

INTERIM REPORT

SEPTEMBER 2013



CHAIRMAN'S REVIEW

Dear Stakeholder

Amidst an industry climate characterized by stiff competition, National Development Bank PLC (NDB) recorded a profit after tax of Rs.7.6 Bn for the 9 months ended 30 September 2013, a 229% growth compared to the comparative 9 months in 2012. This outcome was a combination of a healthy net interest income and a significant net equity income.

The Bank was able to achieve Net Interest Income of Rs.5.2 Bn, which was a commendable 27% growth, despite the low interest regime. The NII achievement was also challenged by the relative stagnant credit growth prevalent in the industry.

The Net Fee and Commission Income of Rs.1.1 Bn was another positive contributor to the Bank's Profit After Tax, with a 38% increase over the previous year. This reiterates the Bank's solid focus on fee based income, by leveraging the wide array of banking products and services NDB offers to its clientele. NDB also extensively made use of the cross selling opportunities available via its Group Companies to achieve sound fee based income levels. Net Gains from Trading and Forex Income declined by 18% compared to the corresponding period last year, due to the marked depreciation of the Sri Lankan Rupee in the first half of 2012, which led to the revaluation of the Balance Sheet. The significant increase in Other Operating Income was primarily due to capital gain of approximately Rs.5.4 Bn made on the strategic divestment of AVIVA NDB Insurance PLC in December 2012.

Cost management remains a key strategic focus at NDB. The Bank has been able to restrict its cost growth to 18% for the third consecutive quarter, despite opening 9 new branches during the 12 months ended September 2013. The Bank's continuous effective cost saving and monitoring strategies resulted in the Bank's Cost to Income Ratio being maintained at the same levels as of the prior period.

The strength of the NDB Group was reflected in the Profits Attributable to Ordinary Shareholders increasing by 10% over the last year's comparative period to Rs.2.2 Bn. The top contributor to the Group's enhanced performance was the capital and the investment banking cluster. The NDB Group has a strong footprint in financial services including areas such as wealth management, investment banking and securities management through its subsidiaries.

Total Assets of the Bank rose to Rs.183 Bn, a noteworthy 12% increase over the 9 month period. Loans and advances grew by 6%, amidst the low credit growth environment. NDB continues to support the national economic revival, harnessing the benefits of its strong capital base and maintaining considerable focus on SMEs, micro financing, project loans and export oriented businesses.

The Bank's customer deposit base achieved the same trajectory as assets, recording a 10% satisfactory growth to Rs.119 Bn compared to December 2012.

Benefiting from a robust risk management framework together with rigorous recovery processes adopted by the Bank, NDB recorded an NPL ratio of 1.94% (gross), well below the industry average of 5.2%.

The Bank's Tier I capital at 14.2% reflected a noteworthy increase compared to December 2012 which was 11.2%. The Tier I & II capital stands at 15.2%. A strong capital base is a clear indicator of the Bank's resilience to any shocks or losses that it may encounter and the capability to expand its operations and leverage on opportunities arising in the economy.

NDB's ROE was 46.6% compared to 21.2% for the year ended 31 December 2012. The Bank's EPS and ROA for the 9 months ended 30 September 2013 are Rs.49.70 and 4.7% respectively. When adjusted for the exceptional capital gain, the Bank's ROE and ROA were 16.70% and 1.60% respectively. The Bank places the customer at the centre of its key strategies and excellence in customer service is constantly pursued. Staying committed to this stance, NDB ventured to "9 a.m. - 6 p.m. Full Service Banking" from September 2013 bringing in an absolute form of convenience for both individual and business clients alike. This is also one of the most innovative and ground breaking initiatives taken in the industry which defines customer centricity.

The Bank is well positioned to exploit the opportunities arising in the economic renaissance of Sri Lanka. The Bank strategically and methodically approaches new prospects that arise with the rapidly awakening economic activities in many areas of the country. Three new branches were opened during the 3rd quarter, bringing the total number of branches up to 76. The Bank is well poised for the remainder of the year, to sustain its performance and deliver a balanced outcome to all its stakeholder groups.

