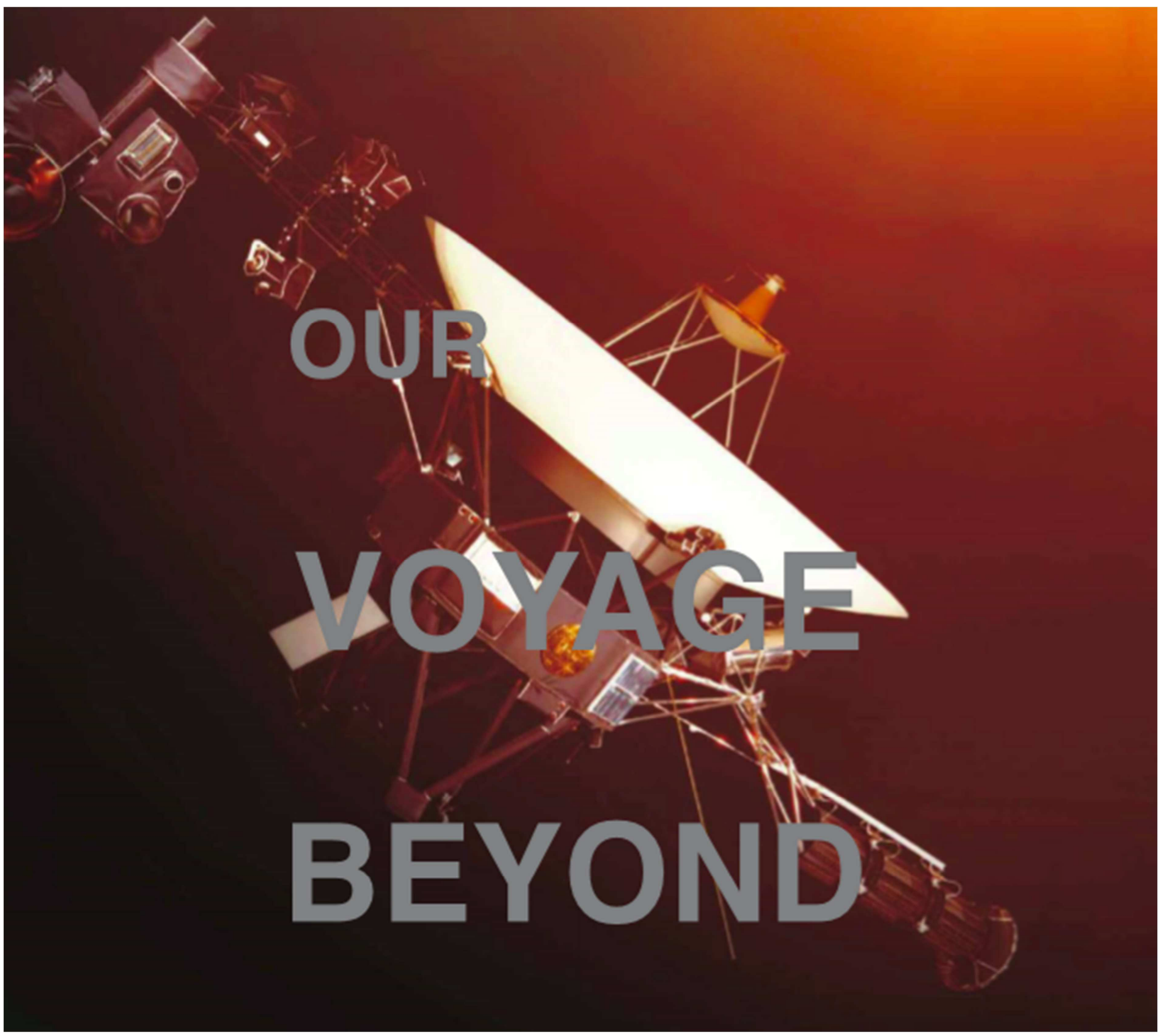
INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 2020

NATIONAL DEVELOPMENT BANK PLC

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

Released to CSE on: 13 August 2020



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***The financial statements presented herewith are the unaudited financial statements for the six months ended 30 June 2020 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB navigates through crises with stability and resilience. Committed to propel national economic revival.

- **Pre-tax profitability static year-on-year at LKR 5 Bn**
- **Post-tax profitability up by 34% to LKR 3 Bn**
- **Healthy balance sheet expansion of 6% to LKR 562 Bn**
- **Loan book expansion of 5% to LKR 429 Bn and customer deposits expansion of 6% to LKR 428 Bn**
- **Cost to income ratio improved to 36%**
- **CBSL moratorium extended to COVID-19 affected customers amounting to LKR 170 Bn (40% of the Loan Book)**
- **Over LKR 7 Bn fresh loans approved under CBSL's "Saubhagya" loan scheme at 4% in the past 2 months**

Sri Lanka's Best Domestic Bank for two consecutive years as adjudged by AsiaMoney, National Development Bank PLC, recorded sound results for the first six months ended 30 June 2020 [H1 2020] demonstrating its stability and resilience at the face of the economic and business disruptions resulted from the COVID-19 pandemic. The Bank also actively strategized and extended much needed support to the customers affected by the pandemic and initiated many plans, which would ensure wider benefits to the economy at large, in its role as a responsible financier in the country.

Mr. Dimantha Seneviratne, the Director/ Group Chief Executive Officer, commenting on the Bank's performance for the period under review stated that NDB's strategic focus, experience and competence in weathering economic cycles, its talented pool of human capital with a customer-centric approach and efficient processes have enabled the Bank to perform well amidst challenging conditions. The GCEO emphasized that the Bank is harnessing the best of these strengths, and is fully committed towards propelling the Bank's customers' and the country's growth towards financial prosperity.

Impact of the pandemic and support extended to affected customers

The period under review was marked by the heightened impact of the pandemic with a complete lockdown for over 2 months in which economic activity was at near zero. During the lockdown, NDB carried out banking services to the maximum extent possible, via multiple modes of digital channels, branches functioning at selected localities and three mobile ATMs for the benefit of its customers.

With the country gradually opening up, the Bank has allocated extra resources to ensure maximum support to, and financial well-being of the affected customers and to assist them emerge from the downturn expeditiously. The Bank is efficiently passing on the benefits of monetary policy easing measures introduced by the Central Bank of Sri Lanka [CBSL] by reducing overall lending rates of the Bank and lending to productive sectors of the economy, which would reinforce support to COVID-19 hit businesses as well as to the broader economy. NDB granted moratoriums spanning up to six months introduced by the CBSL to c. 40% of its Loan Book, amounting to over LKR 170 Bn, including personal and business customers. Of the loans approved to support pandemic affected customers, as of end July 2020, over LKR 7 Bn was from the CBSL's Saubhagya COVID-19 Renaissance refinancing scheme priced at a concessionary lending rate of 4%, of which over LKR 4.5 Bn is already disbursed.

In addition to the financial support, the Bank also provides advisory support to the affected businesses and carry out close monitoring to ensure that they are ready to operate with stability once the moratoriums and concessions unwind. The Bank is also conscious that certain customers may require extended moratorium periods, restructuring of facilities and other customized support, based on the industries that they represent and distinct challenges they face. NDB's Jayagamu Sri Lanka program is actively channeling added support to segments such as SMEs and inventors via both financial support which includes loans at reduced interest rates and waivers on fees, advisory support and several tie-ups with trade and export platforms, ERP solutions, etc., with the aim to propel national economic revival.

Financial performance

Revenue was under pressure during the H1 2020, stemming from stressed macro-economic conditions. With the reduction of policy rates and less demand for credit, the net interest margin came down to 3.25% from 3.53% in end 2019. With the combined effect of reduced NIM and lower business volumes, net interest income was LKR 8.8 Bn, a marginal growth of 2% over the prior period. Fee and commission income was LKR 1.7 Bn, a reduction of 1% over the comparative period in 2019, again a direct reflection of reduced business volumes and also due to waivers granted on certain fees as a relief measure. Net gains from trading of LKR 537 Mn was also a reduction of 21%. The Bank realized capital gains from Government Securities portfolio, as reflected under net gains from de-recognition of financial assets. Resultant total operating income was LKR 13 Bn, up by 11% over H1 2019.

