

INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

National Development Bank PLC

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

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***The financial statements presented herewith are the unaudited financial statements for the six months ended 30 June 2023 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB posts PBT of Rs. 4.2 Bn with a YoY increase of 55% amidst continuing external challenges

14 August 2023, Colombo, Sri Lanka

- Net operating income of Rs. 10.7 Bn, a YoY increase of 27%
- Operating costs increase stemmed at 13% with costs linked to high inflation
- Gradual reduction in impairment charges
- Prudent balance sheet management in response to external operating environment
- Sound liquidity and capital maintained throughout the year

National Development Bank PLC demonstrated resilience in its performance, as reflected in the financial statements released for the six months ended 30 June 2023, despite the continuing challenges that affect the banking industry. NDB's Director/ CEO Mr. Dimantha Seneviratne stated that it is encouraging to note the Sri Lankan economy converging on the path of recovery and growth. The banking sector has always been a key catalyst in national economic prosperity, and as our country emerges from a deep setback, we are strongly aligned in supporting such momentum. The banking sector bore the brunt of the economic crisis but remains stable. There was much uncertainty around the Government of Sri Lanka's domestic debt optimization (DDO) mechanism which exerted considerable pressure on the industry. The finalization of the DDO and the options extended to banks has removed ambiguity and has helped lessen the risk premia added to interest rates. We anticipate similar clarity on international debt restructuring. The Central Bank of Sri Lanka's (CBSL) timely policy rates relaxation together with the DDO finalization has enabled the moderation of historically high interest rates and we are passing on this benefit to our customers which will stimulate economic activity, he mentioned. Banks shoulder the noble responsibility of powering the growth of the Sri Lankan economy and extending support to the customers at this critical juncture, and NDB is well focused on same he further added.

Analysis of Financial Performance

Profitability

NDB reported post tax profitability of Rs. 2.3 Bn for the six months ended 2023 (H1 2023), an increase of 37% over the same period in the prior year (YoY/ comparative period). Pre-tax profitability was Rs. 4.2 Bn, a YoY increase of 55%. This is commendable generation of value to shareholders amidst an industry climate that continued to be subdued and challenged. The Bank posted total revenue of Rs. 66.7 Bn for H1 2023, up by 50% YoY driven by sound performance of all income categories save and except for other operating income. Net interest income (NII) remained largely static over the year and was Rs. 15 Bn. Interest income of Rs. 63.2Bn (YoY growth 70%) and interest expenses of Rs. 48.2 Bn (YoY increase 117%) drove the NII. Re-pricing of the lending book in line with market rate movements and the increase in investment portfolio at relatively high rates resulted in the YoY increase in interest income. Interest rates remained on an increasing trend till early June 2023 attuned to CBSL's tightening monetary policy and increased policy rates. The Bank has taken initiatives on a best effort basis to reduce the cost of funding at a faster pace than the expected downward re-pricing of the lending book, with the reduction in policy rates introduced in June and July 2023 of 450 bps. Net Interest Margin (NIM) for the period closed in at 3.7%. NIM is expected to be under pressure on account of the reducing market rates trend.

Fee and commission income was Rs. 3.7 Bn, an increase of 19% YoY driven mainly by trade activities, digital transactions and card transactions. Fee and commission income also continued to be under stresses, an industry-wide phenomena given the reduced business volumes in a negative GDP growth scenario. Other operating income comprised Rs. 3.2 Bn revaluation loss on account of the rupee appreciation on the Bank's foreign currency reserves.

Impairment charges for the six months ended 30 June 2023 were Rs. 7.9 Bn, a YoY reduction of 43%, primarily due to higher impairment provisions made for FCY Investments in the same period of 2022. Adopting a prudent basis, the impairment charge for loans and advances increased over the corresponding period, given the heightened economic uncertainty. NDB continued to maintain provisions on investments in foreign currency bonds, for the expected International Sovereign Bond (ISB) restructuring to be announced by the Government of Sri Lanka during the year. The Impairment cover (Stage 3) to Stage 3 Loans Ratio was 33.98% (2022: 37.44%) whilst the Impaired Loans (Stage 3) Ratio was 9.21% (2022: 6.24%) by end June 2023, reflecting the industry-wide concerns on credit quality.

Cost rationalization continued through the year, which helped preserve profitability at a time that revenue was stressed. Operating costs for the six months period was Rs. 6.5 Bn with the YoY increase managed at 13%. The resultant cost to income ratio was 35%, well below the internal targets set, and one of the best ratios across the industry peers. Taxes netted Rs. 1.8 Bn, comprising taxes on financial services of Rs. 1.2 Bn and income tax of Rs. 613 Mn.

Balance Sheet Performance, Liquidity and Capital Adequacy

The Bank's total assets closed in at Rs. 793 Bn as of 30 June 2023, whilst the same at the NDB Group level was Rs. 800 Bn. This was a 5% reduction over the 31 December 2022 position, attributable to the predominant reason of deflation of the foreign currency denominated asset book with the appreciation of the Sri Lankan Rupee. Gross loans to customers declined by 12% from end 2022 to end H1 2023 (YTD), attributable to the aforementioned exchange rate movement and also reduced lending to the private sector. The exceptionally high interest rates diminishing the demand for bank loans together with reduced economic activity led to the contraction of loan books across the industry. Credit to private sector continually declined from February 2023 onwards, prior to showing some recovery in June 2023. At NDB, return on risk adjusted capital (RORAC) based lending remains a key strategic priority to preserve capital and ensure sound interest margins and fee based income. Customer deposits stood at Rs. 628 Bn, a reduction of 7% over 2022. The reduction in deposits was mainly due to the effect of the appreciation of the Sri Lankan Rupee on the foreign currency denominated deposit book.

Demonstrating the Bank's sound liquidity and strong capital position, all related ratios stood above regulator stipulated minimum levels. Regulatory Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency) and Net stable Funding Ratio stood well above the regulatory minimum requirement of 100% at 253.24%, 243.89% and 137.76% respectively. The Consolidated Statutory Liquid Assets Ratio of 34.35% (2022: 27.24%) was also well above the regulatory minimum requirement of 20%. Tier I and Total Capital Adequacy ratios by the end of H1 2023 stood at 11.04% (Group: 11.57%) and 14.77% (Group: 15.22%), well ahead of the regulatory minimum levels of 8.5% and 12.5% respectively. NDB has also announced its plans to raise Tier II capital via Basel III

compliant listed, rated, unsecured, subordinated, redeemable debentures within a one year time frame ending 30 March 2024, up to LKR 10 Bn, in further strengthening its capital position.

