INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2021

NATIONAL DEVELOPMENT BANK PLC

CSE stock code: NDB.N0000 | Bloomberg: NDB SL | Reuter's: NDB.CM

Released to CSE on: 28 July 2021

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***The financial statements presented herewith are the unaudited financial statements for the six months ended 30 June 2021 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB posts solid performance in H1 2021 amidst the pandemic

28 July 2021, Colombo, Sri Lanka

- Pre-tax profits crosses LKR 6 Bn (up by 21%), Post-tax profits of LKR 3.9 Bn (up by 32%)
- Robust growth in fund and fee income bases
- Cost to income ratio of 33%, continually in the low 30% range
- Balance Sheet growth - Total assets of LKR 664 Bn up by 6% YTD, 18% YoY
- Broad-based Loan book growth of 10% YTD and 14% YoY – LKR 487 Bn
- Deposits crosses LKR 500 Bn, growth of 5% YTD and 21% YoY - LKR 515 Bn
- Enhanced capital adequacy ratios Tier I – 10.43% Total – 14.73% post equity capital infusion of LKR 9.5 Bn

National Development Bank PLC, Sri Lanka's fourth largest listed bank continued to demonstrate its resilience to external shocks and ability to deliver consistent results, as reflected in financial statements released to the Colombo Stock Exchange for the six months ended 30 June 2021. The review period was marked by month long travel restrictions imposed to curb the spread of the third wave of the pandemic in Sri Lanka, which affected business momentum. NDB's Director and Group CEO Mr. Dimantha Seneviratne commented that notwithstanding these deepening challenges, the Bank stayed in top form in delivering uncompromised value to all our stakeholders, thanks to its agile strategies and committed team. Banking sector has always played a crucial role in national economic development, and its importance is more pronounced in a situation like this. With the nation-wide vaccination program successfully rolling out there is expectancy of expedited return to economic normalcy. In such a backdrop, NDB has affirmed its focus in safeguarding the interest of three critical stakeholders, i.e. the customers, the employees and the society at large, he stated. This focus has enabled us to maintain a sound equilibrium in our performance, for the benefits of all our stakeholders together with a sense of achievement for the Team, he further stated.

Income and profitability

NDB recorded a total operating income of LKR 15.4 Bn which grew by 19% over six months ended June 2020 (YoY). Operating income was strengthened by net interest income (NII), net fee & commission income and consolidated other non-fund based income, all of which recorded a growth over the comparative period.

NII, the majority contributor in operating income (67%), grew by 17% to LKR 10 Bn. Reflecting the reduced interest rate environment, both interest income and interest expenses declined YoY with the latter posting a larger decline at 18%. Deposit portfolio's improving skewness towards CASA base, with over 50% of the fresh deposits growth for H1 2021 over H1 2020 coming from CASA deposits and a significantly improved CASA ratio of 26% (H1 2020: 21%) contributed to reduce interest expenses. CASA base also improved by 54% YoY (LKR 48 Bn). Resultant annualized net interest margin (NIM) for the period was 3.23% (H1 2020 – 3.25%). NIM continues to be under pressure with possible further relief to be granted to customers in loan repayments, due to the cascading effects of the pandemic.

Net fee and commission income grew by an impressive 48% to LKR 2.6 Bn supported by growth in the loan book (YoY 14%), trade business and digital banking transactions conducted through *NDB NEOS* platforms. All other non-fund based income, including net gains from trading and de-recognition of financial assets collectively grew by 6% to LKR 2.4 Bn.

Impairment charges for loans and other losses for H1 2021 was LKR 4.2 Bn, an increase of 31% YoY. Provision charges increased in line with the growth in the loan book and provisions made at both collective and individual levels in response to elevated risks caused by the third wave of the pandemic and other stresses. The regulatory gross non-performing loan [NPL] ratio for H1 2021 was 5.63% (2020: 5.35%) reflecting the wider industry NPL behavior. The net NPL ratio for the quarter was 3.37% (2020: 3.23%).

Costs continued to be well managed, benefiting from the Bank's organization-wide Operational Efficiency and Effectiveness improvement programme (OEE) and strong digital drive. Total operating expenses for H1 2021 was LKR 5.1 Bn, with the YoY increase managed at 10%, amidst business volume growth and a host of other customer-centric initiatives. Gradual increase in deployment of Robotic Process Automations and workflow solutions in internal processes are delivering their investment dividends, with the increase in controllable costs managed at reasonable levels. *NDB NEOS* digitized platforms undergo continuous upgrades, propelling the uptake of these digital channels over physical banking for our customers. The resultant cost to income ratio for the period was 33%, remaining at the low 30% range.

Operating profit before all taxes for the period was LKR 6.1 Bn, up by 21% YoY. Total taxes for the period was LKR 2.2 Bn, comprising VAT on financial services – which recorded an increase of 16% due to increase in business volumes, and income tax - which reduced by 4% amidst an increase in profits due to the income tax rate reducing to 24% (effective from the prior year) from 28% in the prior year. The effective tax rate for H1 2021 was 36%.

Accordingly, post-tax profitability enhanced to LKR 3.9 Bn, up by 32% whilst profit attributable to shareholders increased to LKR 4.1 Bn, up by a notable 73%. NDB Group's capital market cluster continued to make valid contribution to the overall Group profitability, benefitted by greater opportunities available in the Sri Lankan capital markets.

Balance Sheet Performance

Total assets for H1 2021 was LKR 664 Bn, up by 6% over 2020. On YoY terms this was a growth of 18%. Loan book growth was broad-based, to LKR 487 Bn, a YTD growth of 10% and YoY growth of 14% (quantum of growth – LKR 43.5 Bn and LKR 58.2 Bn respectively), with lending increasing to all segments.

On aspects of funding, the Bank's deposits base crossed the LKR 500 Bn mark for the first time with deposits closing in at LKR 515 Bn. This was a YTD growth of 5% and YoY growth of 21%, which translated to quantum of LKR 25.0 Bn and LKR 87.7 Bn respectively. CASA deposits grew by 11% YTD (LKR 13 Bn) to LKR 136 Bn.

The period under review booked a total capital infusion of LKR 9.46 Bn, comprising of LKR 8 Bn raised through the Rights Issue and LKR 1.46 Bn, raised through the Private Placement with Norfund – the Norwegian Investment Fund for developing countries, strengthening Tier I equity capital of the Bank. NDB also secured USD 75 Mn from the Development Finance Corporation of the USA as a long term funding line towards lending to SMEs and infrastructure development of the country.

Key performance ratios

Return on equity of the Bank for H1 2021 increased to 13.81% (2020: 13.13%) whilst the same at the Group level was 13.91% (2020: 11.20%). Pre-tax ROA of the Bank was 1.68% (2020: 1.59%) and of the Group was 1.79% (2020: 1.58%). Earnings per share of the Bank was LKR 28.89 (2020: LKR 23.77), whilst the same for the Group was LKR 30.96 (2020: LKR 21.99).

The net asset value per share of the Bank and the Group were LKR 161.48 and LKR 170.94. On capital adequacy, Tier I capital adequacy ratio and Total capital adequacy ratio of the Bank were 10.43% and 14.73% respectively. The same ratios for the Group were 10.83% and 15.03%. Liquidity coverage ratio – Rupee, Liquidity coverage ratio – All currency and Net Stable Funding Ratio were 204.01%, 184.31% and 116.81% respectively. All these ratios were well above the regulator stipulated minimum requirement levels, with capital adequacy ratios having enhanced post Tier I capital infusion as explained above - reflecting the strength, stability and sufficient liquidity of the Bank.

