditions

The Bank carries out transactions with Key Management Personnel and their related concerns and other related entities in the ordinary course of its business on an arms length basis at commercial rates as per the Sri Lanka Accounting Standard LKAS 24 - 'Related Party Disclosures' except, loans that the key management have availed under the loan schemes which are uniformly applicable to all the staff.

There are no preferential treatments given by the Group to related parties during the year.

52.3 Key Management Personnel (KMP) of the Group

KMP of the Bank

Related parties include Key Management Personnel defined as persons having authority and responsibility for planning, directing and controlling the activities of the Bank. Key Management Personnel include the members of the Board of Directors of the Bank (including Executive and Non-Executive), Deputy Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer.

KMP of the Group

The Bank is the ultimate parent of the subsidiaries listed out on page 219. The KMP of the Bank has the authority and responsibility for planning directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Bank (including the Executive and Non-Executive), Deputy Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer represent the KMP of the Group.

52.3(a) Compensation to KMP

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Short-term employment benefits	127,066	136,245	130,739	139,418
Post-employment benefits	21,212	11,119	21,212	11,119
Total	148,278	147,364	151,951	150,537

The amounts disclosed above are the amounts recognised as expenses during the reporting period relating to KMP. In addition to the remuneration, the Bank has also provided non cash benefits to eligible KMP in line with the approved benefit plans of the Bank.

52.3(b) KMP and their close family members had the following related party transactions during the year

For the year ended 31 December	Limit		Outstanding Balance		Average Balance	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Items in the Statement of Financial Position - Bank Assets						
Financial assets at amortised cost - loans and receivables to other customers	89,363	50,390	52,840	20,643	56,308	30,751
Total	89,363	50,390	52,840	20,643	56,308	30,751
Liabilities						
Financial liabilities at amortised cost						
Due to depositors	-	-	362,848	299,736	315,543	275,579
Due to debt securities holders	-	-	5,000	-	5,000	5,859
Total	-	-	367,848	299,736	320,543	281,438

	During the year	
	2023 LKR '000	2022 LKR '000
Items in the Statement of Profit or Loss excluding compensation to KMP - Bank		
Interest income	6,109	3,870
Interest expenses	53,202	31,683
Fee and commission income	551	261
Impairment charges/ (reversals)*	596	(202)

*Impairment charges/ (reversals) does not include any specific impairment.

Share investments in the Bank and dividends paid to the KMPs and their close family members are given below.

	2023	2022
Investments in ordinary shares as at 31 December (Number of shares)	208,911	91,815
Scrip dividends paid during the year (Number of shares)	10,128	5,547
Cash dividends paid during the year (LKR '000)	-	86

52.3 (c) Transactions involving entities which are controlled/ jointly controlled by the KMP and their close family members

For the year ended 31 December	Limit		Outstanding Balance		Average Balance	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Items in the Statement of Financial Position - Bank						
Assets						
Financial assets at amortised cost - loans and receivables to other customers	-	100,000	-	102,436	14,311	1,386,201
Total	-	100,000	-	102,436	14,311	1,386,201
Liabilities						
Financial liabilities at amortised cost - Due to depositors	-	-	4,668,816	3,900,327	4,195,642	1,399,445
Total	-	-	4,668,816	3,900,327	4,195,642	1,399,445
Commitment & Contingencies						
Guarantees	400,000	-	-	-	-	235
Total	400,000	-	-	-	-	235

52.3(c) Transactions involving entities which are controlled/ jointly controlled by the KMP and their close family members (Contd.)

	During the year	
	2023 LKR '000	2022 LKR '000
Items in the Statement of Profit or Loss - Bank		
Interest income	2,197	137,910
Interest expenses	469,213	211,073
Fee and commission income	8,069	4,080
Impairment charges/ (reversals)*	-	(924)

*Impairment charges/ (reversals) does not include any specific impairment.

Share investments in the Bank and dividends paid to the entities which are controlled/ jointly controlled by the KMP and their close family members are given below.

	2023	2022
Investments in ordinary shares as at 31 December (Number of shares)	-	86
Scrip dividends paid during the year (Number of shares)	-	-
Cash dividends paid during the year (LKR '000)	-	-

52.4 Transactions with the Government of Sri Lanka and its Related Entities

The Group enter into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities.

52.4(a) The transactions entered with the Government of Sri Lanka and its related entities on a collective basis is as follows

	Outstanding Balance		Average Balance	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Items in the Statement of Financial Position - Bank				
Assets				
Financial assets at amortised cost - loans and receivables to other customers	30,222,557	28,944,395	28,107,541	27,370,670
Financial assets at amortised cost - debt and other instruments	4,764,546	4,759,248	4,759,453	4,550,375
Financial assets measured at fair value through other comprehensive income	6,225	6,224	6,224	6,224
Total	34,993,328	33,709,867	32,873,218	31,927,269
Liabilities				
Financial liabilities at amortised cost				
Due to depositors	703,900	2,568,819	1,158,027	7,550,560
Due to debt securities holders	12,000,000	-	17,371,714	2,248,203
Due to other borrowers	10,600,399	12,917,841	11,998,053	16,091,841
Debt securities issued	6,632,940	7,748,940	7,348,190	7,705,925
Total	29,937,239	23,235,600	37,875,984	33,596,529
Contingent liabilities and commitments				
Forward exchange contracts	2,197,542	8,337,323	2,197,438	10,508,517
Other contingencies	643,941	18,503	640,312	33,864
Undrawn commitments	10,029,437	9,910,456	9,346,511	9,576,370
Total	12,870,920	18,266,282	12,184,261	20,118,751

	During the year	
	2023 LKR '000	2022 LKR '000
Items in the Statement of Profit or Loss - Bank		
Interest income	7,731,684	3,501,152
Interest expenses	2,213,456	4,212,725
Fee and commission income	5,702	16,810
Net gains/(losses) from trading	26,825	283
Other operating income	27,817	37,188
Impairment charges/(reversals)*	(76,051)	82,984
Scrip dividends paid during the year (Number of shares)	6,232,177	7,393,903
Cash dividends paid during the year (LKR '000)	-	114,951

*Impairment charges/ (reversals) does not include any specific impairment.

52.4 (b) Further transactions detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities;

- Statutory balances with the Central Bank of Sri Lanka
- Investments in Treasury bills, Treasury bonds, Sovereign Bonds and money market placements. Sovereign Bonds are recorded net of impairment provisions
- Payment of statutory rates, taxes and deposit insurance premium
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - ETF
- Currency SWAP arrangement with the Central Bank of Sri Lanka (Note 24.1)

52.4 (c) Individually significant transactions

The Bank uses an internal assessment methodology in order to identify significant transactions with the Government of Sri Lanka and Government related entities in accordance with the disclosure requirements of LKAS 24. Accordingly, there are no individually significant transactions that require disclosure during the year.

52.5 Transactions with Related Entities

52.5 (a) The transactions entered by the Bank with its Subsidiaries

	Limit		Outstanding Balance		Average Balance	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Items in the Statement of Financial Position - Bank						
Assets						
Financial assets at amortised cost - loans and receivables to other customers	350,000	350,000	6,306	4,433	13,022	79,363
Other assets		-	14,391	12,615	38,088	173,881
Investments in subsidiary companies		-	1,108,772	1,115,794	1,115,324	1,125,796
Liabilities						
Financial liabilities at amortised cost - Due to depositors		-	416,897	613,070	488,463	964,903
Due to debt securities holders		-	-	-	8,516	-
Other liabilities		-	4,000	-	333	-
Contingent liabilities and commitments						
Guarantees and LCs	300,000	300,000	112,814	145,951	153,079	145,951

52.5(a) The transactions entered by the Bank with its Subsidiaries (Contd.)

	During the year	
	2023 LKR '000	2022 LKR '000
Items in the Statement of Profit or Loss in relation to transactions with subsidiaries of the Bank		
Interest income	1,462	11,328
Interest expenses	65,127	94,252
Fee and commission income	25,289	5,643
Impairment charges	5,530	13,777
Other expenses	48,119	103,017
Other operating income	48,482	306,838

Investments in subsidiary companies are stated after deducting impairment allowances amounting to LKR 102.8 Mn and LKR 95.8 Mn as at 31 December 2023 and 31 December 2022 respectively.

Refer Note 29 and note 30 for details of subsidiary and associate companies.

52.5(b) The contribution made by the Bank and the employees, for EPF, is managed as a separate fund by the Bank.

The Bank had the under-mentioned financial dealings during the year with the NDB Provident Fund.

	2023 LKR '000	2022 LKR '000
Financial liabilities at amortised cost Due to depositors	145,322	95,782
Interest expenses paid	17,856	50,815
Contribution by the Bank	825,641	760,493

52.5(c) NDB Wealth Management Limited, a subsidiary of the Bank, had the under mentioned financial dealings with the NDB Provident Fund.

	2023 LKR '000	2022 LKR '000
Portfolio under management	2,360,566	2,195,271

52.5(d) The Bank had the under-mentioned financial dealings with the NDB Pension Fund during the year.

	2023 LKR '000	2022 LKR '000
Financial liabilities at amortised cost Due to depositors	565,000	540,265
Interest expenses	113,922	58,364
Contribution by the Bank	-	-

53. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

54. COMPARATIVE INFORMATION

No changes have been made to the information/balances published in the Annual Report for the year 2022 which have been given as comparatives in the Annual Report for the year 2023.

55. FAIR VALUE OF FINANCIAL INSTRUMENTS AND NON FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The following is a description of how fair values are determined for financial instruments and non-financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing such instruments.

Significant Accounting Judgments, Estimates and Assumptions

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from an active market, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

FINANCIAL INSTRUMENTS

Derivative Financial Instruments

Derivative products are foreign exchange contracts and foreign exchange options which are valued using market observable inputs.

Financial Assets Recognised through Profit or Loss - Measured at Fair Value

The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange. Sri Lanka Government Securities are valued based on the market rates published by the money brokers. Investment in private equity funds are measured at fair value based on the change in the net asset value of the funds and is recognised through the Statement of Profit or Loss. Unit trust investments are valued at unit prices available in the market.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income, consist of quoted debentures, non-quoted ordinary shares, quoted ordinary shares and Sri Lanka Government Securities. The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange. The Sri Lanka Government Securities are valued based on the market rates published by the money brokers as at the reporting date and quoted debentures and non-quoted ordinary shares are valued using Internal valuation techniques.

NON-FINANCIAL INSTRUMENTS

Property, Plant & Equipment/ Investment Property

Valuation Model

The fair value of the freehold land and buildings presented in the Financial Statements are provided by an independent valuer based on the valuations carried out at the reporting date.

Freehold land - valuations performed by the valuer are based on the market approach (direct comparison method), for similar properties in the same location and conditions (Note 32).

Freehold buildings - valuations are performed by an independent valuer based on the cost approach (current replacement cost - Note 32).

Investment Property - valuations are performed based on the income approach using the current market rent by an independent valuer to value the Investment Property (Income approach - Note 31).

Valuation Framework

Fair values of financial instruments and non-financial instruments are determined according to the following hierarchy:

Level 1 - quoted market price (unadjusted): financial instruments with quoted prices in active markets

Level 2 - valuation techniques using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets are valued using models where all significant inputs are observable.

Level 3 - valuation techniques with significant unobservable inputs: This category includes all instruments valued using valuation techniques where one or more significant inputs are unobservable.

The free hold land and buildings of the Group are valued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from fair values at the reporting date.

Also a letter of confirmation is obtained from the Independent Professional Valuer annually except the year in which full valuation is carried out by the Group, to ensure that the fair values of the freehold land and buildings, does not significantly vary from their carrying amounts, at the reporting date.

55 (a) Determination of fair value of financial instruments and non financial instruments by hierarchy

The following table shows the analysis of financial instruments and non financial instruments recorded at fair value in the Statement of Financial Position by the level of the fair value hierarchy in accordance with disclosure requirements as per LKAS 13, Fair Value Measurements.

		BANK			
		Fair Value Measurement Using			
		Quoted Prices in Active Markets Level 1 LKR '000	Significant Observable Inputs Level 2 LKR '000	Significant Unobservable Inputs Level 3 LKR '000	Total LKR '000
31 December 2023					
	Note				
Financial Assets					
Derivative Financial Instruments					
Forward foreign exchange contracts	24	-	344,343	-	344,343
Currency SWAP	24	-	2,739,472	-	2,739,472
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Investment in unit trusts	25	-	-	-	-
Sri Lanka Government Securities - treasury bills	25	20,057,131	-	-	20,057,131
Sri Lanka Government Securities - treasury bonds	25	3,964,209	-	-	3,964,209
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Sri Lanka Government Securities - treasury bills	28	43,772,475	-	-	43,772,475
Sri Lanka Government Securities - treasury bonds	28	38,890,209	-	-	38,890,209
Quoted ordinary shares	28	1,136,489	-	-	1,136,489
Non quoted ordinary shares	28	-	-	16,569	16,569
Total Financial Assets		107,820,513	3,083,815	16,569	110,920,897
Non-Financial Assets					
Freehold land	32.1	-	-	1,024,000	1,024,000
Freehold buildings	32.1	-	-	1,149,000	1,149,000
Total Non-Financial Assets		-	-	2,173,000	2,173,000
Financial Liabilities					
Derivative Financial Instruments					
Forward foreign exchange contracts	24	-	93,361	-	93,361
Total Financial Liabilities		-	93,361	-	93,361

31 December 2022		BANK				
		Fair Value Measurement Using			Total	
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		
		Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000		
Note						LKR '000
Financial Assets						
Derivative Financial Instruments						
Forward foreign exchange contracts	24	-	209,134	-		209,134
Currency SWAP	24	-	7,700,118	-		7,700,118
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value						
Investment in unit trusts	25	-	-	-		-
Sri Lanka Government Securities - treasury bills	25	17,527,665	-	-		17,527,665
Sri Lanka Government Securities - treasury bonds	25	1,790,818	-	-		1,790,818
Financial Assets measured at Fair Value Through Other Comprehensive Income						
Sri Lanka Government Securities - treasury bills	28	25,651,529	-	-		25,651,529
Sri Lanka Government Securities - treasury bonds	28	18,248,043	-	-		18,248,043
Quoted ordinary shares	28	779,434	-	-		779,434
Non quoted ordinary shares	28	-	-	16,569		16,569
Total Financial Assets		63,997,489	7,909,252	16,569		71,923,309
Non-Financial Assets						
Freehold land	32.1	-	-	1,024,000		1,024,000
Freehold buildings	32.1	-	-	1,149,000		1,149,000
Total Non-Financial Assets		-	-	2,173,000		2,173,000
Financial Liabilities						
Derivative Financial Instruments						
Forward foreign exchange contracts	24	-	96,246	-		96,246
Total Financial Liabilities	-	-	96,246	-		96,246

55 (a) Determination of fair value of financial instruments and non financial instruments by hierarchy (Contd.)

		GROUP			
		Fair Value Measurement Using			
		Quoted Prices in Active Markets Level 1 LKR '000	Significant Observable Inputs Level 2 LKR '000	Significant Unobservable Inputs Level 3 LKR '000	Total LKR '000
31 December 2023	Note				
Financial Assets					
Derivative Financial Instruments					
Forward foreign exchange contracts	24	-	344,343	-	344,343
Currency SWAP	24	-	2,739,472	-	2,739,472
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Sri Lanka Government Securities - treasury bills	25	20,057,131	-	-	20,057,131
Sri Lanka Government Securities - treasury bonds	25	3,964,209	-	-	3,964,209
Quoted ordinary shares	25	430,552	-	-	430,552
Investment in private equity fund	25	701,718	-	-	701,718
Non-quoted ordinary shares	25	126,200	-	-	126,200
Investment in unit trusts	25	760,236	-	-	760,236
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Sri Lanka Government Securities - treasury bills	28	44,143,876	-	-	44,143,876
Sri Lanka Government Securities - treasury bonds	28	39,264,956	-	-	39,264,956
Quoted ordinary shares	28	1,136,489	-	-	1,136,489
Non quoted ordinary shares	28	-	-	16,569	16,569
Quoted debentures	28	-	93,877	-	93,877
Total Financial Assets		110,585,367	3,177,692	16,569	113,779,628
Non-Financial Assets					
Freehold land	32.1	-	-	1,024,000	1,024,000
Freehold buildings	32.1	-	-	1,743,703	1,743,703
Investment property	31	-	-	3,112,440	3,112,440
Total Non-Financial Assets		-	-	5,880,143	5,880,143
Financial Liabilities					
Derivative Financial Instruments					
Forward foreign exchange contracts	24	-	93,361	-	93,361
Total Financial Liabilities		-	93,361	-	93,361

31 December 2022		GROUP			
		Fair Value Measurement Using			
		Quoted Prices in Active Markets Level 1 LKR '000	Significant Observable Inputs Level 2 LKR '000	Significant Unobservable Inputs Level 3 LKR '000	Total LKR '000
		Note			
Financial Assets					
Derivative Financial Instruments					
Forward foreign exchange contracts	24	-	209,134	-	209,134
Currency SWAP	24	-	7,700,118	-	7,700,118
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Sri Lanka Government Securities - treasury bills	25	17,527,665	-	-	17,527,665
Sri Lanka Government Securities - treasury bonds	25	1,790,818	-	-	1,790,818
Quoted ordinary shares	25	242,957	-	-	242,957
Investment in private equity fund	25	-	-	749,668	749,668
Non-quoted ordinary shares	25	-	-	126,200	126,200
Investment in unit trusts	25	351,215	-	-	351,215
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Sri Lanka Government Securities - treasury bills	28	26,354,221	-	-	26,354,221
Sri Lanka Government Securities - treasury bonds	28	18,248,043	-	-	18,248,043
Quoted ordinary shares	28	779,434	-	-	779,434
Non quoted ordinary shares	28	-	-	16,568	16,568
Quoted debentures	28	-	66,568	-	66,568
Total Financial Assets		65,294,353	7,975,819	892,436	74,162,609
Non-Financial Assets					
Freehold land	32.1	-	-	1,024,000	1,024,000
Freehold buildings	32.1	-	-	1,701,655	1,701,655
Investment property	31	-	-	2,879,091	2,879,091
Total Non-Financial Assets		-	-	5,604,746	5,604,746
Financial Liabilities					
Derivative Financial Instruments					
Forward foreign exchange contracts	24	-	96,246	-	96,246
Total Financial Liabilities		-	96,246	-	96,246

55 (b) Movements in level 3 financial instruments and non-financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments and non-financial instruments is determined at the beginning of each reporting period. The following table shows the reconciliation of the opening and closing amounts of Level 3 financial instruments and non-financial instruments which are recorded at fair value.

Included in		BANK			
		As at 01 January 2023 LKR '000	Additions/ Disposals during the year LKR '000	Total gains/ (losses) and charges recorded in Statement of Profit or Loss LKR '000	Total gains/ (losses) recorded in Other Comprehensive Income LKR '000
Non-Financial Assets					
Freehold land [Note 32.1]	Property, plant & equipment	1,024,000	-	-	1,024,000
Freehold buildings [Note 32.1]	Property, plant & equipment	1,149,000	(50,483)	-	1,149,000

55 (b) Movements in level 3 financial instruments and non-financial instruments measured at fair value (Contd.)

Included in		GROUP				
		As at 01 January 2023	Additions/ Disposals during the year	Total gains/ (losses) and charges recorded in Statement of Profit or Loss	Total gains/ (losses) recorded in Other Comprehensive Income	As at 31 December 2023
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Non-quoted ordinary shares [Note 25]	Financial assets measured at Fair Value through Other Comprehensive Income	126,200	-	-	-	126,200
Private equity fund [Note 25]	Financial assets recognised through Statement of Profit or Loss measured at fair value	749,668	-	(47,950)	-	701,718
Non-Financial Assets						
Freehold land [Note 32.1]	Property, plant & equipment	1,024,000	-	-	-	1,024,000
Freehold buildings [Note 32.1]	Property, plant & equipment	1,701,655	(8,435)	-	50,483	1,743,703
Investment property (Note 31)	Investment property	2,879,091	21,797	211,552	-	3,112,440

Included in		BANK				
		As at 01 January 2022	Additions/ Disposals during the year	Total gains/ (losses) and charges recorded in Statement of Profit or Loss	Total gains/ (losses) recorded in Other Comprehensive Income	As at 31 December 2022
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Non-Financial Assets						
Freehold land [Note 32.1]	Property, plant & equipment	919,305	-	-	104,695	1,024,000
Freehold buildings [Note 32.1]	Property, plant & equipment	1,034,694	(30,651)	-	144,957	1,149,000

Included in		GROUP				
		As at 01 January 2022	Additions/ Disposals during the year	Total gains/ (losses) and charges recorded in Statement of Profit or Loss	Total gains/ (losses) recorded in Other Comprehensive Income	As at 31 December 2022
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets						
Non-quoted ordinary shares [Note 25]	Financial assets measured at Fair Value through Other Comprehensive Income	126,200	-	-	-	126,200
Private equity fund [Note 25]	Financial assets recognised through Statement of Profit or Loss measured at fair value	847,239	(256,001)	158,430	-	749,668
Non-Financial Assets						
Freehold land [Note 32.1]	Property, plant & equipment	919,305	-	-	104,695	1,024,000
Freehold buildings [Note 32.1]	Property, plant & equipment	1,520,213	36,486	-	144,956	1,701,655
Investment property (Note 31)	Investment property	2,528,228	182,594	168,269	-	2,879,091

55 (c) Unobservable inputs used in measuring the fair value of financial and non financial instruments

The tables below sets out information about significant unobservable inputs used as at 31 December 2023 and as at 31 December 2022 in measuring financial and non-financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy:

As at 31 December 2023

Financial Assets/Liabilities

BANK					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	344	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Derivative financial assets - Currency SWAP	2,739	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	93	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value

Non Financial Assets

BANK					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors

Financial Assets/Liabilities

GROUP					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	344	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Derivative financial assets - Currency SWAP	2,739	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	93	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Private equity fund	701	Net Assets Basis	Net Assets Value of the Fund	-	Positive impact to the fair value
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Quoted debentures	94	Forecasted cash flow valuation method	Average yields of the debt market	Yields applicable for the bonds with same tenure	Positive impact to the fair value

55 (c) Unobservable inputs used in measuring the fair value of financial and non financial instruments (Contd.)
Non Financial Assets

GROUP					
Type of Instrument	Fair Values as at 31 December 2023 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors
Nawam Mawatha					
Investment property	3,708 (Including the fair value of owner occupied portion of LKR 596 Mn)	Income Approach	Rent per square feet	Average Rate of LKR 265 per square feet	Positive impact to the fair value

As at 31 December 2022
Financial Assets/Liabilities

BANK					
Type of Instrument	Fair Values as at 31 December 2022 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	209	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value
Derivative financial assets -	7,700	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	96	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Positive impact to the fair value

Non Financial Assets

BANK					
Type of Instrument	Fair Values as at 31 December 2022 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors

Financial Assets/Liabilities

GROUP					
Type of Instrument	Fair Values as at 31 December 2022 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Derivative financial assets - Forward Exchange Contracts	209	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial assets - Currency SWAP	7,700	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Derivative financial liabilities - Forward Exchange Contracts	96	Forecasted cash flow valuation method	Forward Exchange Rate	One year market premium USD/LKR	Negative impact to the fair value
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value					
Private equity fund	750	Net Assets Basis	Net Assets Value of the Fund	-	Positive impact to the fair value
Financial Assets measured at Fair Value Through Other Comprehensive Income					
Quoted debentures	67	Forecasted cash flow valuation method	Average yields of the debt market	Yields applicable for the bonds with same tenure	Negative impact to the fair value

Non Financial Assets

GROUP					
Type of Instrument	Fair Values as at 31 December 2022 LKR Mn	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Nawam Mawatha					
Land	24	Direct comparison method	Per perch value	Per perch - LKR 16.5 Mn	Positive impact to the fair value
Building	766	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 20,000 per square feet and discount factor- 0.43	Positive impact to the fair value from both factors
Dharmapala Mawatha					
Land	1,000	Direct comparison method	Per perch value	Per perch - LKR 17.5 Mn	Positive impact to the fair value
Building	383	Current replacement cost	Replacement cost/ depreciation factor rate	LKR 17,500 per square feet and discount factor- 0.55	Positive impact to the fair value from both factors
Nawam Mawatha					
Investment property	3,430 (Including the fair value of owner occupied portion of LKR 551 Mn)	Income Approach	Rent per square feet	Average Rate of LKR 245 per square feet	Positive impact to the fair value

55 (d) Fair value of the financial assets and financial liabilities that are not carried at fair value in the financial statements

Set out below is a comparison, by class, of the carrying amounts and fair values of the financial assets and financial liabilities that are not carried at fair value in the Statement of Financial Position. The table does not include the fair values of non-financial assets and non-financial liabilities.

		BANK			
		2023		2022	
		Carrying Amount LKR '000	Fair Value LKR '000	Carrying Amount LKR '000	Fair Value LKR '000
Fair Value Classification					
Financial Assets					
Cash and cash equivalents	Note 55 (e)	28,100,515	28,100,515	34,849,521	34,849,521
Balances with the Central Bank of Sri Lanka	Note 55 (e)	7,040,421	7,040,421	18,187,547	18,187,547
Placements with banks	Note 55 (e)	33,743,602	33,743,602	4,108,989	4,108,989
Financial assets at amortised cost -loans and receivables to other customers	Level 2	452,660,461	429,554,660	545,873,027	534,200,332
Financial assets at amortised cost - debt and other instruments	Level 2	125,672,370	116,690,858	135,047,886	121,732,926
Other financial assets	Note 55 (e)	1,427,296	1,427,296	1,963,077	1,963,077
Total Financial Assets		648,644,665	616,557,352	740,030,047	715,042,392
Financial Liabilities					
Due to banks	Note 55 (e)	7,679,195	7,679,195	20,251,657	20,251,657
Financial liabilities at amortised cost					
- due to depositors	Level 2	615,643,999	622,877,578	672,314,023	667,553,388
- due to debt securities holders	Note 55 (e)	15,632,569	15,632,569	130,541	130,541
- due to other borrowers	Note 55 (e)	24,636,539	24,636,539	32,372,265	32,372,265
Debt securities issued	Level 2	29,388,875	30,519,168	27,979,631	28,363,550
Other financial liabilities	Note 55 (e)	2,391,221	2,391,221	2,958,157	2,958,157
Total Financial Liabilities		695,372,398	703,736,270	756,006,274	751,629,558

		GROUP			
		2023		2022	
		Carrying Amount LKR '000	Fair Value LKR '000	Carrying Amount LKR '000	Fair Value LKR '000
Fair Value Classification					
Financial Assets					
Cash and cash equivalents	Note 55 (e)	28,580,676	28,580,676	35,727,665	35,727,665
Balances with the Central Bank of Sri Lanka	Note 55 (e)	7,040,421	7,040,421	18,187,547	18,187,547
Placements with banks	Note 55 (e)	33,743,602	33,743,602	4,108,989	4,108,989
Financial assets at amortised cost - loans and receivables to other customers	Level 2	452,739,928	429,627,888	545,919,824	534,245,423
Financial assets at amortised cost - debt and other instruments	Level 2	125,672,370	116,690,858	135,047,886	121,732,926
Other financial assets	Note 55 (e)	1,965,544	1,965,544	2,424,812	2,424,812
Total Financial Assets		649,742,541	617,648,989	741,416,723	716,427,362
Financial Liabilities					
Due to banks	Note 55 (e)	7,679,195	7,679,195	20,298,844	20,298,844
Financial liabilities at amortised cost					
- due to depositors	Level 2	615,232,470	622,469,137	671,713,337	666,959,698
- due to debt securities holders	Note 55 (e)	15,632,569	15,632,569	130,541	130,541
- due to other borrowers	Note 55 (e)	24,636,539	24,636,539	32,372,265	32,372,265
Debt securities issued	Level 2	29,388,875	30,519,168	27,979,631	28,363,550
Other financial liabilities	Note 55 (e)	2,592,786	2,592,786	3,273,911	3,273,911
Total Financial Liabilities		695,162,434	703,529,394	755,768,529	751,398,809

55 (e) Basis of measurement for the fair value of financial assets and financial liabilities not carried at fair value

Given below are the methodologies and assumptions used to determine the fair values for financial instruments which are not already recorded at fair value in the Financial Statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt instruments issued, the fair values are determined based on quoted market prices. For instruments issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in the required credit spread since the instrument was first recognised.

56. RISK MANAGEMENT

56.1 Introduction

Taking risks is inherent in any bank's strategic plan but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Bank's risk strategy focuses on managing principal risks faced by the Bank while striking a fair balance between the risk return tradeoff and the efficient capital allocation across the risk exposures.

The Bank is mainly exposed to credit risk, liquidity risk, market risk and operational risk. Market risk could be further subdivided into trading and non-trading risks. Exposure to country risk and any risks due to changes in environment, technology and industry is managed through the Bank's strategic planning process.

56.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board has delegated its authority to the Integrated Risk Management Committee (IRMC) for the overall Risk Management approach and for approving the Risk Management strategies and principles. IRMC meets quarterly to review and assess the Bank's overall risks and to focus on policy recommendations and strategies in an integrated manner and the Board of Directors are duly updated of its activities.

The Bank's Risk Management policies are established to identify and analyse the risks faced by the Bank/ Group to set appropriate risk limits and controls and to monitor adherence to established limits.

The Bank's Assets and Liabilities Committee (ALCO) reviews all market and liquidity related exposures, excesses on a monthly basis and decisions are made to facilitate the business requirements. These decisions are further reviewed at IRMC and by the Board.

The Credit and Market Risk Policy Committee and Operational Risk Management Committee are in operation to formulate policies and to focus more clearly on defined risk areas. The membership of these committees comprises the CEO, the Heads of Business Units, Finance, Treasury and representatives of the Risk Management Department.

The Committees meet regularly to review the Bank's risk policy framework, overall performance and the potential risks faced by specific lines of business and support functions.

The Bank's Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

56.2.1 Risk measurement and reporting

Monitoring and controlling risks is primarily performed based on limits established by the Bank which reflects the business strategy and market environment of the Bank as well as the Bank's risk appetite.

Information compiled is examined and processed in order to analyse, control and identify risks on a timely basis. The compiled information is presented to the Credit and Market Risk Policy Committee, IRMC and the Board of Directors receives a risk report once a quarter which covers all necessary information to assess and conclude on the risks of the Bank.

56.2.2 Risk mitigation

The Bank obtains various types of collateral and establishes maximum prudential limits as part of its overall risk management/mitigation.

56.3 Credit Risk

Credit Risk is the risk that the Bank will expect a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual/ group counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established by the use of an internally designed Credit Risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit Risk Management verifies and manages the credit process from origination to collection. The Bank has a Credit Policy approved by the Board of Directors. It defines the

- credit culture of the Bank
- specifies prohibited lending which the Bank under no circumstances will entertain
- sets acceptable risk parameters
- sets remedial and recovery actions

56.3.1 Credit related commitments risks

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

56.3.2 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place in the Bank's Credit Policy Manual covering the accessibility and valuation of each type of collateral.

The main types of collateral obtained are as follow:

- for commercial lending - mortgages over immovable and movable fixed assets, inventory, trade receivables, corporate and personal guarantees
- for retail lending - mortgage over residential property, vehicles, gold stocks, personal guarantees

56.3.3. Impairment assessment

At each reporting date, a loss allowance or Expected Credit Loss (ECL) will be recognised based on either 12-month ECLs or lifetime ECLs, depending on whether or not there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

56.3.3.1. Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when contractual payments of a customer are past due for more than 90 days (the number of days past due shall be calculated starting from the contractual due date of the payment) or has remained in excess of the sanctioned limit for more than 90 days, and any other credit facilities classified as Stage 3 under SLFRS 9 (facilities classified as Non performing based on potential risk and impaired assets at origination). The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events (among others) include:

- Contractual payments of a customer are more than 30 days past due, but not in NPL/ default
- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/ group of customers, portfolios or instruments and the company has failed to take adequate mitigating factors to overcome negative factors

- When the risk rating of a customer or an instrument has been downgraded to B+ by an external credit rating agency and/ or when there is a two notch downgrade in the banks internal rating system
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/ group of customers or an instrument
- When the value of collateral is significantly reduced and/ or realisability of collateral is doubtful (20% reduction from original LTV approved)
- When a customer is subject to litigation, that significantly affects the performance of the credit facility
- Frequent changes in the senior management of an institutional customer
- Delay in the commencement of business operations/ projects by more than two years from the originally agreed date
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc.
- A fall of 50% or more in the turnover and/ or profit before tax of the customer when compared to the previous year
- Erosion in net-worth by more than 25% when compared to the previous year
- The borrower continuously use the loan proceeds for a purpose other than the purpose specified in the loan agreement
- Availability of any other indicators that suggest a significant increase in Credit Risk

It is the Bank's policy to consider a financial instrument as 'cured' and therefore reclassified out of a higher stage to a lower stage (e.g. from stage 3 to stage 2) other than normal movement of a contract based on the change of DPD on an exceptional basis:

- Credit facilities in Stage 3 other than restructured credit facilities in Stage 3 and rescheduled credit facilities are upgraded if due payments are fully settled by the customer
- Rescheduled and restructured contracts are upgraded only upon satisfactory performance during the relevant monitoring period where customer complies with the applicable terms of repayment.

56.3.3.2. PD estimation process

Probability of Default (PD) is the estimate of the likelihood of default over a given time horizon. A default may only happen at a time horizon if the facility has not been previously derecognised and is still in the portfolio.

12 Months PD

This is the estimated probability of default occurring within the next 12 months.

The 12 month PD is applied for the "Current" and "1-30 days" buckets since there is no significant deterioration in Credit Risk.

Ageing Bucket	Probability of Default
Current	12 Months PD
1- 30 Days	12 Months PD

Lifetime PD

This is the estimated probability of default occurring over the remaining life of the financial instrument.

The lifetime PD is applied for the 31-60 days and 61-90 days buckets since there is a significant deterioration in credit risk.

Ageing Bucket	Probability of Default
31 – 60 Days	Lifetime PD
61 – 90 Days	Lifetime PD

The PD for the above 90 days category is 100% since there is objective evidence of impairment as the default has occurred.

Ageing Bucket	Probability of Default
Above 90 Days	100% PD

56.3.3.3 Exposure at default

The Exposure At Default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit cards and other revolving facilities is set out in Note 11.

To measure ECLs on revolving facilities, such as credit cards, it will be necessary to estimate several components that make up the EAD

- The contracts which have exceeded 90 days past due
- The Credit Utilisation Rate or Credit Conversion Factor

These components are estimated based on past experience, for sections of the portfolio that are segmented so that they have similar credit characteristics.

56.3.4. Loss given default

Loss Given Default (LGD) is the magnitude of likely loss on exposure, and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types) as well as borrower characteristics.

For each year, closed contracts which have crossed above 90 days at least once in their lifetime are considered. LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan.

Virtually closed contracts are also added to this data set. Virtually closed contracts are active loans which have been long outstanding. A contract is determined to be virtually closed at the point the Bank determines that the cash flows have dried up.

56.3.4.5. Significant increase in credit risk

The Bank continuously monitors all assets subject to Expected Credit Losses (ECL). In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/ facility to the watch list, or the account having been restructured. In certain cases, the Bank may also consider that events explained in Note 56.3.4.1 are a significant increase in credit risk as opposed to a default.

When estimating ECLs on a collective basis for a group of similar assets, the Bank also applies the following in the categorisation of credit facilities/ exposures into stages for computation of expected credit losses.

Stage 1

- All accounts which have not shown any sign of deterioration since origination. All accounts which have been identified as Low Credit Risk (LCR) (under low credit risk expedient) shall be classified as Stage 1. The Bank computes ECLs based on the delinquency method where all facilities which are less than or equal to 30 days past due are considered under Stage 1. 12 months ECL shall be calculated for stage 1 facilities.

Stage 2

- All accounts which have shown a significant deterioration in credit quality since origination. Lifetime losses are computed for all accounts classified as Stage 2. The Bank computes ECLs based on the delinquency method where all facilities which are more than 30 days past due upto 90 days past due are considered under Stage 2.

Stage 3

- All impaired assets (purchased impaired and originally credit impaired assets). Lifetime losses are computed for all accounts classified as Stage 3. The Bank computes ECLs based on the delinquency method.

56.3.4.6. Grouping financial assets measured on a collective basis

As explained in Note 11 dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

An individual impairment assessment is performed for exposures over the Individually Significant Threshold of LKR 200 Mn based on amortised cost amount for Corporate clients (Wholesale Banking and Project Finance) and LKR 50 Mn for others for which there is objective evidence of expected loss based on the current status of the customer, i.e. based on whether customer is performing, non performing, restructured, rescheduled or watch-listed.

Exposures that are assessed for individual impairment and for which an impairment provision has been recognised are not included in the collective assessment of impairment. If it is determined that no objective evidence of expected loss exists for an individually assessed exposure, or assessed for objective evidence and there is no requirement for individual impairment, whether significant or not, this is included in a group of exposures with similar credit risk characteristics that are collectively assessed for impairment under the relevant bucket.

A collective assessment is performed for exposures as follows:

- Exposures that have not been individually assessed i.e. falling below the individually significant threshold
- Exposures that have been assessed for Objective Evidence of Incurred Loss and indicators of increase in Credit Risk and were found to have no such evidence/ indicators
- Exposures that have been individually assessed and were found not to be impaired on an individual basis based on the cash flow estimation

The Bank groups these exposures in to homogeneous portfolios to the extent possible so as to ensure that data points are available for meaningful calculations.

56.3.4.7 Analysis of inputs to the ECL model under multiple economic scenarios

The Bank obtains the data used from Central Bank of Sri Lanka/ Department of Census & Statistics and International Monetary Fund (IMF). The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios (best case and worst case) as at 31 December 2023 and 31 December 2022.

The tables show the values of the key forward looking economic variables/ assumptions used in each of the economic scenarios for the ECL calculations.

31 December 23	ECL Scenarios	2024		2025		2026		2027		2028		2029		2030	
Key Drivers		Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value
GDP Growth (%)	Best Case	10%	2.41%	10%	2.92%	10%	3.11%	10%	3.26%	20%	3.38%	20%	3.38%	30%	3.38%
	Base Case	15%	1.64%	20%	1.99%	30%	2.25%	40%	2.36%	40%	2.39%	40%	2.39%	30%	2.39%
	Worst Case	75%	1.44%	70%	1.39%	60%	1.33%	50%	1.27%	40%	1.21%	40%	1.21%	40%	1.21%
Inflation (YoY) (CCPI) (%)	Best Case	10%	3.37%	10%	2.89%	10%	2.48%	10%	2.18%	20%	1.98%	20%	1.98%	30%	1.98%
	Base Case	15%	4.35%	20%	4.26%	30%	4.20%	40%	4.28%	40%	4.51%	40%	4.51%	30%	4.51%
	Worst Case	75%	5.15%	70%	5.85%	60%	6.64%	50%	7.54%	40%	8.56%	40%	8.56%	40%	8.56%
Interest Rate (AWPLR) (%)	Best Case	10%	11.40%	10%	10.59%	10%	9.84%	10%	9.26%	20%	8.82%	20%	8.82%	30%	8.82%
	Base Case	15%	12.87%	20%	12.73%	30%	12.61%	40%	12.67%	40%	12.90%	40%	12.90%	30%	12.90%
	Worst Case	75%	13.99%	70%	14.87%	60%	15.80%	50%	16.79%	40%	17.85%	40%	17.85%	40%	17.85%
Exchange Rate (USD/LKR)	Best Case	10%	339.07	10%	351.87	10%	365.14	10%	378.92	20%	393.22	20%	408.06	30%	423.46
	Base Case	15%	344.79	20%	363.84	30%	383.93	40%	405.14	40%	427.52	40%	451.13	30%	476.05
	Worst Case	75%	359.38	70%	395.28	60%	434.77	50%	478.20	40%	500.00	40%	500.00	40%	500.00
Unemployment (%)	Best Case	10%	4.86%	10%	4.83%	10%	4.79%	10%	4.77%	20%	4.77%	20%	4.77%	30%	4.77%
	Base Case	15%	4.97%	20%	4.97%	30%	4.96%	40%	4.96%	40%	4.97%	40%	4.97%	30%	4.97%
	Worst Case	75%	5.01%	70%	5.03%	60%	5.04%	50%	5.06%	40%	5.09%	40%	5.09%	40%	5.09%

31 December 22	ECL Scenarios	2023		2024		2025		2026		2027		2028		2029	
Key Drivers		Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value	Assigned Probabilities (%)	Value
GDP Growth (%)	Best Case	10	3.54	20	3.76	20	3.99	25	4.20	25	4.41	25	4.41	25	4.41
	Base Case	10	1.62	40	2.74	45	3.12	50	3.18	50	3.21	50	3.21	50	3.21
	Worst Case	80	(3.96)	40	(3.24)	35	(2.57)	25	(2.45)	25	(2.33)	25	(2.33)	25	(2.33)
Inflation (YoY) (CCPI) (%)	Best Case	10	14.57	20	6.13	20	5.37	25	5.11	25	4.59	25	4.59	25	4.59
	Base Case	10	34.56	40	27.10	45	22.21	50	21.09	50	20.57	50	20.57	50	20.57
	Worst Case	80	34.56	40	40.49	35	47.43	25	55.57	25	57.20	25	57.20	25	57.20
Interest Rate (AWPLR) (%)	Best Case	10	17.93	20	13.00	20	9.40	25	7.07	25	5.53	25	5.53	25	5.53
	Base Case	10	25.35	40	22.17	45	19.55	50	18.08	50	16.96	50	16.96	50	16.96
	Worst Case	80	28.19	40	28.19	35	28.19	25	28.19	25	28.19	25	28.19	25	28.19
Exchange Rate (USD/LKR)	Best Case	10	367.25	20	371.37	20	375.54	25	379.76	25	379.76	25	388.35	25	392.71
	Base Case	10	400.00	40	400.00	45	400.00	50	400.00	50	400.00	50	400.00	50	400.00
	Worst Case	80	400.00	40	400.00	35	400.00	25	400.00	25	400.00	25	400.00	25	400.00
Unemployment (%)	Best Case	10	4.83	20	4.74	20	4.65	25	4.63	25	4.68	25	4.68	25	4.68
	Base Case	10	5.32	40	5.31	45	5.31	50	5.31	50	5.31	50	5.31	50	5.31
	Worst Case	80	5.36	40	5.38	35	5.40	25	5.43	25	5.46	25	5.46	25	5.46

56.3.4.8 Analysis of net exposure on credit risk and impairment

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk, based on the Bank's classification of assets.

	BANK			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2023				
Cash and cash equivalents	28,100,515	-	-	28,100,515
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	7,040,421
Placements with banks	33,743,602	-	-	33,743,602
Derivative Financial Instruments	3,083,815	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	306,866,330	97,228,082	48,566,049	452,660,461
Financial assets at amortised cost - debt and other instruments	100,126,663	25,545,707	-	125,672,370
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	83,805,398

	BANK			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2022				
Cash and cash equivalents	34,849,521	-	-	34,849,521
Balances with the Central Bank of Sri Lanka	18,187,547	-	-	18,187,547
Placements with banks	4,108,989	-	-	4,108,989
Derivative Financial Instruments	7,909,252	-	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	19,318,483	-	-	19,318,483
Financial assets at amortised cost - loans and receivables to other customers	332,871,893	172,498,796	40,502,338	545,873,027
Financial assets at amortised cost - debt and other instruments	78,993,552	56,054,334	-	135,047,886
Financial assets measured at fair value through other comprehensive income	44,685,230	-	-	44,685,230

	GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2023				
Cash and cash equivalents	-	-	-	28,580,676
Balances with the Central Bank of Sri Lanka	-	-	-	7,040,421
Placements with banks	-	-	-	33,743,602
Derivative financial instruments	-	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	306,967,834	97,228,082	48,544,012	452,739,928
Financial assets at amortised cost - debt and other instruments	100,126,663	25,545,707	-	125,672,370
Financial assets measured at fair value through other comprehensive income	-	-	-	84,645,423

	GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
31 December 2022				
Cash and cash equivalents	35,727,665	-	-	35,727,665
Balances with the Central Bank of Sri Lanka	18,187,547	-	-	18,187,547
Placements with banks	4,108,989	-	-	4,108,989
Derivative financial instruments	7,909,252	-	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	20,788,523	-	-	20,788,523
Financial assets at amortised cost - loans and receivables to other customers	332,918,690	172,498,796	40,502,338	545,919,824
Financial assets at amortised cost - debt and other instruments	78,993,552	56,054,334	-	135,047,886
Financial assets measured at fair value through other comprehensive income	45,454,490	-	-	45,454,490

56.3.4.9 Analysis of risk concentration

The Bank's concentrations of risk are managed by customer/ counterparty and industry sector.

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

56.3.4.9.1 Industry analysis

	BANK														Total
	Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placements with banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets recognised through profit or loss- measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost - loans and receivables to other customers															
- Corporate Lending	14,986,635	64,363,977	24,685,466	3,522,802	16,482,839	55,797,270	34,562,933	1,056,812	30,165,592	13,967,294	10,127	563,972	74,476	977,343	261,217,538
- Small Business Lending	10,439,809	19,831,909	7,026,861	775,130	4,456,272	2,164,398	28,662,002	307,739	2,301,285	1,794,651	541	414,243	416,676	11,128,744	89,720,260
- Consumer Lending	393,399	395,787	115,003	38,119	373,369	73,809	749,623	49,194	470,668	394,974	-	94,159	31,130	79,119,947	82,299,180
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	16,696,735	16,696,735
- Others	7,216	19,819	-	-	-	1,319	2,931	3	-	-	-	-	-	2,695,459	2,726,748
Net loans and receivables to other customers	25,827,059	84,611,492	31,827,330	4,336,051	21,312,480	58,036,796	63,977,489	1,413,748	32,937,545	16,156,919	10,668	1,072,374	522,282	110,618,228	452,660,461
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	124,172,370	-	-	-	-	-	125,672,370
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	-	-	83,805,398	-	-	-	-	-	83,805,398

The above industries include lending to overseas entities amounting to LKR 33.3 Bn.

BANK																
	Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	Total	
31 December 2022	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	-	-	-	-	-	-	-	-	34,849,521	-	-	-	-	-	-	34,849,521
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	18,187,547	-	-	-	-	-	-	18,187,547
Placements with banks	-	-	-	-	-	-	-	-	4,108,989	-	-	-	-	-	-	4,108,989
Derivative financial instruments	-	-	-	-	-	-	-	-	7,909,252	-	-	-	-	-	-	7,909,252
Financial assets recognised through profit or loss- measured at fair value	-	-	-	-	-	-	-	-	19,318,483	-	-	-	-	-	-	19,318,483
Financial assets at amortised cost																
- loans and receivables to other customers																
- Corporate Lending	17,624,640	81,044,011	25,997,317	5,534,903	19,255,698	65,366,496	47,025,281	717,755	51,202,737	7,872,985	-	110,960	153,446	1,231,141	323,137,370	
- Small Business Lending	13,650,790	25,293,016	12,816,389	1,068,873	6,725,831	3,254,222	29,821,410	223,965	2,270,390	2,672,985	-	984,242	729,386	8,389,439	107,900,937	
- Consumer Lending	1,218,722	1,173,548	420,892	59,295	621,352	317,369	4,738,005	93,179	953,323	1,856,867	-	349,418	97,869	82,217,151	94,116,991	
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	18,419,780	18,419,780	
- Others	7,168	13,474	-	-	268	1,312	3,786	-	-	-	-	-	-	2,271,941	2,297,949	
Net loans and receivables to other customers	32,501,320	107,524,049	39,234,598	6,663,071	26,603,149	68,939,399	81,588,482	1,034,899	54,426,450	12,402,837	-	1,444,620	980,701	112,529,452	545,873,027	
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	133,547,886	-	-	-	-	-	-	135,047,886
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	-	-	44,685,230	-	-	-	-	-	-	44,685,230

The above industries include lending to overseas entities amounting to LKR 42.7 Bn.

56.3.4.9.1 Industry analysis (Contd.)

	GROUP															
	Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	Total	
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	-	-	-	-	-	-	-	-	28,580,676	-	-	-	-	-	-	28,580,676
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	7,040,421	-	-	-	-	-	-	7,040,421
Placements with banks	-	-	-	-	-	-	-	-	33,743,602	-	-	-	-	-	-	33,743,602
Derivative financial instruments	-	-	-	-	-	-	-	-	3,083,815	-	-	-	-	-	-	3,083,815
Financial assets recognised through profit or loss- measured at fair value	1,587	62,311	23,302	-	-	86,202	-	40,000	25,804,306	22,338	-	-	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers																
- Corporate Lending	14,986,635	64,363,977	24,685,466	3,522,802	16,482,839	55,797,270	34,562,933	1,056,812	30,165,592	13,967,294	10,127	563,972	74,476	977,343	261,217,538	
- Small Business Lending	10,439,809	19,831,909	7,026,861	775,130	4,456,272	2,164,398	28,662,002	307,739	2,301,285	1,794,651	541	414,243	416,676	11,128,744	89,720,260	
- Consumer Lending	393,399	395,787	115,003	38,119	373,369	73,809	749,623	49,194	470,668	394,974	-	94,159	31,130	79,119,947	82,299,181	
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	16,696,735	16,696,735	
- Others	7,216	19,819	-	-	-	1,319	2,931	3	-	-	-	-	-	2,774,925	2,806,214	
Net loans and receivables to other customers	25,827,059	84,611,492	31,827,330	4,336,051	21,312,480	58,036,796	63,977,489	1,413,748	32,937,545	16,156,919	10,668	1,072,374	522,282	110,697,694	452,739,928	
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	124,172,370	-	-	-	-	-	-	125,672,370
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	33,837	-	84,611,586	-	-	-	-	-	-	84,645,423

The above industries include lending to overseas entities amounting to LKR 33.3 Bn.

	GROUP															
	Agriculture, Forestry & Fishing	Manufacturing	Tourism	Transportation & Storage	Construction	Infrastructure Development	Wholesale and Retail Trade	Information Technology and Communication Services	Financial Services	Professional, Scientific & Technical Activities	Arts, Entertainment & Recreation	Education	Health Care, Social Services & Support Services	Consumption	Total	
31 December 2022	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	-	-	-	-	-	-	-	-	35,727,665	-	-	-	-	-	-	35,727,665
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	18,187,547	-	-	-	-	-	-	18,187,547
Placements with banks	-	-	-	-	-	-	-	-	4,108,989	-	-	-	-	-	-	4,108,989
Derivative financial instruments	-	-	-	-	-	-	-	-	7,909,252	-	-	-	-	-	-	7,909,252
Financial assets recognised through profit or loss- measured at fair value	1,627	28,277	16,501	-	-	86,201	-	40,000	20,615,918	-	-	-	-	-	-	20,788,523
Financial assets at amortised cost																
-loans and receivables to other customers																
- Corporate Lending	17,624,640	81,044,011	25,997,317	5,534,903	19,255,698	65,366,496	47,025,281	717,755	51,202,737	7,872,985	-	110,960	153,446	1,231,141	323,137,370	
- Small Business Lending	13,650,790	25,293,016	12,816,389	1,068,873	6,725,831	3,254,222	29,821,410	223,965	2,270,390	2,672,985	-	984,242	729,386	8,389,439	107,900,937	
- Consumer Lending	1,218,722	1,173,548	420,892	59,295	621,352	317,369	4,738,005	93,179	953,323	1,856,867	-	349,418	97,869	82,217,151	94,116,991	
- Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	18,419,780	18,419,780	
- Others	7,168	13,474	-	-	268	1,312	3,786	-	-	-	-	-	-	2,318,738	2,344,746	
Net loans and receivables to other customers	32,501,320	107,524,049	39,234,598	6,663,071	26,603,149	68,939,399	81,588,482	1,034,899	54,426,450	12,402,837	-	1,444,620	980,701	112,576,249	545,919,824	
Financial assets at amortised cost - debt and other instruments	-	-	-	-	-	1,500,000	-	-	133,547,886	-	-	-	-	-	-	135,047,886
Financial assets measured at fair value through Other comprehensive income	-	-	-	-	-	-	56,933	-	45,397,557	-	-	-	-	-	-	45,454,490

The above industries include lending to overseas entities amounting to LKR 42.7 Bn.

56.3.4.10 Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally these occurrences relate but are not limited to: sovereign events such as defaults or restructuring, political events such as contested elections, restrictions on currency movements, non-market currency convertibility, regional conflicts, economic contagion from other events such as sovereign default issues or regional turmoil, banking and currency crisis, and natural disasters.

BANK									
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
31 December 2023									
Cash and cash equivalents	11,872,897	4,272,752	10,627,903	593,268	12,175	721,520	-	28,100,515	
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-	7,040,421	
Placements with banks	33,743,602	-	-	-	-	-	-	33,743,602	
Derivative financial instruments	3,083,815	-	-	-	-	-	-	3,083,815	
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	-	-	-	-	-	24,021,340	
Financial assets at amortised cost - loans and receivables to other customers	419,384,652	-	48,308	24,119,009	3,439,323	-	5,669,169	452,660,461	
Financial assets at amortised cost - debt and other instruments	125,672,370	-	-	-	-	-	-	125,672,370	
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	-	-	-	-	83,805,398	
Other financial assets	1,427,296	-	-	-	-	-	-	1,427,296	
Total Financial Assets	710,051,791	4,272,752	10,676,211	24,712,277	3,451,498	721,520	5,669,169	759,555,218	

BANK								
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
31 December 2022								
Cash and cash equivalents	9,647,328	7,576,341	5,220,673	7,267,639	26,826	5,110,715	-	34,849,521
Balances with the Central Bank of Sri Lanka	18,187,547	-	-	-	-	-	-	18,187,547
Placements with banks	4,108,989	-	-	-	-	-	-	4,108,989
Derivative financial instruments	7,909,252	-	-	-	-	-	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	19,318,483	-	-	-	-	-	-	19,318,483
Financial assets at amortised cost - loans and receivables to other customers	503,150,230	-	-	32,203,882	3,168,635	-	7,350,280	545,873,027
Financial assets at amortised cost - debt and other instruments	135,047,886	-	-	-	-	-	-	135,047,886
Financial assets measured at fair value through other comprehensive income	44,685,230	-	-	-	-	-	-	44,685,230
Other financial assets	1,963,077	-	-	-	-	-	-	1,963,077
Total Financial Assets	744,018,022	7,576,341	5,220,673	39,471,521	3,195,461	5,110,715	7,350,280	811,943,012

56.3.4.10 Country risk (Contd.)

	GROUP						
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	12,353,058	4,272,752	10,627,903	593,268	12,175	721,520	-
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-
Placements with banks	33,743,602	-	-	-	-	-	-
Derivative financial instruments	3,083,815	-	-	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	26,040,046	-	-	-	-	-	-
Financial assets at amortised cost - loans and receivables to other customers	419,464,119	-	48,308	24,119,009	3,439,323	-	5,669,169
Financial assets at amortised cost - debt and other instruments	125,672,370	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	84,645,423	-	-	-	-	-	-
Other financial assets	1,965,544	-	-	-	-	-	-
Total Financial Assets	714,008,398	4,272,752	10,676,211	24,712,277	3,451,498	721,520	5,669,169
							763,511,825

	GROUP						
	Sri Lanka	Europe	America	Asia	Middle East	Australia- New Zealand	Africa
31 December 2022	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	10,525,472	7,576,341	5,220,673	7,267,639	26,826	5,110,715	-
Balances with the Central Bank of Sri Lanka	18,187,547	-	-	-	-	-	-
Placements with banks	4,108,989	-	-	-	-	-	-
Derivative financial instruments	7,909,252	-	-	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	20,788,523	-	-	-	-	-	-
Financial assets at amortised cost - loans and receivables to other customers	503,197,027	-	-	32,203,882	3,168,635	-	7,350,280
Financial assets at amortised cost - debt and other instruments	135,047,886	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	45,454,490	-	-	-	-	-	-
Other financial assets	2,424,812	-	-	-	-	-	-
Total Financial Assets	747,643,998	7,576,341	5,220,673	39,471,521	3,195,461	5,110,715	7,350,280
							815,568,988

56.3.4.11 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auctions, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded in the Statement of Financial Position and not treated as non-current assets held for sale.

