

INTERIM REPORT

MARCH 2014

INTERIM REPORT

FOR THE THREE MONTHS ENDED
31ST MARCH 2014

OUR VISION

To be a World-Class Sri Lankan Bank

OUR MISSION

To be dominant in the financial services sector, creating superior long-term shareholder value and contributing to economic development in Sri Lanka by exploiting regional opportunities and delivering innovative solutions, with 'best-in industry' service excellence, through an inspired team.

OUR VALUES

Integrity, Care, Passion, Teamwork & Service
guide us in our vision to be a world-class
Sri Lankan Bank.

CHAIRMAN'S REVIEW

Dear Stakeholders

National Development Bank PLC (NDB) and its Group companies recorded a Profit Before Tax (PBT) of LKR 1.5 bn and a Profit Attributable to Shareholders (PAS) of LKR 1.2 bn for the first quarter ended 31 March 2014, signifying a robust beginning for the year.

Profitability

NDB Group's PBT of LKR 1.5 bn recorded a 106% increase while the PAS of LKR 1.2 bn recorded a 135% increase over the comparative quarter of March 2013. These commendable Group profits accentuate the contribution made by the improved core banking operations and the performance of the Group companies through their individual expertise, proficiency and collective synergies.

The core banking operations of the Group recorded a sound growth, achieving a Net Operating Income of LKR 3 bn, a growth of 27% over the comparative quarter. But the Net Operating Income at the Bank level recorded a decline against the comparative period, due to a one-off equity gain earned by the Bank during the first quarter of 2013. NDB Group's subsidiary, NDB Capital Holdings PLC (NCAP) earned an exceptional equity gain of LKR 5.3 Bn through the strategic divestment of AVIVA NDB Insurance PLC to American International Assurance (AIA) Company Limited of Hong Kong in December 2012, which was transferred to the Bank from the Group in March 2013 via a share buy back agreement with NCAP. The Bank's Net Operating Income for the first quarter of 2014, when compared with the comparative quarter adjusted for the aforementioned equity gain, records a 16% increase affirming the growth in its core banking operations.

Total Operating Income which includes Net Interest Income (NII), Net Fee and Commission Income and Net Gains from Trading Activities, recorded commendable growth levels over the comparative quarter at 14%, 35% and 289% respectively. These growth levels were on account of the skilful asset and liability management, effective contribution of cross selling opportunities within the conglomerate set up and active money market participation across the NDB Group.

Impairment Charges for Loans and Advances increased from LKR 23 mn in the comparative quarter of 2013 to LKR 126 mn in the first quarter of 2014. This was due to significant impairment charges made for few customers based on the Bank's prudent adoption of fair valuing the impaired loans, based on sound judgement and objective evidence of future recoveries.

In April 2014, NDB Group divested its stake held in Maldives Finance Leasing Company (Pvt) Ltd. (MFLC) which was an Associate of the NDB Group, with a 35% shareholding. NDB was able to release LKR 140 mn out of the total original Investment of LKR 165 mn, which was written off in 2011 in the books of NDB due to MFLC making continuous losses. The provision release in the first quarter of 2014, with respect to the above divestment, was LKR 97 mn.

Operating Cost management remains a prioritized strategic objective of the Group and the recorded increase of 8% in Total Operating Costs for the first quarter in 2014 was well in line with the recorded business growth. The Cost to Income Ratio of 44% is pleasingly below the budgeted levels for the Group, and also the corresponding figure for 2013.

Balance Sheet Growth & Asset Quality

NDB Group's Balance Sheet maintained its strategic growth momentum throughout the quarter, reaching LKR 213 bn, a 3% increase over the Balance Sheet as at 31 December 2013. The key driver of this growth was Loans and Receivables which grew by LKR 8 bn over December 2013. In terms of asset quality, the Non-Performing Loan Ratio (NPL) for the first quarter of 2014 was 2.69%, compared to the 2.48% in December 2013, which was well below the industry NPL levels.

Customer Deposits were LKR 135 bn, a 4% increase over 31 December 2013.

In March 2014, the Bank entered in to an agreement with the International Finance Corporation (IFC) for a syndicated loan of USD 125 mn. The funds received via this agreement will be mainly routed to the SME sector of the country, the backbone of the nation's bustling economy, and other eligible sectors that would contribute towards the nation building. The infusion of these loan proceeds will also boost the Balance Sheet of the Bank.

Strength in capital

The Bank's rich repository of capital continued to energize and strengthen the Bank's growth prospects, while meeting regulatory requirements. The Tier I Capital Ratio was 11.70% while the Tier I & II Ratio was 17.36% as at 31 March 2014, and was well above the stipulated minimum regulatory requirements.

Shareholder Rewards

Shareholder Return indicators demonstrated a marked enhancement during the first quarter of 2014. The Group Earnings per Share (EPS) for the quarter was LKR 29.66, an 80% increase over December 2013. Return on Shareholders' Funds also recorded an 80% increase from 10.7% in December 2013 to 19.3% in March 2014.

The Bank's market capitalization as at 31 March 2014 was LKR 29,444 mn with a share price of LKR 178.60, which resulted in a Price Earning (PE) Ratio of 6 (times).

The way forward

The national economy is experiencing rapid development and has ample opportunities for business growth. The banking sector has been specifically identified as an industry to be a predominant contributor in this growth momentum. The Bank is well prepared and ready to embrace the opportunities that unfold within the industry and committed to reshape and flex its structures in response to the emerging national needs. The Bank would also ensure that such changes would place our valued shareholders, customers, employees and other stakeholders at the centre, ensuring that positive value is generated for their investments and that NDB as an institution is elevated from its present levels to a size that truly matters.

