

INTERIM FINANCIAL STATEMENTS SIX MONTHS ENDED 30 JUNE 2022

National Development Bank PLC

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

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INSIDE INSIGHT



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***The financial statements presented herewith are the unaudited financial statements for the six months ended 30 June 2022 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB posts moderate yet resilient performance in H1 2022

15 August 2022, Colombo, Sri Lanka

National Development Bank PLC (NDB/ the Bank) recently released its financial statements for the six months ended 30 June 2022 to the Colombo Stock Exchange. Financial performance recorded was moderate yet resilient against a highly challenged socio-economic backdrop that prevailed during the review period. With our strategy recalibrated to match external developments well on track, NDB was able to achieve its core banking revenue targets, Mr. Dimantha Seneviratne, Director/ CEO of NDB commented. The unprecedented depreciation in the exchange rate together with severe macro-stresses that resulted in higher provisions for investments, and provisions made on a prudent basis on loans to factor in expected stresses narrowed our profits. Whilst we are augmenting the Bank's strength and stability through robust risk management frameworks amidst unique challenges faced by the financial services industry, we are also sharpening our focus on customer-centricity, so as to deliver precise solutions and support them towards gradually emerging from their economic woes, he added.

Analysis of financial performance

Profitability

NDB posted a pre-tax profit of LKR 2.7 Bn for H1 2022. Although a reduction of 56% over the first half of 2021 (the comparative period), this deceleration in profits was equitable compared to the considerable quantum of impairment charges factored in for the period, and is predominantly attributable to strong revenue generation and expenses management by the Bank amidst external challenges. Taxes netted LKR 973 Mn, with post-tax profits closing in at LKR 1.7 Bn.

The Bank recorded healthy core banking performance as reflected in a total operating income of LKR 22.4 Bn, an increase of 46% over the comparative period, bolstered by both fund and non-fund based income. Net interest income, for the period under review was LKR 15.0 Bn up by 45% over the comparative period. Interest income and interest expenses both grew simultaneously at 46% and 47% respectively, due to the increasing market rates for both loans and deposits triggered by an 8.5% increase in the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) over the first half of 2022. The resultant net interest margin for the period was 3.77% (2021: 3.25%). On non-fund based income, net fee and commission income improved by 19% to LKR 3.1 Bn, whilst sources of other non-fund based income totaled to LKR 4.3 Bn, predominantly benefitting from the revaluation gains on the Bank's foreign currency denominated reserves, due to the sharp depreciation of the LKR against the US dollar.

The period under review saw the Bank booking impairment charges of LKR 13.9 Bn, an increase of 235% over the comparative period. The greater portion of impairment charges comprised provisions made for foreign currency denominated government securities, factoring in the revisions to the sovereign rating of the country earlier this year on account of the country's debt restructuring measures and the impact arising from rupee depreciation. The Bank strengthened the impairment provisions for loans, given heightened economic uncertainty exacerbated by political instability and social unrest during the period, impacting customer debt serviceability. The resultant ratios indicating impairment levels were; Impaired Loans (Stage 3) Ratio and Impairment (Stage 3) to Stage 3 Loans Ratio were 5.70% (2021: 4.55%) and 32.07% (2021: 32.81%) respectively.

Total operating expenses for the period was LKR 5.8 Bn, an increase of 13% over the comparative period. Inflationary pressure mainly drove expenses up, with a certain aspect of it off-set by large cost benefits achieved through the investments made in digitizing customer services and automating internal process using robotic process automations and workflow solutions. Resultant cost to income ratio remained below 30%, with the combined effects of revenue enhancements as well. NDB will continue cost rationalizations and process efficiency enhancements to preserve profitability.

Balance Sheet performance

Total assets closed at LKR 816 Bn at the Bank level and LKR 822 Bn at the Group level, a 16% increase over end 2021 position (YTD growth). Gross loans to customers were LKR 609 Bn, a YTD increase of 16%, comprising the impact of LKR depreciation and moderate growth stemming from all business segments. Customer deposits were LKR 645 Bn, an increase of 17%, again containing the inflationary effects of the LKR depreciation against the USD, and also deposit mobilization at granular level within the retail segment as well as across business segments.

Investor and regulatory ratios

Return on average equity and Earnings per share were 5.61% and LKR 9.05 respectively. Pre-tax Return on Average Assets was 0.71%. Regulatory ratios of Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency) and Net stable Funding Ratio stood well above the regulatory minimum requirement of 90% at 241.02%, 156.50% and 117.49% respectively. Tier I and Total Capital Adequacy ratios as of end H1 2022 were 8.63% and 13.02%, ahead of the regulatory minimum levels of 8.5% and 12.5% respectively, before considering capital relief measures on capital conservation buffers mandated by the CBSL recently. The capital ratios were inclusive of the upside impact on total capital arising from the reclassification of debt portfolios to Amortized Cost from Fair Value through Other Comprehensive Income, as permitted under SLFRS 9 as a one-off option. Net asset value per share as at end H1 2022 was LKR 167.62 (2021: LKR 165.02).

Outlook

Given further tightening of the monetary policy by the Central Bank of Sri Lanka, rising inflation, supply-side disruptions caused by fuel and import deficits, etc., economic activity is anticipated to remain low for the remainder of 2022. With customer debt serviceability directly affected, and the full effects of moratoria which ended in December 2021 now unwinding, the Bank will place significant focus and efforts in preserving quality of the loan book. Gradual political stability and expedited discussions with the International Monetary Fund towards finalizing relief measures to Sri Lanka will auger well for the country and its citizens. NDB remains committed in its role as a banking and capital market services Group, to support the Sri Lankans and the country's economy in this recovery path.

NDB was recently adjudged as the Best Bank in Sri Lanka 2022 by the prestigious Euromoney Magazine, having secured the same title from Global Finance USA earlier this year. Accordingly, NDB achieves the rare feat of securing the top triple international awards for Best Bank from Euromoney, Global Finance USA and The Banker UK (2020) in quick succession, demonstrating excellence, stability and strength.

