INTERIM FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

NATIONAL DEVELOPMENT BANK PLC

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

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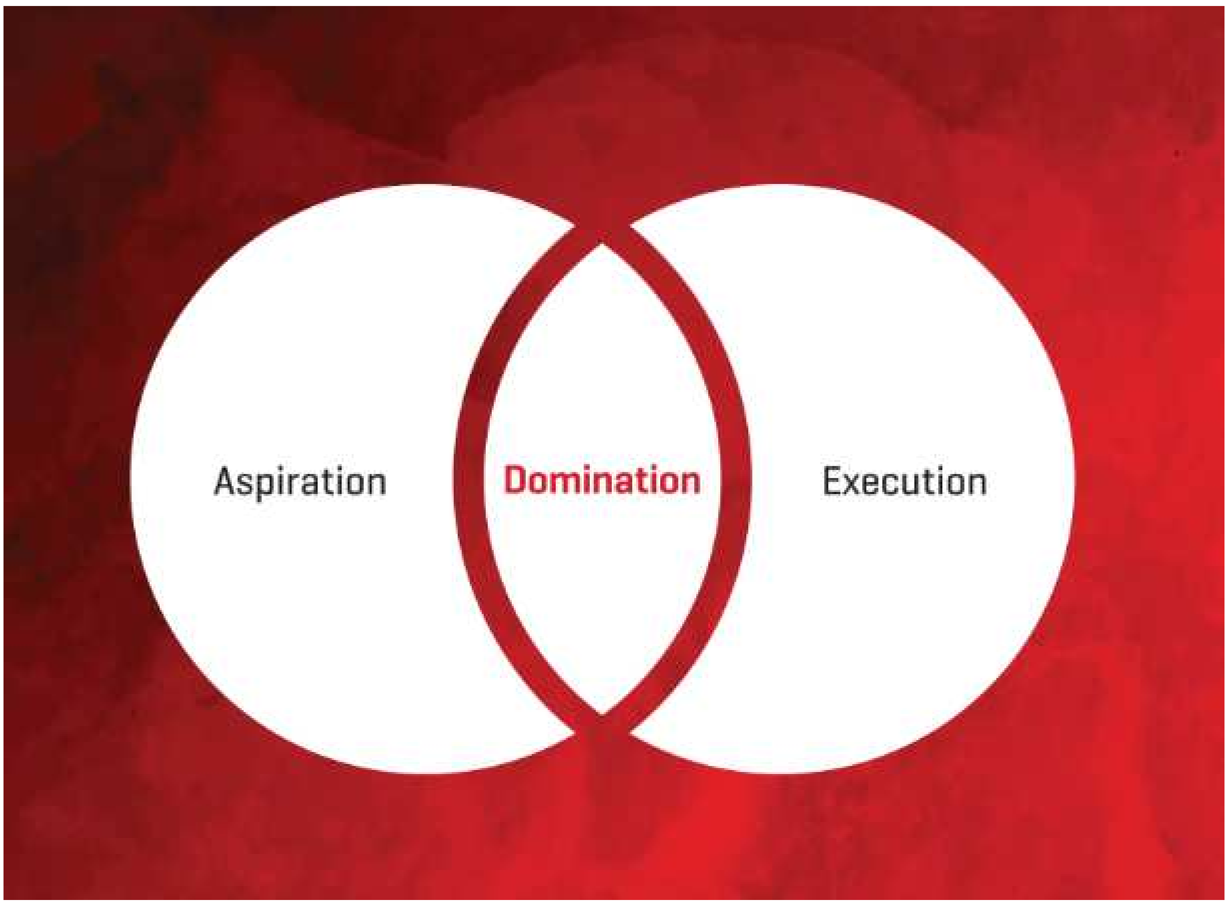

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***The financial statements presented herewith are the unaudited financial statements for the year ended 31 December 2019 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB records highest ever PBT from banking operations of LKR 10 Bn for 2019 (6% growth YoY) amidst challenging market conditions

- **Net interest income up by 20% YoY**
- **Net fee and commission income up by 25% YoY**
- **Total assets crossed LKR 500 Bn mark to reach LKR 530 Bn -up by 12% YoY**
- **Gross Loans and advances up by 16% to LKR 409 Bn**
- **Customer Deposits up by 17% to LKR 405 Bn**
- **NPL ratio contained at 4.77%**

National Development Bank PLC recorded LKR 10 Bn profit before tax (PBT), the highest ever PBT in banking operations in its journey of 40 years. This is a 6% year on year [YoY] growth, affirming its resilience in a challenging market environment that prevailed during 2019. NDB's Profit after Tax was LKR 5.1 Bn, a reduction of 8% over 2018, impacted mainly by the Debt Repayment Levy (DRL) which came into effect on 1 October 2018. The Bank paid additional tax of LKR 1,003 Mn via DRL. The Profit Attributable to Shareholders [PAS], including the performance of the Group companies was LKR 4.8 Bn, a reduction of 7%, over the comparative period impacted by the DRL and subdued performance of the capital markets cluster.

Commenting on the results, Mr. Dimantha Seneviratne – Director/ Group Chief Executive Officer of NDB stated that In a year of subdued economic growth, the NDB Group directed focus on optimising its' operating models with decisive management interventions aimed at strengthening the Group's foundation to drive future growth aspirations. In that backdrop, we are pleased to note the growth in profitability and simultaneous growth in the Balance Sheet, where Total Assets reached LKR 530 Bn and advances and deposits each crossed LKR 400 Bn. The Bank is confident that the overall economy as well as the banking industry will take a positive turnaround in 2020, with further policy stability, tax reliefs given to individuals and corporates including banks and financial institutions, and the relief package extended to SMEs which would act as a stimulus for economic revival.

"Internally, we used 2019 to streamline operations and enhance service capabilities, hence now we are geared for a market revival and have placed greater focus on building staff skills to deliver superior customer experience, internal processes, investment in new IT infrastructure, digital capabilities, etc.,"; he stated.

Profitability

Operating income which consists of Net Interest Income (NII), Net Fee and Commission income, income from financial investments, Forex profits and other operating income was LKR 23.6 Bn, a growth of 10% compared to 2018. NII recorded a growth of 20% over 2018 to LKR 17.7 Bn, which was primarily due to growth in the loan book and effective management of the assets and liabilities, amidst a subdued market environment. Net fee and Commission Income, derived from the Bank's diversified business segments was LKR 3.91 Bn, a YoY growth of 25%, supported by the strong growth in the retail assets and liability base and digital financial services.

Net gains from trading were LKR 990.2 Mn, a reduction of 19% over 2018. Net gains from financial investments at fair value through Profit or Loss was LKR 3.2 Mn whilst net gains from de-recognition of financial assets increased by 87% to LKR 715.8 Mn, due to proactive interest rate risk management initiatives undertaken in a volatile market environment. Other operating income saw a reduction of 84% to LKR 320.3 Mn resulting from the exchange movement on the revaluation of the foreign currency reserves of the Bank, which was due to the appreciation of the Sri Lankan Rupee in 2019 in comparison to depreciation of the LKR in 2018.

The impairment charges for loans and other losses for the year was LKR 4.2 Bn an increase of 16% over 2018. The increase in impairment charges was mainly due the increase in the collective provision charge in line with the growth in the loan book. The Bank also accounted for provisions at individual levels considering elevated risks due to stressed market conditions. Other provisions under impairment charges included provisions made for permanent diminution in fair value of investments. The Bank will continue to place greater focus on collections and recovery processes to mitigate the impact of impairment charges on its profitability.