Hemaka Amarasuriya
Chairman

12 November 2013

SUMMARISED INCOME STATEMENT

	BANK					GROUP				
	Nine months ended	Nine months ended	Change	Quarter ended	Quarter ended	Nine months ended	Nine months ended	Change	Quarter ended	Quarter ended
	30/09/2013 Rs '000	30/09/2012 Rs '000	%	30/09/2013 Rs '000	30/09/2012 Rs '000	30/09/2013 Rs '000	30/09/2012 Rs '000	%	30/09/2013 Rs '000	30/09/2012 Rs '000
Interest Income	15,511,181	12,156,832	28	5,270,253	4,527,224	15,599,152	12,288,932	27	5,304,605	4,555,864
Interest Expenses	10,331,629	8,081,024	28	3,458,726	3,055,504	10,296,306	8,033,998	28	3,446,595	3,043,571
Net Interest Income	5,179,552	4,075,808	27	1,811,528	1,471,721	5,302,846	4,254,935	25	1,858,010	1,512,293
Fee and commission Income	1,198,599	861,217	39	449,646	286,224	1,198,599	861,217	39	449,646	286,224
Fee and commission Expenses	73,952	43,691	69	14,937	43,691	73,952	43,691	69	14,937	43,691
Net Fee and commission Income	1,124,647	817,526	38	434,709	242,533	1,124,647	817,526	38	434,709	242,533
Net gain/(loss) from trading	732,999	889,695	(18)	298,578	385,111	1,230,251	762,695	61	404,033	258,111
Other operating income	6,184,245	1,000,821	518	46,069	(85,575)	665,061	1,015,168	(34)	228,954	221,692
Total operating income	13,221,443	6,783,851	95	2,590,884	2,013,791	8,322,806	6,850,324	21	2,925,707	2,234,631
Impairment charges for loans and other losses										
Individual Impairment	104,150	72,143	44	166,313	28,318	83,458	72,143	16	172,313	28,318
Collective Impairment	121,957	22,147	451	(89,112)	(16,600)	121,957	22,147	451	(89,112)	(16,600)
	226,107	94,290	140	77,201	11,717	205,415	94,290	118	83,201	11,717
Net operating income	12,995,336	6,689,560	94	2,513,683	2,002,073	8,117,391	6,756,033	20	2,842,506	2,222,913
Operating Expenses										
Personnel Expenses	1,887,346	1,625,952	16	668,660	586,087	2,072,518	1,766,306	17	732,521	638,103
Depreciation and amortisation	224,032	214,022	5	77,247	72,523	252,045	217,813	16	86,493	73,582
Other Expenses	1,502,219	1,213,928	24	535,659	419,559	1,715,776	1,379,571	24	589,107	467,698
Total operating expenses	3,613,597	3,053,901	18	1,281,566	1,078,168	4,040,339	3,363,690	20	1,408,122	1,179,383
Operating Profit Before Value Added Tax (VAT)	9,381,739	3,635,659	158	1,232,117	923,905	4,077,052	3,392,344	20	1,434,384	1,043,530
Value Added Tax(VAT) of Financial Services	(827,435)	(526,215)	57	(205,140)	(141,677)	(827,435)	(526,215)	57	(205,140)	(141,677)
Operating Profit After Value Added Tax (VAT)	8,554,304	3,109,444	175	1,026,976	782,228	3,249,616	2,866,129	13	1,229,244	901,854
Share of associate companies' profit	-	-	-	-	-	39,658	172,524	(77)	28,980	60,314
Profit Before Taxation	8,554,304	3,109,444	175	1,026,976	782,228	3,289,274	3,038,652	8	1,258,224	962,167
Taxation	(1,000,065)	(810,437)	23	(333,663)	(233,407)	(1,077,177)	(999,581)	8	(353,119)	(278,654)
Profit for the period	7,554,239	2,299,007	229	693,313	548,821	2,212,097	2,039,072	8	905,105	683,514
Profit Attributable to:										
Equity Holders of the parent	7,554,239	2,299,007	229	693,313	548,821	2,196,602	1,997,929	10	891,961	667,917
Non Controlling Interests	-	-	-	-	-	15,495	41,143	(62)	13,144	15,596
	7,554,239	2,299,007	229	693,313	548,821	2,212,097	2,039,072	8	905,105	683,514
Basic Earnings per share (in Rs)	45.96	14.00	228	4.21	3.34	13.71	12.17	13	5.42	4.07
Diluted Earnings per share (in Rs)	45.94	-	-	-	-	13.70	-	-	-	-

