DELIVERING VALUE

External Capital Formation

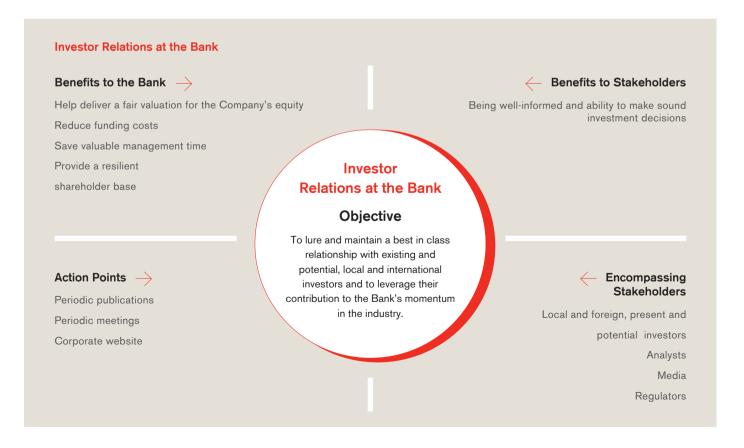
The value created by the Bank for stakeholders through activities, relationships and linkages lead to the formation of capital external to the Bank. They reside within our stakeholders, but the Bank has access to and makes use of these and its own internal capital in driving its business. Our discussion will now focus on the Bank's external capital formation, the material ones being, investor capital, customer capital, employee capital and social and environmental capital.

Investor capital

Investor Relations

Rule #1: Never Lose Money; Rule #2: Never Forget Rule #1

This famous quote by the investment tycoon Warren Buffett reinforces the importance of a correct investment choice that safeguards an investor's wealth. We strongly believe that the same notion applies to our valued investors and the Bank is happy to announce the end of another year, where not only our shareholder's wealth was safeguarded, but was also handsomely rewarded. At the same time we thank all our shareholders for the confidence placed with us in the Group's success story.



Investor Relations at the Bank

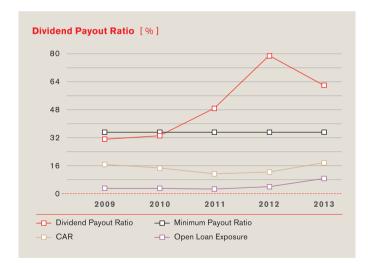
The Bank well recognizes the importance of sound investor relations maintained between the Bank and its investors. Taking a step further, we at the Bank have a broader scope in terms of investor relations, one that encompasses other connected stakeholders such as analysts, media and the regulatory authorities, together with investors. We also believe that well-informed market participants are key for the functioning of an efficient financial market.

Dividend Policy

The Bank's strategy as per the dividend policy is to reward shareholders with consistently high returns through its performance. The policy recommends that there be a gradual increase in the dividends over the years keeping in line with inflation and profits. The policy also recommends that the following minimum ratios be maintained in deciding the dividend for a particular year:

	Minimum Requirement
Capital adequacy ratio	>12%
Open loan position ratio	<40%
Liquidity ratio	>20%
Dividend payout ratio	>35%

The Bank must also satisfy minimum solvency requirements after the distribution of the dividends.



Performance of the NDB Share

Please refer page 278 under Investor Information for details on the Bank share performance.

Customer Capital

Our Portfolio of Products and Services

The Group's suite of core banking and capital markets products and services are delivered through the Bank and its subsidiaries respectively. They are designed with a customer focus and strong brand identity, and comprise the following:

Core Banking Products and Services

Commercial Banking

- Working capital management
- Pre and post shipment financing
- Short-term loans
- Overdraft facilities
- Treasury services
- Distributor financing
- Receivable financing
- Guarantees

Project Financing

- Term loans
- Securitization
- Guarantee facilities
- Merchant banking
- Ordinary share investments
- Preference share investments
- Debentures
- Advisory services
- Underwriting
- Arranging syndications

Retail Banking

- Current accounts
- Privilege Select
- Privilege banking
- Savings accounts Regular Savings, Flexi Savings, Savings Star, Savings Star Plus, Premium, Vishmitha Savings, Special Savings and Real Saver
- Children's savings accounts
- NRFC/RFC accounts
- Fixed deposits
- Housing loans NDB Home Loans, Viyana Home Loans, Corporate loans and Loans to self-employed
- Education loans
- Personal loans Dream Maker
- Leasing facilities NDB Leasing, NDB Hire purchase
- NDB credit cards
- NDB Visa debit cards
- Pawning NDB Ran Naya
- Western Union money transfer services
- Raththaran Ithurum
- Internet banking
- Bancassurrance

SME Banking

- Loans for SME Long-term loans (concessionary interest rates)
- Short-term working capital loans
- Distributor finance facilities
- Supplier banking products
- Funding importers and exporters
- Customized, industry specific products (tea, cinnamon etc.)

Capital Markets Products and Services

- Investment banking
- Advisory services and securities trading
- Wealth management
- Private equity

Delivery Channels

Our delivery channels included 78 branches and 74 ATMs as at end 2013 across eight regions as well as Internet-based, mobile phonebased and card-based systems.

