

INTERIM FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

National Development Bank PLC

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

Released to the Colombo Stock Exchange on: 21 February 2023



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***The financial statements presented herewith are the unaudited financial statements for the year ended 31 December 2022 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB records strong core banking performance for 2022 amidst unprecedented challenges

Harnesses strength from versatile business strategy and investments in digital drive

21 February 2023, Colombo, Sri Lanka

- **Total operating income up by 38% to LKR 43 Bn**
- **Impairment charges of LKR 29 Bn reflecting macro-economic stresses**
- **Continually enhanced cost to income ratio of 27%**
- **Twin affirmations as Best Bank in Sri Lanka 2022 by Global Finance USA and Euromoney**

National Development Bank PLC (NDB/ the Bank) released its financial statements for the financial year ended 31 December 2022 to the Colombo Stock Exchange on 21 February 2023. The Bank's Director/ CEO Mr. Dimantha Seneviratne, commenting on the performance for the period stated that 2022 was notable for the never-before seen challenges affecting the Sri Lankan economy, from both domestic and international fronts. Unprecedented and uncharted times like these put to test the true resilience, versatility and agility of corporates. I am pleased to note that NDB gracefully withstood these challenges, particularly in preserving liquidity and capital adequacy – which were made possible by its agile strategy tactically recalibrated in response to shifting operating landscape. Whilst factors beyond the control of the Bank and the industry collectively continued to dampen profitability, the Bank generated sound operational results, as reflected in a 77% growth in gross income, 38% growth in total operating income and a vastly improved cost to income ratio across the industry at 27% due to cost management initiatives, which affirm the strength and stability of NDB's foundation and the agility of the NDB Team. As Sri Lanka converges with the optimistic path to economic recovery with anticipated assistance of the International Monetary Fund, NDB remains committed in its duty towards the nation, he further stated.

Analysis of financial performance

Profitability

NDB recorded a profit attributable to shareholders of LKR 3.0 Bn at the Group level, whilst post and pre-tax profits at the Bank level closed in at LKR 2.9 Bn and LKR 2.0 Bn for the financial year 2022. Compared to 2021, these were negative growth rates of 56%, 54% and 80% respectively, the continuation of year-long and industry-wide profit deceleration attributable to the macro-economic shocks that severely impacted the banking sector, including large impairments. Notwithstanding the challenges, the Bank demonstrated strength in core banking operations with total operating income, comprising fund and fee based income increasing by 38% YoY to LKR 42.7 Bn in 2022. Net interest income, the majority contributor in operating income enhanced by 42% over the prior year, to LKR 30.7 Bn. Interest income of LKR 97.9 Bn which increased by 86% and interest expenses of LKR 67.2 Bn which increased by 116% drove NII, together with a Net Interest Margin (NIM) of 4.00%. Triggered by the highest-ever increase in regulator policy rates within a 12 months window, where the Standing Deposits Facility Rate and Standing Lending Facility Rate were increased by 950 bps to 14.5% and 15.5% respectively, all benchmark interest rates moved exponentially high in 2022. Interest rates within NDB moved in tandem, with timely re-pricing of the loan book and deposits mobilization at prevailing market rates. The Bank also experienced aggressive appetite in customers for time deposits,

including the shifting of existing low cost deposits to time deposits to capitalize on the historically high deposits rates. This explains the larger increase in interest expenses. Amidst such conditions, effective assets and liability management supported the Bank in enhancing its NIM to 4.00% from 3.25% in 2021.

On fee based income, net fee and commission income grew by 12% to LKR 6.3 Bn over 2021, primarily driven by fee income generated from trade related activities. All other non-fund based income accounted for LKR 5.7 Bn, a 51% YoY growth mainly stemming from FCY reserve revaluation gains due to the sharp depreciation of the Rupee by over 80% in 2022. Within this, net gain/(loss) from trading declined by 116%, with trading opportunities in Fixed Income adversely affected due to lack of liquidity and market participants throughout 2022.

Impairment charges for loans and other losses, one of the most intense challenges that the banking sector is grappling with, continued to rise. The year saw NDB's total impairment charges increasing by 185% to LKR 29.3 Bn. Impairment charges were on account of exposure to foreign currency denominated Government securities and the Bank's loan book. The former comprised the greater portion of impairment, factoring in the revisions to the sovereign rating of the country to Restricted Default in May 2022 on account of the country's debt restructuring measures and the impact arising from rupee depreciation. Impairment provisions for loans also increased during the period, to reflect macroeconomic impact on loan book quality, the major factor being reduced debt serviceability of customer across all segments, exacerbated by high inflation and negative GDP growth. Resultantly, the Impairment (Stage 3) to Stage 3 Loans Ratio increased to 37.44% (2021: 32.81%) whilst the Impaired Loans (Stage 3) Ratio stood at 6.24% (2021: 4.55%)

With regards to controllable costs denoted in total operating expenses, NDB recorded LKR 11.4 Bn for the year, which gratifyingly was only a 9% YoY increase amidst high inflation that prevailed for most of the year, steep depreciation of the Rupee and revisions to taxes - all of which collectively drove expenditure up. The discipline demonstrated around controllable costs across the Bank, conformity to guidelines issued by the Central Bank of Sri Lanka on discretionary expenses, large operational efficiencies and cost saving achieved through automation and digitization initiatives in both customer service and internal processes augured well for the Bank during the year. The cost to income ratio improved to 27% from dual factors of well managed costs and enhanced revenue.

Balance Sheet Performance

By end 2022, total assets of the Bank stood at LKR 833 Bn, an 18% increase over 2021, mainly driven by the Rupee depreciation. Gross loans to customers was LKR 580 Bn, an increase of 10% over 2021. Besides the inflationary impact of the Rupee depreciation, loan book increase comprised loans granted within the Bank's enhanced precautionary risk parameters and as warranted within the ailing economy with a negative GDP growth. On Balance Sheet funding, customer deposits closed in at LKR 672 Bn, a 22% increase over 2021, benefiting from the focused deposits mobilization during the year, which also largely supported the Bank to maintain sound liquidity positions. Total assets at the Group level was LKR 839 Bn.

Investor KPIs, Liquidity and Capital Adequacy

Key investor ratios moderated in 2022, resulting from challenged profitability levels as elaborated above. Accordingly, Return on average equity and Earnings per share were 4.75% (Group: 4.62 %) and LKR 7.65 (Group: LKR 7.92) respectively. Pre-tax Return on Average Assets was 0.26% (Group: 0.34%) and Net asset

value per share was LKR 167.16 (Group: LKR 177.60). Regulatory Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency) and Net stable Funding Ratio stood well above the regulatory minimum requirement of 90% at 297.08%, 232.68% and 130.87% respectively. The Consolidated Statutory Liquid Assets Ratio of 27.24% was also well above the regulatory minimum requirement of 20%. The Bank maintained sound liquidity levels right throughout the year despite the many stresses and continually met the regulator stipulated minimum levels. All obligations of the Bank in both local currency and foreign currency were met in a timely manner, with fortified support extended to customers in need of foreign currency liquidity.

