

INTERIM FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 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 year ended 31 December 2023 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB Group posts LKR 11 Bn in pre-tax profits, benefiting from resilient and agile strategy

20 February 2024, Colombo, Sri Lanka

National Development Bank PLC demonstrated its characteristic resilience and agility in withstanding external challenges through the financial year 2023. The Bank's concerted efforts in operationalizing its strategy, duly adapted in response to evolving macro-economic dynamics resulted in the Bank generating sound returns to its shareholders. NDB's newly appointed Director/ CEO Mr. Kelum Edirisinghe attributed such performance to the commitment, hard work and perseverance of the team and the innate acumen the Bank has gathered over four decades of its service to the nation through many socio-economic cycles. We draw deep comfort from a clearly articulated strategy that guides us in the near to mid-term, the strong governance frameworks within which we function and the versatility of our stakeholders well aligned in our mutual growth, prerequisites in navigating through challenging times. Our immediate priorities will be on improving asset quality, enhancing NIMs, driving transaction banking and pursuing growth centered around products offering higher risk adjusted returns, he further commented.

Analysis of Financial Performance

Profitability

The NDB Group comprising the NDB Bank as the parent and its subsidiary companies posted a pre-tax profit of LKR 10.9 Bn whilst at Bank level pre-tax profit was LKR 10.1 Bn. Profitability mirrored solid core banking performance which led to healthy improvement across key income categories. Gross income saw a 20% increase over the financial year 2022 (YoY growth) to LKR 132.3 Bn. Interest income enhanced by 22% to LKR 119.4 Bn with interest expenses rising by 30% to LKR 87.4 Bn, leading to a net interest income of LKR 31.9 Bn, a YoY growth of 4%. The resultant net interest margin of the Bank was 3.96%. Market wide interest rates came down from their historic highs following policy rates cuts netting 650 bps by the CBSL, whilst average prime lending rate dipped by approximately 16 percentage points during the year. Net fee and commission income increased by 14% to LKR 7.2 Bn, enhancing the dynamism of the Bank's revenue mix. Transaction banking drive across all business segments, particularly trade related services and greater uptake of the Bank's digital platforms bolstered fee income amidst loan book contraction. The total of net gains from trading, net gains from financial assets at fair value through profit or loss and net gains from derecognition of financial assets amounted to LKR 8.7 Bn, a notable improvement over 2022 due to variation in the exchange rate and interest rates compared to the prior year.

Impairment charges for the financial year netted LKR 21.1 Bn, a YoY reduction of 28%, 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. NDB continued to maintain sufficient 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 41.11% (2022: 37.44%) whilst the Impaired Loans (Stage 3) Ratio was 8.58% (2022: 6.24%) for 2023, reflecting the industry-wide concerns on credit quality.

Total operating costs for the period was LKR 13.7 Bn, a YoY increase of 20%. General increase in price levels, particularly energy and foreign currency denominated expenses drove costs up. The resultant cost to income ratio was 30.4% and compared well within the industry. Process automations leading to lesser resource usage and greater efficiencies, increasing shift of client transactions to digital platforms and conscious assessment and rationalization of discretionary expenses, particularly as per directions issued by the CBSL were key contributors in curtailing costs increases. Taxes netted LKR 4.7 Bn, comprising taxes on financial services of LKR 2.7 Bn and income tax of LKR 2.0 Bn.

Balance Sheet Performance, Liquidity and Capital Adequacy

NDB's total assets stood at LKR 780 Bn at the closure of the year, whilst Group total assets were LKR 787 Bn and translated to a 6% reduction over 2022, predominantly attributable to the appreciation of the Sri Lankan Rupee over 2023 compared to the severe depreciation seen in 2022. Loan book followed a similar trend, closing in at LKR 496 Bn, a YoY contraction of 14%. Loan book was affected by the dual factors of appreciating currency and subdued demand for loans on account of high interest rates and low economic activity in the country. Customer deposits for 2023 was Rs. 616 Bn, an YoY reduction of 8%, yet again with the reduction partly attributable to the appreciation of the Sri Lankan Rupee. Notwithstanding the contraction, Balance Sheet remained dynamic and resilient, with sound liquidity and capital adequacy. 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 309.61%, 228.58% and 142.26% respectively. The Statutory Liquid Assets Ratio of 39.02% (2022: 27.24%) was also well above the regulatory minimum requirement of 20%. Tier I and Total Capital Adequacy ratios stood at 11.67% (Group: 12.22%) and 15.90% (Group: 16.35%), well ahead of the regulatory minimum levels of 8.50% and 12.50% respectively. NDB fortified its Tier II capital base with a LKR 5 Bn infusion of Basel III compliant listed, rated, unsecured, subordinated, redeemable debentures during the year.

Investor KPIs and Dividends

Return on average equity and Earnings per share for FY 2023 of the Bank were 8.03% and LKR 13.44 respectively, which compared with 4.75% and Rs. 7.65 in 2022, thereby posting considerable improvement in returns to shareholders. The same indicators at the Group level were 8.11% and LKR 14.42 versus 4.62% and LKR 7.92 in 2022. Bank Pre-tax return on average assets was 1.25% (2022: 0.26%) and Net asset value per share was LKR 175.60 (2022: 167.16), again reporting notable improvement over the prior year. The same indicators at the Group level were 1.34% (2022:0.34%) and LKR 186.43 (2022: LKR 177.60)

Outlook

It is anticipated that macro-economic challenges may subside in the near term and with all key indicators adjusting in to positive territories, recovery will be expedited. The banking sector looks forward to the finalization of the international sovereign bonds restructuring, which would allow banks efficient deployment of capital in pursuing growth targets. NDB remains positive of such recovery trajectory, and will focus on creating shareholder value through consistent and sustainable bottom line performance. The Bank is poised to channel customized support to all its customers, combining both banking and capital market solutions with SMEs being a core focus group in such support in enhancing their resilience and development. The Bank will also endeavor towards a judicious equilibrium in its performance covering aspects such as digitalization, empowering the women's market and ESG among others.