Investor KPIs and Dividends

Return on average equity and Earnings per share for H1 2023 were 7.20% (Group: 6.94 %) and Rs. 11.80 (Group: Rs. 12.07) respectively. Pre-tax return on average assets was 1.03% (Group: 1.07%) and Net asset value per share was LKR 168.69 (Group: LKR 178.60), reporting improvements over the prior year.

Outlook

NDB is guided by a clear strategy that has been recalibrated in response to the external developments. Whilst growth will be moderated, the Bank will pursue its core strategic aspirations including digital innovations, deployment of technology for process automations and cost optimizations, empowering of the women's market segment and integration to environmental, social and governance (ESG) aspects. Customer-centric solutions to support their growth as well as the country's economic revival, enhancing the value created to shareholders, extending exceptional care to our staff and supporting the aspirations of all our stakeholders will form key focus areas in such strategy. *NDB is the Most Awarded Corporate in Sri Lanka 2022* (for the second consecutive year) as adjudged by the Annual Rankings of LMD.

STATEMENT OF PROFIT OR LOSS										
	Bank					Group				
	Period ended 30/06/2023 LKR '000	Period ended 30/06/2022 LKR '000	Change %	Quarter ended 30/06/2023 LKR '000	Quarter ended 30/06/2022 LKR '000	Period ended 30/06/2023 LKR '000	Period ended 30/06/2022 LKR '000	Change %	Quarter ended 30/06/2023 LKR '000	Quarter ended 30/06/2022 LKR '000
Gross Income	66,719,726	44,540,123	50	33,185,636	25,378,064	67,523,502	45,213,098	49	33,568,157	25,746,048
Interest Income	63,205,418	37,155,686	70	30,431,826	21,789,667	63,462,789	37,234,752	70	30,561,986	21,835,348
Interest Expenses	48,177,118	22,166,900	117	23,948,232	13,007,533	48,129,914	22,144,302	117	23,924,283	12,989,484
Net Interest Income	15,028,300	14,988,786	0	6,483,594	8,782,134	15,332,875	15,090,450	2	6,637,703	8,845,864
Net Fee and Commission Income	3,657,076	3,067,885	19	1,720,325	1,350,991	4,247,494	3,687,475	15	2,026,002	1,563,921
Net gain/(loss) from trading	2,018,330	(1,409,289)	243	1,113,122	(286,670)	2,018,330	(1,409,289)	243	1,113,122	(286,670)
Net gain/(loss) from financial assets at fair value Through Profit or Loss	256,341	5,866	4,270	141,293	290,783	318,143	(2,789)	11,507	173,674	382,062
Net gains/(losses) from derecognition of financial assets	795,074	(377,609)	311	750,564	(364,837)	795,074	(377,609)	311	750,564	(364,837)
Other operating income	(3,214,226)	6,083,060	(153)	(973,207)	2,590,623	(3,320,041)	6,066,034	(155)	(1,058,904)	2,608,718
Total Operating Income	18,540,895	22,358,698	(17)	9,235,691	12,363,025	19,391,873	23,054,273	(16)	9,642,160	12,749,058
Less : Impairment Charges	7,870,796	13,927,686	(43)	3,060,085	7,560,284	7,892,910	13,921,696	(43)	3,062,413	7,555,179
Net operating income	10,670,099	8,431,012	27	6,175,606	4,802,741	11,498,963	9,132,577	26	6,579,747	5,193,879
Operating Expenses										
Personnel Expenses	3,127,014	2,938,357	6	1,673,342	1,598,603	3,453,811	3,239,450	7	1,843,544	1,757,340
Depreciation and amortization	507,099	409,809	24	265,036	216,849	539,060	443,749	21	279,775	230,437
Other Expenses	2,882,568	2,404,908	20	1,483,445	1,271,666	3,162,635	2,571,855	23	1,614,083	1,336,404
Total operating expenses	6,516,681	5,753,075	13	3,421,823	3,087,118	7,155,506	6,255,054	14	3,737,402	3,324,181
Operating Profit Before Tax on Financial Services	4,153,418	2,677,938	55	2,753,783	1,715,623	4,343,457	2,877,523	51	2,842,345	1,869,698
Less: Taxes on Financial services	1,203,355	841,020	43	724,857	547,728	1,203,355	841,020	43	724,857	547,728
Operating Profit After Tax on Financial Services	2,950,063	1,836,918	61	2,028,926	1,167,895	3,140,102	2,036,503	54	2,117,488	1,321,970
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	2,950,063	1,836,918	61	2,028,926	1,167,895	3,140,102	2,036,503	54	2,117,488	1,321,970
Less : Income tax expenses	613,204	131,724	366	497,363	68,100	743,402	279,643	166	565,624	120,807
Profit for the period	2,336,859	1,705,194	37	1,531,563	1,099,795	2,396,700	1,756,860	36	1,551,864	1,201,163
Profit Attributable to:										
Equity Holders of the parent	2,336,859	1,705,194	37	1,531,563	1,099,795	2,390,955	1,724,762	39	1,536,880	1,185,442
Non Controlling Interests	-	-	-	-	-	5,745	32,099	(82)	14,984	15,721
	2,336,859	1,705,194	37	1,531,563	1,099,795	2,396,700	1,756,861	36	1,551,864	1,201,163
Basic Earnings per share (in LKR)	5.85	4.49	30	3.83	2.89	5.99	4.54	32	3.85	3.12
Diluted Earnings per share (in LKR)	5.85	4.49	30	3.83	2.89	5.99	4.54	32	3.85	3.12