Tier I and Total Capital Adequacy ratios by end 2022 stood at 9.34% (Group: 9.87%) and 13.35% (Group: 13.81%), ahead of the regulatory minimum levels of 8.5% and 12.5% respectively, before considering capital relief measures on capital conservation buffers introduced by the CBSL recently. The Bank's prudent balance sheet repurposing in response to rising impairments and exchange depreciation driven balance sheet inflation, enabled the Bank to preserve capital adequacy and remain stable.

Outlook

The after-effects of the Sri Lankan economic crisis are expected to be felt with greater intensity in 2023. With regards to the banking sector - the nerve centre of the economy, recovery and growth paths will be gradual. Clarity on the Government's finalized debt restructuring plans will be a key determinant of such recovery and growth pace. NDB embraces the fact that customer support is vital at this moment. The Bank has established a dedicated Remedial Unit in supporting distressed customers maintain financial resilience and healthy repayments. The Bank's other strategic priorities, such as innovations on digital front, customer-centricity, empowering the women's market segment, internal process streamlining and automations, staff development, combatting climate change and community support will continue unabated, affording NDB a strong platform to launch ahead, once the country's economic conditions improve.

Reflecting the sound equilibrium in performance that NDB maintained during the year, NDB emerged as the Best Bank in Sri Lanka 2022, securing twin awards from the prestigious Global Finance USA and Euromoney. The Bank was adjudged the Best Bank for Digital Solutions Sri Lanka 2022 by Asiamoney, with the total awards tally exceeding 70 for the year. NDB also emerged as the Most Awarded Corporate in Sri Lanka for 2021 as per annual rankings of LMD Magazine.

STATEMENT OF PROFIT OR LOSS

	Bank					Group				
	Year ended	Year ended	Change	Quarter ended	Quarter ended	Year ended	Year ended	Change	Quarter ended	Quarter ended
	31/12/2022 (Audited) LKR '000	31/12/2021 (Audited) LKR '000		31/12/2022 LKR '000	31/12/2021 LKR '000	31/12/2022 (Audited) LKR '000	31/12/2021 (Audited) LKR '000		31/12/2022 LKR '000	31/12/2021 LKR '000
Gross Income	109,902,478	62,110,531	77	35,399,246	16,029,885	111,551,511	64,082,873	74	35,939,755	16,707,267
Interest Income	97,917,822	52,692,866	86	32,745,684	13,980,680	98,217,310	52,794,763	86	32,871,162	14,008,701
Interest Expenses	67,174,164	31,070,098	116	24,189,228	8,290,067	67,086,940	31,053,468	116	24,153,825	8,284,443
Net Interest Income	30,743,658	21,622,768	42	8,556,456	5,690,613	31,130,370	21,741,295	43	8,717,337	5,724,258
Fee and Commission Income	6,274,698	5,634,797	11	1,863,225	1,621,048	7,438,752	7,384,660	1	2,093,994	2,048,554
Less: Fee and commission Expenses	16,929	33,260	(49)	21	12,302	16,929	33,260	(49)	21	12,302
Net Fee and Commission Income	6,257,769	5,601,537	12	1,863,204	1,608,747	7,421,823	7,351,400	1	2,093,973	2,036,252
Net gain/(loss) from trading	(340,346)	2,096,455	(116)	630,186	178,591	(340,346)	2,096,455	(116)	630,186	178,591
Net gain/(loss) from financial assets at fair value Through Profit or Loss	(389,767)	433,106	(190)	100,981	243,550	(340,388)	560,482	(161)	83,520	311,352
Net gains/(losses) from derecognition of financial assets	15,127	186,248	(92)	(9,057)	(26,656)	15,127	186,248	(92)	(9,057)	(26,656)
Other operating income	6,424,944	1,067,059	502	68,227	32,672	6,561,056	1,060,265	519	269,950	186,725
Total Operating Income	42,711,385	31,007,173	38	11,209,997	7,727,517	44,447,642	32,996,145	35	11,785,907	8,410,522
Less : Impairment Charges	29,291,660	10,264,662	185	7,066,861	3,612,010	29,276,538	10,252,695	186	7,060,304	3,607,154
Net operating income	13,419,725	20,742,511	(35)	4,143,136	4,115,507	15,171,104	22,743,450	(33)	4,725,603	4,803,368
Operating Expenses										
Personnel Expenses	5,736,522	5,672,007	1	1,401,508	1,466,009	6,363,374	6,322,751	1	1,571,402	1,703,918
Depreciation and amortization	846,634	831,643	2	222,662	200,972	926,034	914,111	1	253,339	236,234
Other Expenses	4,800,490	3,930,728	22	1,272,495	1,066,525	5,209,758	4,277,910	22	1,385,496	1,068,137
Total operating expenses	11,383,646	10,434,378	9	2,896,666	2,733,506	12,499,166	11,514,772	9	3,210,237	3,008,289
Operating Profit Before Tax on Financial Services	2,036,079	10,308,133	(80)	1,246,470	1,382,001	2,671,938	11,228,678	(76)	1,515,366	1,795,079
Less: Taxes on Financial services	1,203,092	2,014,671	(40)	440,261	347,059	1,203,092	2,014,671	(40)	440,261	347,059
Operating Profit After Tax on Financial Services	832,987	8,293,462	(90)	806,209	1,034,942	1,468,846	9,214,007	(84)	1,075,105	1,448,020
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	832,987	8,293,462	(90)	806,209	1,034,942	1,468,846	9,214,007	(84)	1,075,105	1,448,020
Less : Income tax expenses/ (reversal)	(2,076,058)	1,930,986	(208)	(1,541,615)	312,297	(1,606,957)	2,151,277	(175)	(1,309,332)	437,094
Profit for the year	2,909,045	6,362,476	(54)	2,347,824	722,645	3,075,803	7,062,730	(56)	2,384,437	1,010,926
Profit Attributable to:										
Equity Holders of the parent	2,909,045	6,362,476	(54)	2,347,824	722,645	3,008,737	6,904,263	(56)	2,367,435	936,188
Non Controlling Interests	-	-	-	-	-	67,066	158,467	(58)	17,002	74,738
	2,909,045	6,362,476	(54)	2,347,824	722,645	3,075,803	7,062,730	(56)	2,384,437	1,010,926
Basic Earnings per share (in LKR)	7.65	19.24	(60)	6.18	2.19	7.92	20.88	(62)	6.23	2.83
Diluted Earnings per share (in LKR)	7.65	19.24	(60)	6.18	2.19	7.92	20.88	(62)	6.23	2.83