Support extended to COVID-19 affected customers and other aspects of performance

The Bank's support to its pandemic hit customers to emerge strong continues, with various moratoria and concessions, together with strong advisory support from our relationship managers, including the *"NDB Jayagamu Sri Lanka"* proposition. NDB continued its digital drive unabated by the pandemic. Enabling CRIB report and CRIB score downloads in the *NEOS* mobile app and commencing the development of video -Know-Your-Customer (vKYC) which will take virtual banking to a new level using AI, are two of the "first in the industry" launches by NDB. *"NDB Cares"*, NDB's structured response in support of employees and the society at large under the theme "Together with Humanity…Stronger with Positivity" continued its mission, which included donations to the healthcare sector and communities in need, amongst other initiatives.

Way forward

With the completion of Tier I capital infusion netting LKR 9.5 Bn, and further funds secured through credit lines, NDB is poised for accelerated growth as market opportunities warrant. This growth will be in alignment with the Bank's own strategic aspirations as well as the country's broader needs to propel economic prosperity, which include the SME sector, thereby fortifying NDB's role as a key contributor in the nation's development journey.

STATEMENT OF PROFIT OR LOSS

	Bank					Group				
	Period ended 30/06/2021	Period ended 30/06/2020	**Change**	**Quarter ended 30/06/2021**	Quarter ended 30/06/2020	**Period ended 30/06/2021**	Period ended 30/06/2020	**Change**	**Quarter ended 30/06/2021**	Quarter ended 30/06/2020
	LKR '000	LKR '000	**%**	**LKR '000**	LKR '000	**LKR '000**	LKR '000	**%**	**LKR '000**	LKR '000
Gross Income	**30,473,152**	**31,291,232**	**(3)**	**14,761,474**	**15,245,886**	**31,310,535**	**31,174,824**	**0**	**15,259,859**	**15,365,306**
					-					
Interest Income	25,461,095	27,255,310	(7)	12,795,451	13,508,283	25,517,699	27,336,989	(7)	12,823,038	13,542,651
Interest Expenses	15,118,912	18,431,669	(18)	7,582,649	9,014,177	15,110,418	18,416,038	(18)	7,579,305	9,001,665
Net Interest Income	**10,342,183**	**8,823,641**	**17**	**5,212,802**	**4,494,106**	**10,407,281**	**8,920,951**	17	**5,243,733**	4,540,986
Net Fee and Commission Income	2,580,066	1,739,222	**48**	1,254,743	713,101	3,510,469	2,138,025	64	1,668,936	914,726
Net gain/(loss) from trading	1,015,861	536,985	89	555,731	323,541	1,015,861	536,985	89	555,731	323,541
Net gain/(loss) from financial assets at fair value Through Profit or Loss	219,392	6,444	3,305	102,465	5,607	230,845	(116,472)	298	149,396	(100,347)
Net gains/(losses) from derecognition of financial assets	213,665	1,002,322	(79)	2,669	779,049	229,811	1,015,706	(77)	17,402	797,710
Other operating income	983,073	750,949	31	50,416	(83,696)	805,850	263,591	206	45,356	(112,975)
Total Operating Income	**15,354,241**	**12,859,563**	19	**7,178,825**	**6,231,709**	16,200,118	**12,758,784**	**27**	**7,680,554**	6,363,639
										-
Less: Impairment charges	4,151,845	3,175,558	31	1,968,489	1,888,968	4,145,312	3,164,574	31	1,959,013	1,880,179
Net operating income	**11,202,396**	**9,684,004**	16	**5,210,336**	**4,342,740**	**12,054,806**	**9,594,210**	**26**	**5,721,541**	4,483,460
										-
Operating Expenses										-
Personnel Expenses	2,794,099	2,496,441	12	1,415,922	1,227,129	3,117,466	2,741,412	14	1,571,843	1,357,332
Depreciation and amortization	428,456	396,966	8	206,993	196,165	467,411	434,182	8	226,617	215,002
Other Expenses	1,885,898	1,762,026	7	961,950	815,283	2,110,126	1,908,832	11	1,096,344	868,102
Total operating expenses	**5,108,454**	**4,655,434**	10	2,584,865	**2,238,576**	**5,695,003**	**5,084,426**	12	2,894,804	2,440,436
										-
Operating Profit Before Tax on Financial Services	**6,093,942**	**5,028,571**	21	**2,625,471**	**2,104,164**	**6,359,803**	**4,509,784**	41	**2,826,737**	2,043,024
										-
Less: Value Added Tax (VAT) on Financial services	1,119,038	965,333	16	506,497	409,000	1,119,038	965,333	16	506,497	409,000
Operating Profit After Tax on Financial Services	4,974,904	4,063,238	22	2,118,974	**1,695,164**	5,240,765	3,544,451	48	2,320,240	1,634,024
										-
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	**4,974,904**	4,063,238	22	**2,118,974**	**1,695,164**	**5,240,765**	**3,544,451**	48	**2,320,240**	1,634,024
Less : Income tax expenses	1,048,009	1,093,419	(4)	527,376	462,130	1,078,276	1,150,643	(6)	574,036	495,783
Profit for the period	**3,926,895**	2,969,819	32	**1,591,598**	**1,233,034**	**4,162,489**	**2,393,808**	74	**1,746,204**	1,138,241
Profit Attributable to:										-
Equity Holders of the parent	3,926,895	2,969,819	32	1,591,598	1,233,034	4,095,966	2,364,115	73	1,733,009	1,121,398
Non Controlling Interests	-	-	-	-	-	66,523	29,695	124	13,195	16,845
	3,926,895	**2,969,819**	32	**1,591,598**	**1,233,034**	**4,162,489**	**2,393,809**	74	**1,746,204**	1,138,242
Basic Earnings per share (in LKR)	**16.03**	**12.77**	26	**6.50**	**5.30**	**16.72**	**10.16**	65	**7.08**	**4.82**
Diluted Earnings per share (in LKR)	**16.03**	**12.77**	26	**6.50**	**5.30**	**16.72**	**10.16**	65	**7.08**	**4.82**

STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30/06/2021 LKR '000	Period ended 30/06/2020 LKR '000	**Change %**	**Quarter ended 30/06/2021 LKR '000**	Quarter ended 30/06/2020 LKR '000	**Period ended 30/06/2021 LKR '000**	Period ended 30/06/2020 LKR '000	**Change %**	**Quarter ended 30/06/2021 LKR '000**	Quarter ended 30/06/2020 LKR '000
Profit for the period	**3,926,895**	**2,969,819**	32	**1,591,598**	**1,233,034**	**4,162,489**	**2,393,809**	74	**1,746,204**	**1,138,242**
Items that will be reclassified to Income Statement										
Exchange differences on translation of foreign operations	-	-	-	-	-	**21,218**	9,646	120	**(4,856)**	**3,471**
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	**(266,779)**	1,119,829	(124)	**159,776**	**1,136,525**	**(270,433)**	814,272	(133)	**162,231**	**835,472**
Changes in Impairment allowance for Expected credit losses	**3,814**	18,107	(79)	**(115)**	**3,637**	**3,813**	17,339	(78)	**(115)**	**2,869**
Net Gains /(losses) on cash flow hedges	**-**	(95,073)	100	**-**	**(166,694)**	**-**	(95,073)	100	**-**	**(166,694)**
Less :Tax expense relating to items that will be reclassified to Income Statements	**65,412**	35,163	86	**(3,101)**	**(317,209)**	**65,412**	34,266	91	**(3,101)**	**(317,912)**
A	**(197,553)**	1,078,026	(118)	**156,559**	**656,259**	**(179,991)**	780,450	(123)	**154,158**	**357,206**
Items that will not be reclassified to Income Statement					-					-
Net Gains/(losses) on Investments in equity Instruments measured at fair value through other Comprehensive Income	**70,490**	(228,187)	131	**3,294**	**(85,570)**	**70,490**	(228,187)	131	**3,294**	**(85,570)**
Less :Tax expense relating to items that will not be reclassified to Income Statements	**(35,273)**	-	(100)	**(35,273)**	-	**(35,273)**	-	(100)	**(35,273)**	-
B	**35,217**	(228,187)	115	**(31,979)**	**(85,570)**	**35,217**	(228,187)	115	**(31,979)**	**(85,570)**
					-					-
Total Other Comprehensive Income after Tax A + B	**(162,337)**	849,838	(119)	**124,580**	**570,689**	**(144,774)**	552,262	(126)	**122,179**	**271,636**
					-					-
Total Comprehensive Income for the period	**3,764,559**	3,819,657	(1)	**1,716,178**	**1,803,723**	**4,017,715**	2,946,071	36	**1,868,383**	**1,409,879**
Attributable to:					-					-
Equity holders of the parent	3,764,559	3,819,657	(1)	**1,716,178**	**1,803,723**	3,946,750	2,917,138	35	**1,854,653**	**1,394,654**
Non Controlling Interests	-	-	-	**-**	**-**	70,965	28,933	145	**13,730**	**15,225**
	3,764,559	3,819,657	(1)	**1,716,178**	**1,803,723**	**4,017,715**	2,946,071	36	**1,868,383**	**1,409,879**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Year	Previous Year		Current Year	Previous Year	
	As at 30/06/2021 LKR '000	As at 31/12/2020 (Audited) LKR '000	Change %	As at 30/06/2021 LKR '000	As at 31/12/2020 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	9,128,317	10,487,608	(13)	9,490,778	10,778,947	(12)
Balances with the Central Bank of Sri Lanka	6,686,006	6,812,099	(2)	6,686,006	6,812,099	(2)
Placements with banks	10,158,110	12,401,533	(18)	10,158,110	12,401,533	(18)
Derivative Financial Instruments	865,885	1,429,470	(39)	865,885	1,429,470	(39)
Financial assets recognized through profit or loss measured at fair value	5,718,605	5,574,175	3	8,034,292	7,713,222	4
Financial assets at amortised cost -loans and receivables to other customers	466,486,727	425,605,508	10	466,327,326	425,681,832	10
Financial assets at amortised cost - debt and other instruments	52,927,869	44,711,640	18	52,927,869	44,711,640	18
Financial assets measured at fair value through other comprehensive income	99,436,243	108,593,183	(8)	99,594,992	108,762,972	(8)
Investments in subsidiary companies	1,136,351	1,142,884	(1)	-	-	-
Investment Property	-	-		2,361,535	2,361,535	-
Intangible assets	1,045,083	1,048,326	(0)	1,059,539	1,061,673	(0)
Property, plant & equipment	3,045,556	2,968,993	3	3,603,571	3,541,018	2
Right of Use Assets	1,082,371	1,060,843	2	1,289,415	1,289,749	(0)
Current Tax Assets	-	-		35,618	45,098	(21)
Deferred tax Assets	1,785,607	1,875,720	(5)	1,814,611	1,945,730	(7)
Other assets	4,048,482	3,124,716	30	4,626,896	3,595,101	29
Total assets	**663,551,210**	**626,836,698**	**6**	**668,876,443**	**632,131,618**	**6**
Liabilities						
Due to Banks	28,491,222	24,173,318	18	28,491,222	24,173,318	18
Derivative Financial Instruments	772,365	1,016,787	(24)	772,365	1,016,787	(24)
Financial Liabilities at amortised cost -due to depositors	515,272,960	490,278,126	5	514,672,131	489,658,746	5
Financial Liabilities at amortised cost						
- due to debt securities holders	1,230,974	1,500,007	(18)	1,230,974	1,500,007	(18)
- due to other borrowers	29,747,529	34,284,109	(13)	29,747,529	34,284,109	(13)
Debt securities issued	20,373,258	19,880,891	2	20,373,258	19,880,891	2
Retirement benefit obligations	740,038	709,294	4	858,416	820,109	5
Current Tax Liabilities	1,888,956	2,297,296	(18)	2,057,063	2,563,345	(20)
Deferred Tax Liabilities	-	-	-	503,640	596,112	(16)
Other liabilities	7,265,263	7,829,493	(7)	7,766,238	8,348,447	(7)
Dividends payable	99,666	86,354	15	99,666	86,354	15
Total liabilities	**605,882,231**	**582,055,675**	**4**	**606,572,502**	**582,928,225**	**4**
Equity						
Stated Capital	18,263,609	8,794,333	108	18,263,609	8,794,333	108
Statutory Reserve Fund	2,196,479	2,196,479	-	2,196,479	2,196,479	-
Retained Earnings	36,602,347	33,126,578	10	39,804,958	36,143,349	10
Other Reserves	606,544	663,633	(9)	781,333	842,077	(7)
Total shareholders' equity	**57,668,979**	**44,781,023**	**29**	**61,046,379**	**47,976,238**	**27**
Non Controlling Interests	-	-	-	1,257,562	1,227,155	**2**
Total Equity	**57,668,979**	**44,781,023**	29	**62,303,941**	**49,203,393**	27
Total liabilities and equity	**663,551,210**	**626,836,698**	**6**	**668,876,443**	**632,131,618**	**6**
Net Book Value Per Share (LKR)	**161.48**	**192.49**	(16)	**170.94**	**206.23**	(17)
Contingent liabilities and commitments	**328,377,853**	**343,949,526**		**328,609,008**	**344,053,658**	

Memorandum Information		
Number of Employees	**2,938**	2,892
Number of Branches	**113**	113

Certification:

We hereby certify that the above financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)
Suvendrini Muthukumarana
Vice President - Finance

We, the undersigned, being the Chairman and the Group Chief Executive Officer of National Development Bank PLC certify jointly that:
(a) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
(b) The information contained in these statements have been extracted from the unaudited financial statements of the Bank and the Group.

(Sgd.)
Eshana de Silva
Director/Chairman

(Sgd.)
Dimantha Seneviratne
Director/Group Chief Executive Officer

28 July 2021

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June	Stated Capital	Statutory Reserve Fund	Other Reserves: Revaluation Reserve	Other Reserves: Fair Value Reserve	Other Reserves: Cash Flow Hedge Reserve	General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
BANK	LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2020	7,685,334	1,896,479	1,262,453	(854,367)	(1,614)	5,805,707	23,689,842	39,483,834	-	39,483,835
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	2,969,819	2,969,819	-	2,969,819
Other Comprehensive Income before Tax	-	-	-	891,641	(95,073)	-	18,107	814,675	-	814,675
Tax on Other Comprehensive Income	-	-	-	30,093	-	-	5,070	35,163	-	35,163
Total Comprehensive Income for the period	-	-	-	921,735	(95,073)	-	2,992,995	3,819,657	-	3,819,657
Final Dividend for the year 2019-Scrip	1,108,999	-	-	-	-	-	(1,108,999)	(0)	-	(0)
Final Dividend for the year 2019 - Cash	-	-	-	-	-	-	(439,769)	(439,769)	-	(439,769)
Balance as at 30 June 2020	**8,794,334**	**1,896,479**	**1,262,453**	**67,367**	**(96,686)**	**5,805,707**	**25,134,070**	**42,863,722**	**-**	**42,863,723**
Balance as at 1 January 2021	8,794,333	2,196,479	1,311,992	(648,360)	-	-	33,126,579	44,781,023	-	44,781,023
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	3,926,895	3,926,895	-	3,926,895
Other Comprehensive Income before Tax	-	-	-	(196,290)	-	-	3,814	(192,476)	-	(192,476)
Tax on Other Comprehensive Income	-	-	72,880	66,320	-	-	(109,061)	30,139	-	30,139
Total Comprehensive Income for the period	-	-	72,880	(129,970)	-	-	3,821,648	3,764,559	-	3,764,559
Transactions with equity holders										
Issue of Shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Dividend for the year 2020 - Cash	-	-	-	-	-	-	(345,878)	(345,878)	-	(345,878)
Balance as at 30 June 2021	**18,263,609**	**2,196,479**	**1,384,872**	**(778,329)**	**-**	**-**	**36,948,228**	**58,014,859**	**-**	**57,668,979**

