

CHAIRMAN'S REVIEW

Dear Stakeholder

NDB delivered a solid June half year results, with continued growth in the businesses and a stronger balance sheet. NDB continued to deliver strong performance despite the low level of credit growth during the first half of the year. The Net Interest Income of the Bank recorded a growth of 29% over last year. The Bank's Interest Income grew by 34% compared to the corresponding period of 2012 supported by a 14% expansion in its loan book over the comparative period. Interest Expenses increased by 37% YoY with a 24% growth in customer deposits compared to the prior period in a relatively higher interest rate environment.

The Bank's Net Fee and Commission Income also increased by 20% YoY as a result of effective cross selling mechanisms implemented among group companies. The revaluation gain made during the corresponding period of 2012 due to the significant depreciation of the Sri Lankan Rupee against the US Dollar was Rs. 418 Mn, compared to the gain of Rs. 47 Mn made during the period under review. However, Other Operating Income grew significantly by 465% over the prior period and included an one off equity capital gain of Rs. 5.3 Bn. The strategic disposal within the Group of the investment in AVIVA NDB Insurance PLC to American International Assurance Company Limited (AIA) of Hong Kong during the fourth quarter of 2012 earned impressive capital gains for NDB Capital Holdings PLC (NCAP) which is a subsidiary of the Bank. Following the share buyback agreement, NCAP bought back its shares in March 2013 posting a Rs. 5.3 Bn capital gain for NDB, which supports the core equity of the Bank.

Despite the faster growth in the distribution network of the Bank, the operating expenses have been managed well throughout the period. The Bank's effective cost saving and monitoring strategies enabled to curtail the growth in its overheads to 18% and thereby maintain the same levels of Cost to Income Ratio as compared to the prior period.

The Bank's Operating Profit Before Value Added Tax (OPBVAT) of Rs. 8.1 Bn for the six months ended 2013 recorded an impressive growth of 201% YoY. OPBVAT excluding the capital gain was a modest increase of 3% over the corresponding period. The Profit After Tax (PAT) for the said period was Rs. 6.9 Bn.

Group companies have contributed positively towards the performance of the NDB Group despite the sluggish capital market conditions that prevailed in the economy. However, group profits attributable to shareholders declined by 2% YoY due to the set-off of the said capital gain of Rs. 5.3 Bn and inter-company dividends received during the period. With the diverse portfolio of service offerings comprising investment banking, wealth management and stock brokering the Bank will continue to benefit from group synergies.

The Bank's asset growth slowed down in 2013, as a result of low credit appetite. The banking industry as a whole experienced low growth levels in customer advances from the beginning of 2013. As at end of May industry credit growth was only 3% YTD compared with a 5% growth at NDB. The

decline in pawning advances due to drastic drop in gold prices during the second quarter has also contributed negatively towards the drop in loans and advances during the period.

The NPL ratio stood at 1.85% at the end of June 2013. The robust and prudential risk management practices together with rigorous recovery processes adopted by the Bank have assisted in maintaining the NPL ratio well below the industry average throughout the period.

The total deposit base increased to Rs. 118 Bn with a YTD growth of 9%. Due to the relatively high interest rate scenario that prevailed during the second quarter of 2013, conversion of low cost savings to high cost term deposits was witnessed and this resulted in the CASA ratio declining from 25% in December 2012 to 21% by June 2013.

Capital Adequacy position of the Bank further strengthened during the first half of 2013 with the Tier I ratio improving from 11.16% in December 2012 to 13.89% in June 2013 mainly through the capital gain earned on the share buyback transaction that took place within the NDB group during the first quarter of 2013, whilst Tier I and II ratio improved from 12.41% to 15.09%. The Bank's strong capital base will provide a firm foundation for aggressive growth in the core banking business by seizing opportunities in the economy.

NDB continues to create value to its shareholders with an increased Earning per Share (EPS) of Rs. 49.18 from Rs. 17.81 in 2012 and a significantly increased ROE of 47.02% from 21.17% in 2012. The Bank's Return on Assets (ROA) stood at 4.70% as at 30 June 2013.

The International Financial Magazine (IFM) of UK, recently recognized NDB as the "Best Commercial Bank" for the great strides the Bank has made in emerging as a competitive commercial bank, while displaying worthy corporate citizenship through sustainable business practices. The Asian Banking and Finance Awards also recognized NDB as the "Domestic Retail Bank of the Year" and "SME Bank of the Year" for 2013. These accolades, whilst encouraging staff to strive towards greater excellence, also endorses that NDB has touched upon the many domains of the business and industry.

Despite the challenges in the business environment that prevailed during the period, NDB has delivered higher profits and enhanced value to its shareholders. We will continue our focus on growing our core banking activities whilst contributing to the economic development of the country.