STATEMENT OF PROFIT OR LOSS										
	Bank					Group				
	Period ended 30/06/2022 LKR '000	Period ended 30/06/2021 LKR '000	Change %	Quarter ended 30/06/2022 LKR '000	Quarter ended 30/06/2021 LKR '000	Period ended 30/06/2022 LKR '000	Period ended 30/06/2021 LKR '000	Change %	Quarter ended 30/06/2022 LKR '000	Quarter ended 30/06/2021 LKR '000
Gross Income	44,540,123	30,473,152	46	25,378,064	14,761,474	45,213,098	31,310,535	44	25,746,048	15,259,859
Interest Income	37,155,686	25,461,095	46	21,789,667	12,795,451	37,234,752	25,517,699	46	21,835,348	12,823,038
Interest Expenses	22,166,900	15,118,912	47	13,007,533	7,582,649	22,144,302	15,110,418	47	12,989,484	7,579,305
Net Interest Income	14,988,786	10,342,183	45	8,782,134	5,212,802	15,090,450	10,407,281	45	8,845,864	5,243,733
Fee and Commission Income	3,082,409	2,595,124	19	1,358,498	1,261,441	3,701,999	3,525,527	5	1,571,427	1,675,934
Less: Fee and commission Expenses	14,524	15,058	(4)	7,506	6,698	14,524	15,058	(4)	7,506	6,998
Net Fee and Commission Income	3,067,885	2,580,066	19	1,350,991	1,254,743	3,687,475	3,510,469	5	1,563,921	1,668,936
Net gain/(loss) from trading	(1,409,289)	1,015,861	(239)	(286,670)	555,731	(1,409,289)	1,015,861	(239)	(286,670)	555,731
Net gain/(loss) from financial assets at fair value Through Profit or Loss	(359,648)	219,392	(264)	(74,731)	102,465	(368,303)	230,845	(260)	16,548	149,396
Net gains/(losses) from derecognition of financial assets	(12,095)	213,665	(106)	677	2,669	(12,095)	229,811	(105)	677	17,402
Other operating income	6,083,060	983,073	519	2,590,623	50,416	6,066,034	805,850	653	2,608,718	45,356
Total Operating Income	22,358,698	15,354,241	46	12,363,025	7,178,825	23,054,273	16,200,118	42	12,749,058	7,680,554
Less: Impairment charges	13,927,686	4,151,845	235	7,560,284	1,968,489	13,921,696	4,145,312	236	7,555,179	1,959,013
Net operating income	8,431,012	11,202,396	(25)	4,802,741	5,210,336	9,132,577	12,054,806	(24)	5,193,879	5,721,541
Operating Expenses										
Personnel Expenses	2,938,357	2,794,099	5	1,598,603	1,415,922	3,239,450	3,117,466	4	1,757,340	1,571,843
Depreciation and amortization	409,809	428,456	(4)	216,849	206,993	443,749	467,411	(5)	230,437	226,617
Other Expenses	2,404,908	1,885,898	28	1,271,666	961,950	2,571,855	2,110,126	22	1,336,404	1,096,344
Total operating expenses	5,753,075	5,108,454	13	3,087,118	2,584,865	6,255,054	5,695,003	10	3,324,181	2,894,804
Operating Profit Before Tax on Financial Services	2,677,938	6,093,942	(56)	1,715,623	2,625,471	2,877,523	6,359,803	(55)	1,869,698	2,826,737
Less: Value Added Tax (VAT) on Financial services	841,020	1,119,038	(25)	547,728	506,497	841,020	1,119,038	(25)	547,728	506,497
Operating Profit After Tax on Financial Services	1,836,918	4,974,904	(63)	1,167,895	2,118,974	2,036,503	5,240,765	(61)	1,321,970	2,320,240
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	1,836,918	4,974,904	(63)	1,167,895	2,118,974	2,036,503	5,240,765	(61)	1,321,970	2,320,240
Less : Income tax expenses	131,724	1,048,009	(87)	68,100	527,376	279,643	1,078,276	(74)	120,807	574,036
Profit for the period	1,705,194	3,926,895	(57)	1,099,795	1,591,598	1,756,860	4,162,489	(58)	1,201,163	1,746,204
Profit Attributable to:										
Equity Holders of the parent	1,705,194	3,926,895	(57)	1,099,795	1,591,598	1,724,762	4,095,966	(58)	1,185,442	1,733,009
Non Controlling Interests	-	-	-	-	-	32,099	66,523	(52)	15,721	13,195
	1,705,194	3,926,895	(57)	1,099,795	1,591,598	1,756,861	4,162,489	(58)	1,201,163	1,746,204
Basic Earnings per share (in LKR)	4.49	16.03	(72)	2.89	6.50	4.54	16.72	(73)	3.12	7.08
Diluted Earnings per share (in LKR)	4.49	16.03	(72)	2.89	6.50	4.54	16.72	(73)	3.12	7.08