STATEMENT OF COMPREHENSIVE INCOME										
	Period ended 30/06/2023 LKR '000	Period ended 30/06/2022 LKR '000	Change %	Quarter ended 30/06/2023 LKR '000	Quarter ended 30/06/2022 LKR '000	Period ended 30/06/2023 LKR '000	Period ended 30/06/2022 LKR '000	Change %	Quarter ended 30/06/2023 LKR '000	Quarter ended 30/06/2022 LKR '000
	Profit for the period	2,336,859	1,705,194	37	1,531,563	1,099,795	2,396,700	1,756,861	36	1,551,864
Items that will be reclassified to Statement of Profit or loss										
Exchange differences on translation of foreign operations	-	-	-	-	-	(84,998)	243,078	(135)	(26,816)	63,407
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	2,758,472	2,045,605	35	1,404,315	3,957,655	2,766,332	2,012,877	37	1,399,747	3,943,902
Changes in Impairment allowance for Expected credit losses	-	(181,155)	100	-	(281,443)	-	(181,155)	100	-	(281,443)
Cash Flow Hedge Reserve-SWAP	(600,549)	4,976,632	(112)	(676,003)	4,976,632	(600,549)	4,976,632	(112)	(676,003)	4,976,632
Less :Tax expense relating to items that will be reclassified to Income Statements	(647,377)	(563,238)	(15)	(218,494)	(457,351)	(647,377)	(563,238)	(15)	(218,494)	(457,351)
A	1,510,545	6,277,844	(76)	509,818	8,195,493	1,433,408	1,511,563	(5)	478,434	8,245,148
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	82,130	(393,041)	121	41,421	(107,135)	82,130	(393,041)	121	41,421	(107,135)
B	82,130	(393,041)	121	41,421	(107,135)	82,130	4,976,632	(98)	41,421	(107,135)
Total Other Comprehensive Income after Tax	1,592,675	5,884,802	(73)	551,239	8,088,359	1,515,538	6,488,195	(77)	519,855	8,138,013
Total Comprehensive Income for the period	3,929,534	7,589,997	(48)	2,082,803	9,188,153	3,912,238	8,245,056	(53)	2,071,719	9,339,175
Attributable to:										
Equity holders of the parent	3,929,534	7,589,997	(48)	2,082,803	9,188,153	3,920,324	8,164,945	(52)	2,061,252	9,308,889
Non Controlling Interests	-	-	-	-	-	(8,086)	80,111	(110)	10,467	30,286
	3,929,534	7,589,997	(48)	2,082,803	9,188,153	3,912,238	8,245,056	(53)	2,071,719	9,339,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	BANK			Group		
	Current Period	Previous Year		Current Period	Previous Year	
	As at 30/06/2023	As at 31/12/2022 (Audited)	Change	As at 30/06/2023	As at 31/12/2022 (Audited)	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets						
Cash and cash equivalents	26,794,790	34,849,521	(23)	27,576,307	35,727,665	(23)
Balances with the Central Bank of Sri Lanka	17,024,367	18,187,547	(6)	17,024,367	18,187,547	(6)
Placements with banks	10,476,995	4,108,989	155	10,476,995	4,108,989	155
Derivative Financial Instruments	5,702,669	7,909,252	(28)	5,702,669	7,909,252	(28)
Financial assets recognized through profit or loss measured at fair value	23,271,276	19,318,483	20	24,846,415	20,788,523	20
Financial assets at amortised cost - loans and receivables to other customers	469,659,202	545,873,027	(14)	469,746,333	545,919,824	(14)
Financial assets at amortised cost - debt and other instruments	133,568,507	135,047,886	(1)	133,568,507	135,047,886	(1)
Financial assets measured at fair value through other comprehensive income	84,366,764	44,685,230	89	85,236,819	45,454,490	88
Investments in subsidiary companies	1,118,123	1,115,794	0	-	-	-
Investment Property	-	-	-	2,879,091	2,879,091	-
Intangible assets	1,913,960	1,804,321	6	1,922,854	1,813,213	6
Property, plant & equipment	3,129,988	3,261,362	(4)	3,765,933	3,907,994	(4)
Right of Use Assets	1,141,136	1,170,763	(3)	1,274,666	1,323,368	(4)
Current Tax Assets	-	-	-	40,474	43,488	(7)
Deferred tax Assets	9,173,566	9,004,747	2	9,219,768	9,048,896	2
Other assets	5,849,595	6,435,328	(9)	6,469,543	7,037,671	(8)
Total assets	793,190,938	832,772,250	(5)	799,750,741	839,197,897	(5)
Liabilities						
Due to Banks	7,895,457	20,251,657	(61)	7,916,673	20,298,844	(61)
Derivative Financial Instruments	150,478	96,246	56	150,478	96,246	56
Financial Liabilities at amortised cost - due to depositors	627,800,141	672,314,023	(7)	627,345,458	671,713,337	(7)
Financial Liabilities at amortised cost						
- due to debt securities holders	17,121,608	130,541	13,016	17,121,608	130,541	13,016
- due to other borrowers	25,987,235	32,372,265	(20)	25,987,235	32,372,265	(20)
Debt securities issued	28,475,967	27,979,631	2	28,475,967	27,979,631	2
Retirement benefit obligations	936,493	916,007	2	1,045,386	1,019,294	3
Current Tax Liabilities	7,665,275	6,470,353	18	7,826,108	6,635,188	18
Deferred Tax Liabilities	-	-	-	856,204	873,280	(2)
Other liabilities	9,676,654	8,606,663	12	10,253,532	9,084,114	13
Dividends payable	96,235	99,001	(3)	96,235	99,001	(3)
Total liabilities	725,805,543	769,236,387	(6)	727,074,884	770,301,741	(6)
Equity						
Stated Capital	20,738,231	19,870,665	4	20,738,231	19,870,665	4
Statutory Reserve Fund	2,746,479	2,746,479	-	2,746,479	2,746,479	-
Retained Earnings	38,770,332	37,381,043	4	42,488,042	41,145,983	3
Other Reserves	5,130,353	3,537,676	45	5,372,136	3,741,771	44
Total shareholders' equity	67,385,395	63,535,863	6	71,344,888	67,504,898	6
Non Controlling Interests	-	-	-	1,330,969	1,391,258	(4)
Total Equity	67,385,395	63,535,863	6	72,675,857	68,896,156	5
Total liabilities and equity	793,190,938	832,772,250	(5)	799,750,741	839,197,897	(5)
Net Book Value Per Share (LKR)	168.69	167.16	1	178.60	177.60	1
Contingent liabilities and commitments	310,367,097	293,609,756	6	310,482,909	294,376,706	5
Memorandum Information						
Number of Employees	2,705	2,929				
Number of Branches	113	113				
Certification:	<p>We hereby certify that the above financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.</p> <p>(Sgd.) Suvendrini Muthukumarana Vice President/ Chief Financial Officer</p> <p>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.</p> <p>(Sgd.) Sriyan Cooray Director/ Chairman</p> <p>(Sgd.) Dimantha Seneviratne Director/ Chief Executive Officer</p>					
14 August 2023						