Hemaka Amarasuriya
Chairman

14 August 2013

SUMMARISED INCOME STATEMENT

	BANK					GROUP				
	Six months ended	Six months ended	Change %	Quarter ended	Quarter ended	Six months ended	Six months ended	Change %	Quarter ended	Quarter ended
	30/06/2013 Rs '000	30/06/2012 Rs '000		30/06/2013 Rs '000	30/06/2012 Rs '000	30/06/2013 Rs '000	30/06/2012 Rs '000		30/06/2013 Rs '000	30/06/2012 Rs '000
Interest Income	10,240,928	7,629,608	34	5,325,622	4,000,401	10,294,547	7,733,068	33	5,357,192	4,051,325
Interest Expenses	6,872,903	5,025,520	37	3,532,617	2,692,831	6,849,711	4,990,427	37	3,520,587	2,686,573
Net Interest Income	3,368,025	2,604,088	29	1,793,005	1,307,570	3,444,836	2,742,642	26	1,836,605	1,364,751
Net Fee and commission income	689,938	574,993	20	378,194	277,415	689,938	574,993	20	378,194	277,415
Net trading income/(Expenses)	434,420	504,583	(14)	285,321	211,656	434,420	504,583	(14)	285,321	211,656
Other operating income	6,138,176	1,086,396	465	83,909	558,966	827,904	793,475	4	425,931	435,985
Total operating income	10,630,559	4,770,060	123	2,540,429	2,355,606	5,397,099	4,615,693	17	2,926,052	2,289,807
Impairment charges for loans and other losses	148,906	82,573	80	98,735	386,517	122,214	82,573	48	98,734	386,517
Net operating income	10,481,654	4,687,487	124	2,441,695	1,969,090	5,274,885	4,533,120	16	2,827,318	1,903,291
Operating Expenses										
Personnal Expenses	1,218,686	1,039,865	17	624,309	502,968	1,339,997	1,128,203	19	684,276	548,686
Depreciation of Property Plant & Equipments	105,742	101,468	4	53,351	49,595	124,509	104,200	19	63,885	43,655
Amortization of Intangible Assets	41,043	40,031	3	20,464	20,654	41,043	40,031	3	20,464	20,654
Other operating costs	966,559	794,369	22	479,133	431,666	1,126,669	911,873	24	541,227	499,138
Total operating expenses	2,332,030	1,975,733	18	1,177,257	1,004,882	2,632,217	2,184,307	21	1,309,853	1,112,133
Operating Profit Before Value Added Tax (VAT)	8,149,623	2,711,754	201	1,264,438	964,207	2,642,668	2,348,813	13	1,517,465	791,157
Value Added Tax(VAT) of Financial Services	(622,295)	(384,538)	62	(241,095)	(211,823)	(622,295)	(384,538)	62	(241,095)	(211,823)
Operating Profit After Value Added Tax (VAT)	7,527,328	2,327,216	223	1,023,343	752,384	2,020,373	1,964,275	3	1,276,370	579,334
Share of associate companies' profit	-	-	-	-	-	10,678	112,210	(90)	8,210	62,414
Profit Before Taxation	7,527,328	2,327,216	223	1,023,343	752,384	2,031,050	2,076,485	(2)	1,284,580	641,748
Taxation	(666,402)	(577,030)	15	(431,609)	(289,511)	(724,058)	(720,927)	0	(477,551)	(360,318)
Profit for the year	6,860,926	1,750,186	292	591,734	462,873	1,306,992	1,355,558	(4)	807,029	281,430
Profit Attributable to Equity										
Holders of the parent	6,860,926	1,750,186	292	591,734	462,873	1,304,641	1,330,012	(2)	797,754	267,022
Non Controlling Interest	-	-	-	-	-	2,352	25,546	(91)	9,275	14,408
	6,860,926	1,750,186	292	591,734	462,873	1,306,992	1,355,558	(4)	807,029	281,430
Earnings per share (in Rs)	41.78	10.66	292	3.60	2.82	7.95	8.10	(2)	4.86	1.63