STATEMENT OF COMPREHENSIVE INCOME

	Year ended	Year ended	Change	Quarter ended	Quarter ended	Year ended	Year ended	Change	Quarter ended	Quarter ended	
	31/12/2022 (Audited) LKR '000	31/12/2021 (Audited) LKR '000		31/12/2022 LKR '000	31/12/2021 LKR '000	31/12/2022 (Audited) LKR '000	31/12/2021 (Audited) LKR '000		31/12/2022 LKR '000	31/12/2021 LKR '000	
	Profit for the year	2,909,045	6,362,476	(54)	2,347,824	722,645	3,075,803	7,062,730	(56)	2,384,436	1,010,926
Items that will be reclassified to Statement of Profit or loss											
Exchange differences on translation of foreign operations	-	-	-	-	-	220,997	22,916	864	(612)	3,201	
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	2,420,880	(2,353,240)	203	366,813	(788,019)	2,391,542	(2,367,024)	201	368,536	(795,814)	
Changes in Impairment allowance for Expected credit losses	(181,155)	135,574	(234)	-	126,448	(181,155)	135,574	(234)	-	126,449	
Cash Flow Hedge Reserve-SWAP	4,385,238	-	100	(832,722)	-	4,385,238	-	100	(832,722)	-	
Less :Tax expense relating to items that will be reclassified to Income Statements	(1,991,003)	593,038	(436)	(173,425)	214,726	(1,991,003)	589,819	(438)	(173,425)	211,507	
A	4,633,960	(1,624,628)	385	(639,334)	(446,845)	4,825,619	(1,618,715)	398	(638,223)	(454,657)	
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	(304,245)	(49,407)	(516)	14,799	(71,477)	(304,245)	(49,407)	(516)	14,799	(71,477)	
Revaluation of Land & Buildings	249,651	22,794	995	249,651	22,794	316,789	54,102	486	316,789	54,102	
Actuarial Gains/(losses) on defined benefit plans	68,094	316,361	(78)	68,094	316,361	58,168	350,150	(83)	58,168	350,148	
Less :Tax expense relating to items that will not be reclassified to Income Statements	(143,537)	(51,674)	(178)	(143,537)	(16,401)	(172,657)	(60,755)	(184)	(172,657)	(25,482)	
B	(130,037)	238,074	(155)	189,007	251,278	(101,945)	294,090	(135)	217,099	307,291	
Total Other Comprehensive Income after Tax	A + B	4,503,923	(1,386,554)	425	(450,327)	(195,567)	4,723,674	(1,324,625)	457	(421,123)	(147,366)
Total Comprehensive Income for the year		7,412,968	4,975,922	49	1,897,497	527,078	7,799,477	5,738,105	36	1,963,312	863,561
Attributable to:											
Equity holders of the parent	7,412,968	4,975,922	49	1,897,497	527,078	7,685,034	5,575,671	38	1,945,149	789,086	
Non Controlling Interests	-	-	-	-	-	114,443	162,434	(30)	18,163	74,475	
	7,412,968	4,975,922	49	1,897,497	527,078	7,799,477	5,738,105	36	1,963,312	863,561	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Year	Previous Year		Current Year	Previous Year	
	As at 31/12/2022 (Audited) LKR '000	As at 31/12/2021 (Audited) LKR '000	Change %	As at 31/12/2022 (Audited) LKR '000	As at 31/12/2021 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	34,849,521	13,411,819	160	35,727,665	13,765,270	160
Balances with the Central Bank of Sri Lanka	18,187,547	16,403,362	11	18,187,547	16,403,362	11
Placements with banks	4,108,989	8,299,403	(50)	4,108,989	8,299,403	(50)
Derivative Financial Instruments	7,909,252	1,338,204	491	7,909,252	1,338,204	491
Financial assets recognized through profit or loss measured at fair value	19,318,483	2,441,833	691	20,788,523	4,784,124	335
Financial assets at amortised cost -loans and receivables to other customers	545,873,027	504,538,968	8	545,919,824	504,374,296	8
Financial assets at amortised cost - debt and other instruments	135,047,886	54,262,976	149	135,047,886	54,262,976	149
Financial assets measured at fair value through other comprehensive income	44,685,230	89,552,196	(50)	45,454,490	89,696,611	(49)
Investments in subsidiary companies	1,115,794	1,130,916	(1)	-	-	-
Investment Property	-	-	-	2,879,091	2,528,228	14
Intangible assets	1,804,321	1,203,940	50	1,813,213	1,217,111	49
Property, plant & equipment	3,261,362	3,143,829	4	3,907,994	3,735,298	5
Right of Use Assets	1,170,763	1,094,607	7	1,323,368	1,285,385	3
Current Tax Assets	-	-	-	43,488	27,701	57
Deferred tax Assets	9,004,747	3,417,315	164	9,048,896	3,443,207	163
Other assets	6,435,328	4,693,249	37	7,037,671	5,670,716	24
Total assets	832,772,250	704,932,617	18	839,197,897	710,831,892	18
Liabilities						
Due to Banks	20,251,657	24,770,644	(18)	20,298,844	24,821,158	(18)
Derivative Financial Instruments	96,246	1,048,644	(91)	96,246	1,048,644	(91)
Financial Liabilities at amortised cost -due to depositors	672,314,023	552,039,792	22	671,713,337	551,256,595	22
Financial Liabilities at amortised cost						
- due to debt securities holders	130,541	1,341,060	(90)	130,541	1,341,060	(90)
- due to other borrowers	32,372,265	25,228,865	28	32,372,265	25,228,865	28
Debt securities issued	27,979,631	27,960,731	0	27,979,631	27,960,731	0
Retirement benefit obligations	916,007	735,666	25	1,019,294	829,873	23
Current Tax Liabilities	6,470,353	2,407,243	169	6,635,188	2,585,975	157
Deferred Tax Liabilities	-	-	-	873,280	569,213	53
Other liabilities	8,606,663	10,375,943	(17)	9,084,114	11,031,413	(18)
Dividends payable	99,001	91,823	8	99,001	91,823	8
Total liabilities	769,236,387	646,000,411	19	770,301,741	646,765,350	19
Equity						
Stated Capital	19,870,665	18,263,609	9	19,870,665	18,263,609	9
Statutory Reserve Fund	2,746,479	2,571,479	7	2,746,479	2,571,479	7
Retained Earnings	37,381,043	39,134,379	(4)	41,145,983	42,730,949	(4)
Other Reserves	3,537,676	(1,037,261)	441	3,741,771	(838,868)	546
Total shareholders' equity	63,535,863	58,932,206	8	67,504,898	62,727,169	8
Non Controlling Interests	-	-	-	1,391,258	1,339,373	4
Total Equity	63,535,863	58,932,206	8	68,896,156	64,066,542	8
Total liabilities and equity	832,772,250	704,932,617	18	839,197,897	710,831,892	18
Net Book Value Per Share (LKR)	167.16	165.02	1	177.60	175.65	1
Contingent liabilities and commitments	293,609,756	312,072,435	(6)	294,376,706	311,978,390	(6)
Memorandum Information						
Number of Employees	2,929	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 audited financial statements of the Bank and the Group.