The Bank's non-performing loan [NPL] ratio which was on an upward trend since early 2019, reflecting the wider industry scenario, was contained at 4.77% as at 31 December 2019. NDB's strong risk management initiatives including comprehensive credit evaluation standards, post disbursement follow-ups and underwriting standards have enabled the Bank to manage the loan quality amidst challenging macro-economic conditions and industry stresses.

Total operating expenses for the financial year 2019 was LKR 9.4 Bn, an increase of 11% YoY. Personal expenses increased by 12% to LKR 4.9 bn primarily due to increase in the staff strength to support business expansion. Depreciation and amortization of LKR 525 Mn increased by 19% mainly due to the investments made in new IT infrastructure in its digital journey, opening up of 2 phygital branches, NDB NEOS, strengthening network reach through 54 cash recycle machines and the launch of the revamped NDB mobile banking app – NDB NEOS. The resultant cost to income ratio of the Bank was 39.9%, a marginal increase from 39.3% in 2018.

The Bank's contribution to the government via taxes was LKR 5.2 Bn, compared to LKR 5.2 Bn for 2018.Total tax charge for the year was LKR 4.9 Bn, comprising VAT on financial services, Nation Building Tax on financial services, Debt Repayment Levy [DRL] and income taxes. LKR 1,003 Mn was incurred as DRL for the year, which was introduced in the latter part of 2018. Overall effective tax rate on the Bank's profits was 49% as compared to 42% in 2018.

Balance Sheet Growth and Funding

NDB's total asset base stood at LKR 530 Bn at the close of the financial year, whilst achieving a historic milestone during the year by crossing LKR 500 Bn in total assets. The total asset base grew by 12% over 2018 complimented by the growth in gross loans of 16% to reach LKR 409 Bn and the investment portfolio held for statutory liquid assets purposes. At the Group level, total assets was LKR 535 Bn, a growth of 12% over 2018.

Loan growth during the year, saw a quantum increase of LKR 56 Bn and was recorded mainly in the Retail and project financing segments. Customer deposits grew by 17% to reach LKR 405 Bn, a quantum increase of LKR 57.5 Bn over 2018. The Bank's Retail segment continued to contribute towards improving the granular deposit base, including CASA deposits during the year, whilst the Bank experienced an outflow of few large CASA deposits, especially in foreign currency during the first half of the year.

The Bank also raised LKR 5.6 Bn via Basel III compliant Tier II debentures to strengthen the Tier II capital base during the first quarter of 2019.

Capital Adequacy

On 20 December 2019, The Central Bank of Sri Lanka issued a direction on the framework for dealing with Domestic Systematically Important Banks (DSIBs), which identifies a DSIB based on a relative score. As per this direction, despite crossing the LKR 500 Bn asset base, NDB's regulatory capital requirement remains at 8.5% for Tier 1 and 12.5% for Total Capital. NDB's capital ratios as at 31 December 2019 were 9.18% and 13.43% for Tier 1 and Total capital respectively, well above the regulated minimum ratios. The same ratios for the NDB Group were 10.15% and 14.20%.

Investor returns

The Return on Average Shareholder Funds [ROE] for the Bank was of 13.73% [2018: 17.41%] and the Earnings per Share for the year were LKR 23.05 [2018: LKR 28.44]. The same ratios for the Group were 11.59% [2018: 14.26%] and LKR 21.53 [2018: LKR 26.33] respectively. Return (before tax) on Average Assets for the Bank was 2.01% [2018: 2.22%] and for the Group was 1.97% [2018: 2.17%]. The net asset value per share of the Bank improved to LKR 178.02 from LKR 166.41 as at 31 December 2018 and the same ratio for the Group was LKR 195.60 [2018: LKR 185.49]. The share price closed at LKR 100.00 compared to LKR 106.80 as at 31 December 2018.

During 2019, NDB continued to be recognized with many awards for its excellence in a multitude of areas such as business performance, digital financial services, human relations, quality in financial reporting, sustainability aspects, etc. Some notable awards won were, Winner - Sri Lanka in the World's Best Consumer Digital Banks Awards 2019 conducted by Global Finance of USA, Best Bank in Sri Lanka 2019 awarded by the AsiaMoney Magazine and the Runner-up at the Best Bank category at the National Business Excellence Awards organized by the National Chamber of Commerce of Sri Lanka for 2019.

2019 was a year of sustained growth for NDB as well as one in which the Bank demonstrated its proficiency in delivering results to all its stakeholders amidst highly challenging circumstances. The Bank's rich history of 40 years, its committed and skilled human capital and the intrinsic strength of sound systems and procedures in place have positioned the Bank for further enhanced services to the nation and value generated to all stakeholders, in 2020 and beyond.

STATEMENT OF PROFIT OR LOSS

	Bank					Group				
	Period ended 31/12/2019	Period ended 31/12/2018 (Audited)	**Change**	**Quarter ended 31/12/2019**	Quarter ended 31/12/2018 Restated	**Period ended 31/12/2019**	Period ended 31/12/2018 (Audited)	**Change**	**Quarter ended 31/12/2019**	Quarter ended 31/12/2018 Restated
	LKR '000	LKR '000	**%**	**LKR '000**	LKR '000	**LKR '000**	LKR '000	**%**	**LKR '000**	LKR '000
Gross Income	**59,113,538**	**51,103,420**	**16**	**15,200,413**	**14,306,319**	**60,237,165**	**52,071,241**	**16**	**15,705,533**	**14,850,879**
Interest Income	53,174,791	44,354,296	20	13,751,146	12,563,860	53,401,614	44,621,712	20	13,805,534	12,635,609
Interest Expenses	35,467,033	29,549,656	20	9,134,970	8,386,796	35,430,833	29,517,983	20	9,126,218	8,377,637
Net Interest Income	**17,707,758**	**14,804,640**	**20**	**4,616,176**	**4,177,064**	**17,970,781**	**15,103,729**	19	**4,679,316**	4,257,972
										-
Net Fee and Commission Income	**3,909,229**	3,136,329	**25**	1,156,300	864,338	4,868,944	3,947,738	23	1,393,941	1,050,930
					-					-
Net gain/(loss) from trading	990,160	1,218,338	(19)	223,630	356,984	990,160	1,218,338	(19)	223,630	356,985
Net gain/(loss) from financial investments at fair value Through Profit or Loss	3,186	(6,712)	147	334	9,065	45,473	56,194	(19)	42,585	46,969
Net gains/(losses) from derecognition of financial assets	715,798	383,564	87	52,318	(36,931)	729,146	449,880	62	56,395	(30,091)
Other operating income	320,373	2,017,605	(84)	16,684	549,003	201,828	1,777,379	(89)	183,448	790,477
Total Operating Income	**23,646,504**	**21,553,764**	10	**6,065,443**	5,919,523	24,806,331	**22,553,258**	**10**	**6,579,314**	6,473,242
					-					-
Impairment charges					-					-
Individual Impairment	2,721,578	2,827,052	(4)	602,299	1,348,540	2,721,578	2,827,052	(4)	602,299	1,348,540
Collective Impairment	1,123,979	770,069	46	562,620	(463,805)	1,123,979	770,069	46	562,620	(463,805)
Other provisions - charge/(release)	312,224	(16,112)	2,038	126,601	5,870	559,919	167,737	234	191,949	110,740
	4,157,781	3,581,009	16	1,291,520	890,605	4,405,476	3,764,858	17	1,356,868	995,475
					-					-
Net operating income	**19,488,723**	**17,972,755**	8	**4,773,923**	5,028,918	**20,400,855**	**18,788,400**	**9**	**5,222,446**	5,477,767
					-					-
Operating Expenses					-					-
Personnel Expenses	4,957,147	4,443,795	12	1,254,912	1,192,760	5,459,820	4,898,398	11	1,360,573	1,322,687
Depreciation and amortization	525,085	442,169	19	131,940	123,406	609,023	508,895	20	151,354	140,868
Other Expenses	3,952,250	3,592,763	10	894,331	1,016,810	4,339,643	3,959,287	10	990,213	1,113,966
Total operating expenses	**9,434,482**	**8,478,726**	11	2,281,183	2,332,976	**10,408,486**	**9,366,580**	11	2,502,140	2,577,521
					-					-
Operating Profit Before VAT, NBT & DRL on Financial Services	**10,054,240**	**9,494,029**	6	**2,492,740**	2,695,942	**9,992,369**	**9,421,820**	6	**2,720,306**	2,900,246
					-					-
Less: Value Added Tax (VAT) on Financial services	1,837,750	1,710,172	7	463,700	482,672	1,837,750	1,710,172	7	463,700	482,672
Nation Building Tax (NBT) on Financial services	230,710	227,923	1	45,770	64,754	230,710	227,923	1	45,770	64,754
Debt repayment Levy	1,002,980	235,426	326	245,660	235,426	1,002,980	235,426	100	245,660	235,426
Operating Profit After Tax on Financial Services	6,982,800	7,320,508	(5)	1,737,610	1,913,090	6,920,929	7,248,299	(5)	1,965,176	2,117,394
					-					-
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	**6,982,800**	7,320,508	(5)	**1,737,610**	1,913,090	**6,920,929**	**7,248,299**	(5)	**1,965,176**	2,117,394
Less : Income tax expenses	1,871,204	1,772,116	6	(23,278)	216,334	2,035,915	1,972,312	3	62,360	287,483
Profit for the period	**5,111,596**	5,548,392	(8)	**1,760,888**	1,696,756	**4,885,014**	**5,275,987**	(7)	**1,902,816**	1,829,911
Profit Attributable to:										-
Equity Holders of the parent	5,111,596	5,548,392	(8)	1,760,888	1,696,756	4,775,935	5,136,168	(7)	1,838,649	1,740,396
Non Controlling Interests	-	-		-	-	109,079	139,819	(22)	64,167	89,515
	5,111,596	**5,548,392**	(8)	**1,760,888**	**1,696,756**	**4,885,013**	**5,275,987**	(7)	**1,902,816**	1,829,911
Basic Earnings per share (in LKR)	**23.05**	**28.44**	(19)	**7.94**	**8.70**	**21.53**	**26.33**	(18)	**8.29**	**8.92**
Diluted Earnings per share (in LKR)	**23.05**	**28.44**	(19)	**7.94**	**8.70**	**21.53**	**26.33**	(18)	**8.29**	**8.92**