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June	Stated Capital	Statutory Reserve Fund	Other Reserves			General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Fair Value Reserve	Cash Flow Hedge Reserve					
GROUP	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2020	7,685,334	1,896,479	1,405,671	(825,209)	(1,613)	5,805,707	27,416,982	43,383,350	1,155,280	44,538,630
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	2,364,115	2,364,115	29,695	2,393,810
Other Comprehensive Income before Tax	-	-	-	586,085	(95,073)	-	27,745	518,757	(760)	517,997
Tax on Other Comprehensive Income	-	-	-	34,266	-	-	-	34,266	-	34,266
Total Comprehensive Income for the period	-	-	-	620,351	(95,073)	-	2,391,860	2,917,137	28,935	2,946,072
Transactions with equity holders										
Final Dividend for the year 2019-Scrip	1,108,999	-	-	-	-	-	(1,108,999)	-	-	-
Final Dividend for the year 2019 - Cash	-	-	-	-	-	-	(439,769)	(439,769)	-	(439,769)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(28,667)	(28,667)
Balance as at 30 June 2020	**8,794,333**	**1,896,479**	**1,405,671**	**(204,859)**	**(96,687)**	**5,805,707**	**28,260,074**	**45,860,719**	**1,155,548**	**47,016,267**
Balance as at 1 January 2021	8,794,333	2,196,479	1,463,115	(621,038)	-	-	36,143,348	47,976,237	1,227,155	49,203,393
Profit for the period	-	-	-	-	-	-	4,095,966	4,095,966	66,523	4,162,489
Other Comprehensive Income before Tax	-	-	-	(199,943)	-	-	20,589	(179,355)	4,442	(174,913)
Tax on Other Comprehensive Income	-	-	72,880	66,320	-	-	(109,061)	30,139	-	30,139
Total Comprehensive Income for the period	-	-	72,880	(133,623)	-	-	4,007,494	3,946,750	70,965	4,017,715
Transactions with equity holders										
Issue of shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Dividend for the year 2020 - Cash	-	-	-	-	-	-	(345,878)	(345,878)	-	(345,878)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(40,558)	(40,558)
Balance as at 30 June 2021	**18,263,610**	**2,196,479**	**1,535,995**	**(754,661)**	-	-	**39,804,958**	**61,046,379**	**1,257,563**	**62,303,941**

STATEMENT OF CASH FLOW

For the period ended 30 June	BANK 2021 LKR '000	BANK 2020 LKR '000	GROUP 2021 LKR '000	GROUP 2020 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	26,510,783	20,489,797	26,527,521	20,586,696
Fee based income received	2,587,946	1,740,533	3,399,057	2,180,100
Dividend income received	34,559	21,941	46,350	46,263
Other Operating income received	1,958,183	1,750,132	2,127,262	1,766,171
Interest paid	(15,453,828)	(19,175,727)	(15,459,273)	(19,176,981)
Personnel costs paid	(2,723,402)	(2,444,246)	(2,934,521)	(2,644,160)
Other expenses paid	(1,911,893)	(1,942,897)	(2,194,432)	(2,143,462)
Operating Profit before changes in operating assets and liabilities	**11,002,348**	**439,534**	**11,511,964**	**614,627**
(Increase)/decrease in operating assets				
Deposits held for regulatory or monitory control purposes	126,093	7,588,800	126,093	7,588,800
Financial Assets at amortised cost -loans and receivables to other customers	(45,714,305)	(13,229,395)	(45,714,305)	(13,229,395)
Net (increase)/decrease in operating assets	7,226	193,858	(35,182)	143,987
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	25,008,354	22,913,956	25,008,354	22,913,956
Financial liabilities at amortised cost - due to other borrowers	5,226,037	24,682,045	5,226,037	24,682,045
Net increase/(decrease) in other liabilities	(747,416)	(883,756)	(943,326)	(489,792)
Net cash generated from operating activities before taxation	**(5,091,663)**	**41,705,042**	**(4,820,365)**	**42,224,228**
Tax on Financial Services paid	(918,720)	(773,627)	(918,720)	(773,627)
Income taxes paid	(1,336,097)	(1,621,252)	(1,518,657)	(1,658,030)
Net cash provided by/(used in) operating activities	**(7,346,480)**	**39,310,163**	**(7,257,742)**	**39,792,571**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	583,255	(24,951,407)	700,500	(25,378,239)
Purchase of Intangible assets	(211,843)	(1,681)	(211,843)	(1,681)
Purchase of property, plant & equipment	(318,335)	(229,050)	(453,843)	(229,050)
Proceeds from sale of property, plant & equipment	5,140	1,118	5,828	3,050
Net cash (used in) from investing activities	**58,217**	**(25,181,020)**	**40,642**	**(25,605,922)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary of shares (as a right issue)	9,469,276	-	9,469,276	-
Repayment of debts securities issued	-	(8,914,408)	-	(8,914,408)
Interest paid on debts securities issued	(685,602)	(2,089,719)	(685,602)	(2,089,719)
Repayment of Institutional borrowings	(4,765,560)	(5,120,303)	(4,765,560)	(5,120,303)
Dividends paid to non-controlling interests	-	-	(40)	(345)
Dividends paid to shareholders of the Bank	(332,566)	(420,774)	(332,566)	(420,774)
Net cash provided by /(used in) financing activities	**3,685,548**	**(16,545,204)**	**3,685,508**	**(16,545,549)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,602,715)	(2,416,061)	(3,531,592)	(2,358,900)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	22,889,141	11,994,515	23,180,480	12,372,406
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**19,286,426**	**9,578,455**	**19,648,888**	**10,013,507**
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	9,128,317	7,715,948	9,490,778	8,151,000
Placements with banks	10,158,110	1,862,507	10,158,110	1,862,507
Cash and cash equivalents at end of the period (Gross)	**19,286,426**	**9,578,455**	**19,648,888**	**10,013,507**
Less: Impairment Charges	-	(615)	-	(615)
Cash and cash equivalents as per Statement of Financial Position (Net)	**19,286,426**	**9,577,840**	**19,648,888**	**10,012,892**