Sunil G. Wijesinha

Chairman

13th May 2014

INCOME STATEMENT (in LKR '000)

	BANK			GROUP		
	Quarter ended 31/03/2014 LKR '000	Quarter ended 31/03/2013 LKR '000	Change %	Quarter ended 31/03/2014 LKR '000	Quarter ended 31/03/2013 LKR '000	Change %
Interest Income	5,042,713	4,915,306	3	5,103,938	4,937,355	3
Interest Expenses	3,246,882	3,340,286	(3)	3,240,979	3,329,124	(3)
Net Interest Income	1,795,831	1,575,021	14	1,862,959	1,608,231	16
Net Fee and Commission Income	420,388	311,744	35	594,058	385,004	54
Net gain/(loss) from trading	580,697	149,099	289	716,175	426,435	68
Other operating income	288,305	6,054,267	(95)	56,222	51,377	9
Total Operating Income	3,085,221	8,090,130	(62)	3,229,414	2,471,047	31
Impairment charges for loans and other losses						
Individual Impairment	92,157	(80,649)	(214)	92,157	(80,648)	(214)
Collective Impairment	33,427	104,128	(68)	33,427	104,128	(68)
Investment in Subsidiary/Associates	(97,092)	26,692	(464)	-	-	-
	28,493	50,171	(43)	125,584	23,480	435
Net operating income	3,056,728	8,039,959	(62)	3,103,830	2,447,567	27
Operating Expenses						
Personnel Expenses	694,649	594,377	17	752,937	655,721	15
Depreciation and amortization	75,531	72,970	4	85,787	81,202	6
Other Expenses	538,216	487,427	10	594,430	585,441	2
Total operating expenses	1,308,396	1,154,773	13	1,433,154	1,322,364	8
Operating Profit Before Value Added Tax (VAT)	1,748,332	6,885,186	(75)	1,670,675	1,125,203	48
Value Added Tax (VAT) on Financial Services	(229,000)	(381,200)	(40)	(229,000)	(381,200)	(40)
Operating Profit After Value Added Tax (VAT)	1,519,332	6,503,985	(77)	1,441,675	744,003	94
Share of associate companies' profit	-	-	-	97,274	2,468	3,842
Profit Before Taxation	1,519,332	6,503,985	(77)	1,538,948	746,470	106
Taxation	(320,500)	(234,793)	37	(334,080)	(246,507)	36
Profit for the Period	1,198,832	6,269,191	(81)	1,204,869	499,964	141
Profit Attributable to:						
Equity Holders of the parent	1,198,832	6,269,191	(81)	1,190,885	506,887	135
Non Controlling Interests	-	-	-	13,983	(6,924)	(302)
	1,198,832	6,269,191	(81)	1,204,869	499,964	141
Basic Earnings per share (in LKR)	23.14	43.52	(47)	29.66	12.67	134
Diluted Earnings per share (in LKR)	23.13	43.48	(47)	29.65	12.66	134

STATEMENT OF COMPREHENSIVE INCOME

	BANK			GROUP		
	Quarter ended	Quarter ended	Change	Quarter ended	Quarter ended	Change
	31/03/2014 LKR '000	31/03/2013 LKR '000	%	31/03/2014 LKR '000	31/03/2013 LKR '000	%
Profit for the period	1,198,832	6,269,191	(81)	1,204,869	499,964	141
Exchange differences on translation of foreign operations	-	-	-	(301)	(583)	(48)
Net gains from Available for Sale Investments	(144,750)	-	(100)	(143,750)	-	(100)
Total Other Comprehensive Income/ (expenses)	(144,750)	-	(100)	(144,051)	(583)	24,609
Less: Income Tax on Other Comprehensive Income	40,530	-	100	40,530	-	100
Total Other Comprehensive Income after Tax	(104,220)	-	(100)	(103,521)	(583)	17,657
Total Comprehensive Income for the period	1,094,612	6,269,191	(83)	1,101,348	499,381	121
Attributable to:						
Equity holders of the parent	1,094,612	6,269,191	(83)	1,087,390	506,424	115
Non Controlling Interests	-	-	-	13,959	(7,044)	298
	1,094,612	6,269,191	(83)	1,101,348	499,381	121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	Current Period	Previous Period	Change	Current Period	Previous Period	Change
	As at 31/03/2014	As at 31/12/2013 (Audited)	%	As at 31/03/2014	As at 31/12/2013 (Audited)	%
	LKR '000	LKR '000		LKR '000	LKR '000	
Assets						
Cash and cash equivalents	2,458,797	2,611,075	(6)	2,561,693	2,668,262	(4)
Balances with Central Bank	5,852,292	5,339,000	10	5,852,292	5,339,000	10
Placements with banks	50,038	130,751	(62)	50,038	130,751	(62)
Derivative Financial Instruments	1,154,085	1,149,541	-	1,154,085	1,149,541	-
Other Financial Assets Held for trading	4,866,005	10,720,689	(55)	8,647,237	14,194,141	(39)
Loans and Receivables to banks	508,159	641,628	(21)	508,159	641,628	(21)
Loans and Receivables to other customer	144,906,273	136,821,530	6	144,964,780	136,881,713	6
Financial Investments - Loans and receivables	24,707,875	15,837,455	56	25,314,237	16,791,701	51
Financial Investments - Available for sale	6,215,319	5,982,450	4	6,400,319	6,167,450	4
Financial Investments - Held to maturity	12,792,958	17,602,249	(27)	13,723,749	18,460,591	(26)
Investments in subsidiary companies	2,037,585	2,037,585	-	-	-	-
Investments in associate companies	159,060	61,968	157	173,827	76,744	127
Investment Property	-	-	-	1,383,693	1,383,693	-
Intangible assets	259,794	260,425	-	313,912	296,679	6
Property, plant & equipment	839,442	872,890	(4)	1,156,427	1,176,491	(2)
Other assets	631,067	1,189,391	(47)	847,949	1,458,736	(42)
Total Assets	207,438,749	201,258,628	3	213,052,398	206,817,121	3
Liabilities						
Due to Banks	10,162,946	10,453,085	(3)	10,162,946	10,453,085	(3)
Derivative Financial Instruments	672,232	817,310	(18)	672,232	817,310	(18)
Due to other Customers	135,282,343	129,830,029	4	134,984,443	129,421,813	4
Debt Securities issued and other borrowed funds	25,061,155	24,420,818	3	25,031,155	24,390,819	3
Current Tax Liabilities	456,900	266,127	72	491,630	300,196	64
Deferred Tax	332,902	312,433	7	340,982	324,451	5
Other liabilities	3,446,850	3,815,020	(10)	3,658,609	4,024,463	(9)
Dividends payable	55,718	40,656	37	55,718	40,656	37
Subordinated Term debts	12,063,595	11,682,675	3	12,063,595	11,682,675	3
Total Liabilities	187,534,642	181,638,152	3	187,461,309	181,455,468	3
Equity						
Stated Capital (164,857,645 shares)	1,193,350	1,172,903	2	884,383	943,746	(6)
Statutory Reserve Fund	958,527	958,527	-	958,527	958,527	-
Investment Fund Account	1,782,047	1,706,752	4	1,782,047	1,706,751	4
Share based payment reserve	15,182	22,367	(32)	35,134	22,367	57
Available for sale reserve	2,449	106,669	(98)	47,394	150,614	(69)
Retained Earnings	15,952,552	15,653,259	2	21,022,874	20,731,803	1
Total shareholders' equity	19,904,106	19,620,477	1	24,730,358	24,513,808	1
Non Controlling Interests	-	-	-	860,731	847,846	2
Total Equity	19,904,106	19,620,477	1	25,591,089	25,361,654	1
Total Liabilities and Equity	207,438,749	201,258,628	3	213,052,398	206,817,121	3
Net Book Value Per Share (LKR)	120.84	119.13	1	154.00	148.85	3
Contingent liabilities and commitments	197,728,212	177,200,240	12	197,728,212	177,200,240	12
Memorandum Information						
Number of Employees	1,649	1,583				
Number of Branches	79	78				

STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014	Stated Capital LKR '000	Reserves							Non-Controlling Interests LKR '000	Total Equity LKR '000
		Statutory Reserve Fund LKR '000	General Reserve LKR '000	Investment Fund Account LKR '000	Share based Payment Reserves LKR '000	Available For Sale Reserves LKR '000	Retained Earnings LKR '000	Total LKR '000		
BANK										
Balance as at 01 January 2013	1,093,095	878,718	5,805,707	924,332	-	-	6,240,549	14,942,401	-	14,942,401
Total Comprehensive Income for the period										
Profit for the Year	-	-	-	-	-	-	6,269,191	6,269,191	-	6,269,191
Other Comprehensive Income net of Tax	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the period							6,269,191	6,269,191	-	6,269,191
Transactions with equity holders										
Transfer to Investment Fund Account	-	-	-	162,950	-	-	(162,950)	-	-	-
Dividend paid	-	-	-	-	-	-	(2,463,029)	(2,463,029)	-	(2,463,029)
Balance as at 31 March 2013	1,093,095	878,718	5,805,707	1,087,282	-	-	9,883,761	18,748,563	-	18,748,563
BANK										
Balance as at 01 January 2014	1,172,904	958,527	5,805,707	1,706,751	22,367	106,669	9,847,551	19,620,476	-	19,620,476
Total Comprehensive Income for the period										
Profit for the Year	-	-	-	-	-	-	1,198,832	1,198,832	-	1,198,832
Other Comprehensive Income net of Tax	-	-	-	-	-	(104,220)	-	(104,220)	-	(104,220)
Total Comprehensive Income for the period							(104,220)	1,198,832	1,094,612	-
Transactions with equity holders										
Issue of Shares	20,446	-	-	-	-	-	-	20,446	-	20,446
Transfer to Investment Fund Account	-	-	-	75,296	-	-	(75,296)	-	-	-
Adjustment to share based payment reserves	-	-	-	-	(7,185)	-	-	(7,185)	-	(7,185)
Transfer to statutory reserve fund	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(824,245)	(824,245)	-	(824,245)
Balance as at 31 March 2014	1,193,350	958,527	5,805,707	1,782,047	15,182	2,449	10,146,842	19,904,105	-	19,904,106
GROUP										
Balance as at 01 January 2013	863,937	878,718	5,805,707	924,332	-	-	16,410,347	24,883,041	826,411	25,709,452
Total Comprehensive Income for the period										
Profit for the Year	-	-	-	-	-	-	506,887	506,887	(6,924)	499,964
Other Comprehensive Income net of Tax	-	-	-	-	-	-	(463)	(463)	(120)	(583)
Total Comprehensive Income for the period							506,424	506,424	(7,044)	499,381
Transactions with equity holders										
Transfer to Investment Fund Account	-	-	-	162,950	-	-	(162,950)	-	-	-
Dividend paid	-	-	-	-	-	-	(2,463,029)	(2,463,029)	(2,427)	(2,465,456)
Effect of change in holding in a group company	-	-	-	-	-	-	-	-	(13,017)	(13,017)
Balance as at 31 March 2013	863,937	878,718	5,805,707	1,087,282	-	-	14,290,792	22,926,436	803,923	23,730,359
GROUP										
Balance as at 01 January 2014	943,746	958,527	5,805,707	1,706,751	22,367	150,614	14,926,095	24,513,807	847,846	25,361,653
Total Comprehensive Income for the period										
Profit for the Year	-	-	-	-	-	-	1,190,885	1,190,885	13,983	1,204,869
Other Comprehensive Income net of Tax	-	-	-	-	-	(103,220)	(276)	(103,496)	(25)	(103,521)
Total Comprehensive Income for the period							(103,220)	1,190,609	1,087,389	13,959
Transactions with equity holders										
Issue of new shares	20,446	-	-	-	-	-	-	20,446	-	20,446
Transfer to Investment Fund Account	-	-	-	75,296	-	-	(75,296)	-	-	-
Adjustment to share based payment reserves	(79,809)	-	-	-	12,767	-	-	(67,039)	-	(67,039)
Transfer to Statutory Reserve Fund	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(824,245)	(824,245)	(1,074)	(825,319)
Balance as at 31 March 2014	884,383	958,527	5,805,707	1,782,047	35,134	47,394	15,217,163	24,730,359	860,730	25,591,089