The Bank's Collateral policy is covered in the Bank's Credit Policy Manual and is reviewed annually. There have been no significant changes to the collateral policy.

For its derivative portfolio, the Bank also makes use of master netting agreements and other arrangements not eligible for netting under LKAS 32 Financial Instruments: Presentation with its counterparties. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Although, these master netting arrangements do not normally result in an offset of balance-sheet assets and liabilities (as the conditions for offsetting under LKAS 32 may not apply), they, nevertheless, reduce the Bank's exposure to credit risk, as shown in the table on page 281.

Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

The tables on the following pages from 279 to 280 show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

56.3.4.11 Collateral and other credit enhancements (Contd.)

Type of collateral or credit enhancement

	BANK									
	Fair value of collateral and credit enhancements held									
	Maximum exposure to credit risk LKR '000	Cash LKR '000	Securities LKR '000	3rd party/ Government guarantees LKR '000	Property LKR '000	Other LKR '000	Surplus Collateral LKR '000	Total Collateral LKR '000	Net Exposure LKR '000	Associated ECLs LKR '000
31 December 2023										
Financial Assets										
Cash and cash equivalents	28,100,515	-	-	-	-	-	-	-	28,100,515	-
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-	-	7,040,421	-
Placements with banks	33,743,602	-	-	-	-	-	-	-	33,743,602	-
Derivative financial instruments	3,083,815	-	-	-	-	-	-	-	3,083,815	-
Financial assets recognised through profit or loss- measured at fair value	24,021,340	-	-	-	-	-	-	-	24,021,340	-
Financial assets at amortised cost - loans and receivables to other customers										
- Corporate Lending	261,217,538	24,653,111	7,077,800	207,361,284	117,324,327	141,967,341	(323,039,066)	175,344,798	85,872,740	21,739,472
- Small Business Lending	89,720,260	22,880,607	120,000	87,152,505	103,508,752	32,369,810	(174,845,450)	71,186,224	18,534,036	12,345,981
- Consumer Lending	82,299,181	34,428,260	34,170	7,806,772	51,556,596	1,585,978	(74,628,931)	20,782,845	61,516,336	5,289,741
- Residential Mortgages	16,696,735	168,637	-	87,285	30,285,671	41,085	(20,583,467)	9,999,210	6,697,525	1,072,672
- Others	2,726,748	-	-	28,770	52,330	15,000	(63,646)	32,454	2,694,294	2,960,058
Net loans and receivables to other customers	452,660,461	82,130,615	7,231,970	302,436,616	302,727,676	175,979,214	(593,160,560)	277,345,531	175,314,931	43,407,922
Financial assets at amortised cost - debt and other instruments	125,672,370	-	-	-	-	-	-	-	125,672,370	25,791,482
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	-	-	-	-	-	83,805,398	10,344

56.3.4.11 Collateral and other credit enhancements (Contd.)

Type of collateral or credit enhancement

	GROUP							
	Fair value of collateral and credit enhancements held							
	Maximum exposure to credit risk LKR '000	Cash LKR '000	Securities LKR '000	3rd party/ Government guarantees LKR '000	Property LKR '000	Other LKR '000	Surplus Collateral LKR '000	Associated ECLs LKR '000
31 December 2023								
Financial Assets								
Cash and cash equivalents	28,580,676	-	-	-	-	-	-	-
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	-	-
Placements with banks	33,743,602	-	-	-	-	-	-	-
Derivative financial instruments	3,083,815	-	-	-	-	-	-	-
Financial assets recognised through profit or loss- measured at fair value	26,040,046	-	-	-	-	-	-	-
Financial assets at amortised cost - loans and receivables to other customers								
- Corporate Lending	261,217,538	24,653,111	7,077,800	207,361,284	117,324,327	141,967,341	(323,039,066)	21,739,472
- Small Business Lending	89,720,260	22,880,607	120,000	87,152,505	103,508,752	32,369,810	(174,845,450)	12,345,981
- Consumer Lending	82,299,181	34,428,260	34,170	7,806,772	51,556,596	1,585,978	(74,628,931)	5,289,741
- Residential Mortgages	16,696,735	168,637	-	87,285	30,285,671	41,085	(20,583,467)	1,072,672
- Others	2,806,215	-	-	28,770	52,330	15,000	(63,646)	2,960,058
Net loans and receivables to other customers	452,739,928	82,130,615	7,231,970	302,436,616	302,727,676	175,979,214	(593,160,560)	43,407,922
Financial assets at amortised cost - debt and other instruments	125,672,370	-	-	-	-	-	-	25,791,482
Financial assets measured at fair value through other comprehensive income	84,645,423	-	-	-	-	-	-	10,344
31 December 2022								
Financial Assets								
Cash and cash equivalents	35,727,665	-	-	-	-	-	-	-
Balances with the Central Bank of Sri Lanka	18,187,547	-	-	-	-	-	-	-
Placements with banks	4,108,989	-	-	-	-	-	-	-
Derivative financial instruments	7,909,252	-	-	-	-	-	-	-
Financial assets recognised through profit or loss- measured at fair value	20,788,523	-	-	-	-	-	-	-
Financial assets at amortised cost - loans and receivables to other customers								
- Corporate Lending	323,137,370	35,626,004	8,264,300	211,101,075	116,327,340	161,504,549	(323,115,442)	16,971,678
- Small Business Lending	107,900,937	26,688,048	318,293	81,622,967	120,019,683	38,913,769	(181,836,063)	10,691,124
- Consumer Lending	94,116,991	37,421,058	92,179	8,908,404	38,212,567	10,063,395	(65,532,503)	4,969,858
- Residential Mortgages	18,419,780	-	-	-	19,219,104	-	-	799,324
- Others	2,344,746	-	-	200	129,876	15,000	(95,774)	255,952
Net loans and receivables to other customers	545,919,824	99,735,110	8,674,771	301,632,646	293,908,571	210,496,713	(570,579,783)	33,687,937
Financial assets at amortised cost - debt and other instruments	135,047,886	-	-	-	-	-	-	20,503,290
Financial assets measured at fair value through other comprehensive income	45,454,490	-	-	-	-	-	-	10,344

56.3.4.12 Commitments and contingencies

The table below shows maximum credit risk exposure of the Group on commitments and contingencies.

The maximum exposure to credit risk relating to financial commitments and contingencies is the maximum amount the Group has to pay if the commitments and contingencies are called upon.

	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Guarantees and bonds	45,929,326	65,946,916	45,817,214	65,800,964
Shipping guarantees	8,543,508	5,180,578	8,543,508	5,180,578
Advance documents endorsed	2,515,114	2,069,245	2,515,114	2,069,245
Letters of credit	9,283,417	7,745,121	9,282,715	7,745,121
Acceptances	6,513,947	6,388,780	6,513,947	6,388,780
Undrawn overdrafts and credit cards	47,073,246	41,241,837	46,541,747	41,241,837
Commitments	115,499,420	137,297,425	116,305,360	138,210,327
Forward exchange contracts	42,607,441	27,739,854	42,607,441	27,739,855
Total	277,965,419	293,609,756	278,127,046	294,376,707

56.3.4.13 Offsetting of financial assets & liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Group have a right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets & liabilities that are not subject to offsetting

Amounts that do not qualify for offsetting in the Statements of Financial Position include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of the predetermined events. Such netting arrangements include repurchase agreements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

	2023			2022		
	Gross Amounts LKR '000	Amount Subject to Netting but do not qualify for Offsetting LKR '000	Net Amount LKR '000	Gross Amounts LKR '000	Amount Subject to Netting but do not qualify for Offsetting LKR '000	Net Amount LKR '000
Financial Assets						
Financial assets at amortised cost						
- loans and receivables to other customers	108,044,080	82,130,615	25,913,466	141,388,469	99,735,010	41,653,459
Financial Liabilities						
Due to debt securities holders	15,632,569	16,851,452	(1,218,883)	130,541	160,802	(30,261)

56.3.4.14 Sensitivity analysis of impairment allowance

The following table depicts the sensitivity of the impairment allowance to feasible changes in various factors used in assessing the Expected Credit Losses including PDs, LGDs and forward looking macro economic information etc.

Changed criteria	Changed factor	BANK & GROUP	
		Sensitivity effect on impairment allowance increase	
		2023 LKR '000	2022 LKR '000
Property realisation timing of facilities under individual impairment assessment	Delay by 1 year	1,098,380	1,403,646
Loss given default (LGD)	Increase by 2%	322,232	231,307
	Virtually closed points: decrease by 1 year (where require)	2,201,417	1,235,547
Probability of default (PD) in each stage	Increase by 1%	75,946	62,751
	Worst case increase of 5%	15,806	19,784
Economic Factor Adjustment	Qualitative scores increase by 1	585,861	361,057
Credit conversion factor (CCF)	Increase of 5% (where applicable)	200,764	82,354

56.4 Market Risk

Market Risk management function is attached to the Risk Management Division and operates with in a well-defined policy framework which ensures that the Bank operates with in the pre-defined risk appetite of the Bank through portfolio analysis, stress testing and pro-active exposure monitoring. Guided by these policies and regulatory directions; Bank has set internal prudential limits, taking in to account the size of the statement of financial position , structure and the business model; thereby business units optimise the risk and reward relationship without exposing the Bank to unexpected losses. The responsibility to manage the Market Risk primarily rests with the Treasury Unit, which is responsible for ensuring that the Bank's exposures are managed within the Board approved risk appetite and necessary actions are taken in the event of exceptional market conditions.

Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices. The Bank's Market Risk exposures are classified into trading and banking book and are managed separately. Sensitivity and Scenario analysis of portfolios are carried out together with mark-to-market valuations and duration analysis that reflects the portfolio sensitivity to the market volatility. Further the bank analyse the Value at Risk (VaR) measurements on the forex and fixed income securities to assess any potential loss which is discussed in detail in Market Risk section under the Risk Management. Whilst the financial assets measured at fair value through profit or loss (FVPL) are fair valued through the Statement of Profit or Loss; financial assets measured at fair value through other comprehensive income (FVOCI) are fair valued through equity where realised capital gains/losses are recognised in the Statement of Profit or Loss.

During the year the market interest rates continue to adjust downwards and a further reduction is expected in response to the policy rate reduction in 2023. Relaxed monetary policy led to decrease in SDF & SLF by 5.5% each against end of 2022. A notable reduction is observed in yields on government securities during the year. The decline in yields on government securities were contributed by the announcement of the DDO, as the risk premium associated with the uncertainties largely dissipated.

The liquidity conditions in the domestic forex market improved during last year favourable development of increased forex inflows along with subdued demand for imports in the country. During the year ending December 2023, an appreciation of 12% against the USD was recorded. The growth in deposits continued to surpass the growth in loans in 2023, caused the Bank to expand its Government security portfolio benefitted in easing the Net Interest Margin pressure.

The Bank closely monitored the behaviour of market sentiments and proactive re-pricing measures were adopted to mitigate any adverse impact to the Bank's Statement of Financial Position and were able to maintain the exposures within the risk appetite. Bank made every effort to optimally balance the need of mitigating the Market Risk elements with the level of risk that Bank is willing to accept in achieving its organisational goals.

56.4 (a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates would affect future cash flows or the fair values of financial instruments. The Board has established limits on trading and banking books of the Bank. The Bank's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

56.4 (a) (i) Interest rate risk in the trading book

The following table demonstrates the sensitivity to a reasonably possible change in fixed income securities (Treasury Bills & Bonds), with all other variables held constant on the Bank's Statement of Profit or Loss in the year 2023

Sensitivity of the Financial Assets Measured at Fair Value through Profit or Loss - Sri Lanka Government Securities

	Portfolio size LKR '000	Increase/ Decrease in basis Points	Sensitivity of Profit or Loss Bank LKR '000	Sensitivity of Profit or Loss Group LKR '000
31 December 2023				
Financial assets measured at fair value through profit or loss	24,543,795	+100/(100)	(138,824)/141,296	(138,824)/141,296
31 December 2022				
Financial assets measured at fair value through profit or loss	21,329,524	+100/(100)	(76,714)/77,156	(76,714)/77,156

Fair value of the financial assets measured at fair value through other comprehensive income is recognised in the other comprehensive income (OCI) until the asset is derecognised in which case the price sensitivity does not have a direct impact to the Bank's Statement of Profit or Loss.

Sensitivity of the Financial Assets Measured at Fair Value though Other Comprehensive Income - Sri Lanka Government Securities

	Portfolio size Bank LKR '000	Portfolio size Group LKR '000	Increase/ Decrease in basis Points	Sensitivity on Bank LKR '000	Sensitivity on Group LKR '000
31 December 2023					
Financial assets measured at fair value though other comprehensive income	80,541,120	81,202,146	+100/(100)	(858,326)/884,159	(869,732)/896,070
31 December 2022					
Financial assets measured at fair value though other comprehensive income	48,078,117	48,798,117	+100/(100)	(401,218)/413,866	(401,730)/414,380

56.4 (a) (ii) Interest rate risk in the banking book

The table below analyses the Bank's and the Group's interest rate risk exposure on financial assets and liabilities as at 31 December 2023.

The sensitivity of the Statement of Profit or Loss is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the interest rate sensitive assets and liabilities as at 31 December 2023.

	BANK						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	28,100,515	28,100,515
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	7,040,421	7,040,421
Placements with banks	6,725,602	27,018,000	-	-	-	-	33,743,602
Financial assets recognised through profit or loss							
- measured at fair value	24,021,340	-	-	-	-	-	24,021,340
Financial assets at amortised cost							
- loans and receivables to other customers	99,235,296	112,571,102	78,408,020	128,757,218	33,688,826	-	452,660,461
Financial assets at amortised cost							
- Debt and other instruments	9,324,965	28,347,337	22,992,237	40,454,555	24,553,277	-	125,672,370
Financial assets measured at fair value through other comprehensive income	82,668,909	-	-	-	-	1,136,489	83,805,398
Other financial assets	1,427,296	-	-	-	-	-	1,427,296
Total Financial Assets	223,403,407	167,936,439	101,400,256	169,211,774	58,242,103	36,277,425	756,471,404
Financial Liabilities							
Due to Banks	579,195	7,100,000	-	-	-	-	7,679,195
Financial Liabilities at amortised cost							
Due to depositors	89,995,375	182,700,412	255,022,181	40,968,102	2,514,716	44,443,212	615,643,999
Due to debt securities holders	46,992	15,560,897	20,680	4,000	-	-	15,632,569
Due to other borrowers	16,579,302	23,622	657,819	4,398,066	2,977,732	-	24,636,540
Debt securities issued	-	6,049,327	-	23,339,547	-	-	29,388,875
Other financial liabilities	506,223	-	430,515	1,270,472	184,011	-	2,391,221
Total Financial Liabilities	107,707,086	211,434,258	256,131,194	69,980,187	5,676,459	44,443,212	695,372,398
Total Interest Sensitivity Gap	115,696,321	(43,497,820)	(154,730,938)	99,231,586	52,565,643	(8,165,787)	61,099,006

	BANK						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2022	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	34,849,521	34,849,521
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	18,187,547	18,187,547
Placements with banks	108,989	4,000,000	-	-	-	-	4,108,989
Financial assets recognised through profit or loss							
- measured at fair value	19,318,483	-	-	-	-	-	19,318,483
Financial assets at amortised cost							
- loans and receivables to other customers	138,909,612	120,338,240	85,999,757	160,843,996	39,781,421	-	545,873,027
Financial assets at amortised cost							
- Debt and other instruments	7,227,664	40,480,771	39,644,609	26,782,319	20,912,524	-	135,047,886
Financial assets measured at fair value through other comprehensive income	43,889,228	-	-	-	-	796,002	44,685,230
Other financial assets	1,963,077	-	-	-	-	-	1,963,077
Total Financial Assets	211,417,053	164,819,012	125,644,366	187,626,315	60,693,945	53,833,070	804,033,760
Financial Liabilities							
Due to Banks	725,657	15,026,000	4,500,000	-	-	-	20,251,657
Financial Liabilities at amortised cost							
Due to depositors	96,246,429	213,038,422	286,483,741	31,497,501	2,346,516	42,701,413	672,314,023
Due to debt securities holders	3,895	120,477	6,170	-	-	-	130,541
Due to other borrowers	20,389,151	849,181	3,836,390	4,179,057	3,118,486	-	32,372,265
Debt securities issued	738,224	-	3,637,980	23,487,427	116,000	-	27,979,631
Other financial liabilities	1,711,815	-	240,211	747,959	258,172	-	2,958,157
Total Financial Liabilities	99,673,321	229,034,080	300,949,886	73,152,702	10,494,872	42,701,413	756,006,274
Total Interest Sensitivity Gap	111,743,732	(64,215,068)	(175,305,520)	114,473,613	50,199,072	11,131,657	48,027,487

56.4 (a) (ii) Interest rate risk in the banking book (Contd.)

	GROUP						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2023	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	28,580,676	28,580,676
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	7,040,421	7,040,421
Placements with banks	6,725,602	27,018,000	-	-	-	-	33,743,602
Financial assets recognised through profit or loss - measured at fair value	26,040,046	-	-	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	99,234,006	112,576,522	78,422,948	128,802,601	33,703,852	-	452,739,929
Financial assets at amortised cost - Debt and other instruments	9,324,965	28,347,337	22,992,237	40,454,555	24,553,277	-	125,672,370
Financial assets measured at fair value through other comprehensive income	83,508,934	-	-	-	-	1,136,489	84,645,423
Other financial assets	1,965,544	-	-	-	-	-	1,965,544
Total Financial Assets	226,799,096	167,941,858	101,415,185	169,257,157	58,257,129	36,757,586	760,428,011
Financial Liabilities							
Due to Banks	579,195	7,100,000	-	-	-	-	7,679,195
Financial Liabilities at amortised cost							
Due to depositors	89,826,075	182,463,109	255,022,181	40,968,102	2,514,716	44,438,286	615,232,469
Due to debt securities holders	46,992	15,560,897	20,680	4,000	-	-	15,632,569
Due to other borrowers	16,579,302	23,622	657,819	4,398,066	2,977,732	-	24,636,539
Debt securities issued	-	6,049,327	-	23,339,547	-	-	29,388,875
Other financial liabilities	390,251	-	506,119	1,512,405	184,011	-	2,592,786
Total Financial Liabilities	107,421,815	211,196,955	256,206,798	70,222,120	5,676,459	44,438,286	695,162,434
Total Interest Sensitivity Gap	119,377,282	(43,255,096)	(154,791,613)	99,035,036	52,580,669	(7,680,700)	65,265,577

	GROUP						
	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non Interest Bearing	Carrying Amount
31 December 2022	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	35,727,665	35,727,665
Balances with the Central Bank of Sri Lanka	-	-	-	-	-	18,187,547	18,187,547
Placements with banks	108,989	4,000,000	-	-	-	-	4,108,989
Financial assets recognised through profit or loss - measured at fair value	20,788,523	-	-	-	-	-	20,788,523
Financial assets at amortised cost - loans and receivables to other customers	138,908,176	120,342,845	86,011,457	160,873,138	39,784,207	-	545,919,824
Financial assets at amortised cost - Debt and other instruments	7,227,664	40,480,771	39,644,609	26,782,319	20,912,524	-	135,047,886
Financial assets measured at fair value through other comprehensive income	44,658,488	-	-	-	-	796,002	45,454,490
Other financial assets	2,424,812	-	-	-	-	-	2,424,812
Total Financial Assets	214,116,652	164,823,616	125,656,066	187,655,457	60,696,731	54,711,214	807,659,736
Financial Liabilities							
Due to Banks	725,657	15,026,000	4,547,187	-	-	-	20,298,844
Financial Liabilities at amortised cost							
Due to depositors	95,974,513	212,709,653	286,483,741	31,497,501	2,346,516	42,701,413	671,713,338
Due to debt securities holders	3,895	120,477	6,170	-	-	-	130,541
Due to other borrowers	20,389,151	849,181	3,836,390	4,179,057	3,118,486	-	32,372,265
Debt securities issued	738,224	-	3,637,980	23,487,427	116,000	-	27,979,631
Other financial liabilities	1,777,780	-	289,095	948,864	258,172	-	3,273,911
Total Financial Liabilities	99,467,370	228,705,311	301,045,957	73,353,607	10,494,872	42,701,413	755,768,530
Total Interest Sensitivity Gap	114,649,283	(63,881,695)	(175,389,891)	114,301,850	50,201,859	12,009,801	51,891,207

56.4 (b) Mark to market valuation

The Sri Lanka Government securities portfolio classified as financial assets recognised at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and the foreign exchange positions are subject to mark to market valuation on a daily basis to derive the economic value of positions.

Mark to Market results are being monitored against the Board approved stop-loss limits on a daily basis, reviewed by ALCO on a monthly basis and at IRMC on a quarterly basis to assess the portfolio performance and investment decisions.

56.4 (c) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument denominated in foreign currency will fluctuate due to changes in exchange rates other than the functional currency in which they are measured. Board approved limits are in place on currency positions and are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Bank only has hedges of highly probable future cash flows attributable to recognised asset or liability or a forecast transaction (cash flow hedge). Refer note 24- Derivative financial instrument.

The table below indicates the currencies to which the bank had significant exposure as at 31 December 2023 and 31 December 2022 on its currency exposures. The analysis calculates the sensitivity of each currency position to the increase in exchange rate against LKR (functional currency) with all other variables held constant in the Statement of Profit or Loss and equity. A negative amount in the table reflects a potential net reduction in the Statement of Profit or Loss and equity, while a positive amount reflects a net potential increase depending on the side of the currency position.

An equivalent decrease in below currencies against LKR would have resulted in an equivalent but opposite impact.

Currency	Spot rate shock %	2023		2022	
		Effect on profit LKR '000	Effect on equity LKR '000	Effect on profit LKR '000	Effect on equity LKR '000
USD	2.50	16,238	16,238	(33,268)	(33,268)
GBP	2.50	172	172	(124)	(124)
EUR	2.50	(12,321)	(12,321)	(2,770)	(2,770)
JPY	2.50	(1,541)	(1,541)	(179)	(179)
AUD	2.50	(131)	(131)	(231)	(231)

With regard to the Group companies, the investment in the Emerald Fund by NDB Capital Holdings Limited would result a potential net reduction or increase of LKR 18 Mn to a similar sensitivity depending on the movement of the future exchange rate.

56.4 (d) Price risk

Equity price risk

Equity price risk is the risk that the fair value of financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, decreases as a result of changes in the level of equity indices and individual stocks. The following table demonstrates the sensitivity to a reasonably possible change in quoted equity indices, with all other variables held constant of the Bank's and the Group's Statement of Profit or Loss.

Entity	2023			
	Magnitude of shock and the fall in value of equities - LKR '000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	1,136,487	56,824	113,649	170,473
Group	1,567,039	78,352	156,704	235,056

Entity	2022			
	Magnitude of shock and the fall in value of equities - LKR '000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	779,433	38,972	77,943	116,915
Group	964,027	51,119	102,239	153,358

56.4 (d) Price risk (Contd.)

Sensitivity of the unit trust investments

The Bank and the Group could have the following sensitivity due to an adverse impact in the unit trust prices. The impact is monitored under three scenarios mild, moderate and severe conditions.

Entity	2023			
	Magnitude of shock and the fall in value of units - LKR'000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	-	-	-	-
Group	760,231	38,012	76,023	114,035

Entity	2022			
	Magnitude of shock and the fall in value of units - LKR'000			
	Portfolio value	Mild 5%	Moderate 10%	Severe 15%
Bank	-	-	-	-
Group	351,215	17,545	35,091	52,636

56.4 (e) Commodity price risk

The Bank did not hold a commodity trading position as at 31 December 2023, hence the Bank was insensitive for commodity price risk.

56.4 (f) Liquidity risk

Liquidity Risk is defined as the risk that the Bank would encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity Risk arises due to the Bank's inability to meet its payment obligations when they fall due under both normal and stress circumstances.

The Bank has set forth policies on Liquidity Risk Management and liquidity contingency funding plan approved by the Board for effective management of liquidity. In addition to the regulatory limits on liquidity, the Bank's internal prudential limits framework ensures that the exposures are managed and monitored at prudent levels. A recovery plan was developed to map the process of recovering during a liquidity crisis assessing Bank's ability to recover during stressed situations.

In accordance with the Bank's risk management policy, the liquidity positions are assessed /stressed and managed under a variety of scenarios, giving due consideration to stress factors relating to both market and Bank. This ensures the maintenance of liquidity ratios at prudential levels. The Bank is in possession of a reciprocal liquidity contingency funding agreement signed up with an identified licenced commercial bank to deal in crisis situations.

Notwithstanding the stressed macro-economic situations prevailed in the country the Bank managed to maintain the liquidity levels at prudent levels due to lower economic activities and the systemic implications. Bank maintained a foreign currency liquid asset ratio of 36.6% as at 31 December 2023, which is a quite comfortable level. Across the banking industry, slow credit growth caused banks to have excess liquidity situation challenging in generating optimum returns. Bank accepted USD denominated Sri Lanka Development Bond (SLDB) maturities in LKR Bonds creating stress negative NOP which was well managed within the short period of temporary enhancements given by CBSL.

Bank maintained healthy liquidity position where LCR & NSFR ratios stood well over the thresholds at 228.58% and 142.26% positions as at the year end indicating short term & long term stability of funding sources compared to Bank's obligations.

The table below summarises the maturity profile of the undiscounted cash flows of the financial assets and financial liabilities of the Bank and Group as at 31 December 2023 and 31 December 2022.

56.4 (f)(i) Contractual maturities of undiscounted cash flows of financial assets and liabilities

The bank managed its net funding requirements effectively with deposit rollover rates above 80% in local currency and foreign currency and overall surplus liquidity position

	BANK						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2023							
Financial Assets							
Cash and cash equivalents	28,100,515	-	-	-	-	-	28,100,515
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	7,040,421
Less: Restricted balance	(7,040,421)	-	-	-	-	-	(7,040,421)
Placements with banks	-	-	27,421,729	6,681,780	-	-	34,103,508
Derivative Financial Instruments	-	3,083,815	-	-	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	24,021,340	-	-	-	-	-	24,021,340
Financial assets at amortised cost - loans and receivables to other customers	97,074,602	-	117,585,635	89,382,743	179,604,730	61,231,124	544,878,834
Financial assets at amortised cost - debt and other instruments	353,873	-	29,976,616	28,382,781	63,797,043	36,864,797	159,375,109
Financial assets measured at fair value through other comprehensive income	83,805,398	-	-	-	-	-	83,805,398
Other financial assets	1,427,296	-	-	-	-	-	1,427,296
Total undiscounted financial assets	234,783,024	3,083,815	174,983,980	124,447,304	243,401,773	98,095,921	878,795,815
Financial Liabilities							
Due to Banks	555,792	-	7,134,129	-	-	-	7,689,921
Derivative Financial Instruments	-	93,361	-	-	-	-	93,361
Financial Liabilities at amortised cost							
due to depositors	134,440,064	-	191,581,230	282,020,739	55,409,641	3,405,146	666,856,819
due to debt securities holders	-	-	15,609,283	23,231	5,600	-	15,638,113
due to other borrowers	16,151,349	-	421,397	1,952,192	6,996,625	3,181,805	28,703,369
Debt securities issued	-	-	6,307,311	2,250,189	29,593,091	-	38,150,590
Other financial liabilities	506,223	-	-	430,515	1,270,472	184,011	2,391,221
Total undiscounted financial liabilities	151,653,428	93,361	221,053,350	286,676,864	93,275,429	6,770,962	759,523,395
Net undiscounted financial assets and liabilities	83,129,596	2,990,454	(46,069,370)	(162,229,561)	150,126,344	91,324,959	119,272,420

	BANK						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2022							
Financial Assets							
Cash and cash equivalents	34,849,521	-	-	-	-	-	34,849,521
Balances with the Central Bank of Sri Lanka	18,187,547	-	-	-	-	-	18,187,547
Less: Restricted balance	(18,187,547)	-	-	-	-	-	(18,187,547)
Placements with banks	-	-	4,190,067	-	-	-	4,190,067
Derivative Financial Instruments	-	7,909,252	-	-	-	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	19,318,483	-	-	-	-	-	19,318,483
Financial assets at amortised cost - loans and receivables to other customers	134,717,216	-	126,847,275	101,484,627	226,061,726	76,935,170	666,046,014
Financial assets at amortised cost - debt and other instruments	6,678,776	-	43,275,405	48,374,583	48,409,520	37,023,422	183,761,706
Financial assets measured at fair value through other comprehensive income	44,685,230	-	-	-	-	-	44,685,230
Other financial assets	1,963,077	-	-	-	-	-	1,963,077
Total undiscounted financial assets	242,212,304	7,909,252	174,312,748	149,859,210	274,471,246	113,958,592	962,723,351
Financial Liabilities							
Due to Banks	98,666	-	15,764,045	5,827,361	-	-	21,690,072
Derivative Financial Instruments	-	96,246	-	-	-	-	96,246
Financial Liabilities at amortised cost							
due to depositors	138,947,835	-	217,688,224	317,458,926	43,337,962	3,135,211	720,568,158
due to debt securities holders	-	-	124,867	7,126	-	-	131,993
due to other borrowers	21,507,370	-	962,061	4,533,707	7,208,961	4,425,979	38,638,078
Debt securities issued	-	-	685,602	6,300,528	29,335,622	129,924	36,451,676
Other financial liabilities	1,711,815	-	-	240,211	747,959	258,172	2,958,157
Total undiscounted financial liabilities	162,265,686	96,246	235,224,799	334,367,859	80,630,504	7,949,286	820,534,380
Net undiscounted financial assets and liabilities	79,946,618	7,813,006	(60,912,051)	(184,508,649)	193,840,742	106,009,306	142,188,971

56.4 (f)(i) Contractual maturities of undiscounted cash flows of financial assets and liabilities (Contd.)

	GROUP						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2023							
Financial Assets							
Cash and cash equivalents	28,580,676	-	-	-	-	-	28,580,676
Balances with the Central Bank of Sri Lanka	7,040,421	-	-	-	-	-	7,040,421
Less: Restricted Balance	(7,040,421)	-	-	-	-	-	(7,040,421)
Placements with banks	-	-	27,421,729	6,681,780	-	-	34,103,508
Derivative Financial Instruments	-	3,083,815	-	-	-	-	3,083,815
Financial assets recognised through profit or loss - measured at fair value	26,040,046	-	-	-	-	-	26,040,046
Financial assets at amortised cost - loans and receivables to other customers	97,073,312	-	117,591,070	89,397,797	179,652,339	61,247,870	544,962,389
Financial assets at amortised cost - debt and other instruments	353,873	-	29,976,616	28,382,781	63,797,043	36,864,797	159,375,109
Financial assets measured at fair value through other comprehensive income	84,645,423	-	-	-	-	-	84,645,423
Other financial assets	1,965,544	-	-	-	-	-	1,965,544
Total undiscounted financial assets	238,658,874	3,083,815	174,989,415	124,462,358	243,449,382	98,112,667	882,756,510
Financial Liabilities							
Due to Banks	555,792	-	7,134,129	-	-	-	7,689,921
Derivative Financial Instruments	-	93,361	-	-	-	-	93,361
Financial Liabilities at amortised cost due to depositors	134,265,838	-	191,343,860	282,020,739	55,409,641	3,405,146	666,445,224
due to debt securities holders	-	-	15,609,283	23,231	5,600	-	15,638,113
due to other borrowers	16,151,349	-	421,397	1,952,192	6,996,625	3,181,805	28,703,369
Debt securities issued	-	-	6,307,311	2,250,189	29,593,091	-	38,150,590
Other financial liabilities	390,251	-	-	506,119	1,512,405	184,011	2,592,786
Total undiscounted financial liabilities	151,363,230	93,361	220,815,980	286,752,469	93,517,362	6,770,962	759,313,365
Net undiscounted financial assets and liabilities	87,295,644	2,990,454	(45,826,565)	(162,290,111)	149,932,020	91,341,705	123,443,146

	GROUP						
	On Demand LKR '000	Trading Derivatives LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2022							
Financial Assets							
Cash and cash equivalents	35,727,665	-	-	-	-	-	35,727,665
Balances with the Central Bank of Sri Lanka	18,187,547	-	-	-	-	-	18,187,547
Less: Restricted Balance	(18,187,547)	-	-	-	-	-	(18,187,547)
Placements with banks	-	-	4,190,067	-	-	-	4,190,067
Derivative Financial Instruments	-	7,909,252	-	-	-	-	7,909,252
Financial assets recognised through profit or loss - measured at fair value	20,788,523	-	-	-	-	-	20,788,523
Financial assets at amortised cost - loans and receivables to other customers	134,715,781	-	126,851,903	101,496,497	226,093,346	76,938,191	666,095,717
Financial assets at amortised cost - debt and other instruments	6,678,776	-	43,275,404	48,374,583	48,409,520	37,023,422	183,761,706
Financial assets measured at fair value through other comprehensive income	45,454,490	-	-	-	-	-	45,454,490
Other financial assets	2,424,812	-	-	-	-	-	2,424,812
Total undiscounted financial assets	245,790,047	7,909,252	174,317,374	149,871,080	274,502,867	113,961,613	966,352,233
Financial Liabilities							
Due to Banks	98,666	-	15,764,045	5,827,361	-	-	21,690,072
Derivative Financial Instruments	-	96,246	-	-	-	-	96,246
Financial Liabilities at amortised cost due to depositors	138,675,918	-	217,359,242	317,458,926	43,337,962	3,135,211	719,967,259
due to debt securities holders	-	-	124,867	7,126	-	-	131,993
due to other borrowers	21,507,370	-	962,061	4,533,707	7,208,961	4,425,979	38,638,078
Debt securities issued	-	-	685,602	6,300,528	29,335,622	129,924	36,451,675
Other financial liabilities	1,777,780	-	-	289,095	948,864	258,172	3,273,911
Total undiscounted financial liabilities	162,059,734	96,246	234,895,817	334,416,743	80,831,410	7,949,285	820,249,234
Net undiscounted financial assets and liabilities	83,730,313	7,813,006	(60,578,443)	(184,545,663)	193,671,457	106,012,327	146,102,999

56.4 (f)(ii) Contractual maturities for commitments and contingencies

The Bank's contingencies portfolio decreased by 5% during 2023 and stood at LKR 278 Bn as at 31 December 2023.

The table below summarises the maturity profile of the commitments and contingencies for the Bank and Group as at 31 December 2023 and 31 December 2022.

	BANK					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2023						
Undisbursed financing commitments	162,572,666	-	-	-	-	162,572,666
Guarantees and performance bond	-	14,703,544	25,504,133	5,682,178	11,098,094	56,987,948
Documentary credits	-	8,590,013	693,403	-	-	9,283,417
Forward exchange contracts	-	32,121,635	2,846,965	6,778,080	860,760	42,607,439
Acceptance	-	6,189,157	324,790	-	-	6,513,947
Total	162,572,666	61,604,349	29,369,291	12,460,258	11,958,854	277,965,418

	BANK					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2022						
Undisbursed financing commitments	178,539,262	-	-	-	-	178,539,262
Guarantees and performance bond	-	16,600,209	40,029,321	9,277,914	7,289,294	73,196,738
Documentary credits	-	6,558,094	1,164,595	22,433	-	7,745,122
Forward exchange contracts	-	17,484,366	952,127	6,730,080	2,573,280	27,739,853
Acceptance	-	5,724,709	664,072	-	-	6,388,781
Total	178,539,262	46,367,378	42,810,115	16,030,427	9,862,574	293,609,756

	GROUP					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2023						
Undisbursed financing commitments	162,041,166	-	-	805,941	-	162,847,107
Guarantees and performance bond	-	14,591,432	25,504,133	5,682,178	11,098,094	56,875,836
Documentary credits	-	8,589,311	693,403	-	-	9,282,715
Forward exchange contracts	-	32,121,635	2,846,965	6,778,080	860,760	42,607,439
Acceptance	-	6,189,157	324,790	-	-	6,513,947
Total	162,041,166	61,491,535	29,369,291	13,266,199	11,958,854	278,127,045

	GROUP					
	On Demand LKR '000	Less than 3 months LKR '000	3 - 12 months LKR '000	1-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
31 December 2022						
Undisbursed financing commitments	179,450,161	-	-	-	-	179,450,161
Guarantees and performance bond	-	16,556,260	40,029,321	9,177,914	7,289,294	73,052,789
Documentary credits	-	6,558,094	1,164,595	22,433	-	7,745,122
Forward exchange contracts	-	17,484,366	952,127	6,730,080	2,573,280	27,739,853
Acceptance	-	5,724,709	664,072	-	-	6,388,782
Total	179,450,161	46,323,429	42,810,115	15,930,427	9,862,574	294,376,707

56.5 Capital Management

Managing capital is a key focus area in the NDB Group's strategic plan. All large credit proposals are evaluated with the required capital charge and lending decisions are taken on the basis of sufficient return on capital. Even the expansion projects in terms of property expansions and software purchases are evaluated against sufficient return of capital. The Group always strives to maintain a relatively higher level of capital to support the growth in business operations, by maintaining an effective balance between dividend distributions and retention of profits.

56.5.2 Regulatory capital - BANK

	Actual 2023 LKR '000	Required 2023 LKR '000	Actual 2022 LKR '000	Required 2022 LKR '000
Common Equity Tier 1 Capital	54,699,450	32,803,377	49,187,072	36,883,497
Tier 1 Capital	54,699,450	39,832,672	49,187,072	44,787,103
Tier 2 Capital	19,824,151	18,744,787	21,154,847	21,076,284
Total Capital	74,523,602	58,577,459	70,341,919	65,863,387
Total Risk Weighted Assets	468,619,668	-	526,907,094	-
Common Equity Tier 1 Capital Ratio %	11.67%	7.0%	9.34%	7.0%
Tier 1 Capital Ratio %	11.67%	8.5%	9.34%	8.5%
Total Capital Ratio %	15.90%	12.5%	13.35%	12.5%

The detailed capital adequacy computations are given under Risk Management on pages 337 to 366.

Compliance with Disclosure Requirements of the Central Bank of Sri Lanka

COMPLIANCE WITH THE DISCLOSURE REQUIREMENTS SPECIFIED BY THE CENTRAL BANK OF SRI LANKA FOR PREPARATION OF ANNUAL FINANCIAL STATEMENTS OF LICENSED COMMERCIAL BANKS

1. INFORMATION ABOUT THE SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL POSITION AND PERFORMANCE

1.1	Statement of Financial Position	Reference
1.1.1	Disclosures on categories of financial assets and financial liabilities	Note No 20 to the Financial Statements
1.1.2	Other disclosures	
	(i) Special disclosures about the financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement.	Note No 55 - Fair value of financial instruments
	(ii) Reclassifications of financial instruments from one category to another.	Note No 28 to the Financial Statements
	(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note No 56.3 to the Financial Statements
	(iv) Reconciliation of the impairment allowance for credit losses by class of financial assets.	Note No 21.1, 23.1, 26.6, 27.1(d) and 28.1(c) to the Financial Statements
	(v) Information about derivative financial instruments.	Note No 24 to the Financial Statements
	(vi) Information about compound financial instruments with multiple embedded derivatives.	Not Applicable
	(vii) Breaches of terms of loan agreements.	Note No. 50 to the Financial Statements
1.2	Statement of Comprehensive Income	
1.2.1	Disclosures on items of income, expense, gains or losses	Note No 4 to 14 of the Financial Statements
1.2.2	Other disclosures	
	(i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit or loss.	Note 5.1 and 5.2 to the Financial Statements
	(ii) Fee income and expense.	Note No 6 to the Financial Statements
	(iii) Amount of impairment losses by class of financial assets	Note No 11 to the Financial Statements
	(iv) Interest income on impaired financial assets.	Note No 5.1 to the Financial Statements
1.3	Other Disclosures	
1.3.1	Accounting policies for financial instruments	Accounting Policies for each type of Financial Instrument presented in the Statement of Financial Position is disclosed under the respective Notes. Pages 176 to 290
1.3.2	Information on hedge accounting	Note No 24 to the Financial Statements
1.3.3	Information about the fair values of each class of financial asset and financial liability, along with:	
	(i) Comparable carrying amounts.	Note No 55 - Fair value of financial instruments
	(ii) Description of how fair value was determined.	Note No 55 - Fair value of financial instruments
	(iii) The level of inputs used in determining fair value.	Note No 55 - Fair value of financial instruments
	(iv) Reconciliations of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments which fair value is determined using level 3 inputs.	Note No 55(b) - Fair value of financial instruments
	(v) Information if fair value cannot be reliably measured.	Note No 28.3 to the Financial Statements

2. INFORMATION ABOUT THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

2.1	Qualitative Disclosures	Reference
2.1.1	Risk exposures for each type of financial instrument	Note 56 - Risk Management of the Financial Statements
2.1.2	Management's objectives, policies, and processes for managing those risks	Note 56 - Risk Management of the Financial Statements
2.1.3	Changes from the prior period	N/A
2.2	Quantitative Disclosures	
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date.	Note 56 - Risk Management of the Financial Statements
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.	Note 56 - Risk Management of the Financial Statements
	(i) Credit Risk (a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets. (b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset. (c) Information about collateral or other credit enhancements obtained or called. (d) Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 56.3 - Risk Management of the Financial Statements and page 337 on Risk Management
	(ii) Liquidity Risk (a) A maturity analysis of financial assets and liabilities. (b) Description of approach to risk management. (c) Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 56.4.(f) - Liquidity Risk of the Financial Statements and page 337 on Risk Management
	(iii) Market Risk (a) A sensitivity analysis of each type of market risk to which the entity is exposed. (b) Additional information, if the sensitivity analysis is not representative of the entity's risk exposure. (c) Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 56.4 - Market Risk of the Financial Statements and page 337 on Risk Management
	(iv) Operational Risk Refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 56.5 - Capital Management and page 337 on Risk Management
	(v) Equity risk in the Banking Book (a) Qualitative disclosures • Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. • Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. (b) Quantitative disclosures • Value disclosed in the Statement of Financial Position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value. • The types and nature of investments • The cumulative realised gains/ (losses) arising from sales and liquidations in the reporting period.	 Note 56.4.(d) - Equity Price Risk of the Financial Statements
	(vi) Interest rate risk in the Banking Book (a) Qualitative disclosures • Nature of interest rate risk in the banking book (IRRBB) and key assumptions (b) Quantitative disclosures • The increase/ (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	 Note 56.4(a) - Interest Rate Risk of the Financial Statements
2.2.3	Information on concentration of risk	Note 56.3.4.9 - Risk Management of the Financial Statements

3. OTHER DISCLOSURES

3.1	Capital	Reference
3.1.1	Capital structure	
	(i) Qualitative disclosures Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments. (ii) Quantitative disclosures (a) The amount of Tier 1 capital, with separate disclosure of: • Paid-up share capital/common stock • Reserves • Non-controlling interests in the equity of subsidiaries • Innovative instruments • Other capital instruments • Deductions from Tier 1 capital (b) The total amount of Tier 2 capital (c) Other deductions from capital (d) Total eligible capital	Pages from 337 on Risk Management
3.1.2	Capital adequacy	
	(i) Qualitative disclosures A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities. (ii) Quantitative disclosures (a) Capital requirements for credit risk, market risk and operational risk (b) Total and Tier 1 capital ratio (iii) Disclosure requirement under Banking Act Direction No. 10 of 2019 on framework for dealing with Domestic Systemically Important Banks. (iv) Disclosure requirement under Banking Act Direction No. 8 of 2018 on Net Stable Funding Ratio under Basel III Liquidity Standards.	Pages from 337 on Risk Management

4. DISCLOSURES APPLICABLE FOR REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS OF DEALER DIRECT PARTICIPANTS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS

4.1	Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance Directions No. 1 of 2019 dated 20th December 2019 issued by the Monetary Board	Reference
	(i) The carrying value of securities allocated for repurchase transactions as at the period end date. (ii) The market values of securities received for reverse repurchase transactions as at the period end date. (iii) The dealer direct participant policy on haircut for repurchase and reverse repurchase transactions. (iv) Any penalties imposed for non compliance with this Direction.	Note No 56.3.4.13 offsetting of Financial Assets and Liabilities and Note No 27.1(c)

5. DISCLOSURES APPLICABLE ON TREASURY OPERATIONS OF THE BANK

5.1	Banking Act Directions No 06 of 2019 dated 29 August 2019 issued by the Monetary Board on Market Conduct and Practices for Treasury Operations of Banks	Reference
	Disclose as a separate item in the Bank's audited Financial Statements, the profit generated through all interbank foreign exchange transactions including end user transactions where one leg is in the interbank market.	Note No 07

Supplementary Information



A Timeless Dedication

We continuously hone our skills and knowledge to develop unmatched insights and become leaders in our field, and masters of our craft.

Ikebana is a highly-skilled practice that requires years of dedicated learning and experience. The skills, knowledge and capabilities garnered over the years ensure that practitioners of ikebana are positioned to deliver timeless, impactful outcomes.

Key Events

- NDB triumphs at the Best Corporate Citizen Sustainability Awards - Emerges as one of the Top 10 winners
- NDB extends currency exchange and financial transaction services to luxury cruise liner Ocean Odyssey passengers at the Colombo Port



JANUARY

- NDB emerges as a top employer of AICP & CIMA's Top Employers list 2023
- NDB and Ceylon Chamber of Commerce join hands to facilitate the development of the SME and Export sectors in Sri Lanka
- NDB relaunches NDB Araliya proposition under new tagline of "Giving you more than what you want for yourself"



FEBRUARY

- NDB recognises female achievers in Sri Lanka at the Grand Finale of Season 3 Sri Lanka Vanithabhimana
- NDB named as the Most Awarded Corporate in Sri Lanka for the second consecutive year by LMD
- NDB enters into a MoU with the Global Green Growth Initiative (GGGI) to facilitate green transformation through sustainable financing



MARCH

- NDB Managers recognised at Great Manager Awards 2022 with the highest number of Great Managers
- NDB Bank employees volunteer in Mangrove restoration work at the Anawilundawa Ramsar Wetland Sanctuary



JUNE

- NDB joins hands with Trinity Rugby and the Bradby Shield as the Official Team Sponsor of Trinity College for the third consecutive year
- NDB partners with the International Finance Corporation (IFC) for a series of webinars to boost and expand operation of SMEs across Sri Lanka
- NDB partners with The British Council with the aim of improving the teaching skills of secondary English language teachers



MAY

- NDB launches the "Salli Ratin - Thagi Apen" campaign to boost remittances with Western Union
- NDB partners with the Sri Lanka Society of Rugby Football Referees to empower youth sports as its Official Banking Partner
- NDB Bank obtains the ISO 27001:2013 Certification underscoring its commitment to protecting the privacy and security of customer data



APRIL

- NDB facilitates SME integration with digital technologies in Partnership with International Finance Corporation (IFC)
- NDB joins Mercantile Cricket Association (MCA) as the Main Sponsor of the MCA "C" Division 50 Over League Tournament for the third consecutive year



JULY

- NDB honoured as one of the Most Outstanding Women Friendly Workplaces in Sri Lanka at the Third Edition of Women Friendly Workplaces for 2023



AUGUST

- NDB recognised at the Sri Lanka's Most Admired Companies Awards 2022 for sound governance and favourable financial performance
- NDB joins Victoria Golf Resort (VGR) in support of Young Golfers at the VGR Junior Golf Championship 2023
- NDB employees volunteer at the Anawilundawa "Accelerated Natural Regeneration of Mangrove" (ANRM) project celebrating the World Ozone Day 2023
- NDB appointed as a member of the LankaPay USD Online Payment System



SEPTEMBER

- NDB becomes the first commercial bank in Sri Lanka to attain the ISO 22301:2019 certification for its Business Continuity Management System (BCMS)
- NDB renews its "Salli Ratin-Thagi Apen" Campaign to drive remittances



DECEMBER

- NDB supports an inclusive culture on International Sign Language Day 2023 by way of donations
- NDB honoured with a merit award in recognition of its "Secure 360 Security Management Programme" at NBQSA 2023
- NDB and NDBIB join forces with the Sri Lanka Export Development Board as the Silver Sponsor for the 'Presidential Export Awards 2023'
- NDB forms alliance with CPM Sri Lanka Professional Women's Chapter, to empower women entrepreneurs



NOVEMBER

- Sri Lanka Vanithabhimana, aimed at empowering women of Sri Lanka, launches the fourth consecutive edition
- NDB emerges as the recipient of the Prime Purchase Performer Award at the Daraz Payment Partner Performance Awards 2023



OCTOBER

Awards & Accolades 2023

Total count

92

Overall Excellence

- » LMD Annual Rankings for Most Awarded Entities 2022 - Most Awarded Corporate in Sri Lanka 2022
- » World Business Outlook Awards 2023 - Best Financial Services Group Sri Lanka
- » Finance Derivative Magazine Awards 2023
 - Best Financial Services Group Sri Lanka
 - Best Bank for Sustainable Development Sri Lanka
- » National Business Excellence Awards 2021
 - Winner - the Banking Sector
 - Winner - Excellence in Capacity Building
 - Runner Up - Excellence in Corporate Governance
- » Brand Finance Lanka and LMD - Ranked 15th in Sri Lanka's Most Valuable Brands
- » Indian Chamber of Commerce Emerging Asia Banking Awards 2023
 - Winner - Best Performance on Profitability - Sri Lanka
 - Winner - Best Performance on Growth - Sri Lanka
- » LMD Annual Rankings for Top 20 Most Respected Entities 2023 - Winner - Ranked 18th
- » AICPA & CIMA Sri Lanka, ICC Sri Lanka and Daily FT Most Admired Companies of Sri Lanka 2022 - Honourably mentioned
- » World Business Stars Magazine Award 2023 - United Kingdom
 - Best Financial Services Group Sri Lanka
 - Best Domestic Bank Sri Lanka
- » International Business Magazine Award Winner 2023 - Most Sustainable Domestic Bank Sri Lanka
- » Business Today Top 40 2022/23 - Ranked 15th

Excellence in Digital Financial Services

- » Global Business Magazine Award Winner 2023 - Best Mobile Banking App Sri Lanka
- » Global Banking & Finance Review Awards 2023
 - The Next 100 Global Awards – Digital Banking
 - Best Bank for Digital Banking Services Sri Lanka
- » LankaPay Technnovation Awards 2023
 - Silver award - Financial Institution of the Year for adopting LankaSign Digital Signatures
 - Merit award - Bank of the Year for Excellence in Customer Convenience Category B
- » Global Business and Finance Magazine Awards 2023 - Most Innovative Financial Services Providers Sri Lanka
- » International Investor Awards 2023 - Best Digital Transformation
- » Gazet International Awards 2023 - Best Online Banking Platform Sri Lanka
- » Cosmopolitan The Daily Business Awards 2023 - Best Payment Technology Innovations - Sri Lanka
- » Global Brand Awards UK 2023 - Most Innovative Digital Banking Brand, Sri Lanka - 2023"
- » Global Finance's Best Digital Banks Awards 2023 - Best Innovation & Transformation - Sri Lanka
- » Brands Review Magazine Award Winners 2023 - Best Digital Transformation Bank - Sri Lanka
- » International Business Magazine Award Winner 2023 - Most Reliable Digital Banking Services Provider Sri Lanka
- » National ICT Awards, NBQSA 2023 - In-house category award - For in-house security application Secure360

Excellence in Retail Banking Products/Services

- » Global Business Magazine Award Winner 2023 - Best Retail Bank Sri Lanka
- » Global Banking & Finance Review Awards 2023 - Best Private Bank Sri Lanka
- » Asian Banking & Finance Retail Banking Awards 2023 - Retail Bank of the Year
- » Daraz Payment Partner Awards 2023 - Winner - Prime Purchase Performance Award

Excellence in SME Banking

- » Cosmopolitan The Daily Business Awards 2023 - Best SME Bank - Sri Lanka
- » Global Brand Awards UK 2023 - Leading SME Banking Brand, Sri Lanka - 2023

Excellence in Corporate Banking

- » Global Banking & Finance Review Awards 2023 - Best Wholesale Bank Sri Lanka
- » Global Finance World's Best Sub Custodian awards - Best Sub Custodian Bank Sri Lanka
- » Asiamoney Best Bank Awards 2023 - Best Corporate Bank in Sri Lanka
- » International Banker 2023 Banking Awards - Best Commercial Bank Sri Lanka 2023
- » Brands Review Magazine Award Winners 2023
 - Best Customer Centric Corporate Bank - Sri Lanka
 - Best Corporate Bank
- » World Economic Magazine Awards 2023 - Best Custodian Bank Sri Lanka 2023

Excellence in Project Financing

- » Global Banking & Finance Review Awards 2023 - Best Bank for Renewable Energy Financing Sri Lanka
- » Asian Banking & Finance Corporate & Investment Banking Awards 2023 - Corporate Client Initiative of the Year
- » Asian Banking & Finance Wholesale Banking Awards 2023 - Domestic Project Finance Bank of the Year
- » International Finance Awards 2023 - Best Project & Infrastructure Finance Bank – Sri Lanka
- » Cosmopolitan The Daily Business Awards 2023 - Best Bank for Green Financing - Sri Lanka
- » World Economic Magazine Awards 2023 - Best Project & Infrastructure Finance Bank Sri Lanka

Excellence in Customer Service

- » World Business Outlook Awards 2023 - Preferred Customer-Friendly Bank Sri Lanka

Excellence in Empowering the Women's Market Segment

- » The Global Economics Awards 2023 - Best Bank For Women Empowerment - Best Bank For Women Empowerment
- » Global Banking & Finance Review Awards 2023 - Best Financial Institution for Empowering Women in Business Sri Lanka
- » Finance Derivative Magazine Awards 2023 - Best Financial Institution For Women Empowerment Sri Lanka
- » Asian Banking & Finance Retail Banking Awards 2023 - Banking for Women Initiative of the Year
- » Global Brand Awards UK 2023 - Best Banking Brand for Women Empowerment
- » World Economic Magazine Awards 2023 - Best Bank for Women Entrepreneurs Sri Lanka 2023