Impairment charges for loans and other losses for H1 2020 was LKR 3.2 Bn and was a 69% increase over H12019. The increase in the impairment charges was mainly due to the increase in the collective provision charge in line with the growth in the loan book and provisions made at individual levels in response to elevated risks caused by the pandemic and other stresses. The Bank also accounted for the day 01 impact on the moratoriums where significant interest concessions were given amounting to LKR 626 Mn, under other impairment charges, as prescribed by SLFRS 09: Financial Instruments. The Bank's regulatory non-performing loan [NPL] ratio was 5.40% and was at par with the industry for the period under review.

Total operating expenses for H1 2020 was LKR 4.7 Bn, a slight YoY reduction from H1 2019. The Bank implemented a large number of cost management initiatives in response to the pandemic, and same coupled with the Bank's technology driven process efficiencies already in place contributed towards achieving this reduction in expenses. Accordingly, the cost to income ratio for H1 2020 was 36.2%, an improvement from 39.9% in 2019.

The total tax charge for H1 2020 was LKR 2.1 Bn, comprising LKR 965 Mn in VAT on financial services and LKR 1.1 Bn in Income Tax. The effective tax rate for H1 2020 was 41%, down from 56% in H1 2019 due to the removal of Nation Building Tax [NBT] and Debt Repayment Levy [DRL], w.e.f 01 January 2020. The resultant post-tax profit at the Bank level was LKR 3 Bn and profit attributable to shareholders at the Group level was LKR 2.4 Bn, a YoY increase of 34% and 32% respectively.

Balance Sheet Growth and Funding

Total assets stood at LKR 562 Bn at the Bank level and LKR 567 Bn at the Group level, a healthy growth of 6% over 2019 [YTD] and 15% year on year [YoY]. The gross loan book stood at LKR 429 Bn, a YTD growth of 5%, whist same on a YoY basis was 15%. The YoY growth is a quantum increase of LKR 56 Bn. Customer deposits was LKR 428 Bn and recorded a YTD growth of 6% and YoY growth of 21%. The YoY growth translates to a quantum of LKR 73 Bn. Accordingly, the Bank's loans to deposits ratio improved to 100%. Within deposits, the CASA base recorded a 9% growth, enhancing the CASA ratio to 21% from 20% in 2019. Furthermore, during June 2020, the Bank redeemed debentures worth of LKR 10 Bn issued in 2015 with a tenor of 5 years.

Capital Adequacy and Liquidity

The Bank's Tier I and total capital ratios as at 30 June 2020 were 9.30% and 12.94% whilst the same at the Group level were 10.09% and 13.57% [minimum requirements of 8.0% and 12.0% respectively]. The Bank has announced a debenture issue in July 2020 to issue 50,000,000 Basel III compliant - Tier II, listed, rated, unsecured, subordinated redeemable 5 year debentures of LKR 100/- each, with a non-viability conversion feature amounting to LKR 5 Bn, with an option to issue up to a further 15,000,000 of said debentures to raise up to LKR 1.5 Bn in the event of an oversubscription of the initial issue. Funds raised via this issue will further strengthen the Tier II capital base of the Bank and support envisaged business growth.

The Bank's Liquidity Coverage Ratios were 136% and 121% for Rupee and All Currency respectively as of 30 June 2020 and were above the statutory minimum requirement of 90%. The Net Stable Funding Ratio was 107%, and compared with the statutory minimum requirement of 90%.

Investor returns

The Return on Average Shareholder Funds [ROE] for the Bank was of 12.18% [2019:13.73%] and the Earnings per Share LKR 21.56 [2019: LKR 23.05] for H1 2020. The same ratios for the Group were 9.49% [2019: 11.59%] and LKR 18.19 [2019: LKR 21.53] respectively. Return [before tax] on Average Assets for the Bank was 1.56% [2019: 2.01%] and for the Group was 1.46% [2019: 1.97%]. The net asset value per share of the Bank was LKR 184.25 and compared with a closing share price for the quarter of LKR 76.90.

NDB bank

STATEMENT OF PROFIT OR LOSS

	Bank					Group				
	Period ended 30/06/2020	Period ended 30/06/2019	**Change**	**Quarter ended 30/06/2020**	Quarter ended 30/06/2019	**Period ended 30/06/2020**	Period ended 30/06/2019	**Change**	**Quarter ended 30/06/2020**	Quarter ended 30/06/2019
	LKR '000	LKR '000	**%**	**LKR '000**	LKR '000	**LKR '000**	LKR '000	**%**	**LKR '000**	LKR '000
Gross Income	**31,291,232**	**28,859,085**	**8**	**15,245,885**	**14,758,049**	**31,174,824**	**29,156,525**	**7**	**15,365,306**	**15,038,615**
Interest Income	27,255,310	25,962,708	5	13,508,283	13,193,037	27,336,989	26,078,637	5	13,542,651	13,249,884
Interest Expenses	18,431,669	17,309,915	6	9,014,177	9,201,629	18,416,038	17,291,128	7	9,001,665	9,189,292
Net Interest Income	**8,823,641**	**8,652,793**	**2**	**4,494,106**	**3,991,408**	**8,920,951**	**8,787,509**	2	**4,540,986**	4,060,592
										-
Net Fee and Commission Income	**1,739,222**	1,762,928	**(1)**	713,101	898,626	2,138,025	2,238,340	(4)	914,726	1,173,785
					-					-
Net gain/(loss) from trading	536,985	676,028	(21)	323,541	319,693	536,985	676,028	(21)	323,541	319,693
Net gain/(loss) from financial investments at fair value Through Profit or Loss	6,444	2,851	126	5,608	(1,905)	(116,472)	(21,441)	(443)	(100,347)	(9,559)
Net gains/(losses) from derecognition of financial assets	1,002,322	353,165	184	779,049	291,247	1,015,706	365,568	178	797,710	303,732
Other operating income	750,949	101,404	641	(83,696)	57,351	263,591	(180,607)	246	(112,975)	1,080
Total Operating Income	**12,859,563**	**11,549,169**	11	**6,231,709**	5,556,419	12,758,784	**11,865,398**	**8**	**6,363,639**	5,849,324
										-
Impairment charges										-
Individual Impairment	1,744,922	1,971,829	(12)	890,816	932,448	1,744,922	1,971,829	(12)	890,816	932,448
Collective Impairment	951,582	(209,546)	554	564,257	33,581	951,582	(209,546)	554	564,257	33,581
Others	479,055	115,260	316	433,896	69,892	468,070	282,134	66	425,106	122,521
	3,175,558	1,877,543	69	1,888,968	1,035,922	3,164,574	2,044,417	55	1,880,179	1,088,550
					-					-
Net operating income	**9,684,004**	**9,671,627**	0	**4,342,740**	4,520,498	**9,594,210**	**9,820,981**	**(2)**	**4,483,460**	4,760,774
					-					-
Operating Expenses					-					-
Personnel Expenses	2,496,441	2,402,997	4	1,227,128	1,241,934	2,741,412	2,659,312	3	1,357,332	1,381,487
Depreciation and amortization	275,680	259,800	6	136,188	123,244	312,896	302,874	3	155,026	152,088
Other Expenses	1,883,312	2,000,659	(6)	875,259	1,066,290	2,030,118	2,199,159	(8)	928,078	1,163,962
Total operating expenses	**4,655,434**	**4,663,456**	(0)	2,238,576	2,431,467	**5,084,426**	**5,161,345**	(1)	2,440,436	2,697,537
					-					-
Operating Profit Before VAT, NBT & DRL on Financial Services	**5,028,571**	**5,008,171**	0	**2,104,165**	2,089,031	**4,509,784**	**4,659,636**	(3)	**2,043,024**	2,063,237
					-					-
Less: Value Added Tax (VAT) on Financial services	965,333	912,300	6	409,000	423,300	965,333	912,300	6	409,000	423,300
Nation Building Tax (NBT) on Financial services	-	121,800	(100)	-	55,673	-	121,800	(100)	-	55,673
Debt Repayment Levy	-	497,850	(100)	-	222,850	-	497,850	(100)	-	222,850
Operating Profit After Tax on Financial Services	4,063,238	3,476,221	17	1,695,165	1,387,208	3,544,451	3,127,686	13	1,634,024	1,361,414
										-
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	**4,063,238**	3,476,221	17	**1,695,165**	1,387,208	**3,544,451**	**3,127,686**	13	**1,634,024**	1,361,414
Less : Income tax expenses	1,093,419	1,255,800	(13)	462,130	539,600	1,150,643	1,307,014	(12)	495,783	565,998
Profit for the period	**2,969,819**	2,220,421	34	**1,233,035**	847,608	**2,393,808**	**1,820,672**	31	**1,138,241**	795,416
Profit Attributable to:										-
Equity Holders of the parent	2,969,819	2,220,421	34	1,233,035	847,608	2,364,115	1,789,764	32	1,121,396	781,893
Non Controlling Interests	-	-	-	-	-	29,695	30,909	(4)	16,845	13,522
	2,969,819	**2,220,421**	34	**1,233,035**	**847,608**	**2,393,809**	**1,820,672**	31	**1,138,241**	795,416
Basic Earnings per share (in LKR)	**12.77**	**10.01**	28	**5.56**	**4.35**	**10.16**	**8.07**	26	**5.06**	**4.01**
Diluted Earnings per share (in LKR)	**12.77**	**10.01**	28	**5.56**	**4.35**	**10.16**	**8.07**	26	**5.06**	**4.01**

STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30/06/2020	Period ended 30/06/2019	**Change**	**Quarter ended 30/06/2020**	Quarter ended 30/06/2019	**Period ended 30/06/2020**	Period ended 30/06/2019	**Change**	**Quarter ended 30/06/2020**	Quarter ended 30/06/2019
	LKR '000	LKR '000	**%**	**LKR '000**	LKR '000	**LKR '000**	LKR '000	**%**	**LKR '000**	LKR '000
Profit for the period	**2,969,819**	**2,220,421**	34	**1,233,035**	**847,608**	**2,393,809**	**1,820,672**	31	**1,138,243**	**795,416**
Items that will be reclassified to Income Statement										
Exchange differences on translation of foreign operations	-	-	-	**-**	-	**9,646**	(17,789)	154	**3,471**	(677)
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	**1,119,829**	1,192,552	(6)	**1,136,525**	606,015	**814,272**	1,237,198	(34)	**835,471**	626,860
Changes in Impairment allowance for Expected credit losses	**18,107**	2,651	583	**3,637**	6,245	**17,339**	164,559	(89)	**2,869**	60,196
Net Gains /(losses) on cash flow hedges	**(95,073)**	(343,961)	72	**(166,694)**	(151,825)	**(95,073)**	(343,961)	72	**(166,694)**	(151,825)
Less :Tax expense relating to items that will be reclassified to Income Statements	**35,163**	(667,574)	105	**(317,209)**	(167,936)	**34,266**	(680,143)	105	**(317,912)**	(174,272)
A	**1,078,026**	183,669	487	**656,259**	292,499	**780,450**	359,864	117	**357,205**	360,283
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	**(228,187)**	(449,509)	49	**(85,570)**	(205,354)	**(228,187)**	(449,509)	49	**(85,570)**	(205,354)
B	**(228,187)**	(449,509)	49	**(228,187)**	(449,509)	**(228,187)**	(449,509)	49	**(228,187)**	(205,354)
Total Other Comprehensive Income after Tax A + B	**849,838**	(265,840)	420	**428,071**	(157,010)	**552,262**	(89,645)	716	**129,017**	154,929
Total Comprehensive Income for the period	**3,819,657**	1,954,581	95	**1,803,723**	934,754	**2,946,071**	1,731,027	70	**1,267,260**	950,345
Attributable to:										
Equity holders of the parent	3,819,657	1,954,581	95	**1,803,723**	934,754	2,917,138	1,703,226	71	**1,252,035**	937,089
Non Controlling Interests	-	-	-	**-**	-	28,933	27,802	4	**15,225**	13,256
	3,819,657	1,954,581	95	**1,803,723**	934,754	**2,946,071**	1,731,027	70	**1,267,260**	950,345

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Period	Previous Period		Current Period	Previous Period	
	As at 30/06/2020	As at 31/12/2019 (Audited)	Change	As at 30/06/2020	As at 31/12/2019 (Audited)	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets						
Cash and cash equivalents	7,715,333	5,703,468	35	8,150,385	6,081,359	34
Balances with the Central Bank of Sri Lanka	6,297,742	13,886,575	(55)	6,297,742	13,886,575	(55)
Placements with banks	1,862,507	6,291,047	(70)	1,862,507	6,291,047	(70)
Derivative Financial Instruments	790,371	1,596,359	(50)	790,371	1,596,359	(50)
Financial assets recognized through profit or loss measured at fair value	261,256	932,253	(72)	2,914,015	3,488,735	(16)
Financial assets at amortised cost -loans and receivables to other customers	413,209,608	396,648,811	4	413,256,356	396,672,022	4
Financial assets at amortised cost - debt and other instruments	29,348,761	27,485,885	7	29,348,761	27,485,885	7
Financial assets measured at fair value through other comprehensive income	91,481,087	67,018,254	37	92,437,710	68,430,331	35
Investments in subsidiary companies	2,133,789	2,144,774	(1)	-	-	-
Investment Property	-	-		2,272,881	2,272,881	-
Intangible assets	720,938	687,785	5	723,095	700,908	3
Property, plant & equipment	2,947,739	3,012,213	(2)	3,522,199	3,565,166	(1)
Right to Use Assets	839,563	960,849	(13)	1,061,631	1,229,414	(14)
Current Tax Assets	-	-		40,561	23,396	73
Deferred tax Assets	719,795	599,216	20	725,555	647,444	12
Other assets	3,731,593	2,626,940	42	3,756,620	3,228,104	16
Total assets	**562,060,082**	**529,594,428**	**6**	**567,160,389**	**535,599,626**	**6**
Liabilities						
Due to Banks	32,904,833	18,380,356	79	32,904,833	18,380,356	79
Derivative Financial Instruments	798,584	728,873	10	798,584	728,873	10
Financial Liabilities at amortised cost -due to depositors	427,566,431	405,048,024	6	427,148,152	404,667,529	6
Financial Liabilities at amortised cost						
- due to debt securities holders	8,821,051	1,398,068	531	8,821,051	1,398,068	531
- due to other borrowers	25,992,219	29,342,027	(11)	25,992,219	29,342,027	(11)
Debt securities issued	13,420,749	23,108,734	(42)	13,420,749	23,108,734	(42)
Retirement benefit obligations	600,752	583,933	3	725,763	718,983	1
Current Tax Liabilities	1,805,580	2,247,997	(20)	1,894,832	2,342,373	(19)
Deferred Tax Liabilities	-	-	-	534,145	566,983	(6)
Other liabilities	7,192,361	9,197,775	(22)	7,809,997	9,732,266	(20)
Dividends payable	93,799	74,804	25	93,799	74,804	25
Total liabilities	**519,196,358**	**490,110,591**	**6**	**520,144,124**	**491,060,996**	**6**
Equity						
Stated Capital	8,794,333	7,685,334	14	8,794,333	7,685,334	14
Statutory Reserve Fund	1,896,479	1,896,479	-	1,896,479	1,896,479	-
General Reserve	5,805,707	5,805,707	-	5,805,707	5,805,707	-
Retained Earnings	25,134,070	23,689,843	6	28,260,075	27,416,982	3
Other Reserves	1,233,134	406,472	203	1,104,125	578,848	91
Total shareholders' equity	**42,863,723**	**39,483,835**	**9**	**45,860,719**	**43,383,350**	**6**
Non Controlling Interests	-	-	-	1,155,546	1,155,280	-
Total Equity	**42,863,723**	**39,483,835**	**9**	**47,016,265**	**44,538,630**	6
Total liabilities and equity	**562,060,082**	**529,594,428**	**6**	**567,160,389**	**535,599,626**	**6**
Net Book Value Per Share (LKR)	**184.25**	**178.02**	4	**197.13**	**195.60**	1
Contingent liabilities and commitments	**278,202,913**	**293,145,821**		**278,444,487**	**293,267,959**	

Memorandum Information		
Number of Employees	2,941	2,936
Number of Branches	113	112

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 unless indicated as audited.