STATEMENT OF COMPREHENSIVE INCOME

	BANK					GROUP				
	Six months ended	Six months ended	Change	Quarter ended	Quarter ended	Six months ended	Six months ended	Change	Quarter ended	Quarter ended
	30/06/2013	30/06/2012	%	30/06/2013	30/06/2012	30/06/2013	30/06/2012	%	30/06/2013	30/06/2012
	Rs '000	Rs '000		Rs '000	Rs '000	Rs '000	Rs '000		Rs '000	Rs '000
Profit for the period	6,860,926	1,750,186	292	591,734	462,873	1,306,992	1,355,558	(4)	807,029	281,430
Exchange gain from valuation of foreign associates and subsidiaries	-	-	-	-	-	(2,046)	28,559	(107)	(1,462)	3,854
Total Other Comprehensive Income /(expenses)	-	-	-	-	-	(2,046)	28,559	(107)	(1,462)	3,854
Total Comprehensive Income for the period	6,860,926	1,750,186	292	591,734	462,873	1,304,946	1,384,117	292	804,105	289,138
Profit attributable to										
Equity holders of the parent	6,860,926	1,750,186	292	591,734	462,873	1,303,067	1,353,909	(4)	794,830	274,730
Non Controlling Interests	-	-	-	-	-	1,880	30,208	(94)	9,275	14,408
	6,860,926	1,750,186	292	591,734	462,873	1,304,946	1,384,117	(6)	804,105	289,138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK				GROUP			
	Current Period	Previous Period	Change	%	Current Period	Previous Period	Change	%
	As at	As at			As at	As at		
	30/06/2013	31/12/2012			30/06/2013	31/12/2012		
	Rs. '000	Rs. '000			Rs. '000	Rs. '000		
Assets								
Cash and cash equivalents	2,220,146	3,480,395	(36)		2,231,956	3,634,983	(39)	
Balances with Central Bank	6,240,446	6,074,792	3		6,240,446	6,074,792	3	
Placements with banks	6,763,864	3,559,354	90		6,813,566	3,559,354	91	
Derivative Financial Instruments	1,827,517	1,706,372	7		1,827,517	1,706,372	7	
Financial Investments - Held for trading	7,221,729	982,967	635		7,221,729	982,967	635	
Other Financial Assets held for trading	1,031,780	-	-		5,312,396	10,411,658	(49)	
securities purchased under resale agreement	3,924,011	3,324,868	18		3,924,011	3,324,868	18	
Loans and advances to banks	886,813	1,183,343	(25)		886,813	1,183,343	(25)	
Loans and advances to customer	114,599,118	109,602,523	5		114,642,363	109,649,198	5	
Lease rentals receivables	6,439,762	6,389,837	1		6,439,762	6,389,837	1	
Other Financial Assets classified as loans and receivable	7,787,573	3,121,163	150		8,183,127	3,764,025	117	
Financial Investments - Available for sale	4,790	66,714	(93)		4,790	173,541	(97)	
Financial assets held to maturity	16,864,577	19,257,271	(12)		17,071,404	19,223,228	(11)	
Investments in subsidiary companies	2,031,773	2,641,178	(23)		-	-	-	
Investments in associate companies	18,526	18,525	-		43,979	33,301	32	
Investment Property	-	-	-		1,295,693	1,295,693	-	
Intangible assets	264,909	272,314	(3)		307,620	318,723	(3)	
property, plant & equipment	873,734	856,195	2		1,231,917	1,222,500	1	
Other assets	1,291,428	936,485	38		1,537,916	1,154,688	33	
Total assets	180,292,494	163,474,296	10		185,217,004	174,103,072	6	
Liabilities								
Due to Banks	6,735,999	2,319,984	190		6,735,999	2,319,984	190	
Derivative Financial Instruments	1,515,887	1,736,838	(13)		1,515,887	1,736,838	(13)	
Securities sold under repurchase agreements	16,047,509	12,515,861	28		16,032,499	12,515,861	28	
Due to Customers	117,639,980	107,600,583	9		117,290,318	107,393,866	9	
Debt Securities issued and other borrowed funds	12,070,456	17,841,963	(32)		12,040,456	17,803,038	(32)	
Tax liabilities	855,102	656,211	30		863,012	633,838	36	
Deferred Tax	138,874	79,874	74		131,026	79,120	66	
Other liabilities	3,854,807	3,276,861	18		4,010,443	3,408,354	18	
Dividends payable	40,023	249,021	(84)		40,023	249,021	(84)	
Subordinated Term debts	1,991,599	2,254,699	(12)		1,991,599	2,254,699	(12)	
Total liabilities	160,890,236	148,531,895	8		160,651,262	148,393,619	8	
Equity								
Stated Capital (164,201,902 shares)	1,093,095	1,093,095	-		863,937	863,937	-	
Statutory reserve fund	878,718	878,718	-		878,718	878,718	-	
Investment Fund	1,270,130	924,333	37		1,270,130	924,333	37	
Revenue reserves	16,160,315	12,046,255	34		20,772,254	22,216,055	(6)	
Total shareholders' equity	19,402,258	14,942,401	30		23,785,039	24,883,043	(4)	
Non Controlling Interest	-	-	-		780,702	826,410	(6)	
Total Equity	19,402,258	14,942,401	30		24,565,742	25,709,453	(4)	
Total liabilities and equity	180,292,494	163,474,296	10		185,217,004	174,103,072	6	
Net book value per share (Rs)	118.16	91.00	30		144.85	151.54	(4)	
Contingent liabilities and commitments	186,374,478	158,740,820	17		186,374,478	158,740,820	17	
Memorandum Information								
Number of Employees	1,536	1,447						
Number of Branches	73	69						