Excellence in Corporate Sustainability/ ESG

- » Ceylon Chamber of Commerce - Winner - 10 Best Corporate Citizens 2022
- » The European – Global Business Awards 2023
 - Best Ethical Business Practices Bank - Sri Lanka
 - Best Performing ESG Bank - Sri Lanka
- Best Supporting Charitable Giving Bank 2023 - Sri Lanka

Excellence in Best HR Practices

- » AICPA and CIMA - Winner - AICPA & CIMA Top 20 Employer in 2023
- » The Colombo Leadership Academy - Corporate with Great Managers 2023
- » Women Friendly Workplace Awards 2023 By Satyn Magazine and AICPA & CIMA - One of Sri Lanka's Most Outstanding Women Friendly Workplaces
- » World Economic Magazine Awards 2023 - Best Bank for Diversity & Inclusion Sri Lanka

Excellence in Marketing, Branding & Sales

- » SLIM DIGIS 2023
 - Gold award - Cross digital platform integration (Special category award)
- Cross digital platform integration (Special category award)
- Silver - Banking/ finance (Main category award)
- Grand prix - highest score in both the main awards category and the special awards category

Excellence in Investor Relations

- » Global Business Magazine Award Winner 2023 - Best Investor Relations Bank Sri Lanka

Excellence in Islamic Banking

- » Global Business and Finance Magazine Awards 2023 - Best Islamic Bank Sri Lanka
- » World Business Outlook Awards 2023 - Most Promising Islamic Banking Sri Lanka
- » Gazet International Awards 2023 - Best Islamic Bank Sri Lanka
- » International Finance Awards 2023 - Best Islamic Finance Bank - Sri Lanka 2023
- » Islamic Finance Forum of South Asia (IFFSA) Awards 2023
 - Gold Award - Deal of the Year 2022
 - Silver Award for the Rising Star of Islamic Banking in 2022 - Misna Mizra of NDB
- » Sri Lanka Islamic Banking and Finance Industry (SLIBFI) - The deal of the year Gold award

Leadership Awards

- » CEO Sri Lanka Magazine - CEO Awards Night 2022 - CEO of the year
- » International Investor Awards 2023 - CEO of the Year
- » The European – Global Business Awards 2023 - Banking CEO of the Year - Sri Lanka Mr. Dimantha Seneviratne

Excellence in Annual Reports Presentation

- » CMA Excellence in Integrated Reporting Awards 2023
 - 10 Best Integrated Reports
 - Winner - Best Integrated Report Banking Sector
- » CA Sri Lanka - TAGS Awards 2023
 - Silver Award winner - Private Banks sector
 - Bronze Award winner - Corporate Governance Disclosure
- » ACCA Sri Lanka Sustainability Reporting Awards 2022 - Runner-up Banking Category

Awards won by NDB Investment Bank Limited

- » Euromoney Magazine Awards for Excellence – 2023 Sri Lanka's Best Investment Bank, (12th Consecutive Year)
- » Asiamoney Banking Awards – 2023 Best Investment Bank, Sri Lanka (7th Consecutive Year)
- » Asian Banking & Finance Corporate & Investment Banking Awards 2023 Corporate & Investment Bank of the Year - Sri Lanka (5th time)
- » Global Brands Magazine – 2023 Most Trusted Investment Banking Brand, Sri Lanka (9th Time)
- » Finance Asia Awards 2023 Best Investment Bank in Sri Lanka
- » World Economic Magazine Awards 2023 Best Investment Bank Sri Lanka 2023
- » World Business Stars Magazine Award 2023 Best Investment Bank Sri Lanka 2023

Corporate Governance

(For further Compliance Disclosures please refer pages 128 - 136)

STATEMENT OF COMPLIANCE - DIRECTION NO. 11 OF 2007 (AS AMENDED) ON CORPORATE GOVERNANCE ISSUED BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA (THE CORPORATE GOVERNANCE DIRECTION)

The Corporate Governance Direction provides processes and practices deemed to be the framework that facilitates the conduct of the banking business in a responsible and accountable manner so as to promote the safety and soundness of the Bank, thereby leading to the stability of the overall banking sector. The disclosures below reflect the Bank's compliance with the Corporate Governance Direction under the following key principles:

1. The responsibilities of the Board;
2. The Board's composition;
3. Criteria for the assessment of the fitness and propriety of Directors;
4. Management functions delegated by the Board;
5. The Chairman and the Chief Executive Officer;
6. The Board appointed Subcommittees;
7. Related Party Transactions; and
8. Disclosures;

Rule No.	Corporate Governance Principles	Compliance Status
3 (1) Responsibilities of the Board		
3 (1) (i)	The Board has strengthened the security and the soundness of the Bank in the following manner:	
a.	Setting and communicating strategic objectives and corporate values The Bank's strategic plan for 2021-2025, Voyager 25 strategy (V 25) was reviewed and formally approved by the Board in August 2020 after detailed discussions had with the Senior Management of the Bank. For this exercise, the Bank formed a cross functional team of internal staff to obtain their views. The new strategy was formally rolled out within the Bank during 2020. Alignment of staff to the V 25 strategy was ensured through regularly updating a dedicated website with all communications, milestones etc relating to the Strategy and its rollout. Given the rapidly evolving market conditions locally and globally, the senior management engaged in a critical evaluation of the Strategic Plan in 2023 and developed a medium term strategic plan to be implemented during FY24 & FY25 period, covering the latter half of V-25 Strategy horizon. This mid-term strategy aims to closely align the Bank's business strategy to the current operating environment and address the key concerns with regard to earnings and balance sheet to better position the Bank to face new challenges. These changes and thinking are being cascaded down to all staff to ensure alignment of the Bank as a whole with the updated Strategic Plan. The corporate values of the Bank are embedded in the Bank's Code of Conduct for Employees which is communicated to all employees via the Bank's intranet, through the induction programmes and refresher trainings.	Compliant
b.	Approving overall business strategy including risk policy and risk management After detailed discussions held with The Leadership Team of the Bank, the Bank's overall business strategy for 2021-2025 was reviewed and approved by the Board in August 2020. In 2023 the Bank's strategy was further reviewed. The Bank has established an Integrated Risk Management Framework approved by the Board covering all risks. There are separate risk policies and risk management procedures with regard to credit risk, operational risk, and market and liquidity risk. The strategic risk is embedded in each of these procedures based on applicability. Further, the Bank has a Board approved risk appetite statement which is monitored by the Integrated Risk Management Committee (IRMC) and the Board on a quarterly basis. This has been further reviewed by the IRMC during the year 2023. The Bank has a Board approved Strategic Plan for 5 years with measurable Key Performance Indicators.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
c.	Risk management The Board is responsible for the overall risk framework of the Bank. The IRMC appointed by the Board, reviews and recommends to the Board, the Bank's risk policies and procedures defining the Bank's risk appetite, identifying principal risks, setting governance structures and implementing policies and systems in line with the Integrated Risk Management Framework to measure, monitor and manage the principal risks of the Bank. The Board has approved risk management policies and procedures as reviewed and recommended by the IRMC, based on these parameters and as required by this Direction. The following reports provide further insight in this regard: The Risk Management Report on pages 337 to 340 Integrated Risk Management Committee Report on pages 144 to 146	Compliant
d.	Communication with all stakeholders The Bank has in place a Board approved Communication Policy aimed to encourage effective communication of corporate information relating to the Bank on its behalf covering all stakeholders including employees, customers, creditors, shareholders, general public and the regulators. This policy is reviewed regularly in order to reflect the best practices in communications. Additionally, the "Investor Relations" page on the Bank's website contains the quarterly Financial Statements and Annual Reports together with the key disclosures on Risk Management. Please refer page 125 of the Corporate Governance Report which illustrates the effective communication with the Bank's stakeholders.	Compliant
e.	Internal control system and management information systems The Board is assisted by the Audit Committee (AC), which evaluates the adequacy and effectiveness of the internal control systems, and reviews internal control issues identified by the Bank's Internal Audit, External Auditor, regulatory authorities and the Management. The MIS process of the Bank is continuously being improved. The Board also reviews the adequacy of the Bank's Management Information Systems, based on the monthly MIS pack submitted to the Board each month.	Compliant
f.	Key Management Personnel (KMP) Key Management Personnel (KMP) of the Bank have been identified by the Board having considered the Banking Act Determination No. 1 of 2019 on officers performing executive functions of the Bank, and presently are the Leadership Team whose names are detailed on pages 30 to 32 of this Report. All appointments of KMP are recommended by the Nominations and Governance Committee and approved by the Board.	Compliant
g.	Define areas of authority and key responsibilities for Directors and KMP The Bank's internal Code of Corporate Governance sets out a clear division of authority and responsibilities between the Directors and the KMP. The Directors have set goals and targets for the year 2023. The duties and responsibilities of KMP are documented in their respective job descriptions and scorecards. The Board through the HRRC evaluated the performance of the KMP against set goals and targets.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
h.	Oversight of affairs of the Bank by KMP To enable the Board to discharge its stewardship and fiduciary responsibilities effectively it delegates authority to the Board committees to oversee specific responsibilities based on clearly defined terms of reference. The Board has delegated its authority in operational areas to the Senior Management led by CEO within clearly defined limits. The Board regularly interacts with the Bank's KMP through reports tabled at both Board, Subcommittee meetings and at any special meetings convened on a needs basis. KMP make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas. Banking operations carried out in line with the Bank's strategic objectives including any issues faced by the Bank are discussed on an ongoing basis at Board meetings and also at special meetings scheduled with Directors based on the exigencies of times through which Directors provide the required oversight and guidance to the KMP. The CEO at weekly meetings held with The Leadership Team updates them on key decision points taken by the Board.	Compliant
i.	Assess effectiveness of own governance practices The Nominations and Governance Committee (NGC) has been delegated the function of selection, nomination and election of Directors to the Board and KMP. The Bank's internal Code of Corporate Governance clearly provides guidance on avoiding, managing and disclosing conflicts of interests. The Directors are required to provide a declaration yearly. The Directors' interests are disclosed to the Board and Directors who have a particular interest have stepped out from discussions and abstained from voting in such a situation and he/she is not counted in the quorum. Determination of weaknesses in the Board of Directors own governance practices and implementation of changes are primarily addressed through the annual self-evaluation process among the Board members. Self-evaluations for the year 2023 have been collected and summarised by the Company Secretary and submitted to the Chairman for his review. The Chairman then discusses areas of weaknesses and recommends changes where necessary at a Board meeting in order to ensure that governance practices are continuously improved throughout the year. Where necessary, the Chairman may engage Directors on a one-on-one basis to discuss their feedback/address any concerns etc. In addition, the Chairman and the Board being conscious of good governance principles, focuses on its practical implementation through its routine interaction with and oversight of the CEO and KMP through the monthly Board meetings and as and when needed.	Compliant
j.	Succession plan for KMP The Succession Plan of the Bank was reviewed and approved by the Board at its meeting held in 20 June 2023.	Compliant
k.	Regular meetings with KMP The KMP make regular presentations or are called in for discussions at the meetings of the Board and its Subcommittees on policy and other matters relating to their areas. Progress made towards corporate objectives and regulatory developments is a regular agenda item for the Board and KMP are regularly involved in Board level discussions on the same and on a needs basis.	Compliant
l.	Regulatory environment and maintaining an effective relationship with the regulator Circulars, directions and guidelines issued by the regulators are circulated to the Directors on a quarterly basis for their information. In 2023 all new CBSL laws and regulations that were issued and relevant to banking business were made available on the BoardPac together with explanatory notes which detailed the key areas of impact. Further, a snapshot of key regulatory changes during each quarter with the status of compliance was provided to the Board. The CEO meets with the Central Bank officials at the monthly CEO's meeting. The Chairman of the Bank and the Chairpersons of the Board Subcommittees also meet with the CBSL officials. Further, the Directors, the CEO and KMP of the Bank maintain dialogue with the regulators on an ongoing basis and attend the Director's forum arranged by the CBSL.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
m.	Hiring and oversight of External Auditors Audit Committee Charter includes the functions of hiring and overseeing of the External Auditor. The Audit Committee (AC) carries out the necessary due diligence regarding the hiring/evaluation of the External Auditor and makes recommendations to the Board. The appointment/re-appointment of the External Auditor is made at the Annual General Meeting. Oversight of the External Auditor is carried out by the AC and the Board is been briefed of any concerns in this regard if required. A formal evaluation of the External Auditors' Performance is assessed annually by the AC by also considering the evaluation done by VP - Finance/ Chief Financial Officer and conclusions together with any recommendations are discussed at Board level.	Compliant
3 (1) (ii)	Appointment of Chairman and CEO and defining and approving their functions and responsibilities In line with the Direction, the Bank's Board-approved internal Code of Corporate Governance documents the functions and responsibilities of the Chairman and the CEO. The Board has appointed the Chairman and CEO and has approved their functions. There is a clear division of responsibilities between the Chairman and the CEO, and this requirement is further explained on pages 115.	Compliant
3 (1) (iii)	Regular Board meetings Regular monthly Board meetings are held and special Board meetings are scheduled as and when the need arises. There have been 16 Board meetings during 2023 which included 04 special meetings. In addition, the Subcommittees of the Board meet as and when necessary. Each member of the Board brings different areas of expertise, skills and experience to the table which encourages a robust exchange of alternate views and ways of thinking. Circulation of Board papers to obtain Board's consent is minimised and resorted to only when absolutely necessary. These decisions are in any event later confirmed by the Board at the immediately succeeding Board meeting. 19 circular resolutions have been passed during 2023. Please refer page 123 and 124 for Board and Board Subcommittee meeting attendance respectively.	Compliant
3 (1) (iv)	Arrangements for Directors to include proposals in the agenda All Directors are entitled to include matters and proposals in the agenda for Board meetings and this right has been entrenched in the Bank's internal Code of Corporate Governance. Monthly meetings are scheduled and informed to the Board at the end of the previous calendar year to enable submission of proposals in the agenda for regular meetings. This process supports the requirement detailed in this Direction and a Director may include a proposal (if required) in the agenda of a Board meeting.	Compliant
3 (1) (v)	Notice of Meetings Monthly meetings for a calendar year are scheduled and informed to the Board at the end of the previous calendar year to provide Directors ample notice and an opportunity to participate. Formal notice of meetings, the agenda and Board papers related to each Board meeting are circulated at least 7 days in advance of the Board meeting. These documents are uploaded through a secure connection to the tablets of all Directors.	Compliant
3 (1) (vi)	Directors' attendance The Company Secretary monitors the attendance register to ensure compliance. All Directors have attended at least two thirds of the meetings held during the year 2023 and no Director has been absent for three consecutive meetings during 2023, if eligible to attend. Attendance of Directors at Board meetings is detailed on page 123.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
3 (1) (vii)	Appointment and setting responsibilities of the Company Secretary The internal Code of Corporate Governance includes the responsibilities of the Company Secretary as specified in the statutes and other regulations. The Company Secretary appointed by the Board is an Attorney at Law who satisfies the provision of Section 43 of the Banking Act, Companies Act and the Articles of Association of the Bank. Please refer page 29 for a detailed profile and page 116 for duties and responsibilities of the Company Secretary.	Compliant
3 (1) (viii)	Directors' access to advice and services of the Company Secretary The internal Code of Corporate Governance of the Bank includes a provision to enable all Directors to have full access to the advice and services of the Company Secretary to ensure that proper Board procedures are followed and all applicable rules and regulations are complied with. For the year 2023, the Company Secretary has provided assistance to the Directors when requested.	Compliant
3 (1) (ix)	Maintenance of Board minutes The Company Secretary maintains detailed Board minutes and circulates minutes to all Directors after review by the CEO and the Chairman. The minutes are approved at the subsequent Board meetings. The Bank's internal Code of Corporate Governance also provides that minutes are open for inspection at any reasonable time, upon reasonable notice given by any Director. Additionally, the Board has access to the past Board papers and Board minutes through a secure connection to the tablets of all Directors.	Compliant
3 (1) (x)	Maintaining minutes with sufficient details to serve as a reference for regulators and supervisory authorities A Board-approved procedure is in place for recording the Board minutes by the Company Secretary. The minutes contain adequate details appropriate to the matters dealt with. The minutes are read together with the corresponding Board papers, which supplement information in the minutes. All matters required to be minuted in terms of 3(1) (x) (a)–(f) of the Direction are recorded in the minutes. Please refer page 116 of the Corporate Governance report.	Compliant
3 (1) (xi)	Directors' ability to seek independent professional advice There is a process for Board members to obtain independent professional advice at the expense of the Bank. The Board has obtained professional advice during the year.	Compliant
3 (1) (xii)	Dealing with conflicts of interest The Directors are conscious of their obligations to deal with situations where there is a conflict of interest in accordance with the Articles of Association of the Bank and the Corporate Governance Direction No 11 of 2007 (as amended). The internal Code of Corporate Governance adopted by the Board, requires each Board member to determine whether he/ she has a potential or actual conflict of interest. If a Director of the Bank has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, such matters are disclosed and discussed at the Board meetings, where Independent Non-Executive Directors who have no material interest in the transaction, are present. Further, Directors abstain from participating in the discussion and voting on Board resolutions in relation to which such Directors or any of their close relation/s or a concern in which such Directors or any of their close relation/s have substantial interest, and/or are interested in. Further, their votes are not counted in the quorum for the relevant agenda item at the Board meeting.	Compliant
3 (1) (xiii)	Formal schedule of matters reserved for Board decision The Board has a formal schedule of matters specifically reserved to it for decision to ensure that direction and control of the Bank is firmly under its authority.	Compliant
3 (1) (xiv)	Inform the Central Bank on probable solvency issues The Bank is aware of the requirement, but the situation has not arisen within the year. The Bank has a Board and IRMC approved Liquidity Contingency Funding Plan in place to inform the Director of Banking Supervision of same, prior to taking any decision or action to suspend payments due to depositors and other creditors. Also, a Solvency Statement is prepared when the Bank declare the dividend payment to shareholders which is audited by the External Auditors.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
3 (1) (xv)	Capital adequacy Monthly and quarterly compliance reports have been submitted to the Board which contains the Capital Adequacy Ratio (CAR). The Bank is fully compliant with the Capital Adequacy requirements stipulated by the Central Bank of Sri Lanka. Also, the Internal Capital Adequacy Assessment Process (ICAAP) covers capital planning over the next 4 years. Refer page 357 to 365 on Basel III Disclosures under Pillar III as per the Banking Act Direction No 01 of 2016 (as amended).	Compliant
3 (1) (xvi)	Publish Corporate Governance Report in this Annual Report This Report forms part of the Corporate Governance Report of the Bank which is set out on pages 110 to 127 and pages 298 to 313	Compliant
3 (1) (xvii)	Self-assessment of Directors In accordance with the Direction, the Board annually assesses the effectiveness of the Director's own governance practices and therefore the Board has adopted a scheme of self-assessment to be undertaken by each Director annually. The evaluation covers a range of issues including the Board composition, timeliness and quality of information provided to the Board and their individual goals and responsibilities. The Chairman reviews the responses based on the summarised responses for the previous year's self-assessment of the Directors to the self-assessment questionnaire and reports to the Board on any identified weaknesses and lapses and recommends an action plan for approval of the Board if necessary. The Board periodically reviews the progress made on the action plan. Where necessary, the Chairman may engage Directors on a one-on-one basis to discuss their feedback/address any concerns etc.	Compliant
3 (2) Board Composition		
3 (2) (i)	Number of Directors The number of Board Directors during the year 2023 was in compliance with the thresholds detailed in this Direction and the Articles of Association of the Bank. As at 31 December 2023, the Board comprised ten (10) Directors.	Compliant
3 (2) (ii)	Period of service of a Director None of the Directors have exceeded 9 years of service during the year 2023. The Company Secretary monitors this requirement. Details of tenure of service is given on page 112.	Compliant
3 (2) (iii)	Board balance The CEO of the Bank is the only Executive Director and thus the Bank complies with this requirement	Compliant
3 (2) (iv)	Independent Non-Executive Directors The Board through Nominations and Governance Committee assesses the independence or non-independence of each Non-Executive Director based on a declaration made by each Director to the Company Secretary each year. As at 31 December 2023 there were 6 Independent Non-Executive Directors on the Board which is above the regulatory requirement. The Independent Non-Executive Directors are detailed on page 111 of this report.	Compliant
3 (2) (v)	Alternate Independent Directors Directors appoint Alternate Directors in line with this direction and the Articles of the Bank as and when required for a particular meeting. During the year 2023, Alternate Directors appointed by Independent Directors for a particular meeting met the criteria that apply to an Independent Director.	Compliant
3 (2) (vi)	Criteria for Non-Executive Directors A Board-approved procedure to select and appoint Non-Executive Directors is in place. The Non-Executive Directors of the Bank are persons with credible track records and have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance, risks and resources. Please refer the profiles of Non-Executive Directors on pages 22 to 29 of this Report.	Compliant
3 (2) (vii)	More than half the quorum to comprise of Non-Executive Directors The CEO of the Bank is the only Executive Director. Hence all Board meetings have met this requirement.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
3 (2) (viii)	Identify Independent Non-Executive Directors in communications and disclose categories of Directors in this Annual Report The Independent Non-Executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, by category of Directors, including the names of the Chairman, Executive Director, Non-Executive Directors and Independent Non-Executive Directors are given on page 111 of the Corporate Governance Report.	Compliant
3 (2) (ix)	Formal and transparent procedure for appointments to the Board There is in place a formal, considered and transparent procedure for the appointment of new Directors to the Board. In practice, Directors are appointed based on recommendations made by the Nominations and Governance Committee. The Board has additionally evolved a succession plan collectively with the NGC to make certain the orderly succession of appointments to the Board.	Compliant
3 (2) (x)	Election of Directors filling casual vacancies Appointment to fill a casual vacancy is made by the Board on the recommendations of the Nominations and Governance Committee. A person so appointed would stand for re-election at the next Annual General Meeting in accordance with the Articles of Association. Ms. Shweta Pandey and Mr Hasitha Premaratne were to fill a casual vacancy and upon being recommended by the Board, and they will stand for re-appointment by the shareholders at the forthcoming Annual General meeting to be held in March 2024.	Compliant
3 (2) (xi)	Communication of reasons for removal or resignation of Director There was only one resignation during 2023 all of which complied with the disclosure requirements detailed in the direction and the CSE Listing Rules.	Compliant
3 (2) (xii)	Prohibition of Directors or employees of a Bank becoming a Director of another bank No Directors or employees of the Bank are a Director of another Bank. The Nominations and Governance Committee takes into account this requirement in their deliberations when considering the appointments of Directors. The Bank's "Code of Conduct" further incorporates this requirement for employees.	Compliant
3 (3) Criteria to assess fitness and propriety of Directors		
3 (3) (i)	Age of Director should not exceed 70 There are no Directors who are over 70 years of age.	Compliant
3 (3) (ii)	Directors should not be Directors of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank. No Director holds Directorships of more than 20 companies. The Directorships of each of the Directors are disclosed on pages 22 to 29 of the Annual Report.	Compliant
3 (3) (iii)	Director or CEO of the Bank shall not be appointed before the expiry of a period of 6 months from the date of cessation of his/her office at another licensed bank (Cooling-off Period) The Company Secretary monitors this requirement.	Compliant
3 (4) Management functions delegated by the Board		
3 (4) (i)	Understand and study delegation arrangements	Compliant
3 (4) (ii)	Extent of delegation should not hinder the Board's ability to discharge its functions	
3 (4) (iii)	Review delegation arrangements periodically to ensure relevance to operations of the Bank The Board periodically reviews and approves the delegation arrangements in place to ensure they are relevant and addresses the needs of the Bank. Delegation papers are prepared in detail and recommended by the IRMC to the Board. Terms of Reference (TOR) of each of the Board Subcommittees which are incorporated in the respective charters of each Board Subcommittee are approved by the Board. In addition it is to be noted that by delegating, the Board does not lose the authority to deal with matters that have been delegated when necessary.	

Rule No.	Corporate Governance Principles	Compliance Status
3 (5) The Chairman and Chief Executive Officer		
3 (5) (i)	Separation of roles The roles of Chairman and CEO of the Bank are held by separate individuals. In addition, there is a clear division of responsibilities between the Chairman and the CEO thereby maintaining the balance of power between the two roles.	Compliant
3 (5) (ii)	A Non-Executive Independent Director as the Chairman or if not independent, designation of an Independent Director as the Senior Director The Articles of Association of the Bank mandates that the Chairman of the Bank must be an Independent Director. As such, a Non-Independent Director cannot be appointed as the Chairman and hence the need to appoint a Senior Independent Director cannot arise. Currently, Mr. Sriyan Cooray, Independent Non-Executive Director is the Chairman of the Bank.	Compliant
3 (5) (iii)	Disclosure of identity of Chairman and CEO and any relationships with the Board members In accordance with this Direction, the Company Secretary obtained declarations from each Director to identify the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the CEO and the relationships among members of the Board. Based on the said declarations there were no material relationships between the Chairman and the CEO and among the Board members.	Compliant
3 (5) (iv)	Chairman to provide leadership to the Board The Chairman is responsible for the running of the Board, preserving order and ensuring that proceedings at meetings are conducted in a proper manner. Further, he ascertains the views of the Directors on the issues being discussed before decisions are taken. The self-evaluation process carried out by the members of the Board each year assists the Chairman to effectively carry out his responsibilities by providing him the required feedback.	Compliant
3 (5) (v)	Responsibility for agenda lies with the Chairman but may be delegated to the Company Secretary Whilst noting that the overall responsibility lies with the Chairman, he has delegated the drawing up of the agenda Company Secretary who carries same out in consultation with the CEO and subject to the Chairman's approval. The Bank's internal Code of Corporate Governance also casts this responsibility with the Chairman.	Compliant
3 (5) (vi)	Ensure that Directors are properly briefed and provided adequate information The Directors are adequately briefed in the course of discussions by the Chairman, CEO and officers of senior management in respect of matters that are taken up by the Board. The following procedures are in place to ensure this: Board papers are circulated in advance among the Directors. Management information is provided on a regular basis to enable the Directors to assess the performance and stability of the Bank. Relevant KMP are on hand for explanations and clarifications. The Directors are able to seek independent professional advice on a need basis at the Bank's expense.	Compliant
3 (5) (vii)	Encourage active participation by all Directors and lead in acting in the interests of the Bank The Chairman ensures that all members effectively participate as a team in Board deliberations and decisions and Directors concerns and comments are duly recorded in the minutes.	Compliant
3 (5) (viii)	Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors All Directors of the Board except the CEO are Non-Executive Directors and the Chairman requests and encourages their active participation, as needed. Further, Non-Executive Directors participate in Board-appointed Subcommittees providing further opportunity for active participation. In addition, the feedback received from the self-evaluation process carried out by the Board supports the Chairman in improving contributions of Non-Executive Directors.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
3 (5) (ix)	Refrain from direct supervision of KMP and executive duties Chairman is a Non-Executive Director and he does not directly get involved in the supervision of KMP or any other executive duties.	Compliant
3 (5) (x)	Ensure effective communication with shareholders Shareholders are encouraged to provide their feedback to the Company Secretary using feedback forms made available with the Annual Report. In addition, there is an e-mail address dedicated for investor relations and the link is available on the Bank's website. The Bank also has a dedicated Investor Relations Team. The Chairman together with the CEO ensures effective communication with shareholders through investor's forums or calls held each quarter/as needed and through continuous engagement with our institutional investors. Members of the Board are apprised of the views of major investors and other key stakeholders pursuant to these meetings.	Compliant
3 (5) (xi)	CEO functions as the apex executive in charge of the day-to-day operations The CEO is responsible for providing the leadership, expertise and professional environment within the Bank for the implementation of the Board's policies and the achievement of the Bank's goals and objectives. The operations of the Bank are carried out in conformity to this requirement.	Compliant
3 (6) Board appointed committees		
3 (6) (i)	Establishing Board Committees, their functions and reporting The Board has established nine (9) Board Subcommittees, of which 4 committees named Strategic Issues Committee, Board Credit Committee, Related Party Transactions Review Committee and Digital Transformation Committee were appointed to meet the business requirements of the Bank and 5 committees that are Audit Committee, Human Resources and Remuneration Committee, Nominations and Governance Committee, Integrated Risk Management Committee and Discretionary and Capex Committee, which are mandated by the CBSL regulations. Minutes of Board Subcommittee meetings are shared with the main Board and the Chairmen/Chairpersons of Board Subcommittees update the Board on recommendations made and any matters of importance that are discussed at the respective Board Subcommittee. This Annual Report includes individual reports of each such Subcommittee on pages 139 to 155 which reports include a summary of duties, roles and performance of each Subcommittee.	Compliant
3 (6) (ii)	Audit Committee (AC)	
a.	Chairman of the committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit Mr. Sujeewa Mudalige the Chairman of the AC is an Independent Non-Executive Director and a Fellow Member of the Chartered Institute of Management Accountants, UK, Institute of Chartered Accountants of Sri Lanka, Association of Chartered Certified Accountants UK and CPA – Australia). Mr. Sujeewa Mudalige's profile is given on page 24.	Compliant
b.	Committee to comprise solely of Non-Executive Directors All members of the AC are Non-Executive Directors.	Compliant
c.	Audit Committee functions The following matters referred to in the Direction are reviewed and appropriate recommendations are made by the AC; (i) Re-appointment of the External Auditor for audit services has been recommended to the Board by the AC; The AC has discussed the audit plan and methodology with the External Auditor. (ii) – (iii) AC has discussed the implementation of the Central Bank guidelines issued to Auditors from time to time and the application of the relevant accounting standards; (iv) In order to ensure the independence of the Auditor to comply with the requirements of this Direction the External Audit Partner was rotated as per the five-year rotation requirement. The AC evaluates and makes recommendations to the Board with regard to the audit fee. Refer the 'Report of the Audit Committee' given on pages 147 to 148.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
d.	Review and monitor External Auditor's independence and objectivity and the effectiveness of the audit processes The AC reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices through the representations from the External Auditor.	Compliant
e.	Provision of non-audit services by External Auditor A Policy for 'Engaging the External Auditor for non-audit services' is in place which covers all aspects stated in this Direction. This Policy is reviewed and the relevant amendments are approved by the AC and the Board. Assigning such non-audit services to External Auditor is discussed at AC meetings and the required prior approval is obtained to that effect. Further, relevant information is obtained from the External Auditor to ensure that their independence is not impaired, as a result of providing any non-audit services.	Compliant
f.	Determines scope of audit The AC Charter requires the AC to discuss and finalise with the External Auditor the nature and scope of the audit. In order to comply, the External Auditor makes a presentation at the AC meeting detailing the proposed audit plan and scope. The Committee discussed and finalised the audit plan, methodology and scope with the External Auditor to ensure that it includes: An assessment of the Bank's compliance with the relevant Directions in relation to Corporate Governance and Internal Controls over Financial Reporting; The preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations. As all audits within the Group are carried out by the same External Auditor, there was no requirement to discuss arrangements for coordinating activities with other Auditors.	Compliant
g.	Review financial information of the Bank The AC reviews the quarterly Financial Statements as well as year-end Financial Statements. The review focuses on the following: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) compliance with relevant Accounting Standards and other legal requirements. The AC makes their recommendations to the Board of Directors on the above on a quarterly basis.	Compliant
h.	Discussions with External Auditor on interim and final audits The Committee met the External Auditor twice during the year (i.e. in February and November 2023), without the presence of the Executive Management, to discuss issues, concerns and reservations arising from their audits.	Compliant
i.	Review of management letter and Bank's response The AC reviewed the External Auditor's Management Letter for the year ended 2022 and the Management's responses thereto.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
j.	Review of internal audit function The AC has oversight of the Internal Audit Department (IAD) of the Bank and carries out the following duties: (i) Reviews and discusses with the Head of Internal Audit (HIA) the annual Audit Plan covering the Group, the adequacy of the scope and functions and the resources of IAD. (ii) The Audit Plan for the year is approved by the AC and the progress is tabled at the AC meetings. The AC reviews the internal audit reports and discusses the Management Action Plans to resolve the issues raised by IAD. Further, AC Chairman is kept informed of “Critical” and “Significant” issues arising from ongoing audits, as a “Heads up”. All audit findings are sent to Operational Risk Department to identify any process improvements required and to follow up on implementing controls. (iii) Evaluates the performance of the HIA, based on the feedback given by the CEO and AC Chairman. Further, HIA discusses the senior audit team members’ performance with the AC. (iv) The AC is kept informed of the senior staff member appointment/resignations. (v) Any outsourced internal audit services are done with the approval of AC. (vi) Ensures that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. The IAD staff reports directly to the HIA who in turn reports directly to the AC.	Compliant
k.	Internal investigations Major findings of internal investigations are reviewed by the AC and Management responses are obtained. Also, the status of implementation of the recommendations made during investigations is discussed at Committee meetings.	Compliant
l.	Attendees at Audit Committee meetings Head of Internal Audit and VP/ Chief Financial Officer attended all meetings as a permanent invitee. The CEO attended meetings as well on invitation and other members of the Senior Management were invited to attend meetings on a need basis. Please refer pages 147 to 148 and 124 for “AC report” and AC attendance for 2023. On the invitation of the Committee, the Bank’s External Auditor, Ernst & Young attended all meetings during the year. The AC met the External Auditor twice during the year (i.e. in February and November 2023) without the presence of KMP.	Compliant
m.	Explicit authority, resources and access to information The Charter of the AC clearly defines the authority and terms of reference of the Committee, which is in compliance with this Direction.	Compliant
n.	Regular meetings The AC has scheduled regular quarterly meetings and additional meetings are scheduled when required. Accordingly, the Committee met seven times during the year. Members of the AC are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by HIA who functions as the Secretary to the AC.	Compliant
o.	Disclosure in Annual Report Please refer ‘Audit Committee Report’ on pages 147 to 148 for the details of the activities of the Audit Committee. Attendance of the Committee members at each of these meetings is given in the table on page 124 of the Annual Report.	Compliant
p.	Maintain minutes of meetings The Head of the Internal Audit functions as the Secretary to the AC and maintains detailed minutes of all meetings. Copies of these approved minutes have been tabled at Board Meetings.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
q.	Whistle Blowing Policy and relationship with External Auditor The Bank has in place a Board-approved Whistle Blowing Policy to make it easier for members of staff to be able to report irregularities in good faith, without having to fear that their actions may have adverse consequences on themselves. This Policy is reviewed and approved by the AC and the Board of Directors. Further strengthening the whistle blowing mechanism, the Bank introduced a feature of reporting through the staff intranet for added convenience and security. The employees of the Bank may, in confidence, raise concerns about possible improprieties in Financial Reporting, Internal Controls or other matters. A process has been established to track such whistle blowing and take necessary action. The Bank also has an established external informational mechanism, known as the “NDB Ombudsman”, to whom confidentially matters can be whistle blown. The AC is the key representative body for overseeing the Bank’s relations with the External Auditor.	Compliant
3 (6) (iii)	Board Human Resources and Remuneration Committee (HRRC) Composition & Responsibilities Please refer pages 142 to 143 for the composition and responsibilities of the Human Resources and Remuneration Committee (HRRC).	Compliant
a.	Determine the Remuneration policy relating to Directors, CEO and KMP The HRRC reviews and where necessary makes recommendations on remuneration payable to Directors and KMP of the Bank. A Board approved Remuneration Policy and process is in place for Directors, CEO and KMP.	Compliant
b.	Set goals and targets for the Directors, CEO and KMP The goals and targets set for the CEO and KMP were reviewed and approved by the HRRC and noted/approved by the Board. Further, the goals and targets of KMP who head control functions were reviewed and approved by their respective Subcommittee. The goals and targets for the Directors for the year 2023 have been deliberated in detail and approved at HRRC and Board level.	Compliant
c.	Evaluate the performance of the CEO and KMP against the set goals and targets and determine remuneration benefits The performance of KMP against set goals and targets are evaluated by the HRRC of every year and recommendations are then discussed and approved by the full Board. Further, the performance of KMP who head control functions are considered by their respective Subcommittees/chairpersons of such Subcommittees prior to being submitted to the HRRC and Board. The CEO's performance is evaluated by the full Board having been reviewed by the HRRC as needed/if so decided. The above process was complied within 2023 for the year 2022.	Compliant
d.	The CEO attendance at Committee meetings The CEO was present, if invited, at all meetings and stepped out when matters relating to the CEO were discussed	Compliant
3 (6) (iv)	Board Nomination and Governance Committee (NGC) Please refer pages 139 to 141 for the composition and responsibilities of the NGC.	Compliant
a.	Appointment of Directors, CEO and KMP The NGC has in place a procedure to select new Directors. A Board-approved procedure to select CEO and KMP has been in place since December 2008 and has been reviewed last in 2023.	Compliant
b.	Re-election of Directors This is a requirement of the Nominations and Governance Committee Charter. The NGC determines the Directors who will be retiring and whether they are eligible to be re-elected every year pursuant to taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board’s responsibilities. The Committee in February 2022 has considered and recommended the re-election of Mr. Sujeewa Mudalige and Mr. Bernard Sinniah. This is in addition to any Directors who are appointed during the financial year to fill casual vacancies who hold office until the next AGM and stand before the shareholders for re-appointment.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
c.	Eligibility criteria for appointments to key managerial positions including CEO The NGC has set a procedure to assess eligibility including criteria such as qualifications, experience and key attributes, for appointment or promotion to Key Management Positions including the position of the CEO. The committee is guided by applicable statutes in considering the suitable criteria for each appointment/promotion.	Compliant
d.	Fit and proper persons The Company Secretary obtains the declarations for the year 2023 from the Directors. The said annual declarations are submitted to the NGC to ensure that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the statutes. Thereafter the required affidavits of Directors are submitted to CBSL. The required affidavits are obtained from KMP at the time of appointment, promotions, extensions, lateral moves as required by the regulation. This process has been followed for the year 2023.	Compliant
e.	Succession plan and new expertise The NGC considers Board vacancies based on the expertise required by the Bank and recommends suitable candidates when necessary in accordance with the Board-approved procedure for selection and appointment of Directors and this procedure was followed in 2023. The NGC also recommended the Succession Plan for KMP to the Board. The Succession Plan for KMP was reviewed and approved by the Board in 2023.	Compliant
f.	Committee to be chaired by an Independent Director The NGC is chaired by the Chairman of the Bank who is an Independent Director. The CEO is present only if invited.	Compliant
3 (6) (v)	Board Integrated Risk Management Committee (IRMC) Please refer pages 144 to 146 for the composition and responsibilities of the IRMC. The Terms of Reference of the IRMC was reviewed and updated in February 2023.	Compliant
a.	Composition of IRMC Please see detailed Report on pages 144 to 146 of this report.	Compliant
b.	Risk assessment The IRMC assesses all risks of the Bank and Group on a monthly basis through Key Risk Indicators, Risk Dashboards and through quarterly Risk Assessment reports done for the Bank and Group. The Bank has formed management committees to assess risks on a monthly/quarterly basis and their findings are submitted to the IRMC and a summary of the minutes of the IRMC and quarterly risk assessment reports are submitted to the main Board.	Compliant
c.	Review of management level committees on risk The adequacy and effectiveness of all management level Committees against the respective TORs based on an independent assessment was reviewed at an IRMC meeting and the result was satisfactory. Further, all members carried out self-assessments for the year 2023 and the findings were at a satisfactory level.	Compliant
d.	Corrective action to mitigate risks exceeding prudential levels The IRMC takes prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by IRMC on the basis of the Bank's policies and regulatory and supervisory requirements. The Risk Appetite of the Bank decided through the ICAAP was approved by the Board.	Compliant
e.	Frequency of meetings The Committee has met 05 times in the year 2023. Please refer page 124 for attendance.	Compliant
f.	Actions against officers responsible for failure to identify specific risks or implement corrective action If the need arises the IRMC shall take action appropriate to the relevance of the situation as per the Bank's Human Resources Policy.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
g.	Risk Assessment Report to the Board A detailed report is submitted to the Board subsequent to the IRMC meeting seeking the Board's views, concurrence and/or specific directions.	Compliant
h.	Compliance function The Bank has appointed a dedicated Compliance Officer who is a KMP to head the compliance function of the Bank. The compliance function is an independent function of the Bank that supports the Board of Directors and Senior Management of the Bank to manage compliance risks by supporting the Bank to embed a culture of compliance within the Bank, disseminate new laws and regulations to business in a timely manner, provide guidance on the interpretation of regulatory requirements, support business with the creation and implementation of regulatory compliant policies and procedures, undertake independent compliance monitoring of business with relevant laws and regulations and all measures taken to mitigate compliance risks. The Compliance Officer submits to the IRMC and the Board a detailed report on the Compliance status of the Bank each quarter.	Compliant
3 (7) Related Party Transactions		
3 (7) (i)	Avoid conflict of interest The Bank has in place a Board-approved Related Party Transactions (RPT) Policy which has set out the procedure to be followed when transacting with related parties. The RPT Policy was adopted by the Bank to identify, report, approve, monitor, clarify and disclose transactions with related parties of the Bank. The Bank has in place a list of related parties which is updated as and when changes occur and reviewed on a quarterly basis to ensure all related parties are listed accurately. The list of related parties is circulated to all relationship managers of business units and branch managers together with an internal circular which describes the regulations that would apply when dealing with related parties. Further, every quarter a sign off is obtained from the business lines confirming that they have complied with the related party policy when entering into a transaction with a related party. These processes are in place to remind business lines of the regulatory requirements in relation to related party transactions thereby ensuring that the Bank avoids conflicts of interests with related parties of the Bank. The Bank has obtained the annual declarations in 2023 from the individual Directors confirming that they have avoided conflicts of interests. Steps have been taken by the Board to avoid any conflicts of interest, that may arise, in transacting with related parties as per the definition of this direction. Please refer Section 3(1) (xii) on page 302 of this report for further information. Transactions carried out with related parties as defined by LKAS on 'Related party Disclosures' in the normal course of business are disclosed in Note 52 to the Financial Statements on 'Related Party Disclosures' on page 252 to 256. The net accommodation granted to each category of related parties as a percentage of the Bank's regulatory capital is given under Rule No 3 (8) (ii) (e) on page 313.	Compliant
3 (7) (ii)	Types of Related party transactions covered by the direction The RPT Policy of the Bank covers all transactions that come within the scope of this Direction.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
3 (7) (iii)	No more favourable treatment to Related Parties of the Bank A list identifying Related Parties of the Bank in line with this Direction is shared with business lines on a quarterly basis. The regulations and process that needs to be complied with is explained in an internal circular which accompanies the related party list. Business lines are requested to ensure compliance with the required regulation and to refrain from granting related parties of the Bank “more favourable treatment”. Further, the Compliance Department reviews transactions with related parties on an ongoing basis to determine if “more favourable treatment” have been offered to them. Any deviations are required to be reported to the Related Party Transactions Review Committee the Audit Committee and the Integrated Risk Management Committee.	Compliant
3 (7) (iv)	Granting accommodation to a Director or close relation of a Director This requirement has been included in the Bank’s RPT Policy and all frontline staff/Business lines have been made aware of the procedures to be followed, approvals to be obtained etc. The Company Secretary upon being informed of a transaction with a related party and receiving the required proposal, shall ensure submission of the related papers/information to the Board for approval.	Compliant
3 (7) (v)	Accommodations granted to persons, concerns of persons, or close relations of persons, who subsequently are appointed as Directors of the Bank Prior to the appointment of a Director, the Director is required to submit an affidavit disclosing all their interests with the Bank. Accordingly, the Company Secretary will take steps to inform the relevant internal/control functions of these disclosures so that the frontline staff/Business lines are aware and can take the necessary regulatory/statutory steps.	Compliant
3 (7) (vi)	No favourable treatment or accommodation to Bank employees or their close relations No favourable treatment/accommodation is provided to Bank employees other than staff benefits. Employees of the Bank are informed through operational circulars to refrain from granting favourable treatment to other employees or their close relations or to any concern in which an employee or close relation has a substantial interest.	Compliant
3 (7) (vii)	Remittance of accommodation subject to Monetary Board approval Such a situation has not arisen in the Bank to date.	Compliant
3 (8) Disclosures		
3 (8) (i)	Publish annual and quarterly financial statements The Financial Statements for the year ended 31 December 2023 and quarterly Financial Statements are in conformity with all rules and regulations. These Statements have been published in the newspapers in all three languages.	Compliant
3 (8) (ii)	Disclosures in Annual Report	Compliant
a.	A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures Compliance with applicable accounting standards and regulatory requirements have been reported under the ‘Directors’ Responsibility for Financial Reporting on page 156, the Responsibility Statement of Chief Executive Officer and Vice President-Finance on page 159 and Note 2.1 (Statement of Compliance) to the Financial Statements on page 177.	
b.	Report by the Board on the Bank’s internal control mechanism The Directors’ Report on the effectiveness of the internal control system over Financial Reporting is given under the “Statement of Internal Control” on pages 157 to 158.	Compliant
c.	External Auditors Certification on the Effectiveness of the Internal Control Mechanism The Assurance Report issued by the External Auditor on the internal control over Financial Reporting based on the auditing framework issued by ICASL, is detailed on page 160 of this report.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status												
d.	Details of Directors, including names, fitness and propriety, transactions with the Bank and the total of fees/remuneration paid by the Bank Please refer “Board Directors” on pages 22 to 29 “Directors’ Interest in Contracts with the Bank” on pages 137-138 and Note no 14 on page 195 for Directors’ remuneration. The Executive Director is the CEO of the Bank and as such is not paid any additional remuneration or benefits by virtue of him being an Executive Director. Details of Directors’ transactions with the Bank are given below: <table><tr><th>Transactions</th><th>Outstanding balance as at 31 December 2023 LKR’000</th></tr><tr><td>Accommodation</td><td>1,500</td></tr><tr><td>Deposits</td><td>222,395</td></tr><tr><td>Investments</td><td>5,000</td></tr></table>	Transactions	Outstanding balance as at 31 December 2023 LKR’000	Accommodation	1,500	Deposits	222,395	Investments	5,000	Compliant				
Transactions	Outstanding balance as at 31 December 2023 LKR’000													
Accommodation	1,500													
Deposits	222,395													
Investments	5,000													
e.	Total accommodation granted to each category of related party and as a percentage of the Bank’s regulatory capital Total Net Accommodation granted to related parties as a percentage of the Bank’s regulatory capital are given below: <table><tr><th>Category of Related Parties</th><th>Net Accommodation as at 31 December 2023 LKR’000</th><th>% of Regulatory Capital</th></tr><tr><td>Directors/Close Family Members/Substantial Interest concerns</td><td>1,500</td><td>0.002%</td></tr><tr><td>Key Management Personnel/Close Family members/ Substantial Interest concerns</td><td>130,708</td><td>0.175%</td></tr><tr><td>The Bank’s subsidiaries and associate companies</td><td>650,000</td><td>0.872%</td></tr></table>	Category of Related Parties	Net Accommodation as at 31 December 2023 LKR’000	% of Regulatory Capital	Directors/Close Family Members/Substantial Interest concerns	1,500	0.002%	Key Management Personnel/Close Family members/ Substantial Interest concerns	130,708	0.175%	The Bank’s subsidiaries and associate companies	650,000	0.872%	Compliant
Category of Related Parties	Net Accommodation as at 31 December 2023 LKR’000	% of Regulatory Capital												
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Key Management Personnel/Close Family members/ Substantial Interest concerns	130,708	0.175%												
The Bank’s subsidiaries and associate companies	650,000	0.872%												
f.	Aggregate values of remuneration to and transactions with KMP Aggregate values of remuneration paid by the Bank and transactions of the Bank with its KMP <table><tr><th>Transaction type</th><th>Aggregate values/Outstanding balances as at 31 December 2023 in LKR’000</th></tr><tr><td>Remuneration Paid</td><td>320,139</td></tr><tr><td>Accommodation</td><td>130,708</td></tr><tr><td>Deposits</td><td>592,209</td></tr><tr><td>Investments</td><td>7,000</td></tr></table>	Transaction type	Aggregate values/Outstanding balances as at 31 December 2023 in LKR’000	Remuneration Paid	320,139	Accommodation	130,708	Deposits	592,209	Investments	7,000	Compliant		
Transaction type	Aggregate values/Outstanding balances as at 31 December 2023 in LKR’000													
Remuneration Paid	320,139													
Accommodation	130,708													
Deposits	592,209													
Investments	7,000													
g.	External Auditors Certification of Compliance Complied by this Report.	Compliant												
h.	Report confirming compliance with prudential requirements, regulations, laws, and internal controls There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Bank.	Compliant												
i.	Non-compliance Report There were no supervisory concerns on lapses in the Bank’s Risk Management System or non-compliance with this Direction, that have been pointed out by the Director of the Bank Supervision Department of the CBSL and requiring disclosure to the public.	Compliant												
3 (9) Transitional and other general provisions														
	The Bank has complied with the transitional provisions, where applicable.	Compliant												

STATEMENT OF COMPLIANCE - CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE 2023 (THE CODE) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CA SRI LANKA).

The Bank has over the years been cognizant of the standards set forth in the Code of Best Practices of 2017, and has been fully compliant therewith. The revised Code of Best Practices on Corporate Governance 2023 (the "Code") was launched on 08 December 2023, building on the previous Code of Best Practices 2017. The Code is intended to provide a corporate governance framework that supports strong business ethics, sound policies and procedures and an effective monitoring system which is in line with international best practices.

The Code is broadly divided into three areas, namely the Company, Shareholders and other matters

I. The Company

Key principles are detailed under the following broad areas viz. Directors, Directors' Remuneration, Relations with shareholders, and Accountability and Audit.

II. Shareholders

Key principles are detailed under the following broad areas viz. Institutional Investors and Other Investors.

III. Other Matters

This section covers the areas Internet of Things and Cyber-security, Sustainability: Environmental, Social and Governance (ESG) Risk and Opportunities, and Special Considerations for listed entities.