STATEMENT OF COMPREHENSIVE INCOME

	Period ended 31/12/2019	Period ended 31/12/2018 (Audited)	**Change**	**Quarter ended 31/12/2019**	Quarter ended 31/12/2018	**Period ended 31/12/2019**	Period ended 31/12/2018 (Audited)	**Change**	**Quarter ended 31/12/2019**	Quarter ended 31/12/2018
	LKR '000	LKR '000	**%**	**LKR '000**	LKR '000	**LKR '000**	LKR '000	**%**	**LKR '000**	LKR '000
Profit for the period	**5,111,596**	**5,548,392**	(8)	**1,760,888**	**1,696,756**	**4,885,013**	**5,275,987**	(7)	**1,902,815**	**1,829,911**
Items that will be reclassified to Income Statement										
Exchange differences on translation of foreign operations	-	-	-	-	-	**(7,052)**	58,443	(112)	**(1,674)**	27,519
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	**1,227,304**	(1,210,600)	201	**259,558**	(423,277)	**1,219,194**	(1,198,934)	202	**211,035**	(453,146)
Changes in Impairment allowance for Expected credit losses	**33,469**	16,308	105	**19,806**	16,308	**264,848**	98,275	169	**76,308**	98,275
Net Gains /(losses) on cash flow hedges	**(102,924)**	115,502	(189)	**234,735**	(283,833)	**(102,924)**	115,502	(189)	**234,735**	(283,833)
Less :Tax expense relating to items that will be reclassified to Income Statements	**(668,675)**	562,442	(219)	**(67,129)**	118,518	**(619,856)**	554,595	(212)	**(6,929)**	110,671
A	**489,174**	(516,349)	195	**446,970**	(572,285)	**754,210**	(372,119)	303	**513,474**	(500,514)
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	**(376,829)**	(148,875)	(153)	**59,515**	123,118	**(376,829)**	(148,875)	(153)	**59,515**	123,118
Revaluation of Land & Buildings	**307,211**	-	100	**307,211**	-	**320,991**	30,186	963	**320,991**	30,186
Actuarial losses on defined benefit plans	**(287,717)**	76,492	(476)	**(287,717)**	76,492	**(307,371)**	74,874	(511)	**(307,371)**	74,874
Less :Tax expense relating to items that will not be reclassified to Income Statements	**(47,923)**	2,308	(2,176)	**(47,923)**	2,308	**(41,315)**	2,308	(1,890)	**(41,315)**	2,308
B	**(405,257)**	(70,075)	(478)	**31,087**	(70,075)	**(404,524)**	(41,507)	(875)	**31,820**	230,486
Total Other Comprehensive Income after Tax A + B	**83,916**	(586,424)	114	**478,057**	(642,360)	**349,685**	(413,626)	185	**545,294**	(270,028)
Total Comprehensive Income for the period	**5,195,512**	4,961,968	5	**2,238,945**	1,326,390	**5,234,698**	4,862,361	8	**2,448,109**	1,559,883
Attributable to:										
Equity holders of the parent	5,195,512	4,961,968	5	**2,238,945**	1,326,390	5,125,713	4,804,398	7	**2,383,909**	1,559,883
Non Controlling Interests	-				-	108,985	57,963	88	**64,200**	-
	5,195,512	4,961,968	5	**2,238,945**	1,326,390	**5,234,698**	4,862,361	8	**2,448,109**	1,559,883