Expanding Our Reach

Channel	2009	2010	2011	2012	2013
Branches	40	43	55	69	78
Extension offices	4	4	4	4	0
ATMs	38	41	54	64	74

Branches

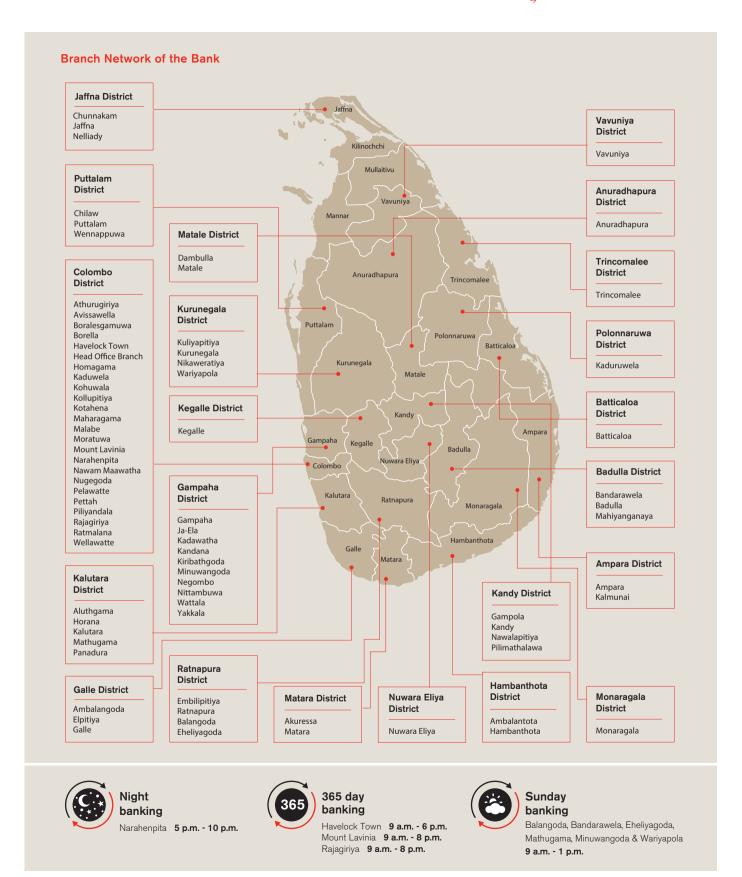
2013 marked a landmark change, with the Bank extending its business hours to 6 p.m. at branches while making available all the usual banking facilities offered at the branch. Dubbed 'Full Service', our branches are now open 9 a.m. to 6 p.m. Monday to Friday, barring applicable holidays. The 'Full Service' banking complements our other customer centric offerings such as 3-hour and 6-hour loans, one-day leasing approvals sans guarantors and 365-day customer desks for leasing/hire purchase.

The branch network expanded from 69 to 78 during the year, to provide services in several economically important strategic locations comprising Akuressa, Eheliyagoda, Elpitiya, Mahiyanganaya, Monaragala, Nikaveratiya, Nelliadi, Nuwara Eliya and Yakkala. A salient feature of the expansion was that 8 out of 9 new branches were located outside the Western Province, thus contributing to regional economic development.

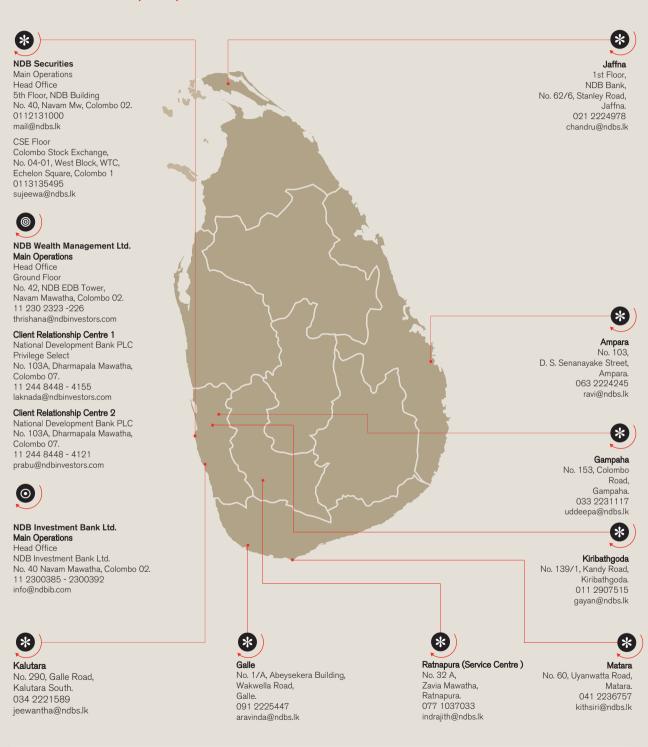


Opening of the Nuwara Eliya branch

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Network of NDB Group Companies









Alternate Channels

Central Sales Team

The Central Sales Team, also referred to as 'Feet on street', is actively engaged in the promotion of banking business. They mainly focus on 'Dream Maker' personal loans. The 'Dream Maker' personal loans bounced back from a portfolio that was stagnant in 2012 due to the high interest regime. The popular Fast Track feature, where loans for selected companies are approved within 6 hours, accounted for 50% of the total loan value granted during the year. The promotional activities for the year under review were focused more on market development to educate current and potential customers on areas such as financial discipline and saving.

Branchless Banking

During the year, the Bank successfully developed its home grown version of 'Branchless Banking', which is about providing banking services at the customer's finger tips via a mobile device. This will empower the Bank to engage its customers anytime, any place, anywhere in the country while providing them the ultimate in convenience.

MPOS

Following a tie-up during the year with Global Payments Inc., a US based global enterprise, the Bank has enabled itself for Mobile Point of Sale (MPOS). This facility will empower SMEs and micro enterprises to accept card based transactions.



24-hour Customer Service and Telemarketing

As one of the few banks in the country with a 24-hour call centre, we now plan to upgrade our services further by investing in a more comprehensive platform.

The call centre saw a 13% year on year growth in incoming call volumes during 2013. The Telemarketing Unit continued its operations in enhancing the deposits and asset portfolio of the Bank while conducting surveys and awareness campaigns that are of strategic importance.

Online Banking

The Bank's online services go beyond just another Internet banking solution. Features in the system, like setting up standing orders and real-time settlements of selected utility bill payments serve to enhance value for the customer. Two new utility providers were brought on board this year, while customers can now access their loan accounts online in addition to their normal day-to-day transactions. New customers enrolling for online banking grew by 38% year on year and we see this trend continuing in line with the global shift towards e-commerce.