SEGMENTAL ANALYSIS- GROUP

For the period ended 30 June

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Revenue										
Interest Income	25,461,095	27,255,310	48,056	66,049	-	-	-	-	25,509,151	27,321,359
Net Fee and Commission Income	2,580,066	1,739,222	777,284	221,212	100,014	98,697	35,028	63,563	3,492,392	2,122,693
Net gain/(loss) from trading	1,015,861	536,985	-	-	-	-	-	-	1,015,861	536,985
Net gain/(loss) from financial assets at fair value Through Profit or Loss	219,392	6,444	11,453	(122,916)	-	-	-	-	230,845	(116,472)
Net gains/(losses) from derecognition of financial assets	213,665	1,002,322	16,146	13,384	-	-	-	-	229,811	1,015,706
Other Operating Income	776,111	250,207	29,739	13,384	-	-	-	-	805,850	263,591
Total revenue from external customers	30,266,190	30,790,490	882,677	191,112	100,014	98,697	35,028	63,563	31,283,910	31,143,862
										-
Inter-segment Revenue	-	-	1,012	839	25,583	30,093	-	-	26,595	30,932
										-
Total Revenue	30,266,190	30,790,490	883,690	191,951	125,597	128,790	35,028	63,563	31,310,535	31,174,824
										-
Impairment (charge)/reversal for										-
loans & other losses	(4,145,312)	(3,164,573)	-	-	-	-	-	-	(4,145,312)	(3,164,573)
Segment expenses	(20,218,872)	(23,082,457)	(543,800)	(359,372)	(6,234)	(6,462)	(36,517)	(52,174)	(20,805,421)	(23,500,465)
Total segment expenses	(24,364,184)	(26,247,030)	(543,800)	(359,372)	(6,234)	(6,462)	(36,517)	(52,174)	(24,950,734)	(26,665,038)
										-
Segment results	5,902,006	4,543,459	339,890	(167,420)	119,363	122,328	(1,489)	11,389	6,359,801	4,509,784
Income tax expenses	-	-	-	-	-	-	-	-	1,078,276	1,150,643
Taxes on financial services	-	-	-	-	-	-	-	-	1,119,037	965,332
Profit after taxation									4,162,487	2,393,809
Other information										
Segment assets	663,249,428	561,595,089	2,590,219	2,823,085	2,895,205	2,608,872	141,597	133,348	668,876,448	567,160,394
Consolidated total assets									668,876,443	567,160,394
Segment liabilities	605,280,851	518,739,738	611,780	703,794	671,537	685,227	8,335	15,365	606,572,503	520,144,124
Consolidated total liabilities									606,572,503	520,144,124
Segmental Cash flows										
Cash flows from operating activities	(7,346,480)	14,628,118	(17,179)	465,724	111,727	29,872	(5,811)	(13,664)	(7,257,742)	15,110,050
										-
Cash flows from investing activities	58,217	(25,181,634)	111,338	(423,244)	(128,913)	(925)	-	(257)	40,642	(25,606,060)
										-
Cash flows from financing activities	3,685,548	8,136,841	(40.00)	(345)	-	-	-	-	3,685,508	8,136,496

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2021 - BANK (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	9,128,317	-	-	9,128,317
Balances with the Central Bank of Sri Lanka	-	6,686,006	-	-	6,686,006
Placements with banks	-	10,158,110	-	-	10,158,110
Derivative Financial Instruments	865,885	-	-	-	865,885
Financial assets recognized through profit or loss measured at fair value	5,718,605	-	-	-	5,718,605
Financial assets at amortised cost -loans and receivables to other customers	-	466,486,727	-	-	466,486,727
Financial Assets at amortised cost - debt and other instruments	-	52,927,869	-	-	52,927,869
Financial assets measured at fair value through other comprehensive income	-	-	99,436,243	-	99,436,243
Other Financial Assets	-	500,367	-	-	500,367
Total Financial Assets	**6,584,490**	**545,887,396**	**99,436,243**	**-**	**651,908,128**

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	28,491,222	28,491,222
Derivative Financial Instruments	772,365	-	772,365
Financial Liabilities at amortised cost -due to depositors	-	515,272,960	515,272,960
Financial Liabilities at amortised cost			
- due to debt securities holders	-	1,230,974	1,230,974
- due to other borrowers	-	29,747,529	29,747,529
Debt securities issued	-	20,373,258	20,373,258
Other Financial Liabilities	-	2,399,436	2,399,436
Total Financial Liabilities	**772,365**	**597,515,380**	**598,287,744**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2021 - GROUP (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	9,490,778	-	-	9,490,778
Balances with the Central Bank of Sri Lanka	-	6,686,006	-	-	6,686,006
Placements with banks	-	10,158,110	-	-	10,158,110
Derivative Financial Instruments	865,885	-	-	-	865,885
Financial assets recognized through profit or loss measured at fair value	8,034,292	-	-	-	8,034,292
Financial assets at amortised cost -loans and receivables to other customers	-	466,327,326	-	-	466,327,326
Financial Assets at amortised cost - debt and other instruments	-	52,927,869	-	-	52,927,869
Financial Assets measured at fair value through Other comprehensive income	-	-	99,594,992	-	99,594,992
Other Financial Assets	-	600,386	-	-	600,386
Total Financial Assets	**8,900,177**	**546,190,475**	**99,594,992**	**-**	**654,685,644**

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	28,491,222	28,491,222
Derivative Financial Instruments	772,365	-	772,365
Financial Liabilities at amortised cost -due to depositors	-	514,672,131	514,672,131
Financial Liabilities at amortised cost			
- due to debt securities holders	-	1,230,974	1,230,974
- due to other borrowers	-	29,747,529	29,747,529
Debt securities issued	-	20,373,258	20,373,258
Other Financial Liabilities	-	2,639,890	2,639,890
Total Financial Liabilities	**772,365**	**597,155,004**	**597,927,369**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2020 - BANK (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	10,487,608	-	-	10,487,608
Balances with the Central Bank of Sri Lanka	-	6,812,099	-	-	6,812,099
Placements with banks	-	12,401,533	-	-	12,401,533
Derivative Financial Instruments	1,429,470	-	-	-	1,429,470
Financial Assets measured at fair value through profit or loss	5,574,175	-	-	-	5,574,175
Financial Assets at amortised cost -loans and advances	-	425,605,508	-	-	425,605,508
Financial Assets at amortised cost - debt instruments	-	44,711,640	-	-	44,711,640
Financial assets measured at fair value through other comprehensive income	-	-	108,593,183	-	108,593,183
Other Financial Assets	-	39,716	-	-	39,716
Total Financial Assets	**7,003,645**	**500,058,105**	**108,593,183**	**-**	**615,654,932**

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	24,173,318	24,173,318
Derivative Financial Instruments	1,016,787	-	1,016,787
Financial Liabilities at amortised cost -due to depositors	-	490,278,126	490,278,126
Financial Liabilities at amortised cost			
- due to debt securities holders	-	1,500,007	1,500,007
- due to other borrowers	-	34,284,109	34,284,109
Debt securities issued	-	19,880,891	19,880,891
Other Financial Liabilities	-	3,997,731	3,997,731
Total Financial Liabilities	**1,016,787**	**574,114,182**	**575,130,968**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2020 - GROUP (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	10,778,947	-	-	10,778,947
Balances with the Central Bank of Sri Lanka	-	6,812,099	-	-	6,812,099
Placements with banks	-	12,401,533	-	-	12,401,533
Derivative Financial Instruments	1,429,470	-	-	-	1,429,470
Financial Assets measured at fair value through profit or loss	7,713,222	-	-	-	7,713,222
Financial Assets at amortised cost -loans and advances	-	425,681,832	-	-	425,681,832
Financial Assets at amortised cost - debt instruments	-	44,711,640	-	-	44,711,640
Financial assets measured at fair value through other comprehensive income	-	-	108,762,972	-	108,762,972
Other Financial Assets	-	424,808	-	-	424,808
Total Financial Assets	**9,142,692**	**500,810,859**	**108,762,972**	**-**	**618,716,523**

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	24,173,318	24,173,318
Derivative Financial Instruments	1,016,787	-	1,016,787
Financial Liabilities at amortised cost -due to depositors	-	489,658,746	489,658,746
Financial Liabilities at amortised cost			
- due to debt securities holders	-	1,500,007	1,500,007
- due to other borrowers	-	34,284,109	34,284,109
Debt securities issued	-	19,880,891	19,880,891
Other Financial Liabilities	-	4,362,575	4,362,575
Total Financial Liabilities	**1,016,787**	**573,859,646**	**574,876,433**

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments are determined according to the following hierarchy as described below:

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 and financial instruments 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.