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Period	Previous Period		Current Period	Previous Period	
	As at 31/12/2019	As at 31/12/2018 (Audited)	Change	As at 31/12/2019	As at 31/12/2018 (Audited)	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets						
Cash and cash equivalents	5,703,468	6,537,579	(13)	6,081,359	7,071,438	(14)
Balances with the Central Bank of Sri Lanka	13,886,575	15,546,386	(11)	13,886,575	15,546,386	(11)
Placements with banks	6,291,047	15,237,306	(59)	6,291,047	15,237,306	(59)
Derivative Financial Instruments	1,596,359	3,937,847	(59)	1,596,359	3,937,847	(59)
Financial assets recognized through profit or loss measured at fair value	932,253	1,947,242	(52)	3,488,735	4,052,409	(14)
Financial assets at amortised cost -loans and receivables to other customers	396,648,811	344,203,289	15	396,672,022	344,276,363	15
Financial assets at amortised cost - debt and other instruments	27,485,885	24,070,365	14	27,485,885	24,175,346	14
Financial assets measured at fair value through other comprehensive income	67,018,254	52,908,306	27	68,430,331	54,487,227	26
Investments in subsidiary companies	2,144,774	2,166,714	(1)	-	-	-
Investment Property	-	-	-	2,272,881	2,110,661	8
Intangible assets	687,785	379,896	81	700,908	396,742	77
Property, plant & equipment	3,012,213	2,569,874	17	3,565,166	3,144,359	13
Right to Used Assets	960,849	-	100	1,229,414	-	-
Current Tax Assets	-	-	-	23,396	27,842	(16)
Deferred tax Assets	599,216	1,059,485	(43)	647,444	1,100,736	(41)
Other assets	2,626,940	2,347,641	12	3,228,104	2,932,641	10
Total assets	**529,594,428**	**472,911,930**	**12**	**535,599,626**	**478,497,303**	**12**
Liabilities						
Due to Banks	18,380,356	15,047,481	22	18,380,356	15,047,481	22
Derivative Financial Instruments	728,873	2,906,572	(75)	728,873	2,906,572	(75)
Financial Liabilities at amortised cost -due to depositors	405,048,024	347,511,223	17	404,667,529	347,169,564	17
Financial Liabilities at amortised cost						
- due to debt securities holders	1,398,068	6,394,211	(78)	1,398,068	6,382,024	(78)
- due to other borrowers	29,342,027	37,040,987	(21)	29,342,027	37,040,987	(21)
Debt securities issued	23,108,734	16,811,808	37	23,108,734	16,811,808	37
Retirement benefit obligations	583,933	408,308	43	718,983	501,531	43
Current Tax Liabilities	2,247,997	3,077,151	(27)	2,342,373	3,175,066	(26)
Deferred Tax Liabilities	-	-	-	566,983	512,532	11
Other liabilities	9,197,775	8,638,014	6	9,732,266	8,760,117	11
Dividends payable	74,804	78,133	(4)	74,804	78,133	(4)
Total liabilities	**490,110,591**	**437,913,888**	**12**	**491,060,996**	**438,385,815**	**12**
Equity						
Stated Capital	7,685,334	6,469,323	19	7,685,334	6,469,323	19
Statutory Reserve Fund	1,896,479	1,636,479	16	1,896,479	1,636,479	16
General Reserve	5,805,707	5,805,707	-	5,805,707	5,805,707	-
Retained Earnings	23,689,843	20,966,190	13	27,416,982	24,764,107	11
Other Reserves	406,472	120,343	238	578,848	336,830	72
Total shareholders' equity	**39,483,835**	**34,998,042**	**13**	**43,383,350**	**39,012,446**	**11**
Non Controlling Interests	-	-	-	1,155,280	1,099,042	5
Total Equity	**39,483,835**	**34,998,042**	**13**	**44,538,630**	**40,111,488**	11
Total liabilities and equity	**529,594,428**	**472,911,930**	**12**	**535,599,626**	**478,497,303**	**12**
Net Book Value Per Share (LKR)	**178.02**	**166.41**	7	**195.60**	**185.49**	5
Contingent liabilities and commitments	**293,145,821**	**288,882,867**		**293,267,959**	**289,758,239**	

Memorandum Information		
Number of Employees	2,936	2,494
Number of Branches	112	108

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 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.)
Kavan Ratnayaka
Director/Chairman

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

18 February 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Stated Capital	Statutory Reserve Fund	Other Reserves				General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Available for Sale	Fair Value Reserve	Cash Flow Hedge Reserve					
	LKR '000	LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK											
Balance as at 1 January 2018	2,208,520	1,336,479	1,041,261	(225,196)	-	(14,191)	5,805,707	18,585,255	28,737,835	-	28,737,837
Transitional Impact on the adoption of SLFRS 9	-	-	-	225,196	(225,196)	-	-	(2,457,013)	(2,457,013)		(2,457,013)
Deffered tax on transitional adjustments	-	-	-	-	-	-	-	687,964	687,964		687,964
Restated opening balance under SLFRS 9	2,208,520	1,336,479	1,041,261	-	(225,196)	(14,191)	5,805,707	16,816,206	26,968,786		26,968,788
Total Comprehensive Income for the Year											
Profit for the period	-	-	-	-	-	-	-	5,548,392	5,548,392	-	5,548,392
Other Comprehensive Income before Tax	-	-	-	-	(1,359,475)	115,502	-	92,800	(1,151,173)	-	(1,151,173)
Tax on Other Comprehensive Income	-	-		-	562,442	-	-	2,308	564,750	-	564,750
Total Comprehensive Income for the year	-	-	-	-	(797,033)	115,502	-	5,643,500	4,961,969	-	4,961,968
Transactions with equity holders											
Issue of Shares	3,449,676	-	-	-	-	-	-	-	3,449,676	-	3,449,676
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	(300,000)	-	-	-
Final Dividend for year 2017 -Scrip	811,127	-	-	-	-	-	-	(857,429)	(46,302)	-	(46,302)
Final Dividend for year 2017 - Cash	-	-	-	-	-	-	-	(336,085)	(336,085)	-	(336,085)
Balance as at 31 December 2018	**6,469,323**	**1,636,479**	**1,041,261**	**-**	**(1,022,229)**	**101,311**	**5,805,707**	**20,966,189**	**34,998,044**	**-**	**34,998,042**
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 16	-	-	-			-	-	(259,925)	(259,925)	-	(259,925)
Restated Balance as at 1 January 2019 under SLFRS 16	6,469,323	1,636,479	1,041,261	-	(1,022,229)	101,311	5,805,707	20,706,265	34,738,118	-	34,738,118
Total Comprehensive Income for the Year											
Profit for the period	-	-	-	-		-	-	5,111,596	5,111,596	-	5,111,596
Other Comprehensive Income before Tax	-	-	307,211	-	850,474	(102,924)	-	(254,247)	800,514	-	800,514
Tax on Other Comprehensive Income	-	-	(86,019)	-	(682,613)	-	-	52,034	(716,598)	-	(716,598)
Total Comprehensive Income for the year	-	-	221,192	-	167,862	(102,924)	-	4,909,383	5,195,512	-	5,195,512
Transactions with equity holders											
Transfer to statutory reserve fund	-	260,000	-	-	-	-	-	(260,000)	-	-	-
Final Dividend for year 2018- Scrip	1,216,012	-	-	-	-	-	-	(1,367,061)	(151,049)	-	(151,049)
Final Dividend for year 2018- Cash	-	-	-	-	-	-	-	(298,747)	(298,747)	-	(298,747)
Balance as at 31 December 2019	**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**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Stated Capital	Statutory Reserve Fund	Other Reserves				General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Available for Sale	Fair Value Reserve	Cash Flow Hedge Reserve					
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
GROUP											
Balance as at 1 January 2018	2,208,521	1,336,479	1,136,654	(236,382)	-	(14,191)	5,805,707	22,775,440	33,012,227	965,746	33,977,973
Transitional Impact on the adoption of SLFRS 9				236,382	(236,382)			(2,456,276)	(2,456,276)	2	(2,456,274)
Deffered tax on transitional adjustments								688,663	688,663	-	688,663
Restated opening balance under SLFRS 9	2,208,521	1,336,479	1,136,654	-	(236,382)	(14,191)	5,805,707	21,007,827	31,244,614	965,748	32,210,362
Total Comprehensive Income for the Year											
Profit for the period	-	-	-	-	-	-	-	5,136,168	5,136,168	139,819	5,275,987
Other Comprehensive Income before Tax	-	-	30,186	-	(1,347,809)	115,502	-	218,252	(983,869)	13,340	(970,529)
Tax on Other Comprehensive Income	-	-	-	-	554,595	-	-	2,308	556,903	-	556,903
Total Comprehensive Income for the year	-	-	30,186	-	(793,214)	115,502	-	5,356,728	4,709,201	153,159	4,862,361
Transactions with equity holders											
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	(300,000)	-	-	-
Issue of Shares	3,449,676	-	-	-	-	-	-	-	3,449,676	-	3,449,676
Final Dividend for year 2017 -Scrip	811,127	-	-	-	-	-	-	(857,429)	(46,302)	-	(46,302)
Final Dividend for year 2017 - Cash	-	-	-	-	-	-	-	(336,087)	(336,087)	-	(336,087)
Adjustment due to changes in group companies	-	-	-	-	-	-	-	(8,657)	(8,657)	30,660	22,003
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	-	(50,523)	(50,523)
Balance as at 31 December 2018	**5,658,197**	**1,636,479**	**1,166,840**	**-**	**(1,029,596)**	**101,311**	**5,805,707**	**24,862,382**	**39,012,445**	**1,099,042**	**40,111,488**
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 16	-	-	-	-	-	-	-	(305,038)	(305,038)	(37)	(305,075)
Restated Balance as at 1 January 2019 under SLFRS 16	6,469,323	1,636,479	1,166,840	-	-	101,311	5,805,707	24,557,344	38,707,408	1,099,005	39,806,413
Total Comprehensive Income for the Year											
Profit for the period	-	-	-	-	-	-	-	4,775,935	4,775,935	109,079	4,885,014
Other Comprehensive Income before Tax	-	-	320,991	-	842,365	(102,924)	-	(49,464)	1,010,968	(111)	1,010,857
Tax on Other Comprehensive Income	-	-	(82,161)	-	(637,978)	-	-	58,967	(661,172)	-	(661,172)
Total Comprehensive Income for the year	-	-	238,831	-	204,387	(102,924)	-	4,785,438	5,125,731	108,968	5,234,698
Transactions with equity holders											
Transfer to statutory reserve fund	-	260,000	-	-	-	-	-	(260,000)	-	-	-
Final Dividend for year 2018- Scrip	1,216,012	-	-	-	-	-	-	(1,367,061)	(151,049)	-	(151,049)
Final Dividend for year 2018- Cash	-	-	-	-	-	-	-	(298,741)	(298,741)	-	(298,741)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	-	(52,685)	(52,685)
Balance as at 31 December 2019	**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**