(Sgd.)

Sriyan Cooray
 Director/ Chairman

(Sgd.)

Dimantha Seneviratne
 Director/ Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY										
For the year ended 31 December	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			
BANK	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
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 year										
Profit for the year	-	-	-	-	-	-	6,362,476	6,362,476	-	6,362,476
Other Comprehensive Income before Tax	-	-	22,794	-	(2,402,647)	-	451,935	(1,927,918)	-	(1,927,918)
Tax on Other Comprehensive Income	-	-	67,409	-	567,069	-	(93,114)	541,364	-	541,364
Total Comprehensive Income for the year	-	-	90,203	-	(1,835,578)	-	6,721,297	4,975,922	-	4,975,922
Transactions with equity holders										
Transfer from share based payment reserves	-	-	-	44,479	-	-	-	44,479	-	44,479
Issue of Shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Transfer to statutory reserve fund	-	375,000	-	-	-	-	(375,000)	-	-	-
Interim Dividend for year 2020 - Cash	-	-	-	-	-	-	(338,494)	(338,494)	-	(338,494)
Balance as at 31 December 2021	18,263,609	2,571,479	1,402,195	44,479	(2,483,938)	-	39,134,382	58,932,206	-	58,932,206
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 year										
Profit for the year	-	-	-	-	-	-	2,909,045	2,909,045	-	2,909,045
Other Comprehensive Income before Tax	-	-	249,651	-	2,116,635	4,385,238	(113,061)	6,638,463	-	6,638,463
Tax on Other Comprehensive Income	-	-	(185,581)	-	(675,432)	(1,315,571)	42,045	(2,134,539)	-	(2,134,539)
Total Comprehensive Income for the year	-	-	64,070	44,479	1,441,203	3,069,667	2,838,029	7,412,969	-	7,412,968
Transactions with equity holders										
Transfer to statutory reserve fund	-	175,000	-	-	-	-	(175,000)	-	-	-
Issue of Shares - Scrip Dividends	1,607,056	-	-	-	-	-	-	1,607,056	-	1,607,056
Final Dividends for year 2021	-	-	-	-	-	-	(1,964,180)	(1,964,180)	-	(1,964,180)
Reversal of dividends declared in prior years	-	-	-	-	-	-	4,215	4,215	-	4,215
Balance as at 31 December 2022	19,870,665	2,746,479	1,466,265	44,479	(1,042,735)	3,069,667	37,381,043	63,535,863	-	63,535,863

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	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			
GROUP	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
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 year										
Profit for the year	-	-	-	-	-	-	6,904,263	6,904,263	158,467	7,062,730
Other Comprehensive Income before Tax	-	-	54,102	-	(2,416,431)	-	504,673	(1,857,656)	3,967	(1,853,689)
Tax on Other Comprehensive Income	-	-	66,614	-	570,288	-	(107,838)	529,064	-	529,064
Total Comprehensive Income for the year	-	-	120,716	-	(1,846,143)	-	7,301,098	5,575,671	162,434	5,738,105
Transactions with equity holders										
Adjustment to share based payment reserves	-	-	-	44,479	-	-	-	44,479	-	44,479
Transfer to statutory reserve fund	-	375,000	-	-	-	-	(375,000)	-	-	-
Issue of Shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Dividends Paid	-	-	-	-	-	-	(338,494)	(338,494)	-	(338,494)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(50,216)	(50,216)
Balance as at 31 December 2021	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
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 year										
Profit for the year	-	-	-	-	-	-	3,008,737	3,008,737	67,066	3,075,803
Other Comprehensive Income before Tax	-	-	316,789	-	2,087,297	4,385,238	50,633	6,839,957	47,378	6,887,335
Tax on Other Comprehensive Income	-	-	(217,678)	-	(675,432)	(1,315,571)	45,023	(2,163,659)	-	(2,163,659)
Total Comprehensive Income for the year	-	-	99,110	-	1,411,865	3,069,667	3,104,392	7,685,034	114,444	7,799,477
Transactions with equity holders										
Transfer to statutory reserve fund	-	175,000	-	-	-	-	(175,000)	-	-	-
Issue of Shares - Scrip Dividends	1,607,056	-	-	-	-	-	-	1,607,056	-	1,607,056
Final Dividends for year 2021	-	-	-	-	-	-	(1,964,180)	(1,964,180)	-	(1,964,180)
Reversal of dividends declared in prior years	-	-	-	-	-	-	4,215	4,215	-	4,215
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(40,778)	(40,778)
Balance as at 31 December 2022	19,870,665	2,746,479	1,682,941	44,479	(1,055,316)	3,069,667	41,145,983	67,504,898	1,391,258	68,896,156