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
	31/12/2023 (Audited) LKR '000	31/12/2022 (Audited) LKR '000		%	31/12/2023 LKR '000	31/12/2022 LKR '000	31/12/2023 (Audited) LKR '000		31/12/2022 (Audited) LKR '000	%
Gross Income	132,326,003	109,902,478	20	29,450,566	35,399,246	134,472,594	111,551,511	21	30,194,799	35,939,755
Interest Income	119,372,564	97,917,822	22	25,713,471	32,745,684	119,722,233	98,217,310	22	25,700,247	32,871,162
Interest Expenses	87,425,434	67,174,164	30	18,170,256	24,189,228	87,341,751	67,086,940	30	18,153,520	24,153,825
Net Interest Income	31,947,130	30,743,658	4	7,543,215	8,556,456	32,380,482	31,130,370	4	7,546,727	8,717,337
Fee and Commission Income	7,164,891	6,274,698	14	1,733,162	1,863,225	8,566,191	7,438,752	15	2,167,870	2,093,994
Less: Fee and commission Expenses	7,084	16,929	(58)	2,813	2,215	7,084	16,929	(58)	2,813	2,215
Net Fee and Commission Income	7,157,807	6,257,769	14	1,730,349	1,863,204	8,559,107	7,421,823	15	2,165,057	2,093,973
Net gain/(loss) from trading	2,905,753	(340,346)	954	379,231	630,186	2,905,753	(340,346)	954	379,231	630,186
Net gain/(loss) from financial assets at fair value Through Profit or Loss	1,745,982	(389,767)	548	633,452	100,981	1,947,286	(340,388)	672	675,264	83,520
Net gains/(losses) from derecognition of financial assets	4,057,348	15,127	26,722	1,496,812	(9,057)	4,108,332	15,127	27,059	1,547,796	(9,057)
Other operating income	(2,920,535)	6,424,944	(145)	(505,562)	68,227	(2,777,201)	6,561,056	(142)	(275,609)	269,950
Total Operating Income	44,893,485	42,711,385	5	11,277,497	11,209,997	47,123,759	44,447,642	6	12,038,467	11,785,907
Less : Impairment Charges	21,144,038	29,291,660	(28)	7,218,255	7,066,861	21,137,016	29,276,538	(28)	7,181,912	7,060,304
Net operating income	23,749,447	13,419,725	77	4,059,242	4,143,136	25,986,743	15,171,104	71	4,856,555	4,725,603
Operating Expenses										
Personnel Expenses	6,633,355	5,650,176	17	1,547,842	1,387,801	7,379,192	6,277,028	18	1,765,237	1,557,695
Depreciation and amortization	984,510	846,634	16	248,051	222,662	1,054,459	926,034	14	265,011	253,339
Other Expenses	6,035,825	4,886,836	24	1,714,601	1,286,202	6,649,013	5,296,104	26	1,903,790	1,399,203
Total operating expenses	13,653,690	11,383,646	20	3,510,494	2,896,666	15,082,664	12,499,165	21	3,934,038	3,210,237
Operating Profit Before Tax on Financial Services	10,095,757	2,036,079	396	548,748	1,246,470	10,904,079	2,671,939	308	922,517	1,515,366
Less: Taxes on Financial services	2,749,840	1,203,092	129	344,518	440,261	2,749,840	1,203,092	129	344,518	440,261
Operating Profit After Tax on Financial Services	7,345,917	832,987	782	204,230	806,209	8,154,239	1,468,847	455	577,999	1,075,105
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	7,345,917	832,987	782	204,230	806,209	8,154,239	1,468,847	455	577,999	1,075,105
Less : Income tax expenses	1,975,590	(2,076,058)	195	46,531	(1,541,615)	2,296,029	(1,606,957)	243	154,972	(1,309,332)
Profit for the year	5,370,327	2,909,045	85	157,699	2,347,824	5,858,210	3,075,804	90	423,027	2,384,437
Profit Attributable to:										
Equity Holders of the parent	5,370,327	2,909,045	85	157,699	2,347,824	5,759,436	3,008,737	91	338,540	2,367,435
Non Controlling Interests	-	-	-	-	-	98,774	67,067	47	84,487	17,002
	5,370,327	2,909,045	85	157,699	2,347,824	5,858,210	3,075,804	90	423,027	2,384,437
Basic Earnings per share (In LKR)	13.44	7.65	76	0.39	6.18	14.42	7.92	82	0.85	6.23
Diluted Earnings per share (In LKR)	13.44	7.65	76	0.39	6.18	14.42	7.92	82	0.85	6.23

STATEMENT OF COMPREHENSIVE INCOME

	Year ended	Year ended	Change	Quarter ended	Quarter ended	Year ended	Year ended	Change	Quarter ended	Quarter ended
	31/12/2023 (Audited) LKR '000	31/12/2022 (Audited) LKR '000		%	31/12/2023 LKR '000	31/12/2022 LKR '000	31/12/2023 (Audited) LKR '000		31/12/2022 (Audited) LKR '000	%
	Profit for the year	5,370,327	2,909,045	85	157,699	2,347,824	5,858,210	3,075,804	90	423,027
Items that will be reclassified to Statement of Profit or Loss										
Gains/(losses) from Available for Sale Investments	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	(67,465)	220,997	(131)	1,512	(612)
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	5,259,686	2,420,880	117	(1,526,399)	366,813	5,268,192	2,391,542	120	(1,587,415)	368,536
Changes in Impairment allowance for Expected credit losses	-	(181,155)	100	-	-	-	(181,155)	100	-	-
Cash Flow Hedge Reserve-SWAP	(3,191,786)	4,385,238	(173)	(290,243)	(832,722)	(3,191,786)	4,385,238	(173)	(290,243)	(832,722)
Less :Tax expense relating to items that will be reclassified to Income Statements	(620,370)	(1,991,003)	69	544,993	(173,425)	(620,383)	(1,991,003)	69	544,330	(173,425)
A	1,447,530	4,633,960	(69)	(1,271,649)	(639,334)	1,388,558	4,825,619	(71)	(1,331,816)	(638,223)
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	315,123	(304,245)	204	(181,216)	14,799	315,123	(304,245)	204	(181,216)	14,799
Revaluation of Land & Buildings	50,483	249,651	(80)	50,483	249,651	92,531	316,789	(71)	92,531	316,789
Actuarial Gains/(losses) on defined benefit plans	(581,395)	68,094	(954)	(581,395)	68,094	(605,550)	58,168	(1,141)	(605,550)	58,168
Less :Tax expense relating to items that will not be reclassified to Income Statements	72,461	(143,537)	150	72,461	(143,537)	67,093	(172,657)	139	67,093	(172,657)
B	(143,328)	(130,037)	(10)	(639,667)	189,007	(130,803)	(101,945)	(28)	(627,142)	217,099
Total Other Comprehensive Income after Tax	A + B	4,503,923	(71)	(1,911,316)	(450,327)	1,257,755	4,723,674	(73)	(1,958,958)	(421,123)
Total Comprehensive Income for the year	6,674,529	7,412,968	(10)	(1,753,617)	1,897,497	7,115,965	7,799,478	(9)	(1,535,931)	1,963,312
Attributable to:										
Equity holders of the parent	6,674,529	7,412,968	(10)	(1,753,617)	1,897,497	7,029,011	7,685,035	(9)	(1,619,987)	1,945,149
Non Controlling Interests	-	-	-	-	-	86,954	114,443	(24)	84,056	18,163
	6,674,529	7,412,968	(10)	(1,753,617)	1,897,497	7,115,965	7,799,478	(9)	(1,535,931)	1,963,312

CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	BANK			Group		
	Current Period	Previous Year		Current Period	Previous Year	
	As at 31/12/2023 (Audited) LKR '000	As at 31/12/2022 (Audited) LKR '000	Change %	As at 31/12/2023 (Audited) LKR '000	As at 31/12/2022 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	28,100,515	34,849,521	(19)	28,580,676	35,727,665	(20)
Balances with the Central Bank of Sri Lanka	7,040,421	18,187,547	(61)	7,040,421	18,187,547	(61)
Placements with banks	33,743,602	4,108,989	721	33,743,602	4,108,989	721
Derivative Financial Instruments	3,083,815	7,909,252	(61)	3,083,815	7,909,252	(61)
Financial assets recognized through profit or loss measured at fair value	24,021,340	19,318,483	24	26,040,046	20,788,523	25
Financial assets at amortised cost - loans and receivables to other customers	452,660,461	545,873,027	(17)	452,739,928	545,919,824	(17)
Financial assets at amortised cost - debt and other instruments	125,672,370	135,047,886	(7)	125,672,370	135,047,886	(7)
Financial assets measured at fair value through other comprehensive income	83,805,398	44,685,230	88	84,645,423	45,454,490	86
Investments in subsidiary companies	1,108,772	1,115,794	(1)	-	-	-
Investment Property	-	-	-	3,112,440	2,879,091	8
Intangible assets	1,883,447	1,804,321	4	1,898,270	1,813,213	5
Property, plant & equipment	3,141,117	3,261,362	(4)	3,817,097	3,907,994	(2)
Right of Use Assets	1,145,601	1,170,763	(2)	1,260,055	1,323,368	(5)
Current Tax Assets	-	-	-	43,102	43,488	(1)
Deferred tax Assets	9,648,118	9,004,747	7	9,717,805	9,048,896	7
Other assets	4,844,183	6,435,328	(25)	5,563,827	7,037,671	(21)
Total assets	779,899,160	832,772,250	(6)	786,958,877	839,197,897	(6)
Liabilities						
Due to Banks	7,679,195	20,251,657	(62)	7,679,195	20,298,844	(62)
Derivative Financial Instruments	93,361	96,246	(3)	93,361	96,246	(3)
Financial Liabilities at amortised cost - due to depositors	615,643,999	672,314,023	(8)	615,232,470	671,713,337	(8)
Financial Liabilities at amortised cost						
- due to debt securities holders	15,632,569	130,541	11,875	15,632,569	130,541	11,875
- due to other borrowers	24,636,539	32,372,265	(24)	24,636,539	32,372,265	(24)
Debt securities issued	29,388,875	27,979,631	5	29,388,875	27,979,631	5
Retirement benefit obligations	1,299,909	916,007	42	1,439,374	1,019,294	41
Current Tax Liabilities	7,265,070	6,470,353	12	7,430,773	6,635,188	12
Deferred Tax Liabilities	-	-	-	921,189	873,280	5
Other liabilities	8,033,112	8,606,663	(7)	8,529,555	9,084,114	(6)
Dividends payable	78,654	99,001	(21)	78,654	99,001	(21)
Total liabilities	709,751,283	769,236,387	(8)	711,062,554	770,301,741	(8)
Equity						
Stated Capital	20,738,231	19,870,665	4	20,738,231	19,870,665	4
Statutory Reserve Fund	3,046,479	2,746,479	11	3,046,479	2,746,479	11
Retained Earnings	41,027,500	37,381,043	10	45,079,167	41,116,154	10
Other Reserves	5,335,667	3,537,676	51	5,607,516	3,771,599	49
Total shareholders' equity	70,147,877	63,535,863	10	74,471,393	67,504,897	10
Non Controlling Interests	-	-	-	1,424,930	1,391,259	2
Total Equity	70,147,877	63,535,863	10	75,896,323	68,896,156	10
Total liabilities and equity	779,899,160	832,772,250	(6)	786,958,877	839,197,897	(6)
Net Book Value Per Share (LKR)	175.60	167.16	5	186.43	177.60	5
Contingent liabilities and commitments	277,965,419	293,609,756	(5)	278,127,046	294,376,707	(6)
Memorandum Information						
Number of Employees	2,756	2,929				
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.) Bimal Perera Acting 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.) Kelum Edirisinghe Director/ Chief Executive Officer			
20 February 2024						

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			
	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)
Adjusted Balance as at 01 January 2022	18,263,609	2,571,479	1,402,195	44,479.00	(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	(113,060)	6,638,464	-	6,638,464
Tax on Other Comprehensive Income	-	-	(185,581)	-	(675,432)	(1,315,571)	42,044	(2,134,540)	-	(2,134,540)
Total Comprehensive Income for the Year	-	-	64,070	-	1,441,203	3,069,667	2,838,029	7,412,969	-	7,412,969
Transactions with equity holders										
Transfer to statutory reserve fund	-	175,000	-	-	-	-	(175,000)	-	-	-
Final Dividends for year 2021 : Scrip	1,607,056	-	-	-	-	-	(1,607,056)	-	-	-
Final Dividends for year 2021 : Cash	-	-	-	-	-	-	(357,124)	(357,124)	-	(357,124)
Reversal of dividends declared in prior years	-	-	-	-	-	-	4,215	4,215	-	4,215
Balance as at 31 December 2022	19,870,665	2,571,479	1,466,265	44,479	(1,042,735)	3,069,667	37,381,043	(352,909)	-	63,535,863
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 Year										
Profit for the year	-	-	-	-	-	-	5,370,327	5,370,327	-	5,370,327
Other Comprehensive Income before Tax	-	-	50,483	-	5,574,809	(3,191,786)	(581,395)	1,852,111	-	1,852,111
Tax on Other Comprehensive Income	-	-	(15,145)	-	(1,577,904)	957,535	87,606	(547,908)	-	(547,909)
Other Comprehensive Income before Tax	-	-	35,338	-	3,996,905	(2,234,251)	4,876,538	6,674,530	-	6,674,529
Transactions with equity holders										
Transfer to statutory reserve fund	-	300,000	-	-	-	-	(300,000)	-	-	-
Issue of Shares - Scrip Dividends	867,566	-	-	-	-	-	(950,237)	(82,671)	-	(82,671)
Reversal of dividends declared in prior years	-	-	-	-	-	-	20,156	20,156	-	20,156
Balance as at 31 December 2023	20,738,231	3,046,479	1,501,603	44,479	2,954,170	835,416	41,027,500	70,147,878	-	70,147,877