(Sgd.)
Eshana de Silva
Director/Chairman

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

13 August 2020

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					
	LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK										
Balance as at 1 January 2019	6,469,323	1,636,479	1,041,261	(1,022,229)	101,311	5,805,707	20,966,190	34,998,042	-	34,998,042
Transitional Impact on the adoption of SLFRS 9	-	-	-			-	(257,173)	(257,173)	-	(257,173)
Restated opening balance under SLFRS 9	6,469,323	1,636,479	1,041,261	(1,022,229)	101,311	5,805,707	20,709,017	34,740,869	-	34,740,869
Total Comprehensive Income for the period										
Profit for the period	-	-	-		-	-	2,220,421	2,220,421	-	2,220,421
Other Comprehensive Income before Tax	-	-	-	745,695	(343,961)	-	-	401,734	-	401,734
Tax on Other Comprehensive Income	-	-	-	(667,574)	-	-	-	(667,574)	-	(667,574)
Total Comprehensive Income for the period	-	-	-	78,121	(343,961)	-	2,220,421	1,954,581	-	1,954,580
Transactions with equity holders										
Final Dividend for year 2018-Scrip	1,216,011	-	-	-	-	-	(1,367,061)	(151,049)	-	(151,049)
Final Dividend for year 2018 - Cash	-	-	-	-	-	-	(303,257)	(303,257)	-	(303,257)
Balance as at 30 June 2019	**7,685,334**	**1,636,479**	**1,041,261**	**(944,108)**	**(242,650)**	**5,805,707**	**21,259,117**	**36,241,144**	**-**	**36,241,143**
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
Transactions with equity holders										
Final Dividend for year 2019- Scrip	1,108,999	-	-	-	-	-	(1,108,999)	-	-	-
Final Dividend for 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**	**(96,687)**	**5,805,707**	**25,134,071**	**42,863,723**	**-**	**42,863,723**

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					
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
GROUP										
Balance as at 1 January 2019	6,469,323	1,636,479	1,166,840	(1,029,596)	101,311	5,805,707	24,862,382	39,012,446	1,099,042	40,111,488
Transitional Impact on the adoption of SLFRS 9	-	-	-	-	-	-	(302,284)	(302,284)	(37)	(302,321)
Restated opening balance under SLFRS 9	6,469,323	1,636,479	1,166,840	(1,029,596)	101,311	5,805,707	24,560,098	38,710,162	1,098,999	39,809,167
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	1,789,764	1,789,764	30,909	1,820,673
Other Comprehensive Income before Tax	-	-	-	952,248	(343,961)	-	(14,682)	593,606	(3,107)	590,497
Tax on Other Comprehensive Income	-	-	-	(680,143)	-	-	-	(680,143)	-	(680,143)
Total Comprehensive Income for the period	-	-	-	272,105	(343,961)	-	1,775,082	1,703,227	27,802	1,731,027
Transactions with equity holders										
Final Dividend for year 2018-Scrip	1,216,011	-	-	-	-	-	(1,367,061)	(151,049)	-	(151,049)
Final Dividend for year 2018 - Cash	-	-	-	-	-	-	(303,257)	(303,257)	-	(303,257)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(40,611)	(40,611)
Balance as at 30 June 2019	**7,685,334**	**1,636,479**	**1,166,840**	**(757,491)**	**(242,650)**	**5,805,707**	**24,664,862**	**39,959,082**	**1,086,196**	**41,045,276**
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	2,946,071
Transactions with equity holders										
Final Dividend for year 2019- Scrip	1,108,999	-	-	-	-	-	(1,108,999)	-	-	-
Final Dividend for 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**	**28,260,072**	**45,860,718**	**1,155,546**	**47,016,265**

STATEMENT OF CASH FLOW

For the period ended 30 June	BANK 2020 LKR '000	BANK 2019 LKR '000	GROUP 2020 LKR '000	GROUP 2019 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	20,489,797	23,816,419	20,586,696	23,917,596
Fee based income received	1,740,533	1,763,890	2,180,100	2,200,379
Dividend income received	21,941	367,272	46,263	17,297
Other Operating income received	1,750,132	737,510	1,766,171	745,006
Interest paid	(19,175,727)	(15,516,245)	(19,176,981)	(15,521,904)
Personnel costs paid	(2,444,246)	(2,339,500)	(2,644,160)	(2,560,978)
Other expenses paid	(1,942,897)	(2,021,582)	(2,143,462)	(2,194,899)
Operating Profit before changes in operating assets and liabilities	**439,534**	**6,807,764**	**614,627**	**6,602,497**
(Increase)/decrease in operating assets				
Deposits held for regulatory or monitory control purposes	7,588,800	2,105,700	7,588,800	2,105,700
Financial Assets at amortised cost -loans and receivables to other customers	(13,229,395)	(16,406,855)	(13,229,871)	(16,409,499)
Net (increase)/decrease in operating assets	193,858	(221,999)	143,987	(186,309)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	22,913,956	6,330,003	22,913,956	6,327,358
Net increase/(decrease) in other liabilities	(883,756)	(3,832,863)	(489,792)	(3,865,908)
Net cash generated from operating activities before taxation	**17,022,997**	**(5,218,250)**	**17,541,707**	**(5,426,161)**
Tax on Financial Services paid	(773,627)	(872,403)	(773,627)	(897,673)
Income taxes paid	(1,621,252)	(683,194)	(1,658,030)	(699,894)
Net cash provided by/(used in) operating activities	**14,628,118**	**(6,773,847)**	**15,110,050**	**(7,023,728)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(24,952,022)	(13,468,119)	(25,378,380)	(13,318,329)
Purchase of Intangible assets	(1,681)	(359)	(1,681)	(359)
Purchase of property, plant & equipment	(229,050)	(358,738)	(229,050)	(362,280)
Proceeds from sale of property, plant & equipment	1,118	5,473	3,050	6,623
Net cash (used in) from investing activities	**(25,181,634)**	**(13,821,743)**	**(25,606,060)**	**(13,674,345)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds/(Repayment of other borrowings	19,561,742	5,094,925	19,561,742	5,094,925
Repayment of debts securities issued	(10,000,000)	-	(10,000,000)	-
Interest paid on debts securities issued	(1,004,127)	-	(1,004,127)	-
Proceeds from debt securities issued	-	5,561,200	-	5,561,200
Dividends paid to non-controlling interests	-	-	(345)	(48,904)
Dividends paid to shareholders of the Bank	(420,774)	(309,201)	(420,774)	(309,201)
Net cash provided by /(used in) financing activities	**8,136,841**	**5,251,999**	**8,136,496**	**10,298,020**
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,416,675)	(10,248,666)	(2,359,514)	(10,400,053)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,994,515	21,774,885	12,372,406	22,308,744
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9,577,840**	**11,526,219**	**10,012,892**	**11,908,691**
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	7,715,333	5,606,043	8,150,385	5,988,516
Placements with banks	1,862,507	5,920,176	1,862,507	5,920,176
	9,577,840	**11,526,219**	10,012,892	**11,908,692**