There were no material transfers between levels of fair value hierachy during 2021. The Bank did not changed the valuation models and assumptions used to measure the fair values of Level 03 financial instruments during the period ended 30 June 2021.

Bank

	2021				2020			
	Fair Value Measurement Using				Fair Value Measurement Using			
	Quoted Prices in Active Markets Level 1	**Significant Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**	Quoted Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	30/06/2021 LKR '000	**30/06/2021 LKR '000**	**30/06/2021 LKR '000**	**30/06/2021 LKR '000**	31/12.2020 LKR '000	31/12.2020 LKR '000	31/12.2020 LKR '000	31/12.2020 LKR '000
Financial Assets								
Derivative Financial Instruments	-	865,885	-	865,885	-	1,429,470	-	1,429,470
Financial assets recognized through profit or loss measured at fair value	5,718,605	-	-	5,718,605	5,574,175	-	-	5,574,175
Financial assets measured at fair value through other comprehensive income	99,430,019	-	6,224	99,436,243	108,586,959	-	6,224	108,593,183
Total Financial Assets	105,148,624	865,885	6,224	106,020,733	114,161,134	1,429,470	16,568	115,607,172
Financial Liabilities								
Derivative Financial Instruments	-	772,365	-	772,365	-	1,016,787	-	1,016,787
Total Financial Liabilities	-	772,365	-	772,365	-	1,016,787	-	1,016,787

Group

	2021				2020			
	Fair Value Measurement Using				Fair Value Measurement Using			
	Quoted Prices in Active Markets Level 1	**Significant Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**	Quoted Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	30/06/2021 LKR '000	**30/06/2021 LKR '000**	**30/06/2021 LKR '000**	**30/06/2021 LKR '000**	31/12.2020 LKR '000	31/12.2020 LKR '000	31/12.2020 LKR '000	31/12.2020 LKR '000
Financial Assets								
Derivative Financial Instruments	-	865,885	-	865,885	-	1,429,470	-	1,429,470
Financial assets recognized through profit or loss measured at fair value	7,068,825	-	965,467	8,034,292	6,655,388	-	1,057,834	7,713,222
Financial assets measured at fair value through other comprehensive income	99,430,019	158,749	6,224	99,594,992	108,586,959	169,789	6,224	108,762,972
Total Financial Assets	106,498,844	1,024,634	971,691	108,495,169	115,242,348	1,599,259	1,074,401	117,916,008
Financial Liabilities								
Derivative Financial Instruments	-	772,365	-	772,365	-	1,016,787	-	1,016,787
Total Financial Liabilities	-	772,365	-	772,365	-	1,016,787	-	1,016,787

Notes to the Financial Statements

1 The figures are extracted from the unaudited financial statements of the Bank and the Group.

2 The accounting policies and methods of computation are consistent with those followed during the previous financial year.
The financial statements of the Bank and the Group have been prepared based on the accounting policies and methods which have been revised in line with the requirements of SLFRS 9 -Financial Instruments as published in the previous year Annual Report. These Financial Statements also comply with Sri Lanka Accounting Standard (LKAS) 34- "Interim Financial Reporting".

3 **Impact to Financial Statements due to COVID 19 pandemic**

The socio-economic impact of the COVID-19 pandemic has a direct and substantial impact on the Bank's normal business/operations. This impact is likely to prolong, given the current situation of the pandemic in Sr Lanka as well as in other countries across the globe. The Bank has complied with the guidelines and directives issued in this regard by the Government of Sri Lanka, the Central Bank of Sri Lanka and other regulators, while closely monitoring its working capital to balance the cash inflow and outflow measurements. The Bank abides by health and safety protocols for all its staff and customers. The Bank will continue to take necessary protocols and actions to manage the impact of the pandemic.

Management overlays on COVID -19 in assessing the Expected Credit Loss

The Expected Credit Loss (ECL) of the Bank was computed based on the Probability of Default (PD),Loss Given Default (LGD) as of 30 June 2021 and the Economic Factor Adjustment (EFA) by applying the recent forecasts and projections published by the Central Bank of Sri Lanka.

Further given the degree of uncertainty surrounding the economic impact due to the pandemic,the Bank considered the following management overlays to mitigate any expected loss.Staging of facilities included in the identified risk elevated industries were moved to a higher stage where necessary to capture significant increases in credit risk due to COVID 19.

4 **Corporate Income Tax rate**

As per the Inland Revenue (Amendment) Act, No. 10 of 2021 , corporate income tax rate has been reduced to 24% from 28% with effect from 01.01.2020. Accordingly, the Bank and group companies used the amended reduced tax rate of 24% in calculating the income tax and deferred tax liabilities/assets as at 30 June 2021.

5 The period under review booked a total capital infusion of LKR 9.46 Bn, comprising of LKR 8 Bn raised through the Rights Issue and LKR 1.46 Bn, raised through the Private Placement with Norfund – the Norwegian Investment Fund for Developing Countries, strengthening Tier I equity capital of the Bank. Accordingly, the stated capital of the Bank increased to KR 18.3 bn as at 30 June 2021.

6 There are no other 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 and the Group .

Notes to the Financial Statements

7. ANALYSIS OF LOANS & ADVANCES,COMMITMENTS,CONTINGENCIES AND IMPAIRMENT AS AT 30 JUNE 2021

7.1 Product wise Gross Loans and Receivables	Bank As at 30/06/2021 LKR '000	Bank As at 31/12/2020 LKR '000	Group As at 30/06/2021 LKR '000	Group As at 31/12/2020 LKR '000
By product-Domestic Currency				
Term loans	132,449,507	131,858,232	132,449,507	131,858,232
Medium and short term loans	74,410,339	57,407,760	74,410,339	57,407,760
Overdrafts	51,131,965	44,610,265	50,890,549	44,603,265
Trade Finance	17,227,548	15,980,014	17,227,548	15,980,014
Consumer loans	53,162,653	46,455,852	53,162,653	46,455,852
Lease rentals receivable	29,559,184	28,859,756	29,559,184	28,859,756
Housing loans	18,409,025	17,286,471	18,409,025	17,286,471
Islamic Banking facilities	9,023,434	8,209,166	9,023,434	8,209,166
Credit cards	7,149,645	6,834,834	7,149,645	6,834,834
AF Loans	3,477,976	3,470,062	3,477,976	3,470,062
Staff loans	2,404,154	2,236,689	2,486,169	2,320,013
Pawning	4,462,338	2,848,203	4,462,338	2,848,203
Hire Purchase	9,914	6,487	9,914	6,487
Sub total	**402,877,682**	**366,063,791**	**402,718,281**	**366,140,115**
By product-Foreign Currency				
Term loans	9,925,810	8,511,276	9,925,810	8,511,276
Overdrafts	5,617,796	3,849,863	5,617,796	3,849,863
Medium and short term loans	38,269,474	38,318,879	38,269,474	38,318,879
Trade Finance	25,965,837	23,122,436	25,965,837	23,122,436
Islamic Banking facilities	4,313,123	3,624,194	4,313,123	3,624,194
Housing loans	42,075	46,538	42,075	46,538
Sub total	**84,134,114**	**77,473,185**	**84,134,114**	**77,473,185**
Total	**487,011,797**	**443,536,977**	**486,852,395**	**443,613,300**