CASH FLOW STATEMENT

For the six months ended 30 June, 2013	BANK		GROUP	
	2013 Rs. `000	2012 Rs. `000	2013 Rs. `000	2012 Rs. `000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	10,839,681	7,402,116	10,943,094	7,536,630
Fee based income received	689,938	574,993	956,193	764,438
Dividend income received	710,566	118,787	20,783	54,401
Other income received	489,970	1,304,549	584,691	1,402,229
Interest paid	(6,247,127)	(3,942,919)	(6,247,361)	(3,942,919)
Personnel cost paid	(1,176,686)	(991,392)	(1,269,341)	(1,054,192)
General expenses paid	(923,160)	(793,752)	(1,049,135)	(897,468)
Income taxes paid	(408,511)	(304,986)	(432,706)	(366,573)
VAT paid	(408,595)	(377,033)	(408,595)	(377,033)
Net (increase) / decrease in loans and advances	(5,470,917)	(7,377,146)	(5,470,917)	(7,377,146)
Net Increase in Deposits from customers	10,039,396	14,775,961	10,039,396	14,775,961
Net (increase) /decrease in other receivables	(524,175)	(288,665)	(688,832)	(303,288)
Net increase /(decrease) in other liabilities	(547,647)	(423,277)	(436,514)	(534,210)
Net cash provided by / (used in) operating activities	7,062,734	9,677,238	6,540,757	9,680,832
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	(1,789,038)	54,737	4,703,424	1,007,917
Government treasury bills and bonds	(8,292,477)	(822,499)	(8,292,477)	(822,499)
Disposal of group companies	5,954,774	884,951	(13,016)	0
Net due to/(from) related companies	(575)	(11,161)	(575)	(11,161)
Securities sold under repurchase agreements	3,531,648	181,299	3,531,648	181,299
Proceeds from disposal of fixed assets	40,971	17,237	45,006	18,402
Expenditure on fixed assets	(169,286)	(113,179)	(172,223)	(147,640)
Net cash provided by/(used in) investing activities	(723,983)	191,385	(198,213)	226,318
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in borrowings	(1,618,591)	(2,072,547)	(1,618,591)	(2,072,547)
Dividend paid	(2,610,247)	(1,176,057)	(2,707,115)	(1,215,197)
Net cash provided by/(used in) financing activities	(4,228,838)	(3,248,603)	(4,325,706)	(3,287,743)
Net increase/(decrease) in cash and cash equivalents	2,109,914	6,620,020	2,016,839	6,619,407
Cash and cash equivalents at the beginning of the period	13,114,541	7,840,167	13,269,129	7,963,857
Cash and cash equivalents at the end of the period	15,224,454	14,460,187	15,285,968	14,583,264
Cash and cash equivalents	2,220,146	1,046,418	2,231,956	1,046,489
Balances with Central Bank	6,240,446	5,712,477	6,240,446	5,712,477
Placement with banks	6,763,864	7,701,292	6,813,566	7,824,298
	15,224,454	14,460,187	15,285,968	14,583,264