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 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	-	-	-	-	1,089,326	4,976,632	1,524,039	7,589,997	-	7,589,997
Transactions with equity holders										
Final Dividends for year 2021 in the form of new shares	1,607,056	-	-	-	-	-	(1,607,056)	-	-	-
Final Dividends for year 2021 in the form of Cash	-	-	-	-	-	-	(352,909)	(352,909)	-	(352,909)
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	63,712,891	-	63,712,892
Balance as at 01 January 2023	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
Total Comprehensive Income for the period										
Profit for the period	-	-	-	-	-	-	2,336,859	2,336,859	-	2,336,859
Other Comprehensive Income before Tax	-	-	-	-	2,840,602	(600,549)	-	2,240,053	-	2,240,053
Tax on Other Comprehensive Income	-	-	-	-	(827,542)	180,165	-	(647,377)	-	(647,377)
Other Comprehensive Income before Tax	-	-	-	-	2,013,060	(420,384)	2,336,859	3,929,535	-	3,929,534
Transactions with equity holders										
Final Dividends for year 2022 in the form of new shares	867,566	-	-	-	-	-	(950,237)	(82,671)	-	(82,671)
Reversal of dividends declared in prior years	-	-	-	-	-	-	2,667	2,667	-	2,667
Balance as at 30 June 2023	20,738,231	2,746,479	1,466,265	44,479	970,325	2,649,283	38,770,332	67,385,395	-	67,385,395

STATEMENT OF CHANGES IN EQUITY										
For the period ended 30 June	Stated Capital	Statutory Reserve Fund	Other Reserves					Total	Non Controlling Interests	Total
			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	LKR '000
Balance as at 1 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 1 January 2022	18,263,609	2,571,479	1,583,831	44,479	(2,467,181)	-	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	6,610,379	48,012	6,658,391
Tax on Other Comprehensive Income	-	-	-	-	(563,238)	-	-	(563,238)	-	(563,238)
Total Comprehensive Income for the period	-	-	-	-	1,056,598	4,976,632	1,738,673	7,771,903	80,111	7,852,014
Transactions with equity holders										
Final Dividends for year 2021 in the form of new shares	1,607,056	-	-	-	-	-	(1,607,056)	-	-	-
Final Dividends for year 2021 in the form of Cash	-	-	-	-	-	-	(352,909)	(352,909)	-	(352,909)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(550)	(550)
Balance as at 30 June 2022	19,870,665	2,571,479	1,583,831	44,479	(1,410,583)	4,976,632	39,955,264	67,591,767	1,397,153	68,988,920
Balance as at 01 January 2023	19,870,665	2,746,479	1,682,941	44,479	(1,025,487)	3,069,667	41,116,154	67,504,897	1,391,259	68,896,156
Profit for the period										
Other Comprehensive Income before Tax	-	-	-	-	-	-	2,390,955	2,390,955	5,745	2,396,700
Other Comprehensive Income before Tax	-	-	-	-	2,848,462	(600,549)	(71,495)	2,176,418	(13,503)	2,162,915
Tax on Other Comprehensive Income	-	-	-	-	(827,542)	180,165	-	(647,377)	-	(647,377)
Total Comprehensive Income for the period	-	-	-	-	2,020,920	(420,384)	2,319,460	3,919,997	(7,758)	3,912,238
Transactions with equity holders										
Final Dividends for year 2022 in the form of new shares	867,566	-	-	-	-	-	(950,237)	(82,671)	-	(82,671)
Reversal of dividends declared in prior years	-	-	-	-	-	-	2,667	2,667	-	2,667
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(52,533)	(52,533)
Balance as at 30 June 2023	20,738,231	2,746,479	1,682,941	44,479	995,433	2,649,283	42,488,042	71,344,888	1,330,969	72,675,857

STATEMENT OF CASH FLOW

For the period ended 30 June	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	50,857,285	34,686,630	51,088,725	34,718,475
Fee based income received	3,672,341	3,089,131	4,200,121	3,836,406
Dividend income received	57,933	249,802	66,494	265,368
Other Operating income received	(1,309,972)	4,333,551	(1,246,706)	4,407,053
Interest paid	(47,371,774)	(18,813,967)	(47,370,771)	(18,824,180)
Personnel costs paid	(3,034,014)	(2,875,857)	(3,353,421)	(3,032,210)
Other expenses paid	(3,233,372)	(2,216,913)	(3,475,706)	(2,669,081)
Operating Profit before changes in operating assets and liabilities	(361,573)	18,452,377	(91,264)	18,701,830
(Increase)/decrease in operating assets				
Deposits held for regulatory or monetary control purposes	1,163,180	794,838	1,163,180	794,838
Financial Assets at amortised cost -loans and receivables to other customers	74,887,401	(83,294,233)	74,652,948	(83,294,233)
Net (increase)/decrease in operating assets	4,540,608	(7,145,716)	4,580,465	(6,534,914)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	(46,380,451)	89,663,200	(46,051,937)	89,286,600
Financial liabilities at amortised cost - due to debt securities holders	16,991,068	2,194,281	16,991,068	2,194,281
Financial liabilities at amortised cost - due to other borrowers	(12,327,663)	(10,513,157)	(12,327,663)	(10,513,157)
Repayment of principal portion of lease liabilities	(420,768)	(202,630)	(420,768)	(202,630)
Net increase/(decrease) in other liabilities	851,516	4,164,327	848,944	3,485,666
Net cash generated/(used in) from operating activities before taxation	38,943,318	14,113,287	39,344,973	13,918,281
Tax on Financial Services paid	(1,113,692)	(1,156,896)	(1,113,692)	(1,156,896)
Income taxes paid	(314,482)	(3,221,013)	(447,080)	(3,410,187)
Net cash generated/(used in) from operating activities	37,515,144	9,735,378	37,784,201	9,351,198
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(32,688,170)	(24,310,563)	(33,014,565)	(23,773,267)
Purchase of Intangible assets	(1,610,708)	(209,502)	(1,610,708)	(209,502)
Purchase of property, plant & equipment	(93,642)	(352,133)	(100,025)	(411,563)
Proceeds from sale of property, plant & equipment	1,745	-	(4,976)	74
Net cash generated/(used in) from investing activities	(34,390,775)	(24,872,198)	(34,730,274)	(24,394,259)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid on debts securities issued	(1,157,747)	(1,157,747)	(1,157,747)	(1,157,747)
Proceed/(Repayment) of Institutional borrowings	(3,649,675)	18,929,167	(3,649,675)	18,929,167
Dividends paid to non-controlling interests	-	-	(26,185)	-
Dividends paid to shareholders of the Bank	-	(345,163)	-	(345,163)
Net cash provided by/(used in) financing activities	(4,807,422)	17,426,257	(4,833,607)	17,426,257
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,683,053)	2,289,437	(1,779,680)	2,383,195
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	38,958,510	21,711,222	39,836,654	22,064,673
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37,275,457	24,000,659	38,056,974	24,447,868
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	26,794,790	24,000,659	27,576,307	24,447,868
Placements with banks	10,476,995	-	10,476,995	-
Cash and cash equivalents at the end of the period (Net)	37,271,785	24,000,659	38,053,302	24,447,868
Add : Impairment allowance	3,672	-	3,672	-
Cash and cash equivalents at the end of the period(Gross)	37,275,457	24,000,659	38,056,974	24,447,868