NOTES TO THE FINANCIAL STATEMENTS

- The figures are extracted from unaudited financial statements.
- The accounting policies and methods of computation are consistent with those followed during the previous financial year.
- These interim financial statements of the Bank and the Group have been prepared based on the same accounting policies and methods applied for the year ended 31 December 2013 and comply with Sri Lanka Accounting Standard 34- "Interim Financial Reporting". Previous year's figures and phrases have been rearranged wherever necessary to conform to current year's presentation.
- On 27 September 2012, the Bank (NDB) and NDB Capital Holdings PLC (NCAP) entered into a Share Sale and Purchase Agreement with American International Assurance Company Limited (AIA) of Hong Kong to divest the 41.56% shareholding in AVIVA NDB Holdings and 5% of AVIVA NDB Insurance PLC. Accordingly on 5 December 2012 the divestment of these shares resulted in capital gain of LKR 5.9 billion to the NDB Group during the fourth quarter of 2012. Pursuant to this divestment, the shareholders of NCAP approved a share repurchase plan in March 2013, which resulted in NCAP buying back 25% of its share capital, posting a capital gain of LKR 5.3 bn to the Bank during the first quarter of 2013.
- As per the Equity Linked Compensation Plan (ELCP) of the Bank, the eligible members of the staff have exercised share options amounting to 164,611 shares at a cost of LKR 124.21 per share during the first quarter ended 31 March 2014. Accordingly, the said share issue resulted in the increase of the stated capital of the Bank from LKR 1,172.9 mn to LKR 1,193.3 mn and the number of shares in issue from 164,693,034 to 164,857,645, as at 31 March 2014.
- In pursuance of the policies announced by the Government encouraging the consolidation of certain banking businesses, the Boards of Directors of DFCC Bank (DFCC) and of the Bank, have commenced preliminary discussion with a view to achieving such consolidation. The consolidation of the two entities will be dependent on relevant approvals and possibly, the passage of facilitative legislation.
- The Board of Directors of NDB, at its meeting held on 20th March 2014, approved the divestiture of its investment in 224,875 shares amounting to 35% of the shares in of Maldives Finance Leasing Company (Private) Limited to Tree Top Investments (Private) Limited, a company incorporated in the Republic of Maldives. Accordingly, the divestment took place during April 2014, and the Bank was able to release LKR 140 mn out of the total original investment cost of LKR 165 mn, for which full provision was made in 2011. The provision release in the first quarter of 2014, with respect to the above divestment was LKR 97 mn.
- There have been 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.
- Additional quarterly disclosures prescribed by CBSL as per circular (02/17/900/0001/004) dated 11th October, 2013.

a) Loans and Receivables to Other Customers	Bank		Group	
	Current Period	Previous Period	Current Period	Previous Period
	As at 31/03/2014 LKR '000	As at 31/12/2013 LKR '000	As at 31/03/2014 LKR '000	As at 31/12/2013 LKR '000
Gross loans and receivables	149,356,027	141,009,004	149,414,534	141,069,186
(Less): Individual impairment	2,056,918	1,828,064	2,056,918	1,828,064
Collective impairment	2,392,835	2,359,410	2,392,835	2,359,410
Net loans and receivables	144,906,273	136,821,530	144,964,780	136,881,713

b) Gross Loans and Receivables to Other Customers - By product	Bank		Group	
	Current Period	Previous Period	Current Period	Previous Period
	As at 31/03/2014 LKR '000	As at 31/12/2013 LKR '000	As at 31/03/2014 LKR '000	As at 31/12/2013 LKR '000
By product-Domestic Currency				
Term loans	27,410,266	25,231,706	27,410,266	25,231,706
Medium and short term loans	23,041,515	23,685,064	23,041,515	23,685,064
Overdrafts	18,307,577	17,502,248	18,297,888	17,562,430
Trade Finance	9,583,885	10,460,581	9,583,885	10,460,581
Consumer loans	15,495,066	14,620,469	15,495,066	14,620,469
Lease rentals receivable	8,643,608	8,428,409	8,643,608	8,428,409
Housing loans	5,069,065	4,764,297	5,069,065	4,764,297
Pawning	1,708,204	2,232,748	1,708,204	2,232,748
Staff loans	1,477,558	928,451	1,545,753	928,451
Sub total	110,736,743	107,853,975	110,795,249	107,914,157
By product - Foreign Currency				
Overdrafts	1,936,329	957,613	1,936,329	957,613
Medium and short term loans	13,430,424	9,881,566	13,430,424	9,881,566
Trade Finance	23,252,530	22,315,850	23,252,530	22,315,850
Sub total	38,619,283	33,155,030	38,619,283	33,155,030
Total	149,356,027	141,009,004	149,414,533	141,069,186