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2013	Stated Capital	Statutory Reserve Fund	General Reserve	Investment Fund Account	Retained Profit	Non-Controlling Interests	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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
Total Comprehensive Income for the period							
Profit for Period	-	-	-	-	1,750,186	-	1,750,186
Other Comprehensive Income net of Tax	-	-	-	-	-	-	-
Total Comprehensive Income for the period	-	-	-	-	1,750,186	-	1,750,186
Transactions with equity holders							
Transfer to Investment Fund	-	-	-	652,285	(652,285)	-	-
Dividend paid	-	-	-	-	(656,696)	-	(656,696)
Balance as at 30 June 2012	1,093,095	878,718	5,805,707	1,039,110	4,951,999	-	13,768,629
BANK							
Balance as at 1 January 2013	1,093,095	878,718	5,805,707	924,332	6,240,549	-	14,942,401
Total Comprehensive Income for the period							
Profit for Period	-	-	-	-	6,860,926	-	6,860,926
Other Comprehensive Income net of Tax	-	-	-	-	-	-	-
Total Comprehensive Income for the period	-	-	-	-	6,860,926	-	6,860,926
Transactions with equity holders							
Transfer to Investment Fund	-	-	-	345,798	(345,798)	-	-
Dividend paid	-	-	-	-	(2,401,065)	-	(2,401,065)
Balance as at 30 June 2013	1,093,095	878,718	5,805,707	1,270,130	10,354,612	-	19,402,262
GROUP							
Balance as at 1 January 2012	863,937	878,718	5,805,707	386,825	8,989,942	912,752	17,837,881
Total Comprehensive Income for the period							
Profit for Period	-	-	-	-	1,330,012	25,546	1,355,558
Other Comprehensive Income net of Tax	-	-	-	-	23,897	4,662	28,559
Total Comprehensive Income for the period	-	-	-	-	1,353,909	30,208	1,384,117
Transactions with equity holders							
Transfer to Investment Fund	-	-	-	652,285	(652,285)	-	-
Dividend paid	-	-	-	-	(656,696)	(37,333)	(694,029)
Change in group company holding	-	-	-	-	(2,072)	2,072	-
Balance as at 30 June 2012	863,937	878,718	5,805,707	1,039,110	9,032,798	907,699	18,257,969
GROUP							
Balance as at 1 January 2013	863,937	878,718	5,805,707	924,332	16,410,347	826,411	25,709,452
Total Comprehensive Income for the period							
Profit for Period	-	-	-	-	1,304,641	2,352	1,306,992
Other Comprehensive Income net of Tax	-	-	-	-	(1,574)	(472)	(2,046)
Total Comprehensive Income for the period	-	-	-	-	1,303,067	1,880	1,304,946
Transactions with equity holders							
Transfer to Investment Fund	-	-	-	345,798	(345,798)	-	-
Dividend paid	-	-	-	-	(2,401,065)	(34,570)	(2,435,635)
Change in group company holding	-	-	-	-	-	(13,017)	(13,017)
Balance as at 30 June 2013	863,937	878,718	5,805,707	1,270,130	14,966,551	780,703	24,565,746

SEGMENTAL ANALYSIS - GROUP

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
REVENUE										
External income	11,251,536	8,709,184	902,230	804,341	57,584	52,335	-	-	12,211,350	9,565,860
Inter-segment income	-	-	11,422	16,793	24,037	23,468	-	-	35,459	40,261
Total income	11,251,536	8,709,184	913,652	821,134	81,621	75,803	-	-	12,246,809	9,606,121
Segment expenses	(9,303,955)	(7,046,732)	(251,824)	(174,689)	(48,363)	(33,885)	-	-	(9,604,142)	(7,257,306)
Segment results	1,947,581	1,660,452	661,828	646,445	33,258	41,918	-	-	2,642,668	2,348,815
Share of associate companies profit before taxation	-	-	-	-	-	-	10,678	112,210	10,678	112,210
Taxation	-	-	-	-	-	-	-	-	(724,058)	(720,927)
VAT on financial services	-	-	-	-	-	-	-	-	(622,295)	(384,538)
Profit after taxation									<u>1,306,992</u>	<u>1,355,560</u>
Other information										
Segment assets	180,189,376	149,433,326	3,581,066	4,113,645	1,402,583	1,664,004	-	-	185,173,025	155,210,975
Investment in associates	-	-	-	-	-	-	43,979	1,830,106	43,979	1,830,106
Consolidated total assets									<u>185,217,004</u>	<u>157,041,081</u>
Segment liabilities	160,481,093	138,125,928	115,381	139,246	54,788	40,183	-	-	160,651,262	138,305,357
Consolidated total liabilities									<u>160,651,262</u>	<u>138,305,357</u>
Segmental cash flows										
Cash flows from operating activities	7,062,734	9,677,238	(95,356)	49,066	(712)	17,882	(425,910)	(63,354)	6,540,757	9,680,832
Cash flows from investing activities	(723,983)	191,385	196,967	(97,156)	37,493	18,899	291,311	113,190	(198,213)	226,318
Cash flows from financing activities	(4,228,838)	(3,248,603)	(60,087)	(21,821)	(36,781)	(17,319)	-	-	(4,325,706)	(3,287,743)