New Product Development

Several cross functional teams have been set up within the Group to identify strategic initiatives to spur product innovation, synergies and value creation. These teams play an important role in developing the overall Group strategy on new products and services. Further, the Bank encourages innovation through its automated suggestion generating system named the 'IdeaXpress'. It is an IT tool that can be accessed by all employees to share innovative ideas and customer insight.

Savings

The year 2013 kicked off with a fully-fledged marketing campaign for the Real Saver account with a unique proposition that offered double the interest for the commitment of regular savers. To reinforce a savings-oriented mind-set useful savings tips were shared on radio and via mobile text messages sent out to the Bank's client base.

National Development Bank PLC





Leasing

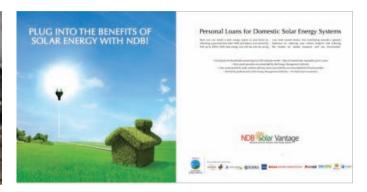
The Bank entered into strategic partnerships with United Motors, AMW, Sathosa Motors and Euro Cars to offer attractive packages. Introducing the 365-day Leasing Centre was a highlight of the year's activity that heightened awareness for auto finance products of the Bank.

Housing Loans

Building on a strategic redirection, promotion of housing loans were recommenced during the latter half of 2013. The Bank also entered into a strategic partnership with a builder to offer loans at discounted interest rates for a premier condominium project in Colombo.

Renewable Energy

Displaying its commitment to sustainable development and green energy, the Bank launched SOLARVANTAGE - a personal loan product to finance solar photovoltaic energy systems for domestic usage. The Bank partnered with the Sri Lanka Sustainable Energy Authority in the selection of suppliers and certification to ensure reliability of service and product quality.



Private Banking



The Bank unveiled its Privilege Select centre at Dharmapala Mawatha, Colombo in 2013, marking the launch of the newest and most exclusive private banking proposition in Sri Lanka.

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9-6 Full Service Banking

Banking hours were extended till 6 p.m. at branches countrywide, with the full range banking products and services on offer at these branches.



Islamic Banking

Going forward, a significant new addition planned is the inclusion of Islamic financing in 2014. The Islamic banking business will offer a broad range of Shariah compliant financial solutions for a niche market that is gaining popularity in the country.

Product Responsibility

Customer Charter

The Bank conforms to the requirements of the Customer Charter of the Central Bank of Sri Lanka. This includes labelling and the provision of sufficient information on products, services, rates, tariffs as well as terms and conditions governing such aspects. We have not identified, nor have we been notified, of any significant cases of non-compliance with such regulations or voluntary codes. Further, the Customer Charter is made available on the Bank's corporate website for transparency and easy access to information on consumer rights.

Customer Satisfaction

A dedicated customer service specialist monitors and identifies any service delivery gaps across all touch points of the Bank and provides recommendations for service recovery. The implementation of such remedial action is then monitored end to end.

The Bank conducted annual customer satisfaction surveys through Lanka Market Research Bureau (LMRB) in the past, the ratings received being 69.76% (2008), 75.40% (2009) and 75.43% (2010). This was replaced by a comprehensive research programme executed in 2012/13, also through LMRB.

The mystery shopper results of the survey revealed that the branch ambience was friendly and inviting with neatly displayed material and friendly staff that helps customers and delivers memorable service experiences.

Customer Privacy

The Bank maintains a comprehensive online complaint management system where complaints are resolved within a stipulated timeframe based on the nature and complexity of the complaint. Once a complaint is lodged, it is escalated to the relevant Head of Department where accountability lies for resolution.

The Bank adheres to a strict secrecy policy to which all staff members are bound through the Code of Conduct. Further, the information technology platform of the Bank is maintained in-house under strict confidentiality and is duly secured against malicious spyware etc. There were no substantiated complaints regarding breaches of customer privacy or loss of customer data during the year.

Employee Capital

People Also Matter

Ours is a team of achievers driven by the Bank's corporate values - a winning formula focused on integrity, care, passion, teamwork and service. In turn, the Bank aspires at all times to be an employer of first choice, a policy that underpins all aspects of our human resource development agenda. The discussion that follows is about how the Bank builds its employee capital by attracting the best of talent, nurturing and moulding their development and rewarding performance in its pursuit of excellence.

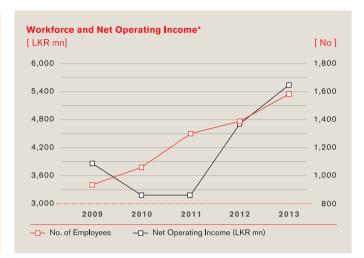
The Numbers

The number of staff, both permanent and contractual, employed at the Bank was 1,583 as at 31 December 2013. Though a relatively small number, it's one that delivers big results. Our lean and agile team comprises some of the finest professionals in their chosen fields, working in harmony and sharply aligned with our strategic direction. The banking industry in Sri Lanka is moving towards consolidation and change, and the Bank together with its subsidiaries sees an important role in shaping it.

Workforce by Grade and Gender

Grade		Number Composition %			sition %
	Male	Female	Total	Male	Female
Senior Management	31	17	48	65	35
Management	133	64	197	68	32
Executive	176	78	254	69	31
Non-Executive	463	397	860	54	46
Specialized sales force	125	24	149	84	16
Trainees and other	38	37	75	51	49
Total	966	617	1,583	61	39

Workforce Growth



 $[\]ensuremath{^{\star}}$ Net Operating Income before impairment charges and one-off capital gains

Workforce by Geographic Distribution and Gender

		Number		Compos	ition (%)
Location	Male	Female	Total	Male	Female
НО	498	374	872	57	43
Region 1	53	36	89	60	40
Region 2	53	31	84	63	37
Region 3	39	40	79	49	51
Region 4	50	18	68	74	26
Region 5	88	33	121	73	27
Region 6	92	38	130	71	29
Region 7	93	47	140	66	34
Total	966	617	1,583	61	39