STATEMENT OF COMPREHENSIVE INCOME										
	Period ended 30/06/2022 LKR '000	Period ended 30/06/2021 LKR '000	Change %	Quarter ended 30/06/2022 LKR '000	Quarter ended 30/06/2021 LKR '000	Period ended 30/06/2022 LKR '000	Period ended 30/06/2021 LKR '000	Change %	Quarter ended 30/06/2022 LKR '000	Quarter ended 30/06/2021 LKR '000
Profit for the period	1,705,194	3,926,895	(57)	1,099,795	1,591,598	1,756,861	4,162,489	(58)	1,201,162	1,746,204
Items that will be reclassified to Statement of Profit or loss										
Exchange differences on translation of foreign operations	-	-	-	-	-	243,078	21,218	1,046	63,407	(4,856)
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	2,045,605	(266,779)	867	3,957,655	159,776	2,012,877	(270,433)	844	3,943,902	162,231
Changes in Impairment allowance for Expected credit losses	(181,155)	3,814	(4,850)	(281,443)	(115)	(181,155)	3,813	(4,851)	(281,443)	(115)
Cash Flow Hedge Reserve-SWAP	4,976,632	-	100	4,976,632	-	4,976,632	-	-	4,976,632	-
Less :Tax expense relating to items that will be reclassified to Income Statements	(563,238)	65,412	(961)	(457,351)	(3,101)	(563,238)	65,412	(961)	(457,351)	(3,101)
A	6,277,844	(197,553)	3,278	8,195,493	156,559	1,511,563	(179,991)	940	8,245,148	154,158
Items that will not be reclassified to Statement of Profit or Loss										
Net Gains/(losses) on Investments in equity Instruments measured at fair value through other Comprehensive Income	(393,041)	70,490	(658)	(107,135)	3,294	(393,041)	70,490	(658)	(107,135)	3,294
Less :Tax expense relating to items that will not be reclassified to Income Statements	-	(35,273)	(100)	-	(35,273)	-	(35,273)	(100)	-	(35,273)
B	(393,041)	35,217	(1,216)	(107,135)	(31,979)	4,976,632	35,217	14,031	5,262,539	(31,979)
Total Other Comprehensive Income after Tax	5,884,802	(162,336)	3,725	8,088,359	124,580	6,488,195	(144,774)	4,582	13,507,686	122,179
Total Comprehensive Income for the period	7,589,997	3,764,559	102	9,188,153	1,716,178	8,245,056	4,017,715	105	14,708,848	1,868,383
Attributable to:										
Equity holders of the parent	7,589,997	3,764,559	101.62	9,188,153	1,716,178	8,164,945	3,946,750	107	14,678,562	1,854,653
Non Controlling Interests	-	-	-	-	-	80,111	70,965	13	30,286	13,730
	7,589,997	3,764,559	102	9,188,153	1,716,178	8,245,056	4,017,715	105	14,708,848	1,868,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	BANK			Group		
	Current Year	Previous Year		Current Year	Previous Year	
	As at 30/06/2022	As at 31/12/2021 (Audited)	Change	As at 30/06/2022	As at 31/12/2021 (Audited)	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets						
Cash and cash equivalents	24,000,659	13,411,819	79	24,447,868	13,765,270	78
Balances with the Central Bank of Sri Lanka	15,608,524	16,403,362	(5)	15,608,524	16,403,362	(5)
Placements with banks	-	8,299,403	(100)	-	8,299,403	(100)
Derivative Financial Instruments	8,138,780	1,338,204	508	8,138,780	1,338,204	508
Financial assets recognized through profit or loss measured at fair value	14,058,291	2,441,833	476	16,019,181	4,784,124	235
Financial assets at amortised cost -loans and receivables to other customers	582,433,468	504,538,968	15	582,503,302	504,374,296	15
Financial assets at amortised cost - debt and other instruments	145,436,864	54,262,976	168	145,436,864	54,262,976	168
Financial assets measured at fair value through other comprehensive income	4,679,794	89,552,196	(95)	4,884,576	89,696,611	(95)
Investments in subsidiary companies	1,124,926	1,130,916	(1)	-	-	-
Investment Property	-	-	-	2,528,228	2,528,228	-
Intangible assets	1,348,495	1,203,940	12	1,358,242	1,217,111	12
Property, plant & equipment	3,060,978	3,143,829	(3)	3,648,456	3,735,298	(2)
Right of Use Assets	1,108,211	1,094,607	1	1,279,892	1,285,385	(0)
Current Tax Assets	-	-	-	46,135	27,701	67
Deferred tax Assets	4,824,563	3,417,315	41	4,855,097	3,443,207	41
Other assets	10,049,149	4,693,249	114	11,082,297	5,670,716	95
Total assets	815,872,702	704,932,617	16	821,837,442	710,831,892	16
Liabilities						
Due to Banks	17,652,029	24,770,644	(29)	17,710,266	24,821,158	(29)
Derivative Financial Instruments	2,564,970	1,048,644	145	2,564,970	1,048,644	145
Financial Liabilities at amortised cost -due to depositors	644,670,581	552,039,792	17	643,510,784	551,256,595	17
Financial Liabilities at amortised cost						
- due to debt securities holders	3,535,341	1,341,060	164	3,535,341	1,341,060	164
- due to other borrowers	40,077,887	25,228,865	59	40,077,887	25,228,865	59
Debt securities issued	28,456,275	27,960,731	2	28,456,275	27,960,731	2
Retirement benefit obligations	784,097	735,666	7	872,787	829,873	5
Current Tax Liabilities	3,744,842	2,407,243	56	3,916,290	2,585,975	51
Deferred Tax Liabilities	-	-	-	593,021	569,213	4
Other liabilities	10,574,253	10,375,945	2	11,511,366	11,031,413	4
Dividends payable	99,534	91,823	8	99,534	91,823	8
Total liabilities	752,159,810	646,000,412	16	752,848,521	646,765,350	16
Equity						
Stated Capital	19,870,665	18,263,609	9	19,870,665	18,263,609	9
Statutory Reserve Fund	2,571,479	2,571,479	-	2,571,479	2,571,479	-
Retained Earnings	36,242,054	39,134,379	(7)	39,955,264	42,730,949	(6)
Other Reserves	5,028,694	(1,037,261)	585	5,194,360	(838,868)	719
Total shareholders' equity	63,712,892	58,932,206	8	67,591,768	62,727,169	8
Non Controlling Interests	-	-	-	1,397,153	1,339,373	4
Total Equity	63,712,892	58,932,206	8	68,988,921	64,066,542	8
Total liabilities and equity	815,872,702	704,932,617	16	821,837,442	710,831,892	16
Net Book Value Per Share (LKR)	167.62	165.02	2	177.83	175.65	1
Contingent liabilities and commitments	300,859,984	312,072,435	(4)	301,109,837	311,978,390	(3)
Memorandum Information						
Number of Employees	2,988	2,949				
Number of Branches	113	113				
Certification:						
We hereby certify that the above financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.						
(Sgd.)						
Suvendrini Muthukumarana						
Vice President - Finance						
We, the undersigned, being the Chairman and the Chief Executive Officer of National Development Bank PLC certify jointly that:						
(a) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.						
(b) The information contained in these statements have been extracted from the unaudited financial statements of the Bank and the Group.						
(Sgd.)			(Sgd.)			
Sriyan Cooray			Dimantha Seneviratne			
Director/ Chairman			Director/ Chief Executive Officer			
15 August 2022						

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June	Stated Capital	Statutory Reserve Fund	Other Reserves					Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Share Based Payment Reserves	Fair Value Reserve	Cash Flow Hedge Reserve	Retained Earnings			
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK										
Balance as at 01 January 2021	8,794,333	2,196,479	1,311,992	-	(648,360)	-	33,126,579	44,781,023	-	44,781,023
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	3,926,895	3,926,895	-	3,926,895
Other Comprehensive Income before Tax	-	-	-	-	(196,290)	-	3,814	(192,476)	-	(192,476)
Tax on Other Comprehensive Income	-	-	72,880	-	66,320	-	(109,061)	30,139	-	30,139
Total Comprehensive Income for the period	-	-	72,880	-	(129,970)	-	3,821,648	3,764,558	-	3,764,558
Transactions with equity holders										
Issue of Shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Dividends Paid	-	-	-	-	-	-	(345,878)	(345,878)	-	(345,878)
Balance as at 30 June 2021	18,263,609	2,196,479	1,384,872	-	(778,330)	-	36,602,349	57,668,978	-	57,668,979
Balance as at 01 January 2022	18,263,609	2,571,479	1,402,195	44,479	(2,483,938)	-	39,134,382	58,932,206	-	58,932,206
Charge relating to surcharge tax	-	-	-	-	-	-	(2,456,403)	(2,456,403)	-	(2,456,403)
Restated Balance as at 01 January 2022	18,263,609	2,571,479	1,402,195	44,479	(2,483,938)	-	36,677,979	56,475,803	-	56,475,803
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	1,705,194	1,705,194	-	1,705,194
Other Comprehensive Income before Tax	-	-	-	-	1,652,564	4,976,632	(181,155)	6,448,041	-	6,448,041
Tax on Other Comprehensive Income	-	-	-	-	(563,238)	-	-	(563,238)	-	(563,238)
Total Comprehensive Income for the period	-	-	-	44,479	1,089,326	4,976,632	1,524,039	7,589,997	-	7,589,998
Transactions with equity holders										
First and Final Dividends for year 2021	1,607,056	-	-	-	-	-	(1,959,965)	(352,908)	-	(352,908)
Balance as at 30 June 2022	19,870,665	2,571,479	1,402,195	44,479	(1,394,612)	4,976,632	36,242,053	66,169,295	-	63,712,892