NOTES TO THE FINANCIAL STATEMENTS Contd.

c) Movements in individual and collective impairment during the period for loans and Receivables to Other Customers

Individual impairment

	Bank		Group	
	Current Period As at 31/03/2014 LKR '000	Previous Period As at 31/12/2013 LKR '000	Current Period As at 31/03/2014 LKR '000	Previous Period As at 31/12/2013 LKR '000
Opening balance at 01st January	1,828,065	979,186	1,828,065	979,186
Charge/(Write back) to Income Statement	92,157	845,293	92,157	845,293
Write-off during the period	-	(331,056)	-	(331,056)
Other movements	136,696	334,641	136,696	334,641
Closing balance	2,056,918	1,828,064	2,056,918	1,828,064

Collective impairment

Opening balance at 01st January	2,359,408	1,943,938	2,359,408	1,943,938
Charge/(Write back) to Income Statement	33,427	415,472	33,427	415,472
Write-off during the Period	-	-	-	-
Closing balance	2,392,835	2,359,410	2,392,835	2,359,410
Total impairment	4,449,753	4,187,474	4,449,753	4,187,474

d) Due to Other Customers - By product

By product - Domestic Currency

	Current Period As at 31/03/2014 LKR '000	Previous Period As at 31/12/2013 LKR '000	Current Period As at 31/03/2014 LKR '000	Previous Period As at 31/12/2013 LKR '000
Demand deposits	12,944,055	9,081,419	12,944,055	9,081,418
Savings deposits	15,083,230	14,419,607	15,083,230	14,419,607
Fixed deposits	77,284,615	76,149,197	76,986,714	75,740,981
Other deposits	168,602	479,220	168,602	479,220
Sub total	105,480,502	100,129,443	105,182,601	99,721,226

By product - Foreign Currency

Demand deposits	1,897,263	2,018,186	1,897,263	2,018,186
Savings deposits	5,231,636	6,317,688	5,231,636	6,317,688
Fixed deposits	22,628,866	21,308,274	22,628,866	21,308,274
Other deposits	44,078	56,438	44,079	56,439
Sub Total	29,801,842	29,700,586	29,801,843	29,700,587
Total	135,282,343	129,830,029	134,984,443	129,421,813

Share Information

	31.03.2014	31.12.2013
Market value per share (Rs.)	178.60	160.50
Highest price per share for the period (Rs.)	188.00	162.00
Lowest price per share for the period (Rs.)	160.50	143.60

SELECTED PERFORMANCE INDICATORS (As per Regulatory Reporting)

	BANK		GROUP	
	As at	As at	As at	As at
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Regulated Capital Adequacy				
Core Capital (Tier 1 Capital) (LKR mn)	18,697	18,350	24,996	24,736
Total Capital Base (LKR mn)	27,739	27,220	34,705	34,343
Core Capital adequacy Ratio - Core Capital as a % of Risk - weighted Assets (Minimum Requirement, 5%)	11.70	12.05	14.63	15.15
Total Capital Adequacy Ratio - Total Capital as a % of [Tier 1 & 2 (%)]				
Risk - weighted Assets (Minimum Requirement, 10%)	17.36	17.87	20.31	21.04
Asset Quality				
Gross Non-performing Advances Ratio (%)	2.69	2.48	2.69	2.48
Net Non-performing Advances Ratio (%)	1.40	1.21	1.40	1.21
Profitability				
Earnings Per Share (LKR)	23.14	46.96	29.66	16.48
Return on Average Shareholders' Funds (%)	19.29	39.36	19.35	10.78
Return on Average Assets (%)	1.87	3.84	2.27	1.28
Net interest margin (%)	3.52	3.38	3.55	3.68
Debt Security - Related Ratios				
Interest Cover (Times)	1.55	1.49	1.57	1.51
Debt to Equity (Times)	9.17	9.00	7.37	7.18
Regulatory Liquidity				
Statutory liquid assets - LKR mn	45,047	42,407	45,047	42,407
Statutory liquid assets ratio (%)				
Domestic Banking Unit	25.59	26.22	25.59	26.22
Foreign Currency Banking Unit	28.02	26.06	28.02	26.06

CERTIFICATION

We hereby certify that the above financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd)

Dhanan Senathirajah

Vice President- Finance & Planning

(Sgd)

Faizan Ozman

Chief Financial Officer

We the undersigned, being the Chairman and the Chief Executive Officer of National Development Bank PLC certify jointly that:

- (a) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka
- (b) The information contained in these statements have been extracted from the unaudited financial statements of the Bank, unless indicated as audited.

(Sgd)

Sunil G. Wijesinha

Chairman

13th May 2014

(Sgd)