STATEMENT OF COMPREHENSIVE INCOME

	BANK					GROUP				
	Nine months ended	Nine months ended	Change %	Quarter ended	Quarter ended	Nine months ended	Nine months ended	Change %	Quarter ended	Quarter ended
	30/09/2013 Rs '000	30/09/2012 Rs '000		30/09/2013 Rs '000	30/09/2012 Rs '000	30/09/2013 Rs '000	30/09/2012 Rs '000		30/09/2013 Rs '000	30/09/2012 Rs '000
Profit for the period	7,554,239	2,299,007	229	693,313	548,821	2,212,097	2,039,072	8	905,105	683,514
Exchange gain from valuation of foreign associates and subsidiaries	-	-	-	-	-	(1,228)	23,344	(105)	818	(5,215)
Total Other Comprehensive Income/(expenses)	-	-	-	-	-	(1,228)	23,344	(105)	818	(5,215)
Total Comprehensive Income for the period	7,554,239	2,299,007	229	693,313	548,821	2,210,869	2,062,416	229	906,741	673,084
Attributable to:										
Equity holders of the parent	7,554,239	2,299,007	229	693,313	548,821	2,195,663	2,017,673	9	893,414	658,549
Non Controlling Interests	-	-	-	-	-	15,206	44,743	(66)	13,326	14,534
	7,554,239	2,299,007	229	693,313	548,821	2,210,869	2,062,416	7	906,741	673,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			GROUP		
	Current Period	Previous Period	Change	Current Period	Previous Period	Change
	As at 30/09/2013	As at 31/12/2012		As at 30/09/2013	As at 31/12/2012	
	Rs. '000	Audited Rs. '000	%	Rs. '000	Audited Rs. '000	%
Assets						
Cash and cash equivalents	2,750,407	3,480,395	(21)	2,797,786	3,634,983	(23)
Balances with Central Bank	4,907,669	6,074,792	(19)	4,907,669	6,074,792	(19)
Placements with banks	1,088,626	3,559,354	(69)	1,088,626	3,559,354	(69)
Derivative Financial Instruments	1,234,292	1,706,372	(28)	1,234,292	1,706,372	(28)
Financial Investments - Held for trading	13,357,904	982,967	1,259	13,357,904	982,967	1,259
Other Financial Assets Held for trading	1,065,005	-	100	5,532,551	10,411,658	(47)
Loans and Receivables to banks	735,435	1,183,343	(38)	735,435	1,183,343	(38)
Loans and Receivables to other customer	122,730,098	115,992,360	6	122,769,873	116,039,035	6
Financial Investments - Available for sale	14,927,176	6,446,031	132	15,157,762	7,088,893	114
Financial Investments - Available for sale	140,283	66,714	110	264,248	173,541	52
Financial Investments - Held to maturity	16,870,900	19,257,271	(12)	17,173,479	19,223,228	(11)
Investments in subsidiary companies	2,037,773	2,641,178	(23)	-	-	-
Investments in associate companies	18,526	18,525	0	72,959	33,301	119
Investment Property	-	-	-	1,295,693	1,295,693	-
Intangible assets	274,320	272,314	1	317,031	318,723	(1)
Property, plant & equipment	875,274	856,195	2	1,225,948	1,222,500	0
Other assets	211,846	936,485	(77)	375,969	1,154,688	(67)
Total assets	183,225,534	163,474,296	12	188,307,225	174,103,072	8
Liabilities						
Due to Banks	9,663,391	2,319,984	317	9,663,391	2,319,984	317
Derivative Financial Instruments	874,128	1,736,838	(50)	874,128	1,736,838	(50)
Due to other Customers	118,489,102	107,600,583	10	118,094,538	107,393,866	10
Debt Securities issued and other borrowed funds	28,283,648	30,357,824	(7)	28,246,948	30,317,899	(7)
Current Tax Liabilities	660,709	656,211	0	676,777	633,838	7
Deferred Tax	204,875	79,874	156	197,026	79,120	149
Other liabilities	2,906,917	3,276,861	(11)	3,035,594	3,408,354	(11)
Dividends payable	36,160	249,021	(85)	36,160	249,021	(85)
Subordinated Term debts	1,931,219	2,254,699	(14)	1,931,219	2,254,699	(14)
Total liabilities	163,050,150	148,531,895	10	162,755,782	148,393,619	10
Equity						
Stated Capital (164,693,034 shares)	1,172,903	1,093,095	7	943,745	863,937	9
Statutory reserve fund	958,527	878,718	9	958,527	878,718	9
Investment Fund	1,579,023	924,333	71	1,579,023	924,333	71
Revenue reserves	16,464,931	12,046,255	37	21,276,153	22,216,055	(4)
Total shareholders' equity	20,175,384	14,942,401	35	24,757,448	24,883,043	(1)
Non Controlling Interests	-	-	-	793,995	826,410	(4)
Total Equity	20,175,384	14,942,401	35	25,551,443	25,709,453	(1)
Total liabilities and equity	183,225,534	163,474,296	12	188,307,225	174,103,072	8
Net Book Value Per Share (Rs)	122.50	91.00	35	150.32	151.54	(1)
Contingent liabilities and commitments	177,525,122	158,740,820	12	177,525,122	158,740,820	12
Memorandum Information						
Number of Employees	1,599	1,447				
Number of Branches	76	69				

STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013	Stated Capital Rs. '000	Reserves				Total Rs. '000	Non-Controlling Interests Rs. '000	Total Equity Rs. '000
		Statutory Reserve Fund Rs. '000	General Reserve Rs. '000	Investment Fund Rs. '000	Retained Profit Rs. '000			
BANK								
Balance as at 1 January 2012	1,093,095	878,718	5,805,707	386,825	4,510,794	12,675,139	-	12,675,139
Total Comprehensive Income for the period								
Profit for Period	-	-	-	-	2,299,007	2,299,007	-	2,299,007
Other Comprehensive Income net of Tax	-	-	-	-	-	-	-	-
Total Comprehensive Income for the period	-	-	-	-	2,299,007	2,299,007	-	2,299,007
Transactions with equity holders								
Transfer to Investment Fund	-	-	-	652,285	(652,285)	-	-	-
Dividend paid	-	-	-	-	(656,696)	(656,696)	-	(656,696)
Balance as at 30 September 2012	1,093,095	878,718	5,805,707	1,039,110	5,500,820	14,317,450	-	14,317,450
Balance as at 1 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 Period	-	-	-	-	7,554,239	7,554,239	-	7,554,239
Other Comprehensive Income net of Tax	-	-	-	-	-	-	-	-
Total Comprehensive Income for the period	-	-	-	-	7,554,239	7,554,239	-	7,554,239
Transactions with equity holders								
Issue of Shares	79,809	-	-	-	-	79,809	-	79,809
Transfer to Investment Fund	-	-	-	654,691	(654,691)	-	-	-
Transfer to statutory reserve fund	-	79,809	-	-	(79,809)	-	-	-
Dividend paid	-	-	-	-	(2,401,065)	(2,401,065)	-	(2,401,065)
Balance as at 30 September 2013	1,172,904	958,527	5,805,707	1,579,023	10,659,223	20,175,384	-	20,175,384
GROUP								
Balance as at 1 January 2012	863,937	878,718	5,805,707	386,825	8,989,942	16,925,129	912,752	17,837,881
Total Comprehensive Income for the period								
Profit for Period	-	-	-	-	1,997,929	1,997,929	41,143	2,039,072
Other Comprehensive Income net of Tax	-	-	-	-	19,744	19,744	3,600	23,344
Total Comprehensive Income for the period	-	-	-	-	2,017,673	2,017,673	44,743	2,062,416
Transactions with equity holders								
Transfer to Investment Fund	-	-	-	652,285	(652,285)	-	-	-
Dividend paid	-	-	-	-	(656,696)	(656,696)	(37,333)	(694,029)
Change in group company holding	-	-	-	-	(2,072)	(2,072)	2,072	-
Balance as at 30 September 2012	863,937	878,718	5,805,707	1,039,110	9,696,562	18,284,034	922,234	19,206,268
Balance as at 1 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 Period	-	-	-	-	2,196,602	2,196,602	15,495	2,212,097
Other Comprehensive Income net of Tax	-	-	-	-	(939)	(939)	(290)	(1,228)
Total Comprehensive Income for the period	-	-	-	-	2,195,663	2,195,663	15,206	2,210,869
Transactions with equity holders								
Issue of new shares	79,809	-	-	-	-	79,809	-	79,809
Transfer to Investment Fund	-	-	-	654,691	(654,691)	-	-	-
Transfer to Statutory Reserve Fund	-	79,809	-	-	(79,809)	-	-	-
Dividend paid	-	-	-	-	(2,401,065)	(2,401,065)	(34,604)	(2,435,669)
Change in group company holding	-	-	-	-	-	-	(13,017)	(13,017)
Balance as at 30 September 2013	943,746	958,527	5,805,707	1,579,023	15,470,445	24,757,448	793,995	25,551,444

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 2012 and comply with Sri Lanka Accounting Standard 34- "Interim Financial Reporting". Previous years figures and phrases have been re-arranged where ever 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 Hongkong 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 Rs 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 Rs 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 were allocated 491,132 ordinary shares at a price of Rs 162.50/- per share in July 2013, as a grant (which will have a vesting period of three years). Accordingly the said shares were issued to the trustees of the ELCP share grant scheme. This share issue resulted in the increase of the stated capital of the Bank from Rs 1,093.1 mn to Rs 1,172.9 mn, and the number of shares in issue from 164,201,902 to 164,693,034.
- There have been no events subsequent to the end of the reporting period that require disclosure.
- Additional quarterly disclosures prescribed as circular dated 11th October 2013

a) Loans and Receivables to Other Customers	BANK		GROUP	
	Current Period	Previous Period	Current Period	Previous Period
	As at	As at	As at	As at
	30/09/2013	31/12/2012	30/09/2013	31/12/2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross loans and receivables	125,834,119	118,915,483	125,873,894	118,962,158
(Less): Individual impairment	1,084,958	979,186	1,084,958	979,186
Collective impairment	2,019,063	1,943,937	2,019,063	1,943,937
Net loans and receivables	122,730,098	115,992,360	122,769,873	116,039,035

b) Gross Loans and Receivables to Other Customers - By product

By product-Domestic Currency

Term loans	22,660,944	21,235,305	22,660,944	21,235,305
Medium and short term loans	16,431,125	14,255,371	16,431,125	14,255,371
Overdrafts	16,807,504	17,596,248	16,807,504	17,596,248
Trade Finance	8,676,012	10,546,855	8,676,012	10,546,855
Consumer loans	13,333,793	11,341,512	13,333,793	11,341,512
Lease rentals receivable	8,065,730	6,439,571	8,065,730	6,439,571
Housing loans	4,717,405	4,972,040	4,717,405	4,972,040
Pawning	3,146,527	4,011,458	3,146,527	4,011,458
Staff loans	904,404	783,735	944,179	830,410
Sub total	94,743,445	91,182,095	94,783,220	91,228,770

By product-Foreign Currency

Overdrafts	1,018,359	1,038,504	1,018,359	1,038,504
Medium and short term loans	7,345,686	6,070,239	7,345,686	6,070,239
Trade Finance	22,726,630	20,624,645	22,726,630	20,624,645
Sub total	31,090,674	27,733,388	31,090,674	27,733,388
Total	125,834,119	118,915,483	125,873,894	118,962,158

NOTES TO THE FINANCIAL STATEMENTS Contd.