The Bank's adherence with the revised code is detailed below with explanatory comments as follows;

Rule No.	Corporate Governance Principles	Compliance Status
A.	Directors	
A.1	The Board	
	As at 31 December 2023 the Board comprised of ten Directors, nine of whom, including the Chairman, functioned in a non-executive capacity. The members of the Board consists of professionals in the fields of banking, finance, management, treasury, law, accounting, auditing, IT, economics, investments, private sector exposures and possess the skills, experience and leadership required to direct, lead and control the Bank. The Chief Executive Officer (CEO) is the only Executive Director. The Board has appointed several Board subcommittees to assist in the discharge of their collective responsibilities. The Bank is mindful of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in ensuring that the skill representation is in alignment with current and future needs of the Bank. Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.	Compliant
A.1.1	Regular Board meetings	
	The Board usually meets on monthly intervals, but meets more frequently whenever it is necessary. The Board met sixteen (16) times during the year which included four (4) special meetings. Scheduled Board and Board subcommittee meetings are arranged at the end of the previous calendar year. Attendance at Board and subcommittee meetings is provided on pages 123 to 124.	Compliant
A.1.2	Role and responsibilities of the Board	
	Business Strategy The Board is responsible to stakeholders for creating and delivering sustainable shareholder value through the management of the Bank and Group's businesses. It determines the strategic objectives and policies of the Bank and Group to deliver such long term value, providing overall strategic direction within a framework of rewards, incentives and controls. Given the rapidly evolving market conditions locally and globally, the senior management engaged in a critical evaluation of the Strategic Plan in 2023 and developed a medium term strategic plan to be implemented during FY24 & FY25 period, covering the latter half of V-25 Strategy horizon. This mid-term strategy aims to closely align the Bank's business strategy to the current operating environment and address the key concerns with regard to earnings and balance sheet to better position the Bank to face new challenges. These changes and thinking are being cascaded down to all staff to ensure alignment of the Bank as a whole with the updated Strategic Plan.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
	Senior Independent Director In terms of the Bank's Article of Association the Bank's Chairman is mandatorily an Independent Director therefore the need to appoint a Senior Independent Director does not arise.	Compliant
	The CEO and Management Team skills, experience and knowledge to implement the strategy The Human Resources and Remuneration Committee (HRRC) and the Nominations and Governance Committee ensure that the CEO and Key Management Personnel (KMP) have the required skills, experience and knowledge to implement strategy. The CEO and The Leadership Team consist of senior bankers with substantial experience in the field of banking and finance. The profiles of The Leadership Team are available on the pages 30 to 32.	Compliant
	Succession strategy of CEO and KMP The succession plan of the Bank was reviewed and approved by the Board at its meeting held in June 2023.	Compliant
	Budgets and major capital expenditure Annual budget is approved before the commencement of the year. Major capital expenditure requires the approval of the Board.	Compliant
	Delegation of Authority To enable the Board to discharge its stewardship and fiduciary responsibilities effectively it delegates authority to the Board Subcommittees to oversee specific responsibilities based on clearly defined Terms of References which are also detailed under Section 3(1)(i)(h) of the CBSL table on page 300 of this report.	Compliant
	Integrity of information, internal controls, cyber security, business continuity and risk management The Board is responsible for the overall risk framework of the Bank. There is in place an adequate system of internal controls. Policies relating to securing information, cyber security, business continuity and risk management have been approved by the Board. These policies have been reviewed by either the Integrated Risk Management Committee (IRMC) or the Audit Committee (AC). The AC reviews Internal Audit reports submitted by the Internal Audit Department and monitors follow up action. Further, based on the assessment of Internal Control Over Financial Reporting (ICOFR), Directors concluded that the Bank's Internal Control Over Financial Reporting is effective. The IRMC appointed by the Board, reviews and recommends to the Board, the Bank's risk policies and procedures defining the Bank's risk appetite, identifying principal risks, setting governance structures and implementing policies and systems in line with the Integrated Risk Management Framework to measure, monitor and manage the principal risks of the Bank. The Board has approved risk management policies and procedures as reviewed and recommended by the IRMC, based on these parameters and as required by Regulation. The following reports provide further insight in this regard: • The Risk Management Report (pages 337 to 356) • The Board Integrated Risk Management Committee Report on (pages 144 to 146) • The Directors' Statement on Internal Control (pages 157 to 158) • The Audit Committee Report (pages 147 to 148)	Compliant
	Availability of Information and Communications Technology (ICT) roadmap in line with business strategy The Bank has established an ICT roadmap in line with the Bank's business strategy. The Bank diligently monitors the implementation progress of the ICT roadmap through the ICT dashboard,	Compliant
	Compliance with laws, regulations and ethical standards The compliance function is an independent function of the Bank that supports the Board of Directors and Senior Management of the Bank to manage compliance risks by supporting the Bank to embed a culture of compliance within the Bank, disseminate new laws and regulations in a timely manner, provide guidance on the interpretation of regulatory requirements, support business with the creation and implementation of regulatory compliant policies and procedures, undertake independent compliance monitoring of business with relevant laws and regulations and take measures to mitigate compliance risks. The Compliance Officer submits to the IRMC and the Board a detailed report on the Compliance status of the Bank each quarter.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
	All stakeholder interests are considered in corporate decisions The Board of Directors considers the views/impact on all stakeholders of the Bank when decisions are made at Board meetings.	Compliant
	Sustainable business development and “integrated reporting” Sustainable business development is one of the key areas of focus considered by the Board when taking decisions. Please refer to the Bank’s Sustainability Report on pages 102 to 103 for more details. The Bank’s Annual Report is presented in line with the integrated reporting guidelines issued by the Institute of Chartered Accountants of Sri Lanka.	Compliant
	Accounting policies and fostering compliance with financial regulations The AC and the Board reviews accounting policies annually to ensure that the Financial Reporting Model of the Bank is in line with such policies, financial regulations, evolving international and local accounting standards and industry best practices. The Board ensures that the Financial Statements of the Bank are prepared in accordance with the approved accounting policies.	Compliant
	Monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks The Management monitors budgets on frequent intervals (daily/weekly/monthly) and is reviewed by the Board on a monthly basis. Strategy is approved by the Board Strategic Issues Committee and the Board. The Board also reviews the implementation progress regularly.	Compliant
	Corporate reporting relevant to the Bank The Bank is listed in the Colombo Stock Exchange and conforms to the Listing Rules issued by the Colombo Stock Exchange and also adheres to the regulations applicable to Licensed Commercial Banks. Therefore corporate reporting on an annual and quarterly basis is carried out in line with the regulations	Compliant
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned The Board makes every endeavour to fulfill its stewardship obligations on behalf of all stakeholders. The Board is committed to fulfilling their functions in line with laws, regulations and good governance practices adopted by the Bank.	Compliant
A.1.3	Act in accordance with laws	
	There is significant emphasis across the Bank to ensure compliance with applicable laws and regulations. In order to preserve the independence of the Board and to strengthen the decision making, the Board seeks independent professional advice when deemed necessary. The Board-approved internal Code of Corporate Governance contains the procedure to be followed when a Director or the Board wishes to obtain independent professional advice on any matter.	Compliant
A.1.4	Access to advice and services of Company Secretary	
	The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the Company Secretary and she possesses the required qualifications as set out in the Companies Act and the Banking Act. For the year 2023 the Company Secretary has provided assistance to the Directors when requested. The Company Secretary exclusively serves in the capacity of Company Secretary and does not hold simultaneous employment in another capacity within the Bank. Please refer page 116 for more details on the role of the Company Secretary. The Bank has in place an insurance cover for the Directors and its Officers.	Compliant
A.1.5	Independent judgment	
	The Board combines an appropriate and diverse balance of skills, industry experience and perspective to objectively discharge its responsibilities. All Directors bring their independent judgment to matters discussed at Board meetings. Details of Directors deliberations are contained in the minutes maintained by the Company Secretary.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	
	Every member of the Board has dedicated adequate time and effort for the affairs of the Bank by attending Board meetings, Board Subcommittee meetings and by making decisions via circular resolutions. In addition, the Board members have meetings and discussions with the Management when required. Board papers are circulated to the Board at least seven days prior to each Board meeting. Any request for additional information is made to the Company Secretary. The relevant member of staff is informed by the Company Secretary and the requisite information is forwarded. All matters that require follow up are discussed at the immediately succeeding Board meeting under 'Matters Arising'. Business heads regularly update the Board on the status and development in their respective fields. The CEO on a regular basis updates the Board on business changes, operational risks and controls relevant to the Bank. Please refer page 120 which illustrates how the Board spent its time in 2023.	Compliant
A.1.7	Call for a resolution to be presented to the Board	
	All Directors are entitled to include matters and proposals in the agenda for Board meetings and this right has been entrenched in the Bank's internal Code of Corporate Governance. Monthly meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals in the agenda for regular meetings. This process supports the requirement detailed in this Code and a Director may include a proposal (if required) in the agenda of a Board meeting.	Compliant
A.1.8	Board induction and training	
	The Board policy on Directors' training is to provide adequate opportunities for continuous development, appropriate for each Director. The Chairman is responsible for ensuring that the Directors continually update their skills, knowledge and awareness of the Bank's policies and procedures as required to fulfill their roles both on the Board and on Committees appointed by the Board. New Directors are provided with a comprehensive induction pack on appointment to the Board. Please refer the section on "Induction and Training of Directors" on page 116 for more details. During their onboarding, new Directors are also made aware of internal policies and external laws regulating Directors' conduct, thus ensuring that the new Directors give due consideration to responsibilities of their role, their ability to dedicate time and possessing required competencies. Directors also submit a declaration when they are appointed (and thereafter on an annual basis) disclosing all potential conflicts of interest.	Compliant
A.2	Separating the business of the Board from the executive responsibilities for management of the Bank	
A.2.1	Divisions of Responsibilities between the Chairman and CEO	
A.5.7 A.5.8	The posts of Chairman and CEO of the Bank are held by two separate persons and there is a clear division of responsibilities between them thereby maintaining the balance of power between the two roles. As such, there is no requirement to appoint a Senior Independent Director.	Compliant
A.3	Chairman's role in preserving good corporate governance	
A.3.1	Conducting Board proceedings in a proper manner	
	The Board-approved internal Code of Corporate Governance formally details the role of the Chairman. The Chairman ensures that the affairs of the Board are conducted in an effective manner. He encourages Directors to share their views on matters discussed and ensures the participation of both Executive and Non-Executive Directors thereby maintaining a balance of power between Executive and Non-Executive Directors. The Chairman approved the agenda for each meeting in consultation with the CEO and the Company Secretary and ensured that all Board proceedings were conducted in a proper manner. All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings. The views of Directors on issues under consideration are ascertained and records of such deliberations are reflected in the minutes.	Compliant
A.4	Availability of financial acumen and knowledge to offer guidance on matters of finance	
A.4.1	Financial Acumen and Knowledge	
	The Chairman of the AC who is an Independent Non-Executive Director is a Fellow Member of the CA Sri Lanka ensuring a sufficiency of financial acumen within the Board on matters of finance. Further, 8 of the 10 Directors have a vast experience on matters of finance	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
A.5	Board balance	
A.5.1	Board to have a balance of Executive and Non-Executive Directors 9 of the 10 Directors on the Board are Non-Executive Directors. The CEO is the only Executive Director. The Chairman is a Non-Executive Independent Director.	Compliant
A.5.2 – A.5.5	Board Independence The Board's independence was strengthened in 2023, with the appointment of 2 new Independent Directors (Ms. Shweta Pandey and Mr. Hasitha Premaratne). There were 9 Non-Executive Directors on the Board as at 31 December 2023. Of them 8 are independent of management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. Each Non-Executive Director has submitted a signed and dated declaration in 2023 of his/her independence and any developments bearing an impact on their status of independence are disclosed to the Company Secretary immediately. The details of Non-Executive Independent Directors are given on pages 111 and 123 of this report. Accordingly, the number of Independent Non-Executive Directors exceeds two-thirds of the total number of Directors on the Board.	Compliant
A.5.6	Appointing an Alternate Director Directors appoint Alternate Directors in line with the Listing Rules, the Articles of the Bank and the Banking Act as and when required for a particular meeting. An Alternate Director of a Non-Executive Director will not be an Executive Director, and an Alternate Director of an Independent Director is also Independent.	Compliant
A.5.9	Chairman to meet only with Non-Executive Directors as necessary and at least once each year As and when needed the Chairman discusses matters related to the Executive Director only in the presence of Non-Executive Directors.	Compliant
A.5.10	Recording of a dissenting view Dissenting views are recorded in the Board minutes in detail. Directors' concerns regarding matters which are not resolved unanimously are also recorded in the minutes.	Compliant
A.6	Supply of Information	
A.6.1 - A.6.2	Provision of providing appropriate and timely information to the Board The Management provides comprehensive information including both quantitative and qualitative information for the monthly Board meetings generally 7 days prior to the Board meetings. Members of The Leadership Team make presentations to Directors on important issues relating to financial performance, strategy, risk management, investment proposals, systems and procedures, where necessary. The Directors also have access to the Management to obtain further information or clarify any concerns they may have. As described above, they also have the right to seek independent professional advice at the Bank's expense.	Compliant
A.7	Appointments to the Board	
A.7.1	Nominations and Governance Committee The Board has established a Nominations and Governance Committee in line with the Listing Rules of the Colombo Stock Exchange and the Banking Act which makes recommendations to the Board on new Board appointments. The Committee comprises 4 Non-Executive Directors, with 3 of them serving as Independent Directors. The Committee Chairmanship is held by an Independent Non-Executive Director, underscoring the Bank's commitment to impartial and diligent decision making in shaping the composition of the Board.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
A.7.2	Ensure Board appointees are fit and proper There is in place a Board-approved policy and process for appointments of Directors to the Board. The Nominations and Governance Committee also assess the Board composition against pre-defined criteria of skills, diversity and knowledge to ensure that Board appointees are fit and proper. The Committee has actively prioritised diversity in Board composition, taking into account gender, age and any other factors that are relevant to the Banking industry. The Composition of the Board was further diversified and strengthened in 2023 with the appointment of 2 new Independent Directors. Ms. Shweta Pandey brings relevant experience in the fields of payments, IT and FinTech, and Mr. Hasitha Premaratne brings valuable financial expertise and perspectives from the private sector of the country. The Members of the Committee have not participated in decision making relating to their own appointment/reappointment and the Chairman of the Board does not chair the Committee when it is dealing with the appointment of his successor. Please refer pages 139 to 141 for the report of the Nominations and Governance Committee.	Compliant
A.7.3	Succession plan for the Chief Executive Officer and KMP The Nominations and Governance Committee has ensured that there is a succession plan for the Chief Executive Officer and Key Management Personnel. The Committee has determined the training and development requirements for those identified for succession.	Compliant
A.7.4	Disclosure to shareholders on new appointments to the Board When there are new Director appointments or Alternate Director appointments, disclosures are made to shareholders in terms of the Listing Rules issued by the Colombo Stock Exchange.	Compliant
A.7.5	Nominations and Governance Committee Members to be disclosed in the Annual Report The Chairman and Members of the Nominations and Governance Committee have been identified in the Annual Report. Please refer pages 139 to 141 for the report of the Nominations and Governance Committee for a description of its scope of work and processes.	Compliant
A.8	Re-election	
A.8.1- A.8.2	Re-election of Directors at regular intervals Directors to retire at the Annual General Meeting (AGM): As per the Articles of the Bank, 1/3rd of the Directors (except the CEO, any Director appointed to fill a casual vacancy and any Nominee Director of the Ministry of Finance) should retire at each AGM and be subject to re-election. Such Directors who retire are those who held office for the longest time period since the election/re-appointment. In accordance with this provision, The Nominations and Governance Committee in February 2024 has considered and recommended the re-election of Mr. Sriyan Cooray and Mr. Sujeewa Mudalige. Prior to recommending the above re-election/re-appointments of Directors the Nominations and Governance Committee considered the fitness and propriety of each Director and made recommendations for re-election.	Compliant
A.8.3	Resignation of a Director There was only one resignation during 2023. The Bank made the relevant disclosures as required under Section 3(2)(xi) of the CBSL table on page 111 of this report and the Listing rules.	Compliant
A.9	Appraisal of Board and Committee Performance	
A.9.1 - A.9.4	Self-evaluation process of Board Members & Subcommittees The Board carried out its self-evaluation process in respect of the year 2023. The process is led by the Chairman and all Directors were required to complete a detailed questionnaire. The Bank intends to review this process and make necessary revisions thereto, in line with the recent revisions to the Code. The processes adopted are detailed on page 116 of this report. All Subcommittees also carried out a self-evaluation process in 2023 to determine the effectiveness of their performance in 2023 and to identify areas for improvement which are subsequently discussed at their respective meetings, the minutes of which are submitted to the Board.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status																						
A.10	Disclosure of Information in Respect of Directors																							
A.10.1	Annual Report to disclose specified information regarding Directors <table><tr><th>Information Required</th><th>Page Reference</th></tr><tr><td>Name, qualification and brief profile</td><td>24 to 29</td></tr><tr><td>Nature of his/her expertise in the relevant functional areas</td><td>111</td></tr><tr><td>Immediate family and/or material business relationships with other Directors of the Bank</td><td>117</td></tr><tr><td>Whether Executive, Non-Executive and/or Independent Director</td><td>111 and 123</td></tr><tr><td>Names of listed companies in which the Director concerned serves as a Director</td><td>24 to 28</td></tr><tr><td>Names of other companies or companies in a group in Sri Lanka in which the Director concerned serves as a Director</td><td>24 to 28</td></tr><tr><td>Board meeting attendance</td><td>123</td></tr><tr><td>The total number of Board seats held by each Director</td><td>24 to 29 and 304 item 3 (3) (ii)</td></tr><tr><td>Board committee served as the Chairman/member</td><td>123 to 124</td></tr><tr><td>Committee meeting attendance</td><td>123 to 124</td></tr></table>	Information Required	Page Reference	Name, qualification and brief profile	24 to 29	Nature of his/her expertise in the relevant functional areas	111	Immediate family and/or material business relationships with other Directors of the Bank	117	Whether Executive, Non-Executive and/or Independent Director	111 and 123	Names of listed companies in which the Director concerned serves as a Director	24 to 28	Names of other companies or companies in a group in Sri Lanka in which the Director concerned serves as a Director	24 to 28	Board meeting attendance	123	The total number of Board seats held by each Director	24 to 29 and 304 item 3 (3) (ii)	Board committee served as the Chairman/member	123 to 124	Committee meeting attendance	123 to 124	Compliant
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Board committee served as the Chairman/member	123 to 124																							
Committee meeting attendance	123 to 124																							
A.11	Appraisal of the CEO																							
A.11.1 - A.11.2	Setting annual targets and the appraisal of the CEO The Board discussed and set financial and non-financial targets to be achieved during the year by the CEO with reference to the short, medium and long term objectives of the Bank at the beginning of 2023. The HRRC/Board will evaluate the performance of the recently appointed CEO against the goals and targets set for 2024, in the following year.	Compliant																						
B	Directors’ remuneration																							
B.1	Remuneration procedure The Bank has a formal and transparent procedure for developing policy on executive remuneration and the remuneration packages of individual Directors. No Director is involved in fixing his/her own remuneration.	Compliant																						
B.2	Level and make-up of remuneration Level and make-up of remuneration of both Executive and Non-Executive Directors are sufficient to attract and retain the Directors in order to run the Bank successfully. A proportion of the Executive Director’s remuneration is structured to link rewards to corporate and individual performance ensuring the balance between short, medium and long-term perspectives of the performance outcomes.	Compliant																						
B.2.1	Establishment of a Remuneration Committee The Board has established a Human Resources and Remuneration Committee (HRRC) to develop policy and determine remuneration for the Directors and KMP. No Director was involved in deciding his/her own remuneration.	Compliant																						
B.2.2	Composition of the Remuneration Committee The HRRC consists of 4 Non-Executive Directors out of which 3 are independent. The Chairman Mr. Sriyan Cooray is an Independent Non-Executive Director. Please refer pages 142 to 143 for the report of the HRRC for more details on the composition and activities carried out by the HRRC for the year 2023.	Compliant																						
B.2.3	Seek professional advice The HRRC has access to professional advice from within and external consultants. During the year, HRRC reviewed the information provided by the Bank’s Human Resources Department to determine market and industry trends with remuneration and perquisites for its Senior Management team.	Compliant																						
B.2.4	Remuneration for Executive Directors The Executive Director is an ex-officio Director on account of being the CEO of the Bank and as such is not paid any additional remuneration or benefits by virtue of him being an Executive Director. The CEO’s remuneration is linked to the Bank’s performance as well as his individual performance and is designed to promote the short medium and long-term performance of the Bank. The Executive Director does not participate in the HRRC when matters pertaining to his remuneration are discussed.	Compliant																						

Rule No.	Corporate Governance Principles	Compliance Status
B.2.6	Positioning the Bank's remuneration levels relative to other companies in the industry The HRRC reviews information relating to remuneration and perquisites of CEO and Senior Management of the Bank and due care is taken to ensure that remuneration is commensurate with industry standards and both the Bank's and individual performance. Regular salary surveys are carried out and the HRRC is informed of the results of the survey.	Compliant
B.2.7	Comparison of remuneration levels with other Companies in the Group Size and scale of the Bank are not comparable with Group Companies.	Compliant
B.2.8	Performance related remuneration of CEO & Executive Directors The goals and targets of the CEO are set at the beginning of the year and cascaded to the rest of the Bank. Executive remuneration and performance bonuses are decided based on achievement of the goals and targets agreed upon. The Committee reviews annually the performance of the CEO against the set targets and goals, which have been approved by the Board, and recommend the basis for revising remuneration, benefits and other payments of performance-based incentives. The Committee has ensured that the guidelines for fair and transparent procedures recommended by the Committee and approved by the Board for evaluating senior management's performance and revising their remuneration, benefits and other payments of performance-based incentives have been followed.	Compliant
B.2.9	Employee Share Options An employee share scheme was established in 2016 which was approved by the shareholders in line with the listing rules of the CSE. However no shares were issued under this scheme in 2023. Details are given in the Financial Statements on pages 243 to 244 .	Compliant
B.2.10	Designing schemes of performance related remuneration No remuneration or benefits are paid to the only Executive Director who is the CEO on account of his Executive Directorship. Please refer pages 142 to 143 for the report of the HRRC for more details on remuneration.	Compliant
B.2.11 – B.2.12	Early termination of Executive Director Termination of service of the Executive Director will be in accordance with his contract of employment as he is an ex-officio Director.	Compliant
B.2.13	Determining the remuneration of the Non-Executive Directors including the members of the Remuneration Committee The HRRC determines the remuneration of the Non-Executive Directors in line with the Board approved Remuneration Policy and approvals for the remuneration are obtained from shareholders at the AGM.	Compliant
B.2.14	Levels of remuneration of Non-Executive Directors Non-Executive Directors are remunerated in line with the prevailing regulations and market practices while this have been reviewed periodically. However they are not entitled to receive any performance-based remuneration which includes shares under the existing Share Option Scheme of the Bank.	Compliant
B.3	Disclosure of remuneration	
B.3.1	Disclosures related to remuneration in Annual Report Please refer pages 142 to 143 of the Annual Report for the Report of the HRRC. Also refer Note 14 on page 195 of the Financial Statements for aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant
B.3.2	Annual Report to disclose the number and aggregate remuneration of the Senior Management personnel reporting directly to the CEO The aggregate values of remuneration to the KMP of the Bank are disclosed on page 252.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
C	Relations with shareholders	
C.1	Constructive use of the AGM and conduct of General Meetings	
C.1.1	Notice of the AGM The AGM provides a forum for all shareholders to participate in decision making matters reserved for the shareholders. Notice of the AGM is circulated 15 working days in advance with the Annual Report and Accounts. A summary of the procedures governing voting at General Meetings is included on page 403 of this Annual Report.	Compliant
C.1.2	Separate resolutions for substantially separate issues Separate resolutions are obtained for substantially separate matters to provide shareholders with an opportunity to deal with each significant matter separately. The Annual Report of the Board of Directors and Accounts are laid before the shareholders of the Bank for their consideration as a separate item on the agenda at the AGM.	Compliant
C.1.3	Valid proxy appointments The Bank has in place an effective mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against each resolution. As a matter of practice, proxy votes together with the votes of shareholders present at the AGM are considered for each resolution and duly recorded in the minutes.	Compliant
C.1.4	Board subcommittee Chairmans available at AGM The Chairman of the Board functions as the Chairman of the Nominations and Governance Committee, Human Resources and Remuneration Committee, Strategic Issues Committee and the Related Party Transactions Review Committee. He ensures that the Chairpersons of the other Board Subcommittees are also present at the AGM to answer all queries that may be raised. The Chairpersons of the Board Subcommittees participated at the AGM held in 2023.	Compliant
C.1.5	Adequate notice of all meetings to shareholders The notice of meeting and related documents are circulated to the shareholders 15 working days prior to the AGM. Summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders together with the notice of meeting 15 working days prior to the AGM. The Board encourages all shareholders to actively participate in the AGM. The shareholders may raise any queries they have with the Directors.	Compliant
C.2	Communication with shareholders	
C.2.1	Effective communication with shareholders The Bank has in place a Communication Policy which sets out many channels of communication to reach all shareholders of the Bank in order to disseminate timely information. The effective communication with shareholders are detailed in Section 3(1)(i)(d) of the CBSL table on page 299 of this report. Also please refer page 404 on "Investor Relations" for more details on communication with our shareholders.	Compliant
C.2.2 - C.2.3	Disclosure of the policy and methodology for communication with shareholders and implementation There is in place a Board-approved Disclosure Policy and a Communication Policy that deals with communications with shareholders. Please refer the "Corporate Governance Report" on page 125 for details of the policy and methodology adopted for communication.	Compliant
C.2.4 – C.2.7	Contact person for communication with shareholders matters and process for Directors awareness of major concerns/issues. Details of the contact personnel are provided in the "Corporate Information" section on page 404 of this Report. In addition, shareholders are encouraged to provide their feedback to the Chairman and/or the Company Secretary. The Bank's website's Investor Relations page also carries contact details of the Company Secretary and a dedicated e-mail for investor relations is also provided. The principal forum for shareholders is the AGM, while matters can also be raised through the Company Secretary. The Company Secretary keeps the Board apprised of issues raised by the shareholders to ensure that they are addressed in an appropriate manner keeping in line with the corporate values of the Bank. Matters raised in writing are responded by the Company Secretary in writing. Shareholder correspondence on major issues are handled by the Chairman who will communicate to the Board of Directors as and when necessary.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
C.3	Major and material transactions	
C.3.1 – C.3.2	Disclosure of major and material transactions During 2023 there were no major transactions as defined by Section 185 of the Companies Act No. 7 of 2007 which materially affected the Bank's net asset base.	Not Applicable
C.3.3	Disclosure requirements and shareholder approval by special resolution The Bank being a public listed company complies with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange as well as the Companies Act and the Bank's Articles of Association.	Compliant
D	Accountability and audit	
D.1	Financial and business reporting	
D.1.1	True, fair, balanced and understandable presentation of Annual Report including Financial Statements with the relevant laws and regulations Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are provided on page 156 in the 'Statement of Directors' Responsibilities for Financial Reporting.	Compliant
D.1.2	Balanced and understandable assessment of interim and other price-sensitive public reports to regulators The Board is aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner. A statement to this effect is provided on page 156 of this Report. The Interim Accounts and Annual Financial Statements were published on a timely basis in 2023. Regulatory reports were filed by the Bank on or before the due dates in 2023. Price sensitive information was disclosed to the Colombo Stock Exchange on a timely basis in accordance with the Bank's Board-approved Disclosure Policy. The Bank makes every effort to provide a detailed and transparent analysis of strategies, performance and future strategies to support investors in making an informed decision. In addition to the information provided in the reports mentioned above, a summary of the Interim Accounts and a section on understanding our financials in Financial Capital are provided in the Annual Report. Please refer pages 379 to 380 and 56 to 59 of this Report.	Compliant
D.1.3	Declarations by the CEO, CFO and the Board on Financial Statements Please refer the Responsibility Statement of Chief Executive Officer and Vice President/ Chief Financial Officer on page 159 and the Directors' Statement on Internal Control over Financial Reporting on pages 157 to 158.	Compliant
D.1.4	Declarations by the Directors in the Directors' Report Declarations by the Directors as required by the Code are provided on pages 14 to 15 in the 'Annual Report of the Board of Directors on the affairs of the Bank'.	Compliant
D.1.5	Preparation of Financial Statements and reporting responsibilities of auditors The Statement of Directors' Responsibility, Statement on Internal Controls and Report of the Auditors are provided on pages 156 to 158 and 166 respectively in the Annual Report.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status																										
D.1.6	Inclusion of a “Management Discussion and Analysis” report in the Annual Report.	Compliant																										
	<table><tr><th>Information Required</th><th>Page Reference</th></tr><tr><td>Business Model</td><td>52-53</td></tr><tr><td>Industry structure and developments</td><td>40-42</td></tr><tr><td>Opportunities and threats</td><td>40-42</td></tr><tr><td>Risk management</td><td>337</td></tr><tr><td>Internal control systems and their adequacy</td><td>117</td></tr><tr><td>Corporate and Enterprise Governance</td><td>110</td></tr><tr><td>Stakeholder relationships</td><td>47-49</td></tr><tr><td>Social and environmental governance carried out by the Bank</td><td>95-103</td></tr><tr><td>Financial performance</td><td>56-59</td></tr><tr><td>Investment in physical and intellectual capital</td><td>78-79 and 88-89</td></tr><tr><td>Human resources management carried out by the Bank</td><td>80</td></tr><tr><td>Prospects for the future</td><td>104</td></tr></table>		Information Required	Page Reference	Business Model	52-53	Industry structure and developments	40-42	Opportunities and threats	40-42	Risk management	337	Internal control systems and their adequacy	117	Corporate and Enterprise Governance	110	Stakeholder relationships	47-49	Social and environmental governance carried out by the Bank	95-103	Financial performance	56-59	Investment in physical and intellectual capital	78-79 and 88-89	Human resources management carried out by the Bank	80	Prospects for the future	104
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D.1.7	Notify serious loss in Net Assets In the unlikely event of the net assets of the Company falling below 50% of Shareholders’ Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. This situation has not arisen during 2023.	Compliant																										
D.1.8	Disclosure of Related Party Transactions A detailed Board-approved documented process is available and has been circulated to all staff through the NDB Cloud for compliance. Accordingly, each Related Party has submitted signed and dated quarterly declarations in 2023 mentioning whether they have related party transactions with the Bank as required under regulations applicable to the Bank to comply with the disclosure requirements; The Company Secretary keeps a record of related party transactions and makes necessary disclosures accordingly; A record on Related Party and Related Party Transactions are maintained by the Bank to capture information to comply with the respective related party disclosure requirements imposed by CBSL/SEC/Accounting Standards/ Auditing Standards and similar regulations. Please refer Section 3(7) (i) - 3(7) (vii) of the CBSL table on pages 311 to 312 for more details on the process adopted.	Compliant																										
D.2	Risk management and internal control																											
D.2.1	Adoption of a framework for risk management The Board has adopted a framework for risk management and the processes to identify, assess, monitor and manage risks with clear delegation of responsibilities to ensure its effectiveness in supporting achievement of the strategic, operational, and financial objectives of the Bank.	Compliant																										
D.2.1.1	Robust assessment of the principal risks The Bank has carried out a robust assessment of the top risks faced by the Bank and an overview of the same is given on pages 108 – 109.	Compliant																										
D.2.1.2	Description of the risk management framework in the Annual Report Please see the Risk Management Overview on pages 108 – 109 for a description of the risk management framework, and how identified risks are being managed or mitigated.	Compliant																										
D.2.1.3 D.2.1.4 D.2.1.8	Establishment of a Risk Committee Considering regulatory requirements and the industry specific business risks, the Board has established an Integrated Risk Management Committee to oversee risk management.	Compliant																										
D.2.1.5 D.2.1.7	Composition of the Risk Committee The Integrated Risk Management Committee (IRMC) consists of 6 Non-Executive Directors, the CEO, Vice President- Risk Management, Vice President – Legal and the Compliance Officer. The Chairman is an Independent Non- Executive Director. Please refer pages 144 – 146 for the report of the Integrated Risk Management Committee for more details on the composition and activities carried out by the Integrated Risk Management Committee for the year 2023.	Compliant																										

Rule No.	Corporate Governance Principles	Compliance Status
D.2.1.6	Risk Committee to have written TOR The IRMC has a set of Terms of Reference (TOR) clearly outlining its authority and duties. The TOR shall state how it would assist the Board's oversight of risk management.	Compliant
D.2.2	Establishment of a process to ensure internal control have been designed, implemented and monitored The Board has established a process to ensure that internal controls are designed, implemented and monitored in order to provide reasonable assurance of the achievement of the Bank's objectives on reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.	Compliant
D.2.2.1	Establishment of internal controls in respect of financial, operational and compliance system The Board has established an effective system of internal controls in respect of financial, operational and compliance system. The processes and practices have been monitored regularly. The Board annually reviews the effectiveness of the internal control systems and has provided a report in the Annual Report.	Compliant
D.2.2.2	Internal audit function The Bank has a fully-fledged Audit Department over which the AC has oversight. The AC reviews the Internal Audit function at regular intervals.	Compliant
D.2.2.3	The Audit Committee to review the process and effectiveness of risk management and internal controls, and document to the Board The AC reviewed the internal controls and procedures at 7 meetings held during 2023. The minutes of the AC meetings are tabled at the meetings of the Board. The Internal Audit Department carries out regular reviews on the internal control system including internal control over financial reporting. The AC reviews and evaluates the effectiveness of the internal control system including the internal controls over financial reporting. The IRMC reviews processes relating to the risk management framework of the Bank. The AC Report and the IRMC Report are detailed on pages 147 to 148 and 144 to 146 of this Annual Report.	Compliant
D.2.2.4	Maintaining a sound system of internal control and the contents of the Statement of Internal Control Please refer pages 147 to 148 for the AC Report and refer pages 157 to 158 for Directors' Statement of Compliance on Internal Controls in the manner in which the Board complied with this requirement.	Compliant
D.3	Audit Committee	
D.3.1	Composition of Audit Committee The Audit Committee consists of four Non-Executive Directors, majority of who are Independent. The Chairman is an Independent Non-Executive Director who has relevant experience in financial reporting and control. Members are selected to provide a broad set of financial, commercial and other relevant experience to meet the Committee's objectives. Other Members also have financial, commercial and other relevant experience to meet the Committee's objectives.	Compliant
D.3.2	Terms of reference of the Audit Committee Terms of Reference of the AC is clearly defined in the Charter of the Audit Committee approved by the Board of Directors, which was last revised and updated in October 2023. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee mainly deals with matters pertaining to statutory and regulatory compliance in financial reporting and matters with regard to the External Auditors and Internal Audit.	Compliant
D.3.3	Disclosures regarding Audit Committee. Please refer pages 147 to 148 of the AC report	Compliant
D.4	Risk Committee	
D.4.1	Composition The Board has established an Integrated Risk Management Committee (IRMC) which comprises of 6 Non-Executive Directors, the CEO, Vice President - Risk Management, Vice President - Legal with the Compliance Officer. The Chairman Mr. Sriyan Cooray is an Independent Non-Executive Director.	Compliant
D.4.2	Terms of Reference Terms of Reference of the IRMC is clearly defined in the Charter of the IRMC approved by the Board of Directors, which was last revised and updated in February 2023. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
D.4.3	Regular Risk Meetings The Committee held 05 meetings, during the year under review to discuss the normal scope of work. The quorum for a meeting is four members of which two shall be Non-Executive Directors. The proceedings of the Committee meetings have been regularly reported to the Board of Directors.	Compliant
D.4.4	External Professional Advice The Committee has the authority to seek external professional advice in connection with the performance of its duties	Compliant
D.4.5	Disclosure on the roles and responsibilities The Committee has disclosed in the Annual Report the roles and how the committee has discharged its responsibilities.	Compliant
D.5	Related Party Transactions Review Committee	
D.5.1	Related Party and Related Party Transactions will be as defined in LKAS 24 The Bank has in place a Board-approved Related Party Policy which ensures that necessary processes are implemented by the Bank to identify, approve, monitor and disclose related party transactions as required under Corporate Governance Direction No. 11 of 2007 (as amended), Section 9 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance and Related Party Transactions and identification and disclosure requirements in accordance with LKAS 24.	Compliant
D.5.2	Composition of the Related Party Transactions Review Committee In terms of Section 9 of the Listing Rules issued by the Colombo Stock Exchange, the Bank has constituted a Board appointed Related Party Transactions Review Committee. The Related Party Transactions Review Committee consists exclusively of Non-Executive Directors and majority of whom are Independent.	Compliant
D.5.3	Terms of Reference of the Related Party Transactions Review Committee The Bank has a Board-approved TOR and a Board-approved Related Party Transactions Policy in place which addresses requirements under this Code.	Compliant
D.6	Code of business conduct and ethics	
D.6.1 D.6.5 D.6.6 D.6.7	Code of Conduct for Directors and Senior Management The employees of the Bank are governed by a number of robust policies, including the Code of Ethics, Anti-Bribery and Corruption Policy and the Securities Trading Policy. The Board of Directors and KMP follow the Corporate Governance Code which broadly addresses inter alia share dealing, confidentiality, conflict of interest and bribery and corruption. Noting the new requirements and timelines stipulated by the Colombo Stock Exchange, the Bank is in the process of establishing a single Code of Business Conduct and Ethics.	Compliant
D.6.2	Identification and reporting of material and price sensitive information The Bank has in place a Board-approved Disclosure Policy which ensures that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Compliant
D.6.3	Monitoring and disclosure of shares purchased by any Director, KMP or any other employee involved in financial reporting The Bank has in place a Board-approved Group Securities Trading Policy which restricts Directors and employees from trading in the NDB share during certain specified blackout periods to ensure that they do not trade based on price sensitive information. Further, this policy ensures that there is no speculative trading on the NDB share and a minimum holding requirement. All share trades carried out by the Directors and employees of the Bank are monitored to ensure compliance.	Compliant
D.6.4	Establishment of a Whistleblower Policy The Bank has implemented a comprehensive procedure to address concerns raised by Whistleblower Policy, under the Bank's Whistleblower Policy. The Bank additionally has an independent ombudsman for staff complaints which enable employees to raise concerns and complaints.	Compliant
D.7	Corporate governance disclosures	
D.7.1	Disclosure of Corporate Governance The Bank's Corporate Governance practices are in accordance with the Banking Act Direction No. 11 of 2007 (as amended) issued by CBSL, the Code, as well as the Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. The requirement is met with the presentation of this Corporate Governance Report from pages 110 to 136 of the Annual Report and its relevant annexures on pages 298 to 336.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
Section 2	Shareholders	
E	Institutional investors	
E.1	Shareholder voting	
E.1.1	Encourage voting at AGM All shareholders are encouraged to participate at General Meetings and cast their votes. The AGM is used as an effective channel to create a dialogue between the shareholders and the Board of Directors. Also, the Chairman and CEO have regular structured meetings with institutional shareholders. Board members are briefed about the matters discussed at such meetings. Please refer the Investor Relations section on pages 367 to 383.	Compliant
E.2	Evaluating the corporate governance initiatives of the Bank Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition.	Compliant
F.	Other investors	
F.1	Independent advice for decision making when investing or divesting directly in shares of the Bank The Annual Report contains sufficient information for a potential investor to carry out his/her own analysis. The following reports aim to provide a balanced overall assessment of the Bank's activities, performance and prospects. Reflections from the Chairman on pages 16 to 17. CEO's Review on pages 18 to 19. Management Discussion and Analysis on page 56 onwards. Annual Financial Statements on pages 163 to 290. Further, Interim Financial Statements published each quarter, provide sufficient information to enable the retail investors to make informed judgments regarding the performance of the Bank. Additionally, there is a separate part of the Bank's website dedicated to Investor Relations which provides this information online to all investors/shareholders.	Compliant
F.2	Encourage voting by individual shareholders in General Meetings Individual shareholders are encouraged to participate at the General Meetings of the Bank and exercise their voting rights.	Compliant
G.	Internet of Things and Cyber Security	
G.1	Process to identify how in the organisation's business model will mitigate the Cyber Security risks As per the Bank's Information Security Governance structure, the Information Security Unit defines the policies required to control Bank-wide information security. IT Department is responsible in implementing required security standards and monitoring the same while escalating any anomalies to the Bank's Senior Management which are then escalated to the IRMC and towards regulatory authorities as defined. As per the Information Security Policy in the Bank, access via external devices to the Bank's network has been restricted where any exceptional requirement will be approved by the higher management following industry standard security measures.	Compliant
G.2	Appointment of Chief Information Security Officer (CISO) and Policies for Cyber Security risk management The Bank's Information Security Unit has implemented Board approved information security policies and performs periodic reviews in line with regulatory requirements and industry best practices. A designated officer is appointed overlook the functions of CISO. The policies include a robust cyber security risk management process, an incident reporting system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting process, scope, regularity of an Information and Communications Technology (ICT) audit. Technology Risk Management unit was instilled as part of Regulatory Framework on Technology Risk Resilience for licensed banks which is applicable to the entire operations of the Bank including operations carried out through agents and third party service providers.	Compliant
G.3	Allocate regular and adequate time on the Board meeting agenda for discussions about cyber risk management Cyber security risks are discussed at Information Security Committee as the apex management level body responsible for information technology resilience of the Bank and IT Steering Committee as relevant and when required. On a quarterly basis at the IRMC, the Information Security Function will present the status of cyber security risk and developments.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
G.4	Independent periodic review and assurance on effectiveness of the Cyber Security risk management Independent security reviews & VAPT (Vulnerability Assessment & Penetration Testing) were conducted by KPMG for all Mobile Payment applications & other public delivery channels including the corporate website. In addition to this, effectiveness testing for WAF (Web Application Firewall) which provides additional security layer for all public web applications was also conducted. It was identified that required security controls are in place as per the industry standards.	Compliant
G.5	Disclosure of the process to identify and manage Cyber Security risks Please refer page 14 of the Board of Directors report on the affairs of the Bank and page 124 of the Corporate Governance Report which details the process to identify and manage cyber-security risks.	Compliant
H	SUSTAINABILITY: ESG RISK AND OPPORTUNITIES	
H.1	ESG risk and opportunities The Board has taken into consideration the ESG risk and opportunities in the Bank's business model, operations, short- and medium-term planning and in its long-term strategy to ensure that the Bank has remained resilient and is able to deliver durable and sustainable value over the short, medium and long term in order to maintain the confidence and continued engagement of shareholders and all significant stakeholders.	Compliant
H.1.1	Impact of ESG risks and opportunities The Bank has included the impact of ESG risks and opportunities in its business plans, strategic plans and these plans are submitted to the Board on a regular basis.	Compliant
H.2	Views of Stakeholders The Board and Key Management Personnel have engaged with and have considered the views of its stakeholders in order to understand and manage the Bank's ESG risk and opportunities since stakeholder expectations have heightened across various issues relating to the protection of environment and other ESG issues.	Compliant
H.2.1	Process to recognise significant stakeholders The Bank has a system in place to recognise significant stakeholders and material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.	Compliant
H.3	Governance Framework The Board has established a governance framework and structure which includes conformance, performance and ESG factors.	Compliant
H.3.1	Sustainability factors The Board has addressed sustainability factors through an environmental, social and governance framework.	Compliant
H.3.1.1	Environmental Governance The Bank has adopted an integrated approach in relation to Environmental Governance which takes into account the direct and indirect economic, social, health and environmental implications on business strategies, plans, decisions and operations.	Compliant
H.3.1.2	Social Governance The Bank has adopted an integrated approach in relation to Social Governance in order to be able to engage with representative groups of the community, customers, employees, suppliers, outsourced providers and any other party that could influence the Bank's business model in relation to aspects material to the Bank's sustainable growth. Relationship with community The Bank has adopted an integrated approach in building relationships with the community for sustainable development. Relationship with Customers The Bank has adopted an integrated approach in building relations with the customers. The Bank has a policy in place for customer feedback through engagement, efficient service deliver, standards for product responsibility and product recall and other matters that are material and relevant to the Bank's business model and customer experience. Labour Practice Governance The Bank's labour practice related governance encompasses all policies and practices in relation to work performed by or on behalf of the Bank. The governance also contains policies and practices such as health and safety, equal opportunity, gender balance, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations.	Compliant

Rule No.	Corporate Governance Principles	Compliance Status
	Suppliers and Outsourced Providers The Bank has policies and procedures in place to ensure that suppliers and outsourced providers comply with social and governance norms of the Bank.	Compliant
H.4	Establishment of a governance structure to support ESG factors The Board has established a governance structure to support ESG factors.	Compliant
H.4.1	Recognition of key resources/capital The Board has recognised its key resources/ capital deployed in its business and stakeholders.	Compliant
H.4.2	Process in ascertaining, assessing and managing ESG factors The Board has implemented a process to ascertain, assess and manage ESG factors which has an impact on the sustainability of the Bank.	Compliant
H.4.3	Establishment of financial and non-financial measures The Board has established financial and non-financial measures in respect of all material matters relating to significant stakeholders, environmental and social factors.	Compliant
H.5	Disclose ESG risks and opportunities The Board has disclosed how all its ESG risks and opportunities are recognised, managed, measured and reported in the annual report.	Compliant
H.5.1 - H.5.4	ESG Reporting The Board has implemented ESG policies and practices into the Bank's strategy, business model, governance and risk management and reports on its likely impacts and implications. The Board has disclosed on how the Bank has complied with the mandatory and voluntary codes of corporate governance. The Bank's leadership structure, organisational culture, code of conduct and business model supports the sustainability of the Bank in the short, medium and long term. Please refer pages 102 to 103 for more information on the Bank's Commitment to Sustainability.	Compliant
I	Special Considerations For Listed Entities	
I.1	Establishment and maintenance of policies and other requirements I.1.1 - I.1.4 Being a listed entity, the Bank is cognizant of the requirement to establish and maintain the 12 mandatory policies and disclosing its existence in the Bank's website. As such, the Bank is in the process of renewing existing policies and establishing new policies where necessary, in line with the timelines specified by the Colombo Stock Exchange.	Compliant
I.2	Policy on Matters Relating to the Board of Directors	
I.2.1 – I.2.2	Establishing policies relating to the Board of Directors The Bank's existing Corporate Governance Code enshrines good governance principles in relation to the Board and is supported by the Articles of Association and several other governance related policies adopted by the Board of Directors. Noting that this requirement arises under the Listing Rules as well, a review and revision of the existing policies will be carried out to ensure compliance with the Listing Rules within the timelines stipulated therein.	Compliant

STATEMENT OF COMPLIANCE - SECTION 9 - THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE ON CORPORATE GOVERNANCE

The Corporate Governance Rules and the Rules on Related Party Transactions applicable to listed entities of Sri Lanka were previously enumerated in Rule 7.10 and Section 9 of the Listing Rules of the Colombo Stock Exchange. In September 2023, the Colombo Stock Exchange consolidated these sections and introduced a new section to its Listing Rules entitled "Section 9 - Corporate Governance". The new Section 9 specifies the minimum standards of corporate governance to be followed by listed entities. These Rules are required to be complied with on a staggered basis during the period 1st October 2023 to 1st October 2024.

The Rules broadly cover areas such as Policies, Board Committees (specifically Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee), Shareholder relations, Chairperson and CEO, Fitness and Propriety of Directors, Board Composition, Alternate Directors and Director related disclosures.

The Bank's adherence with Section 9 of the Listing Rules is detailed below with explanatory comments as follows;

(Compliance with the specific disclosure requirements of Section 9 of the Listing Rules is detailed on pages 130 - 132)

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.1	Applicability	
9.1	Bank to publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	
9.2	Policies	
9.2.1 (w.e.f 1st October 2024)	Establish and maintain the following policies, and disclose its existence and details of implementation on the website- Policy on the matters relating to the Board of Directors Policy on Board Committees Policy on Corporate Governance, Nominations and Re-election Policy on Remuneration Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Bank's listed securities Policy on Risk management and Internal controls Policy on Relations with Shareholders and Investors Policy on Environmental, Social and Governance Sustainability Policy on Control and Management of Company Assets and Shareholder Investments Policy on Corporate Disclosures Policy on Whistle blowing Policy on Anti-Bribery and Corruption	Noting the effective date, the Bank is in the process of reviewing existing policies and re-establishing new policies to be within the stipulated deadline.
9.2.4	Policies above to be made available to shareholder upon request	
9.3	Board Committees	
9.3.1/9.3.2	Following Board Committees to be established and Bank to be compliant with the composition, responsibilities and disclosure requirements set out in the Rules	
	✓ Nominations and Governance Committee In view of the revised Listing Rules, the scope of the Bank's Nominations Committee was expanded to include duties falling under the governance pillar and was thus renamed as Nominations and Governance Committee in 2023	Compliant
	✓ Remuneration Committee The Terms of Reference of the Bank's Human Resources and Remuneration Committee was amended in view of the revised Listing Rules.	Compliant
	✓ Audit Committee The Terms of Reference of the Bank's Audit Committee was amended in view of the revised Listing Rules.	Compliant
	✓ Related Party Transactions Review Committee The Terms of Reference of the Bank's Related Party Transactions Review Committee was amended in view of the revised Listing Rules.	Compliant

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.3.3 w.e.f 1st October 2024	Chairperson of the Board shall not be the Chairperson of the above Board Committees	Noting effective date, will be compliant by Q2 2024
9.4	Principles of democracy in shareholder dealings	
9.4.1	Bank to maintain records of all resolutions and the requisite information of shareholder resolutions and provide copies to the SEC or CSE if requested. The Company Secretary maintains records of all shareholder resolutions and requisite information and is able to provide extracts of such resolutions to the SEC and CSE if required.	Compliant
9.4.2 (w.e.f 1st October 2024)	A shareholder communications and relations policy to be established and its existence to be disclosed in Annual Report and website.	Noting the effective date, the Bank is in the process of reviewing existing policies and establishing new policies
	Bank to have and disclose a contact person for communication with shareholders Details of the contact personnel are provided in the “Corporate Information” section on page 404 of this Report. In addition, shareholders are encouraged to provide their feedback to the Chairman and/or the Company Secretary. The Bank’s website’s Investor Relations page also carries contact details of the Company Secretary and a dedicated e-mail for investor relations is also provided.	Compliant
	The shareholder communications and relations policy shall include a process to make all directors aware of major issues and concerns of shareholders and this process to be disclosed in Annual Report and website. The Company Secretary keeps the Board apprised of major issues and concerns raised by the shareholders to ensure that they are addressed in an appropriate manner keeping in line with the corporate values of the Bank. Shareholder correspondences on major issues are handled by the Chairman with the concurrence of the Board/the CEO as appropriate.	Compliant
	Shareholder meetings conducted virtually/in hybrid mode to comply with the Guidelines issued by CSE. The Bank ensures that virtual shareholder meetings are conducted in compliance with the Guidelines issued by the CSE as incorporated in the Articles of Association of the Bank.	Compliant
9.5	Policy on Board related matters	
9.5.1 (w.e.f 1st October 2024)	Bank to establish and maintain a formal policy governing matters relating to the Board of Directors covering the requisites in 9.5.1	Noting the effective date, the Bank is in the process of reviewing existing policies and establishing new policies within the stipulated deadline.
9.6	Chairperson and CEO	
9.6	Chairperson of the Bank should be a Non-Executive Director and the position of Chairperson and CEO shall not be held by the same person The Articles of Association of the Bank requires that the Chairperson of the Bank should be an Independent Director. As such, the positions of Chairperson and CEO are not held by the same person.	Compliant
9.6.3	If Chairperson and CEO are the same person; or if the Chairperson and CEO are close family members or related parties, Bank to appoint a Senior Independent Director (SID) and comply with the requirements in 9.6.3 Same as above.	Not Applicable

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.7	Fitness of Directors and CEO	
9.7.1/9.7.2/9.7.3/9.7.4	Bank to ensure that the Directors and CEO and the persons recommended by the Nominations and Governance Committee are at all times, fit and proper persons as per the criteria in 9.7.3. Bank to obtain declarations from all directors and CEO on an annual basis confirming their fitness and propriety. The Company Secretary obtains declarations from the Directors on an annual basis. In view of these Rules, a declaration in the form of an affidavit confirming each Director's fitness and propriety in line with the Listing Rules has been included in these annual declarations from 2023 onwards. The said annual declarations are submitted to the Nominations and Governance Committee to assess and ensure that the Directors are fit and proper persons to hold office as specified in the criteria given in laws applicable to the Bank.	Compliant
9.8	Board Composition	
9.8.1	Minimum number of Directors shall be 5.	Compliant
w.e.f 1st October 2024	The number of Directors during the year 2023 was in compliance with the thresholds detailed in these Rules. As at 31 December 2023, the Board comprised ten (10) Directors.	
9.8.2	Minimum number of Independent Directors shall be 2 or 1/3rd of the total number of Directors (whichever is higher). Any change to be rectified within 90 days.	Compliant
9.8.3		
9.8.5 (Not applicable. w.e.f. 1st October 2024 (for minimum number of Independent Directors; and 70 year age limit for Director independence))	The Company Secretary obtains declarations from the Directors on an annual basis. In view of these Rules, a declaration confirming each Director's independence in the form prescribed in the Listing Rules has been included in these annual declarations from 2023 onwards. The said annual declarations are submitted to the Nominations and Governance Committee to assess and ensure that the standards of Board composition stipulated in laws applicable to the Bank are met. The Board through Nominations and Governance Committee assesses the independence or non-independence of each Non-Executive Director based on the annual declarations. As at 31 December 2023 there were 9 Independent Non-Executive Directors on the Board which is above the regulatory requirement. The Independent Non-Executive Directors are detailed on page 111 of this report.	
9.9	Alternate Directors	
9.9 (w.e.f. 1st January 2024)	Bank to follow the requirements laid down in 9.9 when appointing Alternate Directors and incorporate such requirements in the Bank's Articles of Association. Directors appoint Alternate Directors in line with the Articles of Association of the Bank and the Banking Act as and when required for a particular meeting. Alternate Directors appointed by an Independent Director have also been independent. The Bank's Articles of Association are in conformity with these Rules and immediate Market Announcements are made when an Alternate Directors is appointed.	Compliant
9.10	Director Disclosures	
9.10.1	Bank to disclose policy on the maximum number of directorships allowed to be held by a Director. If such number is exceeded, an explanation to be provided in the Annual Report As required by the Banking Act Directions, no Director holds Directorships of more than 20 companies. The Directorships of each of the Directors are disclosed on pages 24 to 28 of the Annual Report.	Compliant
9.10.3	Bank shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof. The Bank makes the required announcements as and when necessary.	Compliant

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.11	Nominations and Governance Committee	
9.11.1 9.11.3	Bank shall have a Nominations and Governance Committee (NGC). NGC to have written Terms of Reference. In view of the revised Listing Rules, the Terms of Reference of the Bank's Nominations Committee was expanded to include duties falling under the governance pillar and was thus renamed to Nominations and Governance Committee in 2023.	Compliant
9.11.2	Establish and maintain a formal procedure for appointment and re-election of Directors through the NGC The NGC considers Board vacancies and recommends suitable candidates when necessary in accordance with the Board-approved procedure for selection and appointment of Directors and in line with applicable laws and regulations.	Compliant
9.11.4 9.11.5 (w.e.f. 1st October 2024 for composition)	Functions and Composition of the NGC - Comprise a minimum 3 directors out of which minimum 2 shall be independent - not consist of executive directors - chairperson to be an independent director Please see detailed report on pages 139 to 141 for the functions and composition of the NGC.	Compliant
9.12	Remuneration Committee	
9.12.2 9.12.5	Bank shall have a Remuneration Committee and the Committee to have written Terms of Reference. In view of the revised Listing Rules, the Terms of Reference of the Bank's Human Resources and Remuneration Committee (HRRC) was amended in 2023.	Compliant
9.12.3 9.12.4	HRRC shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual directors. Remuneration of Directors to be based on policy which adopts non-discriminatory pay practices. The Bank has a comprehensive Board-approved Remuneration Policy addressing the above areas, for Directors, CEO and KMP.	Compliant
9.12.6 (w.e.f. 1st October 2024 for composition)	Functions and Composition of the HRRC • Comprise a minimum 3 directors out of which minimum 2 shall be independent • not consist of executive directors • chairperson to be an independent director Please see detailed report on pages 142 to 143 for the functions and composition of the HRRC. Where parent and subsidiary are both listed the HRRC of the parent may be permitted to function as the HRRC of the subsidiary Not applicable since none of the subsidiaries are listed.	Compliant Not Applicable.
Until 1st October 2024, the Listed Entity shall at a minimum comply with previous Rule 7.10.5 (a)	The remuneration committee shall comprise of Non-Executive Directors a majority of whom shall be independent. One Non-Executive Director shall be appointed as Chairman of the committee by the Board of Directors. Please see detailed report on pages 142 to 143 for the functions and composition of the HRRC. In a situation where both the parent company and the subsidiary are 'listed Entities', the remuneration committee of the parent company may be permitted to function as the remuneration committee of the subsidiary. Not applicable since none of the subsidiaries are listed.	Compliant Not Applicable.

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.13	Audit Committee and IRMC	
9.13.1 9.13.2	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules. Audit Committee to have written Terms of Reference. The Bank has a separate Audit Committee and an Integrated Risk Management Committee (IRMC) with written Terms of Reference. See detailed report on pages 144 to 146.	Compliant
9.13.3 9.13.4 (w.e.f. 1st October 2024 for composition)	Functions and Composition of the AC - Comprise a minimum 3 directors out of which minimum 2 or a majority (whichever higher) shall be independent - not consist of executive directors - chairperson to be an independent director Please see detailed report on pages 147 to 148 for the functions and composition of the AC - Compulsory meetings on a quarterly basis prior to recommending the financials to be released to the market - Quorum- majority of those in attendance shall be independent - CEO and CFO to attend meetings by invitation. - Provided however where there is a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation. The AC had 7 meetings in 2023 with at least 1 meeting per quarter and the Rule was complied with during all those meetings. Further, the IRMC has had 5 meetings in 2023 and the CEO attended all those meetings by invitation. Where parent and subsidiary are both listed the AC of the parent may be permitted to function as the AC of the subsidiary Not applicable since none of the subsidiaries are listed. The Chairperson of the AC shall be a Member of a recognised professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where there is a separate Risk Committee and Audit Committee. The Chairman of the AC, Mr. Sujeewa Mudalige has over 34 years of experience as a Chartered Accountant. His qualifications are FCA (ICA - SL), FCMA (CIMA – UK), FCCA (ACCA – UK) and FCPA (CPA – Australia).	Compliant
Until 1st October 2024, the Listed Entity shall at a minimum comply with previous Rule 7.10.6 (a) for composition of Audit Committee	The Audit Committee shall comprise of Non-Executive Directors a majority of whom shall be independent. One non-executive director shall be appointed as Chairman of the committee by the board of directors. Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings. The Chairman or one member of the committee should be a Member of a recognised professional accounting body. See above comments and please see detailed report on pages 147-148 for composition of the AC. In a situation where both the parent company and the subsidiary are 'listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary. Not applicable since none of the subsidiaries are listed.	Compliant

Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
Until 1st October 2024, the Listed Entity shall at a minimum comply with previous Rules 7.10.6 (b) and (c) relating to the functions and disclosures in the Annual Report relating to the Audit Committee.	Functions and Annual Report Disclosures of the AC. Please see detailed report on pages 147 to 148 for the functions and disclosures of the AC.	Compliant
9.14	Related Party Transactions Review Committee	
9.14.1	Bank shall have a Related Party Transactions Review Committee (RPTRC) Compliant. The Terms of Reference of the Bank's Related Party Transactions Review Committee was amended in view of the revised Listing Rules.	Compliant
9.14.2 9.14.3 (w.e.f. 1st April 2024 for composition)	Functions and Composition of the RPTRC - Comprise a minimum 3 directors out of which 2 shall be independent - may include executive directors - chairperson to be an independent director Please see detailed report on pages 149 to 150	Compliant
	Where parent and subsidiary are both listed the RPTRC of the parent may be permitted to function as the RPTRC of the subsidiary Not applicable since none of the subsidiaries are listed.	Not applicable.
9.14.4	General Requirements Frequency of meetings shall be at least quarterly In 2023, the RPTRC had 4 meetings, with 1 meeting per quarter. Minutes of meetings are properly documented and communicated to the Board of Directors The minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis. Please see detailed report on pages 149 to 150.	Compliant
	Members of the RPTRC to ensure they have or have access to adequate knowledge expertise and advice The RPTRC ensures this through this being enshrined in the Terms of Reference of the RPTRC, the members being aware of the same exercises this right as and when needed.	Compliant
	Where necessary, the RPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction When necessary, Related Party Transactions were submitted to the Board in 2023.	Compliant
	Interested directors shall not vote on or be present during the deliberations on the specific matter Interested directors did not vote on or participate in any discussions during deliberations on the interested matters in 2023.	Compliant

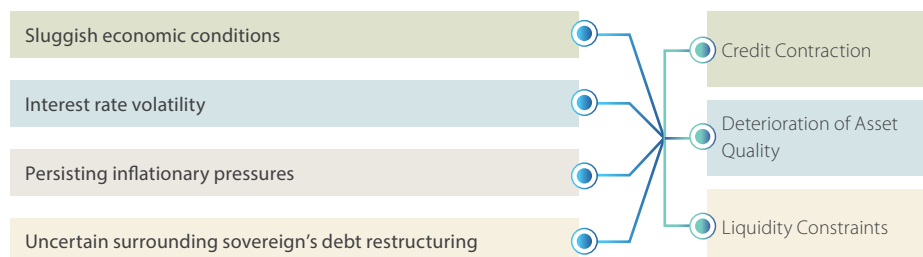
Rule No.	Corporate Governance Requirement/Explanatory comments	Compliance Status/Page reference in Annual Report
9.14.5	Subject to the exemptions, RPTRC shall review in advance all proposed RPTs The RPTRC reviews all transactions falling within the scope of its Terms of Reference. For details of activities of the RPTRC, please see the report of the RPTRC on pages 149 to 150.	Compliant
	In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes shall also be reviewed by the RPTRC prior to the completion of the transaction. This requirement has been incorporated into the Terms of Reference and is followed in the Bank.	Compliant
	The RPTRC shall be provided with all the facts and circumstances of the proposed RPT by the senior management to facilitate the review of a RPT. This requirement has been incorporated into the Terms of Reference and is followed in the Bank.	Compliant
	Directors shall not participate in discussions where there is conflict except for the express purpose of providing information. Where necessary, a special committee to be created to review a proposed RPT. Interested directors did not vote on or participate in any discussions during deliberations on the interested matters in 2023.	Compliant
	For recurrent RPTs, the RPTRC may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the RPTRC on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the RPT remains appropriate. This requirement has been incorporated into the Terms of Reference of the RPTRC.	Compliant
9.14.6	Bank to obtain shareholder approval by Special Resolution for the RPTs specified in 9.14.6 No such transactions took place in 2023.	Not Applicable
9.14.9	Acquisition and Disposal of substantial assets from/to related parties to be done with shareholder approval as per Rule 9.14.9. No such transactions took place in 2023.	Nil

Risk Management

THE RISK LANDSCAPE IN 2023

The Banking sector continued to operate under challenging conditions with domestic macro-financial developments continuing to have broad-based implications on the sector. Credit demand remained subdued in the backdrop of sluggish economic conditions and elevated interest rates while repayment capacities and credit quality continued to be impacted by liquidity constraints brought on by persisting inflationary pressures and tax adjustments. Uncertainties surrounding the impact of the sovereign's debt restructuring on the local banking sector weighed in heavily during the

first part of the year, although these concerns dissipated to a large degree with the finalisation of the Debt Optimisation program in July 2023. Faced with these evolving dynamics, the Bank strengthened its risk management processes during the year to effectively manage these risk factors and emerge stronger in a volatile environment.