SEGMENTAL ANALYSIS- GROUP

For the period ended 30 June

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Revenue										
Interest Income	27,255,310	25,962,708	66,049	97,142	-	-	-	-	27,321,359	26,059,850
Net Fee and Commission Income	1,739,222	1,762,928	221,212	296,810	98,697	87,198	63,563	68,877	2,122,693	2,215,813
Net gain/(loss) from trading	536,985	676,028	-	-	-	-	-	-	536,985	676,028
Net gain/(loss) from financial investments at fair value Through Profit or Loss	6,444	2,851	(122,916)	(24,292)	-	-	-	-	(116,472)	(21,441)
Net gains/(losses) from derecognition of financial assets	1,002,322	353,165	13,384	12,403	-	-	-	-	1,015,706	365,568
Other Operating Income	250,207	(258,229)	13,384	77,622	-	(362)	-	-	263,591	(180,969)
Total revenue from external customers	30,790,490	28,499,451	191,112	459,684	98,697	86,836	63,563	68,877	31,143,862	29,114,849
Inter-segment Revenue	-	-	839	10,162	30,093	31,515	-	-	30,932	41,676
Total Revenue	30,790,490	28,499,451	191,951	469,846	128,790	118,351	63,563	68,877	31,174,824	29,156,525
Impairment (charge)/reversal for loans & other losses	(3,164,573)	(1,877,543)	-	(166,874)	-	-	-	-	(3,164,574)	(2,044,417)
Segment expenses	(23,082,457)	(22,069,844)	(359,372)	(315,374)	(6,462)	(11,454)	(52,174)	(55,803)	(23,500,463)	(22,452,473)
Total segment expenses	(26,247,030)	(23,832,127)	(359,372)	(597,508)	(6,462)	(11,454)	(52,174)	(55,803)	(26,665,038)	(24,496,890)
Segment results	4,543,459	4,667,324	(167,420)	(127,662)	122,328	106,897	11,389	13,074	4,509,784	4,659,636
Income tax expenses	-	-	-	-	-	-	-	-	1,150,643	1,307,014
Taxes on financial services	-	-	-	-	-	-	-	-	965,332	1,531,949
Profit after taxation									2,393,808	1,820,673
Other information										
Segment assets	561,595,089	490,215,151	2,823,085	3,141,813	2,608,872	2,357,672	133,348	98,040	567,160,394	495,812,675
Consolidated total assets									567,160,389	495,812,675
Segment liabilities	518,739,738	453,542,122	703,794	669,561	685,227	558,249	15,365	(2,521)	520,144,124	454,767,410
Consolidated total liabilities									520,144,124	454,767,410
Segmental Cash flows										
Cash flows from operating activities	14,628,118	(6,773,847)	465,724	(373,897)	29,872	106,687	(13,664)	17,329	15,110,050	(7,023,728)
Cash flows from investing activities	(25,181,634)	(13,821,743)	(423,244)	207,990	(925)	(55,224)	(257)	(5,368)	(25,606,060)	(13,674,345)
Cash flows from financing activities	8,136,841	10,346,924	(345.00)	(347)	-	(48,557)	-	-	8,136,496	10,298,020

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2020 - BANK (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Held for sale	Total
Cash and cash equivalents	-	7,715,333	-	-	-	7,715,333
Balances with the Central Bank of Sri Lanka	-	6,297,742	-	-	-	6,297,742
Placements with banks	-	1,862,507	-	-	-	1,862,507
Derivative Financial Instruments	790,371	-	-	-	-	790,371
Financial assets recognized through profit or loss measured at fair value	261,256	-	-	-	-	261,256
Financial assets at amortised cost -loans and receivables to other customers	-	413,209,608	-	-	-	413,209,608
Financial Assets at amortised cost - debt and other instruments	-	29,348,761	-	-	-	29,348,761
Financial assets measured at fair value through other comprehensive income	-	-	91,481,087	-	-	91,481,087
Other Financial Assets	-	13,978	-	-	-	13,978
Total Financial Assets	**1,051,627**	**458,447,930**	**91,481,087**	**-**	**-**	**550,980,644**

LIABILITIES	At fair value through profit or loss	Amortized cost	Others	Total
Due to Banks	-	32,904,833	-	32,904,833
Derivative Financial Instruments	798,584	-	-	798,584
Financial Liabilities at amortised cost -due to depositors	-	427,566,431	-	427,566,431
Financial Liabilities at amortised cost				
- due to debt securities holders	-	8,821,051	-	8,821,051
- due to other borrowers	-	25,992,219	-	25,992,219
Debt securities issued	-	13,420,749	-	13,420,749
Other Financial Liabilities	-	2,209,787	-	2,209,787
Total Financial Liabilities	**798,584**	**510,915,070**	**-**	**511,713,654**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2020 - GROUP (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Held for sale	Total
Cash and cash equivalents	-	8,150,385	-	-	-	8,150,385
Balances with the Central Bank of Sri Lanka	-	6,297,742	-	-	-	6,297,742
Placements with banks	-	1,862,507	-	-	-	1,862,507
Derivative Financial Instruments	790,371	-	-	-	-	790,371
Financial assets recognized through profit or loss measured at fair value	2,914,015	-	-	-	-	2,914,015
Financial assets at amortised cost -loans and receivables to other customers	-	413,256,356	-	-	-	413,256,356
Financial Assets at amortised cost - debt and other instruments	-	29,348,761	-	-	-	29,348,761
Financial Assets measured at fair value through Other comprehensive income	-	-	92,437,710	-	-	92,437,710
Other Financial Assets	-	37,259	-	-	-	37,259
Total Financial Assets	**3,704,386**	**458,953,010**	**92,437,710**	**-**	**-**	**555,095,106**

LIABILITIES	At fair value through profit or loss	Amortized cost	Others	Total
Due to Banks	-	32,904,833	-	32,904,833
Derivative Financial Instruments	798,584	-	-	798,584
Financial Liabilities at amortised cost -due to depositors	-	427,148,152	-	427,148,152
Financial Liabilities at amortised cost				
- due to debt securities holders	-	8,821,051	-	8,821,051
- due to other borrowers	-	25,992,219	-	25,992,219
Debt securities issued	-	13,420,749	-	13,420,749
Other Financial Liabilities	-	2,238,716	-	2,238,716
Total Financial Liabilities	**798,584**	**510,525,720**	**-**	**511,324,304**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2019 - BANK (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Held for sale	Total
Cash and cash equivalents	-	5,703,468	-	-	-	5,703,468
Balances with the Central Bank of Sri Lanka	-	13,886,575	-	-	-	13,886,575
Placements with banks	-	6,291,047	-	-	-	6,291,047
Derivative Financial Instruments	1,596,359	-	-	-	-	1,596,359
Financial Assets measured at fair value through profit or loss	932,253	-	-	-	-	932,253
Financial Assets at amortised cost -loans and advances	-	396,648,811	-	-	-	396,648,811
Financial Assets at amortised cost - debt instruments	-	27,485,885	-	-	-	27,485,885
Financial assets measured at fair value through other comprehensive income	-	-	67,018,254	-	-	67,018,254
Other Financial Assets	-	21,756	-	-	-	21,756
Total Financial Assets	**2,528,612**	**450,037,543**	**67,018,254**	**-**	**-**	**519,584,408**