c) Movements in individual and collective impairment during the period for loans and Receivables to Other Customers	BANK		GROUP	
	Current Period	Previous Period	Current Period	Previous Period
	As at 30/09/2013 Rs.'000	As at 31/12/2012 Rs.'000	As at 30/09/2013 Rs.'000	As at 31/12/2013 Rs.'000
Individual impairment				
Opening balance	979,186	987,053	979,186	987,053
Charge/(Write back) to Income Statement	83,458	(8,941)	83,458	(8,941)
Write-off during the year	(284,091)	(66,770)	(284,091)	(66,770)
Other movements	306,404	67,844	306,404	67,844
Closing balance at	1,084,957	979,186	1,084,957	979,186
Collective impairment				
Opening balance	1,943,938	1,877,384	1,943,938	1,877,384
Charge/(Write back) to Income Statement	121,957	66,554	121,957	66,554
Write-off during the year	(46,832)	-	(46,832)	-
Closing balance	2,019,063	1,943,938	2,019,063	1,943,938
Total impairment	3,104,020	2,923,124	3,104,020	2,923,124
d) Due to Other Customers - By product				
By product-Domestic Currency				
Demand deposits	5,644,891	6,210,907	5,644,891	6,210,907
Savings deposits	13,710,639	10,726,146	13,710,639	10,726,146
Fixed deposits	73,134,830	62,295,759	72,740,268	62,089,042
Other deposits	227,666	119,430	227,666	119,430
Sub total	92,718,026	79,352,241	92,323,464	79,145,524
By product- Foreign Currency				
Demand deposits	1,280,429	1,531,239	1,280,429	1,531,239
Savings deposits	4,651,320	7,297,015	4,651,320	7,297,015
Fixed deposits	19,763,722	19,352,270	19,763,720	19,352,270
Other deposits	75,605	67,818	75,605	67,818
Sub total	25,771,076	28,248,342	25,771,074	28,248,342
Total	118,489,102	107,600,583	118,094,538	107,393,866
Share information	30.09.2013	30.09.2012		
Market value per share (Rs.)	143.80	149.40		
Highest price per share for the period (Rs.)	169.00	155.00		
Lowest price per share for the period (Rs.)	138.00	98.00		

SELECTED PERFORMANCE INDICATORS (As per Regulatory Reporting)

	BANK		GROUP	
	As at 30/09/2013	As at 31/12/2012	As at 30/09/2013	As at 31/12/2012
Regulated Capital Adequacy				
Core Capital (Tier 1 Capital) (Rs m)	18,867	13,454	24,598	25,302
Total Capital Base (Rs m)	20,235	14,955	26,365	27,929
Core Capital adequacy Ratio -Core Capital as a % of Risk - weighted Assets (Minimum Requirement 5%)	14.15	11.16	17.04	18.76
Total Capital Adequacy Ratio - Total Capital as a % of (Tier 1 & 2 (%)) Risk - weighted Assets (Minimum Requirement 10%)	15.18	12.41	18.26	20.71
Asset Quality				
Gross Non-performing Advances Ratio (%)	1.94	1.31	1.94	1.31
Net Non-performing Advances Ratio (%)	1.14	0.50	1.14	0.50
Profitability				
Earnings Per Share (Rs)- annualised	49.73	17.81	17.78	55.31
Return on Average Shareholders' Funds (%)	46.64	21.17	11.80	42.17
Return on Average Assets (%)	4.72	1.94	1.62	5.62
Net interest margin (%)	3.99	3.70	3.99	3.76
Debt Security - Related Ratios				
Interest Cover (Times)	1.50	1.50	1.52	1.52
Debt to Equity (Times)	7.85	9.54	6.38	5.87
Regulatory Liquidity				
Statutory liquid assets- Rs m	39,103	31,971	39,103	31,971
Statutory liquid assets ratio (%)				
Domestic Banking Unit	24.66	22.02	24.66	22.02
Foreign Currency Banking Unit	27.06	24.92	27.06	24.92

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.)

HDS Amarasuriya

Chairman

12th November 2013

(Sgd.)