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	LKR '000
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)	(21,780)	(2,576,176)
Adjusted Balance as at 01 January 2022	18,263,609	2,571,479	1,583,831	44,479	(2,467,181)	-	40,176,556	60,172,773	1,317,593	61,490,366
Total Comprehensive Income for the year										
Profit for the year	-	-	-	-	-	-	3,008,737	3,008,737	67,067	3,075,804
Other Comprehensive Income before Tax	-	-	316,789	-	2,117,126	4,385,238	20,804	6,839,957	47,377	6,887,334
Tax on Other Comprehensive Income	-	-	(217,680)	-	(675,432)	(1,315,571)	45,022	(2,163,661)	-	(2,163,661)
Total Comprehensive Income for the year	-	-	99,109	-	1,441,694	3,069,667	3,074,563	7,685,033	114,444	7,799,477
Transactions with equity holders										
Transfer to statutory reserve fund	-	175,000	-	-	-	-	(175,000)	-	-	-
Final Dividends for year 2021 : Scrip	1,607,056	-	-	-	-	-	(1,607,056)	-	-	-
Final Dividends for year 2021 : Cash	-	-	-	-	-	-	(357,124)	(357,124)	-	(357,124)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(40,778)	(40,778)
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	1,682,940	44,479	(1,025,487)	3,069,667	41,116,154	67,504,897	1,391,259	68,896,156
Balance as at 01 January 2023	19,870,665	2,746,479	1,682,940	44,479	(1,025,487)	3,069,667	41,116,154	67,504,897	1,391,259	68,896,156
Total Comprehensive Income for the year										
Profit for the year	-	-	-	-	-	-	5,759,436	5,759,436	98,774	5,858,210
Other Comprehensive Income before Tax	-	-	92,531	-	5,583,315	(3,191,786)	(661,195)	1,822,865	(11,820)	1,811,045
Tax on Other Comprehensive Income	-	-	(27,760)	-	(1,577,918)	957,535	94,853	(553,290)	-	(553,290)
Total Comprehensive Income for the year	-	-	64,771	-	4,005,397	(2,234,251)	5,193,094	7,029,011	86,954	7,115,965
Transactions with equity holders										
Transfer to statutory reserve fund	-	300,000	-	-	-	-	(300,000)	-	-	-
Issue of Shares - Scrip Dividends	867,566	-	-	-	-	-	(950,237)	(82,671)	-	(82,671)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(53,283)	(53,283)
Reversal of dividends declared in prior years	-	-	-	-	-	-	20,156	20,156	-	20,156
Balance as at 31 December 2023	20,738,231	3,046,479	1,747,711	44,479	2,979,910	835,416	45,079,167	74,471,393	1,424,930	75,896,323

STATEMENT OF CASH FLOW

For the Year ended 31 December	BANK		GROUP	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	115,721,380	92,732,700	116,098,876	92,930,324
Fee based income received	6,724,305	6,350,791	8,097,965	7,715,104
Dividend income received	77,194.00	345,679	15,402	56,010
Other Operating income received	296,105	5,575,291	457,150	5,771,691
Interest paid	(88,033,051)	(51,885,500)	(88,031,617)	(51,895,768)
Personnel costs paid	(6,530,159)	(5,591,768)	(7,272,194)	(6,124,495)
Other expenses paid	(7,082,535)	(4,625,884)	(7,551,205)	(5,003,505)
Operating Profit before changes in operating assets and liabilities	21,173,239	42,901,309	21,814,377	43,449,361
(Increase)/decrease in operating assets				
Deposits held for regulatory or monetary control purposes	11,147,126	(1,784,185)	11,147,126	(1,784,185)
Financial Assets at amortised cost -loans and receivables to other customers	77,234,867	(49,031,658)	77,234,867	(49,266,112)
Net (increase)/decrease in operating assets	4,984,338	(3,667,367)	5,063,435	(2,656,530)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	(57,694,801)	106,277,952	(57,505,645)	106,460,463
Financial liabilities at amortised cost - due to debt securities holders	15,502,028	(1,210,519)	15,502,028	(1,210,519)
Financial liabilities at amortised cost - due to other borrowers	(15,280,423)	4,699,078	(15,280,423)	4,699,078
Repayment of principal portion of lease liabilities	(435,836)	(420,768)	(511,440)	(485,967)
Net increase/(decrease) in other liabilities	68,769	(2,697,938)	(49,591)	(3,611,245)
Net cash generated/(used in) from operating activities before taxation	56,699,307	95,065,904	57,414,734	95,594,344
Tax on Financial Services paid	(2,642,012)	(1,357,619)	(2,642,012)	(1,357,619)
Income taxes paid	(2,372,153)	(1,582,804)	(2,674,348)	(1,824,899)
Surcharge tax paid	-	(2,456,403)	-	(2,576,177)
Net cash generated/(used in) from operating activities	51,685,142	89,669,078	52,098,374	89,835,649
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(24,482,448)	(67,569,963)	(25,191,301)	(67,146,633)
Purchase of Intangible assets	(1,925,214)	(830,787)	(1,933,715)	(832,700)
Purchase of property, plant & equipment	(357,644)	(323,417)	(398,262)	(346,237)
Proceeds from sale of property, plant & equipment	5,069	1,714	5,109	1,788
Net cash generated /(used in) from investing activities	(26,760,237)	(68,722,453)	(27,518,169)	(68,323,782)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debts securities issued	(3,637,980)	-	(3,637,980)	-
Proceeds of debts securities issued	5,000,000	-	5,000,000	-
Interest paid on debts securities issued	(3,348,150)	(3,348,149)	(3,348,150)	(3,348,149)
Dividends paid to non-controlling interests	-	-	(53,283)	(40,549)
Dividends paid to shareholders of the Bank	-	(345,731)	-	(345,731)
Net cash provided by /(used in) financing activities	(1,986,130)	(3,693,880)	(2,039,413)	(3,734,429)
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,938,775	17,252,745	22,540,792	17,777,438
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	38,958,510	21,713,982	39,836,654	22,067,433
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	61,897,285	38,966,727	62,377,446	39,844,871
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	28,100,515	34,849,521	28,580,676	35,727,665
Placements with banks	33,743,602	4,108,989	33,743,602	4,108,989
Cash and cash equivalents at the end of the year (Net)	61,844,117	38,958,510	62,324,278	39,836,654
Add : Impairment allowance	53,168	8,217	53,168	8,217
Cash and cash equivalents at the end of the year(Gross)	61,897,285	38,966,727	62,377,446	39,844,871