LIABILITIES	At fair value through profit or loss	Amortized cost	Others	Total
Due to Banks	-	18,380,356	-	18,380,356
Derivative Financial Instruments	728,873	-	-	728,873
Financial Liabilities at amortised cost -due to depositors	-	405,048,024	-	405,048,024
Financial Liabilities at amortised cost				
- due to debt securities holders	-	1,398,068	-	1,398,068
- due to other borrowers	-	29,342,027	-	29,342,027
Debt securities issued	-	23,108,734	-	23,108,734
Other Financial Liabilities	-	2,751,011	-	2,751,011
Total Financial Liabilities	**728,873**	**480,028,220**	**-**	**480,757,092**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2019 - GROUP (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Held for sale	Total
Cash and cash equivalents	-	6,081,359	-	-	-	6,081,359
Balances with the Central Bank of Sri Lanka	-	13,886,575	-	-	-	13,886,575
Placements with banks	-	6,291,047	-	-	-	6,291,047
Derivative Financial Instruments	1,596,359	-	-	-	-	1,596,359
Financial Assets measured at fair value through profit or loss	3,488,735	-	-	-	-	3,488,735
Financial Assets at amortised cost -loans and advances	-	396,672,022	-	-	-	396,672,022
Financial Assets at amortised cost - debt instruments	-	27,485,885	-	-	-	27,485,885
Financial assets measured at fair value through other comprehensive income	-	-	68,430,331	-	-	68,430,331
Other Financial Assets	-	381,626	-	-	-	381,626
Total Financial Assets	**5,085,094**	**450,798,514**	**68,430,331**	**-**	**-**	**524,313,939**

LIABILITIES	At fair value through profit or loss	Amortized cost	Others	Total
Due to Banks	-	18,380,356	-	18,380,356
Derivative Financial Instruments	728,873	-	-	728,873
Financial Liabilities at amortised cost -due to depositors	-	404,667,529	-	404,667,529
Financial Liabilities at amortised cost				
- due to debt securities holders	-	1,398,068	-	1,398,068
- due to other borrowers	-	29,342,027	-	29,342,027
Debt securities issued	-	23,108,734	-	23,108,734
Other Financial Liabilities	-	2,798,750	-	2,798,750
Total Financial Liabilities	**728,873**	**479,695,464**	**-**	**480,424,337**

Notes to the Financial Statements

1 The figures are extracted from the unaudited financial statements.

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 34- "Interim Financial Reporting".

3 On 18 February 2020, the Bank paid a first and final dividend of LKR 7.00 per share comprising of a cash dividend of LKR 2.00 per share and a scrip dividend of LKR 5.00 per share, for the financial year 2019. As per the Notice dated 18 February 2020 published by the Department of Inland Revenue, the above dividend payment was not subject to withholding tax. Accordingly, the stated capital of the Bank as at 30 June 2020 increased to LKR 8,794 Mn (LKR 7,685 Mn as at 31 December 2019), as a result of the scrip dividends declared for the year ended 31 December 2019.

4 The Board of Directors of National Development Bank PLC [the Bank] has decided to issue, Fifty Million (50,000,000) 5 year Basel III Compliant – Tier 2, Listed, Rated Unsecured, Subordinated, Redeemable Debentures (with a Non – Viability Conversion), with an option to issue successively; up to a further Fifteen Million (15,000,000) 5 year Basel III Compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures (with a Non – Viability Conversion), in the event of an oversubscription of the said Fifty Million (50,000,000) 5 year Basel III Compliant – Tier 2, Listed, Rated Unsecured, Subordinated, Redeemable Debentures (with a Non – Viability Conversion). The said issue will be at an issue price (par value) of LKR 100/- each, subject to necessary regulatory and shareholder approvals therefor and that the Bank proposes to have these Basel III Compliant Debentures quoted on the Colombo Stock Exchange.

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

The pandemic caused by COVID-19 has affected the banking industry, predominantly via the debt serviceability of the customers and the envisaged growth prospects. National Development Bank PLC has also been impacted by the pandemic on these aspects. The Bank continued its business operations to the maximum possible extent during the lockdown period, with the aid of its digital channels, deployment of three mobile ATMs and by functioning branches in selected localities.

All functions up to date and beyond are carried out within the highest standards of health guidelines ensuring the protection and wellbeing of our customers and staff members.
The impact of the pandemic on the business operations of the Bank and future prospects are strategically addressed by the Bank's leadership at the Board level as well as the executive level. The Bank's business plans have been duly reviewed and revised to ensure that the Bank extends maximum support to the affected customers, supports wider economic growth of the country and well manages the impact of the pandemic on the Bank's overall performance.

The Bank is also functioning as per the directions issued by the Central Bank of Sri Lanka [CBSL] and other regulators in this extraordinary situation. Keeping in line with various monetary policy easing measures and other relief measures introduced by the CBSL, the Bank has reduced its lending rates across all products. The Bank is also actively approving and disbursing loan facilities to customers affected by the pandemic out of its own funds and those received under the CBSL Saubhagya COVID-19 Renaissance refinancing scheme. Furthermore, the Bank has extended the moratorium spanning up to six months introduced by the CBSL to approximately 40% of its loan book. The Bank is also duly implementing various other relief measures introduced by the CBSL for the benefit of various sectors. Accordingly the Bank has assessed and accounted for the Day 01 impact on EMI loans subject to moratorium introduced by the the Central Bank of Sri Lanka as required by accounting standards SLFRS 09. This impact has been included under other Impairment charges which is approximately LKR 626 mn.

Internally, the Bank has combined its technology driven internal process efficiency enhancement initiatives already in place with further strategic cost management initiatives to ensure costs are driven down and returns are preserved.

6 **Fair Valuation of Foreign Currency Denominated Government Bonds**

The Bank carries foreign currency denominated government bonds (Sovereign Bonds) amounting to LKR 9.3 Bn which are classified under fair value through OCI. However, due to the volatility in the financial markets and significant decrease in the value and level of activities since March 2020, the Bank is of the view that the prices observed as at June 30, 2020, do not reflect fair value as at June 30, 2020. Accordingly, the Bank considered the prices prevailed as at end February 2020, for the fair valuation of foreign currency denominated government bonds in line with the Guidance Notes on Accounting Considerations of the COVID 19 Outbreak issued by the Institute of Chartered Accountant of Sri Lanka.

7 **Amendments to the Income Tax Law Announced by the Government**

The Cabinet has approved to reduce the income tax rate applicable to banks by 4% from the tax rate of 28% with effect from 1st January 2020. However the said amendment is yet to be legalized. As such the Bank continued using 28% in calculating the income tax and deferred tax liabilities/assets as at 30th June 2020 as this amendment is not substantively enacted by the end of the reporting period. Had the Bank applied the reduced income tax rate of 24% to calculate income tax and deferred tax assets/liabilities as at 30th June 2020, total income tax expense (current and deferred tax) for the quarter ended 30th June 2020 would have been decreased by Rs.43Mn. Further the deferred tax on the items that are routed through other comprehensive income would have been reduced by Rs. 5Mn. The overall Balance Sheet impact would have been a reduction of LKR 48Mn.

8 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 .