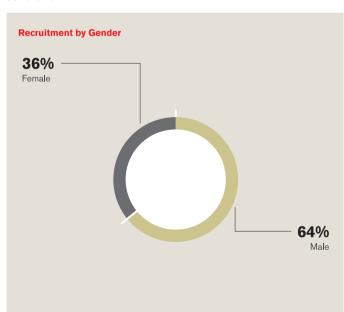
Workforce by type of Employment

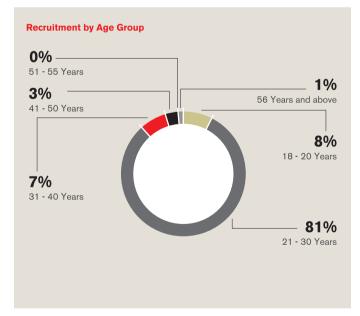
		Number of Em	ployees		Co	emposition of Em	ployees (%)	
	2013	3	2012	2	201	3	2012	2
Employment type	Male	Female	Male	Female	Male	Female	Male	Female
Permanent	778	516	669	460	60	40	60	40
Contract	176	96	162	77	65	35	68	32
Others	12	5	12	9	71	29	57	43
Total	966	617	843	546	61	39	61	39

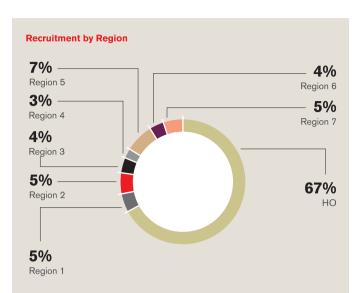
Recruitment and Retention

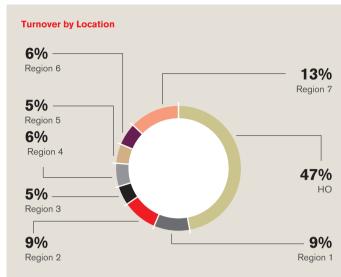
While we give priority to organic growth, duly supported by training, development and succession planning, situations do arise when there is need for new blood. A transparent procedure is in place for all staff recruitment, which is followed by induction and transfiguration. As an employer of choice, the Bank adopts some of the best industry practices in retaining staff. In addition to providing an attractive remuneration package, other aspects focused on retention include regular employee engagement, training and development, career paths, diversity and equal opportunity, maternity leave, an Equity Linked Compensation Plan and retirement benefits.

The Bank recruited a total of 395 persons during the year, analyzed as follows:

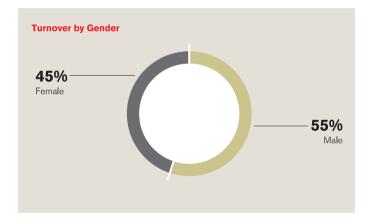








A total of 64 persons from the Bank's permanent cadre, excluding retirees, left the Bank during the year. Key statistics on employee turnover are analyzed below:



Turnover by Age Group 6% 0% 40 - 50 Years 50 - 60 Years 60% 20 - 30 Years 34% 30 - 40 Years

The turnover rate during the year amounted to 4.9% (2012: 5%).

Defined Benefit Plan

Contribution to EPF Contributed by employee 10%

Contributed by Employer 15%

Contribution to ETF by the Employer 3%

The Bank provides for gratuity, for permanent employees who have completed five years of service based on an actuarial valuation carried out by Piyal S Goonetilleke Associates, a professional actuary. Based on the actuarial valuation, the gratuity liability as at 31 December 2013 was LKR 170 mn.

The Bank has a separate fund to pay the plan's pension liability which amounts to LKR 534 mn. This liability Is also based on an actuarial valuation carried out by Piyal S Goonetilleke Associates, a professional actuary.

Benefits to Full-time Employees

The table before provides a comparison of the benefits available to permanent employees and contract employees:

Benefits	Permanent Employees	Contract Employees
Guaranteed Cash & Allowances		
Fuel/Travelling Allowance	Applicable	Applicable
Accommodation Assistance, Cashiers Risk, Weekend/Holiday Banking Allowance	Applicable	Not Applicable
Leave Pay/Holiday Allowance	Applicable	Not Applicable
Job Specific Allowances	Applicable	Applicable
Variable Pay		
Performance Bonus	Applicable	Not Applicable
Sales Incentives	Applicable	Applicable
Overtime	Applicable	Applicable
Reimbursable Expenses		
Subscriptions (professional & club)	Applicable	Not Applicable
Educational Assistance (MBAs)	Applicable	Not Applicable
Other Perquisites		
Holiday Bungalow/Annual Trip	Applicable	Applicable
Medical Insurance Scheme (OPD, In-house, Life, Personal Accident Cover)	Applicable	Different Scheme Applicable
Leave	Applicable	Applicable
Cafeteria, Gymnasium, Library	Applicable	Applicable
Toast Masters' Club	Applicable	Applicable
Recreation Club	Applicable	Applicable
Subsidized Loan Benefits		
Housing, Vehicle, Sundry Loan	Applicable	Not Applicable
Share Ownership Plans		
	Applicable	Not Applicable
Employee Share Ownership Plan		
Employee Share Ownership Plan Retirals		

Parental Leave

Only female employees are entitled to parental (maternity) leave, and hence male employees are excluded in the statistics that follow.

Indicator	Total
No. of employees due to return to work after parental leave ended during year under review (including those who were already on leave at the beginning of the year)	24
No. of employees who returned to work during the year under review after parental leave ended	16
Return to work rate	67%

Continuous Learning

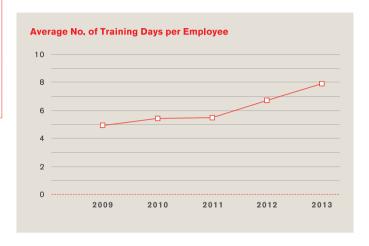
We do recognize that it is our people who make all the difference, and continuous training and development are thus key aspects that keep the Bank ahead of competition. During the year, the Bank invested LKR 51,732 mn (2012: LKR 56,790 mn) to provide a total of 537 person-hours of training (2012: 548 person-hours) across all categories of staff.