STATEMENT OF CASH FLOW				
For the year ended 31 December	BANK		GROUP	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	92,732,700	53,092,776	92,930,324	53,119,744
Fee based income received	6,350,791	5,619,088	7,715,104	7,239,763
Dividend income received	345,679	279,634	56,010	88,036
Other Operating income received	5,576,726	2,859,551	5,773,126	3,340,113
Interest paid	(51,885,500)	(30,571,312)	(51,895,768)	(30,587,546)
Personnel costs paid	(5,591,768)	(5,515,441)	(6,124,495)	(5,938,969)
Other expenses paid	(4,625,884)	(3,686,369)	(5,003,505)	(4,281,674)
Operating Profit before changes in operating assets and liabilities	42,902,744	22,077,927	43,450,796	22,979,467
(Increase)/decrease in operating assets				
Deposits held for regulatory or monetary control purposes	(1,784,185)	(9,591,263)	(1,784,185)	(9,591,263)
Financial Assets at amortised cost -loans and receivables to other customers	(49,031,658)	(85,091,814)	(49,266,112)	(85,319,264)
Net (increase)/decrease in operating assets	(3,667,367)	(998,290)	(2,656,530)	(1,936,083)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	106,277,952	61,744,822	106,460,463	61,744,822
Financial liabilities at amortised cost - due to debt securities holders	(1,210,519)	(158,947)	(1,210,519)	(158,947)
Financial liabilities at amortised cost - due to other borrowers	(6,005,726)	(6,463,987)	(6,005,726)	(6,463,987)
Repayment of principal portion of lease liabilities	(420,768)	(417,479)	(485,967)	(478,738)
Net increase/(decrease) in other liabilities	(2,705,274)	547,569	(3,618,581)	1,360,858
Net cash generated/(used in) from operating activities before taxation	84,355,199	(18,351,462)	84,883,639	(17,863,135)
Tax on Financial Services paid	(1,355,643)	(2,220,632)	(1,355,643)	(2,220,632)
Income taxes paid	(1,582,804)	(2,821,270)	(1,787,164)	(3,106,562)
Surcharge tax paid	(2,456,403)	-	(2,576,176)	-
Net cash generated/(used in) from operating activities	78,960,349	(23,393,364)	79,164,656	(23,190,329)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(67,543,861)	8,510,963	(67,104,545)	8,476,433
Purchase of Intangible assets	(828,626)	(432,197)	(828,626)	(437,758)
Purchase of property, plant & equipment	(342,319)	(610,610)	(420,773)	(669,403)
Proceeds from sale of property, plant & equipment	-	8,503	74	16,338
Net cash generated /(used in) from investing activities	(68,714,806)	7,476,659	(68,353,870)	7,385,610
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary of shares (as a right issue/private placement)	-	9,469,276	-	9,469,276
Interest paid on debts securities issued	(3,348,149)	8,000,000	(3,348,149)	8,000,000
Proceed/ (Repayment) of Institutional borrowings	10,704,804	(2,396,033)	10,704,804	(2,396,033)
Dividends paid to non-controlling interests	-	-	(40,549)	(49,875)
Dividends paid to shareholders of the Bank	(345,731)	(333,024)	(345,731)	(333,024)
Net cash provided by /(used in) financing activities	7,010,924	14,740,219	6,970,375	14,690,344
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,256,467	(1,176,487)	17,781,161	(1,114,375)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21,711,222	22,890,469	22,064,673	23,181,808
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38,967,689	21,713,982	39,845,833	22,067,433
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	34,849,521	13,411,819	35,727,665	13,765,270
Placements with banks	4,108,989	8,299,403	4,108,989	8,299,403
Cash and cash equivalents at the end of the year (Net)	38,958,510	21,711,222	39,836,654	22,064,673
Add : Impairment allowance	9,179	2,760	9,179	2,760
Cash and cash equivalents at the end of the year (Gross)	38,967,689	21,713,982	39,845,833	22,067,433

SEGMENTAL ANALYSIS- GROUP										
For the year ended 31 December										
	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	97,917,822	52,692,866	212,264	85,151	-	-	-	-	98,130,086	52,778,017
Fee and Commission Income	6,274,698	5,634,797	758,631	1,381,560	189,606	209,341	88,908	62,928	7,311,842	7,288,566
Net gain/(loss) from trading	(340,346)	2,096,455	-	-	-	-	-	-	(340,346)	2,096,455
Net gain/(loss) from financial assets at fair value Through	(389,767)	433,106	49,379	127,376	-	-	-	-	(340,388)	560,482
Net gains/(losses) from derecognition of financial assets	15,127	186,248	-	-	-	-	-	-	15,127	186,248
Other Operating Income	6,118,106	860,141	274,681	47,120	168,269	153,004	-	-	6,561,056	1,060,265
Total revenue from external customers	109,595,640	61,903,613	1,294,955	1,641,207	357,760	362,345	88,908	62,928	111,337,262	63,970,093
Inter-segment Revenue	-	-	121,397	55,993	92,851	56,787	-	-	214,249	112,750
Total Revenue	109,595,640	61,903,613	1,416,352	1,697,200	450,611	419,132	88,908	62,928	111,551,511	64,082,873
Impairment (charge)/reversal for Loans & other losses	(29,276,538)	(10,252,695)	-	-	-	-	-	-	(29,276,538)	(10,252,695)
Segment expenses	(78,474,208)	(41,507,797)	(1,026,853)	(1,014,504)	(18,035)	(11,213)	(83,939)	(67,985)	(79,603,035)	(42,601,500)
Total segment expenses	(107,750,746)	(51,760,492)	(1,026,853)	(1,014,504)	(18,035)	(11,213)	(83,939)	(67,985)	(108,879,574)	(52,854,195)
Segment results	1,844,894	10,143,121	389,499	682,696	432,576	407,919	4,968	(5,057)	2,671,938	11,228,678
Income tax expenses	-	-	-	-	-	-	-	-	(1,606,957)	2,151,277
Taxes on financial services	-	-	-	-	-	-	-	-	1,203,092	2,014,671
Profit after taxation									3,075,803	7,062,730
Other information										
Segment assets	832,553,968	704,762,586	3,117,485	2,906,491	3,334,898	3,073,346	191,547	89,469	839,197,897	710,831,892
Consolidated total assets									839,197,897	710,831,892
Segment liabilities	768,617,779	645,177,721	799,754	965,118	860,852	608,253	23,355	14,259	770,301,742	646,765,350
Consolidated total liabilities									770,301,741	646,765,350
Segmental Cash flows										
Cash flows from operating activities	78,960,349	(23,393,365)	(19,996)	(111,851)	184,930	223,848	39,373	91,040	79,164,656	(23,190,329)
Cash flows from investing activities	(68,714,806)	7,476,659	427,707	76,621	(66,771)	(167,670)	-	-	(68,353,870)	7,385,610
Cash flows from financing activities	7,010,924	14,740,218	56,761	71,555	(97,310)	(97,309)	-	(24,120)	6,970,375	14,690,344

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2022 - BANK (LKR '000)

ASSETS	At fair value through	At amortised	At fair value through	Others	Total
	profit or loss	cost	Other comprehensive income		
Cash and cash equivalents	-	34,849,521	-	-	34,849,521
Balances with the Central Bank of Sri Lanka	-	18,187,547	-	-	18,187,547
Placements with banks	-	4,108,989	-	-	4,108,989
Derivative Financial Instruments	7,909,252	-	-	-	7,909,252
Financial assets recognized through profit or loss measured at fair value	19,318,483	-	-	-	19,318,483
Financial assets at amortised cost -loans and receivables to other customers	-	545,873,027	-	-	545,873,027
Financial Assets at amortised cost - debt and other instruments	-	135,047,886	-	-	135,047,886
Financial Assets measured at fair value through other comprehensive income	-	-	44,685,230	-	44,685,230
Other Financial Assets	-	1,963,077	-	-	1,963,077
Total Financial Assets	27,227,735	740,030,047	44,685,230	-	811,943,012