HOLISTIC RISK MANAGEMENT

The complex risk environment that prevailed during the year called for strategic decision making and a holistic approach to risk management that not only addressed short term challenges but also considered the long term implications. Key aspects of our risk management process in 2023 are summarised below and detailed in subsequent sections of the Report.

BANK'S RISK MANAGEMENT APPROACH

The economic crisis and its aftermath have brought forth unprecedented challenges, demanding a more robust and forward-thinking approach to risk management. The Bank's approach to risk management is underpinned by a comprehensive Integrated Risk Management (IRM) Framework, which is regularly reviewed and strengthened to remain relevant in an increasingly dynamic operating landscape. The Board-approved framework clearly defines governance structures and the process for identifying, measuring, monitoring, and controlling the Bank's risk exposures. The framework was reviewed and revised during the year, in view of the rapid changes in the operating environment.

MARKET RISK MANAGEMENT

- Proactive monitoring of interest rate risk & exchange rate risk continuously to ensure positions are maintained within the Bank's risk appetite
- Stress testing and scenario analysis on open positions, and interest rate sensitive assets
- Prudent management of government debt, with uncertainties on Debt Restructuring
- Timely pricing strategies of asset and liabilities to reduce the negative impacts, of a volatile interest rate regime
- Review and update broad framework of policies and limits

LIQUIDITY RISK MANAGEMENT

- Cautious management of net open positions and foreign currency liquidity levels amidst debt restructuring process
- Regular cash flow projections to manage liquidity
- Strengthening of key liquidity ratios to optimise liquidity levels
- Enhanced engagement through ALCO to manage liquidity constraints
- Strengthen stress testing and reviewing related parameters and economic triggers

RISK APPETITE FRAMEWORK

- Re-aligning the Bank's risk appetite objectives to recent market developments
- Expanding the limit framework for key areas
- Stringent limits for Credit, Concentration and Liquidity Risk

OPERATIONAL RISK MANAGEMENT

- Close monitoring of potential areas at risk/ revisit the vulnerable processes and strengthen/ introduce new controls as appropriate
- Key Risk Indicators are closely monitored and root causes identified where thresholds are breached and mitigating action taken to reduce risk exposure.
- Implemented security solutions for the prevention of data leakage.

INFORMATION SECURITY RISK MANAGEMENT

- Stringent security measures and raised staff and customer awareness on avoiding cyber-attacks/ security threats.
- Deployment of technical controls to mitigate cyber risks such as multi-layer firewalls, network separation and intrusion prevention systems
- Continuous monitoring & security hardening of online channels & related infrastructure as per industry best practices
- Subscribes to threat intelligence services to defend against emerging threats
- Internal and external penetration tests by employing external service providers.
- Aligned with ISO 27001 standard, demonstrating steadfast commitment to robust information security practices.

CREDIT RISK MANAGEMENT

- Strengthening and up-skilling the Remedial Management (Business Revival) unit to rehabilitate financially distressed borrowers
- Strengthened recovery efforts
- Automation of staging requirements
- Setting up a Stage 2 Monitoring Task Force
- Close monitoring of Stage 2 portfolio with monthly reviews
- Strengthened control processes and process governance through implementation of work flow system for the individual impairment assessment
- Increased monitoring and curtailed lending to high risk segments
- Strengthening underwriting standards considering the challenging economic environment
- Frequent portfolio reviews in view of emerging conditions



MAIN OBJECTIVES

- To establish common principles and standards for the management and control of all risks
- To provide a shared framework and language to improve awareness of risk management processes among all stakeholders
- To provide clear accountability and responsibility for risk management
- To ensure consistency throughout the Bank in risk management

RISK UNIVERSE

In addition to the main risks (viz. Credit Risk, Market Risk and Operational Risk) the Bank considers several other material risks such as Liquidity Risk, Sovereign Risk, Cyber Risk, underestimation of Credit Risk in Standardised Approach, Residual Credit Risk, Concentration Risk, Compliance Risk, Legal Risk, Strategic Risk, Governance Risk, Cross-border Risk, Settlement Risk, Reputational Risk, Model Risk, Risk in Off Balance Sheet items, Environmental and Social Responsibility Risk and Group Risk. The Risk framework permeates all levels of the organisation and has underpinned the creation of a risk-conscious culture.

The Risk Management narrative set out in the subsequent pages has been structured in accordance with the key elements of the Bank's Integrated Risk Management Framework.

RISK APPETITE & STRATEGY

Risk Appetite is defined as the quantum of risk the Bank is willing to assume in achieving its strategic objectives and ensuring maintenance of the desired risk profile. The Bank's risk appetite is twofold. The top level risk appetite statement indicates the objectives that the Bank is trying to achieve, which is followed by the sum of mechanisms linking this top level statement to the firm's day-to-day risk management operations. The Risk Appetite framework and Risk Tolerance limits are defined by the Board in consultation with the management and are articulated through limits or qualitative checkpoints.

The top level statement which is set to guide management and to inform investors about the Bank's risk appetite is given below.

Risk Appetite Statement of NDB

NDB Bank's risk appetite statement defines the amount of risk we are willing to assume in pursuit of our strategic and financial objectives. We recognise the challenges in the current operating environment in our risk approach and capital planning and strive to maintain resilience.

Our guiding principle is to practice sound risk management, supported by optimal capital and funding positions, as we pursue our client focused strategy. In defining our risk appetite, we take into consideration our vision, values, strategy and Corporate Social Responsibility along with our risk capacity (defined by regulatory framework).

Our risk appetite defines how we conduct business in a manner that is consistent with the objectives specified under each risk category.

Credit Risk

We take Credit Risk primarily in our core activity of lending. We aim to maintain the high quality of the loan portfolio, while acknowledging that some of our lending involves greater risks arising from the external economic factors. The majority of our lending would be domestic. We acknowledge the Credit Risk in our FCY investment portfolio and strive to manage same at acceptable levels, through appropriate provision cover.

Concentration Risk

We diversify lending across customer groups and industries to avoid excessive risk concentrations.

Market Risk

We consider that Market Risk parameters are capable of optimising the risk/return to capitalise on market opportunities. The risk and delegated approval parameters ensure that Bank is not exposed to excessive risks and it operates within the pre-defined framework of risk whilst safeguarding and enhancing the shareholder value.

Liquidity Risk

We maintain a liquidity portfolio where a large majority of the assets are of Government securities to support the Bank's operations and liquidity position. Having a sound liquidity position enables us to manage our core activities under severely stressed market conditions. We diversify borrowings in terms of currencies, maturities, instruments and investor types in order to avoid excessive reliance on individual markets and funding sources.

Interest Rate Risk in the Banking Book (IRRBB)

We manage the IRRBB effectively as the economic value of the banking book positions change with the change in interest rates thereby safeguarding the Bank's capital and earnings.

Operational Risk

We maintain strong Operational Risk management strategies and use Operational Risk tools such as Incident/ Loss data management, RCSA, KRI monitoring and Scenario analysis to minimise losses at all times. The Bank has a zero tolerance policy to internal fraud and theft and any significant or high residual exposures shall always be deemed beyond tolerance and measures are taken to mitigate the risk.

Compliance Risk

We comply with policies, regulations and procedures, in both the letter of law and spirit.

Environmental & Social Risk

We give priority for sustainability, high ethical and social standards, and protection of the environment in our lending operations. We do not finance projects that are undesirable from a sustainability or social standards perspective. This includes potential deterioration of the physical, natural, or cultural environment, the surrounding community, or the health and safety of workers directly resulting from the business activity to be financed.

The Risk appetite framework is aligned to the Bank's overall business strategy and reviewed and updated based on emerging developments thereby, providing clear direction for on-going operations and risk management. In the event of a breach of a risk appetite threshold, risk management strategies and controls are implemented to normalise the exposures to the accepted range.

During the year, the risk appetite of the Bank was reviewed considering the challenges in operating environment and further strengthened by expanding and fortifying the limit framework in order to achieve risk appetite objectives.

Capital Management

Effective capital management through proactively managing the Bank's capital position, capital mix and capital allocation is crucial in protecting the Bank against insolvency while safeguarding the financial position and reputation of the Bank. Bank's approach to capital management is driven by strategic objectives and guided by the Basel principles.

BASEL III FRAMEWORK

Basel III capital standards endeavour to strengthen the quantity and quality of capital in Banks.

PILLAR I – MINIMUM CAPITAL REQUIREMENT

The objective of minimum capital requirements under Pillar I of the Basel III framework is to ensure that banks hold sufficient capital for Credit, Market and Operational Risks.

Credit Risk	- Currently using Standardised Approach for Credit Risk minimum capital computation purposes - Rolled out rating models with the assistance of CRISIL Limited India in 2014 - The internal rating models were validated by KPMG
Market Risk	- Use of Standardised Measurement Approach to compute minimum capital requirement - Use of Advanced Measurement Approach such as VaR models in measuring Market Risk
Operational Risk	Use of the Basic Indicator Approach (BIA) to compute the capital charge

PILLAR II – SUPERVISORY REVIEW PROCESS

The Pillar II (Supervisory Review Process - SRP) requires banks to implement an internal process, called the Internal Capital Adequacy Assessment Process (ICAAP), for assessing capital adequacy in relation to the risk profiles as well as a strategy for maintaining capital levels. The Pillar II also requires the supervisory authorities to subject all banks to an evaluation process/ SRP. The Bank has in place an ICAAP since January 2013 which has strengthened its risk management practices and capital planning process.

The Bank's capital management objectives can be summarised as follows:

- Maintain sufficient capital to meet minimum regulatory capital requirements
- Hold sufficient capital to support the Bank's risk appetite
- Allocate capital to businesses to support the Group's strategic objectives
- Ensure that the Bank maintains capital in order to withstand the impact of potential stress events

The Bank identified twenty material risks based on directions given by CBSL and self-assessment of most important risk categories which require a separate mention from an ICAAP perspective. These risks are Credit Risk, Market Risk, Operational Risk, Concentration Risk, Liquidity Risk, Sovereign Risk, Cyber Risk, under-estimation of Credit Risk, Residual Risk, Strategic Risk, Reputational Risk, Legal Risk, Compliance Risk, Governance Risk, Model Risk, Settlement Risk, Environmental and Social Responsibility Risk, Group Risk, Cross-border Risk and Risks in Off Balance Sheet exposures.

The annual Capital Planning process involves detailed planning of the strategic capital plan over at least a three-year horizon. The plan highlights the capital projections, capital requirements, levels of capital and capital mix to support the Bank's business plan and strategic objectives. The projected capital also takes into consideration the Bank's organic growth. NDB Group also has the option to raise capital under normal and stressed scenarios by way of equity/ capital infusion, issue of innovative perpetual debt instrument, issue of sub-ordinate bonds or hybrid capital instruments.

Raising capital remained a key challenge for Banks, amidst the ongoing economic, political and social challenges in the country. Considering the extraordinary circumstances caused by the current macroeconomic conditions, the Regulator allowed banks to draw down on the capital conservation buffer built over the years to absorb unexpected losses during the period.

Efficient capital and balance sheet management will remain a key priority of the Bank's strategy as it focuses on strengthening resilience. Capital retention would happen through profit capitalisation and based on the Bank's dividend policy. In January 2023, the Bank announced to the Colombo Stock Exchange its plan to raise up to a maximum of LKR 10 Bn within a year from the date of obtaining shareholder approval via a Basel III compliant debenture issue. Accordingly, the Bank issued Basel III compliant, Tier 2 listed, rated, unsecured subordinated redeemable debentures with a non-viability conversion, at the par value of LKR 100 each, aiming to raise five billion rupees. The issue of fifty million debentures was oversubscribed.

Stress Testing

The Bank's comprehensive stress testing policy has been formulated in line with regulatory guidelines and global best practices. Stress tests are conducted at various frequencies in line with the Board-approved framework and results are reported to the Board. Considering the changes in the operating environment, the Bank carried out a comprehensive review of its stress testing policy and framework where the adequacy of stress tests, frequency, shock levels and assumptions were critically reviewed and changes were incorporated to policy and framework as required. Reverse stress testing is also included in stress testing policy and framework to overcome the possibility of a false sense of security that might arise from regular stress testing in which the Bank may identify manageable impacts. The outcome of stress testing process is proactively monitored and remedial actions taken in case of breaches. The Bank also carried out certain adhoc stress tests to understand the impact of specific scenarios on capital adequacy/ liquidity given the challenges.

The Stress Tests carried out as at 31 December 2023 are given below.

Credit Risk - Impact of increase in the Non-Performing Assets on Capital Adequacy Ratio (CAR) - Impact of default of Large Borrowers on CAR	Exchange Rate Risk - Impact of exchange rate movements of Bank's (DBU and FCBU) Net Open position on CAR - Impact of exchange rate movements of Domestic Banking Unit (DBU) Net Open Position on profits - Impact of forex trading - Value at Risk measurement on CAR	Adhoc Stress Tests Impact of additional Impairment on International Sovereign Bonds and Sri Lanka Development Bonds on CAR
Credit Concentration Risk - Impact of default by the largest group on CAR - Impact of default in specific sector/ region on CAR	Liquidity Risk - Market specific stress test - Adverse impact on money market & institutional borrowings/ drop in market liquidity on Liquid Asset Ratio (LAR) - Bank specific - Run down on CASA & time deposits on LAR - Market / Bank Specific - Adverse Impact on total liquid liabilities on LAR - Impact of loss of large depositors on LAR - Impact of exchange rate movement on LAR - DBU - Impact of funding cost on balance sheet mismatches on CAR - Impact on CAR due to higher interest paid in a deposit run off scenario - Impact of specific stress scenarios on maintenance of Liquidity Coverage Ratio	Reverse Stress Tests - Reverse Stress Testing on CAR - Reverse Stress Testing on LAR
Interest Rate Risk - Impact of change in interest rates - Trading Book (Debt Securities) - Impact of Value at Risk measurement of the Trading Book on CAR - Impact of change in interest rates - FVOCI Book (Debt Securities) on CAR - Impact of change in interest rates on CAR for Banking Book - Impact of change in interest rates of Sovereign Bonds on CAR		

PILLAR III – DISCLOSURES

The Bank provides enhanced quantitative and qualitative disclosures in line with the Basel III requirements in Annual Report, website and press to provide a meaningful assessment of the extent and nature of various risks that the Bank is exposed to and the efficiency of Banks' risk management practices.

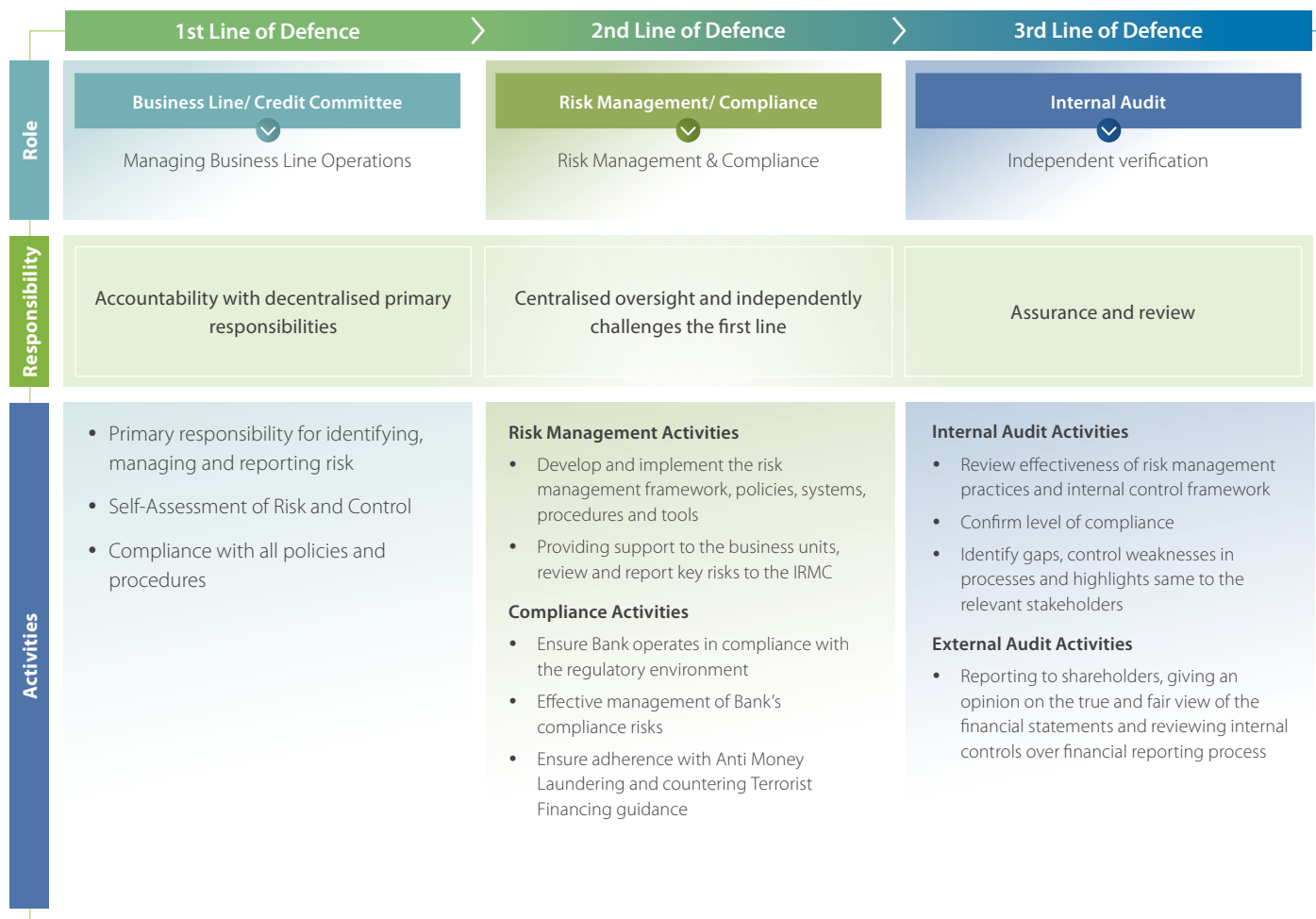
GOVERNANCE AND OVERSIGHT

The Bank's Board of Directors holds apex responsibility for risk management and sets the tone at the top for the effective management of risks. In discharging its risk-related responsibilities, it is supported by two key committees, namely the Integrated Risk Management Committee (IRMC) and the Audit Committee (AC) which have been formed in compliance with the CBSL Direction No. 11 of 2007 on Corporate Governance.



GOVERNANCE STRUCTURE

The risk governance structure ensures accountability and ownership, whilst facilitating an appropriate level of independence and segregation of duties. The structure is based on the three lines of defence and defines the lines of authority, roles and responsibilities to efficiently manage risk across the Bank. The activities carried out during the year by the above mentioned Board Subcommittees is covered in detail in the Board Sub-committee Reports.



RISK MANAGEMENT DIVISION

The Bank's Risk Management Division is independent of the business units and profit targets and reports directly to the Integrated Risk Management Committee. Each unit within the Risk Division contributes to the management of risk and co-ordinates with business functions to ensure that risk considerations are proactively integrated into the Bank's culture.

Further, the Loan Review unit within the Risk Management department carries out Loan Review Mechanism (LRM) activities as prescribed by the regulator. Its responsibilities extend to identifying potential problematic loans/ facilities (post approval/ granting) and providing rational, objective and professional recommendations for remedial action for implementation by line management. In order to ensure the independence and to strengthen the pre-approval process the Credit Review Division which handles the pre credit review/ approvals was taken under the Risk Management Division.

RISK CULTURE

A culture of risk awareness is fundamental to the effective management of risks within the Bank and serves as the foundation upon which a strong risk management structure is built. The Bank's commitment is clearly demonstrated through the establishment of strong policies and guidelines and ensuring that non-compliance risks are effectively managed. The key characteristics of a strong risk culture are identified as follows:



RISK POLICIES & PROCESSES

CREDIT RISK

Main Objectives

Definition: Credit Risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It arises principally from direct lending, trade finance and leasing business, and from off balance sheet products such as letters of credit and guarantees. As the Bank's most significant risk exposure, Credit Risk generates the largest regulatory capital requirement.

OBJECTIVES OF CREDIT RISK MANAGEMENT

The objectives of Credit Risk Management are:

- Ensure optimal risk-reward pay-off for the Bank to maximise returns
- Maintain the quality of the portfolio by minimising the non-performing loans and probable losses
- Maintain a well-diversified portfolio by prudently managing the risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised
- Ensure that exposures to any industry or customer are determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines
- Avoid all situations of conflict of interest and report all insider-related credits to appropriate bodies

Key Developments in 2023 included the following:

- ✔ Strengthened the Remedial Management Unit which was set up under the purview of the Risk Management department with the strategic objective of preserving financially distressed or sick borrowers businesses (with viable business plans for revival). The main objective of this unit is to minimise losses to the Bank by providing orderly coordinated, timely and pre-emptive rehabilitation solutions enabling such borrowers/ businesses to finally become competitive and productive
- ✔ Strengthened recovery efforts by providing additional resources and infrastructure to support the Recoveries team
- ✔ Automation of staging requirements in line with SLFRS 9 with the implementation of core banking system
- ✔ Implementation of a workflow system for the individual impairment process with independent approval from Risk Management Department thereby strengthening the governance in the individual impairment process
- ✔ Setting up of a Stage 2 Task Force to proactively manage the stage 2 portfolio to prevent slippage into non-performing status with frequent discussions on client-wise strategies and review of MIS

Credit Process

1

A WELL-DEFINED CREDIT POLICY APPROVED BY THE BOARD OF DIRECTORS

- Set the credit culture of the Bank
- Specify target markets for lending
- Specify prohibited lending
- Set acceptable risk parameters
- Set remedial and recovery actions

3

DELEGATION OF AUTHORITY

- Three Credit Committees representing the Business Lines
- The delegated authority limits are reviewed periodically and the Bank follows the four-eye principle
- Lending decisions are based on detailed credit evaluation

5

RISK PRICING

- Price the Credit Risk using scientific methods

7

PRUDENTIAL LIMITS

Maximum exposure limits on;

- Single Borrower/ Group Exposures
- Prudential Group Exposure Limits
- Substantial Exposures
- Industry/ Economic Sector Limits
- Cross-border/ Country Exposure Limits

9

CREDIT RISK MITIGATION

- Ways out analysis
- Comprehensive and legally enforceable documentation of credit transactions
- Obtaining of collateral in line with the Bank's policy and ensuring enforceability

2

STRUCTURED AND STANDARDISED CREDIT APPROVAL

- Credit is extended only to suitable and well-identified customers
- The primary source of repayment for each credit is from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements
- Adopt a pricing mechanism that reflects variation in the risk profile of various exposures to ensure that higher risks are compensated by higher returns
- The financial performance of borrowers is to be continuously monitored and frequently reviewed

4

RISK RATING

- System driven obligor risk rating, facility risk rating and retail score cards to suit the diverse client portfolios of the Bank
- Incorporating both quantitative and qualitative parameters

6

POST SANCTION REVIEW AND MONITORING

- Warning signals are identified
- Watch listing process
- Non-performing assets are identified at an early stage

8

PORTFOLIO MANAGEMENT

- Evaluates exposures on the basis of industry concentration, rating quality, internally established pre-specified early warning indicators
- Regular portfolio reviews, stress tests and scenario analysis
- The exposures in off balance sheet products are treated with utmost care
- Rapid portfolio reviews in case of any geopolitical or natural disaster events

10

IMPAIRMENT

- Board-approved policy
- Clearly defined process
- Impairment based on Expected Credit Loss

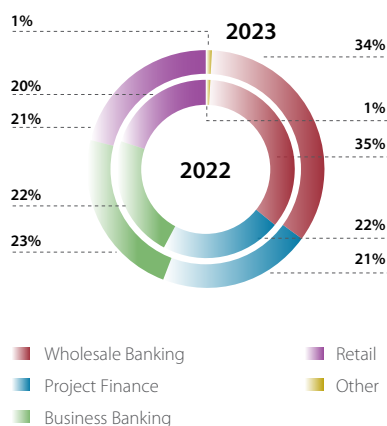
Portfolio at a glance

Credit Risk Exposure – 31 December 2023

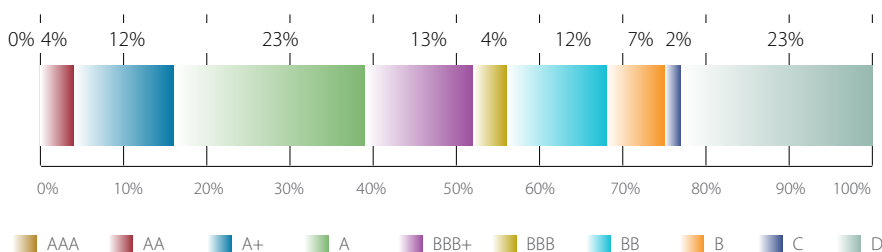
Classification	On-Balance Sheet Exposure	Off-Balance Sheet Exposure	Total Exposure	Individual Impairment	Collective Impairment	Net Exposure
	(LKR '000)	(LKR '000)	(LKR '000)	(LKR '000)	(LKR '000)	(LKR '000)
Financial Investments	259,750,934	-	259,750,934	255,344	25,546,482	234,204,452
Loans and Receivables to Other Customers	496,068,384	286,669,677	782,738,061	26,001,781	19,066,829	763,671,232

Business Segment-wise Composition

Business Line-wise Composition of Portfolio - 2022/2023



Rated Portfolio Concentration



Asset quality of the portfolio further deteriorated with the impact of the economy downturn which was reflected in the rated portfolio.

The Bank's portfolio exhibited a downward trend throughout the year, with each business line intentionally reducing its portfolio size in alignment with the Bank's strategic objectives for the period.

Group/ Single Borrower Concentration

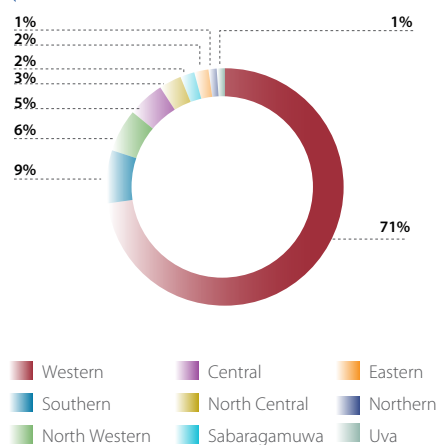
- The Bank was in compliance with regulatory limits and internal limits set by the Board on Group/ Single Borrower concentrations which are more stringent than those prescribed by the regulator
- The aggregate of the substantial exposures of the Bank accounted for only 94.02% of the capital base and was well within the internal limit

Sector Concentration

Bank maintained a well-diversified portfolio with no over concentration to any particular sector. Sector concentrations were managed carefully during the year considering the stresses seen in certain sectors. The Bank was also in compliance with the minimum lending requirement of 10% to Agricultural sector.

Geographical concentration

Geographical Concentration of Portfolio - 31 December 2023



Based on Sri Lanka's economic activity, the highest concentration of domestic portfolio was in the Western Province with a contribution of 71% during the year.

NPL and Impairment

The Bank's Impairment (Stage 3) to Stage 3 Loans Ratio rose to 41.11% (compared to 37.44% in 2022), while the Impaired Loans (Stage 3) Ratio stood at 8.58%. A notable increase in impairment was observed during the year, influenced by macroeconomic shocks and the downturn in the country's economy.

MARKET RISK

Definition: Market Risk is the risk to earnings or capital due to changes in market driven variables that affect the value of trading and accrual positions. The Bank's portfolios are exposed to these variables and correlations in varying magnitudes.

Key Market Risk category	Risk component	Description	Measurement tools	Severity	Impact	Probability
Interest rate		Risk of loss arising from movements or volatility in interest rates				
	Re-pricing	Holding assets and liabilities and off-balance sheet positions with different principal amounts, maturity dates or re-pricing dates, which creates exposure to Interest rate changes	Re-pricing gaps and Interest rate sensitivity limits	Moderate	Major	Likely
	Yield curve	Arises when unanticipated shifts occur in the slope and the shape of the yield curves	Rate shocks, VaR (Value at Risk) analysis, Duration, holding period limit, PVBP analysis, Price sensitivity and MIS reports	Moderate	Major	Likely
	Basis	Differences in the relative movement of rate indices that are used to price instruments with similar characteristics	Rate shocks, VaR analysis and MIS reports	Moderate	Major	Likely
Foreign exchange		Risk of losses arising from the movements in foreign exchange rates by holding foreign currency denominated assets and liabilities with different currencies and maturities	Regulatory Net Open Position (NOP) limit, individual and aggregate currency exposure limits, VaR analysis, gap limits, scenario analysis, stress testing and stop loss limits	Moderate	Major	Possible
Equity		Possible losses arising out of prices or volatilities in individual equities	Mark to Market calculations	Low	Minor	Possible
Commodity		Exposure to changes in prices and volatilities of individual commodities		Medium	Moderate	Possible

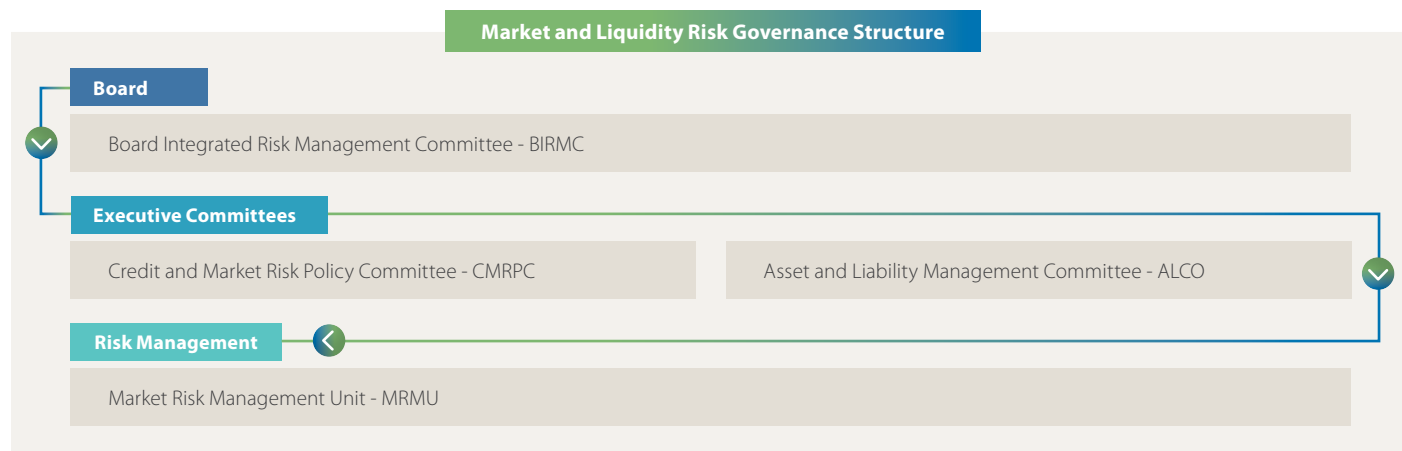
Market Risk arises mainly from interest rate risk and foreign exchange risk, where non-trading portfolio (Banking Book) which accounted for 92% of the total assets and 92% of total liabilities excluding shareholder funds. The Bank had a negligible exposure to equity risk and was insensitive to commodity related price risk.

The Market Risk exposure by trading and non-trading portfolios of the Bank is set out in the table below.

As at 31 December 2023	Carrying amount (LKR '000)	Market Risk Measurement	
		Trading book (LKR '000)	Non-trading book (LKR '000)
Assets subject to Market Risk			
Cash and cash equivalents	16,564,215		16,564,215
Balances with the Central Bank of Sri Lanka	7,040,421		7,040,421
Placements with banks	33,743,602		33,743,602
Derivative Financial Instruments	3,083,815	3,083,815	
Financial assets recognised through profit or loss measured at fair value	24,021,340	24,021,340	
Financial assets at amortised cost-loans and receivables to other customers	452,660,461		452,660,461
Financial assets at amortised cost-debt and other instruments	125,672,370		125,672,370
Financial assets measured at fair value through other comprehensive income	83,805,398		83,805,398
Total	746,591,622	27,105,155	719,486,467
Liabilities subject to Market Risk			
Due to Banks	7,679,195		7,679,195
Derivative Financial Instruments	93,361	93,361	
Financial Liabilities at amortised cost-due to depositors	573,569,302		573,569,302
Financial Liabilities at amortised cost			
- due to debt securities holders	15,632,569		15,632,569
- due to other borrowers	24,636,539		24,636,539
Debt securities issued	29,388,875		29,388,875
Total	650,999,841	93,361	650,906,480

OBJECTIVES OF MARKET RISK MANAGEMENT

Ensure that business units optimise the risk-reward relationship within the Bank's pre-defined risk appetite and avoid exposing the Bank to unacceptable losses. Identify, assess, control and report Market Risks to ensure that the Bank operates within the allocated risk appetite levels.

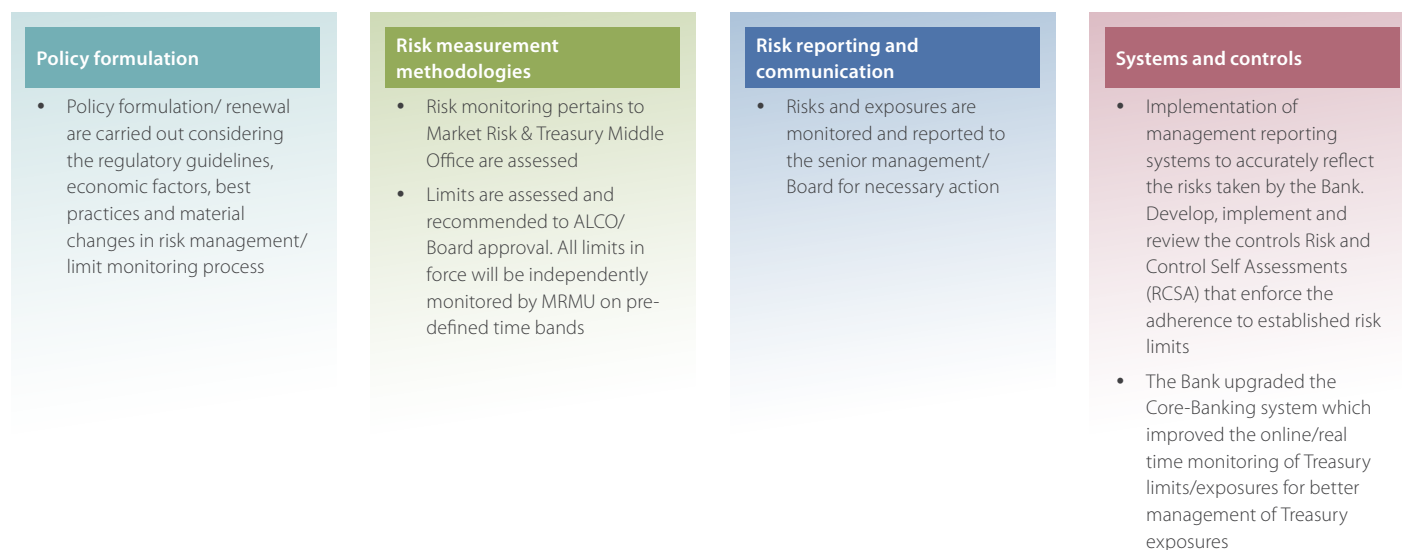


POLICY FRAMEWORK

Risk monitoring is guided by a well-defined policy framework and limit structure, covering Market, Liquidity, Asset and Liability risk management aligned to the Bank's business model, balance sheet and risk appetite. The Board supported by IRMC approves the risk parameters as recommended by ALCO and MRMU.

PROCESSES

The Market Risk management process (as set out below) provides guidance on the procedure for Market Risk management within the overall risk appetite of the Bank. The implementation of the Bank's risk management policies, procedures and systems are delegated to the Head of Market Risk & Treasury Middle Office who reports to the Chief Risk Officer.



Key developments in 2023

- ✓ Implemented comprehensive measures to manage foreign exchange risk arising on individual & aggregate currency exposures within the regulatory limits
- ✓ Adoption of prudential risk tolerance limits on forex exposures, stress testing, VaR analysis and hedging strategies which enabled the Bank to effectively manage its foreign exchange risk in a volatile market
- ✓ Measurement of interest rate risk on earnings perspective through earnings at risk measures and made timely re-pricing decisions of assets/liabilities in a volatile interest rate environment
- ✓ Strengthened the stress testing methodologies and stress levels to reflect the impact of the market movements
- ✓ Close monitoring and managing of the Government Debt Securities portfolio amidst uncertainties of the Domestic Debt Restructuring process
- ✓ Increased the provisioning to withstand a probable haircut with respect to foreign currency Government debt

The table below shows the Bank's consolidated foreign exchange position and the exposure held against the Bank's capital base which is managed well within the regulatory limit of 30%.

	Overall exposure in respective foreign currency '000	Overall exposure in LKR '000
USD	2,005	649,537
GBP	17	6,878
EUR	(1,378)	493,514
JPY	(26,826)	61,297
AUD	(24)	5,217
CAD	60	14,538
Other currencies (in USD)	2,578	134,310
Total exposure (in LKR)		1,365,292
Total capital funds as at 31 December 2023		70,147,877
Total exposure as a % of total capital funds		1.95%

Value at Risk (VaR)

In accordance with the BASEL guidelines the Bank's foreign exchange trading portfolio is subject to VaR measurement on historical simulation on a daily basis, with the objective of measuring the maximum potential loss due to holding of an investment/ position in the Bank's trading book. The Bank did not carry a trading portfolio as at 31 December 2023

Stress testing on DBU net open position (NOP)

Stress testing on DBU- NOP under different magnitudes of shocks to the exchange rate are performed to assess the impact on profitability as given below.

Bank's Foreign Currency DBU Net Open Position and Stress Test Results as at 31 December 2023

USD/ LKR

	Net open position	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Magnitude of shock (adverse)		5%	10%	15%	25%
Spot rate movement	324.00	307.80	291.60	275.40	243.00
Net open position-DBU (USD) / Stress P&L (LKR)	548,127	(8,879,663)	(17,759,326)	(26,638,989)	(44,398,316)

Sensitivity analysis

The Bank's major foreign currency net open positions (NOP) are subject to daily sensitivity analysis to determine the impact of exchange rate movements by way of profit or loss to the Bank's Income Statement.

Exchange Rate Sensitivity of Major Foreign Currency Net Open Positions as at 31 December 2023

Spot rate shocks		LKR depreciate ←			→ LKR appreciate			
Currency	Net open position	-5%	-2.5%	-1%	Spot rate	1%	2.50%	5%
USD	2,004,744	32,476,856	16,238,428	6,495,371	324.00	(6,495,371)	(16,238,428)	(32,476,856)
GBP	16,706	344,552	172,276	68,910	412.48	(68,910)	(172,276)	(344,552)
EUR	(1,377,955)	(24,642,225)	(12,321,113)	(4,928,445)	357.66	4,928,445	12,321,113	24,642,225
JPY	(26,825,972)	(3,081,368)	(1,540,684)	(616,274)	2.30	616,274	1,540,684	3,081,368
AUD	(23,692)	(261,430)	(130,715)	(52,286)	220.69	52,286	130,715	261,430
Total		4,836,385	2,418,193	967,277		(967,277)	(2,418,193)	(4,836,385)

Interest Rate Risk (IRR)

Assets in the Bank's trading book are held primarily for generating profits through short term differences in prices/yields while the banking book comprises interest earning assets and interest-bearing liabilities and off-balance sheet items, which are contracted basically for steady income generation and are generally held till maturity. Thus, the Bank assesses the price risk in the trading book, whilst the earnings or economic value changes are monitored in the banking book.

Interest Rate Risk in Trading Book

Key Indicator	Position as at 31 December 2023	Position as at 31 December 2022
Mark to market of Financial Assets measured at fair value through profit or loss	LKR 183.24 Mn	LKR (28.16) Mn
Mark to market of Financial Assets measured at fair value through other comprehensive income	LKR 5,628.54 Mn	LKR 368.85 Mn
Duration of debt securities - Financial Assets measured at fair value through profit & loss	0.62 Years	0.51 Years
Duration of debt securities - Financial Assets measured at fair value through other comprehensive income	1.07 Years	1.13 Years

The Bank's fixed income securities portfolio is subject to VaR measurement under historical simulation method on a daily basis and the portfolios are managed at prudent levels.

Value at Risk (VaR) on Treasury Bill / Bond portfolio	As at 31 December 2023 LKR Mn	As at 31 December 2022 LKR Mn
Debt securities - Financial Assets measured at fair value through profit or loss	12.43	30.22
Debt securities - Financial Assets measured at fair value through other comprehensive income	93.92	123.91

Historical approach, 1 day holding period, at 99% confidence, 250 historical data

Interest Rate Risk in the Banking Book (IRRBB)

The IRRBB arises mainly through non-trading asset and liabilities such as loans and advances, which is measured and managed through price sensitivity /EVE (Economic Value of Equity), NII (Net Interest Income) and interest rate sensitivity gap analysis. The price sensitivity/ duration analysis (Economic value perspective) on the Statement of Financial Position is managed within the risk parameters whilst maximising the market potential on interest sensitive assets and liabilities. During the year, the Bank's net interest margin declined to 3.96% from 4% in 2022 due to reprising mismatches in assets and liabilities with the sharp decline in the market interest rates.

Price Sensitivity of Assets and Liabilities	As at 31 December 2023 LKR Mn	As at 31 December 2022 LKR Mn
Average for the year	137	506
Maximum for the year	657	1,217
Minimum for the year	-394	14

Price Sensitivity - sum of value change in portfolio due to a 1% change in interest rate

Interest Rate Sensitivity Gap Analysis

The Bank monitors the interest rate sensitivity of assets and liabilities using re-pricing gap report. (Disclosure Note No 56.4 (a))

Equity Price Risk

The Equity price risk arises due to adverse movement in the value of the individual stock price or equity index. The Bank does not engage in equity trading at present. However, the investments held in the fair value through other comprehensive income portfolio is subject to mark to market valuation.

TYPE	Carrying value	Fair value	Realised gains/ losses	Unrealised gains/ losses	Amount included in capital adequacy calculation	
					Amount adjusted from CET 1 capital	Amount considered for Market Risk
Financial Assets measured at fair value through profit or loss *	-	-	-	-	-	-
Financial Assets measured at fair value through other comprehensive income	2,128,521	1,142,712	-	(985,809)	583,656	-

** No outstanding portfolio as at 31 December 2023*

Commodity Risk

Commodity price risk arises due to volatilities in the commodity exposure of the Bank. The commodity exposures are limited to gold loan and pawning portfolio as no commodity trading activities are performed by the Bank.

Interbank Counterparty Risk

When undertaking foreign exchange dealing and trading with interbank counterparts and corporates, two general types of risks arise.

- Pre-settlement Risk - Refers to the counterpart becoming insolvent prior to the settlement date of transaction. The exposure comes by way of Bank's inability to find an alternate party to deal on same rates (interest or exchange) due to market changes
- Settlement Risk - Relates to the event where the counterpart to the deal is unable to honour settlement obligations to the Bank after having taken possession of funds paid by the Bank in settlement

The Bank sets individual counterparty limits and Maximum Daily Delivery Limits (MDDR limits) to mitigate above risks. Policies, procedures and limit structures are in place to monitor Bank counterparties considering the financial/economic performance at frequent intervals. Counterparty limits were recalibrated to capture the economic crisis impact capturing the revised risk landscape for few counterparties.

LIQUIDITY RISK

Definition: Liquidity Risk is the risk that the Bank is unable to meet its financial obligations in a timely manner without incurring unacceptable losses. Financial obligations include liabilities to depositors, payments due under derivative contracts, settlement of borrowings under securities and repurchase transactions, lending and investment commitments. Further the Banks are exposed to Liquidity Risk by the mismatches on maturities of assets and liabilities.

OBJECTIVES OF LIQUIDITY RISK MANAGEMENT

The objective of our liquidity framework is to ensure that all anticipated funding commitments can be met as and when due whilst maintaining the business profile. It is designed to be adaptable to changing business models, market dynamics and regulations.

POLICY FRAMEWORK

The Bank's well-articulated Liquidity Risk management policies and procedures provide guidance on Liquidity Risk exposures which ensures that it has sufficient liquidity to meet its financial obligations at a fair market price. The policies were reviewed to address the internal/ external economic factors with more clarity on the process and mitigates for Liquidity Risk management. The Bank also monitors key liquidity metrics on a regular basis by measurement approaches through prudent limits, stress testing methodologies and a contingency funding arrangement.

PROCESS

Liquidly Risk governance structure: The responsibility for Liquidity Risk management rests with the ALCO while Treasury/ALM units are responsible for executing the day-to-day liquidity management.

The Bank is also equipped with a comprehensive Liquidity Contingency Funding Plan (LCFP) linked to the business continuity plan in line with the regulatory guidelines. The LCFP clearly defines the responsibilities of the liquidity management team, Internal/external Liquidity Risk trigger points, stage for plan invocation/ de-activation and the action plans to be exercised to ensure that all stakeholders of the Bank are safeguarded. Further the Bank developed a recovery plan that defines a wide range of stress scenarios and recovery options to safeguard the Bank from Market & Liquidity Risk aspects which were aligned to the LCFP. In addition, the Bank has entered into a reciprocal liquidity funding agreement with an identified counterpart Bank to ensure stability.

LIQUIDITY RISK ANALYTICS

Liquidity is measured through stock approach or flow approach. The stock approach utilises key ratios which portray the liquidity levels in the balance sheet while the flow approach is based on a statement of maturities of assets and liabilities in time bands according to the residual time to maturity. Separate gap limits are set for the local currency and foreign currency maturity mismatches based on the size and the nature of the Bank's Statement of Financial Position.

Limits are set for key liquidity measures which give an early warning signal of tightened liquidity positions of the Bank. Factors such as market liquidity, exposure to interbank market, movement on loans and advances and deposit mix are regularly monitored to ensure that asset and liability portfolios of the Bank are geared to maintain a healthy liquidity position. Considering the challenges faced due to external market factors during the year, the Bank strengthened the Liquidity Risk limits internally to preserve the Bank's interest.

Key Risk Metrics

The Bank maintained the following regulatory liquidity ratios as at the year end.

Key Indicator - Regulatory	Position as at 31 December 2023	Position as at 31 December 2022
Statutory liquid asset ratio %	39.02	27.24
Liquidity coverage ratio (LCR)% -LKR currency	309.61	297.08
Liquidity coverage ratio (LCR)% -All currency	228.58	232.68
Net stable funding ratio (NSFR) %	142.26	130.87

The key ratios used for measuring liquidity under stock approach are given below.

Key Indicator - Internal	Position as at 31 December 2023	Position as at 31 December 2022
Net loans to total assets ratio (%)	58.04	65.55
Advances to deposits ratio (%)	80.58	86.20
Liquid assets to short term liabilities (%)	44.97	30.27
Commitments to liquid assets (%)	57.96	86.87

Flow approach

A statement of maturity analysis on assets and liabilities (MAL) is presented placing all cash inflows and outflows in the time bands according to the residual time to maturity and non-maturity items as per CBSL recommended and Bank specific behavioural assumptions. Net exposure gaps were managed with customer deposits which are considered to be stable source of funds based on historical behavioural patterns and a healthy deposit roll-over rate for each time band.

Maturity Gap Analysis for Local Currency denominated Assets and Liabilities - as at 31 December 2023

In LKR '000

	Up to 1 month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Total Assets	58,943,675	85,253,589	84,707,902	49,605,643	122,974,526	73,687,974	122,031,324	597,204,634
Total Liabilities	75,772,467	90,533,654	101,055,166	87,938,405	59,947,443	36,047,200	145,909,186	597,204,634
Net liquidity period gap	(16,828,792)	(5,280,065)	(16,347,264)	(38,332,762)	63,027,083	37,640,774	(23,877,861)	0

Maturity Gap Analysis for Foreign Currency denominated Assets and Liabilities - as at 31 December 2023

In USD '000

	Up to 1 month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Total Assets	135,047	179,842	68,981	30,240	55,543	15,978	85,017	570,648
Total Liabilities	71,790	131,007	111,996	142,303	41,131	41,710	30,712	570,648
Net liquidity period gap	63,257	48,835	(43,015)	(112,063)	14,412	(25,732)	54,306	0

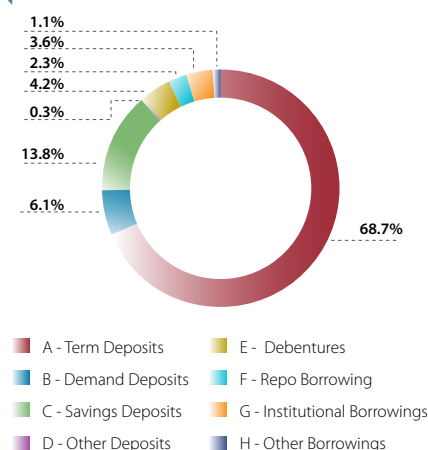
Diverse funding profile

The Bank's funding profile is monitored to ensure that it depends on diverse sources with cost efficiencies to manage the liquidity and profitability at optimum levels. Diverse funding requirements are assessed and managed through maturity gap analysis and cash flow reports on a regular basis.

Stress tests are performed to assess the Bank's ability to withstand stressed scenarios and maintain a healthy liquidity position.

The Bank benefits from a diverse funding profile, which includes low cost CASA deposits and funding lines as a participatory financial institution. The Bank recorded a decrease in deposit base by 8%, while the CASA ratio improved to 22.6%. Further the Bank successfully raised LKR.5 Bn and raised mid-term deposits to build long term funding.

Funding Diversification by Product



OPERATIONAL RISK

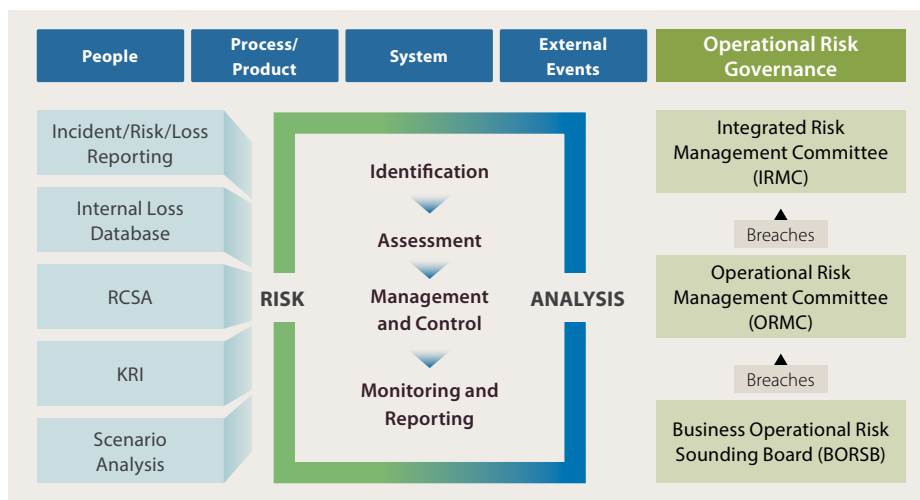
Definition: Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, systems, people or from external events. It includes legal risk but excludes strategic and reputation risk. Operational Risk may result in financial impact, affect business continuity, damage the organisation's reputation, and may weaken its regulatory compliance position.

Approach to Operational Risk Management

The Bank's Operational Risk management is guided by the "Sound Practices for the Management and Supervision of Operational Risk" issued by the Basel Committee and the regulations issued by the Central Bank of Sri Lanka and is in line with the Bank's overall Risk Management Framework. Key objectives of our Operational Risk framework are as follows:

- Designed to identify potential threats, in particular to identify potentially large or catastrophic losses to the Bank and its strategy to reduce the impact of risk.