STATEMENT OF CASH FLOW

For the period ended 31 December	BANK 2019 LKR '000	BANK 2018 LKR '000	GROUP 2019 LKR '000	GROUP 2018 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	49,936,225	40,951,417	50,116,030	41,252,618
Fee based income received	3,927,886	3,165,779	4,716,160	4,068,512
Dividend income received	419,938	568,518	76,462	123,146
Other Operating income received	1,562,829	2,943,489	1,569,068	2,943,489
Interest paid	(32,573,505)	(28,022,485)	(32,579,164)	(28,031,190)
Personnel costs paid	(4,867,086)	(4,348,634)	(5,226,060)	(4,691,092)
Other expenses paid	(4,611,582)	(3,404,759)	(4,955,702)	(3,821,127)
Operating Profit before changes in operating assets and liabilities	**13,794,705**	**11,853,325**	**13,716,794**	**11,844,356**
(Increase)/decrease in operating assets				
Deposits held for regulatory or monitory control purposes	1,659,812	(181,466)	1,659,812	(181,466)
Financial Assets at amortised cost -loans and receivables to other customers	(52,771,353)	(73,574,161)	(52,771,353)	(73,574,161)
Net (increase)/decrease in operating assets	901,129	(1,557,659)	850,957	(1,516,458)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	56,643,612	72,511,339	56,643,612	72,511,339
Financial liabilities at amortised cost - due to debt securities holders	(5,613,250)	(3,132,870)	(5,613,250)	(3,132,870)
Financial liabilities at amortised cost - due to other borrowers	6,660,132	(2,491,485)	6,660,132	(2,491,485)
Net increase/(decrease) in other liabilities	(2,120,727)	1,244,708	(1,951,134)	1,157,400
Net cash generated from operating activities before taxation	**19,154,060**	**4,671,731**	**19,195,570**	**4,616,655**
Tax on Financial Services paid	(1,909,163)	(1,893,940)	(1,932,033)	(1,893,940)
Income taxes paid	(2,956,685)	(1,451,843)	(3,017,136)	(1,527,268)
Net cash provided by/(used in) operating activities	**14,288,212**	**1,325,948**	**14,246,401**	**1,195,447**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(16,238,618)	(1,002,720)	(16,109,134)	(358,785)
Net cash flow from liquidation of associates company	-	23,400	-	23,400
Purchase of Intangible assets	(184,162)	(218,304)	(184,162)	(231,436)
Purchase of property, plant & equipment	(1,250,430)	(724,174)	(1,447,225)	(763,420)
Proceeds from sale of property, plant & equipment	994	40,690	3,050	40,690
Net cash (used in) from investing activities	**(17,672,216)**	**(1,881,108)**	**(17,737,471)**	**(1,289,551)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary of shares (as a right issue)	-	3,449,676	-	3,499,677
Repayment of debts securities issued	-	(2,771,590)	-	(2,771,590)
Interest paid on debts securities issued	(1,750,931)	(2,032,758)	(1,750,931)	(2,032,758)
Repayment of Institutional borrowings	(11,653,165)	(6,922,794)	(11,653,165)	(6,922,794)
Proceeds from Institutional borrowings	1,760,967	24,822,518	1,760,967.00	24,822,518
Proceeds from debt securities issued	5,561,200	-	5,561,200	-
Dividends paid to non-controlling interests	-	-	(48,902)	(46,046)
Dividends paid to shareholders of the Bank	(314,437)	(330,157)	(314,437)	(330,157)
Net cash provided by /(used in) financing activities	**(6,396,366)**	**16,214,895**	**(6,445,268)**	**16,218,850**
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,780,370)	15,659,735	(9,936,338)	16,124,746
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21,774,885	6,115,150	22,308,744	6,183,998
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**11,994,515**	**21,774,885**	**12,372,406**	**22,308,744**
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	5,703,468	6,537,579	6,081,359	7,071,438
Placements with banks	6,291,047	15,237,306	6,291,047	15,237,306
	11,994,515	**21,774,885**	12,372,406	**22,308,744**

SEGMENTAL ANALYSIS- GROUP

For the period ended 31 December	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Revenue										
Interest Income	53,174,791	44,354,296	190,623	235,381	-	-	-	-	53,365,414	44,589,677
Net Fee and Commission Income	3,909,229	3,136,329	610,601	496,360	179,744	152,611	129,172	124,848	4,828,745	3,910,148
Net gain/(loss) from trading	990,160	1,218,338	-	-	-	-	-	-	990,160	1,218,338
Net gain/(loss) from financial investments at fair value Through Profit or Loss	3,186	(6,712)	42,287	62,906	-	-	-	-	45,473	56,194
Net gains/(losses) from derecognition of financial assets	715,798	383,564	13,348	66,316	-	-	-	-	729,146	449,880
Other Operating Income	(53,976)	1,496,121	93,584	65,445	162,220	215,814	-	-	201,828	1,777,379
Total revenue from external customers	58,739,188	50,581,936	950,442	926,408	341,964	368,425	129,172	124,848	60,160,766	52,001,616
Inter-segment Revenue	-	-	11,109	12,725	65,304	56,900	-	-	76,414	69,625
Total Revenue	58,739,188	50,581,936	961,552	939,132	407,268	425,325	129,172	124,848	60,237,165	52,071,241
Impairment (charge)/reversal for loans & other losses	(4,157,781)	(3,597,121)	(247,695)	(167,737)	-	-	-	-	(4,405,476)	(3,764,858)
Segment expenses	(44,865,316)	(37,996,710)	(837,799)	(760,245)	(28,359)	(22,860)	(107,847)	(104,749)	(45,839,318)	(38,884,564)
Total segment expenses	(49,023,097)	(41,593,830)	(1,085,494)	(927,982)	(28,359)	(22,860)	(107,847)	(104,749)	(50,244,795)	(42,649,422)
Segment results	9,716,092	8,988,105	(123,942)	11,150	378,909	402,465	21,325	20,099	9,992,370	9,421,820
Income tax expenses	-	-	-	-	-	-	-	-	2,035,915	1,972,312
Taxes on financial services	-	-	-	-	-	-	-	-	3,071,439	2,173,521
Profit after taxation									4,885,015	5,275,987
Other information										
Segment assets	529,587,542	472,979,937	3,311,446	3,018,627	2,580,015	2,405,461	120,629	93,277	535,599,631	478,497,303
Consolidated total assets									535,599,626	478,428,205
Segment liabilities	489,706,787	437,632,380	715,045	187,183	630,425	552,266	8,739	13,986	491,060,997	438,385,815
Consolidated total liabilities									491,060,997	438,316,725
Segmental Cash flows										
Cash flows from operating activities	14,288,212	1,325,947	(183,585)	(185,451)	128,161	53,626	13,613	1,325	14,246,401	1,195,448
Cash flows from investing activities	(17,672,216)	(1,881,108)	(69,642)	294,330	(1,742)	310,744	6,128	(13,517)	(17,737,471)	(1,289,551)
Cash flows from financing activities	(6,396,366)	16,214,895	77,600.00	44,236	(126,502)	(40,272)	-	(9)	(6,445,268)	16,218,850