RTheagarajah

Chief Executive Officer

CASH FLOW STATEMENT

For the nine months ended 30 September, 2013	BANK		GROUP	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	16,025,587	11,843,257	16,188,885	11,678,808
Fee based income received	1,124,647	817,526	2,179,265	954,931
Dividend income received	710,802	118,990	25,081	152,676
Other income received	829,646	1,601,399	283,102	1,822,494
Interest paid	(9,765,135)	(6,980,572)	(9,765,369)	(6,800,901)
Personnel cost paid	(1,824,346)	(1,538,576)	(1,954,475)	(1,644,702)
General expenses paid	(1,413,692)	(1,225,320)	(1,621,084)	(1,269,974)
Income taxes paid	(870,567)	(477,381)	(903,781)	(598,292)
VAT paid	(749,458)	(527,309)	(749,458)	(483,152)
Net (increase) / decrease in loans and advances	(7,009,611)	(11,368,235)	(7,009,611)	(11,014,966)
Net Increase in Deposits from customers	10,902,877	16,212,330	10,902,877	16,207,495
Net (increase) /decrease in other receivables	1,223,254	123,492	1,238,418	(35,439)
Net increase /(decrease) in other liabilities	(2,022,773)	(103,641)	(2,008,944)	(428,248)
Net cash provided by / (used in) operating activities	7,161,231	8,495,960	6,804,906	8,540,730
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	(2,017,393)	47,605	4,263,037	980,241
Government treasury bills and bonds	(17,553,202)	(6,107,476)	(17,553,202)	(6,107,476)
Disposal of group companies	5,954,774	884,951	(13,016)	0
Net due to/(from) related companies	227	(1,746)	227	(1,746)
Securities sold under repurchase agreements	4,637,799	5,065,339	4,637,799	5,065,339
Proceeds from disposal of fixed assets	2,416	128,339	(75,830)	142,968
Expenditure on fixed assets	(247,534)	(338,175)	(165,947)	(337,755)
Net cash provided by/(used in) investing activities	(9,222,913)	(321,163)	(8,906,932)	(258,429)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in borrowings	307,950	(2,613,279)	307,951	(2,613,279)
Dividend paid	(2,614,106)	(1,172,829)	(2,710,973)	(1,233,338)
Net cash provided by/(used in) financing activities	(2,306,156)	(3,786,108)	(2,403,022)	(3,846,617)
Net increase/(decrease) in cash and cash equivalents	(4,367,838)	4,388,689	(4,505,048)	4,435,684
Cash and cash equivalents at the beginning of the period	13,114,541	7,840,168	13,269,129	7,963,857
Cash and cash equivalents at the end of the period	8,746,703	12,228,857	8,764,081	12,399,541
Cash and cash equivalents	2,750,407	1,319,776	2,797,786	1,242,353
Balances with Central Bank	4,907,669	6,061,643	4,907,669	6,061,643
Placement with banks	1,088,626	4,847,438	1,088,626	5,095,545
	8,746,703	12,228,857	8,794,081	12,399,541

SEGMENTAL ANALYSIS - GROUP

For the nine Months ended 30th September

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2012		2012		2012		2012		2012	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
REVENUE										
External income	17,705,531	14,227,572	780,770	521,096	74,412	78,414	-	-	18,560,714	14,827,081
Inter-segment income	-	-	16,233	20,282	42,166	36,958	-	-	58,398	57,240
Total income	17,705,531	14,227,572	797,003	541,378	116,578	115,372	-	-	18,619,112	14,884,321
Segment expenses	(14,115,318)	(11,229,215)	(368,331)	(218,517)	(58,411)	(44,245)	-	-	(14,542,060)	(11,491,978)
Segment results	3,590,213	2,998,357	428,671	322,860	58,167	71,126	-	-	4,077,052	3,392,344
Share of associate companies profit before taxation	-	-	-	-	-	-	39,658	172,524	39,658	172,524
Taxation	-	-	-	-	-	-	-	-	(1,077,177)	(999,581)
VAT on financial services	-	-	-	-	-	-	-	-	(827,435)	(526,215)
Profit after taxation	-	-	-	-	-	-	-	-	2,212,097	2,039,072
Other information										
Segment assets	183,122,416	156,127,045	3,701,254	4,390,320	1,410,595	1,661,013	-	-	188,234,266	162,178,378
Investment in associates	-	-	-	-	-	-	72,959	1,748,157	72,959	1,748,157
Consolidated total assets									188,307,225	163,926,536
Segment liabilities	162,614,690	144,342,767	106,557	54,423	34,533	116,142	-	-	162,755,781	144,513,332
Consolidated total liabilities									162,755,781	144,513,332
Segmental Cashflows										
Cashflows from operating activities	7,161,231	8,636,799	(95,356)	(95,356)	(712)	(712)	(260,257)	-	6,804,906	8,540,731
Cashflows from investing activities	(9,222,913)	(321,163)	196,967	25,241	37,493	37,493	81,521	-	(8,906,932)	(258,429)
Cashflows from financing activities	(2,306,156)	(3,786,108)	(60,087)	(23,728)	(36,779)	(36,779)	-	-	(2,403,022)	(3,846,617)