SEGMENTAL ANALYSIS- GROUP										
For the Year ended 31 December										
	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	119,372,564	97,917,822	267,534	212,264	-	-	-	-	119,640,098	98,130,086
Fee and Commission Income	7,164,891	6,274,698	1,061,062	758,631	180,114	189,606	66,161	88,908	8,472,228	7,311,842
Net gain/(loss) from trading	2,905,753	(340,346)	-	-	-	-	-	-	2,905,753	(340,346)
Net gain/(loss) from financial assets at fair value Through Profit or Loss	1,745,982	(389,767)	201,304	49,379	-	-	-	-	1,947,286	(340,388)
Net gains/(losses) from derecognition of financial assets	4,057,348	15,127	50,984	-	-	-	-	-	4,108,332	15,127
Other Operating Income	(2,969,017)	6,118,106	(19,736)	274,681	211,552	168,269	-	-	(2,777,201)	6,561,056
Total revenue from external customers	132,277,521	109,595,640	1,561,148	1,294,955	391,666	357,760	66,161	88,908	134,296,497	111,337,377
Inter-segment Revenue	-	-	75,377	121,397	100,720	92,851	-	-	176,097	214,249
Total Revenue	132,277,521	109,595,640	1,636,525	1,416,352	492,387	450,611	66,161	88,908	134,472,594	111,551,511
Impairment (charge)/reversal for Loans & other losses	(21,137,016)	(29,276,538)	-	-	-	-	-	-	(21,137,016)	(29,276,538)
Segment expenses	(100,989,219)	(78,474,208)	(1,256,721)	(1,026,853)	(71,170)	(18,035)	(114,387)	(83,939)	(102,431,499)	(79,603,034)
Total segment expenses	(122,126,235)	(107,750,746)	(1,256,721)	(1,026,853)	(71,170)	(18,035)	(114,387)	(83,939)	(123,568,515)	(108,879,572)
Segment results	10,151,286	1,844,894	379,804	389,499	421,216	432,576	(48,227)	4,968	10,904,079	2,671,939
Income tax expenses	-	-	-	-	-	-	-	-	2,296,029	(1,606,957)
Taxes on financial services	-	-	-	-	-	-	-	-	2,749,840	1,203,092
Profit after taxation									5,858,210	3,075,804
Other information										
Segment assets	779,856,013	832,553,968	3,399,131	3,117,485	3,593,518	3,334,898	110,215	191,547	786,958,877	839,197,897
Consolidated total assets									786,958,877	839,197,897
Segment liabilities	709,314,127	768,617,779	791,037	799,754	926,653	860,852	30,737	23,355	711,062,554	770,301,741
Consolidated total liabilities									711,062,554	770,301,741
Segmental Cash flows										
Cash flows from operating activities	51,685,142	89,669,078	298,557.78	(58,138)	115,995	184,930	(1,320)	39,373	52,098,374	89,835,649
Cash flows from investing activities	(26,760,237)	(68,722,453)	(729,391)	465,442	(28,541)	(66,771)	-	-	(27,518,169)	(68,323,782)
Cash flows from financing activities	(1,986,130)	(3,693,880)	89,813	56,761	(97,310)	(97,310)	(45,787)	-	(2,039,413)	(3,734,429)

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 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	-	28,100,515	-	-	28,100,515
Balances with the Central Bank of Sri Lanka	-	7,040,421	-	-	7,040,421
Placements with banks	-	33,743,602	-	-	33,743,602
Derivative Financial Instruments	3,083,815	-	-	-	3,083,815
Financial assets recognized through profit or loss measured at fair value	24,021,340	-	-	-	24,021,340
Financial assets at amortised cost -loans and receivables to other customers	-	452,660,461	-	-	452,660,461
Financial Assets at amortised cost - debt and other instruments	-	125,672,370	-	-	125,672,370
Financial assets measured at fair value through other comprehensive income	-	-	83,805,398	-	83,805,398
Other Financial Assets	-	1,427,296	-	-	1,427,296
Total Financial Assets	27,105,155	648,644,665	83,805,398	-	759,555,218

	At fair value through profit or loss	Amortized cost	Total
LIABILITIES			
Due to Banks	-	7,679,195	7,679,195
Derivative Financial Instruments	93,361	-	93,361
Financial Liabilities at amortised cost -due to depositors	-	615,643,999	615,643,999
Financial Liabilities at amortised cost			
- due to debt securities holders	-	15,632,569	15,632,569
- due to other borrowers	-	24,636,539	24,636,539
Debt securities issued	-	29,388,875	29,388,875
Other Financial Liabilities	-	2,391,221	2,391,221
Total Financial Liabilities	93,361	695,372,398	695,465,759

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 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	-	28,580,676	-	-	28,580,676
Balances with the Central Bank of Sri Lanka	-	7,040,421	-	-	7,040,421
Placements with banks	-	33,743,602	-	-	33,743,602
Derivative Financial Instruments	3,083,815	-	-	-	3,083,815
Financial assets recognized through profit or loss measured at fair value	26,040,046	-	-	-	26,040,046
Financial assets at amortised cost -loans and receivables to other customers	-	452,739,928	-	-	452,739,928
Financial Assets at amortised cost - debt and other instruments	-	125,672,370	-	-	125,672,370
Financial Assets measured at fair value through Other comprehensive income	-	-	84,645,423	-	84,645,423
Other Financial Assets	-	1,965,544	-	-	1,965,544
Total Financial Assets	29,123,861	649,742,541	84,645,423	-	763,511,825

	At fair value through profit or loss	Amortized cost	Total
LIABILITIES			
Due to Banks	-	7,679,195	7,679,195
Derivative Financial Instruments	93,361	-	93,361
Financial Liabilities at amortised cost -due to depositors	-	615,232,470	615,232,470
Financial Liabilities at amortised cost			
- due to debt securities holders	-	15,632,569	15,632,569
- due to other borrowers	-	24,636,539	24,636,539
Debt securities issued	-	29,388,875	29,388,875
Other Financial Liabilities	-	2,641,010	2,641,010
Total Financial Liabilities	93,361	695,210,658	695,304,019

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.