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS AS AT 30 JUNE 2013

Bank - Six months ended 30 June 2013	HFT	HTM	L & R	AFS	Others	Total
Cash and cash equivalents	-	-	2,220,146	-	-	2,220,146
Balances with Central Bank	-	-	6,240,446	-	-	6,240,446
Placements with banks	-	-	6,763,864	-	-	6,763,864
Derivative Financial Instruments	1,827,517	-	-	-	-	1,827,517
Financial Investments - Held for trading	7,221,729	-	-	-	-	7,221,729
Other Financial Assets held for trading	1,031,780	-	-	-	-	1,031,780
securities purchased under resale agreement	-	-	3,924,011	-	-	3,924,011
Loans and advances to banks	-	-	886,813	-	-	886,813
Loans and advances to customer	-	-	114,599,118	-	-	114,599,118
Lease rentals receivables	-	-	6,439,762	-	-	6,439,762
Other Financial Assets classified as loans and receivable	-	-	7,787,573	-	-	7,787,573
Financial Investments - Available for sale	-	-	-	4,790	-	4,790
Financial assets held to maturity	-	16,864,577	-	-	-	16,864,577
Total Financial Assets	10,081,026	16,864,577	148,861,732	4,790	-	175,812,124
Investments in subsidiary companies	-	-	-	-	2,031,773	2,031,773
Investments in associate companies	-	-	-	-	18,526	18,526
Investment Property	-	-	-	-	-	-
Intangible assets	-	-	-	-	264,909	264,909
property, plant & equipment	-	-	-	-	873,734	873,734
Other assets	-	-	-	-	1,291,428	1,291,428
Total assets	10,081,026	16,864,577	148,861,732	4,790	4,480,370	180,292,494
LIABILITIES			HFT	Amortised	Others	Total
				Cost		
Due to Banks				6,735,999		6,735,999
Derivative Financial Instruments			1,515,887	-		1,515,887
Securities sold under repurchase agreements			-	16,047,509		16,047,509
Due to Customers			-	117,639,980		117,639,980
Debt Securities issued and other borrowed funds			-	12,070,456		12,070,456
Subordinated Term debts			-	1,991,599		1,991,599
Total Financial Liabilities			1,515,887	154,485,543	-	156,001,430
Tax liabilities			-	-	855,102	855,102
Deferred Tax			-	-	138,874	138,874
Other liabilities			-	-	3,854,807	3,854,807
Dividends payable			-	-	40,023	40,023
Total liabilities			1,515,887	154,485,543	4,888,806	160,890,236

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS AS AT 31 DECEMBER 2012

Bank - year ended 2012	HFT	HTM	L & R	AFS	Others	Total
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
securities purchased under resale agreement	-	-	3,324,868	-	-	3,324,868
Financial Assets held for trading	982,967	-	-	-	-	982,967
Derrivative Financial Instruments	1,706,372	-	-	-	-	1,706,372
other Financial Assets held for trading	-	-	-	-	-	-
Loans and advances to banks	-	-	1,183,343	-	-	1,183,343
Loans and advances to customers	-	-	109,602,479	-	-	109,602,479
Lease rentals receivables	-	-	6,389,880	-	-	6,389,880
Other Financial Assets classified as loans and receivable	-	-	3,121,163	-	-	3,121,163
Financial Assets - Held to Maturity	-	19,257,271	-	-	-	19,257,271
Financial Assets - Available for sale	-	-	-	66,714	-	66,714
Total Financial Assets	2,689,339	19,257,271	136,736,275	66,714	-	158,749,599
Investments in subsidiary companies	-	-	-	-	2,641,178	2,641,178
Investments in associate companies	-	-	-	-	18,525	18,525
Other assets	-	-	-	-	936,486	936,486
Intangible assets	-	-	-	-	272,314	272,314
property, plant & equipment	-	-	-	-	856,195	856,195
Total assets	2,689,339	19,257,271	136,736,275	66,714	4,724,698	163,474,296

LIABILITIES	HFT	Amortised Cost	Others	Total
Due to Banks	-	2,319,984	-	2,319,984
Securities sold under repurchase agreements	-	12,515,861	-	12,515,861
Derrivative Financial Instruments	1,736,838	-	-	1,736,838
Due to Customers	-	107,600,583	-	107,600,583
Debt Securities issued and other borrowed funds	-	17,841,963	-	17,841,963
Subordinated Term debts	-	2,254,699	-	2,254,699
Total Financial Liabilities	1,736,838	142,533,090	-	144,269,928
Tax liabilities	-	-	656,211	656,211
Other liabilities	-	-	3,525,882	3,525,882
Deferred Tax	-	-	79,874	79,874
Total liabilities	1,736,838	142,533,090	4,261,966	148,531,895