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June	Stated Capital	Statutory Reserve Fund	Other Reserves					Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Share Based Payment Reserves	Fair Value Reserve	Cash Flow Hedge Reserve	Retained Earnings			
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
GROUP										
Balance as at 01 January 2021	8,794,333	2,196,479	1,463,115	-	(621,038)	-	36,143,348	47,976,238	1,227,155	49,203,393
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	4,095,966	4,095,966	66,523	4,162,489
Other Comprehensive Income before Tax	-	-	-	-	(199,943)	-	20,589	(179,354)	4,442	(174,912)
Tax on Other Comprehensive Income	-	-	72,880	-	66,320	-	(109,061)	30,139	-	30,139
Total Comprehensive Income for the period	-	-	72,880	-	(133,623)	-	4,007,494	3,946,751	70,965	4,017,716
Transactions with equity holders										
Issue of Shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Dividends Paid	-	-	-	-	-	-	(345,878)	(345,878)	-	(345,878)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(40,558)	(40,558)
Balance as at 30 June 2021	18,263,609	2,196,479	1,535,995		(754,661)	-	39,804,964	61,046,387	1,257,562	62,303,949
Balance as at 01 January 2022	18,263,609	2,571,479	1,583,831	44,479	(2,467,181)	-	42,730,952	62,727,169	1,339,373	64,066,542
Charge relating to surcharge tax	-	-	-	-	-	-	(2,554,396)	(2,554,396)	(21,781)	(2,576,177)
Restated Balance as at 01 January 2022	18,263,609	2,571,479	1,583,831	44,479	-	-	40,176,556	60,172,773	1,317,592	61,490,365
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	1,724,762	1,724,762	32,099	1,756,861
Other Comprehensive Income before Tax	-	-	-	-	1,619,836	4,976,632	13,911	6,610,380	48,012	6,658,392
Tax on Other Comprehensive Income	-	-	-	-	(563,238)	-	-	(563,238)	-	(563,238)
Total Comprehensive Income for the period	-	-	-	-	1,056,599	4,976,632	1,738,673	7,771,904	80,111	7,852,015
Transactions with equity holders										
First and Final Dividends for year 2021	1,607,056	-	-	-	-	-	(1,959,965)	(352,908)	-	(352,908)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(550)	(550)
Balance as at 30 June 2022	19,870,666	2,571,479	1,583,831	44,479	(1,410,582)	4,976,632	39,955,264	67,591,768	1,397,153	68,988,921

STATEMENT OF CASH FLOW

For the period ended 30 June	BANK		GROUP	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	34,686,630	26,510,783	34,718,475	26,527,521
Fee based income received	3,089,131	2,587,946	3,836,406	3,399,057
Dividend income received	249,802	34,559	265,368	46,350
Other Operating income received	4,333,551	1,958,183	4,407,053	2,127,262
Interest paid	(18,813,967)	(15,453,828)	(18,824,180)	(15,459,273)
Personnel costs paid	(2,875,857)	(2,723,402)	(3,032,210)	(2,934,521)
Other expenses paid	(2,216,913)	(1,911,893)	(2,669,081)	(2,194,432)
Operating Profit before changes in operating assets and liabilities	18,452,377	11,002,348	18,701,830	11,511,964
(Increase)/decrease in operating assets				
Deposits held for regulatory or monetary control purposes	794,838	126,093	794,838	126,093
Financial Assets at amortised cost -loans and receivables to other customers	(83,294,233)	(45,714,305)	(83,294,233)	(45,714,305)
Net (increase)/decrease in operating assets	(7,145,716)	7,226	(6,534,914)	(35,182)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	89,663,200	25,008,354	89,286,600	25,008,354
Financial liabilities at amortised cost - due to debt securities holders	(7,736,532)	5,226,037	(7,736,532)	5,226,037
Net increase/(decrease) in other liabilities	3,379,353	(747,416)	2,700,692	(943,326)
Net cash generated/(used in) from operating activities before taxation	14,113,287	(5,091,663)	13,918,281	(4,820,365)
Tax on Financial Services paid	(1,156,896)	(918,720)	(1,156,896)	(918,720)
Income taxes paid	(3,221,013)	(1,336,097)	(3,410,187)	(1,518,657)
Net cash generated/(used in) from operating activities	9,735,378	(7,346,480)	9,351,198	(7,257,742)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(24,310,563)	583,255	(23,773,267)	700,500
Purchase of Intangible assets	(209,502)	(211,843)	(209,502)	(211,843)
Purchase of property, plant & equipment	(352,133)	(318,335)	(411,563)	(453,843)
Proceeds from sale of property, plant & equipment	-	5,140	74	5,828
Net cash generated /(used in) from investing activities	(24,872,198)	58,217	(24,394,259)	40,642
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary of shares (as a right issue/private placement)	-	9,468,943	-	9,469,276
Interest paid on debts securities issued	(472,145)	(685,602)	(472,145)	(685,602)
Proceed/ (Repayment) of Institutional borrowings	18,243,565	(4,765,560)	18,243,565	(4,765,560)
Dividends paid to non-controlling interests	-	-	-	(40)
Dividends paid to shareholders of the Bank	(345,163)	(332,566)	(345,163)	(332,566)
Net cash provided by /(used in) financing activities	17,426,257	3,685,215	17,426,256.77	3,685,508
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,289,437	(3,602,715)	2,383,196	(3,531,592)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21,711,222	22,889,141	22,064,673	23,180,480
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24,000,659	19,286,426	24,447,869	19,648,888
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	24,000,659	9,128,316	24,447,868	9,490,778
Placements with banks	-	10,158,110	-	10,158,110
Cash and cash equivalents at the end of the period	24,000,659	19,286,426	24,447,868	19,648,888

SEGMENTAL ANALYSIS- GROUP

For the period ended 30 June

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Revenue										
Interest Income	37,155,686	25,461,095	56,448	48,056	-	-	-	-	37,212,134	25,509,151
Fee and Commission Income	3,082,409	2,580,066	382,291	777,448	101,803	100,014	45,074	35,028	3,611,577	3,492,392
Net gain/(loss) from trading	(1,409,289)	1,015,861	-	-	-	-	-	-	(1,409,289)	1,015,861
Net gain/(loss) from financial assets at fair value Through	(359,648)	219,392	(8,655)	11,453	-	-	-	-	(368,303)	230,845
Net gains/(losses) from derecognition of financial assets	(12,095)	213,665	-	16,146	-	-	-	-	(12,095)	229,811
Other Operating Income	5,833,258	776,111	232,776	29,739	-	-	-	-	6,066,034	805,850
Total revenue from external customers	44,290,321	30,266,190	662,860	882,677	101,708	100,014	45,074	35,028	45,099,962	31,283,910
Inter-segment Revenue	-	-	77,190	1,012	35,946	25,583	-	-	113,136	26,595
Total Revenue	44,290,321	30,266,190	740,049	883,689	137,654	125,597	45,074	35,028	45,213,098	31,310,535
Impairment (charge)/reversal for										
Loans & other losses	(13,921,696)	(4,145,312)	-	-	-	-	-	-	(13,921,696)	(4,145,312)
Segment expenses	(27,898,594)	(20,218,872)	(466,611)	(543,800)	(6,604)	(6,234)	(42,072)	(36,517)	(28,413,881)	(20,805,421)
Total segment expenses	(41,820,289)	(24,364,184)	(466,611)	(543,800)	(6,604)	(6,234)	(42,072)	(36,517)	(42,335,576)	(24,950,734)
Segment results	2,470,031	5,902,006	273,438	339,890	131,050	119,363	3,002	(1,489)	2,877,523	6,359,800
Income tax expenses	-	-	-	-	-	-	-	-	279,643	1,078,276
Taxes on financial services	-	-	-	-	-	-	-	-	841,020	1,119,037
Profit after taxation									1,756,860	4,162,487
Other information										
Segment assets	815,310,724	663,249,428	3,241,657	2,590,219	3,108,147	2,895,205	176,914	141,597	821,837,443	668,876,448
Consolidated total assets									821,837,443	668,876,448
Segment liabilities	750,974,658	605,280,851	1,198,088	611,780	652,188	671,537	23,585	8,335	752,848,523	606,572,503
Consolidated total liabilities									752,848,523	606,572,503
Segmental Cash flows										
Cash flows from operating activities	9,735,378	(7,346,480)	(433,001)	(17,179)	78,748	111,727	(29,927)	(5,811)	9,351,198	(7,257,742)
Cash flows from investing activities	(24,872,198)	58,217	531,567	111,338	(53,628)	(128,913)	-	-	(24,394,259)	40,642
Cash flows from financing activities	17,426,257	3,685,548	-	(40)	-	-	-	-	17,426,257	3,685,508