FINANCIAL ASSETS & LIABILITIES MEASURED AT FAIR VALUE - FAIR VALUE HIERARCHY

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
	31/12/2023 LKR '000	31/12/2023 LKR '000	31/12/2023 LKR '000	31/12/2023 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	-	3,083,815	-	3,083,815	-	7,909,252	-	7,909,252
Financial assets recognized through profit or loss measured at fair value	24,021,340	-	-	24,021,340	19,318,483	-	-	19,318,483
Financial assets measured at fair value through other comprehensive income	83,799,173	-	6,225	83,805,398	44,679,006	-	16,568	44,695,574
Total Financial Assets	107,820,513	3,083,815	6,225	110,910,553	63,997,489	7,909,252	16,568	71,923,309
Financial Liabilities								
Derivative Financial Instruments	-	93,361	-	93,361	-	96,246	-	96,246
Total Financial Liabilities	-	93,361	-	93,361	-	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
	31/12/2023 LKR '000	31/12/2023 LKR '000	31/12/2023 LKR '000	31/12/2023 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	-	3,083,815	-	3,083,815	-	7,909,252	-	7,909,252
Financial assets recognized through profit or loss measured at fair value	25,212,128	-	827,918	26,040,046	19,912,655	-	875,868	20,788,523
Financial assets measured at fair value through other comprehensive income	84,545,321	93,877	6,225	84,645,423	45,381,698	66,568	16,568	45,464,834
Total Financial Assets	109,757,449	3,177,692	834,143	113,769,284	64,888,296	8,381,877	882,092	74,162,609
Financial Liabilities								
Derivative Financial Instruments	-	93,361	-	93,361	-	96,246	-	96,246
Total Financial Liabilities	-	93,361	-	93,361	-	96,246	-	96,246

FINANCIAL ASSETS & LIABILITIES MEASURED AT AMORTISED COST

Bank	Fair Value Classification	31-Dec-23		31-Dec-22	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets					
<u>Financial Assets at Amortised Cost</u>					
Loans and Receivables	Level 02	452,660,461	426,085,523	545,873,027	534,200,332
Debt and other Instruments	Level 01 & 02	125,672,370	101,613,701	135,047,886	121,732,926
		578,332,831	527,699,224	680,920,913	655,933,258
Financial Liabilities					
<u>Financial Liabilities at Amortised Cost</u>					
Due to Depositors	Level 02	615,643,999	625,680,099	672,314,023	667,553,388
Debt securities issued	Level 02	29,388,875	30,510,441	27,979,631	28,363,550
		645,032,874	656,190,540	700,293,654	695,916,938

Group	Fair Value Classification	31-Dec-23		31-Dec-22	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets					
<u>Financial Assets at Amortised Cost</u>					
Loans and Receivables	Level 02	452,739,928	426,158,751	545,919,824	667,553,388
Debt and other Instruments	Level 01 & 02	125,672,370	101,613,701	135,047,886	121,732,926
		578,412,298	527,772,452	680,967,710	789,286,314
Financial Liabilities					
<u>Financial Liabilities at Amortised Cost</u>					
Due to Depositors	Level 02	615,232,470	625,271,657	671,713,337	666,959,698
Debt securities issued	Level 02	29,388,875	30,510,441	27,979,631	28,563,550
		615,232,470	655,782,098	699,692,968	695,523,248

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values as they are repriced frequently due to the short term nature.

Assets	Liabilities
Cash and Cash equivalents	Due to Banks
Balances with Central Bank of Sri Lanka	Due to debt securities holders
Placements with Banks	Due to other borrowers

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 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 31 December 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).
Further The Bank accepted LKR Bonds in settlement of SLDBs under the Domestic Debt Optimization (DDO) Program. Accordingly The Bank recognised a day one loss against the local currency bonds received in settlement of SLDBs under the DDO program in accordance with SLFRS 13 -Fair Value Measurement and in line with the guidelines issued by CA Sri Lanka.
- 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 31 December 2023 would have amounted to LKR 5.7 Bn and would have resulted in the recognition of fair value loss of LKR 0.6 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 **Debenture Issue**
On 22 December 2023, the Bank has listed LKR 5 Bn Basel III Compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non- Viability Conversion of Rupees Hundred (Rs.100/-) each with the objectives of Improving and further strengthen the Capital Adequacy Ratio (CAR) in line with the Basel III guidelines of the Central Bank of Sri Lanka and facilitating future expansion of business activities of the Bank.
- 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 31 DECEMBER 2023
8.1 Product wise Gross Loans and Receivables
By product-Domestic Currency

Term loans	117,506,893
Medium and short term loans	62,250,769
Overdrafts	57,558,487
Trade Finance	19,343,575
Consumer loans	49,429,148
Lease rentals receivable and Hire Purchase	22,021,922
Housing loans	17,746,008
Pawning	12,996,626
Islamic Banking facilities	8,636,477
Credit cards	8,860,732
AF Loans	2,644,898
Staff loans	2,556,618

Sub total
By product-Foreign Currency

Term loans	18,943,251
Overdrafts	9,573,648
Medium and short term loans	41,827,198
Trade Finance	37,917,217
Islamic Banking facilities	6,184,949
Housing loans	69,968

Sub total
Total

	Bank		Group	
	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000
By product-Domestic Currency				
Term loans	117,506,893	137,442,612	117,506,893	137,442,612
Medium and short term loans	62,250,769	70,108,323	62,250,769	70,108,323
Overdrafts	57,558,487	81,725,795	57,558,487	81,725,797
Trade Finance	19,343,575	21,845,659	19,343,575	21,845,659
Consumer loans	49,429,148	55,359,969	49,429,148	55,359,969
Lease rentals receivable and Hire Purchase	22,021,922	23,510,550	22,021,922	23,510,550
Housing loans	17,746,008	19,115,607	17,746,008	19,115,607
Pawning	12,996,626	11,864,851	12,996,626	11,864,851
Islamic Banking facilities	8,636,477	10,228,740	8,636,477	10,228,740
Credit cards	8,860,732	8,329,859	8,860,732	8,329,859
AF Loans	2,644,898	3,453,044	2,644,898	3,453,044
Staff loans	2,556,618	2,341,756	2,636,085	2,388,581
Sub total	381,552,153	445,326,764	381,631,620	445,373,591
By product-Foreign Currency				
Term loans	18,943,251	19,826,358	18,943,251	19,826,358
Overdrafts	9,573,648	9,642,280	9,573,648	9,642,280
Medium and short term loans	41,827,198	61,981,258	41,827,198	61,981,258
Trade Finance	37,917,217	36,436,665	37,917,217	36,436,665
Islamic Banking facilities	6,184,949	6,243,251	6,184,949	6,243,251
Housing loans	69,968	104,388	69,968	104,388
Sub total	114,516,231	134,234,200	114,516,231	134,234,200
Total	496,068,384	579,560,964	496,147,851	579,607,791