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS AS AT 30 JUNE 2013

Group - Six months ended 30 June 2013	HFT	HTM	L & R	AFS	Others	Total
Cash and cash equivalents	-	-	2,231,956	-	-	2,231,956
Balances with Central Bank	-	-	6,240,446	-	-	6,240,446
Placements with banks	-	-	6,812,769	-	-	6,812,769
Derivative Financial Instruments	1,827,517	-	-	-	-	1,827,517
Financial Investments - Held for trading	7,221,729	-	-	-	-	7,221,729
Other Financial Assets held for trading	5,312,396	-	-	-	-	5,312,396
securities purchased under resale agreement	-	-	3,924,011	-	-	3,924,011
Loans and advances to banks	-	-	886,813	-	-	886,813
Loans and advances to customer	-	-	114,642,363	-	-	114,642,363
Lease rentals receivables	-	-	6,439,762	-	-	6,439,762
Other Financial Assets classified as loans and receivable	-	-	8,183,127	-	-	8,183,127
Financial Investments - Available for sale	-	-	-	4,790	-	4,790
Financial assets held to maturity	-	17,071,404	-	-	-	17,071,404
Total Financial Assets	14,361,642	17,071,404	149,361,247	4,790	-	180,799,083
Investments in subsidiary companies	-	-	-	-	-	-
Investments in associate companies	-	-	-	-	43,979	43,979
Investment Property	-	-	-	-	1,295,693	1,295,693
Intangible assets	-	-	-	-	264,909	264,909
property, plant & equipment	-	-	-	-	1,274,628	1,274,628
Other assets	-	-	-	-	1,538,712	1,538,712
Total assets	14,361,642	17,071,404	149,361,247	4,790	4,417,921	185,217,004
LIABILITIES			HFT	Amortised Cost	Others	Total
Due to Banks			-	6,735,999	-	6,735,999
Derivative Financial Instruments			1,515,887	-	-	1,515,887
Securities sold under repurchase agreements			-	16,032,499	-	16,032,499
Due to Customers			-	117,290,318	-	117,290,318
Debt Securities issued and other borrowed funds			-	12,040,456	-	12,040,456
Subordinated Term debts			-	1,991,599	-	1,991,599
Total Financial Liabilities			1,515,887	154,090,871	-	155,606,758
Tax liabilities			-	-	863,012	863,012
Deferred Tax			-	-	131,026	131,026
Other liabilities			-	-	4,010,443	4,010,443
Dividends payable			-	-	40,023	40,023
Total liabilities			1,515,887	154,090,871	5,044,504	160,651,262

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS AS AT 31 DECEMBER 2012

Group-year ended 2012	HFT	HTM	L & R	AFS	Others	Total
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
Securities purchased under resale agreement	-	-	3,324,868	-	-	3,324,868
Financial Assets held for trading	982,967	-	-	-	-	982,967
Derivative Financial Instruments	1,706,372	-	-	-	-	1,706,372
Other Financial Assets held for trading	10,411,658	-	-	-	-	10,411,658
Loans and advances to banks	-	-	1,183,343	-	-	1,183,343
Loans and advances to customers	-	-	109,649,198	-	-	109,649,198
Lease rentals receivables	-	-	6,389,837	-	-	6,389,837
Other Financial Assets classified as loans and receivable	-	-	3,764,025	-	-	3,764,025
Financial Assets - Held to Maturity	-	19,223,228	-	-	-	19,223,228
Financial Assets - Available for sale	-	-	-	173,541	-	173,541
Total Financial Assets	13,100,997	19,223,228	137,580,400	173,541	-	170,078,171
Investments in subsidiary companies	-	-	-	-	-	-
Investments in associate companies	-	-	-	-	33,301	33,301
Other assets	-	-	-	-	1,154,688	1,154,688
Intangible assets	-	-	-	-	318,723	318,723
property, plant & equipment	-	-	-	-	1,222,500	1,222,500
Investment Property	-	-	-	-	1,295,693	1,295,693
Total assets	13,100,997	19,223,228	137,580,400	173,541	4,024,905	174,103,071
LIABILITIES			HFT	Amortised Cost	Others	Total
Due to Banks	-	-	-	2,319,984	-	2,319,984
Securities sold under repurchase agreements	-	-	-	12,515,861	-	12,515,861
Derivative Financial Instruments	-	-	1,736,838	-	-	1,736,838
Due to Customers	-	-	-	107,393,866	-	107,393,866
Debt Securities issued and other borrowed funds	-	-	-	17,802,038	-	17,802,038
Subordinated Term debts	-	-	-	2,254,699	-	2,254,699
Total Financial Liabilities			1,736,838	142,286,448	-	144,023,286
Tax liabilities	-	-	-	-	633,838	633,838
Other liabilities	-	-	-	-	3,657,375	3,657,375
Deferred Tax	-	-	-	-	79,120	79,120
Total liabilities			1,736,838	142,286,448	4,370,333	148,393,619

NOTES FOR THE FINANCIAL STATEMENTS

1. The figures are extracted from unaudited financial statements.
2. The accounting policies and methods of computation are consistent with those followed during the previous financial year.
3. 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 wherever necessary to conform to current year's presentation.
4. On 27 September 2012, the Bank (NDB) and NDB Capital Holdings PLC 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.
5. There have been no events subsequent to the end of the reporting period that require disclosure.