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2022 - BANK (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	24,000,659	-	-	24,000,659
Balances with the Central Bank of Sri Lanka	-	15,608,524	-	-	15,608,524
Placements with banks	-	-	-	-	-
Derivative Financial Instruments	8,138,780	-	-	-	8,138,780
Financial assets recognized through profit or loss measured at fair value	14,058,291	-	-	-	14,058,291
Financial assets at amortised cost -loans and receivables to other customers	-	582,433,468	-	-	582,433,468
Financial Assets at amortised cost - debt and other instruments	-	145,436,864	-	-	145,436,864
Financial assets measured at fair value through other comprehensive income	-	-	4,679,794	-	4,679,794
Other Financial Assets	-	275,291	-	-	275,291
Total Financial Assets	22,197,071	767,754,807	4,679,794	-	794,631,672

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	17,652,029	17,652,029
Derivative Financial Instruments	2,564,970	-	2,564,970
Financial Liabilities at amortised cost -due to depositors	-	644,670,581	644,670,581
Financial Liabilities at amortised cost - due to debt securities holders	-	3,535,341	3,535,341
- due to other borrowers	-	40,077,887	40,077,887
Debt securities issued	-	28,456,275	28,456,275
Other Financial Liabilities	-	1,523,981	1,523,981
Total Financial Liabilities	2,564,970	735,916,094	738,481,064

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2022 - GROUP (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	24,447,868	-	-	24,447,868
Balances with the Central Bank of Sri Lanka	-	15,608,524	-	-	15,608,524
Placements with banks	-	-	-	-	-
Derivative Financial Instruments	8,138,780	-	-	-	8,138,780
Financial assets recognized through profit or loss measured at fair value	16,019,181	-	-	-	16,019,181
Financial assets at amortised cost -loans and receivables to other customers	-	582,503,302	-	-	582,503,302
Financial Assets at amortised cost - debt and other instruments	-	145,436,864	-	-	145,436,864
Financial Assets measured at fair value through Other comprehensive income	-	-	4,884,576	-	4,884,576
Other Financial Assets	-	1,047,815	-	-	1,047,815
Total Financial Assets	24,157,961	769,044,373	4,884,576	-	798,086,910

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	17,710,266	17,710,266
Derivative Financial Instruments	2,564,970	-	2,564,970
Financial Liabilities at amortised cost -due to depositors	-	643,510,784	643,510,784
Financial Liabilities at amortised cost - due to debt securities holders	-	3,535,341	3,535,341
- due to other borrowers	-	40,077,887	40,077,887
Debt securities issued	-	28,456,275	28,456,275
Other Financial Liabilities	-	1,764,435	1,764,435
Total Financial Liabilities	2,564,970	735,054,988	737,619,958

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2021 - BANK (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	13,411,819	-	-	13,411,819
Balances with the Central Bank of Sri Lanka	-	16,403,362	-	-	16,403,362
Placements with banks	-	8,299,403	-	-	8,299,403
Derivative Financial Instruments	1,338,204	-	-	-	1,338,204
Financial Assets measured at fair value through profit or loss	2,441,833	-	-	-	2,441,833
Financial Assets at amortised cost -loans and advances	-	504,538,968	-	-	504,538,968
Financial Assets at amortised cost - debt instruments	-	54,262,976	-	-	54,262,976
Financial assets measured at fair value through other comprehensive income	-	-	89,552,196	-	89,552,196
Other Financial Assets	-	931,137	-	-	931,137
Total Financial Assets	3,780,037	597,847,666	89,552,196	-	691,179,898

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	24,770,644	24,770,644
Derivative Financial Instruments	1,048,644	-	1,048,644
Financial Liabilities at amortised cost -due to depositors	-	552,039,792	552,039,792
Financial Liabilities at amortised cost	-	-	-
- due to debt securities holders	-	1,341,060	1,341,060
- due to other borrowers	-	25,228,865	25,228,865
Debt securities issued	-	27,960,731	27,960,731
Other Financial Liabilities	-	3,997,731	3,997,731
Total Financial Liabilities	1,048,644	635,338,822	636,387,466

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2021 - GROUP (LKR '000)

ASSETS	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
Cash and cash equivalents	-	13,765,270	-	-	13,765,270
Balances with the Central Bank of Sri Lanka	-	16,403,362	-	-	16,403,362
Placements with banks	-	8,299,403	-	-	8,299,403
Derivative Financial Instruments	1,338,204	-	-	-	1,338,204
Financial Assets measured at fair value through profit or loss	4,784,124	-	-	-	4,784,124
Financial Assets at amortised cost -loans and advances	-	504,374,296	-	-	504,374,296
Financial Assets at amortised cost - debt instruments	-	54,262,976	-	-	54,262,976
Financial assets measured at fair value through other comprehensive income	-	-	89,696,611	-	89,696,611
Other Financial Assets	-	1,401,521	-	-	1,401,521
Total Financial Assets	6,122,328	598,506,828	89,696,611	-	694,325,767

LIABILITIES	At fair value through profit or loss	Amortized cost	Total
Due to Banks	-	24,821,158	24,821,158
Derivative Financial Instruments	1,048,644	-	1,048,644
Financial Liabilities at amortised cost -due to depositors	-	551,256,595	551,256,595
Financial Liabilities at amortised cost	-	-	-
- due to debt securities holders	-	1,341,060	1,341,060
- due to other borrowers	-	25,228,865	25,228,865
Debt securities issued	-	27,960,731	27,960,731
Other Financial Liabilities	-	4,362,575	4,362,575
Total Financial Liabilities	1,048,644	634,970,984	636,019,628

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 - quoted market price (unadjusted): financial instruments with quoted prices in active markets

Level 2 - valuation techniques using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 - valuation techniques with significant unobservable inputs: This category includes all instruments valued using valuation techniques where one or more significant inputs are unobservable.

There were no material transfers between levels of fair value hierarchy during 2022. The Bank did not changed the valuation models and assumptions used to measure the fair values of Level 03 financial instruments during the year ended 31 December 2021.