9. ANALYSIS OF LOANS & ADVANCES,COMMITMENTS,CONTINGENCIES AND IMPAIRMENT AS AT 30 JUNE 2020

9.1 Product wise Gross Loans and Receivables	Bank		Group	
	As at 30/06/2020 LKR '000	As at 31/12/2019 LKR '000	As at 30/06/2020 LKR '000	As at 31/12/2019 LKR '000
By product-Domestic Currency				
Term loans	122,892,950	112,966,347	122,892,950	112,966,349
Medium and short term loans	50,337,926	45,889,420	50,337,926	45,889,420
Overdrafts	44,591,082	50,324,543	44,547,784	50,255,807
Trade Finance	17,747,804	16,111,316	17,747,804	16,111,316
Consumer loans	40,197,465	37,915,878	40,197,465	37,915,878
Lease rentals receivable	28,406,518	25,842,041	28,406,518	25,842,041
Housing loans	16,670,038	15,860,023	16,670,038	15,860,023
Islamic Banking facilities	9,129,163	8,742,843	9,129,163	8,742,843
Credit cards	6,742,692	6,212,728	6,742,692	6,212,728
AF Loans	3,804,022	3,760,515	3,804,022	3,760,515
Staff loans	2,031,523	1,970,459	2,121,569	2,062,404
Pawning	1,561,150	1,117,274	1,561,150	1,117,274
Hire Purchase	6,973	13,156	6,973	13,156
Sub total	**344,119,306**	**326,726,543**	**344,166,054**	**326,749,754**
By product-Foreign Currency				
Term loans	7,863,764	7,519,992	7,863,764	7,519,992
Overdrafts	3,840,686	3,178,970	3,840,686	3,178,970
Medium and short term loans	40,856,966	40,777,560	40,856,966	40,777,560
Trade Finance	28,083,177	27,246,038	28,083,177	27,246,038
Islamic Banking facilities	4,032,315	3,741,555	4,032,315	3,741,555
Housing loans	49,014	30,773	49,014	30,773
Sub total	**84,725,921**	**82,494,889**	**84,725,921**	**82,494,889**
Total	**428,845,227**	**409,221,432**	**428,891,975**	**409,244,643**

9.2 Product wise commitments and contingencies considered for Impairment	Bank		Group	
By product- Domestic Currency	As at 30/06/2020 LKR '000	As at 31/12/2019 LKR '000	As at 30/06/2020 LKR '000	As at 31/12/2019 LKR '000
Guarantees	26,112,342	29,728,454	26,112,342	29,728,454
Performance Bonds	10,002,565	8,860,859	10,002,565	8,860,859
Documentary Credits	177,379	191,484	177,379	191,484
Acceptances	21,875	100,110	21,875	100,110
Undrawn commitments	103,754,074	109,734,383	103,754,074	109,734,383
Sub Total	**140,068,236**	**148,615,290**	**140,068,236**	**148,615,290**
By product- Foreign Currency				
Guarantees	12,352,928	10,832,955	12,352,928	10,832,955
Performance Bonds	7,707,828	6,428,518	7,707,828	6,428,518
Documentary Credits	8,441,386	10,683,864	8,441,386	10,683,864
Acceptances	5,320,187	8,659,851	5,320,187	8,659,851
Undrawn commitments	958,740	1,352,426	958,740	1,352,426
Sub Total	**34,781,069**	**37,957,614**	**34,781,069**	**37,957,614**
Total	**174,849,305**	**186,572,904**	**174,849,305**	**186,572,904**

	As at 30/06/2020 LKR '000	As at 31/12/2019 LKR '000	As at 30/06/2020 LKR '000	As at 31/12/2019 LKR '000
Gross loans and advances ,Commitments and Contingencies	603,694,532	595,794,336	603,741,280	595,817,547
(Less): Accumulated impairment under stage 1	2,818,737	2,682,507	2,818,737	2,682,507
Accumulated impairment under stage 2	1,983,916	1,674,451	1,983,916	1,674,451
Accumulated impairment under stage 3	10,432,965	8,215,663	10,432,965	8,215,662
Net value of loans and advances, commitments and contingencies	**588,458,913**	**583,221,714**	**588,505,661**	**583,244,927**

9.3 Movement of impairment during the period	Bank As at 30/06/2020 LKR '000	Bank As at 31/12/2019 LKR '000	Group As at 30/06/2020 LKR '000	Group As at 31/12/2019 LKR '000
Under stage 1				
Balance at 1 January	2,682,507	1,801,385	2,682,507	1,801,385
Charge/(Write back) to Statement of Profit or Loss	136,231	881,122	136,231	881,122
Write-off during the period	-	-		
Closing balance	**2,818,737**	**2,682,507**	**2,818,737**	**2,682,507**
Under stage 2				
Balance at 1 January	1,674,451	2,121,671	1,674,451	2,121,671
Charge/(Write back) to Statement of Profit or Loss	309,465	(447,220)	309,465	(447,220)
Write-off during the period	-	-		
Closing balance	**1,983,916**	**1,674,451**	**1,983,916**	**1,674,451**
Under stage 3				
Balance at 1 January	8,215,662	5,243,304	8,215,662	5,243,304
Charge/(Write back) to Statement of Profit or Loss	2,250,808	3,235,143	2,250,808	3,235,143
Write-off during the period	(33,505)	(388,106)	(33,505)	(388,106)
Other movement	-	125,321	-	125,321
Closing balance	**10,432,965**	**8,215,663**	**10,432,965**	**8,215,662**

9.4 Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers	Bank As at 30/06/2020 LKR '000	Bank As at 31/12/2019 LKR '000	Group As at 30/06/2020 LKR '000	Group As at 31/12/2019 LKR '000
Individual impairment				
Balance at 01 January	5,517,468	3,066,173	5,517,468	3,066,173
Charge/(Write back) to Statement of Profit or Loss	1,744,921	2,545,066	1,744,921	2,545,066
Write-off during the period	(33,505)	(219,093)	(33,505)	(219,093)
Other movement	-	125,321	-	125,321
Closing balance	**7,228,885**	**5,517,467**	**7,228,885**	**5,517,467**
Collective impairment				
Balance at 01 January	7,055,152	6,100,187	7,055,152	6,100,187
Charge/(Write back) to Statement of Profit or Loss	951,582	1,123,979	951,582	1,123,979
Write-off during the Period	-	(169,013)	-	(169,013)
Closing balance	**8,006,735**	**7,055,153**	**8,006,735**	**7,055,153**
Total impairment	**15,235,619**	**12,572,620**	**15,235,619**	**12,572,620**

10. ANALYSIS OF DEPOSITS

Due to Other Customers - By product	Bank As at 30/06/2020 LKR '000	Bank As at 31/12/2019 LKR '000	Group As at 30/06/2020 LKR '000	Group As at 31/12/2019 LKR '000
By product-Domestic Currency				
Demand deposits	19,376,409	20,675,504	19,330,587	20,720,171
Savings deposits	48,170,626	39,849,785	48,153,464	39,807,361
Time deposits	272,699,853	257,721,796	272,344,559	257,340,112
Other deposits	455,182	652,261	455,182	652,261
Sub total	**340,702,070**	**318,899,346**	**340,283,791**	**318,519,904**
By product- Foreign Currency				
Demand deposits	4,800,151	4,582,635	4,800,151	4,582,635
Savings deposits	15,653,105	15,448,039	15,653,105	15,446,986
Time deposits	66,225,113	65,934,145	66,225,113	65,934,145
Other deposits	185,991	183,859	185,991	183,859
Sub total	**86,864,361**	**86,148,678**	**86,864,361**	**86,147,625**
Total	**427,566,431**	**405,048,024**	**427,148,152**	**404,667,529**

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 30/06/2020	As at 31/12/2019	As at 30/06/2020	As at 31/12/2019
Regulatory Capital Adequacy (LKR '000)				
Common Equity Tier 1 Capital	36,840,641	34,909,032	40,940,782	39,563,816
Tier 1 Capital	36,840,641	34,909,032	40,940,782	39,563,816
Total Capital	51,229,586	51,090,032	55,042,986	55,320,388
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5% (2019 - 7%))	9.30	9.18	10.09	10.15
Tier 1 Capital Ratio (Minimum Requirement - 8.0% (2019 - 8.5%))	9.30	9.18	10.09	10.15
Total Capital Ratio (Minimum Requirement - 12.0% (2019 -12.5%))	12.94	13.43	13.57	14.20
Leverage Ratio (Minimum Requirement - 3%)	6.03	6.09	6.63	6.81
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	126,896,630	106,381,911	126,896,630	106,381,911
Statutory Liquid Assets Ratio (Minimum Requirement -20%)				
Domestic Banking Unit (%)	23.98	20.93	23.98	20.93
Off-Shore Banking Unit (%)	23.11	24.78	23.11	24.78
Total stock of high quality liquid assets (LKR ' 000) - All currency	93,335,815	75,511,819	93,335,815	75,511,819
Total stock of high quality liquid assets (LKR ' 000) - Rupee	80,395,356	66,143,681	80,395,356	66,143,681
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 90% (2019-100%))	135.79	162.42	135.79	162.42
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement -90% (2019-100%))	121.45	153.26	121.45	153.26
Net stable Funding Ratio (%) (Minimum Requirement- 90%)	107.16	108.92	107.16	108.92
Asset Quality (Quality of Loan Portfolio)				
Gross Non-performing Advances Ratio (%)	5.40	4.77	5.40	4.77
Net Non-performing Advances Ratio (%)	3.30	3.18	3.30	3.18
Profitability				
Earnings Per Share (annualised) (LKR)	21.56	23.05	18.19	21.53
Return on Average Shareholders' Funds (%)	12.18	13.73	9.49	11.59
Return on Average Assets ((after Tax (%))	0.92	1.02	0.77	0.94
Return on Average Assets ((before Tax (%))	1.56	2.01	1.46	1.97
Net interest margin (%)	3.25	3.53	3.25	3.54
Debt Security - Related Ratios				
Interest Cover (Times)	1.48	1.50	1.48	1.51
Debt to Equity (Times)	11.87	12.09	11.08	10.99