- Effective assignment of roles and responsibilities to monitor and evaluate risk exposures and the implementation of an enterprise-wide approach to Operational Risk.
- Enables the maintenance of an adequate capital buffer required for Operational Risk losses, instituting mechanisms to mitigate or control the risks. Mitigating actions are prioritised based on the criticality of the risk exposures and escalation mechanisms are set to ensure that the management of the Bank is fully aware of the sources of potential or emerging Operational Risks.



The Operational Risk Management Unit (ORMU)

as the second line of defence facilitates the process of identifying, measuring, managing and monitoring of Operational risks. The past, current and future Operational risks are assessed using the Operational Risk Matrix which portrays the aggregate expected exposure towards the specific risk and thus actions are prioritised according to the criticality of risks. ORMU periodically reviews procedural changes and provides recommendations for improving/ strengthening controls.

Business Operational Risk Sounding Board (BORSB)

consisting business, support function units and ORMU staff, discuss the progress on rectification of Operational Risk events at regular intervals. Risks that require the attention of senior management are escalated to the **Operational Risk Management Committee (ORMC), Integrated Risk Management Committee (IRMC) and Board.**

Key Elements of the Operational Risk Management Framework:

- The responsibility of risk identification is assigned to all employees, and they are considered Operational Risk Managers accountable for Operational risks under their scope of work. This has contributed towards nurturing a risk conscious culture within the organisation
- Employees are encouraged to focus on identifying deficiencies in processes and systems, and implement solutions and remedial action with the guidance of ORMU staff

- Disciplinary action is taken on significant Operational Risk events arising due to human factors and lessons learnt are discussed at Operational Risk awareness sessions. A mandatory eLearning module was implemented bank-wide to enhance the knowledge on Operational Risk among all staff
- Global Operational Risk events are being monitored and distributed to respective stakeholders to identify any implications within the Bank and actions required to mitigate similar risks

Tools and Methodologies

Operational Risk Management System (NORMS) - Facilitate the automation and consistent application of Operational Risk management methodologies across the organisation.

Incidents and near misses Identification of the causes/underlying risks in a timely manner as and when the incidents are reported.

Operational Risk losses Maintained in a database and information is analysed to ascertain the criticality of losses and the causes of the loss events.

Risk and Control Self-Assessments (RCSA) and Key Risk Indicators (KRI) Enables the effective identification of key/ emerging risks, whenever there is a material change to the business, structure, processes and systems or any new initiative/ product launch. RCSA process is continuously refined to provide more focus on determining the risk profile of the Bank

Scenario Analysis Used to assess low- frequency/ high-severity potential Operational risks that may have severe impact to the Bank and measures are taken to strengthen the available controls/ implement new controls and the action plans.

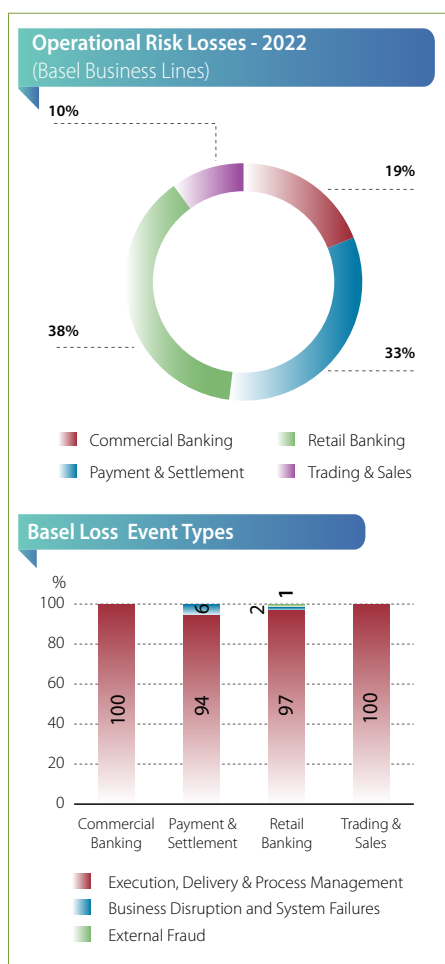
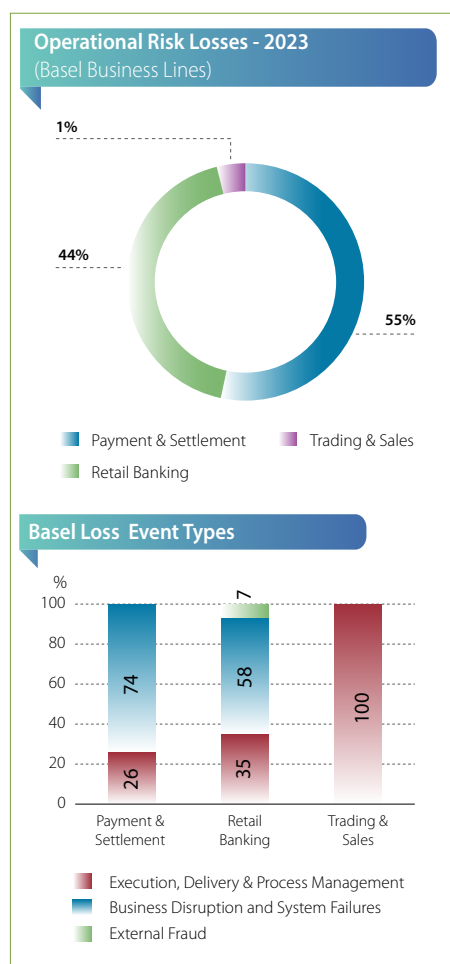
Outsourcing

With the intent of focusing on the core banking functions, the Bank has outsourced certain non-core functions to external vendors who are specialized in their respective fields. The management of outsourcing arrangements is strictly in accordance with the CBSL Outsourcing Direction 02 of 2012 and the Outsourcing Policy of the Bank. The Bank is committed to ensuring that the outsourced parties uphold and extend high standards of customer care and service excellence. All outsourcing arrangements of the Bank are evaluated by the Outsourcing Committee to be in line with the regulatory provisions.

Insurance

The Bank has a comprehensive insurance program as a key measure to mitigate operational risks. The insurance program is reviewed periodically and continuously refined on an on-going basis. The Bank has engaged an insurance broker to source terms, evaluate them and add value using their expertise. Operational losses which are insurable are covered by a spectrum of insurance policies on a system wide basis.

Risk	Insurance Framework
General	
Buildings and their contents including IT equipment are insured at replacement value. The limits of indemnity are decided upon assessing the likely exposure of risks to the Bank	Fire Insurance Policy and other insurance policies covering plate glass, machinery breakdowns and all electronics and computers.
Theft/Fraud	
Fraudulent actions by an employee or by a third party acting on its own or with the aid of an employee with the intent to obtain illicit personal gain or through malice.	Banker's Indemnity Insurance Policy
Professional Liability	
The consequences of any legal action against staff or managers as a result of their professional errors or omissions.	Professional Indemnity Policy, Directors & Officers Liability and Public Liability.
Computer Crime	
Fraudulent input and modification via computer systems, electronic computer programs, electronic data and media, computer viruses, electronic and telefacsimile communications, electronic transmissions, electronic securities and voice incinerated transfers.	Computer Crime Insurance Policy



Key Developments in 2023

- ✓ Implemented stringent security measures to avoid cyber-attacks/security threats including creating employee and customer awareness to be cautious when transacting online
- ✓ Implemented security solutions for the prevention of data leakage, prevention of insecure device connectivity to corporate network, and application specific attacks against public web services
- ✓ Identified the impact on Bank's profitability/liquidity and change the business model to reduce the exposure
- ✓ Close monitoring of potential areas at risk by revisiting the vulnerable processes and introduced new /improved controls as appropriate

Majority (99%) of Operational Risk losses were under the business lines "Payment & Settlements" and "Retail Banking". Out of the losses falling under high frequency / low impact bucket, 80% contained individual loss events less than LKR 100,000.00. In 2023, the Bank was able to recover 69% of the total gross loss through insurance and other sources.

During the year 2023, there were no fines imposed on the Bank by the Government or any regulatory authority.

Managing Cyber Risk

In an increasingly complex digital society where interconnected systems and innovative digital services define the operating standards for organisations, effectively managing cyber risks is increasingly challenging. The rapid pace of technology change and increased threats from financially motivated cyber adversaries has led to further challenges. Having understood these dynamics, the Bank strives to invest in updating its digital defences to meet the challenges of the evolving cyber threat landscape and continue to collaborate with financial sector threat intelligence providers.

Key Developments in 2023

- ✔ Strengthened technical controls: Firewalls with advanced threat protection at multiple layers of defence, network segregation, intrusion prevention systems, gateway level content filtering, anti-malware solutions, centralised patch updates, vulnerability remediation and monitoring of privileged accounts activities to mitigate Cyber Risk
- ✔ Increased monitoring of online channels and the use of strict controls to protect against unauthorised access, data leakages and virus/malware attacks
- ✔ Ongoing investments to upgrade digital defences and collaborations with financial sector threat intelligence providers
- ✔ The Bank has also subscribed to the services provided by Financial Sector Computer Security Incident Response Team (FINCSIRT), where intelligence on the latest threats to the Banking industry is provided to the IT security team
- ✔ Strong policy framework complying with the Baseline Security Standards Guidelines issued by the Central Bank of Sri Lanka
- ✔ Internal and external penetration tests by employing external service providers from time to time to ensure the systems are resilient to such attacks.

Technology Risk

With the evolving technological and digital transformation, the banking industry grapples with a multitude of technological challenges arising from cyber-attacks, service disruptions, frauds or data leakages. Technology Risk management provides diligent and adaptable approach to fortify systems and to protect sensitive data. The Technology Risk Management unit of the Bank has instituted a series of measures to strengthen its technological defences through a technological risk framework with continuous improvements to combat emerging technological threats.

The Bank has demonstrated its commitment to international standards by obtaining ISO 27001:2013 certification in 2023 for the IT Department which signifies the implementation and maintenance of controls, processes, and measures to safeguard sensitive information while ensuring the confidentiality, integrity, and availability of data. IT Security has made significant strides in enhancing Data Loss Prevention (DLP) rules, representing a proactive approach in addressing technological challenges in handling sensitive data and data classification. Technology Risk management includes the strategies, policies, processes, systems, and people used to manage potential Technological risks by supporting the security posture of the Bank. The CISO function plays a pivotal role in formulating, implementing, and enforcing security policies to protect critical data with stakeholder engagement.

Technology Risk Management unit within the Bank's Risk Management department ensures prudent management of Technology risks and has oversight on the Technology Risk Management Framework. Bank has established the Information Security Committee as the apex management level body responsible for Information Technology resilience of the Bank.

Further the Technology Risk is assessed as part of the comprehensive assessment of risks in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) to ensure adequate level of capital is held.

Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and risk dashboards are used to identify and mitigate potential Technological risks and to strengthen the IT/IS risk culture within the Bank.

A significant emphasis is placed on user training and mandatory awareness programs, recognising the pivotal role of employees in maintaining a secure Information Security culture with heightened sense of awareness and understanding on Technological risks exposed by the Bank.

By combining strategic leadership, ongoing evaluation, and a holistic approach to Technological Risk management, the Bank ensures that its technological assets remain secure and resilient in the face of evolving technological challenges.

Business Continuity Management

The Bank's Business Continuity Management (BCM) Policy requires comprehensive and timely plans to be in place encompassing a minimum of a Business Continuity Plan (BCP) and IT Disaster Recovery Plan (IT DRP). This BCM Framework is designed to comply with the requirements of the Central Bank of Sri Lanka and is approved by the Board of Directors. These plans are formulated following the integration of Enterprise Risk Management (ERM) Framework with effective Business Impact

Analysis (BIA) processes and methodologies which anticipate all forms of threats, crisis and disasters that are inherent in the ever-changing business environment.

The Bank has a fully equipped Disaster Recovery (DR) Site and BCP facility to ensure resilience to business disruption. The Governance of Business Continuity management is steered through The Leadership Team (TLT) comprising of senior management and coordinated by the Bank's Business Continuity Manager. The staff is allowed to operate from split locations, on roster/shift basis and work from home. The DR site ensures business continuity and operational readiness.

During the year the Bank achieved a historic milestone by becoming the first commercial bank in Sri Lanka to attain the ISO 22301 certification for Business Continuity Management.

OTHER RISKS

STRATEGIC RISK

Strategic Risk can be defined as the current and prospective risk to earnings and viability arising from,

- Adverse changes in business environment with respect to the economy, political landscape, regulations, technology, actions of competitors
- Adverse business decisions
- Improper implementation of decisions
- Lack of responsiveness to changes in the business environment

Strategic Risk for a bank can manifest itself through lack of well-defined long-term strategy but more importantly because of failure to appropriately communicate and implement the strategy or due to unforeseen changes in the external environment. Formulating appropriate response plans to refine the strategy to suit the changes in the business environment is essential to management of Strategic Risk.

The strategic plans are drawn at various level of granularity (e.g. branch level/department level) and the implementation is reviewed through periodic meetings where variances from the growth targets are analysed and corrective actions recommended. The Strategic Plan is also linked to individual employee performance through the performance management system and periodic performance reviews are carried out to motivate employees and create a performance driven culture.

Voyage 2025 is the Bank's five-year (2020/2025) strategy and was developed under the guidance of Board of Directors following extensive brainstorming by a cross functional team comprising The Leadership Team and representation from Assistant Vice Presidents and Chief Managers of the Bank. Strategy formulation was also supported by an external subject matter expert. With approval

of Board, Voyage 2025 was officially launched on 31 August 2020. Given the rapidly evolving market conditions locally and globally, The Leadership Team engaged in a critical evaluation of the Strategic Plan during the year 2023 and developed a medium term strategic plan to be implemented during FY24 & FY25 period, covering the latter half of Voyage 2025 Strategy horizon. This mid-term strategy aims to closely align the Bank's business strategy to the current operating environment and address the key concerns with regard to earnings and balance sheet to better position the Bank to face new challenges. These changes and thinking are being cascaded down to all staff to ensure alignment of the Bank as a whole with the updated Strategic Plan.

Whilst the Bank's strategy continues to be agile, Bank has taken proactive tactical and operational actions in response to changes to the economic landscape.

CROSS BORDER RISK

Cross-border Risk arises when the Bank is unable to obtain payments from customers or third parties on their contractual obligations as a result of actions taken by foreign governments, mainly relating to convertibility and transferability of foreign currency & geo-political factors.

Correspondent Banking Unit and Risk Management Department are responsible for the Bank's cross-border exposures and management of exposure limits. Cross-border assets comprise of loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, foreign exchange contracts, certificates of deposit and other negotiable paper, investment securities and formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border exposure also includes the assets owned by the Bank/ Group that are held in a given country.

To effectively control the risk associated with Cross-border Risk, cross-border exposure/ country exposure limits are set based on the Sovereign Ratings issued by International Rating agencies such as Fitch, Standard & Poor's and Moody's Corporation and also linked to the Bank's capital base. Exposures are captured based on the country in which the counterpart/ counterparty bank's main Head Office is domiciled. If a branch of the counterpart/ counterparty bank has been incorporated in a particular country, then exposures are to be captured in that country.

The Bank will also undertake a detailed due diligence covering the economic indicators & outlook, country rating, political risk, exchange rate risk (convertibility & transferability), banking & financial sector etc. The business lines need to

manage the exposures within the Board approved limits. These limits are reviewed at least annually and approved by the Board, thus mitigating the Cross-border Risk.

LEGAL RISK

Legal Risk is understood more from its consequences, which is incurrence of liquidated damages, penalties, fines, imposing of certain conditions and sometimes loss of reputation. Legal Risk may vary from institution to institution depending on the manner in which it conducts its business and the documentation it follows and is closely related to Compliance and Regulatory Risk.

Legal Risk in the Bank can manifest itself through,

- Deficiencies in the security, property, defects in title and the related documentation
- Deficiencies in the documentation of the product or a transaction with an underlying contract
- Mis-selling of products, services
- Deficiencies in employee contracts
- Act of the counterparty (Customers, Shareholders, Consortium Bankers, Service Providers, and Regulators etc.)
- Change in domestic and international legal environment due to legislative changes and acquisitions
- Non-adherence to laws and regulations
- Procedural failures in parate actions and litigation

Specific risks relating to Legal Risk are reported on a quarterly basis to the IRMC.

REGULATORY AND COMPLIANCE RISK

Compliance and Regulatory Risk is defined as the risk of legal or regulatory sanctions/ enforcements, material financial losses, or reputational damage and integrity an institution may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisational standards, and codes of conduct applicable to its business activities.

A compliance function, reporting directly to the Board of Directors is in place to assess the Bank's compliance with external and internal regulations on an ongoing basis in order to minimise the Compliance Risk.

The Bank has a clearly defined Board-approved Compliance Charter, which defines the fundamental principles, roles and responsibilities of the compliance function within the organisation as well as its relationship with senior management, the Board of Directors and the business and operational functions.

MODEL RISK

A model is a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. Since models are a simplified depiction of the complex real world phenomenon which describes the relationship among observed variables based on assumptions, the use of models comes along with Model Risk. The Board has in place a risk model validation policy and a governance framework to mitigate Model Risk. The risk models are validated in line with policy.

SETTLEMENT RISK

Settlement Risk refers to the risk arising on account of failed trades with counterparty banks in the foreign currency transactions. Settlement Risk arises from possible losses when the Bank is in a foreign exchange transaction pays the currency it sold but does not receive the currency it bought. Forward contract settlement failures can arise from counterparty default, operational problems, and other factors. Settlement Risk exists for any traded product. Currently, the Bank has a procedure for monitoring limit utilisation, failed trades and excess monitoring. Settlement Risk is currently controlled by way of prudent allocation and monitoring of counterparty limits including Maximum Daily Delivery Risks (MDDR) limits for counterparties. Due to the current foreign currency liquidity stresses faced by the banking sector the bank cautiously monitor and manage the counterparty settlements.

GOVERNANCE RISK

The Board of Directors is responsible for the overall governance of the Bank which includes formulating the strategic direction, leadership to operationalise same, supervising the management of the business and reporting to shareholders on their stewardship. Bank's Corporate Governance framework has been developed with the objective of balancing the attainment of corporate objectives while ensuring the highest standards of corporate conduct and transparency.

Several policies and codes have been developed and implemented to manage Governance Risk at the Bank. The Internal Code of Corporate Governance which applies to all Directors and Key Management Personnel of the Bank sets out policies and processes for implementing the Corporate Governance Directions issued by the Monetary Board of the Central Bank of Sri Lanka, the Companies Act No. 7 of 2007 and the Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri

Lanka. The Bank has in place a Code of Conduct for Employees governing all employees which outlines standards of professional and ethical conduct that all employees of the Bank are expected to conform to including areas such as general conduct and competence, confidentiality and misuse of material confidential information, managing conflicts of interest situations gifts and inducements and insider dealing provisions.

The Bank recognises the importance of sound management of Governance Risk.

Following is a summary of activities undertaken by the Bank for management of Governance Risk.

- Annual declarations obtained from Directors
- Implementation of the Internal Code of Corporate Governance and training Directors in the areas of Governance
- Code of Conduct for Employees which incorporates several policies of the Bank including the Confidentiality policy, Insider Trading prohibitions, Securities Trading policy, Gift Policy, Anti-bribery and Corruption policy, Information Security policy, approval from CEO prior to staff taking up any outside position, conflicts of interest provisions etc.
- Monitoring of transactions carried out by the Bank with related parties in terms of the Bank's related party transactions policy
- Handling complaints of customers of the Bank as per agreed service standards in accordance with the Complaint Handling Procedure
- Robust framework of communication related policies including Whistleblowing, Disclosure and Communications Policy
- Document Retention and Destruction Policy, Staff Transaction Policy

REPUTATIONAL RISK

Reputational Risk is risk of indirect loss (current or prospective) arising from stakeholders' negative experience while dealing with the institution or negative publicity regarding the Bank's business practices which could lead to implications on market share, costly litigation expenses and revenue impacts over the long term. Reputational Risk can be triggered by a risk event in any or all of the above risk categories hitherto described.

Reputational Risk management and mitigation aspects are embedded in the Bank's policies and procedures, training programs, the Business Continuity Plan and through the Audit and Board Risk Management Committees.

The Bank monitors its Reputational Risk profile through a set of early warning indicators based on the Reputational Risk drivers within the

Reputational Risk scorecard. The risk mitigation and control processes for Reputational Risk are designed to consider appropriate response actions to address the risks identified. Based on Customer Charter and FCPR of CBSL, the Bank has facilitated the following channels for customers to raise their expression of dissatisfaction and complaints to the Bank. Complaints could be made, verbally or in any form of written options, such as through the island wide branch network by contacting the Branch Manager or the QR option at branches, Relationship Managers, 24/7 Contact Centre, Bank's general email box (contact@ndbbank.com), write to Customer Experience Officer via Post, NEOS online/mobile banking inbox message service, NDB Facebook page, Twitter, Instagram, LinkedIn or Google Business Reviews. All complaints received through these channels are directly entered into the "Customer Service Request Management (CSRM)" workflow for immediate processing. The Customer Experience team investigates the issues and liaise with the responsible units for resolution and revert to the customers in a timely manner. The Customer Experience team follows up with the customers to ensure satisfaction and gather feedback for improvement.

The Bank's reputation and brand value has strengthened in recent years, as it has enhanced its customer value proposition and sought aggressive growth in selected segments. Bank acquired numerous awards in 2023 for various aspects of performance including digital technologies, customer-centric solutions, innovation, women friendly workplace, investor relations, corporate citizen sustainability and corporate reporting. The Bank was named the Retail Bank of the Year (Sri Lanka) at Asian Banking & Finance Retail Banking Awards 2023 and the Best Corporate Bank 2023 by Asiamoney and the Bank was ranked 15th at the Business Today's Top 40 Corporates for 2022-2023. The Bank was crowned the Most Innovative Digital Banking Brand Sri Lanka 2023 by the prestigious Global Brands Magazine UK.

ENVIRONMENT & SOCIAL RISK MANAGEMENT (ESRM)

The Environmental and Social Risk Management plays a vital role in effectively managing the environmental and social risks stemming from debt and equity financing and strategic investments in businesses, which in turn will strengthen the Bank's resilience. Environmental and Social (E&S) risks of the Bank's customers are inherent and dynamic, given increasing complexities in the operating landscape. Accordingly, the Risk Management Department and the Finance Department proactively sought to strengthen the Bank's E&S risk assessments by revising the Environmental and Social Management System (ESMS) in 2023 to align with international best ESG practices.

Key Developments in 2023

- ✔ Revised ESRM Policy and the ESRM Manual of the Bank based on annual review to ensure the relevance of the Policy and Manual in a rapidly evolving ESG landscape
- ✔ The 2023 revision introduced new processes around credit facilities appraisal and approval which further strengthened the scrutiny on environmental and social aspects linked to Bank's lending
- ✔ The function continued to cover the operations of the Bank as well as the Group Companies
- ✔ Increased internal stakeholder engagement by introducing added ESG responsibilities to encourage dynamic contribution towards E&S function
- ✔ The IRMC was updated on a quarterly basis on ESMS related matters
- ✔ Conducted several capacity building programs to the staff members involved in lending, credit process and ESRM related process of the Bank with the external resource contribution of eminent professionals in the field and internal resources contributors
- ✔ Continued allocation of a dedicated resource at the Associate Manager grade to oversee the processes related to ESMS covering the Bank and the group

The Bank is consistent and conscious in its approach to mitigate and/ or manage adverse impacts to the environment and the community through its ESRM Framework/ ESMS and continues to set an example of responsible corporate behaviour in an increasingly ESG conscious business environment.

Key aspects of the ESRM Framework

ESRM Framework, Policy and Manual has been developed in line with the international best practices

Dedicated coordinator to monitor and administer the ESMS/ ESRM operations of the network and the group of companies

A specific learning and development curriculum is in place in order to effectively develop the capacities of the relevant staff members

Ongoing capacity building on ESMS/ ESRM including the addition of a special session in to the Bank's orientation programme

GROUP RISK

The NDB Group Companies are engaged in Unit Trust Management, fee and fund based Investment Banking, Private equity fund management and property management activities. Based on these activities, the Group Companies are confronted with an array of financial and non-financial risks such as credit, interest rate, foreign exchange rate, liquidity, equity price, commodity price, legal, regulatory, reputational, operational, etc. These risks are highly interdependent and events that affect one area of risk can have consequences on a range of other risk categories. Considering the diverse nature of business models & risk profiles each group company remains responsible for the management of their risks, including associated controls and on-going monitoring processes.

The following measures ensure that Group Risk is proactively monitored and mitigated;

- Bank's capital at risk is limited to the amount of equity invested in these companies at the time the companies were incorporated
- There is representation by the Bank's Directors/ Key Management Personnel on the Boards of Directors/ Board Audit, Risk and Compliance Committee of its subsidiaries, thereby ensuring full and sufficient knowledge of subsidiaries' operations and risk profiles
- Due to the governance structure mandated by the laws governing banking and limited liability companies, all inter-company transactions are at arms-length and full disclosure of such transactions is made
- Natural mitigation from the fact that the Bank is the ultimate parent company and owns the largest balance sheet in the Group
- NDB Securities is licensed as a Stock Brokers and NDBW is licensed as a managing company and investment manager and NDB Investment Bank is licensed as a Corporate Finance Advisor respectively and are regulated by the SEC
- Risk Reporting framework by the Group Companies includes reviews by the Risk Management Department of the Bank/ IRMC and Board

Risks identified by Group Companies are reported to Risk Management department periodically, through appropriate risk indicators (using a Risk Dashboard) and management information for review and escalation. Top risks and associated mitigants are also highlighted. The main risk categories being reviewed are as follows:

- Investment/ Credit Risk
- Operational Risk
- Market Risk
- Liquidity Risk

- Interest Rate Risk
- Concentration Risk
- Regulatory/ Compliance Risk
- Legal/ Reputational Risk
- Strategic Risk
- Any other risks relevant to the specific line of business of the Group Company

All Group Companies are required to have relevant policies and limits for monitoring purposes and to ensure that risks are within acceptable levels in line with internal policies and risk appetite. All risk related policies and risk appetite statements of the Group Companies are vetted by Risk Management department.

SOVEREIGN RISK

Sovereign Risk is the potential that the Government will default on its sovereign debt by failing to meet its interest and/ or principal payments.

The consequences of a default by sovereign include:

- A rating downgrade
- A loss of reputation along with an increased difficulty in raising funds for several years
- A lack of investors willing to buy the debt and equity of corporations based on the country
- An economic downturn
- Political instability

A default negatively affects GDP growth, the country's credit rating for many years, can hurt exports, and can make the defaulting country's banking systems more fragile. It can seriously impede the economic development and growth of the country.

The Bank is exposed to Sovereign Risk through investments on Government Bills/ Bonds, International Sovereign Bonds (ISBs) and Sri Lanka Development Bonds (SLDBs). Nevertheless banks hold a reasonable amount in Government Securities due to the nature of its role played in the financial system. Local currency Government bills and bonds form a significant portion of liquid assets for all commercial banks. The Bank closely monitors the Sovereign Risk through ratio analysis, portfolio limits, duration analysis, stop loss limits, Mark to Market exercises etc. and is guided by the Board approved limit framework and the Investment policy. Investment decisions and portfolio exposures are discussed at ALCO/ Treasury Committee in line with the market vulnerabilities for prudential action.

Bank is exposed directly to Sovereign Risk through its lending portfolio. Credit exposure to state sector including state sector exposure for funding infrastructure projects is monitored and presented at Credit and Market Risk Policy Committee and also at Integrated Risk Management Committee.

With the country rating downgrade and debt stand still announcement made by the Government of Sri Lanka in April 2022, Bank increased its impairment on the foreign currency investment portfolio of ISBs and SLDBs.

FUTURE OF RISK MANAGEMENT

The dynamic nature of the operating environment has prompted banks to continuously monitor emerging trends and enhance risk management frameworks to align with strategic goals effectively. Our commitment lies in surpassing mere compliance standards by adopting global best practices in risk management and actively addressing emerging risks to navigate the intricate risk landscape ahead.

BASEL III - PILLAR III MARKET DISCIPLINE DISCLOSURES

Pillar III Market Discipline disclosures of the Bank and the Group for the year ended 31 December as required by the Banking Act Direction No. 01 of 2016 on capital requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks are given below.

1. REGULATORY REQUIREMENTS ON CAPITAL & LIQUIDITY

TEMPLATE I - Key Regulatory Ratios - Capital and Liquidity

As at 31 December	BANK		GROUP	
	2023	2022	2023	2022
Regulatory Capital (LKR '000)				
Common Equity Tier 1 Capital	54,699,450	49,187,072	58,524,995	52,968,361
Tier 1 Capital	54,699,450	49,187,072	58,524,995	52,968,361
Total Capital	74,523,602	70,341,919	78,313,241	74,119,273
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	11.67	9.34	12.22	9.87
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	11.67	9.34	12.22	9.87
Total Capital Ratio (Minimum Requirement - 12.5%)	15.90	13.35	16.35	13.81
Leverage Ratio (Minimum Requirement - 3%)	6.74	5.56	7.15	5.94
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	270,066,127	205,530,328	NA	NA
Statutory Liquid Assets Ratio - Bank (%) (Minimum Requirement - 20%)*	39.02	27.24	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - Rupee	199,940,490	140,737,325	NA	NA
Total stock of high quality liquid assets (LKR ' 000) - All currency	223,342,569	159,365,882	NA	NA
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement 100% (2022 - 90%))	309.61	297.08	NA	NA
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 100% (2022 - 90%))	228.58	232.68	NA	NA
Net Stable Funding Ratio (%) – (Minimum Requirement 100% (2022 - 90%))	142.26	130.87	NA	NA

*Commencing from December 2022 the Banks are required to maintain liquid assets on total adjusted liabilities on a consolidated basis for the overall Bank as per the Banking Act Direction No.08 of 2022 on Regulatory Requirements on Liquidity Ratios.

TEMPLATE II - Basel III Computation of Capital Ratios

As at 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Common Equity Tier 1 (CET1) Capital after Adjustments	54,699,450	49,187,072	58,524,995	52,968,361
Common Equity Tier 1 (CET1) Capital	67,626,138	61,364,587	71,498,744	64,923,963
Equity Capital (Stated Capital/Assigned Capital)	20,738,231	19,870,665	20,738,231	19,870,665
Reserve Fund	3,046,479	2,746,479	3,046,479	2,746,479
Published Retained Earnings/(Accumulated Retained Losses)	40,243,875	36,597,418	44,014,416	39,995,758
Published Accumulated Other Comprehensive Income (OCI)	3,597,553	2,150,025	3,699,618	2,311,061
General and other Disclosed Reserves	-	-	-	-
Total Adjustments to CET1 Capital	12,926,688	12,177,515	12,973,749	11,955,602
Intangible Assets (net)	1,883,447	1,804,321	1,898,270	1,813,213
Deferred tax assets (net)	9,648,118	9,004,747	9,717,805	9,048,896
Defined benefit pension fund assets	388,838	584,432	388,838	584,432
Shortfall of the cumulative impairment to specific provisions	-	-	-	-
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity	583,656	284,715	847,371	364,201
Significant investments in the capital of financial institutions where the bank owns more than 10 per cent of the issued ordinary share capital of the entity	330,324	391,855	-	-
Shortfall of capital in financial subsidiaries	92,305	107,445	121,465	144,860
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Additional Tier 1 (AT1) Capital	-	-	-	-
Total Adjustments to AT1 Capital	-	-	-	-
Tier 2 Capital after Adjustments	19,824,152	21,154,847	19,788,246	21,150,912
Tier 2 Capital	19,824,152	21,154,847	19,824,152	21,154,847
Qualifying Tier 2 Capital Instruments	13,835,632	14,270,354	13,835,632	14,270,354
Revaluation Gains	876,672	876,672	876,672	876,672
Loan Loss Provisions	5,111,848	6,007,821	5,111,848	6,007,821
Total Adjustments to Tier 2	-	-	35,906	3,935
Others- Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity	-	-	35,906	3,935
CET1 Capital	54,699,450	49,187,072	58,524,995	52,968,361
Total Tier 1 Capital	54,699,450	49,187,072	58,524,995	52,968,361
Total Capital	74,523,602	70,341,919	78,313,241	74,119,273
Total Risk Weighted Assets (RWA)	468,619,668	526,907,094	478,972,317	536,578,937
RWAs for Credit Risk	408,947,802	480,625,719	413,186,455	485,485,541
RWAs for Market Risk	12,186,245	7,185,265	15,920,717	10,109,240
RWAs for Operational Risk	47,485,621	39,096,110	49,865,145	40,984,156
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	11.67	9.34	12.22	9.87
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	11.67	9.34	12.22	9.87
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	15.90	13.35	16.35	13.81
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-	-	-

TEMPLATE III (a) - Basel III Computation of Leverage Ratios

As at 31 December	BANK		GROUP	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Tier 1 Capital	54,699,450	49,187,072	58,524,995	52,968,361
Total Exposures	811,015,116	884,300,644	818,318,629	891,258,702
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	763,792,802	812,519,141	770,805,457	819,166,699
Derivative Exposures	6,171,115	16,567,757	6,171,115	16,567,757
Securities Financing Transactions Exposures	1,150,029	181,212	1,150,029	181,212
Other Off-Balance Sheet Exposures	39,901,170	55,032,534	40,192,028	55,343,034
Basel III Leverage Ratio (%) (Minimum Requirement - 3%)	6.74%	5.56%	7.15%	5.94%

TEMPLATE III (b) - Basel III Computation of Net Stable Funding Ratios (NSFR)

As at 31 December	BANK	
	2023	2022
	LKR '000	LKR '000
Total Available Stable Funding	560,209,208	618,506,530
Required Stable Funding - On Balance Sheet Assets	392,505,607	471,009,118
Required Stable Funding - Off Balance Sheet Items	1,279,714	1,599,083
Total Required Stable Funding	393,785,321	472,608,201
Net Stable Funding Ratio (%) (Minimum Requirement 100% (2022 - 90%))	142.26%	130.87%

TEMPLATE IV - Basel III Computation of Liquidity Coverage Ratio - All Currency Liquidity Requirement

As at 31 December	BANK			
	2023		2022	
	Total Un-weighted Value LKR '000	Total Weighted Value LKR '000	Total Un-weighted Value LKR '000	Total Weighted Value LKR '000
Total Stock of High-Quality Liquid Assets (HQLA)	227,415,675	223,342,569	162,601,173	159,365,882
Total Adjusted Level 1A Assets	201,193,563	201,193,563	141,044,367	141,044,367
Level 1 Assets	200,261,635	200,261,635	141,032,571	141,032,571
Total Adjusted Level 2A Assets	27,154,040	23,080,934	21,568,602	18,333,311
Level 2A Assets	27,154,040	23,080,934	21,568,602	18,333,311
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	807,000,935	155,236,158	863,310,596	134,513,353
Deposits	429,317,334	33,320,324	461,625,705	33,721,153
Unsecured Wholesale Funding	191,879,789	109,217,641	211,310,277	98,200,460
Secured Funding Transactions	8,533,639	-	114,563	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	176,247,557	11,675,577	190,260,052	2,591,739
Additional Requirements	1,022,616	1,022,616	-	-
Total Cash Inflows	107,428,680	57,527,332	137,953,357	66,021,946
Maturing Secured Lending Transactions Backed by Collateral	46,347,880	30,179,481	61,573,989	37,014,485
Other Inflows by Counterparty which are maturing within 30 days	43,023,992	27,290,037	55,947,669	29,007,462
Operational Deposits	17,998,994	-	20,431,700	-
Other Cash Inflows	57,813	57,813	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		228.58%		232.68%

TEMPLATE V - Main Features of Regulatory Capital Instruments - Bank and Group

Description of the Capital Instrument	CET 1 Capital		Tier 2 Instruments			
	Stated Capital	Debt Issue - December 2013	Debt Issue - March 2019	Debt Issue - September 2020	Debt Issue - November 2021	Debt Issue - December 2023
Issuer	National Development Bank PLC	National Development Bank PLC	National Development Bank PLC	National Development Bank PLC	National Development Bank PLC	National Development Bank PLC
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)	NDB. N0000 ISIN -LK0207N00007	Type D - LK0207D21053	Type A - LK0207D24198 Type B - LK0207D24206	ISIN - LK0207D24529	Type A - LK0207D24941 Type B - LK0207D24958	Type A - LK0207D25146 Type B - LK0207D25153
Governing Law(s) of the Instrument	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act	Companies Act No. 07 of 2007, Listing rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka Act
Original Date of Issuance	Date listed 26-Apr-1993	19-Dec-2013	31-Mar-2019	25-Sep-2020	24-Nov-2021	12-Dec-2023
Par Value of Instrument	NA	LKR 100/-	LKR 100/-	LKR 100/-	LKR 100/-	LKR 100/-
Perpetual or Dated	Perpetual	Dated	Dated	Dated	Dated	Dated
Original Maturity Date, if Applicable	NA	Type D - 19 Dec 2025	Type A - 30 Mar 2024 Type B - 30 Mar 2024	24-Sep-2025	Type A - 23 Nov 2026 Type B - 23 Nov 2028	Type A - 11 Dec 2028 Type B - 11 Dec 2028
Amount Recognised in Regulatory Capital (in LKR '000 as at 31 December 2023)	20,738,231	1,436,172	278,060	2,275,000	4,846,400	5,000,000
Accounting Classification (Equity/Liability)	Equity	Liability	Liability	Liability	Liability	Liability
Issuer Call Subject to Prior Supervisory Approval						
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	NA	NA	NA	NA	NA	NA
Subsequent Call Dates, if Applicable	NA	NA	NA	NA	NA	NA
Coupons/Dividends						
Fixed or Floating Dividend/Coupon	Dividend declared as decided by the Board	Fixed coupon	Fixed coupon	Fixed coupon	Fixed coupon	Fixed coupon
Coupon Rate and any Related Index	NA	Type D - 14.0% p.a	Type A - 13.50% p.a Type B - 13.95% p.a	9.5% p.a	Type A - 11.90% p.a Type B - 12.00% p.a	Type A - 15.00% p.a Type B - 14.22% p.a
Non-Cumulative or Cumulative	NA	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible						
If Convertible, Conversion Trigger (s)	NA	Non-Convertible	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016
If Convertible, Fully or Partially	NA	NA	Fully	Fully	Fully	Fully
If Convertible, Mandatory or Optional	NA	NA	Mandatory	Mandatory	Mandatory	Mandatory
If Convertible, Conversion Rate	NA	NA	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Voting Share during the three months (03) period, immediately preceding the date of the Trigger Event.	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Voting Share during the three months (03) period, immediately preceding the date of the Trigger Event.	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Voting Share during the three months (03) period, immediately preceding the date of the Trigger Event.	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Voting Share during the three months (03) period, immediately preceding the date of the Trigger Event.

2. RISK WEIGHTED ASSETS (RWA)

TEMPLATE VI - Summary discussion on adequacy/ meeting current and future capital requirements.

Please refer page 339 for the Capital Management section.

TEMPLATE VII - Credit Risk under Standardised Approach - Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	BANK					
	Amount (LKR'000) as at 31 December 2023					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and Central Bank of Sri Lanka	172,613,548	10,692,000	172,613,548	3,414,239	5,109,141	2.90%
Claims on Public Sector Entities	27,836,271	4,301,277	1,599,883	-	1,599,883	100%
Claims on Banks' Exposures	56,130,004	6,180,761	56,130,004	1,603,920	28,331,525	49.07%
Claims on Financial Institutions	23,738,030	10,418,683	18,666,926	423,686	11,146,998	58.39%
Claims on Corporates	162,953,633	209,351,532	136,483,998	24,719,426	156,960,944	97.37%
Retail Claims	185,408,260	30,295,842	158,365,787	11,013,819	129,721,898	76.59%
Claims Secured by Residential Property	15,706,253	108,282	15,706,253	25,351	7,049,423	44.81%
Non-Performing Assets (NPAs)(i)	48,566,050	-	48,566,050	-	59,370,118	122.25%
Higher-risk Categories	457,991	-	457,991	-	1,144,978	250.00%
Cash Items and Other Assets	18,704,202	-	18,704,202	-	8,512,894	45.51%
Total	712,114,242	271,348,377	627,294,642	41,200,441	408,947,802	

Asset Class	GROUP					
	Amount (LKR'000) as at 31 December 2023					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and Central Bank of Sri Lanka	173,359,695	10,692,000	173,359,695	3,414,239	5,109,141	2.89%
Claims on Public Sector Entities	27,836,271	4,301,277	1,599,883	-	1,599,883	100%
Claims on Banks' Exposures	56,327,866	6,180,761	56,327,866	1,603,920	28,519,917	49.23%
Claims on Financial Institutions	23,738,030	10,418,683	18,666,926	423,686	11,146,998	58.39%
Claims on Corporates	162,991,035	208,707,217	136,521,401	24,607,174	156,886,095	97.37%
Retail Claims	185,408,260	30,295,842	158,365,787	11,013,819	129,721,898	76.59%
Claims Secured by Residential Property	15,706,253	108,282	15,706,253	25,351	7,049,423	44.81%
Non-Performing Assets (NPAs)(i)	48,566,050	-	48,566,050	-	59,370,118	122.25%
Higher-risk Categories	-	805,941	-	402,970	604,455	150.00%
Cash Items and Other Assets	23,370,052	-	23,370,052	-	13,178,527	56.39%
Total	717,303,512	271,510,003	632,483,913	41,491,159	413,186,455	

Note:

- (i) NPAs – As per Banking Act Direction on classification of loans and advances, income recognition and provisioning.
- (ii) RWA Density – Total RWA/Exposures post CCF and CRM.

TEMPLATE VIII - Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Risk Weight Asset Classes	BANK									
	Amount (LKR'000) as at 31 December 2023 (Post CCF & CRM)									
	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	150,482,079	25,545,707	-	-	-	-	-	-	-	176,027,786
Claims on Public Sector Entities	-	-	-	-	-	-	1,599,883	-	-	1,599,883
Claims on Bank's Exposures	-	22,006,725	-	23,780,625	-	-	11,759,988	186,586	-	57,733,924
Claims on Financial Institutions	-	-	-	15,887,227	-	-	3,203,384	-	-	19,090,611
Claims on Corporates	-	2,130,632	-	5,075,954	-	-	153,996,838	-	-	161,203,424
Retail Claims	9,687,740	3,254,950	-	-	9,261,239	94,646,051	52,529,627	-	-	169,379,607
Claims Secured by Residential Property	-	-	13,357,201	-	-	-	2,374,403	-	-	15,731,604
Non-Performing Assets (NPAs)	-	-	-	631,150	-	-	25,695,614	22,239,286	-	48,566,050
Higher-risk Categories	-	-	-	-	-	-	-	-	457,991	457,991
Cash Items and Other Assets	9,780,585	513,404	-	-	-	-	8,410,213	-	-	18,704,202
Total	169,950,404	53,451,418	13,357,201	45,374,956	9,261,239	94,646,051	259,569,950	22,425,872	457,991	668,495,082

Risk Weight Asset Classes	GROUP									
	Amount (LKR'000) as at 31 Dec 2023 (Post CCF & CRM)									
	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	151,228,226	25,545,707	-	-	-	-	-	-	-	176,773,933
Claims on Public Sector Entities	-	-	-	-	-	-	1,599,883	-	-	1,599,883
Claims on Bank's Exposures	-	22,078,554	-	23,684,637	-	-	11,982,009	186,586	-	57,931,786
Claims on Financial Institutions	-	-	-	15,887,227	-	-	3,203,384	-	-	19,090,611
Claims on Corporates	-	2,130,632	-	5,075,954	-	-	153,921,988	-	-	161,128,574
Retail Claims	9,687,740	3,254,950	-	-	9,261,239	94,646,051	52,529,627	-	-	169,379,607
Claims Secured by Residential Property	-	-	13,357,201	-	-	-	2,374,403	-	-	15,731,604
Non-Performing Assets (NPAs)	-	-	-	631,150	-	-	25,695,614	22,239,286	-	48,566,050
Higher-risk Categories	-	-	-	-	-	-	-	402,970	-	402,970
Cash Items and Other Assets	9,780,750	513,469	-	-	-	-	13,075,833	-	-	23,370,052
Total	170,696,716	53,523,312	13,357,201	45,278,968	9,261,239	94,646,051	264,382,741	22,828,842	-	673,975,070

TEMPLATE IX - Market Risk under Standardised Measurement Method

Item	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
(a) Capital Charge for Interest Rate Risk	1,354,567	590,582	1,362,576	599,549
General Interest Rate Risk	1,354,567	590,582	1,356,779	593,230
(i) Net Long or Short Position	1,354,567	590,582	1,356,779	593,230
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	-	-	5,797	6,318
(b) Capital Charge for Equity	-	-	458,800	356,531
(i) General Equity Risk	-	-	231,372	178,018
(ii) Specific Equity Risk	-	-	227,429	178,513
(c) Capital charge for Foreign Exchange & Gold	168,713	307,576	168,713	307,576
Total Risk Weighted Amount for Market Risk [(a) + (b) + (c)] * CAR	12,186,245	7,185,265	15,920,717	10,109,240

TEMPLATE X - Operational Risk under Basic Indicator Approach

Business Lines	BANK				
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31 December 2023		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		30,814,162	43,009,895	44,889,995
The Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%				
Commercial Banking	15%				
The Alternative Standardised Approach			-	-	-
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%	0.035			
Commercial Banking	15%	0.035			
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach	5,935,703				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	47,485,621				
The Standardised Approach	-				
The Alternative Standardised Approach	-				

TEMPLATE X - Operational Risk under Basic Indicator Approach

Business Lines	GROUP				
	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31 December 2023		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		32,796,440	44,746,152	47,120,270
The Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%				
Commercial Banking	15%				
The Alternative Standardised Approach			-	-	-
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%	0.035			
Commercial Banking	15%	0.035			
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach	6,233,143				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	49,865,145				
The Standardised Approach	-				
The Alternative Standardised Approach	-				

TEMPLATE XI & XII - Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – BANK

As at 31 December 2023	a	b	c	d	e
LKR '000	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting*	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	779,899,160	779,899,160	627,294,642	64,283,254	88,321,264
Cash and cash equivalents	28,100,515	28,100,515	28,100,515	-	-
Balances with the Central Banks of Sri Lanka	7,040,421	7,040,421	7,040,421	-	-
Placements with banks	33,743,602	33,743,602	33,743,602	-	-
Derivative financial instruments	3,083,815	3,083,815	3,083,815	-	-
Financial assets recognised through profit or loss measured at fair value	24,021,340	24,021,340	-	24,021,340	-
Financial assets at amortised cost - loans and receivables to other customers	452,660,461	452,660,461	377,265,886	-	75,394,575
Financial assets at amortised cost - debt and other instruments	125,672,370	125,672,370	125,672,370	-	-
Financial assets measured at fair value through other comprehensive income	83,805,398	83,805,398	42,959,828	40,261,914	583,656
Investments in subsidiary companies	1,108,772	1,108,772	686,142	-	422,630
Intangible assets	1,883,447	1,883,447	-	-	1,883,447
Property, plant and equipment	3,141,117	3,141,117	3,141,117	-	-
Right of Use Assets	1,145,601	1,145,601	1,145,601	-	-
Deferred tax assets	9,648,118	9,648,118	-	-	9,648,118
Other assets	4,844,183	4,844,183	4,455,345	-	388,838
Liabilities	709,751,283	709,751,283	-	-	-
Due to banks	7,679,195	7,679,195	-	-	-
Derivative financial instruments	93,361	93,361	-	-	-
Financial liabilities at amortised cost - due to depositors	615,643,999	615,643,999	-	-	-
Financial Liabilities at amortised cost - due to debt securities holders	15,632,569	15,632,569	-	-	-
Financial Liabilities at amortised cost - due to other borrowers	24,636,539	24,636,539	-	-	-
Debt securities issued	29,388,875	29,388,875	-	-	-
Current tax liabilities	7,265,070	7,265,070	-	-	-
Retirement benefit obligations	1,299,909	1,299,909	-	-	-
Other liabilities	8,111,766	8,111,766	-	-	-
Off-Balance Sheet Liabilities	277,965,419	277,965,419	270,764,167	-	-
Guarantees	42,963,032	42,963,032	36,758,249	-	509,110
Performance Bonds	14,024,918	14,024,918	13,962,050	-	62,868
Letters of Credit	9,283,417	9,283,417	9,271,184	-	12,233
Other Contingent Items	6,513,947	6,513,947	6,513,947	-	-
Undrawn Commitments	162,572,666	162,572,666	162,572,666	-	-
Other Commitments	42,607,440	42,607,440	41,686,071	-	-
Shareholders' Equity	-	-	-	-	-
Equity capital (Stated capital /Assigned capital)	20,738,231	20,738,231	-	-	-
of which Amount eligible for CET1	20,738,231	20,738,231	-	-	-
of which Amount eligible for AT1	-	-	-	-	-
Retained earnings	41,027,500	41,027,500	-	-	-
Accumulated Other comprehensive income	5,335,667	5,335,667	-	-	-
Other reserves	3,046,479	3,046,479	-	-	-
Total Shareholders' Equity	70,147,877	70,147,877	-	-	-

*Carrying Values under the Scope of Regulatory Reporting is same as the Carrying Values as Reported in Published Financial Statements according to the Banking Act Direction No. 13 of 2021 & No. 14 of 2021 issued on 14th September 2021.

DSIB ASSESSMENT AS PER THE BANKING ACT DIRECTION NO. 10 OF 2019 ON FRAMEWORK FOR DEALING WITH DOMESTIC SYSTEMATICALLY IMPORTANT BANKS

	GROUP	
	2023 LKR Mn	2022 LKR Mn
SIZE INDICATOR		
Section 1 - Total Exposures		
Total exposures measure	818,319	891,259
INTERCONNECTEDNESS INDICATORS		
Section 2 - Intra-Financial System Assets		
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended)		
(i) Funds deposited	18,208	30,769
(ii) Lending	40,558	46,127
b. Holdings of securities issued by other financial institutions	5,963	5,587
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	14	-
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	591	92
Intra-financial system assets	65,334	82,575
Section 3 - Intra-Financial System Liabilities		
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)		
(i) Funds deposited	24,215	33,865
(ii) Borrowings	25,071	42,920
b. Net negative current exposure of securities financing transactions with other financial institutions	-	-
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	13	9
Intra-financial system liabilities	49,299	76,794
Section 4 - Securities Outstanding		
Securities outstanding	28,652	27,290
SUBSTITUTABILITY/FINANCIAL INSTITUTION INFRASTRUCTURE INDICATORS		
Section 5 - Payments made in the reporting year (excluding intragroup payments)		
Payments activity	7,701,592	7,175,784
Section 6 - Assets Under Custody		
Assets under custody	31,049	14,592
Section 7 - Underwritten Transactions in Debt and Equity Markets		
Underwriting activity	-	-
Section 8 - Trading Volume		
Trading volume (Number Mn)	27,043	26,589
COMPLEXITY INDICATORS		
Section 9 - Notional Amount of Over-the-Counter (OTC) Derivatives		
OTC derivatives	42,607	27,740
Section 10 - Level 2 Assets		
Level 2 assets	27,154	21,569
Section 11 - Trading and available for sale (AFS) securities		
Trading and AFS securities	113,769	74,152
Section 12 - Cross-Jurisdictional Liabilities		
Cross-jurisdictional liabilities (excluding derivatives and intragroup liabilities)	14,265	51,746
Section 13 - Cross-Jurisdictional Claims		
Cross-jurisdictional claims (excluding derivatives and intragroup claims)	50,093	68,129

Investor Relations

As the year was laden with many uncertainties, we continued clear, regular and unbiased dialogue with our shareholders and other connected stakeholders. Our quarterly investor webinars initiated in 2014 continued undisrupted, affording a much looked forward to platform for stakeholders.

CONSTITUENTS OF THE INVESTOR RELATIONS ECOSYSTEM OF THE BANK

- » Shareholders
- » Debenture holders
- » Potential investors including development financing institutions
- » Investment analysts
- » Stock brokers
- » Credit rating agencies
- » Financial press

UNDERLYING PRINCIPLES OF OUR INVESTOR RELATIONS

- » Quality and timeliness of disclosures
- » Transparency
- » Fairness in disclosures
- » Avoidance of selective disclosures
- » Maintaining same levels of engagements at all times consistently, irrespective of the Group's performance

INVESTOR SUPPORT

Investor support is extended via a wide range of engagement activities as listed below.

- » Annual General Meeting
- » One-to-one investor meetings
- » Financial statements released to the CSE
- » Press releases
- » Investor presentations
- » Investor transcripts
- » Email notifications
- » Local and foreign investor fora
- » Online investor webinars
- » Earnings calls
- » Road shows
- » Investor relations web page within the Bank's corporate website
- » Dedicated communication methods to reach us
- » Financial results calendars shared well in advance for quarterly results releases

Corporate Milestones since 1979

1979

Under and by virtue of the National Development Bank of Sri Lanka Act No. 2 of 1979 a bank was established with an authorised capital of LKR 2,000 Mn comprising 20 million ordinary shares of LKR 100.00 each. (which was subsequently subdivided into 200 million ordinary shares of LKR 10.00 each)

1993

61% of the share capital of the National Development Bank of Sri Lanka (NDBSL) was transferred to private ownership through an IPO at LKR 50.00 per share.

1997

NDBSL was privatised further by the early conversion of its convertible debentures, reducing the Governments direct shareholding to 12.2%. A further 2.56% of the issued shares were purchased by NDBSL for an Employees Share Ownership Plan.

2001

As a part of its long term plans, NDBSL incorporated a commercial bank under the Companies Act No. 17 of 1982 under the name 'NDB Bank Limited' (NBL) to take over the business and operations of ABN Amro NV Colombo Branch.

2005

Pursuant to the provisions of the National Development Bank of Sri Lanka (Consequential Provisions) Act No. 1 of 2005 a company by the name of National Development Bank Limited (NDBL) was incorporated in terms of the Companies Act No. 17 of 1982 (and was accorded with the Registration No. N (PBS) 1252) for the purposes of taking over the business of NDBSL on 15 June 2005 and the National Development Bank of Sri Lanka Act No. 2 of 1979 was repealed except for certain provisions contained therein.

NDBL acquired the business and operations of NBL. In view of this, the shareholders of NBL were issued with shares of NDBL at the ratio of 1 NDBL share for every 5.6 shares of NBL held by them. This resulted in the increase of the issued capital of NDBL to 54,570,257 shares. In order to facilitate this transition, on the date of such acquisition, the Central Bank of Sri Lanka granted a commercial banking license to NDBL whilst withdrawing the specialised banking license that was held by it.

2007

NDBL was re-registered as National Development Bank PLC ('Bank') in terms of the new Companies Act No. 7 of 2007 and accorded with the Registration No. PQ 27.