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 recognized through profit or loss measured at fair value	932,253	-	-	-	-	932,253
Financial assets at amortised cost -loans and receivables to other customers	-	396,648,811	-	-	-	396,648,811
Financial Assets at amortised cost - debt and other 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	-	13,978	-	-	-	13,978
Total Financial Assets	**2,528,612**	**450,029,764**	**67,018,254**	**-**	**-**	**519,576,629**

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	-	2,209,787	-	2,209,787
Total Financial Liabilities	**728,873**	**479,486,997**	**-**	**480,215,870**

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 recognized through profit or loss measured at fair value	3,488,735	-	-	-	-	3,488,735
Financial assets at amortised cost -loans and receivables to other customers	-	396,672,022	-	-	-	396,672,022
Financial Assets at amortised cost - debt and other 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	-	37,259	-	-	-	37,259
Total Financial Assets	**5,085,094**	**450,454,147**	**68,430,331**	**-**	**-**	**523,969,572**

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	-	2,238,716	-	2,238,716
Total Financial Liabilities	**728,873**	**479,135,430**	**-**	**479,864,303**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2018 - 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	-	6,537,579	-	-	-	6,537,579
Balances with the Central Bank of Sri Lanka	-	15,546,386	-	-	-	15,546,386
Placements with banks	-	15,237,306	-	-	-	15,237,306
Derivative Financial Instruments	3,937,847	-	-	-	-	3,937,847
Financial Assets measured at fair value through profit or loss	1,947,242	-	-	-	-	1,947,242
Financial Assets at amortised cost -loans and advances	-	344,203,289	-	-	-	344,203,289
Financial Assets at amortised cost - debt instruments	-	24,070,365	-	-	-	24,070,365
Financial assets measured at fair value through other comprehensive income	-	-	52,908,306	-	-	52,908,306
Other Financial Assets	-	21,756	-	-	-	21,756
Total Financial Assets	**5,885,089**	**405,616,682**	**52,908,306**	**-**	**-**	**464,410,076**

LIABILITIES	At fair value through profit or loss	Amortized cost	Others	Total
Due to Banks	-	15,047,481	-	15,047,481
Derivative Financial Instruments	2,906,572	-	-	2,906,572
Financial Liabilities at amortised cost -due to depositors	-	347,511,223	-	347,511,223
Financial Liabilities at amortised cost				
- due to debt securities holders	-	6,394,211	-	6,394,211
- due to other borrowers	-	37,040,987	-	37,040,987
Debt securities issued	-	16,811,808	-	16,811,808
Other Financial Liabilities	-	2,751,011	-	2,751,011
Total Financial Liabilities	**2,906,572**	**425,556,721**	**-**	**428,463,293**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2018 - 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	-	7,071,438	-	-	-	7,071,438
Balances with the Central Bank of Sri Lanka	-	15,546,386	-	-	-	15,546,386
Placements with banks	-	15,237,306	-	-	-	15,237,306
Derivative Financial Instruments	3,937,847	-	-	-	-	3,937,847
Financial Assets measured at fair value through profit or loss	4,052,409	-	-	-	-	4,052,409
Financial Assets at amortised cost -loans and advances	-	344,276,363	-	-	-	344,276,363
Financial Assets at amortised cost - debt instruments	-	24,175,346	-	-	-	24,175,346
Financial assets measured at fair value through other comprehensive income	-	-	54,487,227	-	-	54,487,227
Other Financial Assets	-	381,626	-	-	-	381,626
Total Financial Assets	**7,990,256**	**406,688,465**	**54,487,227**	**-**	**-**	**469,165,948**

LIABILITIES	At fair value through profit or loss	Amortized cost	Others	Total
Due to Banks	-	15,047,481	-	15,047,481
Derivative Financial Instruments	2,906,572	-	-	2,906,572
Financial Liabilities at amortised cost -due to depositors	-	347,169,564	-	347,169,564
Financial Liabilities at amortised cost				
- due to debt securities holders	-	6,382,024	-	6,382,024
- due to other borrowers	-	37,040,987	-	37,040,987
Debt securities issued	-	16,811,808	-	16,811,808
Other Financial Liabilities	-	2,798,750	-	2,798,750
Total Financial Liabilities	**2,906,572**	**425,250,614**	**-**	**428,157,186**

Notes to the Financial Statements

1 The figures are extracted from the unaudited financial statements.

2 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 last year Annual Report. These Financial Statements also comply with Sri Lanka Accounting Standard 34- "Interim Financial Reporting".

3 The Bank adopted SLFRS 9 -Financial Instruments with effect from 1 January 2018, and the comparative figures represent the audited financial performance for the year ended 31 December 2018, in compliance with SLFRS 9 -Financial Instruments. The transitional impact on the adoption of SLFRS 9 is adjusted in the opening equity as at 01 January 2018.

4 Sri Lanka Accounting Standard - SLFRS 16 Leases became effective for the financial periods beginning on or after 1 January 2019. Accordingly the Bank recognised the right to use assets and the lease liability with regard to operating lease agreements of the Bank. In order to recognise the impact on the transition, the Bank has adopted the modified retrospective approach in line with paragraph C 5, C7 of Appendix C ,"Effective date and transition", of SLFRS 16 Leases.

5 On 22 February 2019, the Bank declared a first and final dividend of LKR 8.00 per share comprising of a cash dividend of LKR 1.50 per share and a scrip dividend of LKR 6.50 per share for the financial year ended 31 December 2018. Accordingly ,the stated capital of the Bank increased to LKR 7,685 Mn (LKR 6,469 Mn as at 31 December 2018) as a result of the scrip dividends declared for the year ended 31 December 2018.

6 The Bank raised LKR 5.56 Bn via a debenture issue in March 2019 comprising of 55,612,000 Basel III compliant - Tier II, listed, rated, unsecured, subordinated redeemable 5 year debentures of Rs. 100/- each, with a non-viability conversion feature.

7 On 20 December 2019, The Central Bank of Sri Lanka issued a direction on the framework for dealing with Domestic Systematically Important Banks (DSIBs), which identifies a DSIB based on a relative score. As per this direction despite crossing the LKR 500 Bn asset base, NDB’s regulatory capital requirement remains at 8.5% for Tier 1 and 12.5% for Total Capital. NDB’s capital ratios as at 31 December 2019 were 9.11% and 13.36% for Tier 1 and Total capital respectively, well above the regulated minimum ratios. The same ratios for the NDB Group were 10.09% and 14.14%.