The key topics covered for training are summarized below:

	2013 No. of
Subject	Programmes
Operations	107
Compliance/Basel II/Internal Capital Adequacy	
Assessment Process (ICAAP)	8
Know Your Customer/Anti Money Laundering	9
International Accounting Standards	16
Integrated Risk Management	15
Treasury	3
Others (Marketing, Audit, Secretarial, Information	
Technology)	148
Total	306

Average Training Hours

Training is made available to staff based on needs and is independent of gender. The average duration of training per employee during 2013 was 65.7 hours for females and 55.9 hours for males.



Self Learning

Employees are encouraged to supplement such externally provided training with self-learning and take control of their professional development. Supporting this, is our investment in e-learning. We increased the number of e-learning modules from 9 to 24 during the year, which also saw a 50% increase in the number of persons using these modules.

The Bank works closely with the Institute of Bankers of Sri Lanka (IBSL). We were the first local bank to partner with IBSL to offer Certificate and Diploma Programmes conducted in-house for our staff. This partnership has flourished over the past three years, enabling our employees to be accepted as knowledge workers who are recognized for their competencies and contribution.

Going further on personal development, we initiated the NDB Toastmasters Club in 2013 and joined the Global Toastmasters fraternity. This has helped in unleashing the hidden potential of employees in the arena of oral communications and providing them a professional forum for networking and stimulating discussion.

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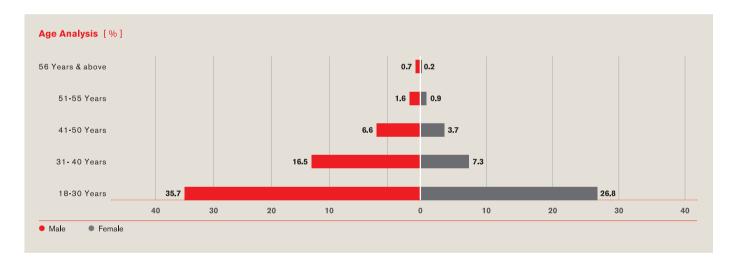
The NDB Family

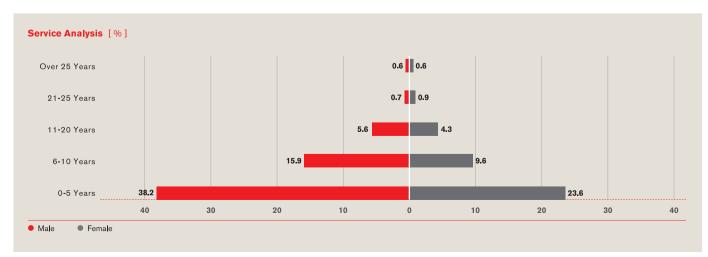
We realize that people are best engaged when the unit that is most close to their hearts, that is the 'Family' is an inseparable extension of their work place. Thus, the Bank makes the families of employees' part of Bank activity through several initiatives. From time to time staff children are provided leadership skills, communication skills and programmes to unleash their potential. 2013 showcased a Lightning Reading Programme for children of staff.

The Bank is also a proud celebrant of achievements. The NDB family recognized and shared in the joy when children of staff members kids achieved 'All A's' in the GCE Ordinary Level and GCE Advanced Level Examinations. The kids were invited to meet the rest of the NDB Family in office and were felicitated for their achievement.

Strength in Diversity

The Bank is an equal opportunity employer that treats all staff with due respect irrespective of gender, race, religion or social background. In fact we recognize the synergies that are to be reaped through such a diverse and talented group that not only enriches our human capital but also helps in aligning our business model to better serve the needs and aspirations of local communities.





Employee Engagement

Regular dialogue clears misconceptions, enhances transparency and builds trust. The Bank uses multiple channels - both personal and e-based - to engage with staff. They serve to inform, listen to opinions, ideas and grievances, and above all they underscore one's sense of belonging.

The Bank conducts two Employee Satisfaction Climate Surveys each year.

In addition, the Bank undertook an independent survey in 2013 through the Great Places to Work Organization.

The Bank recognizes the importance of providing a healthy work environment as well as the need to balance one's demands of work and family. Regarding the latter, employees are kept abreast of health issues such as pandemic diseases, diet, exercise and stress management at work and home including aspects of successful parenting. All employees are welcome to use the gymnasium that is located at the Navam Mawatha, Head Office, while health camps were organized in Colombo and Kandy during the year to cover a broader group of employees.



Employees participating at the annual bhakthi gee programme held for Poson.

Occupational Health and Safety

Two incidents related to occupational health and safety was reported in the year 2013. The number of person days lost in relation to these two incidents was 101.

Rewarding Performance

We reward employees based on performance with absolutely no bias based on gender or any other decisive factor. A new Performance Development System (PDS) with improved performance measurement metrics, objectivity and transparency was launched during the year. To ensure buy-in and transparency the PDS was developed through a bottom up approach with feedback obtained from employees at various levels.

With long-term staff retention in mind, we also reviewed and revamped the Bank's Equity Linked Compensation Plan (ELCP) during the year.

All members of staff, regardless of grade or gender, receive regular performance and career development reviews.