Bank

	2022				2021			
	Fair Value Measurement Using				Fair Value Measurement Using			
	Quoted Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Quoted Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	30/06/2022 LKR '000	30/06/2022 LKR '000	30/06/2022 LKR '000	30/06/2022 LKR '000	31/12/2021 LKR '000	31/12/2021 LKR '000	31/12/2021 LKR '000	31/12/2021 LKR '000
Financial Assets								
Derivative Financial Instruments	-	8,138,780	-	8,138,780	-	1,338,204	-	1,338,204
Financial assets recognized through profit or loss measured at fair value	14,058,291	-	-	14,058,291	2,441,833	-	-	2,441,833
Financial assets measured at fair value through other comprehensive income	4,673,570	-	6,224	4,679,794	89,545,972	-	6,224	89,552,196
Total Financial Assets	18,731,861	8,138,780	6,224	26,876,865	91,987,805	1,338,204	6,224	93,332,233
Financial Liabilities								
Derivative Financial Instruments	-	2,564,970	-	2,564,970	-	1,048,644	-	1,048,644
Total Financial Liabilities	-	2,564,970	-	2,564,970	-	1,048,644	-	1,048,644

Group

	2022				2021			
	Fair Value Measurement Using				Fair Value Measurement Using			
	Quoted Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Quoted Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	30/06/2022 LKR '000	30/06/2022 LKR '000	30/06/2022 LKR '000	30/06/2022 LKR '000	31/12/2021 LKR '000	31/12/2021 LKR '000	31/12/2021 LKR '000	31/12/2021 LKR '000
Financial Assets								
Derivative Financial Instruments	-	8,138,780	-	8,138,780	-	1,338,204	-	1,338,204
Financial assets recognized through profit or loss measured at fair value	15,195,421	-	823,760	16,019,181	3,810,685	-	973,439	4,784,124
Financial assets measured at fair value through other comprehensive income	4,673,570	204,782	6,224	4,884,576	89,545,972	144,415	6,224	89,696,611
Total Financial Assets	19,868,991	8,343,562	829,984	29,042,537	93,356,657	1,482,619	979,663	95,818,939
Financial Liabilities								
Derivative Financial Instruments	-	2,564,970	-	2,564,970	-	1,048,644	-	1,048,644
Total Financial Liabilities	-	2,564,970	-	2,564,970	-	1,048,644	-	1,048,644

Notes to the Financial Statements

- 1 The figures are extracted from the unaudited financial statements of the Bank and the Group.
The financial statements of the Bank and the Group have been prepared based on the accounting policies and methods which is in line with the requirements of SLFRS 9 -Financial Instruments as published in the previous year Annual Report.
The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 05 on Surcharge Tax.
- 2 These Financial Statements also comply with Sri Lanka Accounting Standard (LKAS) 34- "Interim Financial Reporting" and provided the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
- 3 **Expected Credit Losses**
The Bank assessed the Expected Credit Losses (ECL) of credit facilities based on two approaches of individual and collective basis. The customers who have been identified as individually significant were assessed under individual basis and they were staged based on the identified indicators of increase in credit risks.
The Expected Credit Losses assessed on collective impairment approach were based on Probability of Default (PD), Loss Given Default (LGD) and the Economic Factor Adjustment (EFA) by applying the recent forecasts and projections published by the Central Bank of Sri Lanka as of 30 June 2022. Further, the Bank has accounted for management overlays to mitigate any expected losses by moving the staging of facilities included in the identified risk elevated industries to a higher stage where necessary to capture significant increases in credit risk due to stressed economic conditions.
- 4 **Dividends**
On 30 March 2022, the Board of Directors approved and declared a first and final Dividend Payment for the financial year ended 31 December 2021 - Cash and Scrip Dividend of LKR 5.50 per share amounting to LKR 1.00 in cash and LKR 4.50 in scrip dividend. Accordingly 22,971,075 ordinary voting shares has been listed as scrip dividends and LKR 357,123,647 has been paid as cash dividends on 26th April 2022. As a result, the stated capital of the Bank as at 30 June 2022 was LKR 19.87 Bn (31 December 2021 - LKR 18.26 Bn).
- 5 **Surcharge Tax**
Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the NDB Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds LKR 2,000 Mn, for the year of assessment 2020/2021. The liability is computed at the rate of 25 per cent on the taxable income of the individual Group companies, net of dividends from subsidiaries. Total Surcharge Tax liability of LKR 2,456 Mn and LKR 2,576 Mn has been recognized for the Bank and the Group respectively as an opening adjustment to the 1 January 2022 retained earnings in the statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka. According to the said Act, the surcharge tax shall be deemed to be expenditure in the financial statements relating to the year of assessment 2020/2021.
The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been as given below:

	Bank	Group
Profit after Tax for 31/12/2020 (LKR '000)	5,530,476	5,217,348
Surcharge tax levied under Surcharge Tax Act (LKR '000)	(2,456,403)	(2,576,177)
Adjusted comparable Profit for the year ended 31.12.2020 (LKR '000)	<u>3,074,073</u>	<u>2,641,171</u>
- 6 **Reclassification of Debt Portfolio Held As Fair Value Through Other Comprehensive Income to Amortised Cost**
From total debt investment portfolio ,the Bank has reclassified the Debt portfolio amounting to LKR 37.7 Bn, consisting of Sri Lanka Government Treasury Bonds of LKR 32.6 Bn and Sri Lanka USD Sovereign Bonds of USD 14 Mn held as "Fair Value through Other Comprehensive Income" to "Amortised cost" with effect from 01 April 2022. This reclassification is a one-time event in accordance with the Statement of Alternative Treatment (SoAT) on reclassification of debt portfolio issued by the Institute of Chartered Accountants of Sri Lanka and in line with the requirements of the SLFR 9-Financial Instruments paragraph 5.6.5. The cumulative losses from these instruments previously recognised in Other Comprehensive Income has been removed from equity and adjusted against the fair value of the financial asset at the reclassification date. Accordingly, the impact on the equity as at the reporting date was LKR 6.6 Bn.
- 7 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

08. ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT AS AT 30 JUNE 2022

8.1 Product wise Gross Loans and Receivables

By product-Domestic Currency

Term loans
Medium and short term loans
Overdrafts
Trade Finance
Consumer loans
Lease rentals receivable and Hire Purchase
Housing loans
Islamic Banking facilities
Credit cards
AF Loans
Staff loans
Pawning

Sub total

By product-Foreign Currency

Term loans
Overdrafts
Medium and short term loans
Trade Finance
Islamic Banking facilities
Housing loans

Sub total

Total

Bank		Group	
As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000	As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000
142,504,720	137,834,028	142,504,720	137,834,028
78,797,671	76,703,108	78,797,671	76,703,108
77,997,552	68,131,132	77,997,524	67,896,681
26,982,374	21,378,582	26,982,374	21,378,582
58,307,550	55,080,118	58,307,550	55,080,118
26,351,606	28,080,778	26,351,606	28,080,778
19,388,724	19,158,111	19,388,724	19,158,111
10,526,494	9,847,168	10,526,494	9,847,168
8,135,711	7,948,654	8,135,711	7,948,654
3,706,965	3,423,346	3,706,965	3,423,346
2,477,767	2,469,881	2,547,629	2,539,660
9,281,473	6,598,837	9,281,473	6,598,837
464,458,607	436,653,742	464,528,441	436,489,071
21,202,433	12,675,560	21,202,433	12,675,560
8,284,410	4,967,174	8,284,410	4,967,174
65,039,696	40,761,255	65,039,696	40,761,255
44,059,582	26,943,852	44,059,582	26,943,852
5,457,710	4,066,951	5,457,710	4,066,951
113,827	72,508	113,827	72,508
144,157,658	89,487,300	144,157,658	89,487,300
608,616,265	526,141,042	608,686,098	525,976,370