R.Theagarajah

Chief Executive Officer

CASH FLOW STATEMENT

For the 03 months ended 31 March	BANK		GROUP	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	5,113,183	4,288,093	5,203,708	4,539,960
Fee based income received	422,807	313,888	422,807	464,342
Dividend income received	275,766	661,925	275,766	698,132
Other income received	340,611	142,236	336,137	481,122
Interest paid	(3,549,494)	(1,963,344)	(3,549,494)	(1,962,493)
Personnel costs paid	(697,597)	(555,588)	(697,597)	(710,475)
General expenses paid	(543,144)	(363,439)	(543,144)	(552,473)
Operating Profit before changes in operating assets and liabilities	1,362,132	2,523,772	1,448,184	2,958,116
Net increase in loans and advances	(8,076,858)	839,896	(8,076,858)	839,896
Net Increase in Deposits from customers	5,452,314	2,221,609	5,452,314	2,221,609
Net (increase)/decrease in other receivables	574,227	463,536	587,819	419,770
Net increase/(decrease) in other liabilities	(137,539)	(979,523)	(79,577)	(1,084,520)
Net cash inflow/(outflow) from operating activities before taxation	(825,723)	5,069,291	(668,118)	5,354,871
Financial Services VAT paid	(294,220)	(395,863)	(294,220)	(395,863)
Income taxes paid	(68,726)	(197,631)	(82,091)	(359,407)
Net cash provided by/(used in) operating activities	(1,188,669)	4,475,797	(1,044,429)	4,599,601
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	1,560,687	(3,148,141)	1,762,024	2,775,669
Disposal of subsidiaries/associates	-	5,954,774	-	(13,016)
Expenditure on property, plant & equipment	(42,337)	(50,497)	(78,333)	(80,302)
Proceeds from sale of property, plant & equipment	8,248	82	8,248	1,249
Net cash used in investing activities	1,526,598	2,756,218	1,691,939	2,683,600
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	20,447	-	20,447	-
(Decrease)/Increase in other borrowings	731,108	(2,511,310)	731,108	(2,511,310)
Dividends paid to non controlling interests	-	-	(263,872)	-
Dividends paid to shareholders of the parent Company	(809,182)	(971,915)	(809,182)	(1,032,424)
Net cash provided by/(used in) financing activities	(57,627)	(3,483,225)	(321,499)	(3,543,734)
NET INCREASE IN CASH AND CASH EQUIVALENTS	280,302	3,748,790	326,011	3,739,467
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,080,826	13,114,541	8,138,013	13,269,129
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8,361,127	16,863,331	8,464,024	17,008,596
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash in hand	1,487,415	2,680,989	1,487,415	2,771,739
Balances with Central Bank	5,852,292	6,388,110	5,852,292	6,388,110
Dues from banks and other financial institutions	1,021,421	7,794,232	1,124,317	7,848,747
	8,361,127	16,863,331	8,464,024	17,008,596

SEGMENTAL ANALYSIS - GROUP

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
For the three months ended 31 March										
Revenue										
External income	6,298,663	5,335,898	131,405	432,729	24,699	13,454	-	-	6,454,767	5,782,081
Inter-segment income	-	-	2,934	4,169	12,692	13,920	-	-	15,626	18,089
Total income	6,298,663	5,335,898	134,339	436,898	37,391	27,374	-	-	6,470,393	5,800,170
Segment expenses	(4,674,960)	(4,507,376)	(109,805)	(155,221)	(14,953)	(12,370)	-	-	(4,799,718)	(4,674,968)
Segment results	1,623,703	828,522	24,534	281,677	22,438	15,004	-	-	1,670,675	1,125,203
Share of associate companies' profit before taxation	-	-	-	-	-	-	97,274	2,468	-	-
Taxation	-	-	-	-	-	-	-	-	(334,080)	(246,507)
VAT on financial services	-	-	-	-	-	-	-	-	(229,000)	(381,200)
Profit after taxation	-	-	-	-	-	-	173,827	35,769	1,204,869	499,964
Other information										
Segment assets	207,313,012	188,915,557	4,109,687	3,374,639	1,455,871	1,415,117	-	-	212,878,570	193,705,313
Investment in associates	-	-	-	-	-	-	173,827	35,769	173,827	35,769
Consolidated total assets										
Segment liabilities	187,194,559	170,270,117	218,463	(52,774)	48,287	(206,618)	-	-	187,461,309	170,010,725
Consolidated total liabilities										
Segmental Cash flows										
Cash flows from operating activities	(1,188,669)	4,475,797	(309,949)	(95,356)	96,878	(712)	357,312	219,872	(1,044,429)	4,599,601
Cash flows from investing activities	1,526,598	2,756,217	271,196	196,967	(60,097)	37,493	(45,758)	(307,078)	1,691,939	2,683,599
Cash flows from financing activities	(57,627)	(3,483,225)	(60,087)	(11,907)	(36,779)	(36,781)	(167,006)	(11,821)	(321,499)	(3,543,734)

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 MARCH 2014 - BANK

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans & Receivables	Available for Sale	Others	Total
Cash and cash equivalents	-	-	-	2,458,797	-	-	2,458,797
Balances with Central Bank	-	-	-	5,852,292	-	-	5,852,292
Placements with banks	-	-	-	50,038	-	-	50,038
Derivative Financial Instruments	1,154,085	-	-	-	-	-	1,154,085
Other Financial Assets Held for trading	4,866,005	-	-	-	-	-	4,866,005
Loans and Receivables to banks	-	-	-	508,159	-	-	508,159
Loans and Receivables to other customer	-	-	-	144,906,273	-	-	144,906,273
Financial Investments - Loans and receivables	-	-	-	24,707,875	-	-	24,707,875
Financial Investments - Available for sale	-	-	-	-	6,215,319	-	6,215,319
Financial Investments - Held to maturity	-	-	12,792,958	-	-	-	12,792,958
Total Financial Assets	6,020,090	-	12,792,958	178,483,434	6,215,319	-	203,511,801
Investments in subsidiary companies	-	-	-	-	-	2,037,585	2,037,585
Investments in associate companies	-	-	-	-	-	159,060	159,060
Investment Property	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	259,794	259,794
Property, plant & equipment	-	-	-	-	-	839,442	839,442
Other assets	-	-	-	-	-	631,067	631,067
Total Assets	6,020,090	-	12,792,958	178,483,434	6,215,319	3,926,948	207,438,749