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

Guarantees	33,719,455
Performance Bonds	10,458,016
Documentary Credits	389,683
Acceptances	211,343
Undrawn commitments	161,390,908

Sub Total
By product- Foreign Currency

Guarantees	9,243,575
Performance Bonds	3,566,902
Documentary Credits	8,893,734
Acceptances	6,302,605
Undrawn commitments	1,181,758

Sub Total
Total

	Bank		Group	
	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000
By product- Domestic Currency				
Guarantees	33,719,455	34,757,932	33,607,343	34,611,981
Performance Bonds	10,458,016	13,688,432	10,458,016	13,688,432
Documentary Credits	389,683	203,745	388,981	203,745
Acceptances	211,343	-	211,343	-
Undrawn commitments	161,390,908	177,198,954	161,665,349	178,111,856
Sub Total	206,169,405	225,849,063	206,331,032	226,616,014
By product- Foreign Currency				
Guarantees	9,243,575	12,628,713	9,243,575	12,628,713
Performance Bonds	3,566,902	12,121,661	3,566,902	12,121,661
Documentary Credits	8,893,734	7,541,377	8,893,734	7,541,377
Acceptances	6,302,605	6,388,781	6,302,605	6,388,781
Undrawn commitments	1,181,758	1,340,307	1,181,758	1,340,307
Sub Total	29,188,574	40,020,838	29,188,574	40,020,838
Total	235,357,979	265,869,901	235,519,606	266,636,852

Gross loans and advances ,Commitments and Contingencies

(Less): Accumulated impairment under stage 1	4,751,122
Accumulated impairment under stage 2	6,307,902
Accumulated impairment under stage 3	34,009,586

Net value of loans and advances, commitments and contingencies

	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000
Gross loans and advances ,Commitments and Contingencies	731,426,363	845,430,865	731,667,457	846,244,643
(Less): Accumulated impairment under stage 1	4,751,122	4,812,665	4,751,122	4,812,665
Accumulated impairment under stage 2	6,307,902	5,542,129	6,307,902	5,542,129
Accumulated impairment under stage 3	34,009,586	24,702,027	34,009,586	24,702,027
Net value of loans and advances, commitments and contingencies	686,357,753	810,374,043	686,598,847	811,187,821

	Bank		Group	
	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2023 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	(61,544)	(19,227)	(61,544)	(19,227)
Write-off during the period	-	-	-	-
Closing balance	4,751,122	4,812,665	4,751,122	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	765,772	1,214,649	765,772	1,214,649
Write-off during the period	-	-	-	-
Closing balance	6,307,902	5,542,129	6,307,902	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	15,255,244	10,650,330	15,255,244	10,650,330
Write-off during the period	(5,947,685)	(578,490)	(5,947,685)	(578,490)
Other movement	-	157,976	-	157,976
Closing balance	34,009,586	24,702,027	34,009,586	24,702,027

	Bank		Group	
	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000	As at 31/12/2023 LKR '000	As at 31/12/2022 LKR '000
9. ANALYSIS OF DEPOSITS				
Due to Other Customers - By product				
By product-Domestic Currency				
Demand deposits	33,683,062	31,435,221	33,678,136	31,421,898
Savings deposits	67,889,640	63,027,142	67,771,214	63,006,056
Time deposits	335,388,665	374,560,470	335,143,112	374,223,346
Other deposits	1,905,967	1,037,523	1,905,967	1,037,523
Sub total	438,867,333	470,060,356	438,498,429	469,688,823
By product- Foreign Currency				
Demand deposits	8,391,635	9,889,126	8,391,635	9,889,126
Savings deposits	27,403,358	37,354,910	27,396,399	37,347,113
Time deposits	140,519,125	154,670,088	140,483,459	154,448,732
Other deposits	462,548	339,543	462,548	339,543
Sub total	176,776,665	202,253,667	176,734,041	202,024,514
Total	615,643,999	672,314,023	615,232,470	671,713,337

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 31/12/2023	As at 31/12/2022	As at 31/12/2023	As at 31/12/2022
Regulatory Capital Adequacy (LKR '000)				
Common Equity Tier 1 Capital	54,699,450	49,187,072	58,524,995	52,968,361
Tier 1 Capital	54,699,450	49,187,072	58,524,995	52,968,361
Total Capital	74,523,602	70,341,919	78,313,241	74,119,273
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	11.67	9.34	12.22	9.87
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	11.67	9.34	12.22	9.87
Total Capital Ratio (Minimum Requirement - 12.5%)	15.90	13.35	16.35	13.81
Leverage Ratio (Minimum Requirement - 3%)	6.74	5.56	7.15	5.94
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	270,066,127	205,530,328	270,066,127	205,530,328
Statutory Liquid Assets Ratio - Bank (%) (Minimum Requirement -20%)	39.02	27.24	39.02	27.24
Total stock of high quality liquid assets (LKR ' 000) - All currency	223,342,569	159,365,882	223,342,569	159,365,882
Total stock of high quality liquid assets (LKR ' 000) - Rupee	199,940,490	140,737,325	199,940,490	140,737,325
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement 2023- 100% , 2022 - 90%)	309.61	297.08	309.61	297.08
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 2023 -100%, 2022 - 90%)	228.58	232.68	228.58	232.68
Net stable Funding Ratio (%) (Minimum Requirement 2023 - 100% , 2022 - 90%)	142.26	130.87	142.26	130.87
Asset Quality (Quality of the Loan Portfolio)				
Impaired Loans (Stage 3) Ratio (%)	8.58	6.24	8.58	6.24
Impairment (stage 3) to Stage 3 loans Ratio (%)	41.11	37.44	41.11	37.44
Profitability				
Earnings Per Share (annualised) (LKR)	13.44	7.65	14.42	7.92
Return on Average Shareholders' Funds (%)	8.03	4.75	8.11	4.62
Return on Average Assets (after Tax (%))	0.67	0.38	0.71	0.39
Return on Average Assets (before Tax (%))	1.25	0.26	1.34	0.34
Net interest margin (%)	3.96	4.00	3.98	4.02
Debt Security - Related Ratios				
Interest Cover (Times)	1.37	1.46	1.37	1.46
Debt to Equity (Times)	9.88	11.85	9.30	11.15