8.2 Product wise commitments and contingencies considered for Impairment

By product- Domestic Currency

Guarantees
Performance Bonds
Documentary Credits
Acceptances
Undrawn commitments

Sub Total

By product- Foreign Currency

Guarantees
Performance Bonds
Documentary Credits
Acceptances
Undrawn commitments

Sub Total

Total

Bank		Group	
As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000	As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000
36,967,368	45,401,544	36,821,417	49,613,333
14,342,923	15,046,077	14,342,923	13,972,889
305,710	1,298,545	305,710	830,692
35,595	150,687	35,595	66,045
156,508,098	124,328,802	156,903,902	137,451,546
208,159,694	186,225,655	208,409,547	201,934,505
17,059,035	16,304,037	17,059,035	22,422,147
13,098,320	7,353,616	13,098,320	6,534,172
12,102,793	22,954,557	12,102,793	28,888,267
20,992,084	27,790,358	20,992,084	24,712,596
1,272,442	1,041,634	1,272,442	1,171,246
64,524,675	75,444,201	64,524,675	83,728,428
272,684,369	261,669,856	272,934,222	285,662,932

Gross loans and advances ,Commitments and Contingencies

(Less): Accumulated impairment under stage 1
Accumulated impairment under stage 2
Accumulated impairment under stage 3

Net value of loans and advances, commitments and contingencies

As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000	As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000
881,300,634	787,810,898	881,620,321	811,639,302
4,618,192	4,831,892	4,618,192	4,831,892
4,128,298	4,327,481	4,128,298	4,327,481
19,378,751	14,472,212	19,378,751	14,472,212
853,175,393	764,179,314	853,495,080	788,007,718

	Bank		Group	
	As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000	As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000
8.3 Movement of impairment during the period				
Under stage 1				
Balance at 1 January	4,831,892	3,472,657	4,831,892	3,472,657
Charge/(Write back) to Statement of Profit or Loss	(213,700)	1,359,235	(213,700)	1,359,235
Write-off during the period	-	-	-	-
Closing balance	4,618,192	4,831,892	4,618,192	4,831,892
Under stage 2				
Balance at 1 January	4,327,481	2,743,988	4,327,481	2,743,988
Charge/(Write back) to Statement of Profit or Loss	(199,183)	1,583,492	(199,183)	1,583,492
Write-off during the period	-	-	-	-
Closing balance	4,128,298	4,327,481	4,128,298	4,327,481
Under stage 3				
Balance at 1 January	14,472,212	11,714,824	14,472,212	11,714,824
Charge/(Write back) to Statement of Profit or Loss	5,639,941	5,234,191	5,639,941	5,234,191
Write-off during the period	(733,402)	(2,501,716)	(733,402)	(2,501,716)
Other movement	-	24,912	-	24,912
Closing balance	19,378,751	14,472,212	19,378,751	14,472,212

	Bank		Group	
	As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000	As at 30/06/2022 LKR '000	As at 31/12/2021 LKR '000
9. ANALYSIS OF DEPOSITS				
Due to Other Customers - By product				
By product-Domestic Currency				
Demand deposits	32,951,399	30,337,930	32,394,233	30,341,537
Savings deposits	78,119,165	86,686,437	77,889,425	86,313,340
Time deposits	323,624,899	313,670,167	323,291,143	313,452,645
Other deposits	2,379,145	2,682,331	2,379,145	2,682,331
Sub total	437,074,609	433,376,865	435,953,946	432,789,854
By product- Foreign Currency				
Demand deposits	14,248,179	6,371,382	14,248,179	6,358,482
Savings deposits	39,011,238	24,427,736	38,972,104	24,244,451
Time deposits	153,671,472	87,570,503	153,671,472	87,570,503
Other deposits	665,083	293,306	665,083	293,306
Sub total	207,595,972	118,662,927	207,556,838	118,466,741
Total	644,670,581	552,039,792	643,510,784	551,256,595

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 30/06/2022	As at 31/12/2021	As at 30/06/2022	As at 31/12/2021
Regulatory Capital Adequacy (LKR '000)				
Common Equity Tier 1 Capital	47,740,078	48,441,141	51,379,362	51,937,517
Tier 1 Capital	47,740,078	48,441,141	51,379,362	51,937,517
Total Capital	72,027,068	74,578,891	75,596,354	77,983,909
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement -7%, 2021 -6.5%)	8.63	10.01	8.99	10.53
Tier 1 Capital Ratio (Minimum Requirement - 8.5% , 2021 - 8%)	8.63	10.01	8.99	10.53
Total Capital Ratio (Minimum Requirement - 12.5%, 2021- 12%)	13.02	15.42	13.23	15.82
Leverage Ratio (Minimum Requirement - 3%)	5.44	6.36	5.81	6.77
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	191,978,840	157,514,944	191,978,840	157,514,944
Statutory Liquid Assets Ratio (Minimum Requirement -20%)				
Domestic Banking Unit (%)	21.57	23.14	21.57	23.14
Off-Shore Banking Unit (%)	24.49	25.31	24.49	25.31
Total stock of high quality liquid assets (LKR ' 000) - All currency	102,640,576	112,552,154	102,640,576	112,552,154
Total stock of high quality liquid assets (LKR ' 000) - Rupee	85,188,527	89,088,289	85,188,527	89,088,289
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement 30.06.2022- 90% , 2021 - 100%)	241.02	193.03	241.02	193.03
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 30.06.2022 -90%, 2021 - 100%)	156.50	171.33	156.50	171.33
Net stable Funding Ratio (%) (Minimum Requirement 30.06.2022 - 90% , 2021 - 100%)	117.49	118.27	117.49	118.27
Asset Quality (Quality of the Loan Portfolio)				
Impaired Loans (Stage 3) Ratio (%)	5.70	4.55	5.70	4.55
Impairment (stage 3) to Stage 3 loans Ratio (%)	32.07	32.81	32.07	32.81
Profitability				
Earnings Per Share (annualised) (LKR)	9.05	20.68	9.15	22.44
Return on Average Shareholders' Funds (%)	5.61	12.27	5.34	12.47
Return on Average Assets ((after Tax (%))	0.45	0.96	0.45	1.03
Return on Average Assets ((before Tax (%))	0.71	1.55	0.76	1.67
Net interest margin (%)	3.77	3.25	3.77	3.24
Debt Security - Related Ratios				
Interest Cover (Times)	1.68	1.70	1.68	1.70
Debt to Equity (Times)	11.53	10.71	10.85	10.05