Performance Reviews

	Employees Receiving Regular Performance and Career Development Reviews			
	Numb	er of Employee	es	
Grade	Male	Female	Total	
Senior Management	31	17	48	
Management	133	64	197	
Executive	176	78	254	
Non-Executive	463	397	860	
Specialized Sales Force	125	24	149	
Trainees and Other	38	37	75	
Total	966	617	1,583	

Gender Equity

Grade	Average Basic Salary Ratio, Male/Female
Senior Management	1:0.7
Management	1:1.1
Executive	1:1.1
Non-Executive	1:0.9
Specialized Sales Force	1:1.2
Trainees and Other	1:0.4
Total	1:08

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Social & Environmental Capital

A Balanced Scorecard

As a responsible corporate citizen the Bank is ever mindful of the impact it makes on local communities and the environment. But it is not all philanthropy. It is a win-win approach that recognizes that the ability of the Bank to create value for itself over time is inextricably linked to the value it creates for others. Thus, our approach to Corporate Social Responsibility (CSR) is aligned not only with the Bank's values and objectives but also with the expectations and needs of its stakeholders. It is a carefully structured three-pronged agenda that covers operational, strategic and philanthropic CSR initiatives. Monitoring of results is carried out directly by the Bank, with the involvement of staff at head office and branches, as well as our CSR project partners.

Operational CSR

Operational CSR initiatives are based on the Bank's day-to-day business operations. Sometimes they are not separately identifiable as such, as they are integral with normal business and serve to create value for the Bank as well as its multiple stakeholders over multiple time horizons. For brevity and practical reasons only a few business operations that have easily identifiable impacts on local communities are discussed here.

Micro and Small and Medium Enterprises Development



Reviving the legacy of mask making in Ambalangoda

The Micro and Small and Medium Enterprises (MSME) sector forms the backbone of Sri Lanka's economy and is the principal source of employment creation. It encompasses practically all industry sectors and bridges the rural-urban divide. The Bank has been active in the development of this sector since its founding, a role that goes beyond the mere provision of finance.

Our unswerving assistance towards the SME sector also extends to providing entrepreneur education and technical insight. The trilingual quarterly publication 'Siya Savi' ('Power Within') launched in 2012 continued its mission throughout 2013.

The Bank's Microfinance Strategy adopts two approaches in targeting underserved communities of the economy, namely, empowerment and capacity building (through the 'Jeevana' or 'Life' programme), and livelihood development financing (through the 'Divi Aruna' or 'Awakening of Lives' programme). Both programmes inculcate a business orientation that instil a strong credit culture, devoid of a 'dole out' mindset that is often associated with such initiatives.

Two programmes on hotel operations were conducted under the *Jeevana* programme in Trincomalee and Tangalle, while one on motor mechanism was concluded in Jaffna during the year. These programmes were conducted in collaboration with reputed business partners, and directly benefited a total of 159-youth from these regions.

A revolutionary feature of the *Divi Aruna* loan scheme is that facilities are granted without the need for collateral. Loan approval is based on the Bank's assessment of the applicant's capabilities and success of the enterprise, coupled with safety nets such as regular savings and insurance which are often new concepts to grass root level entrepreneurs. A total of 414 micro loans totalling LKR 103 mn were disbursed during the year across 22 of the 25 districts in Sri Lanka. The number of microfinance beneficiaries totalled 1,225 and collectively accounted for a total loan portfolio balance of LKR 129 mn by end 2013 (2012: LKR 68 mn portfolio balance representing 891 loans).

Moving one step higher on the ladder to the Small and Medium Enterprise (SME) sector, the Bank conducted 13 technical advisory training programmes for SME entrepreneurs during the year. They were held in Ambalangoda, Colombo, Ja-Ela, Jaffna, Kadawatha, Kaduruwela, Kotahena, Minuwangoda, Moratuwa, Negombo, Panadura, Ratnapura and Trincomalee with the assistance of resource persons drawn from local universities and the Bank's own talent pool. These programmes attracted a total of 1,091 persons from SMEs.

The establishment of dedicated SME Centres equipped with state-of-the-art facilities to support entrepreneurs bears further testimony to the Bank's commitment to this sector. The five SME Centres located in Anuradhapura, Kalutara, Kandy, Kurunegala and Matara became fully-operational during the year. The Centres provide computer access for personal browsing and a wide array of information and training modules, and also organize seminars and workshops which help in elevating the rural entrepreneur to a new level of thinking.

Housing for the Underserved

The Bank acts as the Fund Manager for a project set up by Lanka Financial Services for Underserved Settlements (LFSUS), a not-forprofit organization, that provides financial assistance to upgrade the living conditions of underserved settlements in Sri Lanka. Working closely with the Slum Upgrading Facility (SUF) of UN Habitat, this organization helps communities gain access to financing from local commercial banks by bridging the gap between banking sector expectations and the capacity of low income settlers. This is achieved through full or partial credit guarantees offered by the Bank to banks that are willing to finance these communities through identified 'project partners' such as NGOs and community cooperative groups. Now in its seventh year, the project has benefited 1,253 families, including 4,354 beneficiaries at various locations of the country with financial assistance totalling to LKR 112.4 mn.

Hiring from the Local Community

We recognize that diversity within the management team and the inclusion of members from the local community help in many ways. For instance, it improves our ability to better understand local needs and tailor our products and services accordingly, while also enhancing socioeconomic development of the community.

Proportion of Local Staff at Locations of Operation

	Executive Grade and Above
Province	
Central	46%
Eastern	14%
Northern	40%
North-Central	20%
North-Western	33%
Sabaragamuwa	50%
Southern	45%
Uva	57%
Western	95%
Total	87%

Strategic CSR

As a financial institution, the Bank believes that promoting national economic growth is of paramount importance, since a robust economy ultimately contributes to the well-being of a broad section of stakeholders. Considering that education and entrepreneurship are important to support economic growth, the Bank has selected these two aspects for its strategic CSR initiatives.