SHARE INFORMATION
SHARE PRICE

As at	31/12/2023	31/12/2022
Number of shares	399,464,362	380,094,722
Last traded price (LKR)	64.90	32.00
For the quarter ended	31/12/2023	31/12/2022
Highest price per share (LKR)	71.00	43.00
Lowest price per share (LKR)	59.00	31.30

TOP 20 REGISTERED SHAREHOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 31.12.2023

	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	9.50
3	BANK OF CEYLON NO. 1 ACCOUNT	31,749,539	7.95
4	RICHARD PIERIS AND CO LTD A/C NO.01	24,745,230	6.19
5	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	24,276,976	6.08
6	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	20,183,453	5.05
7	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	15,834,583	3.96
8	EMPLOYEES TRUST FUND BOARD	13,549,618	3.39
9	BNYM RE-TERRA GLOBAL OPPORTUNITY FUND, L.P	12,800,000	3.20
10	DR.S.YADDEHIGE	11,257,242	2.82
11	HATTON NATIONAL BANK PLC A/C NO 1	11,073,010	2.77
12	PERPETUAL TREASURIES LIMITED	9,772,734	2.45
13	SBI VEN HOLDINGS PTE LTD	9,696,834	2.43
14	COMMERCIAL BANK OF CEYLON PLC/METROCORP (PVT) LTD	8,369,676	2.10
15	MR.A.K.PATHIRAGE	5,759,918	1.44
16	ASIRI SURGICAL HOSPITAL PLC	5,663,666	1.42
17	AKBAR BROTHERS PVT LTD A/C NO 1	5,565,653	1.39
18	ARPICO INSURANCE PLC-SHARE HOLDERS	3,797,512	0.95
19	DFCC BANK PLC A/C 1	3,628,595	0.91
20	SOFTLOGIC LIFE INSURANCE PLC-A/C NO. 04 (PARTICIPATING FUND)	3,394,757	0.85

Note: Out of the 399,464,362 shares in issue, 179,755 shares amounting to 0.04% held by two shareholders are not registered in the shareholder register of NDB/held in suspense pending registration, in line with the provisions of the Banking Act No. 30 of 1988.

PUBLIC HOLDING PERCENTAGE

	As at 31/12/2023
Float adjusted Market Capitalization in LKR	21,103,142,994
Percentage of shares held by the public	81.40%
Number of public shareholders	11,304
Option under which the Bank complies with the minimum Public Holding requirement	Option 1

DIRECTORS' INTEREST IN SHARES OF NDB AS AT 31.12.2023

Name	No. of shares
MR. SRIYAN COORAY	-
MR. BERNARD SINNI AH	-
MR. SUJEEWA MUDALIGE	-
MR. KUSHAN D'ALWIS, PC	-
MS. (FAY) PIYACHATR CHETNAKARNKUL	-
MS. CHANDIMA DILRUKSHI	-
MS. KASTURI CHELLARAJA	-
MS. SHWETA PANDEY	-
MR. HASITHA PREMARATNE	-
MR. DIMANTHA SENEVIRATNE (Resigned w.e.f. 31.01.2024)	79,216
MR. KELUM EDIRISINGHE (Appointed w.e.f. 01.02.2024)	N/A

Rated unsecured subordinated redeemable debentures

INFORMATION ON DEBENTURES- BANK											
Type of Debenture	CSE	Interest payable	Balance as at	Market Value			Interest Rate		Interest rate of comparable Govt. Security %	Other ratios as at last trade	
	Listing	frequency	31 Dec 2023	Highest	Lowest	Period end	Coupon Rate	Effective Annual Yield		Interest Yield	Yield To Maturity
			LKR mn	LKR	LKR	LKR	%	%	%	%	%
Fixed rate - Debenture December 2023											
A- Dec 2023/Dec 2028	Listed	Annually	3,352	Not traded during the quarter			15.00	14.05	14.52	Not traded during the quarter	
B - Dec 2023/Dec 2028	Listed	Quarterly	1,674	Not traded during the quarter			14.22	14.05	14.52	Not traded during the quarter	
Fixed rate - Debenture November 2021											
A- Nov 2021/Nov 2026	Listed	Semi-annually	7,961	Not traded during the quarter			11.90	11.66	11.14	Not traded during the quarter	
B- Nov 2021/Nov 2028		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	6,651	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	Listed	Semi-annually	1,284	Not traded during the quarter			13.50	13.16	11.04	Not traded during the quarter	
B - Mar 2019/Mar 2024	Listed	Annually	4,765	Not traded during the quarter			13.95	13.15	11.04	Not traded during the quarter	
Fixed rate - Debenture December 2013											
D - Dec 2013/Dec 2025	Listed	Annually	3,585	Not traded during the quarter			14.00	13.26	12.09	Not traded during the quarter	
Total Debentures			29,389								

Rated unsecured subordinated redeemable debentures

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

Debenture Issue - December 2023

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Improve and further strengthen the Capital Adequacy Ratio (CAR) in line with the Basel III guidelines	5,000,000,000	Within 12 months from the date of allotment (i.e. by 12 December 2024)	5,000,000,000	100%	5,000,000,000	100%	-
2	Facilitate future expansion of business activities of the Bank	5,000,000,000	Within 12 months from the date of allotment (i.e. by 12 December 2024)	5,000,000,000	100%	< 5,000,000,000	<100%	Unutilized funds were invested in Government securities at available market rate.

Important Dates - Q4 2023 - Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	20 February 2024
Investor Webinar	12 March 2024
Updates to the investor relations web page within the Bank's corporate website www.ndbbank.com	20 February 2024
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	15 March 2024

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) / Stable Outlook Fitch Ratings Lanka Limited</p>
<p>Registration No. PQ 27</p> <p>Accounting Year End 31 December</p>	<p>Auditors M/s Ernst & Young, Rotunda Towers, No. 109, Galle Road, Colombo 03</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 (Ceased to be a Director w.e.f. 31 January 2024) 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 Chellaraja - Director Ms. Shweta Pandey - Director Mr. Hasitha Premaratne- Director Mr. Kelum Edirisinghe - Director/Chief Executive Officer (Appointed w.e.f. 1 February 2024)</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 Ext: 35013</p>	<p>Investor Relations Team Mr. Bimal Perera Vice President - Strategy and Business Intelligence Email: bimal.perera@ndbbank.com investor.relations@ndbbank.com Tel.: +94(0)112448448 Ext: 35009</p>



The future is banking on us

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