2021

Successful completion of a Rights Issue together with a Private Placement with Norfund - The Norwegian Investment Fund for Developing Countries, leading to a 9.99% shareholding of the Bank as NDB's anchor shareholder

Ordinary shares

Debentures

- Basel II compliant Listed rated unsecured subordinated redeemable debentures issued in 2013
- Basel III compliant Listed rated unsecured subordinated redeemable debentures with a non-viability conversion issued in 2019, 2020, 2021 and 2023

New securities issued during 2023

- Ordinary shares as scrip dividend - Refer page 241
- Basel III compliant debentures - Refer page 374

ORDINARY SHARES

1. FEATURES OF ORDINARY SHARES

Security type	Quoted Ordinary Shares
Listed exchange	Colombo Stock Exchange (CSE) – Main Board
Featured stock indices	All Share Price Index (ASPI) Standard & Poor's Sri Lanka 20 (S&P SL20)
GICS sector classification	Banks (SPCSEBP)
CSE stock symbol	NDB.N0000
ISIN	LK0207N00007
Bloomberg newswire code	NDB SL
Reuters newswire code	NDB.CM

2. ANALYSIS OF EQUITY MARKET PERFORMANCE AND NDB SHARE PERFORMANCE - 2023

2.1 Performance of global equity markets

Global equity markets witnessed their biggest annual rise in 2023 since 2019, where major global equity benchmarks recorded double-digit returns. This was led by the cooling off in global inflation, drop in dollar index and declining oil prices. Further, global equities rose sharply in the last two months of the year as bond yields fell on expectations of central bank rate cuts in 2024. The US stock market saw impressive performance where the S&P 500 Index, gained over 24% in 2023, notching up a record high and Dow Jones Industrial Average moving up by 13.7%. This was mainly driven by the massive rally in mega tech stocks including Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla as evidenced by the 43.4% gain in the Nasdaq Composite. However, the banking sector underwent challenges such as the failures of US crypto-focused lender Silvergate and Silicon Valley Bank, which followed a bank run. European markets also reported gains as they

bounced back from a loss making 2022, where Germany's DAX increased by 20.3% and Italy's FTSE MIB increased by around 30%. UK stocks fluctuated during the year, with the Bank of England raising the base rate five times in 2023 and the FTSE 100 closed the year at 7,733 points increasing by 3.8%. Chinese markets underperformed in 2023, despite the optimism in the beginning of the year when Beijing ended its zero Covid policy, where both Hong Kong's Hang Seng Index and CSI 300 lost more than 10%. However, other Asian markets such as Japan reported gains as the Nikkei 225 Index gained 28.2% during the year. Overall, the global equity market recorded significant growth in 2023, as indicated by the MSCI World Index, which gained by 24.4%. The MSCI All Country World Index gained 22.8%, while the MSCI Emerging Markets Index gained 10.3% in 2023.

2.2 Performance of the Colombo Stock Exchange

In 2023, the Sri Lankan equity market recorded a 25% gain recovering from the losses the market experienced in 2022. However, the total number of trades subdued during the year, dropping to 3.7 Mn trades from 6.1 Mn trades in 2022. In the second half of the year, the market showed positive momentum by reaching 11,700 levels. The market returns were driven by successful domestic debt restructuring, the International Monetary Fund Extended Fund Facility, the downward movement of interest rates and inflation and other macro variables normalising. The tourism sector saw a significant improvement with the increasing number of tourist arrivals, although the arrivals were yet to reach the pre-pandemic levels. Foreign investors continued to be net buyers during the year (a net foreign inflow of LKR 4 Bn in 2023 vs. LKR 31 Bn in 2022), and the foreign participation marginally improved to 10% in 2023, from 8% in 2022. The average daily market turnover dropped by 43% to LKR 2 Bn in 2023 compared to LKR 3 Bn in 2022. Stocks in the Banking and Real Estate sectors emerged as top gainers in 2023.

2.3 Performance of the NDB share

The banking sector outperformed the broader market index significantly in 2023 (108% return vs. 25% ASPI return). NDB's share closed the year 113% higher (based on the adjusted stock price for scrip dividends) compared to 2022, at LKR 64.90. During the year, the adjusted stock price reached a high of LKR 85.00 in August, and a low of LKR 29.88 in January. The stock recorded a total turnover of LKR 5.7 Bn during the year, and the total number of trades was 32,060. A total of 88 Mn NDB shares were traded during the year.

During the year the Bank raised LKR 5 Bn Tier 2 capital from the capital market to improve and further strengthen the Capital Adequacy Ratio in line with the Basel III guidelines and to facilitate future expansion of business activities of the Bank.

3 ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2023 AS PER RULE 7.6(X) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

3.1 Distribution of Shareholders

Shareholding Range	As at 31 December 2023				As at 31 December 2022			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
1-1,000	6,808	60.13	1,921,860	0.48	6,797	59.96	1,893,741	0.50
1,001-10,000	3,490	30.82	11,566,508	2.90	3,568	31.47	11,169,772	2.94
10,001-100,000	881	7.78	25,061,759	6.27	829	7.31	22,070,489	5.81
100,001-1,000,000	107	0.95	30,873,308	7.73	106	0.94	30,221,489	7.95
Over 1,000,000	36	0.32	330,040,927	82.62	36	0.32	314,739,231	82.80
Total	11,322	100	399,464,362*	100.00	11,336	100.00	380,094,722**	100.00

3.2 Resident/Non-Resident Shareholding

Shareholding Range	As at 31 December 2023				As at 31 December 2022			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Resident	11,191	98.84	320,284,422	80.18	11,206	98.85	317,772,895	83.60
Non-resident	131	1.16	79,179,940	19.82	130	1.15	62,321,827	16.40
Total	11,322	100.00	399,464,362*	100.00	11,336	100.00	380,094,722**	100.00

3.3 Individual/Institutional Shareholding

Shareholding Range	As at 31 December 2023				As at 31 December 2022			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Individual	10,737	94.83	67,399,913	16.87	10,783	95.12	63,730,583	16.77
Institutional	585	5.17	332,064,449	83.13	553	4.88	316,364,139	83.23
Total	11,322	100.00	399,464,362*	100.00	11,336	100.00	380,094,722**	100.00

* Out of the 399,464,362 shares in issue, 179,755 shares amounting to 0.04% held by two shareholders are not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

** Out of the 380,094,722 shares in issue, 36,507 shares amounting to 0.0096% held by one shareholder is not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

4. 20 LARGEST REGISTERED SHAREHOLDERS OF THE BANK AS AT 31 DECEMBER 2023 AS PER RULE NO 7.6(III) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Name	2023		Name	2022	
	Number of shares	%		Number of shares	%
1 Standard Chartered Bank Mauritius S/A Norfund	39,906,488	9.99	Standard Chartered Bank Mauritius S/A Norfund	37,971,462	9.99
2 Employees Provident Fund	37,966,343	9.50	Employees Provident Fund	36,125,392	9.50
3 Bank of Ceylon No. 1 Account	31,749,539	7.95	Bank of Ceylon No. 1 Account	30,210,035	7.95
4 Richard Pieris and Co Ltd - Account No. 01	24,745,230	6.19	Richard Pieris and Co Ltd - Account No. 01	23,545,358	6.19
5 Sri Lanka Insurance Corporation Ltd-General Fund	24,276,976	6.08	Sri Lanka Insurance Corporation Ltd-General Fund	23,099,809	6.08
6 Sri Lanka Insurance Corporation Ltd-Life Fund	20,183,453	5.05	Sri Lanka Insurance Corporation Ltd-Life Fund	19,204,777	5.05
7 Softlogic Life Insurance PLC Account Number 03/Life Shareholders Fund	15,834,583	3.96	Softlogic Life Insurance PLC Account Number 03/Life Shareholders Fund	15,066,780	3.96
8 Employees Trust Fund Board	13,549,618	3.39	Employees' Trust Fund Board	12,892,611	3.39
9 BNYM Re-Terra Global Opportunity Fund, L.P	12,800,000	3.20	Dr. S. Yaddhegige	10,814,195	2.85
10 Dr. S. Yaddhegige	11,257,242	2.82	Hatton National Bank PLC A/C No 1	10,536,091	2.77
11 Hatton National Bank PLC A/C No 1	11,073,010	2.77	Perpetual Treasuries Limited	9,298,864	2.45
12 Perpetual Treasuries Limited	9,772,734	2.45	SBI Ven Holdings Pte Ltd	9,226,644	2.43
13 SBI Ven Holdings Pte Ltd	9,696,834	2.43	Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd	7,963,839	2.10
14 Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd	8,369,676	2.10	People's Leasing & Finance PLC/Mr. D. Schaffter	7,066,635	1.86
15 Mr. A.K. Pathirage	5,759,918	1.44	Phoenix Ventures Private Limited	6,151,153	1.62
16 Asiri Surgical Hospital PLC	5,663,666	1.42	Akbar Brothers Pvt Ltd A/C No 1	5,795,780	1.52
17 Akbar Brothers Pvt Ltd A/C No 1	5,565,653	1.39	Mr. A.K. Pathirage	5,480,626	1.44
18 Arpico Insurance PLC - Share Holders	3,797,512	0.95	Asiri Surgical Hospital PLC	5,389,041	1.42
19 DFCC Bank PLC A/C 1	3,628,595	0.91	Arpico Insurance PLC - Share Holders	3,613,375	0.95
20 Softlogic Life Insurance PLC-A/C No. 04 (Participating Fund)	3,394,757	0.85	DFCC Bank PLC A/C 1	3,372,735	0.89
	298,991,827	74.85		282,825,202	74.41
Others - registered	100,292,780	25.11	Others - registered	97,233,013	25.58
- unregistered	179,755	0.04	Others - unregistered	36,507	0.01
Total	399,464,362*	100.00	Total	380,094,722**	100.00

* Out of the 399,464,362 shares in issue, 179,755 shares amounting to 0.04% held by two shareholders are not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

** Out of the 380,094,722 shares in issue, 36,507 shares amounting to 0.0096% held by one shareholder is not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

All shares issued by the Bank are denominated only in LKR as at 31 December 2023.

5. PERCENTAGE OF THE SHARES HELD BY THE PUBLIC

	As at 31 December 2023	As at 31 December 2022
Float adjusted Market Capitalisation (LKR Mn)	21,103	8,748
Parentage of the shares held by the public	81.40%	71.92%
Number of public shareholders	11,304	11,308
Option under which the Bank complies with the minimum Public Holding requirement	1*	1*

*As set out in the Listing Rules of the Colombo Stock Exchange

6. DIRECTORS' INTEREST IN SHARES OF THE BANK

	As at 31 December 2023	As at 31 December 2022
	Number of shares	Number of shares
Mr. Sriyan Cooray - Chair	Nil	Nil
Mr. Bernard Sinniah	Nil	Nil
Mr. Sujeewa Mudalige	Nil	Nil
Mr. Kushan D'Alwis, PC	Nil	Nil
Ms. (Fay) Piyachatr Chetnakarnkul	Nil	Nil
Ms. Chandima Dilrukshi	Nil	Nil
Ms. Kasturi Chellaraja	Nil	Nil
Ms. Shweta Pandey (Appointed w.e.f. 28 April 2023)	Nil	Nil
Mr. Hasitha Premaratne (Appointed w.e.f. 15 June 2023)	Nil	Nil
Mr. Dimantha Seneviratne (Ceased to be a Director w.e.f. 31 January 2024)	79,216	75,375
Mr. Hiran Perera (Resigned w.e.f. 14 February 2023)	Nil	Nil

All shares issued to Directors including the CEO are denominated only in LKR.

7 INFORMATION ON SHARE TRADING

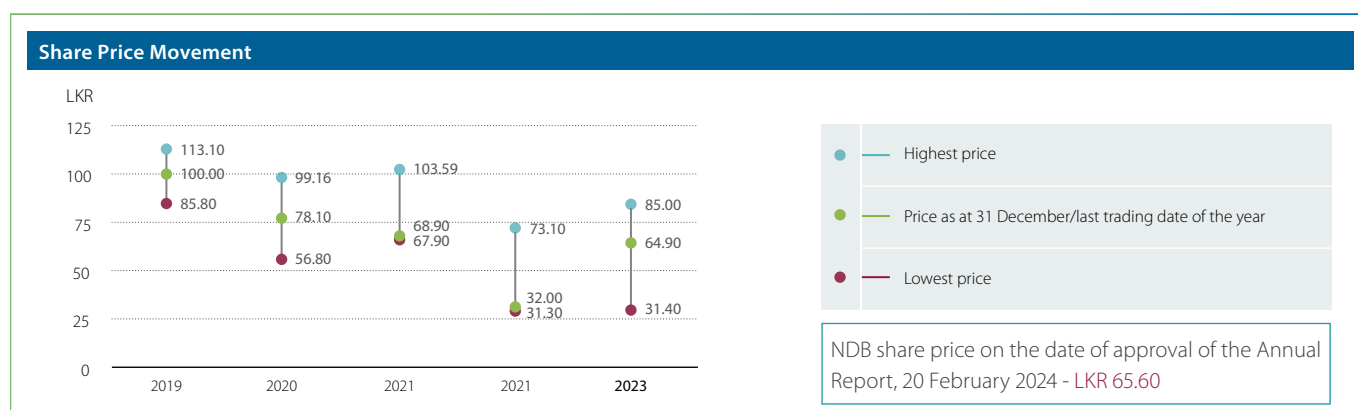
7.1 Share price movement trend over the past five years

Year	2023	2022	2021	2020	2019
Highest price (LKR)	85.00	73.10	103.59	99.16	113.10
Highest price adjusted for scrip dividends (LKR)	85.00	65.35	92.61	86.84	99.78
Date/s highest price was recorded	10 August 2023	11 January 2022	29 January 2021	02 January 2020	29 July 2019
Lowest price (LKR)	31.40	31.30	67.90	56.80	85.80
Lowest price adjusted for scrip dividends (LKR)	29.88	29.78	60.70	49.74	71.56
Date/s lowest price was recorded	05 January 2023	22 November 2022	21, 28 and 29 December 2021	15 May 2020	27 May 2019
Price as at 31 December/last trading date of the year (LKR)	64.90	32.00	68.90	78.10	100.00
Price as at 31 December adjusted for scrip dividends (LKR)	64.90	30.45	61.60	68.40	83.50
Total number of shares in issue	399,464,362*	380,094,722**	357,123,647	232,637,231	221,799,756

* Note: Out of the 399,464,362 shares in issue, 179,755 shares amounting to 0.04% held by two shareholders are not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

** Note : Out of the 380,094,722 shares in issue, 36,507 shares amounting to 0.0096% held by one shareholder is not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

Source: Bloomberg, CSE Reports



7.1.1 Share Price Movement Over the Year

Month	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Highest price (LKR)	36.16	41.39	52.81	44.25	50.00	51.00	78.60	85.00	77.20	69.00	69.00	71.50
Lowest price (LKR)	29.88	30.83	38.82	40.92	39.96	41.80	54.00	69.00	66.30	59.00	62.00	63.60
Price as at month end (LKR)	35.49	38.54	42.72	41.58	41.80	50.00	76.50	69.50	68.70	62.00	68.00	64.90

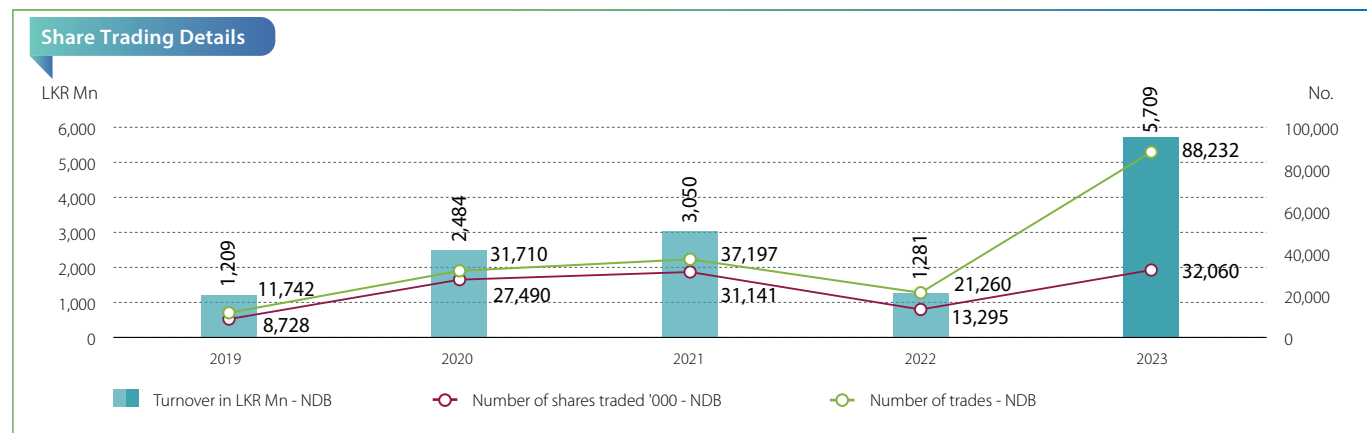
Note: Prices have been adjusted for scrip dividends

Source: Bloomberg

7.2 Share trading details

Year	2023	2023				2022	2021	2020	2019
		Q4	Q3	Q2	Q1				
Number of trades - NDB	32,060	5,930	15,789	3,102	7,239	13,295	31,141	27,490	8,728
Percentage of total market trades	0.89%	1.06%	1.21%	0.47%	0.66%	0.22%	0.38%	0.90%	0.73%
Number of NDB shares traded ('000)	88,232	7,707	53,637	7,622	19,266	21,260	37,197	31,710	11,742
Percentage of total shares traded in the market	0.52%	0.29%	0.90%	0.27%	0.35%	0.07%	0.06%	0.15%	0.12%
Turnover - NDB (LKR Mn)	5,709	508	4,021	342	839	1,281	3,050	2,484	1,209
Average daily turnover (LKR Mn)	24	8	67	6	14	6	13	12	5
Percentage of total market turnover	1.39%	0.77%	2.38%	0.58%	0.72%	0.19%	0.26%	0.63%	0.71%

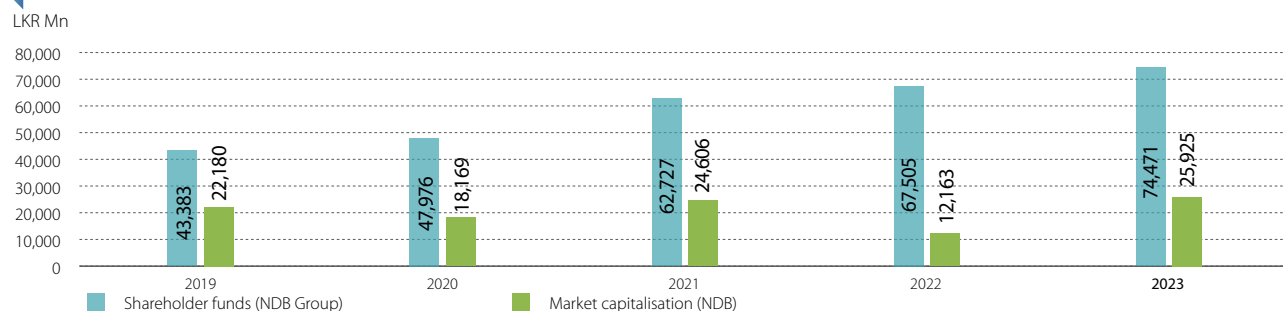
Source: CSE Quarterly reports



7.3 Shareholder funds and market capitalisation

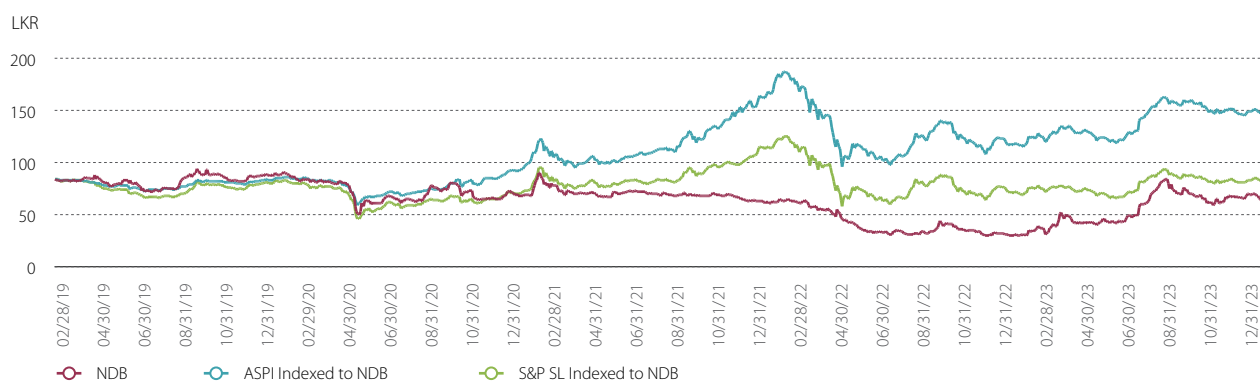
Year	2023	2022	2021	2020	2019
Shareholder funds (NDB Group) in LKR Mn	74,471	67,505	62,727	47,976	43,383
Percentage increase/decrease in shareholder funds over the prior year	10%	8%	31%	11%	11%
Market capitalisation (NDB) in LKR Mn	25,925	12,163	24,606	18,169	22,180
Percentage increase/decrease in NDB market capitalisation over the prior year	113%	-51%	35%	-18%	-1%
Market capitalisation (CSE) in LKR Mn	4,248,935	3,847,150	5,489,168	2,960,648	2,851,313
Percentage increase/decrease in CSE market capitalisation over the prior year	10%	-30%	85%	4%	0%
NDB's market capitalisation as a percentage of CSE market capitalisation	0.6%	0.3%	0.4%	0.6%	0.8%
Market capitalisation rank of NDB in the CSE	41	63	44	42	27
Market capitalisation (Banks sector within CSE) in LKR Mn	455,380	219,848	343,541	318,887	368,903
NDB's market capitalisation as a percentage of Banks sector capitalisation	5.7%	5.5%	7.2%	5.7%	6.0%
Beta value of NDB share against ASPI	2.44	0.63	0.53	1.37	1.53
Beta value of NDB share against S&P SL20	1.84	0.47	0.54	1.09	1.15

Shareholder funds and market capitalization



7.4 NDB Share Performance in Comparison to Selected Local Indices

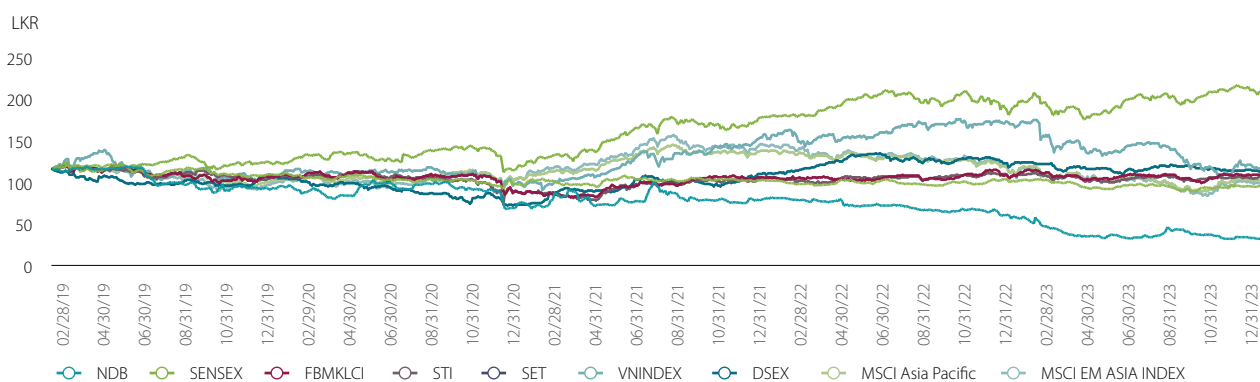
NDB Group vs Indices



Source: Bloomberg

7.5 NDB Share Performance in Comparison to Key Regional Indices

NDB Group vs Indices



Source: Bloomberg

8. KEY SHAREHOLDER RETURN INDICATORS - NDB GROUP

Please refer Financial Capital on page 59 for a full set of key shareholder returns indicators.

9. EMPLOYEE SHARE OWNERSHIP SCHEMES

Please refer Note Number 46.3 Employee Share Option Scheme (ESOS) under Notes to the Financial Statements (page 243).

10. CAPITAL RAISING INITIATIVES 2023

Please refer Note Number 56.5 Capital Management under Notes to the Financial Statements (page 290).

11. LISTED DEBENTURES IN ISSUE

11 (i) Key features and trading details of the debentures

2023 December*		2021 November		2020 September		2019 March		2013 December	
Key features and trading details of the debentures		Basel III compliant with a convertible option		Basel III compliant with a convertible option		Basel III compliant with a convertible option		Basel II compliant	
Types of Debentures	Type A	Type B	Type A	Type B	One Type	Type A	Type B	Type C**	Type D
Debt Code	NDB/	NDB-BD-	NDB-BD-	NDB-BD-	NDB-BD-	NDB-BD-	NDB-BD-	NDB-BD-	NDB-BD-
	BD/11/12/28-C2514-15	11/12/28-C2515-14-22	23/11/26-C2494-11.9	23/11/28-C2495-12	24/09/25-C2452-9.5	30/03/24-C2419-13.5	30/03/24-C2420-13.95	NDB/BC/19/12/23C13.9	NDB/BC/19/12/25D14
ISIN	LK0207D25146	LK0207D25153	LK0207D24941	LK0207D24958	LK0207D24529	LK0207D24198	LK0207D24206	LK0207D21038	LK0207D21053
Issue price LKR	100	100	100	100	100	100	100	100	100
Par value LKR	100	100	100	100	100	100	100	100	100
Interest rate per annum	15.00%	14.22%	11.90%	12.00%	9.50%	13.50%	13.95%	13.90%	14.00%
Interest payment frequency	Annually	Quarterly	Semi-Annually	Semi-Annually	Annually	Semi-Annually	Annually	Annually	Annually
Annual Effective Rate per annum	15.00%	15.00%	12.25%	12.36%	9.50%	13.96%	13.95%	13.90%	14.00%
Date of allotment	12 December 2023	12 December 2023	21 November 2021	21 November 2021	25 September 2020	31 March 2019	31 March 2019	19 December 2013	19 December 2013
Redemption (from the date of allotment)	11 December 2028	11 December 2028	23 November 2026	23 November 2028	60 months (5 years)	60 months (5 years)	60 months (5 years)	120 months (10 years)	144 months (12 years)
Interest payment dates	11 December	11 March, 11 June, 11 September, 11 December	23 May and 23 November	23 May and 23 November	24 September	30 September and 30 March	30 March	31 December	31 December
Trading Details for the year ended 31 December 2023									
CSE Listing	Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed
Balance as at 31 December 2023 (LKR Mn)	3,352	1,674	7,961	117	6,651	1,284	4,765	-	3,585
Market Value	Highest	Lowest	Year end						
Interest Rate	15.00%	14.22%	11.90%	12.00%	9.50%	13.50%	13.95%	13.90%	14.00%
Effective Annual Yield	14.05%	14.05%	11.66%	11.73%	9.16%	13.16%	13.15%	13.17%	13.26%
Interest Rate of comparable Government security	14.52%	14.52%	11.14%	11.61%	6.57%	11.04%	11.04%	11.80%	12.09%
Other Ratios as at last trade	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Yield to Maturity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Issued via an Initial Public Offering in December 2023

**Type C of the Debentures issued in 2013 carrying a capital value of Rs. 3,637,980,000 was redeemed on 19 December 2023

11 (II) Disclosures regarding the utilisation of funds as per the objectives stated in the Debenture Prospectus for rated unsecured subordinated redeemable debentures - December 2023

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR Mn	Proposed date of utilisation as per Prospectus	Amount allocated from proceeds in LKR Mn (A)	% of total proceeds	Amount utilised in LKR Mn (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Improve and further strengthen the Capital Adequacy Ratio (CAR) in line with the Basel III guidelines	5,000	Within 12 months from the date of allotment (i.e. by 12 December 2024)	5,000	100%	5,000	100%	-
2	Facilitate future expansion of business activities of the Bank	5,000	Within 12 months from the date of allotment (i.e. by 12 December 2024)	5,000	100%	<5,000	<100%	Unutilised funds were invested in Government securities at available market rate.

12 INFORMATION ON DEBENTURES OF THE BANK (AS PER RULE NO. 7.6 X (I) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE) - BANK

	2023	2022
Debt Equity Ratio (%)	9.88	11.85
Interest cover (Times)	1.37	1.46
Statutory Liquid Assets Ratio - Bank (%) (Minimum Requirement -20%)	39.02	27.24
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 100% (2022 - 90%))	309.61	297.08
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 100% (2022 - 90%))	228.58	232.68

13 OTHER INFORMATION ON DEBENTURES OF THE BANK

- Registrar to the rated unsecured subordinated redeemable debentures issued - For all issuances of the Bank (2013, 2019, 2020, 2021 and 2023) - S S P Corporate Services (Pvt) Limited, No. 101 Inner Flower Road, Colombo 03
- Trustees to the rated unsecured subordinated redeemable debentures issued
- For issuances in 2013, 2019, 2020 and 2021 - Bank of Ceylon, Investment Banking Division No.1, BOC Square, Bank of Ceylon Mawatha, Colombo 01
- For issuance in 2023 - Treasury Operations, Treasury Back Office, 13th Floor, People's Bank - Head Office, No.75, Sri Chittampalam A.Gardiner Mawatha, Colombo 02

14 DIRECTORS' INTEREST IN LISTED DEBENTURES AS AT 31 DECEMBER 2023

None of the Directors of the Bank had any interest in any listed debentures of the Bank as at 31 December 2023 as issued in December 2023, November 2021, September 2020, March 2019 and December 2013.

15 CREDIT RATINGS SUMMARY

NDB at present engages the services of Fitch Ratings Lanka Limited for local credit ratings and the Bank's ratings are as follows.

As per rating action on 05 October 2023

- National long term rating/Outlook: A-(Ika) (Affirmed), Stable outlook assigned
- Basel III compliant subordinated term debt: BBB (Ika) (Affirmed) - RWN removed
- Basel II compliant subordinated term debt: BBB(Ika) (Affirmed) - RWN removed

RWN – Rating Watch Negative

Please refer our Investor Relations web page within the NDB corporate website on <http://www.ndbbank.com/to> read the full rating reports.

OTHER INFORMATION

16 FINANCIAL STATEMENTS IN USD - BANK & GROUP

16.1 Statement of Profit or Loss

For the year ended 31 December	BANK			GROUP		
	2023 USD '000	2022 USD '000	%	2023 USD '000	2022 USD '000	%
Gross income	405,433	332,933	22	412,011	337,928	22
Interest income	365,745	296,627	23	366,817	297,534	23
Less: Interest expenses	267,863	203,494	32	267,606	203,230	32
Net interest income	97,882	93,133	5	99,211	94,304	5
Fee and commission income	21,952	19,008	15	26,246	22,535	16
Less: Fee and commission expenses	22	51	(57)	22	51	(57)
Net Fee and commission income	21,930	18,957	16	26,224	22,483	17
Net gains/(losses) from trading	8,903	(1,031)	(964)	8,903	(1,031)	(964)
Net gains/(losses) from financial assets at fair value through profit or loss	5,350	(1,181)	(553)	5,966	(1,031)	(679)
Net gains/(losses) from derecognition of financial assets	12,431	46	26,924	12,588	46	27,265
Other operating income	(8,948)	19,463	(146)	(8,509)	19,876	(143)
Total operating income	137,548	129,388	6	144,383	134,647	7
Less: Impairment charges	64,783	88,735	(27)	64,762	88,689	(27)
Net operating income	72,765	40,653	79	79,621	45,959	73
Less: Operating expenses						
Personnel expenses	20,324	17,116	19	22,609	19,015	19
Depreciation and amortisation expenses	3,016	2,565	18	3,231	2,805	15
Other expenses	18,493	14,804	25	20,372	16,044	27
Total operating expenses	41,833	34,485	21	46,212	37,864	22
Operating profit before Tax on financial services	30,932	6,168	401	33,409	8,094	313
Less: Tax on financial services	8,425	3,645	131	8,425	3,645	131
Operating profit after Tax on financial services	22,507	2,523	792	24,984	4,450	461
Share of associate companies' profits/(losses)	-	-	-	-	-	-
Profit before taxation	22,507	2,523	792	24,984	4,450	461
Less: Income tax expenses	6,053	(6,289)	(196)	7,035	(4,868)	(245)
Profit for the year	16,454	8,813	87	17,949	9,318	93
Profit attributable to equity holders of the parent	16,454	8,813	87	17,646	9,115	94
Non-controlling interests	-	-	-	303	203	49
Profit for the year	16,454	8,813	87	17,949	9,318	93
Basic/Diluted Earnings per share (USD)	0.04	0.02	85	0.04	0.02	91
Dividend per share (USD)	-	0.01				

16.2 Statement of Comprehensive Income

	BANK			GROUP		
	2023 USD '000	2022 USD '000	%	2023 USD '000	2022 USD '000	%
Profit for the year	16,454	8,812	87	17,949	9,318	93
Other comprehensive income items that will be reclassified to the Statement of Profit or Loss						
Exchange differences on translation of foreign operations	-	-	-	(207)	579	(136)
Gains/(losses) on investments in debt instruments - fair value through other comprehensive income -						
Net change in fair value during the year	16,115	7,334	120	16,141	7,335	120
Changes in allowance for expected credit losses	-	(549)	100	-	(549)	100
Deferred tax effect on gains/ (losses) in above financial instruments	(4,835)	(2,046)	(136)	(4,835)	(2,046)	(136)
Net gains/(losses) on investments	11,280	4,739	138	11,306	4,740	139
Gains/(losses) on cash flow hedge reserve	(9,779)	13,284	(174)	(9,779)	13,284	(174)
Deferred tax effect on gains/ (losses) cash flow hedge reserve	2,934	(3,985)	174	2,934	(3,985)	174
Net gains/(losses) on cash flow hedge reserve	(6,845)	9,299	(174)	(6,845)	9,299	(174)
Net other comprehensive income that will be reclassified to the Statement of Profit or Loss (a)	4,435	14,038	(68)	4,254	14,618	(71)
Items that will not be reclassified to the Statement of Profit or Loss						
Net gains/(losses) on investments in equity instruments - fair value through other comprehensive income	966	(922)	205	966	(922)	205
Revaluation of freehold land and buildings	155	756	(79)	284	960	(70)
Deferred tax effect on revaluation gains/(losses)	(46)	(562)	92	(85)	(659)	87
Net gains/(losses) on revaluation of freehold land and buildings	109	194	(44)	199	301	(34)
Actuarial gains/(losses) on defined benefit plans	(1,781)	206	(965)	(1,855)	176	(1,154)
Deferred tax effect on actuarial gains/(losses)	268	127	111	291	136	114
Net actuarial gains/(losses) on defined benefit plans	(1,513)	333	(554)	(1,564)	312	(601)
Deferred tax effect on tax rate change on day one adjustment of impairment allowance	-	-	-	-	-	-
Net other comprehensive income that will not be reclassified to the Statement of Profit or Loss (b)	(438)	(395)	(11)	(399)	(309)	(29)
Total other comprehensive income for the year, net of taxes (a+b)	3,997	13,643	(71)	3,855	14,309	(73)
Total comprehensive income for the year	20,451	22,455	(9)	21,804	23,627	(8)
Attributable to:						
Equity holders of the parent	20,451	22,455	(9)	21,538	23,280	(7)
Non-controlling interests	-	-	-	266	347	(23)
Total comprehensive income for the year	20,451	22,455	(9)	21,804	23,627	(8)

16.3 Statement of Financial Position

As at 31 December	BANK			GROUP		
	2023 USD '000	2022 USD '000	%	2023 USD '000	2022 USD '000	%
Assets						
Cash and cash equivalents	86,730	94,958	(9)	88,212	97,351	(9)
Balances with the Central Bank of Sri Lanka	21,730	49,557	(56)	21,730	49,557	(56)
Placements with banks	104,147	11,196	830	104,147	11,196	830
Derivative financial instruments	9,518	21,551	(56)	9,518	21,551	(56)
Financial assets recognised through profit or loss - measured at fair value	74,140	52,639	41	80,371	56,644	42
Financial assets at amortised cost - loans and receivables to other customers	1,397,100	1,487,392	(6)	1,397,345	1,487,520	(6)
Financial assets at amortised cost - debt and other instruments	387,878	367,978	5	387,878	367,978	5
Financial assets measured at fair value through other comprehensive income	258,659	121,758	112	261,251	123,854	111
Investments in subsidiary companies	3,422	3,040	13	-	-	-
Investments in associate companies	-	-	-	-	-	-
Investment property	-	-	-	9,606	7,845	22
Property, plant & equipment	9,695	8,887	9	11,781	10,648	11
Right of use assets	3,536	3,190	11	3,889	3,606	8
Intangible assets	5,813	4,916	18	5,859	4,941	19
Current tax receivables	-	-	-	133	118	13
Deferred tax assets	29,778	24,536	21	29,993	24,656	22
Other assets	14,951	17,535	(15)	17,172	19,176	(10)
Total assets	2,407,097	2,269,133	6	2,428,885	2,286,643	6
Liabilities						
Due to banks	23,701	55,182	(57)	23,701	55,310	(57)
Derivative financial instruments	288	262	10	288	262	10
Financial liabilities at amortised cost						
Due to depositors	1,900,136	1,831,918	4	1,898,866	1,830,282	4
Due to debt securities holders	48,249	356	13,453	48,249	356	13,453
Due to other borrowers	76,039	88,208	(14)	76,039	88,208	(14)
Debt securities issued	90,706	76,239	19	90,706	76,239	19
Current tax liabilities	22,423	17,630	27	22,934	18,080	27
Deferred tax liabilities	-	-	-	2,843	2,380	19
Retirement benefit obligations	4,012	2,496	61	4,443	2,777	60
Other liabilities	25,037	23,721	6	26,568	25,022	6
Total liabilities	2,190,591	2,096,012	5	2,194,637	2,098,914	5
Equity						
Stated capital	64,007	54,144	18	64,007	54,144	18
Statutory reserve fund	9,403	7,484	26	9,403	7,484	26
Retained earnings	126,628	101,856	24	139,133	112,033	24
Other reserves	16,468	9,639	71	17,307	10,277	68
Total equity to equity holders of the Bank	216,506	173,122	25	229,850	183,938	25
Non-controlling interests	-	-	-	4,398	3,791	16
Total equity	216,506	173,122	25	234,248	187,729	25
Total liabilities and equity	2,407,097	2,269,134	6	2,428,885	2,286,643	6
Contingent liabilities and commitments	857,918	800,027	7	858,417	802,116	7
Net asset value per share (USD)	0.54	0.46	19	0.58	0.48	19

17. INTERIM FINANCIAL PERFORMANCE - BANK & GROUP

17.1 Statement of Profit or Loss

BANK	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
LKR'000	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Net interest income	7,543,215	9,375,614	6,483,594	8,544,706	8,556,456	7,198,416	8,782,134	6,206,651
Other operating income	3,734,282	5,699,478	2,752,097	760,498	2,653,541	1,944,273	3,580,891	3,789,022
Total operating income	11,277,497	15,075,093	9,235,691	9,305,204	11,209,997	9,142,690	12,363,025	9,995,673
Impairment charges	7,218,255	6,054,987	3,520,612	4,810,712	7,066,861	8,297,113	7,560,284	6,367,402
Net operating income	4,059,242	9,020,105	3,060,085	4,494,492	4,143,136	845,576	4,802,741	3,628,271
Total operating expenses	3,510,494	3,626,516	3,421,823	3,094,858	2,896,666	2,733,905	3,087,118	2,665,957
Profit from operations	548,748	5,393,590	2,753,783	1,399,634	1,246,470	(1,888,329)	1,715,623	962,315
Profit before taxation	548,748	5,393,590	2,753,783	1,399,634	1,246,470	(1,888,329)	1,715,623	962,315
Taxation	391,049	2,517,822	1,222,220	594,339	(1,101,354)	(744,356)	615,828	356,916
Profit for the period	157,699	2,875,768	1,531,563	805,295	2,347,824	(1,143,973)	1,099,795	605,399
Profit attributable to:								
Equity holders of the parent	157,700	2,875,768	1,531,563	805,295	2,347,824	(1,143,973)	1,099,795	605,399
Basic earnings per share (LKR)	0.39	7.20	3.83	2.02	5.88	(2.86)	2.75	1.52

GROUP	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
LKR'000	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Net interest income	7,546,727	9,500,880	6,637,703	8,695,172	8,717,337	7,322,583	8,845,864	6,244,586
Other operating income	4,491,739	6,192,538	3,004,458	1,054,542	3,068,570	2,284,879	3,903,194	4,060,629
Total operating income	12,038,466	15,693,418	9,642,161	9,749,714	11,785,907	9,607,462	12,749,058	10,305,215
Impairment charges	7,181,912	6,062,195	3,062,413	4,830,496	7,060,304	8,294,539	7,555,179	6,366,516
Net operating income	4,856,554	9,631,223	6,579,748	4,919,218	4,725,603	1,312,923	5,193,879	3,938,699
Total operating expenses	3,934,038	3,993,120	3,737,402	3,418,104	3,210,237	3,033,875	3,324,181	2,930,873
Profit from operations	922,517	5,638,104	2,842,345	1,501,113	1,515,366	(1,720,952)	1,869,698	1,007,826
Share of associate companies' profit	-	-	-	-	-	-	-	-
Profit before taxation	922,517	5,638,104	2,842,345	1,501,113	1,515,366	(1,720,952)	1,869,698	1,007,826
Taxation	499,490	2,599,622	1,290,481	656,276	(869,071)	(655,457)	668,535	452,128
Profit for the period	423,027	3,038,482	1,551,864	844,837	2,384,437	(1,065,495)	1,201,163	555,698
Profit attributable to:								
Equity holders of the parent	338,540	3,029,940	1,536,880	854,076	2,367,435	(1,083,460)	1,185,442	539,320
Non-controlling interests	84,487	8,542	14,984	(9,239)	17,002	17,965	15,721	16,378
	423,027	3,038,482	1,551,864	844,837	2,384,437	(1,065,495)	1,201,163	555,698
Basic earnings per share (LKR)	0.85	7.59	3.85	2.14	5.93	(2.71)	2.97	1.35

17.2 Statement of Financial Position

BANK	As at				As at			
LKR'000	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Cash and cash equivalents	68,884,538	68,876,859	54,296,152	44,972,729	57,146,057	45,913,584	39,609,183	35,429,965
Net loans and receivables	452,660,461	473,205,473	469,659,202	496,658,580	545,873,027	569,400,426	582,433,468	556,434,648
Investments	233,499,108	221,263,963	241,206,547	210,278,357	199,051,599	176,327,566	164,174,949	146,903,024
Other assets	24,855,053	25,892,912	28,029,037	29,964,956	30,701,567	27,213,821	29,655,102	26,091,739
Total assets	779,899,160	789,239,207	793,190,938	781,874,622	832,772,250	818,855,396	815,872,702	764,859,376
Customer deposits	615,643,999	627,688,289	627,800,141	628,744,373	672,314,023	649,316,357	644,670,581	600,085,167
Borrowings	77,337,178	72,827,012	79,480,267	71,513,285	80,734,094	94,011,260	89,721,532	83,523,014
Other liabilities	16,770,106	16,839,901	18,525,134	16,231,702	16,188,270	13,889,414	17,767,697	25,877,110
Shareholders' funds	70,147,877	71,884,006	67,385,395	65,385,262	63,535,863	61,638,365	63,712,892	55,374,085
Total liabilities and equity	779,899,160	789,239,207	793,190,938	781,874,622	832,772,250	818,855,396	815,872,702	764,859,376
Net asset value per share (LKR)	175.60	179.95	168.69	172.02	167.16	162.17	167.62	155.06

17.2 Statement of Financial Position (Contd.)

GROUP LKR'000	As at				As at			
	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Cash and cash equivalents	69,364,699	69,497,558	55,077,669	45,581,596	58,024,201	46,722,889	40,056,392	35,947,080
Net loans and receivables	452,739,928	473,299,159	469,746,333	496,721,284	545,919,824	569,468,616	582,503,302	556,368,101
Investments	236,357,839	224,062,880	243,651,741	212,837,880	201,290,899	178,439,088	166,340,621	148,784,211
Other assets	28,496,411	29,187,183	31,274,998	33,307,041	33,962,973	30,158,876	32,937,127	29,476,303
Total assets	786,958,877	796,046,780	799,750,741	788,447,801	839,197,897	824,789,469	821,837,442	770,575,695
Customer deposits	615,232,470	627,260,491	627,345,458	628,257,477	671,713,337	648,156,560	643,510,784	598,957,958
Borrowings	77,337,178	72,827,289	79,501,483	71,554,217	80,781,281	94,082,986	89,779,769	83,598,173
Other liabilities	18,492,906	18,544,128	20,227,943	17,896,767	17,807,123	15,617,079	19,557,968	27,400,588
Shareholders' funds	74,471,394	76,073,906	71,344,888	69,366,648	67,504,898	65,559,750	67,591,768	59,230,222
Non-controlling interests	1,424,929	1,340,966	1,330,969	1,372,692	1,391,258	1,373,094	1,397,153	1,388,754
Total liabilities and equity	786,958,877	796,046,780	799,750,741	788,447,801	839,197,897	824,789,469	821,837,442	770,575,695
Net asset value per share (LKR)	186.43	190.44	178.60	182.50	177.60	172.48	177.83	165.85

18. TEN YEARS AT A GLANCE (GROUP PERFORMANCE)

18.1 Statement of Profit or Loss - Group

LKR Mn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income										
Net interest income	7,913	7,807	8,861	11,086	15,103	17,971	17,925	21,741	31,130	32,381
Other operating income	5,053	5,484	4,816	5,597	7,450	6,835	8,479	11,255	13,318	14,743
Total operating income	12,966	13,291	13,677	16,683	22,553	24,806	26,404	32,996	44,448	47,124
Impairment charges	529	746	1,425	1,290	3,764	4,405	6,794	10,253	29,277	21,137
Net operating income	12,437	12,545	12,252	15,393	18,789	20,401	19,610	22,743	15,171	25,987
Less operating expenses										
Personnel costs	3,172	3,634	3,793	4,025	4,899	5,460	5,748	6,323	6,277	7,379
Other operating costs	2,738	3,196	3,366	4,176	4,468	4,949	4,653	5,192	6,222	7,704
Total operating expenses	5,911	6,830	7,159	8,201	9,367	10,409	10,401	11,515	12,499	15,083
Operating profit before share of Associate co's profit before tax	6,527	5,715	5,094	7,192	9,422	9,992	9,209	11,228	2,672	10,904
Share of Associate co's profit	97	78	-	-	-	-	-	-	-	-
Profit before taxation	6,624	5,793	5,094	7,192	9,422	9,992	9,209	11,228	2,672	10,904
Taxation	2,378	2,123	2,279	3,797	4,146	5,107	3,992	4,166	(404)	5,046
Profit after taxation	4,246	3,670	2,815	3,395	5,276	4,885	5,217	7,062	3,076	5,858
Minority interest	112	128	124	57	140	109	101	158	67	99
Profit attributable to Group	4,134	3,542	2,691	3,453	5,136	4,776	5,117	6,904	3,009	5,758

18.2 Statement of Financial Position - Group

LKR Mn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assets										
Liquid assets	12,737	20,002	20,252	21,549	37,855	26,259	29,993	38,468	58,024	69,365
Investments	72,971	77,257	84,437	83,062	82,715	99,405	161,188	148,744	201,291	236,358
Loans & receivables	175,547	209,768	227,717	274,079	344,276	396,672	425,682	504,374	545,920	452,740
Investments in associate companies	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment	2,550	2,730	2,913	3,314	3,541	4,266	4,603	4,952	5,721	5,715
Investment property	1,546	1,672	1,776	1,895	2,111	2,273	2,362	2,528	2,879	3,112
Other assets	3,780	3,925	3,637	4,747	7,930	6,725	8,305	11,765	25,363	19,669
Total assets	269,130	315,354	340,732	388,645	478,428	535,600	632,132	710,832	839,198	786,959
Liabilities										
Borrowings	80,768	92,331	96,279	68,617	78,189	72,958	79,837	79,350	80,781	77,338
Deposits with customers	151,485	184,152	203,516	273,041	347,170	404,668	489,659	551,257	671,713	615,233
Taxation	1,416	1,237	1,597	3,372	3,618	2,909	3,159	3,155	7,508	8,351
Other liabilities	6,662	8,233	8,326	9,637	9,340	10,527	10,273	13,003	10,300	10,141
Total liabilities	240,331	285,953	309,718	354,667	438,317	491,062	582,928	646,765	770,302	711,063
Shareholders' funds										
Stated capital	1,145	1,163	1,246	2,209	6,469	7,685	8,794	18,264	19,871	20,738
Statutory reserves	1,011	1,243	1,246	1,336	1,636	1,896	2,196	2,571	2,746	3,046
Other reserves	1,474	1,000	497	923	239	579	842	(839)	3,772	5,608
Retained earnings	24,246	24,976	26,946	28,544	30,668	33,233	36,143	42,731	41,116	45,079
Total shareholders' funds	27,876	28,382	29,937	33,012	39,012	43,383	47,976	62,727	67,505	74,471
Minority interest	923	1,019	1,077	966	1,099	1,155	1,227	1,339	1,391	1,425
Total equity	28,799	29,401	31,013	33,978	40,111	44,538	49,203	64,066	68,896	75,896
Total liabilities and equity	269,130	315,354	340,732	388,645	478,428	535,600	632,132	710,832	839,198	786,959

18.3 Share Information - Group

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Market price per share (LKR)	250.00	194.10	156.00	136.40	106.80	100.00	78.10	68.90	32.00	64.90
Basic earnings per share (LKR)	25.14	21.51	15.69	19.66	26.33	20.53	21.99	20.88	7.53	14.42
Interim dividends per share (LKR)*	7.00	7.00	-	2.00	-	-	1.50	-	-	-
Final dividends per share (LKR)*	4.00	4.00	8.00	7.00	8.00	7.00	-	5.50	2.50	-
Total dividends per share (LKR)*	11.00	11.00	8.00	9.00	8.00	7.00	1.50	5.50	2.50	-
Dividend cover (Times)*	2.29	1.96	1.96	2.18	3.29	2.93	14.66	3.80	3.01	-
Price earnings ratio (Times)	9.94	9.02	9.94	6.94	4.06	4.87	3.55	3.30	4.25	4.50
Net asset value per share (LKR)	169.35	172.35	181.23	192.51	185.49	195.60	206.23	175.65	177.60	186.43

* The Board of Directors will consider a declaration of dividends for the year 2023 in due course. The Bank paid a total scrip dividend of LKR 2.50 per share for the year 2022.

19. COMPLIANCE REPORT IN TERMS OF SECTION 7.6 - CONTENTS OF THE ANNUAL REPORT IN TERMS OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Tabulated below is how we complied with the contents of the Annual Report as specified in Section 7.6 of the Listing Rules issued by the Colombo Stock Exchange. The table provides the disclosure requirements of Section 7.6, the compliance level of the Bank and where you will find the respective disclosures within this Annual Report.

Rule No:	Disclosure Requirement	Cross Reference/ within the Report (page/s)																		
7.6 (i)	Names of persons who during the financial year were Directors of the Entity	22 - 29, 111																		
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	10																		
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares denominated in LKR or any other class of shares denominated in Foreign Currency and the percentage of such shares held.	370																		
7.6 (iv)	(a) In respect of a Local Entity which has its LKR denominated shares listed on the Exchange, such Entity shall disclose the float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement, in respect of voting ordinary shares. The public holding percentage (%) in respect of non-voting ordinary shares (where applicable). Provided however, this Rule shall not be applicable to Entities whose Securities are listed on the Empower Board in the Alternate Market Segment. (b) In respect of a Local Entity which has its Foreign Currency denominated shares listed on the Exchange, such Entity shall disclose the public holding percentage (%) and the number of public shareholders.	370 Not Applicable Not Applicable																		
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in each class of shares of the Entity denominated in LKR and in Foreign Currency (as applicable).	371																		
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	337																		
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	80																		
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	222																		
7.6 (ix)	Number of shares representing the Entity's stated capital	241																		
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the following categories: <table> <tr> <th>Number of Holders </th><th>Holdings</th><th> Total Holdings %</th></tr> <tr> <td></td><td>1-1,000 shares</td><td></td></tr> <tr> <td></td><td>1,001-10,000 shares</td><td></td></tr> <tr> <td></td><td>10,001-100,000 shares</td><td></td></tr> <tr> <td></td><td>100,001-1,000,000 shares</td><td></td></tr> <tr> <td></td><td>Over 1,000,000 shares</td><td></td></tr> </table>	Number of Holders	Holdings	Total Holdings %		1-1,000 shares			1,001-10,000 shares			10,001-100,000 shares			100,001-1,000,000 shares			Over 1,000,000 shares		369
Number of Holders	Holdings	Total Holdings %																		
	1-1,000 shares																			
	1,001-10,000 shares																			
	10,001-100,000 shares																			
	100,001-1,000,000 shares																			
	Over 1,000,000 shares																			
7.6 (xi)	The following ratios and market price information: EQUITY - Dividend per share - Dividend pay out - Net asset value per share - Market value per share (highest and lowest values recorded during the financial year, value as at the end of financial year) DEBT (only if listed) - Interest rate of comparable government security - Debt/equity ratio - Interest cover - Quick asset ratio - Debt Service Coverage Ratio (where applicable) - The market prices and yield during the year (ex interest) (Highest price, Lowest price, Last traded price (as at dd/mm/yy)) - Any changes in credit rating (for the Entity or any other instrument issued by the Entity), if applicable	59, 371, 374																		

Rule No:	Disclosure Requirement	Cross Reference/ within the Report (page/s)
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value;	Not Applicable
7.6 (xiii)	If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities (as applicable); - the manner in which the funds of such issue/s have been utilised in conformity with the format provided by the Exchange from time to time; - if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and - any material change in the use of funds raised through an issue of Securities In the event the funds raised through the Initial Public Offering and/or the further issue of Securities (as applicable) have been fully utilised by the Listed Entity as disclosed in the Prospectus and/or Circular to shareholders between two financial periods, the Entity shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first	241, 374-375
7.6 (xiv)	- Employee share option schemes - Employee share purchase schemes	243 Not Applicable
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules	130-133, 330-336
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	313
7.6 (xvii)	In the event a Listed Entity has its Foreign Currency denominated Securities listed on the Exchange, the Entity shall additionally disclose the following in its Annual Report: - The Trading Currency of such Securities - A detailed description of the utilisation of the proceeds held in the SFCA of the Entity for any capital transaction/s outside Sri Lanka, including the amount of proceeds utilised, as a percentage (%) of the total proceeds credited to the SFCA of the Entity pursuant to the Initial Public Offering. - A Statement of compliance by the Listed Entity vis-à-vis the Applicable Foreign Exchange Regulations including but not limited to the following: - Maintenance of foreign exchange earnings at a minimum level of fifty per centum (50%) of its total annual revenue which is equivalent to a minimum of USD 5 Mn (5,000,000) or a negative statement; - The amount of proceeds held in the SFCA, which have been utilised by the Entity for any capital transactions outside Sri Lanka; - Repatriation of income of the investments made through the SFCA into Sri Lanka; and, - The amount of capital gains of the proceeds utilised for any capital transactions outside Sri Lanka. - A status update on the residual of the proceeds which are not utilised for capital transactions outside Sri Lanka.	Not Applicable
7.6 (xviii - xxi)	In the event a Listed Entity has listed sustainable bonds on the Exchange and other disclosures as stated therein	Not Applicable

20. SHAREHOLDER ENQUIRIES AND COMMUNICATIONS

Please refer Corporate Information (page 404).