SEGMENTAL ANALYSIS- GROUP

For the period ended 30 June

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Revenue										
Interest Income	63,205,418	37,155,686	210,167	56,448	-	-	-	-	63,415,585	37,212,134
Fee and Commission Income	3,658,789	3,082,409	434,231	382,291	87,104	101,803	28,683	45,074	4,208,808	3,611,577
Net gain/(loss) from trading	2,018,330	(1,409,289)	-	-	-	-	-	-	2,018,330	(1,409,289)
Net gain/(loss) from financial assets at fair value Through	256,341	(359,648)	61,802	(8,655)	-	-	-	-	318,143	(368,303)
Net gains/(losses) from derecognition of financial assets	795,074	(12,095)	-	-	-	-	-	-	795,074	(12,095)
Other Operating Income	(3,271,264)	5,833,258	(48,778)	232,776	-	-	-	-	(3,320,041)	6,066,034
Total revenue from external customers	66,662,688	44,290,321	657,423	662,860	86,989	101,708	28,683	45,074	67,435,784	45,099,962
Inter-segment Revenue	-	-	26,455	77,190	61,264	35,946	-	-	87,718	113,136
Total Revenue	66,662,688	44,290,321	683,878	740,049	148,252	137,654	28,683	45,074	67,523,502	45,213,098
Impairment (charge)/reversal for Loans & other losses	(7,870,796)	(13,921,696)	-	-	(22,113)	-	-	-	(7,892,910)	(13,921,696)
Segment expenses	(54,635,001)	(27,898,594)	(561,481)	(466,611)	(10,892)	(6,604)	(79,759)	(42,072)	(55,287,133)	(28,413,881)
Total segment expenses	(62,505,797)	(41,820,289)	(561,481)	(466,611)	(33,005)	(6,604)	(79,759)	(42,072)	(63,180,043)	(42,335,576)
Segment results	4,156,891	2,470,031	122,397	273,438	115,247	131,050	(51,075)	3,002	4,343,458	2,877,523
Income tax expenses	-	-	-	-	-	-	-	-	743,402	279,643
Taxes on financial services	-	-	-	-	-	-	-	-	1,203,355	841,020
Profit after taxation									2,396,700	1,756,860
Other information										
Segment assets	793,164,394	815,310,724	3,105,215	3,241,657	3,374,317	3,108,147	106,815	176,914	799,750,741	821,837,443
Consolidated total assets									799,750,741	821,837,443
Segment liabilities	725,350,860	750,974,658	744,188	1,198,088	954,854	652,188	24,982	23,585	727,074,884	752,848,523
Consolidated total liabilities									727,074,884	752,848,523
Segmental Cash flows										
Cash flows from operating activities	37,515,144	9,735,378	197,802	(433,001)	34,653	78,748	36,601	(29,927)	37,784,201	9,351,198
Cash flows from investing activities	(34,390,775)	(24,872,198)	(331,437)	531,567	(8,062)	(53,628)	-	-	(34,730,274)	(24,394,259)
Cash flows from financing activities	(4,807,422)	17,426,257	39,277	-	-	-	(65,462)	-	(4,833,607)	17,426,257

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2023 - BANK (LKR '000)

	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
ASSETS					
Cash and cash equivalents	-	26,794,790	-	-	26,794,790
Balances with the Central Bank of Sri Lanka	-	17,024,367	-	-	17,024,367
Placements with banks	-	10,476,995	-	-	10,476,995
Derivative Financial Instruments	5,702,669	-	-	-	5,702,669
Financial assets recognized through profit or loss measured at fair value	23,271,276	-	-	-	23,271,276
Financial assets at amortised cost -loans and receivables to other customers	-	469,659,202	-	-	469,659,202
Financial Assets at amortised cost - debt and other instruments	-	133,568,507	-	-	133,568,507
Financial assets measured at fair value through other comprehensive income	-	-	84,366,764	-	84,366,764
Other Financial Assets	-	2,132,764	-	-	2,132,764
Total Financial Assets	28,973,945	659,656,625	84,366,764	-	772,997,334

	At fair value through profit or loss	Amortized cost	Total
LIABILITIES			
Due to Banks	-	7,895,457	7,895,457
Derivative Financial Instruments	150,478	-	150,478
Financial Liabilities at amortised cost -due to depositors	-	627,800,141	627,800,141
Financial Liabilities at amortised cost			
- due to debt securities holders	-	17,121,608	17,121,608
- due to other borrowers	-	25,987,235	25,987,235
Debt securities issued	-	28,475,967	28,475,967
Other Financial Liabilities	-	1,584,447	1,584,447
Total Financial Liabilities	150,478	708,864,855	709,015,333

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2023 - GROUP (LKR '000)