LIABILITIES	At fair value through	Amortized cost	Total
	profit or loss		
Due to Banks	-	20,251,657	20,251,657
Derivative Financial Instruments	96,246	-	96,246
Financial Liabilities at amortised cost -due to depositors	-	672,314,023	672,314,023
Financial Liabilities at amortised cost			
- due to debt securities holders	-	130,541	130,541
- due to other borrowers	-	32,372,265	32,372,265
Debt securities issued	-	27,979,631	27,979,631
Other Financial Liabilities	-	2,957,821	2,957,821
Total Financial Liabilities	96,246	756,005,938	756,102,184

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2022 - GROUP (LKR '000)

ASSETS	At fair value through	At amortised	At fair value through	Others	Total
	profit or loss	cost	Other comprehensive income		
Cash and cash equivalents	-	35,727,665	-	-	35,727,665
Balances with the Central Bank of Sri Lanka	-	18,187,547	-	-	18,187,547
Placements with banks	-	4,108,989	-	-	4,108,989
Derivative Financial Instruments	7,909,252	-	-	-	7,909,252
Financial assets recognized through profit or loss measured at fair value	20,788,523	-	-	-	20,788,523
Financial assets at amortised cost -loans and receivables to other customers	-	545,919,824	-	-	545,919,824
Financial Assets at amortised cost - debt and other instruments	-	135,047,886	-	-	135,047,886
Financial Assets measured at fair value through Other comprehensive income	-	-	45,454,490	-	45,454,490
Other Financial Assets	-	2,424,812	-	-	2,424,812
Total Financial Assets	28,697,775	741,416,723	45,454,490	-	815,568,988

LIABILITIES	At fair value through	Amortized cost	Total
	profit or loss		
Due to Banks	-	20,298,844	20,298,844
Derivative Financial Instruments	96,246	-	96,246
Financial Liabilities at amortised cost -due to depositors	-	671,713,337	671,713,337
Financial Liabilities at amortised cost			
- due to debt securities holders	-	130,541	130,541
- due to other borrowers	-	32,372,265	32,372,265
Debt securities issued	-	27,979,631	27,979,631
Other Financial Liabilities	-	3,273,575	3,273,575
Total Financial Liabilities	96,246	755,768,193	755,864,439

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
	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 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	-	7,909,252	-	7,909,252	-	1,338,204	-	1,338,204
Financial assets recognized through profit or loss measured at fair value	19,318,483	-	-	19,318,483	2,441,833	-	-	2,441,833
Financial assets measured at fair value through other comprehensive income	44,679,006	-	6,224	44,685,230	89,545,972	-	6,224	89,552,196
Total Financial Assets	63,997,489	7,909,252	6,224	71,912,965	91,987,805	1,338,204	6,224	93,332,233
Financial Liabilities								
Derivative Financial Instruments	-	96,246	-	96,246	-	1,048,644	-	1,048,644
Total Financial Liabilities	-	96,246	-	96,246	-	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
	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 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	-	7,909,252	-	7,909,252	-	1,338,204	-	1,338,204
Financial assets recognized through profit or loss measured at fair value	19,912,655	-	875,868	20,788,523	3,810,685	-	973,439	4,784,124
Financial assets measured at fair value through other comprehensive income	44,975,641	472,625	6,224	45,454,490	89,545,972	144,415	6,224	89,696,611
Total Financial Assets	64,888,296	8,381,877	882,092	74,152,265	93,356,657	1,482,619	979,663	95,818,939
Financial Liabilities								
Derivative Financial Instruments	-	96,246	-	96,246	-	1,048,644	-	1,048,644
Total Financial Liabilities	-	96,246	-	96,246	-	1,048,644	-	1,048,644

Notes to the Financial Statements

- 1 The figures are extracted from the audited 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 06 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**
Loans and Receivables
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 31 December 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.
Other Financial Assets
The Bank further increased the impairment provision on the foreign currency denominated government securities during the year 2022, considering the ongoing discussions on restructuring of the foreign currency denominated bonds, between the Government of Sri Lanka and the International Monetary Fund (IMF).
- 4 **Dividends**
On 30 March 2022, the Board of Directors approved and declared a first and final Dividend for the financial year ended 31 December 2021 comprising of a total 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 have 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 31 December 2022 was LKR 19.87 Bn (31 December 2021 - LKR 18.26 Bn).
- 5 **Corporate income tax rate**
The Inland Revenue (Amendment) Act, No. 45 of 2022 was certified on 19th December 2022. Accordingly, the income tax rate has increased from 24% to 30% with effect from 01.10.2022. As per the Amendment Act, the taxable income of a company for a current year of assessment shall be taxed at the rate of 24% for first six months of the year of assessment and for second six months of the same year of assessment at the rate of 30%. Accordingly, the Bank and group companies used income tax rate of 24% for calculating the income tax liability for first six months and amended tax rate of 30% in calculating the income tax liability for second six months of the year. The deferred tax liability /asset as at 31 December 2022 has been calculated at the rate of 30%.
- 6 **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> |
- 7 **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.
- 8 **Proposed Debenture Issue**
The Bank announced to the Colombo Stock Exchange on 25 January 2023 that the Board of Directors of the Bank at its meeting held on 24 January 2023 approved that the Bank issues up to a maximum of One Hundred Million (100,000,000) Basel III Compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non- Viability Conversion (hereinafter referred to as "Debentures") of Rupees Hundred (Rs.100/-) each, to raise a maximum sum of Rupees Ten Billion (LKR 10,000,000,000/-) as follows;
 - The Debentures will be offered to "Qualified Investors" as defined under the Listing Rules of the CSE;
 - The 100,000,000 Debentures will be issued in multiple issuances, the timing of which is within one year time frame from the date of obtaining shareholder approval for the issuance of the Debentures, subject to the approval of the Colombo Stock Exchange and will be decided by the Board of Directors of the Bank based on the requirements of the Bank and the prevailing market conditions ;
 - The size, tenure/maturity period (minimum five years), coupon rate/s, frequency of coupon/s, etc., as determined by the Board as per the requirements of the Bank, will be notified prior to the opening of such multiple issuances planned.
The aforesaid multiple issues will be carried out subject to necessary regulatory approvals therefor and the Bank proposes to have these Basel III Compliant Debentures quoted on the Colombo Stock Exchange.
- 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
10. ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT AS AT 31 DECEMBER 2022
10.1 Product wise Gross Loans and Receivables