SHARE INFORMATION

SHARE PRICE

As at	30/06/2020	31/12/2019
Number of shares	232,637,231	221,799,756
Last traded price (LKR)	76.90	100.00
For the quarter ended	**30/06/2020**	**31/12/2019**
Highest price per share (LKR)	78.50	112.00
Lowest price per share (LKR)	56.80	97.50

TOP 20 LARGEST SHARE HOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 30.06.2020

	NAME	NO OF SHARES	%
1	EMPLOYEES PROVIDENT FUND	23,263,721	10.00
2	BANK OF CEYLON NO. 1 ACCOUNT	19,454,400	8.36
3	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	14,875,617	6.39
4	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	12,367,328	5.32
5	DR. S.YADDEHIGE	10,160,638	4.37
6	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	9,702,577	4.17
7	EMPLOYEES TRUST FUND BOARD	9,054,503	3.89
8	PERPETUAL TREASURIES LIMITED	8,736,886	3.76
9	RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01	8,606,626	3.70
10	BNYMSANV RE-LF RUFFER INVESTMENT FUNDS : LF RUFFER PACIFIC AND EMERGING MARKETS FUND	7,684,594	3.30
11	HATTON NATIONAL BANK PLC A/C NO 1	6,784,942	2.92
12	PHOENIX VENTURES PRIVATE LIMITED	6,769,999	2.91
13	RUSH JAPAN CORPORATION	6,724,630	2.89
14	SBI VEN HOLDINGS PTE LTD	5,941,696	2.55
15	MR. A.K.PATHIRAGE	3,529,367	1.52
16	ASIRI SURGICAL HOSPITAL PLC	3,470,389	1.49
17	AKBAR BROTHERS PVT LTD A/C NO 1	3,453,692	1.49
18	DFCC BANK PLC A/C 1	3,168,904	1.36
19	MR. M.J.FERNANDO	2,732,800	1.18
20	PERPETUAL EQUITIES (PRIVATE) LIMITED	2,532,828	1.09

PUBLIC HOLDING PERCENTAGE

	As at 30/06/2020
Float adjusted Market Capitalization in LKR	16,302,977,532
Percentage of shares held by the public	91.13%
Number of public shareholders	9,922
Option under which the Bank complies with the minimum Public Holding requirement	Option 1

DIRECTORS INTEREST IN SHARES OF NDB AS AT 30.06.2020

NAME	NO OF SHARES
MR. ESHANA DE SILVA	-
MR. DIMANTHA SENEVIRATNE	17,697
MR. SRIYAN COORAY	-
MR. BERNARD SINNIAH	-
DR. DINUSHA PANDITARATNE	-
MR. SUJEEWA MUDALIGE	-
MS. HIRANSA KALUTHANTRI	-
MR. HIRAN PERERA	-
MR. KUSHAN D’ALWIS, PC	-

INFORMATION ON DEBENTURES- BANK

Type of Debenture	CSE Listing	Interest payable frequency	Balance as at 30 June 2020 LKR mn	Market Value Highest LKR	Market Value Lowest LKR	Market Value Quarter end LKR	Interest Rate Coupon Rate %	Interest Rate Effective Annual Yield %	Interest rate of comparable Govt. Security %	Other ratios as at last trade Interest Yield %	Other ratios as at last trade Yield To Maturity %
Fixed rate - Debenture March 2019											
A - Mar 2019/Mar 2024	Listed	Semi-annually	1,243	Not traded during the quarter			13.50	13.16	14.05	Not traded during the quarter	
B - Mar 2019/Mar 2024	Listed	Annually	4,318	Not traded during the quarter			13.95	13.15	13.90	Not traded during the quarter	
Fixed rate - Debenture June 2015											
A - Jun 2015/Jun 2020	Listed	Annually	-	Not traded during the quarter			9.40	9.19	8.30	Not traded during the quarter	
B - Jun 2015/Jun 2020	Listed	Payable on date of redemption	-	Not traded during the quarter			9.4 annual compounding on the Issue Price of Rs. 63.8136	9.18	8.30	Not traded during the quarter	
Fixed rate - Debenture December 2013											
C - Dec 2013/Dec 2023	Listed	Annually	3,638	101.73	101.73	101.73	13.90	13.17	9.75	13.19	13.19
D - Dec 2013/Dec 2025	Listed	Annually	3,590	Not traded during the quarter			14.00	13.26	9.75	Not traded during the quarter	
Total Debentures			**12,789**								

Disclosures regarding the utilization of funds as per the objectives stated in the Debenture Prospectus

Debenture Issue - March 2019

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Improve and further strengthen the Capital Adequacy Ratio in the light of the new regulatory requirements introduced in line with the Basel III accord	5,561,200,000	NA	5,561,200,000	100%	5,561,200,000	100%	-
2	Facilitate future expansion of business activities of the Bank	5,561,200,000	NA	5,561,200,000	100%	5,561,200,000	100%	-

Debenture Issue - June 2015

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Strengthen the Tier II Capital Base of the Bank and maintain the Capital Adequacy requirements to facilitate future growth of the lending portfolio of the Bank	10,000,000,000	NA	10,000,000,000	100%	8,914,408,000	100%	-
2	To mobilize/ raise medium term funds to match medium term lending of the Bank	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-
3	To minimize the interest rate risk rate risk and manage the gap exposures of the Bank's assets and liabilities	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-

Note: The face value of the debentures issued is LKR 10 billion. Of the total debentures issued, Type B debentures were issued as zero coupon bonds with a face value of LKR 100/- per debenture and an issue price of LKR 63.8136. Hence the total proceeds of the debenture is LKR 8,914 million. The debentures matured and were fully settled on 24 June 2020.

Debenture Issue - December 2013

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Strengthen the Tier II Capital Base of the Bank and maintain the Capital Adequacy requirements in line with the Bank's future expansion of operations and the asset base, and facilitate the future expansion of business activities.	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-
2	To mobilize/ raise medium term funds to match medium term lending of the Bank	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-
3	To minimize the interest rate risk rate risk and manage the gap exposures of the Bank's assets and liabilities	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-

Note: The total amount raised via this debenture issued in December 2013 was LKR 10 Bn. Types A and B of this issue, amounting respectively to LKR 1,243 mn and LKR 1,529 mn, matured in December 2018. The outstanding capital of this Debenture as of date is LKR 7,228 mn.

Important Dates - H1 2020 - Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	13 August 2020
Investor Webinar	14 August 2020
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
Edited transcript and playback video 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 H1 2020
Financial statements published in selected newspapers in the three languages of Sinhala, Tamil and English	31 August 2020

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 **VAT Registration No.** 409000266-7000	**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 Hiransa Kaluthantri - Director Hiran Perera - Director Kushan D'Alwis - 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. 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