	At fair value through profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
ASSETS					
Cash and cash equivalents	-	27,576,307	-	-	27,576,307
Balances with the Central Bank of Sri Lanka	-	17,024,367	-	-	17,024,367
Placements with banks	-	10,476,995	-	-	10,476,995
Derivative Financial Instruments	5,702,669	-	-	-	5,702,669
Financial assets recognized through profit or loss measured at fair value	24,846,415	-	-	-	24,846,415
Financial assets at amortised cost -loans and receivables to other customers	-	469,746,333	-	-	469,746,333
Financial Assets at amortised cost - debt and other instruments	-	133,568,507	-	-	133,568,507
Financial Assets measured at fair value through Other comprehensive income	-	-	85,236,819	-	85,236,819
Other Financial Assets	-	2,594,499	-	-	2,594,499
Total Financial Assets	30,549,084	660,987,008	85,236,819	-	776,772,911

	At fair value through profit or loss	Amortized cost	Total
LIABILITIES			
Due to Banks	-	7,916,673	7,916,673
Derivative Financial Instruments	150,478	-	150,478
Financial Liabilities at amortised cost -due to depositors	-	627,345,458	627,345,458
Financial Liabilities at amortised cost			
- due to debt securities holders	-	17,121,608	17,121,608
- due to other borrowers	-	25,987,235	25,987,235
Debt securities issued	-	28,475,967	28,475,967
Other Financial Liabilities	-	1,900,201	1,900,201
Total Financial Liabilities	150,478	708,747,142	708,897,620

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 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	-	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 measured at fair value through profit or loss	19,318,483	-	-	-	19,318,483
Financial Assets at amortised cost -loans and advances	-	545,873,027	-	-	545,873,027
Financial Assets at amortised cost - debt 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 profit or loss	Amortized cost	Total
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 profit or loss	At amortised cost	At fair value through Other comprehensive income	Others	Total
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 profit or loss	Amortized cost	Total
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

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 2023. The Bank did not change the valuation models and assumptions used to measure the fair values of Level 03 financial instruments during the year ended 31 December 2022.

Bank	2023				2022			
	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
	30/06/2023 LKR '000	30/06/2023 LKR '000	30/06/2023 LKR '000	30/06/2023 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000
Financial Assets								
Derivative Financial Instruments	-	5,702,669	-	5,702,669	-	7,909,252	-	7,909,252
Financial assets recognized through profit or loss measured at fair value	23,271,276	-	-	23,271,276	19,318,483	-	-	19,318,483
Financial assets measured at fair value through other comprehensive income	84,360,540	-	6,224	84,366,764	44,679,006	-	6,224	44,685,230
Total Financial Assets	107,631,816	5,702,669	6,224	113,340,709	63,997,489	7,909,252	6,224	71,912,965
Financial Liabilities								
Derivative Financial Instruments	-	150,478	-	150,478	-	96,246	-	96,246
Total Financial Liabilities	-	150,478	-	150,478	-	96,246	-	96,246

Group	2023				2022			
	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
	30/06/2023 LKR '000	30/06/2023 LKR '000	30/06/2023 LKR '000	30/06/2023 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000	31/12/2022 LKR '000
Financial Assets								
Derivative Financial Instruments	-	5,702,669	-	5,702,669	-	7,909,252	-	7,909,252
Financial assets recognized through profit or loss measured at fair value	23,970,547	-	875,868	24,846,415	19,912,655	-	875,868	20,788,523
Financial assets measured at fair value through other comprehensive income	84,514,667	715,928	6,224	85,236,819	44,975,641	472,625	6,224	45,454,490
Total Financial Assets	108,485,214	6,418,597	882,092	115,785,903	64,888,296	8,381,877	882,092	74,152,265
Financial Liabilities								
Derivative Financial Instruments	-	150,478	-	150,478	-	96,246	-	96,246
Total Financial Liabilities	-	150,478	-	150,478	-	96,246	-	96,246

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 Sri Lanka Accounting Standards (SLFRS / LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.
There are no changes to the accounting policies and methods of computation since the publication of the last Annual Report.
- 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 30 June 2023. 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 has accounted for an impairment provision on the foreign currency denominated government securities, 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** 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. If these investments continued to be carried at fair value through other comprehensive income the fair value of the remaining portfolio as at 30 June 2023 would have amounted to LKR 4.7 Bn and would have resulted in the recognition of fair value loss of LKR 1.6 Bn in other comprehensive income during the period
- 5 Dividends**
On 19 April 2023, the Board of Directors approved and declared a final scrip Dividend of LKR 2.50 per share for the financial year ended 31 December 2022. Accordingly 19,369,640 ordinary voting shares have been listed as scrip dividends on 08th May 2023. As a result, the stated capital of the Bank increased to LKR 20.74 Bn (31 December 2022 - LKR 19.87 Bn).
- 6 Proposed Debenture Issue**
The Board of Directors of the Bank at its meeting held on 24 January 2023 approved and Shareholders approved at the Extra Ordinary General Meeting held on 30 March 2023, 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 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.
- 7** There were 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
8. ANALYSIS OF LOANS & ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT AS AT 30 JUNE 2023
8.1 Product wise Gross Loans and Receivables
By product-Domestic Currency

Term loans	131,920,085
Medium and short term loans	60,452,801
Overdrafts	61,757,373
Trade Finance	15,968,727
Consumer loans	51,844,520
Lease rentals receivable and Hire Purchase	20,583,143
Housing loans	18,368,842
Islamic Banking facilities	8,452,583
Credit cards	8,139,845
AF Loans	3,051,407
Staff loans	2,767,065
Pawning	11,666,342

Sub total
By product-Foreign Currency

Term loans	19,099,380
Overdrafts	4,955,133
Medium and short term loans	47,531,445
Trade Finance	36,615,016
Islamic Banking facilities	6,359,353
Housing loans	77,913