	Bank		Group	
	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000
By product-Domestic Currency				
Term loans	137,442,612	137,834,028	137,442,612	137,834,028
Medium and short term loans	70,108,323	76,703,308	70,108,323	76,703,308
Overdrafts	81,725,795	68,131,132	81,725,797	67,896,681
Trade Finance	21,845,659	21,378,582	21,845,659	21,378,582
Consumer loans	55,359,969	55,080,118	55,359,969	55,080,118
Lease rentals receivable and Hire Purchase	23,510,550	28,080,778	23,510,550	28,080,778
Housing loans	19,115,607	19,158,111	19,115,607	19,158,111
Islamic Banking facilities	10,228,740	9,847,168	10,228,740	9,847,168
Credit cards	8,329,859	7,948,654	8,329,859	7,948,654
AF Loans	3,453,044	3,423,346	3,453,044	3,423,346
Staff loans	2,341,756	2,469,881	2,388,581	2,539,660
Pawning	11,864,851	6,598,837	11,864,851	6,598,837
Sub total	445,326,764	436,653,742	445,373,591	436,489,070
By product-Foreign Currency				
Term loans	19,826,358	12,675,560	19,826,358	12,675,560
Overdrafts	9,642,280	4,967,174	9,642,280	4,967,174
Medium and short term loans	61,981,258	40,761,255	61,981,258	40,761,255
Trade Finance	36,436,665	26,943,852	36,436,665	26,943,852
Islamic Banking facilities	6,243,251	4,066,951	6,243,251	4,066,951
Housing loans	104,388	72,508	104,388	72,508
Sub total	134,234,200	89,487,300	134,234,200	89,487,300
Total	579,560,964	526,141,042	579,607,791	525,976,370

10.2 Product wise commitments and contingencies considered for Impairment
By product- Domestic Currency

	Bank		Group	
	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000
Guarantees	34,757,932	45,401,544	34,611,981	49,613,333
Performance Bonds	13,688,432	15,046,077	13,688,432	13,972,889
Documentary Credits	203,745	1,298,545	203,745	830,692
Acceptances	-	150,687	-	66,045
Undrawn commitments	177,198,954	124,328,802	178,111,856	137,451,546
Sub Total	225,849,063	186,225,655	226,616,014	201,934,505
By product- Foreign Currency				
Guarantees	12,628,713	16,304,037	12,628,713	22,422,147
Performance Bonds	12,121,661	7,353,616	12,121,661	6,534,172
Documentary Credits	7,541,377	22,954,557	7,541,377	28,888,267
Acceptances	6,388,781	27,790,358	6,388,781	24,712,596
Undrawn commitments	1,340,307	1,041,634	1,340,307	1,171,246
Sub Total	40,020,838	75,444,201	40,020,838	83,728,428
Total	265,869,901	261,669,856	266,636,852	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

	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000
Gross loans and advances ,Commitments and Contingencies	845,430,865	787,810,898	846,244,643	811,639,302
(Less): Accumulated impairment under stage 1	4,812,665	4,831,892	4,812,665	4,831,892
Accumulated impairment under stage 2	5,542,129	4,327,481	5,542,129	4,327,481
Accumulated impairment under stage 3	24,702,027	14,472,212	24,702,027	14,472,212
Net value of loans and advances, commitments and contingencies	810,374,043	764,179,314	811,187,821	788,007,718

	Bank		Group	
	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000
10.3 Movement of impairment during the year				
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	(19,227)	1,359,235	(19,227)	1,359,235
Write-off during the year	-	-	-	-
Closing balance	4,812,665	4,831,892	4,812,665	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	1,214,649	1,583,492	1,214,649	1,583,492
Write-off during the year	-	-	-	-
Closing balance	5,542,129	4,327,481	5,542,129	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	10,650,330	5,234,191	10,650,330	5,234,191
Write-off during the year	(578,490)	(2,501,716)	(578,490)	(2,501,716)
Other movement	157,976	24,912	157,976	24,912
Closing balance	24,702,027	14,472,212	24,702,027	14,472,212

	Bank		Group	
	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2021 LKR '000
11. ANALYSIS OF DEPOSITS				
Due to Other Customers - By product				
By product-Domestic Currency				
Demand deposits	31,435,221	30,337,930	31,421,898	30,341,537
Savings deposits	63,027,142	86,686,437	63,006,056	86,313,340
Time deposits	374,560,470	313,670,167	374,223,346	313,452,645
Other deposits	1,037,523	2,682,331	1,037,523	2,682,331
Sub total	470,060,356	433,376,865	469,688,823	432,789,853
By product- Foreign Currency				
Demand deposits	9,889,126	6,371,382	9,889,126	6,358,482
Savings deposits	37,354,910	24,427,736	37,347,113	24,244,451
Time deposits	154,670,088	87,570,503	154,448,732	87,570,503
Other deposits	339,543	293,306	339,543	293,306
Sub total	202,253,667	118,662,927	202,024,514	118,466,742
Total	672,314,023	552,039,792	671,713,337	551,256,595

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 31/12/2022	As at 31/12/2021	As at 31/12/2022	As at 31/12/2021
Regulatory Capital Adequacy (LKR '000)				
Common Equity Tier 1 Capital	49,187,072	48,441,141	52,968,361	51,937,517
Tier 1 Capital	49,187,072	48,441,141	52,968,361	51,937,517
Total Capital	70,341,919	74,578,891	74,119,273	77,983,909
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement -7%, 2021 -6.5%)	9.34	10.01	9.87	10.53
Tier 1 Capital Ratio (Minimum Requirement - 8.5% , 2021 - 8%)	9.34	10.01	9.87	10.53
Total Capital Ratio (Minimum Requirement - 12.5%, 2021- 12%)	13.35	15.42	13.81	15.82
Leverage Ratio (Minimum Requirement - 3%)	5.56	6.36	5.94	6.77
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000) - Bank	205,530,328	157,514,944	205,530,328	157,514,944
Statutory Liquid Assets Ratio - Bank (%) (Minimum Requirement -20%)*	27.24	-	27.24	-
Domestic Banking Unit (%) (Minimum Requirement -20%)	-	23.14	-	23.14
Off-Shore Banking Unit (%) (Minimum Requirement -20%)	-	25.31	-	25.31
Total stock of high quality liquid assets (LKR ' 000) - All currency	159,365,882	112,552,154	159,365,882	112,552,154
Total stock of high quality liquid assets (LKR ' 000) - Rupee	140,737,325	89,088,289	140,737,325	89,088,289
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement 31.12.2022- 90% , 2021 - 100%)	297.08	193.03	297.08	193.03
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 31.12.2022 -90%, 2021 - 100%)	232.68	171.33	232.68	171.33
Net stable Funding Ratio (%) (Minimum Requirement 31.12.2022 - 90% , 2021 - 100%)	130.87	118.27	130.87	118.27
<i>*Commencing from December 2022 the Banks are required to maintain liquid assets on total adjusted liabilities on a consolidated basis for the overall Bank as per the Banking Act Direction No.08 of 2022 on Regulatory Requirements on Liquidity Ratios.</i>				
Asset Quality (Quality of the Loan Portfolio)				
Impaired Loans (Stage 3) Ratio (%)	6.24	4.55	6.24	4.55
Impairment (stage 3) to Stage 3 loans Ratio (%)	37.44	32.81	37.44	32.81
Profitability				
Earnings Per Share (annualised) (LKR)	7.65	20.68	7.92	22.44
Return on Average Shareholders' Funds (%)	4.75	12.27	4.62	12.47
Return on Average Assets (after Tax (%))	0.38	0.96	0.39	1.03
Return on Average Assets (before Tax (%))	0.26	1.55	0.34	1.67
Net interest margin (%)	4.00	3.25	4.02	3.24
Debt Security - Related Ratios				
Interest Cover (Times)	1.46	1.70	1.46	1.70
Debt to Equity (Times)	11.85	10.71	11.15	10.05

