

## Report Structure

This Annual Report 2014 of National Development Bank PLC ('Bank') is an integrated report, one which builds further on the new approach to reporting that we adopted in the previous year. As an integrated report, it communicates more coherently and concisely the relationships and interdependence of the many aspects of our business - such as strategy, governance, financial inclusion, performance and prospects - in the context of creating value over time.

We have used digital technology effectively to balance the need to be brief and yet comprehensive, while serving the information needs of our multiple stakeholders. The traditional print version is thus complemented by a more detailed and interactive Online Annual Report [[www.ndbbank.com/](http://www.ndbbank.com/)], a summary report for smart phones as well as a video.

In preparing this report, we have drawn on concepts, principles and guidance given in the following where applicable:

- Global Reporting Initiative Sustainability Reporting Guidelines GRI G4 (2013) [[www.globalreporting.org/](http://www.globalreporting.org/)];
- The International Integrated Reporting Framework (2013) [[www.theiirc.org/](http://www.theiirc.org/)]; and
- The Smart Integrated Reporting Methodology™ [[www.smart.lk/](http://www.smart.lk/)].

## Integrated Reporting Framework

The Bank's integrated reporting methodology (acknowledged above) hinges on a few basic concepts, summarized below.

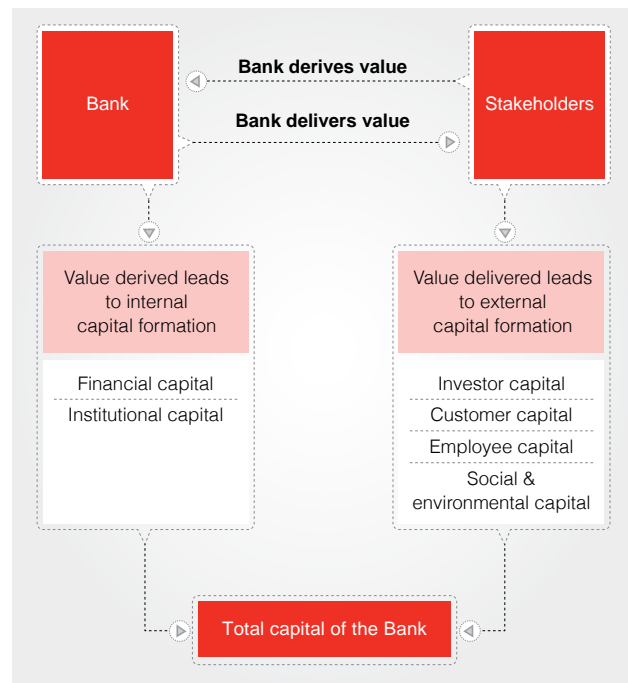
**The central role of stakeholders:** We distinguish between the Bank and its stakeholders, and identify which ones are important to the Bank, understand why the Bank is important to them, and tailor our business model accordingly to create value over time.

**Duality of value creation:** Value creation lies at the core of all what we do. It is a two-way process. For the Bank to create sustainable value for itself it must also create value for its stakeholders. They go hand in hand.

**Capital as a store of value:** Value creation leads to capital formation, which may be financial or non-financial, internal or external to the Bank.

**Deriving value and internal capital formation:** The Bank derives value through the dynamic interaction between its external capital and its own internal capital over time. Our internal capital comprises financial capital and institutional capital. The former is what is reported in the Financial Statements, while the latter are intangibles such as integrity, corporate culture, specialized knowledge and processes, brand image and the like.

**Delivering value and external capital formation:** The Bank delivers value, both financial and non-financial, to its stakeholders. As stores of value, they comprise investor capital, customer capital, employee capital and social & environmental capital.



Value creation is a dynamic process with flows taking place between the various forms of capital all the time. Although the Bank does not 'own' any of its external forms of capital it has access to and uses them, and along with its own internal forms of capital, creates value for itself (deriving value) and for its stakeholders (delivering value).

Our reporting, particularly the Management Discussion and Analysis, is thus structured along these lines.

## Report Boundary and Materiality

The overall boundary of this Annual Report comprises National Development Bank PLC ('Bank') and its group companies (together referred to as the 'Group'). Consistent with the framework adopted in the previous year, key financial aspects are discussed in the context of the Bank as well as the Group, while non-financial aspects are discussed in the context of the Bank.

Our reporting focuses on aspects that are material or important. It is an assessment based on the extent to which they may substantively affect the Bank's ability to create value over the short, medium and long-term. The materiality determination process is discussed under Materiality and Value Creation commencing on page 35, which also reflects the two sides of value creation noted previously.

## Compliance

The Bank's Annual Report 2014 covers the 12-month period from 1 January to 31 December 2014 and is consistent with our usual annual reporting cycle for financial and sustainability reporting. The latter is in accordance with the core criteria of GRI G4 guidelines and subject to independent assurance (page 266).

There are no significant changes from previous reporting periods in the scope and aspect boundaries. The most recent previous Annual Report, dated 13 February 2014, covered the 12-month period ended 31 December 2013. It is available on our website <http://www.ndbbank.com/>.

There are no restatements of information provided in previous reports.

The information contained in this report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures. Details are given in the Corporate Governance Report (pages 108 to 163), Chief Executive Officer's and Chief Financial Officer's Responsibility Statement (page 267) as well as Independent Assurance Report (page 265) and Independent Auditors' Report (page 268).

## Precautionary Principle

The Bank applies a precautionary principle across the Group with regard to social and environmental sustainability. We are aware of the social and environmental impacts of our actions. Before embarking upon new ventures and initiatives we take necessary steps to assess any impacts through adequate risk management processes, which are discussed on pages 176 to 222.

## Queries

We welcome your comments or questions on this report. You may contact Mr Dhanan Senathirajah, Vice President - Finance & Planning at National Development Bank PLC.

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