Sub total
Total

	Bank		Group	
	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000
By product-Domestic Currency				
Term loans	131,920,085	137,442,612	131,920,085	137,442,612
Medium and short term loans	60,452,801	70,108,323	60,452,801	70,108,323
Overdrafts	61,757,373	81,725,795	61,757,373	81,725,797
Trade Finance	15,968,727	21,845,659	15,968,727	21,845,659
Consumer loans	51,844,520	55,359,969	51,844,520	55,359,969
Lease rentals receivable and Hire Purchase	20,583,143	23,510,550	20,583,143	23,510,550
Housing loans	18,368,842	19,115,607	18,368,842	19,115,607
Islamic Banking facilities	8,452,583	10,228,740	8,452,583	10,228,740
Credit cards	8,139,845	8,329,859	8,139,845	8,329,859
AF Loans	3,051,407	3,453,044	3,051,407	3,453,044
Staff loans	2,767,065	2,341,756	2,854,196	2,388,581
Pawning	11,666,342	11,864,851	11,666,342	11,864,851
Sub total	394,972,734	445,326,764	395,059,866	445,373,591
By product-Foreign Currency				
Term loans	19,099,380	19,826,358	19,099,380	19,826,358
Overdrafts	4,955,133	9,642,280	4,955,133	9,642,280
Medium and short term loans	47,531,445	61,981,258	47,531,445	61,981,258
Trade Finance	36,615,016	36,436,665	36,615,016	36,436,665
Islamic Banking facilities	6,359,353	6,243,251	6,359,353	6,243,251
Housing loans	77,913	104,388	77,913	104,388
Sub total	114,638,240	134,234,200	114,638,240	134,234,200
Total	509,610,975	579,560,964	509,698,106	579,607,791

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

Guarantees	35,595,066
Performance Bonds	12,697,784
Documentary Credits	544,960
Acceptances	145,428
Undrawn commitments	190,998,518

Sub Total
By product- Foreign Currency

Guarantees	8,870,244
Performance Bonds	8,874,515
Documentary Credits	8,457,124
Acceptances	7,189,690
Undrawn commitments	1,101,697

Sub Total
Total

	Bank		Group	
	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000
By product- Domestic Currency				
Guarantees	35,595,066	34,757,932	35,449,115	34,611,981
Performance Bonds	12,697,784	13,688,432	12,697,784	13,688,432
Documentary Credits	544,960	203,745	544,960	203,745
Acceptances	145,428	-	145,428	-
Undrawn commitments	190,998,518	177,198,954	191,260,281	178,111,856
Sub Total	239,981,756	225,849,063	240,097,567	226,616,014
By product- Foreign Currency				
Guarantees	8,870,244	12,628,713	8,870,244	12,628,713
Performance Bonds	8,874,515	12,121,661	8,874,515	12,121,661
Documentary Credits	8,457,124	7,541,377	8,457,124	7,541,377
Acceptances	7,189,690	6,388,781	7,189,690	6,388,781
Undrawn commitments	1,101,697	1,340,307	1,101,697	1,340,307
Sub Total	34,493,270	40,020,838	34,493,270	40,020,838
Total	274,475,026	265,869,901	274,590,838	266,636,852

Gross loans and advances ,Commitments and Contingencies

(Less): Accumulated impairment under stage 1	5,412,806
Accumulated impairment under stage 2	7,958,540
Accumulated impairment under stage 3	28,426,301

Net value of loans and advances, commitments and contingencies

	Bank		Group	
	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000
Gross loans and advances ,Commitments and Contingencies	784,086,001	845,430,865	784,288,944	846,244,643
(Less): Accumulated impairment under stage 1	5,412,806	4,812,665	5,412,806	4,812,665
Accumulated impairment under stage 2	7,958,540	5,542,129	7,958,540	5,542,129
Accumulated impairment under stage 3	28,426,301	24,702,027	28,426,301	24,702,027
Net value of loans and advances, commitments and contingencies	742,288,354	810,374,043	742,491,296	811,187,821

	Bank		Group	
	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000
8.3 Movement of impairment during the period				
Under stage 1				
Balance at 1 January	4,812,665	4,831,892	4,812,665	4,831,892
Charge/(Write back) to Statement of Profit or Loss	600,141	(19,227)	600,141	(19,227)
Write-off during the period	-	-	-	-
Closing balance	5,412,806	4,812,665	5,412,806	4,812,665
Under stage 2				
Balance at 1 January	5,542,129	4,327,481	5,542,129	4,327,481
Charge/(Write back) to Statement of Profit or Loss	2,416,411	1,214,649	2,416,411	1,214,649
Write-off during the period	-	-	-	-
Closing balance	7,958,540	5,542,129	7,958,540	5,542,129
Under stage 3				
Balance at 1 January	24,702,027	14,472,212	24,702,027	14,472,212
Charge/(Write back) to Statement of Profit or Loss	8,358,485	10,650,330	8,358,485	10,650,330
Write-off during the period	(4,634,212)	(578,490)	(4,634,212)	(578,490)
Other movement	-	157,976	-	157,976
Closing balance	28,426,301	24,702,027	28,426,301	24,702,027

9. ANALYSIS OF DEPOSITS	Bank		Group	
	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000	As at 30/06/2023 LKR '000	As at 31/12/2022 LKR '000
Due to Other Customers - By product				
By product-Domestic Currency				
Demand deposits	29,105,998	31,435,221	29,089,279	31,421,898
Savings deposits	61,465,990	63,027,142	61,417,565	63,006,056
Time deposits	368,271,224	374,560,470	367,918,015	374,223,346
Other deposits	1,264,137	1,037,523	1,264,137	1,037,523
Sub total	460,107,348	470,060,356	459,688,995	469,688,823
By product- Foreign Currency				
Demand deposits	5,080,825	9,889,126	5,080,825	9,889,126
Savings deposits	26,832,892	37,354,910	26,821,386	37,347,113
Time deposits	135,473,974	154,670,088	135,449,151	154,448,732
Other deposits	305,101	339,543	305,101	339,543
Sub total	167,692,793	202,253,667	167,656,463	202,024,514
Total	627,800,141	672,314,023	627,345,458	671,713,337