SHARE INFORMATION
SHARE PRICE

As at	31/12/2022	31/12/2021
Number of shares	380,094,722	357,123,647
Last traded price (LKR)	32.00	68.90
For the quarter ended	31/12/2022	31/12/2021
Highest price per share (LKR)	43.00	79.90
Lowest price per share (LKR)	31.30	67.90

TOP 20 REGISTERED SHAREHOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 31.12.2022

	Name	Number 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	RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01	23,545,865	6.20
5	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	23,099,809	6.08
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	PEOPLE'S LEASING & FINANCE PLC/MR. D. SCHAFFTER	7,066,635	1.86
15	PHOENIX VENTURES PRIVATE LIMITED	6,151,153	1.62
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 PLC-SHARE HOLDERS	3,613,375	0.95
20	DFCC BANK PLC A/C 1	3,372,735	0.89

Note: Out of the 380,094,722 shares in issue, 36,507 shares amounting to 0.0096% held by one shareholder is not registered in the shareholder register of NDB/held in suspense pending registration.

PUBLIC HOLDING PERCENTAGE

	As at 31/12/2022
Float adjusted Market Capitalization in LKR	8,747,651,970
Percentage of shares held by the public	71.92%
Number of public shareholders	11,336
Option under which the Bank complies with the minimum Public Holding requirement	Option 1

DIRECTORS' INTEREST IN SHARES OF NDB AS AT 31.12.2022

Name	No. of shares
MR. SRIYAN COORAY	-
MR. DIMANTHA SENEVIRATNE	75,375
MR. BERNARD SINNIH	-
MR. SUJEEWA MUDALIGE	-
MR. HIRAN PERERA (Resigned w.e.f. 14.02.2023)	-
MR. KUSHAN D'ALWIS, PC	-
MS. (FAY) PIYACHATR CHETNAKARNKUL	-
MS. CHANDIMA DILRUKSHI	-
MS. KASTURI WILSON	-

Rated unsecured subordinated redeemable debentures

INFORMATION ON DEBENTURES- BANK											
Type of Debenture	CSE Listing	Interest payable frequency	Balance as at 31 Dec 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	Listed	Semi-annually	7,955	90	90	90	11.90	11.66	11.14	13.22	15.28
A- Nov 2021/Nov 2026		Semi-annually	117	Not traded during the quarter			12.00	11.73	11.61	Not traded during the quarter	
Fixed rate - Debenture September 2020	Listed	Annually	6,646	Not traded during the quarter			9.50	9.16	6.57	Not traded during the quarter	
Sep 2020/ Sep 2025		Annually		Not traded during the quarter						Not traded during the quarter	
Fixed rate - Debenture March 2019	Listed Listed	Semi-annually	1,283	Not traded during the quarter			13.50	13.17	11.04	Not traded during the quarter	
A - Mar 2019/Mar 2024		Annually	4,761	Not traded during the quarter			13.95	13.1	11.04	Not traded during the quarter	
Fixed rate - Debenture December 2013	Listed Listed	Annually	3,635	Not traded during the quarter			13.90	13.17	11.80	Not traded during the quarter	
C - Dec 2013/Dec 2023		Annually	3,583	65.00	40.00	40.00	14.00	13.26	12.09	35.00	62.56
Total Debentures			27,980								

Important Dates - FY 2022 - Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	21 February 2023
Investor Webinar	09 March 2023
Updates to the investor relations web page within the Bank's corporate website www.ndbbank.com	21 February 2023
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	17 March 2023

Corporate Information

<p>Name National Development Bank PLC</p> <p>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.</p>	<p>Head Office/Registered Office No. 40, Nawam 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</p> <p>Credit Rating: Long-term National Rating: A-(lka) Fitch Ratings Lanka Limited</p>
<p>Registration No. PQ 27</p> <p>Accounting Year End 31 December</p>	<p>Auditors M/s Ernst & Young, 201, De Saram Place, Colombo 10</p> <p>Company Secretary: Ms. Shehani Ranasinghe</p> <p>Compliance Officer: Mr. Chandima Kannangara</p>
<p>Board of Directors Mr.Sriyan Cooray - Chairman Mr.Dimantha Seneviratne - Director/Chief Executive Office Mr.Bernard Sinniah - Director Mr.Sujeewa Mudalige - Director Mr.Hiran Perera - Director (resigned w.e.f 14.02.2023) Mr.Kushan D'Alwis, PC - Director Ms.(Fay) Piyachatr Chetnakarnkul - Director Ms.Chandima Dilrukshi - Director Ms.Kasturi Wilson - Director</p>	<p>Subsidiary Companies NDB Capital Holdings Limited NDB Capital Limited (Bangladesh) Development Holding (Private) Limited NDB Investment Bank Limited NDB Wealth Management Limited NDB Securities (Private) Limited NDB Zephyr Partners Limited (Mauritius) NDB Zephyr Partners Lanka (Private) Limited Ayojana Fund (Private) Limited (Under liquidation)</p>
Investor Relations - Contact Details	
<p>Company Secretarial Unit Ms. Shehani Ranasinghe Company Secretary/ Vice President Email: shehani.ranasinghe@ndbbank.com Tel.: +94 (0)11 2448448 Extn: 35013</p>	<p>Investor Relations Team Ms. Suvendrini Muthukumarana Vice President - Finance Email: suvendrini.muthukumarana@ndbbank.com investor.relations@ndbbank.com Tel.: +94(0)112448448 Extn: 35301</p>



National Development Bank PLC, PQ 27
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