	Held for Trading	Amortised Cost	Others	Total
LIABILITIES				
Due to Banks	-	10,162,946	-	10,162,946
Derivative Financial Instruments	672,232	-	-	672,232
Due to other Customers	-	135,282,343	-	135,282,343
Debt Securities issued and other borrowed funds	-	25,061,155	-	25,061,155
Subordinated Term debts	-	12,063,595	-	12,063,595
Total Financial Liabilities	672,232	182,570,038	-	183,242,270
Current Tax Liabilities	-	-	456,900	456,900
Deferred Tax	-	-	332,902	332,902
Other liabilities	-	-	3,446,850	3,446,850
Dividends payable	-	-	55,718	55,718
Total Liabilities	672,232	182,570,038	4,292,371	187,534,642

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2013 - BANK

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans & Receivables	Available for Sale	Others	Total
Cash and cash equivalents	-	-	-	2,611,075	-	-	2,611,075
Balances with Central Bank	-	-	-	5,339,000	-	-	5,339,000
Placements with banks	-	-	-	130,751	-	-	130,751
Derivative Financial Instruments	1,149,541	-	-	-	-	-	1,149,541
Other Financial Assets Held for trading	10,720,689	-	-	-	-	-	10,720,689
Loans and Receivables to banks	-	-	-	641,628	-	-	641,628
Loans and Receivables to other customer	-	-	-	136,821,530	-	-	136,821,530
Financial Investments - Loans and receivables	-	-	-	15,837,455	-	-	15,837,455
Financial Investments - Available for sale	-	-	-	-	5,982,450	-	5,982,450
Financial Investments - Held to maturity	-	-	17,602,249	-	-	-	17,602,249
Total Financial Assets	11,870,230	-	17,602,249	161,381,440	5,982,450	-	196,836,369
Investments in subsidiary companies	-	-	-	-	-	2,037,585	2,037,585
Investments in associate companies	-	-	-	-	-	61,968	61,968
Investment Property	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	260,425	260,425
Property, plant & equipment	-	-	-	-	-	872,890	872,890
Other assets	-	-	-	-	-	1,189,391	1,189,391
Total Assets	11,870,230	-	17,602,249	161,381,440	5,982,450	4,422,259	201,258,628

	Held for Trading	Amortised Cost	Others	Total
LIABILITIES				
Due to Banks	-	10,453,085	-	10,453,085
Derivative Financial Instruments	817,310	-	-	817,310
Due to other Customers	-	129,830,029	-	129,830,029
Debt Securities issued and other borrowed funds	-	24,420,818	-	24,420,818
Subordinated Term debts	-	11,682,675	-	11,682,675
Total Financial Liabilities	817,310	176,386,607	-	177,203,917
Current Tax Liabilities	-	-	266,127	266,127
Deferred Tax	-	-	312,433	312,433
Other liabilities	-	-	3,815,020	3,815,020
Dividends payable	-	-	40,656	40,656
Total Liabilities	817,310	176,386,607	4,434,235	181,638,152

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 MARCH 2014 - GROUP

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans & Receivables	Available for Sale	Others	Total
Cash and cash equivalents	-	-	-	2,561,693	-	-	2,561,693
Balances with Central Bank	-	-	-	5,852,292	-	-	5,852,292
Placements with banks	-	-	-	50,038	-	-	50,038
Derivative Financial Instruments	1,154,085	-	-	-	-	-	1,154,085
Other Financial Assets Held for trading	8,647,237	-	-	-	-	-	8,647,237
Loans and Receivables to banks	-	-	-	508,159	-	-	508,159
Loans and Receivables to other customer	-	-	-	144,964,780	-	-	144,964,780
Financial Investments - Loans and receivables	-	-	-	25,314,237	-	-	25,314,237
Financial Investments - Available for sale	-	-	-	-	6,400,319	-	6,400,319
Financial Investments - Held to maturity	-	-	13,723,749	-	-	-	13,723,749
Total Financial Assets	9,801,322	-	13,723,749	179,251,200	6,400,319	-	209,176,589
Investments in subsidiary companies	-	-	-	-	-	-	-
Investments in associate companies	-	-	-	-	-	173,827	173,827
Investment Property	-	-	-	-	-	1,383,693	1,383,693
Intangible assets	-	-	-	-	-	313,912	313,912
Property, plant & equipment	-	-	-	-	-	1,156,427	1,156,427
Other assets	-	-	-	-	-	847,949	847,949
Total Assets	9,801,322	-	13,723,749	179,251,200	6,400,319	3,875,809	213,052,398

	Held for Trading	Amortised Cost	Others	Total
LIABILITIES				
Due to Banks	-	10,162,946	-	10,162,946
Derivative Financial Instruments	672,232	-	-	672,232
Due to other Customers	-	134,984,443	-	134,984,443
Debt Securities issued and other borrowed funds	-	25,031,155	-	25,031,155
Subordinated Term debts	-	12,063,595	-	12,063,595
Total Financial Liabilities	672,232	182,242,138	-	182,914,370
Current Tax Liabilities	-	-	491,630	491,630
Deferred Tax	-	-	340,982	340,982
Other liabilities	-	-	3,658,609	3,658,609
Dividends payable	-	-	55,718	55,718
Total Liabilities	672,232	182,242,138	4,546,939	187,461,309