7.2 Product wise commitments and contingencies considered for Impairment	Bank As at 30/06/2021 LKR '000	Bank As at 31/12/2020 LKR '000	Group As at 30/06/2021 LKR '000	Group As at 31/12/2020 LKR '000
By product- Domestic Currency				
Guarantees	49,085,251	31,618,678	49,085,251	31,572,727
Performance Bonds	13,079,168	10,748,931	13,079,168	10,748,931
Documentary Credits	1,198,954	1,106,267	1,198,954	1,106,267
Acceptances	194,878	76,573	194,878	76,573
Undrawn commitments	130,796,602	120,787,881	131,089,723	120,937,965
Sub Total	**194,354,852**	**164,338,330**	**194,647,974**	**164,442,463**
By product- Foreign Currency				
Guarantees	18,294,664	13,477,010	18,294,664	13,477,010
Performance Bonds	6,371,332	6,144,458	6,371,332	6,144,458
Documentary Credits	23,582,969	17,209,824	23,582,969	17,209,824
Acceptances	21,721,836	14,694,372	21,721,836	14,694,372
Undrawn commitments	986,081	1,004,606	986,081	1,004,606
Sub Total	**70,956,881**	**52,530,270**	**70,956,881**	**52,530,270**
Total	**265,311,733**	**216,868,600**	**265,604,855**	**216,972,733**

	As at 30/06/2021 LKR '000	As at 31/12/2020 LKR '000	As at 30/06/2021 LKR '000	As at 31/12/2020 LKR '000
Gross loans and advances ,Commitments and Contingencies	752,323,530	660,405,577	752,457,250	660,586,033
(Less): Accumulated impairment under stage 1	4,559,909	3,472,657	4,559,909	3,472,657
Accumulated impairment under stage 2	3,426,488	2,743,988	3,426,488	2,743,988
Accumulated impairment under stage 3	12,538,672	11,714,824	12,538,672	11,714,824
Net value of loans and advances, commitments and contingencies	**731,798,460**	**642,474,108**	**731,932,181**	**642,654,564**

7.3 Movement of impairment during the period	Bank As at 30/06/2021 LKR '000	Bank As at 31/12/2020 LKR '000	Group As at 30/06/2021 LKR '000	Group As at 31/12/2020 LKR '000
Under stage 1				
Balance at 1 January	3,472,657	2,682,507	3,472,657	2,682,507
Charge/(Write back) to Statement of Profit or Loss	1,087,252	790,150	1,087,252	790,150
Write-off during the period	-	-	-	-
Closing balance	**4,559,909**	**3,472,657**	**4,559,909**	**3,472,657**
Under stage 2				
Balance at 1 January	2,743,988	1,674,451	2,743,988	1,674,451
Charge/(Write back) to Statement of Profit or Loss	682,500	1,069,537	682,500	1,069,537
Write-off during the period	-	-	-	-
Closing balance	**3,426,488**	**2,743,988**	**3,426,488**	**2,743,988**
Under stage 3				
Balance at 1 January	11,714,824	8,215,662	11,714,824	8,215,662
Charge/(Write back) to Statement of Profit or Loss	2,312,670	4,371,453	2,312,670	4,371,453
Write-off during the period	(1,513,733)	(872,292)	(1,513,733)	(872,292)
Other movement	24,912	-	24,912	-
Closing balance	**12,538,672**	**11,714,824**	**12,538,672**	**11,714,824**

8. ANALYSIS OF DEPOSITS

Due to Other Customers - By product	Bank As at 30/06/2021 LKR '000	Bank As at 31/12/2020 LKR '000	Group As at 30/06/2021 LKR '000	Group As at 31/12/2020 LKR '000
By product-Domestic Currency				
Demand deposits	24,631,124	21,522,345	24,633,770	21,522,345
Savings deposits	82,602,022	70,850,478	82,211,295	70,850,478
Time deposits	282,291,064	290,082,237	282,078,316	289,462,857
Other deposits	1,193,495	672,166	1,193,495	672,166
Sub total	**390,717,705**	**383,127,225**	**390,116,876**	**382,507,845**
By product- Foreign Currency				
Demand deposits	8,213,569	5,369,719	8,213,569	5,369,719
Savings deposits	20,503,868	25,176,343	20,503,868	25,176,343
Time deposits	95,564,394	76,382,901	95,564,394	76,382,901
Other deposits	273,424	221,938	273,424	221,938
Sub total	**124,555,255**	**107,150,901**	**124,555,255**	**107,150,901**
Total	**515,272,960**	**490,278,125**	**514,672,131**	**489,658,746**

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 30/06/2021	As at 31/12/2020	As at 30/06/2021	As at 31/12/2020
Regulatory Capital Adequacy (LKR '000)				
Common Equity Tier 1 Capital	47,970,480	37,588,780	50,742,778	40,697,562
Tier 1 Capital	47,970,480	37,588,780	50,742,778	40,697,562
Total Capital	67,757,036	58,724,326	70,424,628	61,715,676
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5%)	10.43	9.17	10.83	9.73
Tier 1 Capital Ratio (Minimum Requirement - 8.0%)	10.43	9.17	10.83	9.73
Total Capital Ratio (Minimum Requirement - 12.0%)	14.73	14.32	15.03	14.75
Leverage Ratio (Minimum Requirement - 3%)	6.66	5.56	6.99	5.97
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	169,589,127	163,230,459	169,589,127	163,230,459
Statutory Liquid Assets Ratio (Minimum Requirement -20%)				
Domestic Banking Unit (%)	27.42	28.84	27.42	28.84
Off-Shore Banking Unit (%)	25.82	26.88	25.82	26.88
Total stock of high quality liquid assets (LKR ' 000) - All currency	127,361,829	134,410,249	127,361,829	134,410,249
Total stock of high quality liquid assets (LKR ' 000) - Rupee	103,708,036	112,786,200	103,708,036	112,786,200
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 90%)	204.01	161.97	204.01	161.97
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement -90%)	184.31	157.12	184.31	157.12
Net stable Funding Ratio (%) (Minimum Requirement- 90%)	116.81	112.52	116.81	112.52
Asset Quality (Quality of Loan Portfolio)				
Gross Non-performing Advances Ratio (%)	5.63	5.35	5.63	5.35
Net Non-performing Advances Ratio (%)	3.37	3.23	3.37	3.23
Profitability				
Earnings Per Share (annualised) (LKR)	28.89	23.77	30.96	21.99
Return on Average Shareholders' Funds (%)	13.81	13.13	13.91	11.20
Return on Average Assets ((after Tax (%))	1.10	0.96	1.17	0.88
Return on Average Assets ((before Tax (%))	1.68	1.59	1.79	1.58
Net interest margin (%)	3.23	3.07	3.23	3.07
Debt Security - Related Ratios				
Interest Cover (Times)	1.68	1.50	1.69	1.51
Debt to Equity (Times)	10.32	12.73	9.74	11.87

SHARE INFORMATION

SHARE PRICE

As at	30/06/2021	31/12/2020
Number of shares	357,123,647	232,637,231
Last traded price (LKR)	80.20	78.10
For the quarter ended	**30/06/2021**	**31/12/2020**
Highest price per share (LKR)	82.90	90.00
Lowest price per share (LKR)	74.90	72.00

TOP 20 LARGEST SHARE HOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 30.06.2021