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 SEPTEMBER 2013 - BANK

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans and Receivables	Available for Sale	Others	Total
ASSETS							
Cash and cash equivalents	-	-	-	2,750,407	-	-	2,750,407
Balances with Central Bank	-	-	-	4,907,669	-	-	4,907,669
Placements with banks	-	-	-	1,088,626	-	-	1,088,626
Derivative Financial Instruments	1,234,292	-	-	-	-	-	1,234,292
Financial Investments - Held for trading	13,357,904	-	-	-	-	-	13,357,904
Other Financial Assets held for trading	1,065,005	-	-	-	-	-	1,065,005
Loans and Receivables to banks	-	-	-	735,435	-	-	735,435
Loans and Receivables to other customer	-	-	-	122,730,098	-	-	122,730,098
Financial Investments - loans and receivables	-	-	-	14,927,176	-	-	14,927,176
Financial Investments - Available for sale	-	-	-	-	140,283	-	140,283
Financial Investments - Held to maturity	-	-	16,870,900	-	-	-	16,870,900
Total Financial Assets	15,657,201	-	16,870,900	147,139,412	140,283	-	179,807,796
Investments in subsidiary companies	-	-	-	-	-	2,037,773	2,037,773
Investments in associate companies	-	-	-	-	-	18,526	18,526
Investment Property	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	274,320	274,320
Property, plant & equipment	-	-	-	-	-	875,274	875,274
Other assets	-	-	-	-	-	211,846	211,846
Total Assets	15,657,201	-	16,870,900	147,139,412	140,283	3,417,738	183,225,534
LIABILITIES							
				Held for Trading	Amortised Cost	Others	Total
Due to Banks	-	-	-	-	9,663,391	-	9,663,391
Derivative Financial Instruments	-	-	-	874,128	-	-	874,128
Due to other Customers	-	-	-	-	118,489,102	-	118,489,102
Debt Securities issued and other borrowed funds	-	-	-	-	28,283,648	-	28,283,648
Subordinated Term debts	-	-	-	-	1,931,219	-	1,931,219
Total Financial Liabilities	-	-	-	874,128	158,367,360	-	159,241,889
Current Tax Liabilities	-	-	-	-	-	660,709	660,709
Deferred Tax	-	-	-	-	-	204,875	204,875
Other liabilities	-	-	-	-	-	2,906,917	2,906,917
Dividends payable	-	-	-	-	-	36,160	36,160
Total Liabilities	-	-	-	874,128	158,367,360	3,808,661	163,050,150

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2012 - BANK

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans and Receivables	Available for Sale	Others	Total
ASSETS							
Cash and cash equivalents	-	-	-	3,480,395	-	-	3,480,395
Balances with Central Bank	-	-	-	6,074,792	-	-	6,074,792
Placements with banks	-	-	-	3,559,354	-	-	3,559,354
Derivative Financial Instruments	1,706,372	-	-	-	-	-	1,706,372
Financial Investments - Held for trading	982,967	-	-	-	-	-	982,967
Other Financial Assets held for trading	-	-	-	-	-	-	-
Loans and Receivables to banks	-	-	-	1,183,343	-	-	1,183,343
Loans and Receivables to other customer	-	-	-	115,992,360	-	-	115,992,360
Financial Investments - loans and receivables	-	-	-	6,446,031	-	-	6,446,031
Financial Investments - Available for sale	-	-	-	66,714	-	-	66,714
Financial Investments - Held to maturity	-	-	-	19,257,271	-	-	19,257,271
Total Financial Assets	2,689,339	-	-	156,060,260	-	-	158,749,599
Investments in subsidiary companies	-	-	-	-	-	2,641,178	2,641,178
Investments in associate companies	-	-	-	-	-	18,525	18,525
Investment Property	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	272,314	272,314
Property, plant & equipment	-	-	-	-	-	856,195	856,195
Other assets	-	-	-	-	-	936,485	936,485
Total Assets	2,689,339	-	-	156,060,260	-	4,724,697	163,474,296
LIABILITIES							
				Held for Trading	Amortised Cost	Others	Total
Due to Banks	-	-	-	-	2,319,984	-	2,319,984
Derivative Financial Instruments	-	-	-	1,736,838	-	-	1,736,838
Due to other Customers	-	-	-	-	107,600,583	-	107,600,583
Debt Securities issued and other borrowed funds	-	-	-	-	30,357,824	-	30,357,824
Subordinated Term debts	-	-	-	-	2,254,699	-	2,254,699
Total Financial Liabilities	-	-	-	1,736,838	142,533,090	-	144,269,928
Current Tax Liabilities	-	-	-	-	-	656,211	656,211
Deferred Tax	-	-	-	-	-	79,874	79,874
Other liabilities	-	-	-	-	-	3,276,861	3,276,861
Dividends payable	-	-	-	-	-	249,021	249,021
Total Liabilities	-	-	-	1,736,838	142,533,090	4,261,967	148,531,895

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 SEPTEMBER 2013 - GROUP

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans and Receivables	Available for Sale	Others	Total
ASSETS							
Cash and cash equivalents	-	-	-	2,797,786	-	-	2,797,786
Balances with Central Bank	-	-	-	4,907,669	-	-	4,907,669
Placements with banks	-	-	-	1,088,626	-	-	1,088,626
Derivative Financial Instruments	1,234,292	-	-	-	-	-	1,234,292
Financial Investments - Held for trading	13,357,904	-	-	-	-	-	13,357,904
Other Financial Assets held for trading	5,532,551	-	-	-	-	-	5,532,551
Loans and Receivables to banks	-	-	-	735,435	-	-	735,435
Loans and Receivables to other customer	-	-	-	122,769,873	-	-	122,769,873
Financial Investment - Loans and receivables	-	-	-	15,157,762	-	-	15,157,762
Financial Investments - Available for sale	-	-	-	-	264,248	-	264,248
Financial Investment - Held to maturity	-	-	17,173,479	-	-	-	17,173,479
Total Financial Assets	20,124,747	-	17,173,479	147,457,151	264,248	-	185,019,625
Investments in subsidiary companies	-	-	-	-	-	-	-
Investments in associate companies	-	-	-	-	-	72,959	72,959
Investment Property	-	-	-	-	-	1,295,693	1,295,693
Intangible assets	-	-	-	-	-	317,031	317,031
Property, plant & equipment	-	-	-	-	-	1,225,948	1,225,948
Other assets	-	-	-	-	-	375,969	375,969
Total Assets	20,124,747	-	17,173,479	147,457,151	264,248	3,287,600	188,307,225
LIABILITIES							
				Held for Trading	Amortised Cost	Others	Total
Due to Banks				-	9,663,391	-	9,663,391
Derivative Financial Instruments				874,128	-	-	874,128
Due to other Customers				-	118,094,538	-	118,094,538
Debt Securities issued and other borrowed funds					28,246,948	-	28,246,948
Subordinated Term debts					1,931,219	-	1,931,219
Total Financial Liabilities				874,128	157,936,097	-	158,810,225
Current Tax Liabilities				-	-	676,777	676,777
Deferred Tax				-	-	197,026	197,026
Other liabilities				-	-	3,035,594	3,035,594
Dividends payable				-	-	36,160	36,160
Total Liabilities				874,128	157,936,097	3,945,557	162,755,782