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2013 - GROUP

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans & Receivables	Available for Sale	Others	Total
Cash and cash equivalents	-	-	-	2,668,262	-	-	2,668,262
Balances with Central Bank	-	-	-	5,339,000	-	-	5,339,000
Placements with banks	-	-	-	130,751	-	-	130,751
Derivative Financial Instruments	1,149,541	-	-	-	-	-	1,149,541
Other Financial Assets Held for trading	11,394,625	-	-	-	-	-	14,194,141
Loans and Receivables to banks	-	-	-	641,628	-	-	641,628
Loans and Receivables to other customer	-	-	-	136,881,713	-	-	136,881,713
Financial Investments - Loans and receivables	-	-	-	16,791,701	-	-	16,791,701
Financial Investments - Available for sale	-	-	-	-	6,167,450	-	6,167,450
Financial Investments - Held to maturity	-	-	18,460,591	-	-	-	18,460,591
Total Financial Assets	12,544,166	-	18,460,591	162,453,055	6,167,450	-	202,424,777
Investments in subsidiary companies	-	-	-	-	-	-	-
Investments in associate companies	-	-	-	-	-	76,744	76,744
Investment Property	-	-	-	-	-	1,383,693	1,383,693
Intangible assets	-	-	-	-	-	296,679	296,679
Property, plant & equipment	-	-	-	-	-	1,176,491	1,176,491
Other assets	-	-	-	-	-	1,458,736	1,458,736
Total Assets	12,544,166	-	18,460,591	162,453,055	6,167,450	4,392,343	206,817,121

	Held for Trading	Amortised Cost	Others	Total
LIABILITIES				
Due to Banks	-	10,453,085	-	10,453,085
Derivative Financial Instruments	817,310	-	-	817,310
Due to other Customers	-	129,421,813	-	129,421,813
Debt Securities issued and other borrowed funds	-	24,390,819	-	24,390,819
Subordinated Term debts	-	11,682,675	-	11,682,675
Total Financial Liabilities	817,310	175,948,392	-	176,765,702
Current Tax Liabilities	-	-	300,196	300,196
Deferred Tax	-	-	324,451	324,451
Other liabilities	-	-	4,024,463	4,024,463
Dividends payable	-	-	40,656	40,656
Total Liabilities	817,310	175,948,392	4,689,766	181,455,468

TOP 20 LARGEST REGISTERED SHAREHOLDERS

As at 31st March, 2014

Name	No. of Shares	%
1. BANK OF CEYLON NO. 1 ACCOUNT	16,371,076	9.93
2. EMPLOYEES' PROVIDENT FUND	16,010,248	9.71
3. SRI LANKA INSURANCE CORPORATION LTD. - GENERAL FUND	9,388,488	5.69
4. DR. S. YADDEHIGE	8,669,000	5.26
5. HSBC INTL NOM LTD. - SNFE - NTASIAN DISCOVERY MASTER FUND	8,432,154	5.11
6. SRI LANKA INSURANCE CORPORATION LTD. - LIFE FUND	7,805,426	4.73
7. HSBC INTL NOM LTD. - BPSS LUX-ABERDEEN GLOBAL ASIA PACIFIC EQUITY FUND	5,715,450	3.47
8. EMPLOYEES' TRUST FUND BOARD	5,303,700	3.22
9. HSBC INTERNATIONAL NOMINEES LIMITED-MSNY-BAY POND PARTNERS L.P.	4,501,200	2.73
10. HSBC INTL NOM LTD. - BPSS LDN- ABERDEEN ASIA PACIFIC FUND	4,294,800	2.61
11. HATTON NATIONAL BANK PLC A/C NO. 1	4,282,200	2.60
12. NATIONAL DEVELOPMENT BANK PLC - ESOP A/C NO. 5	4,133,726	2.51
13. BNY-CF RUFFER INVESTMENT FUNDS : CF RUFFER PACIFIC FUND	3,850,000	2.34
14. ASIAN ALLIANCE INSURANCE PLC ACCOUNT NUMBER 3/LIFE SHAREHOLDERS FUND	3,450,977	2.09
15. MR. A. K. PATHIRAGE	2,970,000	1.80
16. ASIAN ALLIANCE INSURANCE PLC-GENERAL FUND A/C NO. 1	2,540,977	1.54
17. ASIRI HOSPITAL HOLDINGS PLC	2,411,583	1.46
18. ASIAN ALLIANCE INSURANCE PLC-A/C 02 (LIFE FUND)	2,159,746	1.31
19. HSBC INTERNATIONAL NOMINEES LIMITED-MSNY-BAY POND INVESTORS (BERMUDA) LP	2,045,200	1.24
20. UNITED MOTORS LANKA PLC	2,000,000	1.21

Public holding as at 31.03.2014 - 87.83%*

DIRECTOR'S INTEREST IN SHARES OF NDB

As at 31st March, 2014

NAME	NO. OF SHARES
S. G. WIJESINHA	880
A. K. PATHIRAGE	2,970,000
R. THEAGARAJAH (CEO)	126
T. L. F JAYASEKARA	-
K. FERNANDO	-
H. A. SIRIWARDENA	-
D. S. P. WIKRAMANAYAKE	-
G. D. C. EKANAYAKE	-
S. RAJAPAKSE	-
I. SUGATHADAS	-

* As per CSE listing rules effective 11.04.2014

CORPORATE INFORMATION

NAME OF THE COMPANY

National Development Bank PLC (The Bank was registered under The Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No. 07 of 2007 on 04 July 2007).

LEGAL FORM

Incorporated in Sri Lanka under the Companies Act No. 7 of 2007 and also regulated under the Banking Act No. 30 of 1988 as amended from time to time.

HEAD OFFICE/REGISTERED OFFICE

40, Navam Mawatha, Colombo 02

Tel: +94-11-2448448

Fax: +94-11241044, +94-11-2440262

Telex: 21399 NDB CE

Web Page: www.ndbbank.com

E-Mail: contact@ndbbank.com

VAT Registration No.: 40932000266 - 7000

Credit Rating: AA-(Ika) Fitch Rating

COMPANY REGISTRATION NUMBER

PQ 27

AUDITORS

Messrs Ernst & Young

201, De Saram Place, Colombo 10

LAWYERS

Legal Department – National Development Bank PLC

COMPANY SECRETARY

Ms. Shehani Ranasinghe

Attorney-at-Law



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