Share information	30.06.2013	30.06.2012
Market value per share (Rs.)	162.50	100.00
Highest price per share for the period (Rs.)	182.50	125.00
Lowest price per share for the period (Rs.)	158.50	96.00

SELECTED PERFORMANCE INDICATORS (As per Regulatory Reporting)

	BANK		GROUP	
	As at 30/06/2013	As at 31/12/2012	As at 30/06/2013	As at 31/12/2012
Regulated Capital Adequacy				
Core Capital (Rs m)	18,226	13,454	23,943	25,295
Capital Base (Rs m)	19,799	14,955	26,113	27,922
Capital adequacy - Tier 1 (%)	13.89	11.16	16.80	18.76
- Tier 1 & 2 (%)	15.09	12.41	18.32	20.71
Asset Quality				
Gross Non-performing Advances Ratio (%)	1.85	1.31	1.85	1.31
Net Non-performing Advances Ratio (%)	0.97	0.50	0.97	0.50
Profitability				
Earnings Per Share (Rs)- annualised	49.18	17.81	15.89	55.31
Return on Average Shareholders' Funds (%)	47.02	21.17	10.72	42.17
Return on Average Assets (%)	4.70	1.94	1.45	5.62
Net interest margin (%)	3.95	3.70	3.95	3.76
Interest cover (times)	1.49	1.50	1.50	1.52
Debt to Equity (times)	7.96	9.54	6.48	5.87
Regulatory Liquidity				
Statutory liquid assets- Rs m	40,298	31,971	40,298	31,971
Statutory liquid assets ratio (%)				
- Domestic Banking Unit	27.72	22.02	27.72	22.02
- Foreign Currency Unit	23.41	24.92	23.41	24.92

CERTIFICATION

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 Deputy Chairman 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

14th August 2013

(Sgd.)

AK Pathirage

Deputy Chairman

TOP 20 LARGEST REGISTERED SHAREHOLDERS

As at 28th June, 2013

Name	No of Shares	%
1. BANK OF CEYLON NO. 1 ACCOUNT	16,371,076	9.97
2. EMPLOYEES PROVIDENT FUND	15,810,248	9.63
3. SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	9,388,488	5.72
4. DR. S YADDEHIGE	8,669,000	5.28
5. SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	7,805,426	4.75
6. HSBC INTL NOM LTD-SNFE- NTASIAN DISCOVERY MASTER FUND	7,532,154	4.59
7. HSBC INTL NOM LTD-BPSS LUX-ABERDEEN GLOBAL ASIA PACIFIC EQUITY FUND	5,715,450	3.48
8. EMPLOYEES TRUST FUND BOARD	5,303,700	3.23
9. HSBC INTERNATIONAL NOMINEES LIMITED-MSNY-BAY POND PARTNERS LP	4,501,200	2.74
10. HSBC INTL NOM LTD-BPSS LDN- ABERDEEN ASIA PACIFIC FUND	4,294,800	2.62
11. HATTON NATIONAL BANK PLC A/C NO 1	4,282,200	2.61
12. NATIONAL DEVELOPMENT BANK PLC – ESOP A/C NO 5	4,133,726	2.52
13. ASIAN ALLIANCE INSURANCE PLC ACCOUNT NUMBER 3/LIFE SHAREHOLDERS FUND	3,500,000	2.13
14. MR. A K PATHIRAGE	3,470,000	2.11
15. BNY-CF RUFFER INVESTMENT FUNDS :CF RUFFER PACIFIC FUND	3,000,000	1.83
16. ASIAN ALLIANCE INSURANCE PLC–GENERAL FUND ACCOUNT NUMBER 1	2,741,700	1.67
17. ASIRI HOSPITAL HOLDINGS PLC	2,408,136	1.47
18. UNITED MOTORS LANKA PLC	2,150,000	1.31
19. HSBC INTERNATIONAL NOMINEES LIMITED-MSNY-BAY POND INVESTORS (BERMUDA) LP	2,045,200	1.25
20. DFCC BANK A/C 1	2,000,000	1.22

Public holding as at 28.06.2013– 96.22%

DIRECTOR'S INTEREST IN SHARES OF NDB

As at 28th June, 2013

Name	No of Shares
H D S AMARASURIYA	28,150
A K PATHIRAGE	3,470,000
N I R DE MEL (CEO)	7,116
T L F JAYASEKARA	-
K FERNANDO	-
H A SIRIWARDENA	-
D S P WIKRAMANAYAKE	-
G D C EKANAYAKE	-
S RAJAPAKSE	-