Prevention of child abuse awareness programme for trainee teachers - Hapitigama National College of Education, Mirigama

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CSR Project	Partner	Objectives	Results	
English Communication Programme for Secondary School Teachers	British Council	 Increase the standard of English teaching in Sri Lanka. Sustainable project that will benefit many future batches of students. Empower teachers to provide a higher quality education. 	 Teaching skills of secondary school English language teachers enhanced under the '1,000 Schools Presidential Initiative' Standard of English teaching enhanced through 179 trained teachers in 87 schools in 10 Regions. 30,283 students benefited. 	
Schools Library Project	Asia Foundation	 Improve language skills through reading. Provide high quality English language books which are not freely available or affordable to most schools. 	 Upgraded 45 libraries of schools countrywide. Sustainable project that will benefit many batches of students as well as teachers. Improve communication skills in the English language. 	
Schools Water & Sanitation Project	Sri Lanka Water Partnership	 Improve infrastructure and enhance the learning environment to encourage children to attend school. Conserve the environment by installing rain water harvesting tanks Improve health of children through proper sanitation. 	in the Central Province Denuwara Educational Zone constructed/ renovated.	
NDB Senior Fellow in Entrepreneurship	University of Moratuwa	 Create an entrepreneurial culture among students. Foster a new generation of youth who will be 'job creators instead of job seekers'. Develop entrepreneurial capabilities among youth. Enhance capacities in entrepreneurship education and research in the University. 	 Minor in Entrepreneurship introduced in the Engineering degree programme Formation of 23 Student Companies Research on entrepreneurship undertaken by PhD students Entrepreneurial capabilities developed in 433 students. 	

Philanthropic CSR

Philanthropic CSR initiatives are based on the identified needs at national level. The Bank has selected 'Prevention of Child Abuse' and 'Cancer Aid' as two areas for support, and assistance is channelled through two trusts set up for this purpose.

CSR Project	Partner	Objectives	Results
NDB Cancer Aid Trust Fund	Cancer Hospital, Maharagama	 Provide assistance through cancer hospital to cancer patients who are unable to afford vital therapeutic items. 	LKR 7.0 mn worth of donations made to date consisting of essential therapeutic items for patients as well as surgical items for the hospital.
Prevention of Child Abuse Trust	Department of Probation and Child Care	 Make our communities a better and safer place for our nation's children. Prevent child abuse and protect children by creating awareness of child abuse and how to prevent it amongst caregivers as well as children. 	 Awareness programmes for trainee teachers in 7 National Colleges of Education in Kalutara, Veyangoda, Mirigama, Bingiriya, Kahawatta, Polgolla and Galle. Awareness for 1,126 teacher trainees. Enabling them to prevent and combat child abuse in their schools. Enabling victims of child abuse to seek redress. Awareness programmes for parents and teachers. Art Therapist programme for a total of 10 caregivers from National Child Protection Authority (4 caregivers) and Department of Probation and Child Care Services (6 caregivers). Parents, teachers and caregivers equipped to identify, prevent and combat child abuse in their schools and assist victims.

Socioeconomic Impacts

Infrastructure Investments

The Bank's project financing arm funds both Private Sector as well as State Sector infrastructure projects. The former include large investments in different sectors such as the energy sector, textile and garments, hotel and plantation while the latter have been mainly on road development and water supply schemes. While these are commercial transactions arising from the normal course of business of the Bank, these projects have strong positive impacts on the local communities as well as the country at large. They promote direct and indirect employment creation, increase economic activity through market access, improve health and well-being and so on. Negative social and environmental impacts arising from such projects, including the resettlement of people and greenhouse gas emissions, are controlled through national regulatory bodies, civil society as well as the Bank's own Environmental and Social Management System that screens all projects prior to approval of investment.

Improving Productivity

The Bank finances many projects which improve the productivity and competitiveness of organizations and sectors and hence, the whole economy. Examples include term loans granted for replantation projects in the tea, rubber and oil palm sectors; factory modernization; hotel refurbishment and the like. These loans and leases have typically targeted the plantation, tourism, textile & garments and infrastructure sectors of the economy.

Stimulating Foreign Direct Investment

The Bank has financed as well as structured the financing of numerous projects by companies that have attracted foreign equity and debt investment. During the year we approved a term loan for a waste to energy project promoted by an overseas promoter. Extending a term loan facility to this project is a great opportunity as it is the first of its kind in Sri Lanka. Disposal of solid waste is a priority environmental issue in Sri Lanka and at present it has become a national concern. The most common method of Municipal Solid Waste (MSW) disposal is open dumping. The issue of MSW is acute in the Western Province where majority of the MSW management cost is allocated for waste collection and transportation rather than for waste disposal and treatment. Renewable energy generation has positive environmental impact since it is an alternative to burning fossil fuel. Proposed project therefore will help in the management of municipal solid waste using contemporary technology that meets performance standards established by the multilateral funding agencies.

Further, the proposed project will be a solution for the waste disposal in part of Western Province, which is a national environmental concern at present.

In addition, the Bank has also financed projects overseas - a few thermal power projects in Bangladesh and a plantation project in Cambodia. These are outward investments where local firms expand their operations internationally to earn foreign exchange.

Sustainability Systems and Policies

The Bank is presently not engaged in developing externally any economic, environmental and social charters principles or other initiatives to which the organization subscribes or which it endorses. The Bank's sustainability systems and policies have been developed after conducting research on internationally acclaimed standards and systems. Furthermore, the Bank works in close collaboration with multinational organizations such as International Finance Corporation (IFC), Deutsche Investitions - Und Entwicklungsgesellschaft Mbh (DEG), Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V. (FMO) for the continuous improvement of these systems.

Responsible Investing

Environmental and Social Safeguard Policy

The Bank's Environmental and Social Management System (ESMS) serves to identify environmental and social risks in the projects and companies the Bank finances; and to take action to avoid, or to minimize or to compensate for adverse impacts on the environment, workers and affected communities. The ESMS also serves to inculcate sound management practices on environmental and social aspects in client companies.

Access to ESMS

The Bank's ESMS is an integral part of the Credit Policy and Credit Evaluation Process of the Bank approved by the Board for long term lending. It is available to all executives of the Bank. The ESMS comprises two documents, namely:

- Environmental and Social Management Framework, which is a broad policy level document; and
- Environmental and Social Manual, which sets out the detailed procedure for implementing the ESMS.