Branch Network

No	Branch Code	Branch Name	Contact No	Address	Region Name	District	Province
1	094	Akkaraipattu	067 7448000/1	No. 487, Main Street, Akkaraipattu	North East Region	Ampara	Eastern
2	065	Akuressa	041 7448000/1	No. 21, Main Street, Akuressa	Southern Region	Matara	Southern
3	059	Aluthgama	0347448010/1	No. 267, Galle Road, Aluthgama	Southern Region	Kalutara	Western
4	047	Ambalangoda	0917448000/1	No : 333 , Galle Road, Ambalangoda	Southern Region	Galle	Southern
5	048	Ambalantota	047 7448000/1	No. 127 , Main Street, Ambalantota	Southern Region	Hambanthota	Southern
6	040	Ampara	063 7448000/1	No 75, D S Sennanayake Street, Ampara	Uva- Sabaragamuwa Region	Ampara	Eastern
7	019	Anuradhapura	025 7448000/1	522/C, Maithreepala Senanayake Mw, New Town, Anuradhapura	North Central Region	Anuradhapura	North Central
8	071	Athurugiriya	011 7448060/1	70/15A, Borella Road, Athurugiriya	Greater Colombo Region	Colombo	Western
9	034	Avissawella	036 7448000/1	No. 93, Ratnapura Road, Avissawella	Uva- Sabaragamuwa Region	Colombo	Western
10	018	Badulla	055 7448000/1	242, Lower Street, Badulla	Central Region	Badulla	Uva
11	077	Balangoda	0457448000/1	No 24 A, Barns Ratwatte Mawatha, Balangoda	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
12	051	Bandarawela	057 7448000/1	No : 317 , Main Street, Bandarawela	Central Region	Badulla	Uva
13	090	Battaramulla	011 7448090/1	No 245,Main Street, Battaramulla	Greater Colombo Region	Colombo	Western
14	039	Batticaloa	065 7448000/1	No 16, Liyods Avenue, Batticaloa.	North East Region	Batticaloa	Eastern
15	072	Boralesgamuwa	0117448063/4	No 39, Kesbawa Road, Boralesgamuwa	Greater Colombo Region	Colombo	Western
16	052	Borella	0117 448078/9	No: 31/5, Dr. N M Perera Mawatha, Borella	Colombo Region	Colombo	Western
17	099	Chavakachcheri	0217448013/4	No. 1,3,5, Kandy Road, Chavakachcheri	North East Region	Jaffna	Northern
18	093	Chenkalady	065 7448003/4	Trincomalee Road, Chenkalady	North East Region	Batticaloa	Eastern
19	010	Chilaw	032 7448000/1	50-52, Skyline Building, Colombo Road, Chilaw	North Western Region	Puttalam	North Western
20	062	Chunnakam	021 7448018/9	No: 30, K.K.S. road, Chunnakam	North East Region	Jaffna	Northern
21	100	Colombo 7	011 7448004/5	103A, Dharmapala Mawatha, Colombo 7	Colombo Region	Colombo	Western
22	064	Dambulla	066 7448000/1	No: 42, Kurunegala road, Dambulla	North Central Region	Matale	Central
23	114	Digana	081 7448003/4	No 59/6 , Gonawala Road, Digana	Central Region	Kandy	Central
24	078	Eheliyagoda	036 7448003/4	No: 302, Main street, Ehaliyagoda	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
25	067	Elpitiya	091 7448003/4	No. 23, Ambalangoda Road, Elpitiya	Southern Region	Galle	Southern
26	058	Embilipitiya	047 7448003/4	No. 67, Pallegama, Embilipitiya	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
27	113	Fort	011 7448111/2	No, 39 , Canal Row, Colombo 01	Colombo Region	Colombo	Western
28	021	Galle	091 7448006/7	1/A,Abeysekara Building, Wakwella Road, Galle	Southern Region	Galle	Southern
29	029	Gampaha	033 7448000/1	03, Yakkala Road, Gampaha	North Western Region	Gampaha	Western
30	050	Gampola	081 7448000/1	No 11 B & 11 C, Nawalapitiya Road, Gampola	Central Region	Kandy	Central
31	086	Giriulla	037 7558010/1	No 86, Negombo Road Giriulla	North Central Region	Kurunegala	North Western
32	057	Hambanthota	047 7448006/7	No: 34, Wilmot street, Hambantota	Southern Region	Hambanthota	Southern
33	096	Hanwella	036 7448006/7	No 130/C , Pahala Hanwella, Hanwella	Uva- Sabaragamuwa Region	Colombo	Western
34	003	Havelock Town	0117 448006/7	117, Havelock Road, Colombo 05	Colombo Region	Colombo	Western
35	088	Hendala	011 7448094/3	No 46A Hendala Road, Hendala	North Western Region	Gampaha	Western
36	106	Hikkaduwa	091 7448009/10	No 245, Galle Road, Hikkaduwa	Southern Region	Galle	Southern
37	102	Hingurakgoda	027 7558010/1	No 10, Airport Road, Hingurakgoda	North Central Region	Polonnaruwa	North Central
38	030	Homagama	011 7448045/6	64A, Highlevel Road, Homagama	Greater Colombo Region	Colombo	Western
39	027	Horana	034 7448013/5	135, Panadura Road, Horana	Colombo Region	Kalutara	Western
40	044	Ja - Ela	011 7448075/6	No.121, Colombo Road, Ja-Ela	North Western Region	Gampaha	Western

No	Branch Code	Branch Name	Contact No	Address	Region Name	District	Province
41	037	Jaffna	021 7448011/24	No 62/6, Stanley Road, Jaffna	North East Region	Jaffna	Northern
42	026	Kadawatha	011 7448036/7	147, Kandy Road, Kadawatha	North Western Region	Gampaha	Western
43	060	Kaduruwela	027 7558003/4	No 25, Batticaloa Road, Polonnaruwa	North Central Region	Polonnaruwa	North Central
44	055	Kaduwela	011 7448081/2	No: 501/2, Awissawella Road, Kaduwela	Greater Colombo Region	Colombo	Western
45	084	Kahawatte	045 7448003/4	No 149, Main Street, Kahawatte	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
46	053	Kalmunai	067 7448003/4	No: 165, Batticaloa Road, Kalmunai	North East Region	Ampara	Eastern
47	016	Kalutara	034 7448016/7	290. Galle Road, Kalutara South	Southern Region	Kalutara	Western
48	028	Kandana	011 7448039/40	No.677, Negombo Road, Kandana	North Western Region	Gampaha	Western
49	002	Kandy	081 7448015/6	No 133, Kotugodella Veediya, Kandy	Central Region	Kandy	Central
50	080	Kandy City Centre	081 7448006/7	L 1 - 3 , Level 1 , Kandy City Center, No . 05 , Dalada weediya, Kandy	Central Region	Kandy	Central
51	109	Katana	031 7448000/1	No.05, Koongashandiya, Katana	North Western Region	Gampaha	Western
52	110	Katugastota	081 7448009/10	No 111, Kurunegala Road, Katugastota	Central Region	Kandy	Central
53	082	Katunayake	011 7448096/7	No 745 , Baseline Road, Aweriwatta, Katunayaka	North Western Region	Gampaha	Western
54	017	Kegalle	035 7448003/4	261/1, Kandy Road, Kegalle	Central Region	Kegalle	Sabaragamuwa
55	083	Kekirawa	0257448003/4	No 61, Opposite Government Hospital, Main Street, Kekirawa	North Central Region	Anuradhapura	North Central
56	025	Kiribathgoda	011 7448033/4	No. 540, New Hunupitiya Road, Dalugama, Kelaniya	North Western Region	Gampaha	Western
57	089	Kochchikade	031 7448003/4	No 96,Chilaw Road, Kochchikade	North Western Region	Gampaha	Western
58	032	Kohuwela	0117 448051/2	No. 143, S De S Jayasinghe Mawatha, Nugegoda.	Greater Colombo Region	Colombo	Western
59	014	Kollupitiya	011 7448018/9	No.321, Galle Road, Colombo 3	Colombo Region	Colombo	Western
60	024	Kotahena	0117 448030/1	295, George R De Silva Mw, Co -13	Colombo Region	Colombo	Western
61	111	Kottawa	011 7448099/100	365/1 A, High Level Road, Kottawa	Greater Colombo Region	Colombo	Western
62	042	Kuliypitiya	037 7558003/4	No 133, Main Street, Kuliypitiya	North Central Region	Kurunegala	North Western
63	007	Kurunegala	037 7558006/7	6, Rajapihilla Mw, Kurunegala	North Central Region	Kurunegala	North Western
64	012	Maharagama	011 7448015/6	108 A, Highlevel Road, Maharagama	Greater Colombo Region	Colombo	Western
65	105	Mahawewa	032 7448003/4	Chilaw Road, Mahawewa	North Western Region	Puttalam	North Western
66	075	Mahiyanganaya	055 7448003/4	No: 02,New Town, Mahiyanganaya	Central Region	Badulla	Uva
67	031	Malabe	0117448049/8	760, New Kandy Road, Malabe	Greater Colombo Region	Colombo	Western
68	097	Manipay	021 7448021/2	No.260, Manipay Road, Manipay	North East Region	Jaffna	Northern
69	103	Marine Drive	011 7448102/3	42, Sagara Road, Marine Drive, Colombo 4	Colombo Region	Colombo	Western
70	046	Matale	066 7448003/4	No : 144 , Main Street, Matale	Central Region	Matale	Central
71	006	Matara	041 7448003/4	60, Uyanwatte Rd,Matara	Southern Region	Matara	Southern
72	045	Mathugama	034 7448022/3	No. 98, Agalawatta Road, Mathugama	Southern Region	Kalutara	Western
73	063	Minuwangoda	011 7448084/5	No: 49, Negombo Road, Minuwangoda	North Western Region	Gampaha	Western
74	070	Monaragala	055 7448006/7	No: 29, Pothuwil Road, Monaragala	Uva- Sabaragamuwa Region	Monaragala	Uva
75	015	Moratuwa	011 7448021/2	255, Galle Road, Idama, Moratuwa	Colombo Region	Colombo	Western
76	020	Mount Lavinia	011 7448024/5	No 431/433, Galle Road, Mount Lavinia	Colombo Region	Colombo	Western
77	074	Narahenpita	011 7448105/6	92 , Kirula Road , Narahenpita, Colombo 5	Colombo Region	Colombo	Western
78	091	Narammala	037 7558013/4	No 144, Kurunegala Road, Narammala	North Central Region	Kurunegala	North Western
79	095	Nattandiya	032 7448006/7	No 82, Marawila Road, Nattandiya	North Western Region	Puttalam	North Western
80	061	Nawalapitiya	054 7448000/1	No 70B, Gampola Road, Nawalapitiya	Central Region	Kandy	Central
81	001	Nawam Mawatha	011 7448000/1	No 40, Nawam Mw, Colombo 02	Colombo Region	Colombo	Western
82	009	Negombo	031 7448006/7	No. 121, St.Joseph Street, Negombo	North Western Region	Gampaha	Western
83	066	Nelliady	021 7448012/27	109,Jaffna Road, Nelliady	North East Region	Jaffna	Northern
84	069	Nikaweratiya	037 7558016/7	No:65, Puttalam Road, Nikaweratiya	North Central Region	Kurunegala	North Western

No	Branch Code	Branch Name	Contact No	Address	Region Name	District	Province
85	054	Nittambuwa	033 7448003/4	No 496, Kandy Road, Nittambuwa	North Western Region	Gampaha	Western
86	004	Nugegoda	011 7448009/10	152,Nawala Rd, Nugegoda	Greater Colombo Region	Colombo	Western
87	076	Nuwara Eliya	052 7448000/1	No 50/2 ,Siva Complex, Block C,Lawson Street, Nuwaraeliya	Central Region	Nuwara Eliya	Central
88	079	Old Moor Street	011 7448108/9	No : 311, Old Moor Street, Colombo 12	Colombo Region	Colombo	Western
89	035	Panadura	038 7448000/1	No. 319, Galle Road, Panadura	Colombo Region	Kalutara	Western
90	022	Pelawatte	011 7448027/8	301, Pannipitiya Road, Battaramulla	Greater Colombo Region	Colombo	Western
91	043	Pettah	011 7448072/3	No, 137,133/1, Main Street, Colombo 11	Colombo Region	Colombo	Western
92	049	Pilimathalawa	081 7448012/3	No: 240, Colombo Road, Pilimathalawa	Central Region	Kandy	Central
93	023	Piliyandala	011 7448057/8	No 120 , Horana Road, Piliyandala	Greater Colombo Region	Colombo	Western
94	087	Pitakotte	011 7448114/5	No 322B, Kotte Road, Pitakotte	Greater Colombo Region	Colombo	Western
95	112	Private Wealth Centre	011 7448087/8	No 135, Rainbow Business Centre, Bauddhaloka Mawatha, Colombo 04	Colombo Region	Colombo	Western
96	033	Puttalam	032 7448009/10	104, Kurunegala Road, Puttalam	North Central Region	Puttalam	North Western
97	005	Rajagiriya	011 7448012/3	505, Sriyawardanapura Etul Kotte, Kotte	Greater Colombo Region	Colombo	Western
98	073	Ratmalana	011 7448066/7	No 151, Galle Road, Ratmalana	Colombo Region	Colombo	Western
99	013	Ratnapura	045 7448006/7	No 211, Main Street, Rathnapura	Uva- Sabaragamuwa Region	Ratnapura	Sabaragamuwa
100	115	Shangri-la	011 7448117/8	One Galle Face Mall, Premises no L 1 - 77, No 1 A, Colombo 02	Colombo Region	Colombo	Western
101	116	Tangalle	047 7448009/10	No 90A , Matara Road, Tangalle	Southern Region	Hambanthota	Southern
102	104	Thambuttegama	025 7448006/7	No 255A, Main Street, Thambuttegama	North Central Region	Anuradhapura	North Central
103	098	Thirunelveli	021 7448016/17	No, M102 , Palaly Road, Jaffna	North East Region	Jaffna	Northern
104	092	Tissamaharama	047 7448012/3	No. 133 E , New Town, Tissamaharama	Southern Region	Hambanthota	Southern
105	038	Trincomalee	026 7448000/1	No 91& 93, North Coast Road, Trincomalee	North East Region	Trincomalee	Eastern
106	081	Uragasmanhandiya	091 7448012/3	No 131 , Main Street, Uragasmanhandiya	Southern Region	Galle	Southern
107	041	Vauniya	024 7448000/1	188, 190, 192 & 190/1, Kandy Road, Vavuniya	North East Region	Vavuniya	Northern
108	101	Warakapola	035 7448000/1	No. 96 & 98 , Main Street, Warakapola	Central Region	Kegalle	Sabaragamuwa
109	056	Wariyapola	037 7558019/20	Navinna Bldg, Puttlam Road, Wariyapola	North Central Region	Kurunegala	North Western
110	011	Wattala	011 7448042/3	378A, Negombo Road, Wattala	North Western Region	Gampaha	Western
111	008	Wellawatte	011 7448120/1	302, Galle Road, Colombo 6	Colombo Region	Colombo	Western
112	036	Wennappuwa	031 7448009/10	No 204, Chilaw Road, Wennappuwa	North Western Region	Puttalam	North Western
113	068	Yakkala	033 7448006/7	65/5 B,Kandy Road,Yakkala	North Western Region	Gampaha	Western

Regional Offices Network

Region name	Regional Office Address	Contact No	Regional Manager	Number of branches in the Region
Colombo Region	No: 31/5, Dr. N M Perera Mawatha, Borella	011 2 685 711 / 2	Sydney Downall	19
Greater Colombo Region	No. 143, S De S Jayasinghe Mawatha,Nugegoda	011 2 812 564	Chandima Alwis	14
Southern Region	60, Uyanwatte Rd,Matara	041 2 227 161 / 3	Vinjaya Jayasinghe	14
North Western Region	No.677, Negombo Road,Kandana	011 2 071 493	Nalin Abeyratne	18
North Central Region	6, Rajapihilla Mw, Kurunegala	037 4 692 421	Sisira Herath	13
Central Region	No 133, Kotugodella Veediya, Kandy	081 2 238 786	Thilina Hewage	14
Uva - Sabaragamuwa Region	No 211, Main Street, Rathnapura	045 2 223 839	Devapriya De Silva	9
North East Region	No 62/6, Stanley Road, Jaffna	021 2 217 395	Brinthapan Selvanayakam	12

More information on the Bank's branches, such as address, location on Google Maps and Operating Hours are accessible in the Bank's corporate web site www.ndbbank.com, NDB NEOS mobile banking app and NDB NEOS online banking platform.

Network of Group Companies

Company	Postal address	Address of registered office	Contact person	Telephone	Fax	Email
NDB Capital Holdings Limited	Level 01, NDB Capital Building, No: 135, Bauddhaloka Mawatha, Colombo 04	No: 40, Nawam Mawatha, Colombo 02	Mr. Senaka Kakiriwaragodage	011 2 300 385	011 2 300 393	senaka@ndbch.com
NDB Investment Bank Limited	Level 01, NDB Capital Building, No: 135, Bauddhaloka Mawatha, Colombo 04	No: 40, Nawam Mawatha, Colombo 02	Mr. Darshan Perera	011 2 300 385	011 2 300 393	darshan@ndbib.com
NDB Wealth Management Limited	Level G, NDB Capital Building, 135 Bauddhaloka Mawatha, Colombo 04	No 40, Nawam Mawatha, Colombo 02	Mr. Ruwan Perera	0112 303 232	0112 303 237	contact@ndbinvestors.com
NDB Securities (Pvt) Limited	Level 02, NDB Capital Building, No: 135, Bauddhaloka Mawatha, Colombo 04	No: 40, Nawam Mawatha, Colombo 02	Mr. Gihan R. Cooray	011 2 131 000	-	gihan@ndbs.com
NDB Capital Limited [Bangladesh]	Uday Tower, 6th Floor, (South - West Side) 57 & 57/A, Gulshan Avenue, Circle 1 Dhaka 1212, Bangladesh	Uday Tower, 6th Floor, (South - West Side) 57 & 57/A, Gulshan Avenue, Circle 1 Dhaka 1212, Bangladesh	Mr. Md Maroof Ur Rahman Mazumder	+88029888626	+88029888906	info@ndbcapital.com
NDB Zephyr Partners Lanka (Pvt) Limited	Level 01, NDB Capital Building, No.135, Bauddhaloka Mawatha, Colombo 04	No.40, Nawam Mawatha, Colombo 02	Mr. Girish Patil	011 2 303 810	011 2 307 155	gp@emerald fundsl.com
NDB Zephyr Partners Limited	Apex House, Bank Street, TwentyEight, Cybercity, Ebene 72201, Mauritius	Apex House, Bank Street, TwentyEight, Cybercity, Ebene 72201, Mauritius	Mr. Senaka Kakiriwaragodage	+230 467 3000	+230 467 4000	sk@emerald fundsl.com
Development Holdings (Pvt) Ltd	No. 42, Nawam Mawatha, Colombo 02	No. 40, Nawam Mawatha, Colombo 02	Mr. Kumudu Priyanga	011 2 300 174	011 2 3001 74	info@dhpl.lk

Correspondent Relationships

► ASIA

- Bahrain
- Bangladesh
- Cambodia
- China
- Hong Kong
- India
- Indonesia
- Israel
- Japan
- Jordan
- Kazakhstan
- Kuwait
- Lebanon
- Macao

► MALAYSIA

- Malaysia
- Maldives
- Nepal
- Oman
- Pakistan
- Philippines
- Qatar
- Russian Federation
- Saudi Arabia
- Singapore
- South Korea
- Sri Lanka
- Taiwan
- Thailand
- Turkey

► UNITED ARAB EMIRATES

- United Arab Emirates
- Vietnam

► EUROPE

- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany

► GREECE

- Greece
- Guernsey Ci
- Ireland
- Hungary
- Italy
- Latvia
- Luxembourg
- Moldova
- Monaco
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovakia

► SLOVENIA

- Slovenia
- Spain
- Sweden
- Switzerland
- Ukraine
- United Kingdom

► AFRICA

- Algeria
- Cameroon
- Congo
- Côte d'Ivoire
- Egypt
- Gabon
- Kenya

► MADAGASCAR

- Madagascar
- Mauritania
- Mauritius
- Morocco
- Nigeria
- Senegal
- Seychelles
- South Africa
- Tanzania
- Tunisia
- Zambia

► OCEANIA

- New Zealand
- Australia

► SOUTH AMERICA

- Bolivia
- Brazil
- Chile
- Colombia
- Peru
- Uruguay

► NORTH AMERICA

- Bahamas
- Canada
- Mexico
- United States



GRI Content Index

Statement of use	National Development Bank PLC has reported in accordance with the GRI Standards for the period from 1st January 2023 to 31st December 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organisational details	10, 404	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
7.6 (xiv)	2-2 Entities included in the organisation's sustainability reporting	10			
	2-3 Reporting period, frequency and contact point	7, 8			
	2-4 Restatements of information	7			
	2-5 External assurance	7, 8, 105, 106			
	2-6 Activities, value chain and other business relationships	10, 52, 60-70, 79, 94			
	2-7 Employees	81			
	2-8 Workers who are not employees		2-8 a, b, c	Not applicable	Workers who are not employees of the Bank comprise of those providing auxiliary services such as security and janitorial, engaged based on contracts. As these do not form core operations of the Bank, information pertaining to this indicators is not tracked.
	2-9 Governance structure and composition	114			
	2-10 Nomination and selection of the highest governance body	116			
	2-11 Chair of the highest governance body	115			
	2-12 Role of the highest governance body in overseeing the management of impacts	115			
	2-13 Delegation of responsibility for managing impacts	115			
	2-14 Role of the highest governance body in sustainability reporting	119			
	2-15 Conflicts of interest	117			
	2-16 Communication of critical concerns	118			
	2-17 Collective knowledge of the highest governance body	112			
2-18 Evaluation of the performance of the highest governance body	116				
2-19 Remuneration policies	126				
2-20 Process to determine remuneration	127				
2-21 Annual total compensation ratio		2-21 a,b,c	Confidentiality constraints	Constraints in disclosing total compensation ratio	

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation
	2-22 Statement on sustainable development strategy	18-20			
	2-23 Policy commitments	102, 117-118			
	2-24 Embedding policy commitments	119			
	2-25 Processes to remediate negative impacts	119			
	2-26 Mechanisms for seeking advice and raising concerns	119, 125			
	2-27 Compliance with laws and regulations	90			
	2-28 Membership associations	95			
	2-29 Approach to stakeholder engagement	47-49			
	2-30 Collective bargaining agreements		2-30 a,b	Not applicable	The Bank does not have collective agreements with its employees
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	50	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	3-2 List of material topics	51			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	50			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed		201-1	Not applicable	The economic value generated was negative during the year as impacted by high impairment charges, an industry-wide phenomena.
	201-2 Financial implications and other risks and opportunities due to climate change	97			
	201-3 Defined benefit plan obligations and other retirement plans	234-236			
	201-4 Financial assistance received from government		201-4 a,b,c	Not applicable	NDB does not receive any financial assistance from the government
Market Presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	80			
GRI 202: Market Presence 2016	202-1 Ratio of standard entry level wage by gender compared to local minimum wage		202-1	Not applicable	The Bank does not track this information. There is no statutory minimum wage for entry level staff in the banking sector.
	202-2 Proportion of senior management hired from the local community	81			

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	57, 195-196, 196-198, 232-234, 246			
GRI 207: Tax 2019	207-1 Approach to tax	57, 195-196, 196-198, 232-234, 246			
	207-2 Tax governance, control, and risk management	57, 195-196, 196-198, 232-234, 246			
	207-3 Stakeholder engagement and management of concerns related to tax	57, 195-196, 196-198, 232-234, 246			
	207-4 Country-by-country reporting		207-4 a,b,c	Not applicable	The Bank has a subsidiary in Bangladesh - NDB Capital Limited, the financial performance of which is presented in the consolidated financial statements of the Group prepared in accordance with SLFRSs and other applicable mandatory guidelines for the preparation and presentation of financial statements.
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	101			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	101			
	301-2 Recycled input materials used		301-2 a	Not applicable	NDB does not use recycled input materials in its processes
	301-3 Reclaimed products and their packaging materials		301-3 a,b	Not applicable	NDB does not use packaging material
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	98			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	98			
	302-2 Energy consumption outside of the organisation		302-2,a,b,c	Not available	The Bank does not track this
	302-3 Energy intensity		302-2,a,b,c	Not available	The Bank does not track this
	302-4 Reduction of energy consumption	98			
	302-5 Reductions in energy requirements of products and services		302-5,a,b,c	Not applicable	Our products and services do not consume energy
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	98			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	98			
	305-2 Energy indirect (Scope 2) GHG emissions	98			
	305-3 Other indirect (Scope 3) GHG emissions	98			
	305-4 GHG emissions intensity	103			
	305-5 Reduction of GHG emissions	98			
	305-6 Emissions of ozone-depleting substances (ODS)		305-6 a,b,c,d	Not applicable	The Bank's operations do not generate ODS
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions		305-7 a,b,c	Not available	The Bank does not currently track NOx and SOx emissions

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement (s) omitted	Reason	Explanation
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	80-83			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	82			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	83			
	401-3 Parental leave	86			
Labour/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	85			
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	85			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	83			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	84			
	404-2 Programmes for upgrading employee skills and transition assistance Programmes	83-84			
	404-3 Percentage of employees receiving regular performance and career development reviews	83			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	85			
GRI 405: Diversity and Equal Opportunity (2016)	Disclosure 405-1 Diversity of governance bodies and employees	81, 112			
	Disclosure 405-2 Ratio of basic salary and remuneration of women to men	86			
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	95			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development Programmes	95-96			
	413-2 Operations with significant actual and potential negative impacts on local communities	95			
Marketing and labelling					
GRI 3: Material Topics 2021	3-3 Management of material topics	90			
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	90			
	417-2 Incidents of non-compliance concerning product and service information and labelling	90			
	417-3 Incidents of non-compliance concerning marketing communications	90			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	77			
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	77			

SASB Indices

In this year's reporting, we extended the scope of reporting under the Sustainability Accounting Standards Board (SASB) standards, wherein, in addition to Sustainability Accounting Standard applicable to Commercial Banking, we also adopted the Sustainability Accounting Standard for Investment Banking & Brokerage. Given the NDB Group having two distinct legal entities engaged in investment banking and brokerage vis. NDB Investment Bank Limited and NDB Securities Pvt Limited, we have presented two sets of disclosures for the companies respectively.

SASB Standards - Commercial Banks

National Development Bank PLC

Topic	Accounting Metric	Category	Unit of Measure	Code	Page No.
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Quantitative	Number, Percentage (%)	FN-CB-230a.1	-
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	Not Applicable	FN-CB-230a.2	75-77
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	Quantitative	Number, Reporting currency	FN-CB-240a.1	(2) Amount of loans in percentage 64
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	Quantitative	Number, Reporting currency	FN-CB-240a.2	-
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Quantitative	Number	FN-CB-240a.3	-
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Quantitative	Number	FN-CB-240a.4	63-65
Incorporation of Environmental, Social, and Governance Factors In Credit Analysis	Commercial and industrial credit exposure, by industry	Quantitative	Reporting currency	FN-CB-410a.1	208
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Discussion and Analysis	Not Applicable	FN-CB-410a.2	99
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	Reporting currency	FN-CB-510a.1	352
	Description of whistleblower policies and procedures	Discussion and Analysis	Not Applicable	FN-CB-510a.2	118
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	Quantitative	Basis points (bps)	FN-CB-550a.1	Not Applicable
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	Not Applicable	FN-CB-550a.2	337-356

Accounting Metric	Category	Unit of Measure	Code	Page No.
(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Quantitative	Number, Presentation currency	FN-CB-000.A	-
(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	Quantitative	Number, Presentation currency	FN-CB-000.B	(2) only 208

SASB Standards - Investment Banking & Brokerage

NDB Investment Bank Limited (NDBIB)

Topic	Accounting Metric	Category	Unit of Measure	Code	Related Disclosure
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Quantitative	Percentage (%)	FN-IB-330a.1	Refer Note 1 below
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Presentation currency	FN-IB-410a.1	(1) Not a licensed underwriter therefore Not Applicable (2) and (3) - Not Applicable as these are outside the scope of ESMS Policy for NDBIB
	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Discussion and Analysis	Number, Presentation currency	FN-IB-410a.2	Not Applicable
	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment banking and brokerage activities	Discussion and Analysis	Not Applicable	FN-IB-410a.3	N/A as this is outside the scope of ESMS Policy for NDBIB
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	Presentation currency	FN-IB-510a.1	Nil
	Description of whistleblower policies and procedures	Discussion and Analysis	Not Applicable	FN-IB-510a.2	The Group Whistleblowing Policy of NDB Capital Holdings Limited provides for employees as defined therein including employees within one year of resignation to report malpractices, unethical behaviour, corruption, bribery and blackmail to designated individuals for investigation and necessary action. The policy assures confidentiality of identity and protection from adverse personal action against the whistleblower for disclosures made in good faith
Professional Integrity	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Quantitative	Number, Percentage (%)	FN-IB-510b.1	Nil
	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	Number	FN-IB-510b.2	Nil
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	Quantitative	Presentation currency	FN-IB-510b.3	Nil

Topic	Accounting Metric	Category	Unit of Measure	Code	Related Disclosure
	Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	Not Applicable	FN-IB-510b.4	As an entity licensed as a Corporate Finance Advisor by Securities and Exchange Commission of Sri Lanka (SEC), NDBIB has policies and procedures in place to ensure professional integrity, including duty of care
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category ⁵	Quantitative	Basis points (bps)	FN-IB-550a.1	Not Applicable
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	Not Applicable	FN-IB-550a.2	Not Applicable
Employee Incentives & Risk Taking	Percentage of total remuneration that is variable for Material Risk Takers (MRTs) ⁶	Quantitative	Percentage (%)	FN-IB-550b.1	Not Applicable
	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied ⁷	Quantitative	Percentage (%)	FN-IB-550b.2	Not Applicable
	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	Discussion and Analysis	Not Applicable	FN-IB-550b.3	Not Applicable

Note 01

Representation by Grade and Gender

Grade	Female	Male
Executive Management	43%	57%
Professional	54%	46%
Other	67%	33%

Representation by Race

Race	Sinhala	Tamil	Muslim
Representation by Race	96%	0%	4%

SASB Standards - Investment Banking & Brokerage

NDB Securities (Private) Limited

Topic	Accounting Metric	Category	Unit of Measure	Code	Related Disclosure
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Quantitative	Percentage (%)	FN-IB-330a.1	Refer Note 1 below
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Presentation currency	FN-IB-410a.1	(1) None (2) LKR 196 Mn (3) None
	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Number, Presentation currency	FN-IB-410a.2	Value of investment - Money Fund LKR 250 Mn Value of loans taken - None
	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment banking and brokerage activities	Discussion and Analysis	Not Applicable	FN-IB-410a.3	Not applicable. In terms of the NDB Group ESMS Policy, ESG compliance is carried out in respect of investments in own funds of the Group Companies and it does not extend to client funds
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations ²	Quantitative	Presentation currency	FN-IB-510a.1	None
	Description of whistleblower policies and procedures	Discussion and Analysis	Not Applicable	FN-IB-510a.2	The Group Whistleblowing Policy of NDB Capital Holdings Limited provides for employees as defined therein including employees within one year of resignation to report malpractices, unethical behaviour, corruption, bribery and blackmail to designated individuals for investigation and necessary action. The policy assures confidentiality of identity and protection from adverse personal action against the whistleblower for disclosures made in good faith.

Topic	Accounting Metric	Category	Unit of Measure	Code	Related Disclosure
Professional Integrity	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings ³	Quantitative	Number, Percentage (%)	FN-IB-510b.1	None
	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	Number	FN-IB-510b.2	One which was duly resolved during the year
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care ⁴	Quantitative	Presentation currency	FN-IB-510b.3	None
	Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	Not Applicable	FN-IB-510b.4	NDBS ensure strict compliance with applicable laws, rules and regulations governing professional integrity and duty of care. There is close monitoring and monthly reporting of any violations to the relevant regulatory authority. Further, internal policies and procedures such as the Compliance Manual encompassing professional integrity and duty of care are in place to guide employees on the same.
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category ⁵	Quantitative	Basis points (bps)	FN-IB-550a.1	-
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	Not Applicable	FN-IB-550a.2	-
Employee Incentives & Risk Taking	Percentage of total remuneration that is variable for Material Risk Takers (MRTs) ⁶	Quantitative	Percentage (%)	FN-IB-550b.1	-
	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied ⁷	Quantitative	Percentage (%)	FN-IB-550b.2	-
	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	Discussion and Analysis	Not Applicable	FN-IB-550b.3	Valuation method of level 3 Financial Assets - Deposits Debtors and Staff Loans

Note 01

Representation by Grade and Gender

Grade	Female	Male
Executive Management	12%	88%
Non-Executive Management	33%	67%
Professionals	29%	71%
All Other Employees	32%	68%

Representation by Grade and Race

Grade	Sinhala	Muslim	Tamil
Executive Management	75%	25%	0%
Non-Executive Management	67%	33%	0%
Professionals	87%	0%	13%
All Other Employees	67%	14%	19%

Glossary of Financial and Banking Terms



Acceptances

Promise to pay, created when the drawee of a time draft, stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Gain/Loss

Gains or losses arising from the difference between estimates and actual experience in the entity's pension plan and retirement gratuity.

Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal prepayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and Liability Committee (ALCO)

A risk-management committee in a bank that generally comprises the Senior Management of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Bank's forecast and strategic balance sheet allocations.

Associate

An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank weekly, based on Commercial bank's deposit rates offered to their prime customers during the week.

Average Weighted PRIME Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.



Basel III

The Basel Committee on Banking Supervision's details of strengthened global regulatory standards on Bank capital adequacy and liquidity.

Basis point (BP)

One hundredth of a percentage point, i.e. 100bp equals 1%, used in quoting movements in interest rates, security yields, etc.



Capital Adequacy Ratios

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

Capitals

Refer to any stock of value such as customer base, staff strength, relationships with the community, etc. that will increase, decrease or transform through the activities of an organisation and that will help it generate earnings in the future.

Cash Equivalents

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Cash flows are inflows and outflows of cash and cash equivalents.

Cash Generating Unit (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Collectively Assessed Impairment Allowance Provisions Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically assets within the Retail Banking business (housing, personal, leasing, credit cards etc.) are assessed on a portfolio basis.

Commitments

Credit facilities approved but not yet utilised by the clients at the date of the Statement of Financial Position.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Consolidated Financial Statements

Consolidated Financial Statements are the Financial Statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic activity.

Contingencies

A condition or situation existing at the date of the Statement of Financial Position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contractual Maturity

Contractual Maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Control

Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost to Income Ratio

Operating expenses excluding impairment for loans and receivables and other losses as a percentage of total operating income.

Country Risk

The risk that a foreign government will not fulfil its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (political risk).

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigates such as collateral, guarantee and credit protection.

Credit Risk

Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Currency swaps

The simultaneous purchase of an amount of currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Customers Deposits

Money deposited by account holders. Such funds are recorded as liabilities.



Debt Restructuring/Rescheduling

This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedules as well as debt or interest charge reduction.

Deferred Taxation

Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and receivables are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g., an interest rate).

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Documentary Credits

Commercial letters of credit provided for payment by a bank to the named beneficiary usually the seller of merchandise, against delivery of documents specified in the credit.

Domestic Debt Optimisation (DDO)

The extension of the maturity period of the debt instruments, which would help the government to reduce the annual repayment obligation and to spread it over a longer period.



Earnings per Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation including deferred tax divided by the operating profit before tax on financial services.

Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Employee Share Option Scheme (ESOS)

A method of giving employees shares in the business for which they work.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity risk

The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.

Equity Instrument

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events after the Reporting Period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue.

Ex- Dividend

Date A classification of trading shares when a declared dividend belongs to the seller rather than the buyer. A stock will be give ex-dividend status if a person has been confirmed by the company to receive the dividend payment. The date on or after which a security is traded without a previously declared dividend or distribution.

Expected Credit Loss

The amount expected to be lost on an exposure over the life of the asset. ECL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

Exposure

A claim, contingent or position which carries a risk of financial loss.



Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Adjustment

An adjustment to the fair value of a financial instrument which is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.

Fair Value Through Profit or Loss

A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of a short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract).

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Assets

Any assets that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Liabilities

A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial Risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index or other variable that the variable is not specific to the party to the contract.

Foreign Exchange Income

The realised gains recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today



Global Reporting Initiative (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going Concern

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially or the scale of its operations.

Goodwill

An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

Gross Dividend

The portion of profits distributed to the shareholders.

Group

A Group is a parent and all its subsidiaries and associates.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.



Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest rate, Prices and Commodities, etc.).

Held-for-Trading

Debt and equity investments that are purchased with the intent of selling them within a short period of time (usually less than one year).

Held-to-Maturity

Investments and debt securities that a Company has the ability and intent to hold until maturity.

High Quality Liquid Assets

(HQLA) HQLA are assets that can be easily and immediately converted into cash at little or no loss of value that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e. without legal, regulatory or operational impediments.

Historical Cost

Historical cost is the original nominal value of an economic item.



Impaired Loans

Loans where identified impairment allowances have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment charges for Loans and Receivables

Amounts set aside against possible losses on loans, receivables and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred (under LKAS 39)/expected (under SLFRS 9) loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Individually Significant Loans

Exposures which are above a certain threshold decided by the Bank's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Intangible Asset

An intangible asset is an identifiable non monetary asset without physical substance.

Integrated Reporting

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long term in its economic, social and environmental context.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net interest income expressed as a percentage of average interest earning assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate SWAP

An agreement between two parties where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment banking

A specific division of banking related to the creation of capital for other companies. Investment banks underwrite new debt and equity securities for all types of corporations. Investment banks also provide guidance to issuers regarding the issue and placement of stock.

Investment Property

A real estate property that has been purchased with the intention of earning a return on the investment (purchase), either through rent (income), the future resale of the property, or both.



Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity and key employees who are holding directorships in subsidiary companies and other key employees who meet the criteria mentioned above.



Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity coverage ratio (LCR)

Ratio of stock of high quality liquid assets available to total net cash outflows over next 30 calendar days. LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus, reducing the risk of spillover from the financial sector to the real economy.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan-to-Value Ratio

The loan-to-value (LTV) ratio is a financial term used by lenders to express the ratio of a loan to the value of an asset purchased. The term is commonly used to represent the ratio of the first mortgage lien as a percentage of the total appraised value of real property.

Loss Given Default (LGD)

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.



Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.



Net Assets Value per Ordinary Share

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

Net Assets Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income (NII)

The difference between the amounts a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margins (NIM)

Net interest income expressed as a percentage of average Total Assets.

Net stable funding ratio (NSFR)

The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. Available stable funding would include items such as equity capital, preferred stock with a maturity of over one year and liabilities with an assessed maturity of over one year. The Basel III rules require this ratio to be over 90% with effect from 01 January 2019. The NSFR is still subject to an observation period and review to address any unintended consequences.

Non-Controlling Interest/Minority Interest

Equity in a subsidiary not attributable, directly or indirectly, to a Parent.

Non-Performing Loans (NPLs)

A loan or a receivable placed on cash basis (i.e. Interest income is only recognised when cash is received) because, in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest.

Nostro Account

A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

NPL Ratio

Total non-performing loans and receivables (net of interest in suspense) divided by total loans and receivables portfolio (net of interest in suspense).



Open Credit Exposure Ratio

Total net non-performing loans and receivables expressed as a percentage of shareholders' fund.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.



Parent

A parent is an entity that has one or more subsidiaries.

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Power

The power is the existing rights that give the current ability to direct the relevant activities.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Probability of default (PD)

The probability that an obligor will default on an obligation within a given period of time.

Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method). Prudence Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.



Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions (RTP)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Remittances

A remittance is a transfer of money by a foreign worker to an individual in his or her home country.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Retained Earnings

Reserves that are set aside for future distribution and investments.

Return on Average Assets (ROA)

Profit after tax divided by the average assets.

Return on Average Equity (ROE)

Net profit for the year, less preference share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

Revaluation Reserve

Part of the shareholders' equity that arises from changes in the current value of property, plant and equipment.

Revenue Reserve

Reserves set aside for future distribution and investment.

Risk-Weighted Assets

The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors.

Rights Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.



Segment Reporting

Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, stock broking and securities dealing, property and insurance.

Segmental Analysis

Analysis of financial information by segments of an entity specifically, the different industries and the different geographical areas in which it operates.

Shareholders' Funds

Total of stated capital and revenue reserves.

Significant influence

If an entity holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated otherwise.

Single Borrower Limit (SBL)

33% of the regulatory capital base.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act, No. 30 of 1988.

Subsidiary

An entity, including an unincorporated entity such as a partnership, which is controlled by another entity (known as the Parent).

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Swaps

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.



Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Capital

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

Transaction Costs

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Transfer Pricing Arrangement

Transfer pricing involves the terms and prices at which related parties sell (or should sell) goods or services to each other. When the parties are located in different taxing jurisdictions, opportunities exist for the movement of income to a lower-taxing jurisdiction. A transfer pricing arrangement is developed to combat potential losses of income tax revenue.



Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.



Value Added

Value of wealth created by providing banking and other related services less the cost of providing such services.

Value-at-risk (VaR)

A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Vostro Account

A local currency account maintained by a local bank for a foreign (correspondent) bank. For the foreign bank, it is a nostro account. The domestic bank acts as custodian or manages the account of a foreign counterpart.

Yield-to-Maturity

The discount rate at which a security's present value of future cash flows will be equal to the security's current price.

Notice of Meeting

Notice is hereby given that the Nineteenth (19) Annual General Meeting (AGM) of National Development Bank PLC (the Bank) will be held at the DHPL Training Room, 3rd Floor, NDB – EDB Tower, No 42, Nawam Mawatha, Colombo 02 at 03.00 p.m. on Thursday, the Twenty Eighth (28) day of March, Two Thousand and Twenty Four (2024) and the business to be brought before the meeting will be:

1. To lay before the shareholders for consideration, the Annual Report for the year ended 31 December 2023.
2. To reappoint Ms. Shweta Pandey, in terms of Article 44 (2) of the Articles of Association of the Bank.
3. To reappoint Mr. Hasitha Premaratne, in terms of Article 44 (2) of the Articles of Association of the Bank.
4. To re-elect Mr. Sriyan Cooray, as a Director in terms of Article 42 of the Articles of Association of the Bank.
5. To re-elect Mr. Sujeewa Mudalige, as a Director in terms of Article 42 of the Articles of Association of the Bank.
6. To reappoint Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Bank as set out in Section 154 of the Companies Act No. 7 of 2007 and Section 39 of the Banking Act No. 30 of 1988 (as amended) and to fix the fees and expenses of such Auditors.
7. To determine the aggregate remuneration payable to Non-Executive Directors including the Chairman in terms of Article 58 of the Articles of Association of the Bank and to authorise the Board of Directors to approve other remuneration and benefits to the Directors (including the remuneration of the Executive Director/s) in terms of Section 216 of the Companies Act No. 7 of 2007.
8. To authorise the Board of Directors to determine donations for the financial year 2024 (in accordance with the provisions of the Companies Donations Act No. 26 of 1951) through which the corporate social activities of the Bank in 2024 will be carried out (similar to the activities carried out in 2023 as detailed in the Annual Report).

By Order of the Board,



Ms. Shehani Ranasinghe
Company Secretary

20 February 2024
Colombo

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy holder to attend and vote in his/her stead. Please read the reverse of the Form of Proxy for further details.
2. Shareholders/proxy holders attending the meeting are requested to bring their National Identity Cards.
3. Voting shall be by any one of the following methods as determined by the Chairman of the meeting unless a poll is demanded;
 - a) voting by voice
 - b) voting by show of hands (every member who is present in person or is represented by a proxy or attorney or an authorised representative shall have one (01) vote).
4. A declaration by the Chairman of the meeting that a resolution is carried by the requisite majority or lost is conclusive evidence of that fact.
5. At a meeting of shareholders, a poll may be demanded on a particular question as provided for in the Companies Act No. 7 of 2007. If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present and voting. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.

Corporate Information

NAME

National Development Bank PLC

COMPANY REGISTRATION NUMBER

PQ 27

LEGAL FORM

Established under the National Development Bank of Sri Lanka Act No. 2 of 1979 and incorporated as a company under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 and also licensed as a Licensed Commercial Bank in terms of the Banking Act No. 30 of 1988 as amended from time to time.

STOCK EXCHANGE LISTING

The shares, and the rated unsecured subordinated redeemable debentures issued in December 2013, March 2019, September 2020, November 2021 and December 2023 are listed on the Colombo Stock Exchange.

HEAD OFFICE/REGISTERED OFFICE

Address – No. 40, Nawam Mawatha, Colombo 02

Tel: +94 11 2448888

Fax: +94 11 2305031

Swift Code: NDBSLKLX

Web page: www.ndbbank.com

E-mail: contact@ndbbank.com

Accounting Year End: 31 December

VAT Registration Number: 409000266-7000

Credit Ratings: National long-term ratings: A-(Ika)

Basel II compliant & Basel III compliant subordinated debentures ratings: BBB (Ika)

BOARD OF DIRECTORS AND BOARD SUB COMMITTEES

Board of Directors

Mr. Sriyan Cooray - Chair, Board of Directors - Independent

Mr. Bernard Sinniah - Non-Independent

Mr. Sujeewa Mudalige - Independent

Mr. Kushan D'Alwis, PC - Independent

Ms. (Fay) Piyachitr Chetnakarnkul - Non-Independent

Ms. Chandima Dilrukshi - Non-Independent

Ms. Kasturi Chellaraja - Independent

Ms. Shweta Pandey - Independent
(Appointed w.e.f. 28 April 2023)

Mr. Hasitha Premaratne – Independent
(Appointed w.e.f. 15 June 2023)

Mr. Kelum Edirisinghe - Chief Executive Officer - Non-Independent (Appointed w.e.f. 01 February 2024)

Mr. Dimantha Seneviratne - Chief Executive Officer-Non-Independent (Ceased to be a Director w.e.f. 31 January 2024)

Mr. Hiran Perera - Non-Independent
(Resigned w.e.f. 14 February 2023)

Board Sub Committees

Nominations and Governance Committee

Human Resources & Remuneration Committee

Integrated Risk Management Committee

Audit Committee

Related Party Transactions Review Committee

Strategic Issues Committee

Credit Committee

Digital Transformation Committee

Discretionary and Capital Expenditure Committee

Please refer pages 139 to 155 for Board Sub Committee Reports

BOARD OF DIRECTORS OF SUBSIDIARY COMPANIES AS AT 31 DECEMBER 2023

NDB Capital Holdings Limited - 99.9%

Mr. Ashok Pathirage – Chairman

Mr. Dimantha Seneviratne

Mr. Sarath Wikramanayake

Mr. Arjun Fernando

Mr. Bernard Sinniah

Mr. Ananda Atukorala

Mr. Senaka Kakiriwaragodage

NDB Wealth Management Limited - 99.9%

Mr. Sarath Wikramanayake – Chairman

Mr. Dimantha Seneviratne

Mr. Bernard Sinniah

Mr. Senaka Kakiriwaragodage

Mr. Sanjaya Perera

NDB Investment Bank Limited - 99.9%

Mr. Sarath Wikramanayake – Chairman

Mr. Dimantha Seneviratne

Mr. Bernard Sinniah

Mr. Jehan Peruma

Mr. K V Vinoj

Mr. Senaka Kakiriwaragodage

Mr. Darshan Perera

NDB Securities (Private) Limited - 99.9%

Mr. Arjun Fernando – Chairman

Mr. Dimantha Seneviratne

Mr. Deepal Akuretiyagama

Mr. Ananda Atukorala

Mr. Bernard Sinniah

Mr. Senaka Kakiriwaragodage

NDB Capital Limited (Bangladesh) - 84.18%

Mr. Sarath Wikramanayake – Chairman

Mr. Dimantha Seneviratne

Mr. Mohammed Al Maruf Khan

Mr. Hafiz Firoz Chowdhury

Mr. C M Alam

Mr. Darshan Perera

Mr. Bernard Sinniah

Mr. Kazi Farhan Zahir

Ms. Zakia Chowdhury

NDB Zephyr Partners Limited (Mauritius) - 60%

Ms. Dilshaad Rajabalee

Mr. Thomas Barry

Mr. Mukul Gulati

Mr. Arjun Fernando

Mr. Ananda Atukorala

Ms. Wendy Ramakrishnan

NDB Zephyr Partners Lanka (Private) Limited - 60%

Mr. Sarath Wikramanayake - Chairman

Mr. Dimantha Seneviratne

Mr. Thomas Barry

Mr. Mukul Gulati

Mr. Bernard Sinniah

Development Holdings (Private) Limited – 58.6%

Mr. Dimantha Seneviratne - Chairman

Ms. Thakshila Wijayarathne

Mr. S R P Indrakeerthi

Mr. Kusal Perera

Mr. Sanjaya Perera

Ms. Melody Wikramanayake

Dr. Kingsley Bernard

Mr. Deepal Akuretiyagama

OTHER INFORMATION

Company Secretary: Ms. Shehani Ranasinghe
(Attorney-at-Law)

Compliance Officer: Mr. Chandima Kannangara

Auditors: Ernst & Young, Rotunda Towers, No. 109, Galle Road, Colombo 03

Registrar to the Rated Unsecured Subordinated Redeemable Debentures issued - S S P Corporate Services (Pvt) Ltd, No. 101 Inner Flower Road, Colombo 03

Trustees to the Rated Unsecured Subordinated Redeemable Debentures
(Issued in 2013, 2019, 2020 and 2021) - Bank of Ceylon, Investment Banking Division No.1, BOC Square, Bank of Ceylon Mawatha, Colombo 01
(Issued in 2023) - People's Bank, Treasury Operations, Treasury Back Office, 13th Floor, People's Bank - Head Office, No.75, Sri Chittampalam A. Gardiner Mawatha, Colombo 02

QUERIES

On the 2023 NDB Annual Report

Mr. Hasitha Athapattu

Vice President - Finance
National Development Bank PLC
No. 40, Nawam Mawatha, Colombo 02
Email: hasitha.athapattu@ndbbank.com
Tele: + 94 11 2448448 (Extn: 35301)

ON INVESTOR RELATIONS

Company Secretarial Department

Ms. Shehani Ranasinghe

Company Secretary/ Vice President
National Development Bank PLC
No. 40, Nawam Mawatha, Colombo 02
Email: shehani.ranasinghe@ndbbank.com
Tele: + 94 11 2448448 (Extn: 35013)

Investor Relations Team

Mr. Hasitha Athapattu

Vice President – Finance
(See above)

Form of Proxy

I/We (holder/s of NIC/s.....) of

..... being a shareholder / shareholders of National Development Bank PLC (the Bank) hereby appoint;

1. (holder of NIC No.) of or failing him/her

2. Mr. Sriyan Cooray (Chair, Board of Directors) of Colombo or failing him,
Mr. Bernard Sinniah of Colombo or failing him,
Mr. Sujeewa Mudalige of Colombo or failing him,
Mr. Kushan D’Alwis, PC of Colombo or failing him,
Ms. (Fay) Piyachat Chetnakarnkul of Colombo or failing her,
Ms. Chandima Dilrukshi of Colombo or failing her,
Ms. Kasturi Chellaraja of Colombo or failing her,
Ms. Shweta Pandey of Colombo or failing her,
Mr. Hasitha Premaratne of Colombo or failing him,
Mr. Kelum Edirisinghe (Director/ CEO of the Bank) of Colombo

as my/our proxy to represent me/us and to vote for me/us and on my/our behalf at the Nineteenth (19) Annual General Meeting of the Bank to be held on Thursday, the Twenty Eighth(28) day of March, 2024 and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preferences indicated below:

	For	Against
1. To reappoint Ms. Shweta Pandey in terms of Article 44 (2) of the Articles of Association of the Bank.	☐	☐
2. To reappoint Mr. Hasitha Premaratne in terms of Article 44 (2) of the Articles of Association of the Bank.	☐	☐
3. To re-elect Mr. Sriyan Cooray, as a Director in terms of Article 42 of the Articles of Association of the Bank.	☐	☐
4. To re-elect Mr. Sujeewa Mudalige, as a Director in terms of Article 42 of the Articles of Association of the Bank.	☐	☐
5. To reappoint Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Bank as set out in Section 154 of the Companies Act No. 7 of 2007 and Section 39 of the Banking Act No. 30 of 1988 (as amended) and to fix the fees and expenses of such Auditors.	☐	☐
6. To determine the aggregate remuneration payable to Non-Executive Directors including the Chairman in terms of Article 58 of the Articles of Association of the Bank and to authorise the Board of Directors to approve other remuneration and benefits to the Directors (including the remuneration of the Executive Director/s) in terms of Section 216 of the Companies Act No. 7 of 2007.	☐	☐
7. To authorise the Board of Directors to determine donations for the financial year 2024 (in accordance with the provisions of the Companies Donations Act No. 26 of 1951) through which the corporate social activities of the Bank in 2024 will be carried out (similar to the activities carried out in 2023 as detailed in the Annual Report).	☐	☐

As witness I/We have set my/our hand/s hereunto this day of

..... Two Thousand and Twenty Four (2024).

Shareholder / Shareholders Signature/s

Instructions for completion of the Form of Proxy

1. In order to appoint a proxy holder, kindly complete the Form of Proxy. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and should be signed and dated by the shareholder. The duly completed Form of Proxy must be deposited at the Registered Office of the Bank, at No. 40, Nawam Mawatha, Colombo 02 or via email to the Company Secretary (companysecretary@ndbbank.com) or by facsimile No. +94 1123 41050, not less than twenty four (24) hours before the time appointed for the meeting.

Shareholders should duly complete the Form of Proxy clearly setting out their preference of vote in the Form of Proxy.

Please indicate an "X" in the cage provided on how your proxy should vote for each resolution. If no indication is given, or if there is, in the view of the proxy holder, any doubt (by reason of the manner in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder in his/her discretion may vote as he/she thinks fit.

2. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney, if executed prior to 25 October 2022, should be duly registered at the Registrar General's office (RGO) and if executed after 25 October 2022, should be duly executed and attested in terms of the Power of Attorney (Amendment) Act No 28 of 2022 and registered at the RGO. A certified copy thereof duly certified by the Registrar General, should also accompany the completed Form of Proxy.
3. If you wish to appoint a person other than the Chair, Board of Directors or a Director of the Bank as your proxy, please insert the relevant information in the Form of Proxy
4. The proxy holder appointed need not be a shareholder of the Bank.
5. In case of a corporate member, the proxy must be executed under its Common Seal (if applicable) or in such other manner prescribed by its Articles of Association or other constitutional documents.
6. The first joint holder shall have the power to sign the Form of Proxy without the concurrence of the other joint holder/s.

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