	NAME	NO OF SHARES	%
1	STANDARD CHARTERED BANK MAURITIUS S/A NORFUND	35,676,652	9.99
2	EMPLOYEE'S PROVIDENT FUND	33,942,150	9.50
3	BANK OF CEYLON NO. 1 ACCOUNT	28,384,288	7.95
4	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	21,703,769	6.08
5	RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01	20,241,043	5.67
6	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	18,044,134	5.05
7	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	14,156,218	3.96
8	EMPLOYEES TRUST FUND BOARD	11,910,668	3.34
9	DR.S.YADDEHIGE	10,160,638	2.85
10	HATTON NATIONAL BANK PLC A/C NO 1	9,899,341	2.77
11	PERPETUAL TREASURIES LIMITED	8,736,886	2.45
12	SBI VEN HOLDINGS PTE LTD	8,669,031	2.43
13	PEOPLE'S LEASING & FINANCE PLC/MR. D. SCHAFFTER	8,039,562	2.25
14	PHOENIX VENTURES PRIVATE LIMITED	6,769,999	1.90
15	RUSH JAPAN CORPORATION	6,724,630	1.88
16	AKBAR BROTHERS PVT LTD A/C NO 1	5,445,512	1.53
17	MR.A.K.PATHIRAGE	5,149,404	1.44
18	ASIRI SURGICAL HOSPITAL PLC	5,063,354	1.42
19	ARPICO INSURANCE LIMITED	3,395,001	0.95
20	DFCC BANK PLC A/C 1	3,168,904	0.89

PUBLIC HOLDING PERCENTAGE

	As at 30/06/2021
Float adjusted Market Capitalization in LKR	20,653,253,321
Percentage of shares held by the public	72.11%
Number of public shareholders	11,496
Option under which the Bank complies with the minimum Public Holding requirement	Option 1

DIRECTORS INTEREST IN SHARES OF NDB AS AT 30.06.2021

NAME	NO OF SHARES
MR. ESHANA DE SILVA	-
MR. DIMANTHA SENEVIRATNE	70,820
MR. SRIYAN COORAY	-
MR. BERNARD SINNIAH	-
DR. DINUSHA PANDITARATNE	-
MR. SUJEEWA MUDALIGE	-
MR. HIRAN PERERA	-
MR. KUSHAN D’ALWIS, PC	-
MS. PIYACHATR CHETNAKARNKUL	-
MS. CHANDIMA DILRUKSHI	-

Rated unsecured subordinated redeemable debentures

INFORMATION ON DEBENTURES- BANK												
Type of Debenture	CSE	Interest payable	Balance as at	Market Value			Interest Rate		Interest rate of comparable Govt. Security %	Other ratios as at last trade	
	Listing	frequency	30 June 2021 LKR mn	Highest LKR	Lowest LKR	Quarter end LKR	Coupon Rate %	Effective Annual Yield %		Interest Yield %	Yield To Maturity %
Fixed rate - Debenture September 2020											
Sep 2020/ Sep 2025	Listed	Annually	6,946	Not traded during the quarter			9.50	9.16	6.57	Not traded during the quarter	
Fixed rate - Debenture March 2019											
A - Mar 2019/Mar 2024	Listed	Semi-annually	1,280	Not traded during the quarter			13.50	13.16	11.04	Not traded during the quarter	
B - Mar 2019/Mar 2024	Listed	Annually	4,452	Not traded during the quarter			13.95	13.15	11.04	Not traded during the quarter	
Fixed rate - Debenture December 2013											
C - Dec 2013/Dec 2023	Listed	Annually	3,874	Not traded during the quarter			13.90	13.17	11.80	Not traded during the quarter	
D - Dec 2013/Dec 2025	Listed	Annually	3,822	Not traded during the quarter			14.00	13.26	12.09	Not traded during the quarter	
Total Debentures			**20,373**								

RIGHTS ISSUE & PRIVATE PLACEMENT INFORMATION

Rights Issue & Private Placement 2021 - Fund Raising (totalling to LKR 9,469 Mn) proceeds utilisations as at 30 June 2021

Objective Number	Objective as per Circular	Amount Allocated as per Circular (LKR Mn)	Proposed Date of Utilisation as per Circular	Amount Allocated from Proceeds (LKR Mn) (A)	% of Total Proceeds	Amounts Utilised (LKR Mn) (B)	% of Utilisation against Allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Further Strengthen the Equity Base of the Bank and thereby Improve Capital Adequacy Ratios in line with Basel III Guidelines of the CBSL	9,469	Upon the allotment of shares through the Fund Raising	9,469	100	9,469	100	-
2	Finance the growth in the loan portfolio of the Bank	9,469	Before the end of FY 2021	9,469	<100	< 9,469	<100	The funds raised via the Rights Issue and the Private Placement were invested in Government Securities at zero risk after settling short term money market borrowings. The funds will be gradually deployed in the expansion of the Bank's business and this will be completed before the end of FY 2021.

Important Dates – H1 2021 - Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	28 July 2021
Investor Webinar	10 August 2021
Updates to the investor relations web page within the Bank's corporate website www.ndbbank.com	Within two working days from the release to the CSE
Transcript and video playback of the Investor webinar released/ uploaded to the Bank's website	Within seven working days from the date of the Webinar
Investor Forum	Not held for this quarter
Financial statements published in selected newspapers in the three languages of English, Sinhala and Tamil	10 August 2021 & 17 August 2021

Corporate Information

Name National Development Bank PLC **Legal Form** Established under the National Development Bank of Sri Lanka Act No. 02 of 1979 and incorporated as a Company under the Companies Act No. 17 of 1982 and reregistered under the Companies Act No. 07 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.	**Head Office/Registered Office** No. 40, Navam Mawatha, Colombo 02 Tel: +94 11 2448448 Fax: +94 11 2341044 SWIFT Code: NDBS LK LX Web Page: www.ndbbank.com E-mail: contact@ndbbank.com VAT Registration No.: 409000266-7000 **Credit Rating:** Long-term National Rating: A+(lka)/ Stable Outlook - Fitch Ratings Lanka Limited
Registration No. PQ 27 **Accounting Year End** 31 December	**Auditors** M/s Ernst & Young, 201, De Saram Place, Colombo 10 **Company Secretary:** Mrs. Shehani Ranasinghe **Compliance Officer** Mrs. Manique Kiriella Bandara
Board of Directors Eshana de Silva - Chairman Dimantha Seneviratne - Director/ Group Chief Executive Officer Sriyan Cooray - Director Bernard Sinniah - Director Dr. D Panditaratne - Director Sujeewa Mudalige - Director Hiran Perera - Director Kushan D'Alwis PC - Director Piyachatr Chetnakarnkul - Director Chandima Dilrukshi - Director	**Subsidiary Companies** NDB Capital Holdings Ltd. NDB Capital Ltd. (Bangladesh) Development Holding (Pvt) Ltd. NDB Investment Bank Ltd. NDB Wealth Management Ltd. NDB Securities (Pvt) Ltd. NDB Zephyr Partners Ltd. (Mauritius) NDB Zephyr Partners Lanka (Pvt) Ltd. Ayojana Fund (Pvt) Ltd. (Under liquidation)
Investor Relations - Contact Details	
Company Secretarial Unit Ms. Shehani Ranasinghe Company Secretary/ Vice President Email: shehani.ranasinghe@ndbbank.com Tel.: +94 (0)11 2448448 Extn: 35013	**Investor Relations Team** Ms. Suvendrini Muthukumarana Vice President - Finance Email: suvendrini.muthukumarana@ndbbank com investor.relations@ndbbank.com Tel.: +94(0)112448448 Extn: 35301