



The Bank strategically focuses on leveraging on the exclusive one stop shop business proposition offering a full spectrum of banking and capital market products.

Tempered by adversity and learning from experience, we can use our strengths and skills to serve our clientele better.

The year 2016 was indeed a challenging one for the Bank, and we ended the year with a less than aspired financial performance. Yet, convinced that challenges can sow the seeds of opportunity, we look forward to the future with optimism.

The global economy showed mixed performances during 2016, and was marked by key global events such as the UK's historic decision to leave the European Union and a new president being elected in the United States.

The Sri Lankan economy was expected to have grown by around 5% in 2016. The reducing margins trend in the industry created a challenging situation for the Bank especially in view of our high reliance on costly deposits. In this situation, we had to be selective about how we target and manage our growth.

During the past five years, the Bank has gone through a phase of rapid expansion with our branch network almost doubling over this period. We have ventured out boldly into every part of the country, both developed and less developed regions, and the resulting costs have been borne by the Bank. There is naturally a time lag before reaping the rewards, which can be anticipated over the coming years.

While we have been organically growing our branch network, we have also been extending our penetration by alternative methods such as online banking and our new mobile banking application. Going forward, we need to maintain a judicious mix of expansion through our brick and mortar network and through digital means.

The Group has an extremely wide range of business units, products and services, which has an exciting potential in being showcased as a unique business proposition within the industry. Our diverse strengths and competencies, once harnessed properly, can produce value for our extremely varied clientele, according to their needs.

We are strategically focusing on leveraging on the exclusive one stop shop business proposition that we enjoy. The Bank and its group companies together offer a full spectrum of banking and capital market products. We see tremendous potential within this model, in cross-selling opportunities and diversified fee income.

While we continue to derive returns from our traditional areas such as project financing, we are also aggressively expanding our reach in areas such as SME and micro financing. Through our micro financing programmes we are channelling the skills and knowledge we possess to empower the needy strata of our society and help narrow social and economic disparities.

While our capital in 2016 was adequate to meet both our requirements and that of the regulator, our planned expansion and the new Basel III rules will necessitate a fresh infusion of capital in 2017. In this context, it is imperative that our potential is compellingly communicated to the prospective investors.

This is the fourth year that we follow the integrated approach to reporting our corporate performance, which we initiated in 2013, and such reporting has undergone continuous improvement since. This Report encompasses both the financial and the non-financial aspects of value creation and strives to paint a holistic picture of how we engage our valued stakeholders in generating sustained mutual value.

We place great emphasis on the sustainability of our business from the view point of all our stakeholders. We place same importance in sustainability reporting within the annual reports, hence in this Report we have adopted the latest prescribed version of GRI Standards for sustainability reporting.

The Central Bank of Sri Lanka, in its Road Map for 2017 and beyond speaks of several new proposals which will augur well for the banking sector. I am confident that the Bank will forge ahead in 2017, overcoming any hurdles it may face, and continue to be in the vanguard of the country's economic and social progress.

I wish to express my thanks to my predecessor N G Wickremeratne and to the former Chief Executive Officer Rajendra Theagarajah who relinquished their positions during the year; for their services to the Group. I also wish to thank Buwaneka Perera, the Vice-President Corporate Banking, for steering the Bank with his leadership as the acting CEO in the interim period until a new CEO was appointed in January 2017. I welcome our new Chief Executive Officer Dimantha Seneviratne and wish him well on assuming duties in the Group. I also wish to welcome my fellow Board member N S Welikala who joined the Board during the course of the year.

I also wish to express my gratitude to the Central Bank of Sri Lanka for giving us direction in the capacity of the industry regulator. I will fail in my duty if I do not thank our valued shareholders, the customers who have placed their trust in us and also our energetic staff, who make NDB the great institution it is.

We assure all our stakeholders that our efforts in unlocking our true potential will explicitly impact our ability in unleashing yours, and thereby heralding prosperity in to your lives.



*A W Atukorala
Chairman*

21 February 2017