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2012 - GROUP

	Held for Trading	Designated at FVTPL	Held to Maturity	Loans and Receivables	Available for Sale	Others	Total
ASSETS							
Cash and cash equivalents	-	-	-	3,634,983	-	-	3,634,983
Balances with Central Bank	-	-	-	6,074,792	-	-	6,074,792
Placements with banks	-	-	-	3,559,354	-	-	3,559,354
Derivative Financial Instruments	1,706,372	-	-	-	-	-	1,706,372
Financial Investments - Held for trading	982,967	-	-	-	-	-	982,967
Other Financial Assets held for trading	10,411,658	-	-	-	-	-	10,411,658
Loans and Receivables to banks	-	-	-	1,183,343	-	-	1,183,343
Loans and Receivables to other customer	-	-	-	116,039,035	-	-	116,039,035
Financial Investments - loans and receivable	-	-	-	7,088,893	-	-	7,088,893
Financial Investments - Available for sale	-	-	-	-	173,541	-	173,541
Financial Investments - Held to maturity	-	-	19,223,228	-	-	-	19,223,228
Total Financial Assets	13,100,997	-	19,223,228	137,580,400	173,541	-	170,078,166
Investments in subsidiary companies	-	-	-	-	-	-	-
Investments in associate companies	-	-	-	-	-	33,301	33,301
Investment Property	-	-	-	-	-	1,295,693	1,295,693
Intangible assets	-	-	-	-	-	318,723	318,723
Property, plant & equipment	-	-	-	-	-	1,222,500	1,222,500
Other assets	-	-	-	-	-	1,154,688	1,154,688
Total Assets	13,100,997	-	19,223,228	137,580,400	173,541	4,024,905	174,103,072
LIABILITIES							
				Held for Trading	Amortised Cost	Others	Total
Due to Banks				-	2,319,984	-	2,319,984
Derivative Financial Instruments				1,736,838	-	-	1,736,838
Due to other Customers				-	107,393,866	-	107,393,866
Debt Securities issued and other borrowed funds				-	30,317,899	-	30,317,899
Subordinated Term debts				-	2,254,699	-	2,254,699
Total Financial Liabilities				1,736,838	142,286,448	-	144,023,286
Current Tax Liabilities				-	-	633,838	633,838
Deferred Tax				-	-	79,120	79,120
Other liabilities				-	-	3,408,354	3,408,354
Dividends payable				-	-	249,021	249,021
Total Liabilities				1,736,838	142,286,448	4,370,333	148,393,619

TOP 20 LARGEST REGISTERED SHAREHOLDERS

As at 30th September, 2013

Name	No of Shares	%
1. BANK OF CEYLON NO. 1 ACCOUNT	16,371,076	9.94
2. EMPLOYEES PROVIDENT FUND	15,810,248	9.6
3. SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	9,388,488	5.7
4. DR. S YADDEHIGE	8,669,000	5.26
5. HSBC INTL NOM LTD-SNFE- NTASIAN DISCOVERY MASTER FUND	8,432,154	5.12
6. SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	7,805,426	4.74
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	2.6
12. NATIONAL DEVELOPMENT BANK PLC – ESOP A/C NO 5	4,133,726	2.51
13. ASIAN ALLIANCE INSURANCE PLC ACCOUNT NUMBER 3/LIFE SHAREHOLDERS FUND	3,500,000	2.13
14. BNY-CF RUFFER INVESTMENT FUNDS : CF RUFFER PACIFIC FUND	3,000,000	1.82
15. MR. A K PATHIRAGE	2,970,000	1.8
16. ASIAN ALLIANCE INSURANCE PLC–GENERAL FUND ACCOUNT NUMBER 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)	2,110,723	1.28
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 30.09.2013 – 75.65%*

* In computing the public holding, we have excluded the shares directly or indirectly held by directors, spouses and by the Bank of Ceylon and the Sri Lanka Insurance Corporation which entities hold shares through several accounts which collectively exceed 10% each of the shares in issue of NDB.

DIRECTOR'S INTEREST IN SHARES OF NDB

As at 30th September, 2013

NAME	NO OF SHARES
H D S AMARASURIYA	28,150
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	-





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