8 **New amendments to the Income Tax Law announced by the Government**

The Group adopted the tax rates prevailed as at 31st December 2019 to calculate deferred tax assets/liabilities. 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 deferred tax liabilities/assets as at 31st December 2019 as this amendment is not substantively enacted by the end of the reporting period. The Bank has a cumulative net deferred tax asset of Rs 671 Mn recognised through P&L and net deferred tax liability of Rs 72 Mn recognised through OCI. Had the Bank applied the reduced income tax rate of 24% to calculate deferred tax assets/liabilities as at 31st December 2019, an additional deferred tax expense of Rs 96 Mn and reversal of Rs 10 Mn would have got charged to the P&L and reversed from OCI respectively for the year ended 31st December 2019.Accordingly, the Group also adopted the tax rates prevailed as at 31st December 2019 to calculate deferred tax assets/liabilities.

The Department of Inland Revenue has issued a Notice on amendments to the Income Tax law on 12th February 2020. Accordingly interest income earned from Sri Lanka Development Bonds is exempted from income tax with effect from 01st April 2018. Therefore, the income tax liability on SLDB interest income already recognized was reversed from the Financial Statements as at 31st December 2019.

9 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

9. ANALYSIS OF LOANS & ADVANCES,COMMITMENTS,CONTINGENCIES AND IMPAIRMENT AS AT 31 December 2019

9.1 Product wise Gross Loans and Receivables	Bank		Group	
	As at 31/12/2019 LKR '000	As at 31/12/2018 LKR '000	As at 31/12/2019 LKR '000	As at 31/12/2018 LKR '000
By product-Domestic Currency				
Term loans	112,966,347	86,364,492	112,966,349	86,364,494
Medium and short term loans	45,889,420	41,660,230	45,889,420	41,660,230
Overdrafts	50,324,543	51,786,306	50,255,807	51,759,437
Trade Finance	16,111,316	16,299,562	16,111,316	16,299,562
Consumer loans	37,915,878	29,071,486	37,915,878	29,071,486
Lease rentals receivable	25,842,041	20,688,421	25,842,041	20,688,421
Housing loans	15,860,023	12,906,879	15,860,023	12,906,879
Islamic Banking facilities	8,742,843	6,742,016	8,742,843	6,742,016
Credit cards	6,212,728	3,216,388	6,212,728	3,216,388
AF Loans	3,760,515	3,979,135	3,760,515	3,979,135
Staff loans	1,970,459	1,762,873	2,062,404	1,862,814
Pawning	1,117,274	411,063	1,117,274	411,063
Hire Purchase	13,156	78,685	13,156	78,685
PCI Debtors	-	259	-	259
Sub total	**326,726,543**	**274,967,796**	**326,749,754**	**275,040,870**
By product-Foreign Currency				
Term loans	7,519,992	78,753	7,519,992	78,753
Overdrafts	3,178,970	2,622,767	3,178,970	2,622,767
Medium and short term loans	40,777,560	41,118,391	40,777,560	41,118,391
Trade Finance	27,246,038	30,544,902	27,246,038	30,544,902
Islamic Banking facilities	3,741,555	4,027,786	3,741,555	4,027,786
Housing loans	30,773	9,254	30,773	9,254
Sub total	**82,494,889**	**78,401,853**	**82,494,889**	**78,401,853**
Total	**409,221,432**	**353,369,649**	**409,244,643**	**353,442,723**

9.2 Product wise commitments and contingencies	Bank		Group	
By product- Domestic Currency	As at 31/12/2019 LKR '000	As at 31/12/2018 LKR '000	As at 31/12/2019 LKR '000	As at 31/12/2018 LKR '000
Guarantees	29,728,454	20,800,622	29,728,454	20,754,671
Performance Bonds	8,860,859	6,246,936	8,860,859	6,246,936
Documentary Credits	191,484	158,559	191,484	158,559
Acceptances	100,110	46,456	100,110	46,456
Undrawn commitments	109,734,383	98,012,490	109,734,383	98,933,813
Sub Total	**148,615,290**	**125,265,063**	**148,615,290**	**126,140,435**
By product- Foreign Currency				
Guarantees	10,832,955	7,725,000	10,832,955	7,725,000
Performance Bonds	6,428,518	7,003,860	6,428,518	7,003,860
Documentary Credits	10,683,864	9,748,480	10,683,864	9,748,480
Acceptances	8,659,851	11,078,610	8,659,851	11,078,610
Undrawn commitments	1,352,426	778,817	1,352,426	778,817
Sub Total	**37,957,614**	**36,334,767**	**37,957,614**	**36,334,767**
Total	**186,572,904**	**161,599,831**	**186,572,904**	**162,475,203**

	As at 31/12/2019 LKR '000	As at 31/12/2018 LKR '000	As at 31/12/2019 LKR '000	As at 31/12/2018 LKR '000
Gross loans and advances ,Commitments and Contingencies	595,794,336	514,969,479	595,817,547	515,917,926
(Less): Accumulated impairment under stage 1	2,682,507	1,801,385	2,682,507	1,801,385
Accumulated impairment under stage 2	1,674,451	2,121,671	1,674,451	2,121,671
Accumulated impairment under stage 3	8,215,663	5,243,304	8,215,662	5,243,304
Net value of loans and advances, commitments and contingencies	**583,221,714**	**505,803,119**	**583,244,927**	**506,751,566**

9.3 Movement of impairment during the period	Bank As at 31/12/2019 LKR '000	Bank As at 31/12/2018 LKR '000	Group As at 31/12/2019 LKR '000	Group As at 31/12/2018 LKR '000
Under stage 1				
Balance at 1 January	1,801,385	1,707,882	1,801,385	1,707,882
Charge/(Write back) to Statement of Profit or Loss	881,122	93,503	881,122	93,503
Write-off during the period	-	-		-
Closing balance	**2,682,507**	**1,801,385**	**2,682,507**	**1,801,385**
Under stage 2				
Balance at 1 January	2,121,671	2,189,057	2,121,671	2,189,057
Charge/(Write back) to Statement of Profit or Loss	(447,220)	(67,386)	(447,220)	(67,386)
Write-off during the period	-	-		-
Closing balance	**1,674,451**	**2,121,671**	**1,674,451**	**2,121,671**
Under stage 3				
Balance at 1 January	5,243,304	3,228,566	5,243,304	3,228,566
Charge/(Write back) to Statement of Profit or Loss	3,235,143	3,571,004	3,235,143	3,571,004
Write-off during the period	(388,106)	(1,556,266)	(388,106)	(1,556,266)
Other movement	125,321	-	125,321	-
Closing balance	**8,215,663**	**5,243,304**	**8,215,662**	**5,243,304**

9.4 Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers

	Bank As at 31/12/2019 LKR '000	Bank As at 31/12/2018 LKR '000	Group As at 31/12/2019 LKR '000	Group As at 31/12/2018 LKR '000
Individual impairment				
Balance at 01 January	3,066,173	1,556,979	3,066,173	1,556,979
Charge/(Write back) to Statement of Profit or Loss	2,545,066	2,827,052	2,545,066	2,827,052
Write-off during the period	(219,093)	(1,317,858)	(219,093)	(1,317,858)
Other movement	125,321	-	125,321	-
Closing balance	**5,517,467**	**3,066,173**	**5,517,467**	**3,066,173**
Collective impairment				
Balance at 01 January	6,100,187	5,568,526	6,100,187	5,568,526
Charge/(Write back) to Statement of Profit or Loss	1,123,979	770,069	1,123,979	770,069
Write-off during the Period	(169,013)	(238,408)	(169,013)	(238,408)
Closing balance	**7,055,153**	**6,100,187**	**7,055,153**	**6,100,187**
Total impairment	**12,572,620**	**9,166,360**	**12,572,620**	**9,166,360**