SHARE INFORMATION

SHARE PRICE

As at	30/06/2022	31/12/2021
Number of shares	380,094,722	357,123,647
Last traded price (LKR)	35.00	68.90
For the quarter ended	30/06/2022	31/12/2021
Highest price per share (LKR)	59.80	79.90
Lowest price per share (LKR)	33.20	67.90

TOP 20 LARGEST SHARE HOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 30.06.2022

	NAME	NO OF SHARES	%
1	STANDARD CHARTERED BANK MAURITIUS S/A NORFUND	37,971,462	9.99
2	EMPLOYEE'S PROVIDENT FUND	36,125,392	9.50
3	BANK OF CEYLON NO. 1 ACCOUNT	30,210,035	7.95
4	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	23,099,809	6.08
5	RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01	23,581,865	6.20
6	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	19,204,777	5.05
7	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	15,066,780	3.96
8	EMPLOYEES TRUST FUND BOARD	12,892,611	3.39
9	DR.S.YADDEHIGE	10,814,195	2.85
10	HATTON NATIONAL BANK PLC A/C NO 1	10,536,091	2.77
11	PERPETUAL TREASURIES LIMITED	9,298,864	2.45
12	SBI VEN HOLDINGS PTE LTD	9,226,644	2.43
13	COMMERCIAL BANK OF CEYLON PLC/METROCORP (PVT) LTD	7,963,839	2.10
14	PHOENIX VENTURES PRIVATE LIMITED	6,151,153	1.62
15	PEOPLE'S LEASING & FINANCE PLC/MR. D. SCHAFFTER	7,066,635	1.86
16	AKBAR BROTHERS PVT LTD A/C NO 1	5,795,780	1.53
17	MR.A.K.PATHIRAGE	5,480,626	1.44
18	ASIRI SURGICAL HOSPITAL PLC	5,389,041	1.42
19	ARPICO INSURANCE LIMITED	3,613,375	0.95
20	DFCC BANK PLC A/C 1	3,372,735	0.89

PUBLIC HOLDING PERCENTAGE

	As at 30/06/2022
Float adjusted Market Capitalization in LKR	9,566,414,011
Percentage of shares held by the public	71.91%
Number of public shareholders	11,383
Option under which the Bank complies with the minimum Public Holding requirement	Option 1

DIRECTORS INTEREST IN SHARES OF NDB AS AT 30.06.2022

Name	No. of shares
MR. ESHANA DE SILVA (Resigned w.e.f. 30.06.2022)	-
MR. DIMANTHA SENEVIRATNE	75,375
MR. SRIYAN COORAY	-
MR. BERNARD SINNIH	-
MR. SUJEEWA MUDALIGE	-
MR. HIRAN PERERA	-
MR. KUSHAN D'ALWIS, PC	-
MS. (FAY) PIYACHATR CHETNAKARNKUL	-
MS. CHANDIMA DILUKSHI	-

Rated unsecured subordinated redeemable debentures

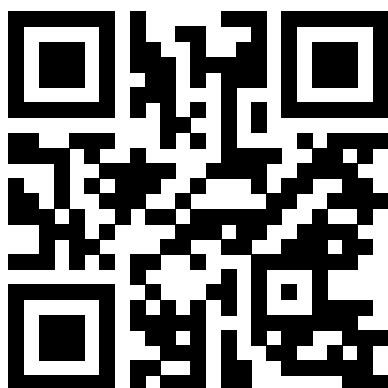
INFORMATION ON DEBENTURES- BANK											
Type of Debenture	CSE Listing	Interest payable frequency	Balance as at 30 June 2022 LKR Mn	Market Value			Interest Rate		Interest rate of comparable Govt. Security %	Other ratios as at last trade	
				Highest LKR	Lowest LKR	Period end LKR	Coupon Rate %	Effective Annual Yield %		Interest Yield %	Yield To Maturity %
Fixed rate - Debenture November 2021 A- Nov 2021/Nov 2026 B- Nov 2021/Nov 2028	Listed	Semi-annually Semi-annually	7,953 117	Not traded during the quarter			11.90 12.00	11.66 11.73	11.14 11.61	Not traded during the quarter	
Fixed rate - Debenture September 2020 Sep 2020/ Sep 2025	Listed	Annually	6,950	Not traded during the quarter			9.50	9.16	6.57	Not traded during the quarter	
Fixed rate - Debenture March 2019 A - Mar 2019/Mar 2024 B - Mar 2019/Mar 2024	Listed Listed	Semi-annually Annually	1,282 4,455	Not traded during the quarter			13.50 13.95	13.17 13.1	11.04 11.04	Not traded during the quarter	
Fixed rate - Debenture December 2013 C - Dec 2013/Dec 2023 D - Dec 2013/Dec 2025	Listed Listed	Annually Annually	3,876 3,823	Not traded during the quarter Not traded during the quarter			13.90 14.00	13.17 13.26	11.80 12.09	Not traded during the quarter Not traded during the quarter	
Total Debentures			28,456								

Important Dates - H1 2022 - Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	15 August 2022
Investor Webinar	25 August 2022
Updates to the investor relations web page within the Bank's corporate website www.ndbbank.com	15 August 2022
Edited Transcript and video playback of the Investor webinar released/ uploaded to the Bank's website	Within ten working days from the date of the webinar
Financial statements published in selected newspapers in the three languages of Sinhala, Tamil and English	24 and 26 August 2022

Corporate Information

Name National Development Bank PLC Legal Form 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 re-registered 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: NDBSLKLX Web Page: www.ndbbank.com E-mail: contact@ndbbank.com VAT Registration No.: 409000266-7000 Credit Rating: Long-term National Rating: A(lka)/Rating Watch Negative (RWN) - Fitch Ratings Lanka Limited
Registration No. PQ 27 Accounting Year End 31 December	Auditors M/s Ernst & Young, 201, De Saram Place, Colombo 10 Company Secretary: Mrs. Shehani Ranasinghe Acting Compliance Officer Mr. Chandima Kannangara
Board of Directors Sriyan Cooray - Chairman Dimantha Seneviratne - Director/Chief Executive Office Bernard Sinniah - Director Sujeewa Mudalige - Director Hiran Perera - Director Kushan D'Alwis, PC - Director (Fay) Piyachat Chetnakarnkul - Director Chandima Dilrukshi - Director	Subsidiary Companies NDB Capital Holdings Ltd. NDB Capital Ltd. (Bangladesh) Development Holding (Pvt) Ltd. NDB Investment Bank Ltd. NDB Wealth Management Ltd. NDB Securities (Pvt) Ltd. NDB Zephyr Partners Ltd. (Mauritius) NDB Zephyr Partners Lanka (Pvt) Ltd. Ayojana Fund (Pvt) Ltd. (Under liquidation)
Investor Relations - Contact Details	
Company Secretarial Unit Ms. Shehani Ranasinghe Company Secretary/ Vice President Email: shehani.ranasinghe@ndbbank.com Tel.: +94 (0)11 2448448 Extn: 35013	Investor Relations Team Ms. Suvendrini Muthukumarana Vice President - Finance Email: suvendrini.muthukumarana@ndbbank.com investor.relations@ndbbank.com Tel.: +94(0)112448448 Extn: 35301



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