Implementation of ESMS

The ESMS requires clients to fulfil all national regulations in relation to environmental and social aspects. These include community consultations and impact assessments, with the depth of study depending on the nature of the project. The Central Environmental Authority (as the national regulatory body for environmental aspects) reviews applicable projects prior to granting approval for implementation.

In addition, the Bank is governed by any additional environmental and social safeguard covenants specified in agreement with its bilateral and multilateral lenders such the International Finance Corporation (IFC) for loans or lines of credit that are on-lent to local projects.

Negative List

The Bank maintains a list of activities that are excluded for funding. They include production, sale or activities involving forced labour or child labour, anything deemed illegal, weapons and ammunitions, wildlife or wildlife products regulated under CITES, hazardous materials such as radioactive substances, unbounded asbestos fibres, commercial logging in any primary forest or forest areas with a high biodiversity value, drift net fishing using nets in excess of 2.5 km in length and products subject to international phase outs or bans such as PCBs and chemicals, pharmaceuticals, pesticides and herbicides and ozone depleting substances.

These are more or less in line with the IFC exclusion list except for two areas, namely, production of alcoholic beverages (excluding beer and wine) and production of tobacco. The Bank's lending to these sectors are subject to tighter scrutiny and ceilings.

Managing Environmental and Social Risks in Projects Financed

ESMS requires the Bank to screen all projects to be funded from a very early stage of evaluation. However, the depth of investigation will vary depending on the industry sector and magnitude of the project. Issues identified are discussed with the project promoter and mechanisms to avoid or mitigate such risks are formulated jointly. These are then incorporated into the terms and conditions of the funding, which are legally binding.

The Bank may also use third-party, non-client consultants or other information sources for identifying and assessing risks if required.

Compliance is monitored on several fronts. A five-member cross functional team is responsible for the day-to-day operations of ESMS. The team includes an environmental & social coordinator and a technical champion. In addition, relationship managers in relevant departments, who have been trained in the day-to-day operation of the ESMS, follow up on the client's environmental licences annually and visit project sites regularly for monitoring.

Materials and Energy Usage

Disposing Assets

Obsolete physical assets, such as computers and furniture that are still in working condition are donated to deserving institutions.

Assets that are beyond use or repair are disposed of responsibly. For example, used computers are disposed to parts recyclers.

Enhanced Recycling

Used toner cartridges from the Bank's printers are collected and recycled by the brand agents. Similarly, mobile phones supplied to employees are recycled, along with their used batteries, by the telecom service provider, which has its own recycling programme to take care of this type of hazardous waste.

Process Innovation

The Bank has developed many process improvements in order to save and optimize resources. These include automated document workflows where paper usage is minimized with improved turnaround time. The automated credit-approval system, for example, has nearly zero paper work with approvals, disbursements, memos etc., processed online.

Resource Saving

Taxi pooling - Following an internal study of vehicle use, a number of cost savings were effected by 'pooling' cabs for late-working employees travelling in the same direction after hours.

Paperless Operations - Employees are encouraged to use electronic communications, online approvals and other web-based applications, printing out documents only if hard copies are strictly necessary.

Resource Consumption in 2013

Area (Sq. Ft.)	Total Electricity (KWh)	Total Water Consumption (Cub. Mtrs.)	Total Head Count
95,170	1,688,740	10,300	498
40,537	834,480	6,273	226
14,811	167,990	1,144	92
200,430	1,896,805	14,466	767
350,948	4,588,015	32,183	1,583
	95,170 40,537 14,811 200,430	Area (Sq. Ft.) (KWh) 95,170 1,688,740 40,537 834,480 14,811 167,990 200,430 1,896,805	Area (Sq. Ft.) Total Electricity (KWh) Consumption (Cub. Mtrs.) 95,170 1,688,740 10,300 40,537 834,480 6,273 14,811 167,990 1,144 200,430 1,896,805 14,466

Reduction of Carbon Footprint

The Bank being mindful of its carbon footprint has taken measures to neutralize and minimise the adverse impact to the environment. Being a service oriented organization the reduction of energy consumption can be identified as the most significant contributor towards reducing our Carbon Footprint.

In this light the Bank has taken measures to minimize its energy consumption. A comprehensive Energy Audit was carried out to assess the areas of high energy consuming sources, which also helped in identifying key areas for improvement, introducing low energy consuming devices, eliminating wasteful consumers, etc. Thereafter, low energy consuming illuminories were introduced and placements of those illuminories were done in such a way so that luminous levels in relation to energy consumption are optimized. (Luminous level is a measure of the intensity of lighting)

Energy use across the Bank's network is monitored monthly and comparisons are undertaken to identify deviations from the conservation regime. We give below the energy savings achieved in the year 2013 in comparison to the year 2012.

- Energy saving (kWh) at head office buildings (Navam and Dharmapala Mawatha Buildings).
 - Saving for 2013 = 60,960 kWh Units
- All florescent and CFL lights have been replaced by LED fittings at Pelawatta Branch as a pilot project (Rental Basis).
 Target Cost Saving per year = Rs. 15,000
- 3. Proposed energy saving light fittings (LED chip lights 10W) for upcoming branches.

Resource Intensity

Energy consumption per sq. ft.	=	13.07 kWh/sq. ft.
Energy consumption per head	=	2,898.30 kWh/head
Water consumption per sq. ft.	=	0.09 cub. mtrs./sq. ft.
Water consumption per head	=	20.33 cub. mtrs./head

Consumption of Paper in 2013

The Bank in collaboration with Neptune Papers (Pvt) Ltd., makes every effort to collect the waste paper generated in its day-to-day operations for recycling. The Bank successfully carries out a waste reduction and recycling drive where the Bank's waste paper is disposed of in an environmentally friendly manner.

Through the collection of old records and waste paper amounting to 26,505 kg in 2013, we were able to reduce greenhouse gas emissions by 26,505 kg carbon dioxide equivalent and save:

450 trees 46,516 litres of oil 106,020 kWh of electricity 842,328 litres of water 80 cubic metres of land fill