10. ANALYSIS OF DEPOSITS

Due to Other Customers - By product	Bank As at 31/12/2019 LKR '000	Bank As at 31/12/2018 LKR '000	Group As at 31/12/2019 LKR '000	Group As at 31/12/2018 LKR '000
By product-Domestic Currency				
Demand deposits	20,675,504	18,593,207	20,720,171	18,609,526
Savings deposits	39,849,785	36,178,766	39,807,361	36,123,034
Time deposits	257,721,796	206,114,077	257,340,112	205,812,878
Other deposits	652,261	930,376	652,261	930,376
Sub total	**318,899,346**	**261,816,426**	**318,519,904**	**261,475,814**
By product- Foreign Currency				
Demand deposits	4,582,635	4,299,977	4,582,635	4,299,977
Savings deposits	15,448,039	16,622,197	15,446,986	16,621,151
Time deposits	65,934,145	64,381,840	65,934,145	64,381,840
Other deposits	183,859	390,783	183,859	390,783
Sub total	**86,148,678**	**85,694,797**	**86,147,625**	**85,693,750**
Total	**405,048,024**	**347,511,223**	**404,667,529**	**347,169,564**

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 31/12/2019	As at 31/12/2018	As at 31/12/2019	As at 31/12/2018
Regulatory Capital Adequacy (LKR '000)				
Common Equity Tier 1 Capital	34,909,032	31,564,510	39,563,816	36,604,271
Tier 1 Capital	34,909,032	31,564,510	39,563,816	36,604,271
Total Capital	51,090,032	43,458,448	55,320,388	47,992,241
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement -7% (2018 - 6.375%))	9.18	9.17	10.15	10.39
Tier 1 Capital Ratio (Minimum Requirement - 8.5% (2018-7.875%))	9.18	9.17	10.15	10.39
Total Capital Ratio (Minimum Requirement - 12.5% (2018-11.875%))	13.43	12.63	14.20	13.62
Leverage Ratio (Minimum Requirement - 3%)	6.09	-	6.81	-
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	106,381,911	93,997,616	106,381,911	93,997,616
Statutory Liquid Assets Ratio (Minimum Requirement -20%)				
Domestic Banking Unit (%)	20.93	20.87	20.93	20.87
Off-Shore Banking Unit (%)	24.78	24.48	24.78	24.48
Total stock of high quality liquid assets (LKR ' 000) - All currency	75,511,819	54,060,818	75,511,819	54,060,818
Total stock of high quality liquid assets (LKR ' 000) - Rupee	66,143,681	49,983,967	66,143,681	49,983,967
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 100% (2018-90%))	162.42	168.74	162.42	168.74
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement -100% (2018-90%))	153.26	215.99	153.26	215.99
Net stable Funding Ratio (%) (Minimum Requirement- 100%)	108.92	-	108.92	-
Asset Quality (Quality of Loan Portfolio)				
Gross Non-performing Advances Ratio (%)	4.77	2.85	4.77	2.85
Net Non-performing Advances Ratio (%)	3.18	1.98	3.18	1.98
Profitability				
Earnings Per Share (annualised) (LKR)	23.05	28.44	21.53	26.33
Return on Average Shareholders' Funds (%)	13.73	17.41	11.59	14.26
Return on Average Assets ((after Tax (%))	1.02	1.30	0.94	1.18
Return on Average Assets ((before Tax (%))	2.01	2.22	1.97	2.17
Net interest margin (%)	3.53	3.46	3.54	3.48
Debt Security - Related Ratios				
Interest Cover (Times)	1.50	1.50	1.51	1.51
Debt to Equity (Times)	12.09	12.08	10.99	10.83

SHARE INFORMATION

SHARE PRICE

As at	31/12/2019	31/12/2018
Number of shares	221,799,756	210,317,117
Last traded price (LKR)	100.00	106.80
For the quarter ended	**31/12/2019**	**31/12/2018**
Highest price per share (LKR)	112.00	112.00
Lowest price per share (LKR)	97.50	98.00

TOP 20 LARGEST SHARE HOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 31.12.2019

	NAME	NO OF SHARES	%
1	EMPLOYEES PROVIDENT FUND	22,179,974	10.00
2	BANK OF CEYLON NO. 1 ACCOUNT	18,548,111	8.36
3	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	14,182,632	6.39
4	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	11,791,193	5.32
5	DR. S.YADDEHIGE	9,687,303	4.37
6	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	9,250,580	4.17
7	EMPLOYEES TRUST FUND BOARD	8,632,697	3.89
8	PERPETUAL TREASURIES LIMITED	8,329,876	3.76
9	RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01	7,728,977	3.48
10	BNYMSANV RE-LF RUFFER INVESTMENT FUNDS : LF RUFFER PACIFIC AND EMERGING MARKETS FUND	7,326,605	3.30
11	HATTON NATIONAL BANK PLC A/C NO 1	6,468,864	2.92
12	PHOENIX VENTURES PRIVATE LIMITED	6,454,617	2.91
13	RUSH JAPAN CORPORATION	6,411,362	2.89
14	SBI VEN HOLDINGS PTE LTD	5,664,901	2.55
15	MR. A.K.PATHIRAGE	3,364,951	1.52
16	ASIRI SURGICAL HOSPITAL PLC	3,308,720	1.49
17	AKBAR BROTHERS PVT LTD A/C NO 1	3,292,801	1.48
18	DFCC BANK PLC A/C 1	3,021,280	1.36
19	MR. M.J.FERNANDO	2,600,725	1.17
20	PERPETUAL EQUITIES (PRIVATE) LIMITED	2,414,836	1.09

PUBLIC HOLDING PERCENTAGE

	As at 31/12/2019
Float adjusted Market Capitalization in LKR	17,990,178,209
Percentage of shares held by the public	81.11%
Number of public shareholders	9,456
Option under which the Bank complies with the minimum Public Holding requirement	Option 1

DIRECTORS INTEREST IN SHARES OF NDB AS AT 31.12.2019

NAME	NO OF SHARES
K D W RATNAYAKA	-
A K PATHIRAGE	5,764,435*
P L D N SENEVIRATNE	16,873
D M R PHILLIPS, PC	-
N S S COORAY	-
B S SINNIAH	-
E A RATHNASEELA	-
DR. D N PANDITARATNE	-

* Includes shares held in the slash account

INFORMATION ON DEBENTURES- BANK

Type of Debenture	CSE Listing	Interest payable frequency	Balance as at 31 December 2019 LKR mn	Market Value			Interest Rate		Interest rate of comparable Govt. Security %	Other ratios as at last trade	
				Highest LKR	Lowest LKR	Quarter end LKR	Coupon Rate %	Effective Annual Yield %		Interest Yield %	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	7,000	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	1,914	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	101.7	101.7	101.7	13.90	13.17	9.75	13.3	13.3
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			**21,704**								

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%	-

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.

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: Types A and B of the listed Debenture Issue - December 2013, amounting respectively to LKR 1,243 mn and LKR 1,529 mn, matured in December 2018. The outstanding capital of this Debenture is LKR 7,228 mn.

Important Dates – Full Year 2019 - Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	18 February 2020
Investor Webinar	19 February 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	03 March 2020
Financial statements published in selected newspapers in the three languages of Sinhala, Tamil and English	18 March 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)/ Negative 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 - As at 18 February 2020 Kavan Ratnayaka - Chairman Dimantha Seneviratne - Director/ Group Chief Executive Officer Dinal Phillips (President's Counsel) Director Sriyan Cooray - Director Bernard Sinniah - Director Dr. D Panditaratne - Director Sujeewa Mudalige -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: 33000	**Investor Relations Team** Ms. Suvendrini Muthukumarana Vice President - Finance Email: suvendrini.muthukumarana@ndbbank com investor.relations@ndbbank.com Tel.: +94(0)112448448 Extn: 35301