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 30/06/2023	As at 31/12/2022	As at 30/06/2023	As at 31/12/2022
Regulatory Capital Adequacy (LKR '000)				
Common Equity Tier 1 Capital	52,644,722	49,187,072	56,231,327	52,968,361
Tier 1 Capital	52,644,722	49,187,072	56,231,327	52,968,361
Total Capital	70,418,780	70,341,919	73,982,587	74,119,273
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	11.04	9.34	11.57	9.87
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	11.04	9.34	11.57	9.87
Total Capital Ratio (Minimum Requirement - 12.5%)	14.77	13.35	15.22	13.81
Leverage Ratio (Minimum Requirement - 3%)	6.30	5.56	6.68	5.94
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	245,815,949	205,530,328	245,815,949	205,530,328
Statutory Liquid Assets Ratio - Bank (%) (Minimum Requirement -20%)	34.35	27.24	34.35	27.24
Total stock of high quality liquid assets (LKR ' 000) - All currency	202,124,812	159,365,882	202,124,812	159,365,882
Total stock of high quality liquid assets (LKR ' 000) - Rupee	181,080,457	140,737,325	181,080,457	140,737,325
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement 2023- 100% , 2022 - 90%)	253.24	297.08	253.24	297.08
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 2023 -100%, 2022 - 90%)	243.89	232.68	243.89	232.68
Net stable Funding Ratio (%) (Minimum Requirement 2023 - 100% , 2022 - 90%)	137.76	130.87	137.76	130.87
Asset Quality (Quality of the Loan Portfolio)				
Impaired Loans (Stage 3) Ratio (%)	9.21	6.24	9.21	6.24
Impairment (stage 3) to Stage 3 loans Ratio (%)	33.98	37.44	33.98	37.44
Profitability				
Earnings Per Share (annualised) (LKR)	11.80	7.65	12.07	7.92
Return on Average Shareholders' Funds (%)	7.20	4.75	6.94	4.62
Return on Average Assets (after Tax (%))	0.58	0.38	0.59	0.39
Return on Average Assets (before Tax (%))	1.03	0.26	1.07	0.34
Net interest margin (%)	3.69	4.00	3.85	4.02
Debt Security - Related Ratios				
Interest Cover (Times)	1.31	1.46	1.32	1.46
Debt to Equity (Times)	10.50	11.85	9.91	11.15

SHARE INFORMATION
SHARE PRICE

As at	30/06/2023	31/12/2022
Number of shares	399,464,362	380,094,722
Last traded price (LKR)	50.00	32.00
For the quarter ended	30/06/2023	31/12/2022
Highest price per share (LKR)	51.00	43.00
Lowest price per share (LKR)	40.00	31.30

TOP 20 REGISTERED SHAREHOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 30.06.2023

	Name	Number of Shares	%
1	STANDARD CHARTERED BANK MAURITIUS S/A NORFUND	39,906,488	9.99
2	EMPLOYEE'S PROVIDENT FUND	37,966,343	9.504
3	BANK OF CEYLON NO. 1 ACCOUNT	31,749,539	7.948
4	RICHARD PIERIS AND CO LTD A/C NO.01	24,745,230	6.195
5	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	24,276,976	6.077
6	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	20,183,453	5.053
7	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	15,834,583	3.964
8	EMPLOYEES TRUST FUND BOARD	13,549,618	3.392
9	DR. S. YADDEHIGE	11,365,285	2.845
10	HATTON NATIONAL BANK PLC A/C NO 1	11,073,010	2.772
11	PERPETUAL TREASURIES LIMITED	9,772,734	2.447
12	SBI VEN HOLDINGS PTE LTD	9,696,834	2.428
13	COMMERCIAL BANK OF CEYLON PLC/METROCORP (PVT) LTD	8,369,676	2.095
14	DEUTSCHE BANK AG AS TRUSTEE TO ASSETLINE INCOME PLUS GROWTH FUND	5,920,839	1.482
15	MR.A.K.PATHIRAGE	5,759,918	1.442
16	ASIRI SURGICAL HOSPITAL PLC	5,663,666	1.418
17	AKBAR BROTHERS PVT LTD A/C NO 1	5,565,653	1.393
18	FINCO HOLDINGS (PRIVATE) LIMITED	5,016,639	1.256
19	MR. R.P. WEERASOORIYA	3,941,100	0.987
20	ARPICO INSURANCE PLC-SHARE HOLDERS	3,797,512	0.951

Note: Out of the 399,464,362 shares in issue, 38,366 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 30/06/2023
Float adjusted Market Capitalization in LKR	16,304,137,935
Percentage of shares held by the public	81.63%
Number of public shareholders	11,354
Option under which the Bank complies with the minimum Public Holding requirement	Option 1

DIRECTORS' INTEREST IN SHARES OF NDB AS AT 30.06.2023

Name	No. of shares
MR. SRIYAN COORAY	-
MR. DIMANTHA SENEVIRATNE	79,216
MR. BERNARD SINNIHA	-
MR. SUJEEWA MUDALIGE	-
MR. KUSHAN D'ALWIS, PC	-
MS. (FAY) PIYACHATR CHETNAKARNKUL	-
MS. CHANDIMA DILRUKSHI	-
MS. KASTURI WILSON	-
MS. SHWETA APRAMEYA	-
MR. HASITHA PREMARATNE	-

Rated unsecured subordinated redeemable debentures

INFORMATION ON DEBENTURES- BANK											
Type of Debenture	CSE Listing	Interest payable frequency	Balance as at 30 June 2023 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	7,958	Not traded during the quarter			11.90	11.66	11.14	Not traded during the quarter	
		Semi-annually	117	Not traded during the quarter			12.00	11.73	11.61	Not traded during the quarter	
Fixed rate - Debenture September 2020 Sep 2020/ Sep 2025	Listed	Annually	6,955	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	Semi-annually	1,284	Not traded during the quarter			13.50	13.17	11.04	Not traded during the quarter	
	Listed	Annually	4,459	Not traded during the quarter			13.95	13.1	11.04	Not traded during the quarter	
Fixed rate - Debenture December 2013 C - Dec 2013/Dec 2023 D - Dec 2013/Dec 2025	Listed	Annually	3,879	Not traded during the quarter			13.90	13.17	11.80	Not traded during the quarter	
	Listed	Annually	3,825	Not traded during the quarter			14.00	13.26	12.09	Not traded during the quarter	
Total Debentures			28,476								

Important Dates - H1 2023 - Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	14 August 2023
Investor Webinar	18 August 2023
Updates to the investor relations web page within the Bank's corporate website www.ndbbank.com	14 August 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	23 August 2023 & 31 August 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 Officer Mr.Bernard Sinniah - Director Mr.Sujeewa Mudalige - Director Mr.Kushan D'Alwis, PC - Director Ms.(Fay) Piyachatr Chetnakarnkul - Director Ms.Chandima Dilrukshi - Director Ms.Kasturi Wilson - Director Ms.Shweta Aprameya - Director (Effective 28.04.2023) Mr. Hasitha Premaratne- Director(Effective 15.06.2023)</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

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The future is banking on us

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