

CHAIRMAN'S REVIEW

I am pleased to inform our valued shareholders that the Bank has produced solid financial performance for the nine months ended September 30, 2012. The Net Profit after Tax of Rs 2,342 million for the period show an increase of Rs 804 million (52 percent) compared to the prior year corresponding period. The impressive performance during the period results from our continued focus on achieving a number of main objectives, including re-focusing our business and pursuing a growth agenda. Key initiatives aimed at developing our SME and retail segments and improving asset quality remain on track. We have expanded our distribution network and are continuing to work on a number of IT initiatives which will enable us both to offer service enhancements for our customers and bring substantial improvements in our operating efficiency. As a result, the interim performance is contributed by growth in the core banking profits and the net interest income grew by 25% to Rs 4,032 million and Forex income grew by Rs 561 million during the period. The reported results also include the equity income of Rs 536 million gained from the sales proceed on the sale of investments of NDB Investment Bank Ltd, NDB Stock Brokers (Pvt) Ltd and the 5 percent direct holding of Aviva NDB Insurance PLC, to NDB Capital Holdings PLC.

NDB Bank continues to benefits from the group synergies and provides a unique value proposition to its customers providing a wider array of products and services. The consolidated group performance is also commendable with Profit Attributable to the Shareholders increasing by Rs 334 million to Rs 2,041 million over the corresponding period last year.

The Bank's Basic Earnings per Share were Rs 17.23, indicates an increase of 40 percent over September 30 2011. The Bank's Return on Average Assets and Equity for the current period was 1.91 percent and 20.83 percent respectively, compared to 1.74 percent and 16.63 percent, respectively, over the nine months of 2011.

The Bank's loans and advances increased to Rs 113.0 billion as at September 30 2012, an increase of Rs 19.0 billion, or 21 percent, compared to September 30, 2011. The NPLs to gross lending portfolio of 1.35% as at September 30 2012 continues to remain healthy due to the proactive risk management practices of the Bank, and is well below the industry average. Our liquidity is excellent, and our capital ratios remain strong with a Total Risk Based Capital Ratio of 12.5%, well above the 10 percent considered "adequately" capitalized by bank regulators.

During the third quarter we also continued to build our distribution network to provide greater accessibility and convenience for our clients by expanding our footprint in the Northern region with the opening of the branch in Chunnakam. We also continue to remain committed towards SME development in the country and therefore, NDB opened a dedicated, state-of-the-art SME Centre in Kurunegala with the aim to provide a one stop shop for the diverse needs of entrepreneurs in the area. This center provides 360 degree solutions ranging from financial expertise on SME Banking services, industry expertise for those who intend to start up new business ventures to investment and capital management advice and a gamut of customized credit facilities. The bank also conducted a number of SME workshops in several regions including Mathugama, Kaduwela, Chilaw and Nittambuwa in a bid to educate, empower and enrich the entrepreneurs in these areas. Meanwhile, NDB Stockbrokers opened two dedicated stockbroking centres in the cities of Gampaha and Galle as a first step towards taking NDB's unique universal banking proposition to customers across the country.

I am also pleased to inform that NDB Group recently announced its agreement with American International Assurance Company Limited (AIA) of Hong Kong, one of the largest insurance companies in the world with an exclusive focus on the Asia-Pacific region to sell NDB's shareholding in the Aviva NDB Holdings Lanka (Private) Limited (Aviva NDB Holdings). The Net receipt of US\$ 59 Mn of the intended sale process is expected to be earned by the Group by end 2012, subject to the necessary regulatory and legal arrangements. This will result in NDB Group's strong capital base to increase further to a significant level which will enable enhanced growth of its core banking business, which together with NDB's brand strength, the geographical reach and leveraging on the well positioned group companies will result in shareholder expectations reaching greater heights.

Building on our strong performance during the interim period in 2012, the bank remains well-positioned to capitalize on the broad economic trends that have large-scale potential in the country and the region.

Hemaka Amarasuriya
Chairman
9 November 2012

SUMMARISED INCOME STATEMENT

	BANK					GROUP				
	Nine Months ended 30.09.2012	Nine Months ended 30.09.2011	Change (%)	Quarter ended 30.09.2012	Quarter ended 30.09.2011	Nine Months ended 30.09.2012	Nine Months ended 30.09.2011	Change (%)	Quarter ended 30.09.2012	Quarter ended 30.09.2011
INCOME	14,808,751	9,724,062	52	5,039,492	3,542,210	14,828,198	10,254,908	45	5,255,749	3,761,622
Interest income										
Interest income on loans and advances	10,058,975	6,357,616	58	3,708,340	2,401,020	10,060,766	6,358,851	58	3,708,926	2,401,164
Interest income from other interest earning assets	2,040,428	1,707,423	20	789,072	581,602	2,170,738	1,871,528	16	822,083	641,004
	12,099,403	8,065,039	50	4,497,411	2,982,623	12,231,503	8,230,379	49	4,531,009	3,042,168
Interest expenses										
Interest expenses on deposits	5,518,628	2,944,646	87	2,161,843	1,088,891	5,518,628	2,944,646	87	2,161,843	1,088,891
Interest expenses on other interest bearing liabilities	2,548,681	1,894,935	34	882,800	693,369	2,501,655	1,846,144	36	875,825	678,864
	8,067,309	4,839,582	67	3,044,644	1,782,261	8,020,283	4,790,791	67	3,037,669	1,767,756
NET INTEREST INCOME	4,032,094	3,225,457	25	1,452,768	1,200,362	4,211,221	3,439,588	22	1,493,340	1,274,413
Non interest income										
Equity income										
Quoted and Non-quoted securities	114,651	(17,082)	771	91,324	(7,869)	240,862	(3,566)	6,854	160,539	7,391
Group companies	631,414	257,911	145	-	28,980	-	500	(100)	-	-
Other income	855,868	872,608	(2)	266,581	307,544	1,248,418	1,482,009	(16)	380,026	481,130
Foreign exchange income	1,107,414	545,586	103	184,175	230,932	1,107,414	545,586	103	184,175	30,932
Net other income	2,709,348	1,659,023	63	542,081	559,587	2,596,695	2,024,529	28	724,740	719,453
NET INCOME	6,741,443	4,884,480	38	1,994,849	1,759,949	6,807,916	5,464,117	25	2,218,081	1,993,866
Less: NON INTEREST EXPENSES										
Personnel costs	1,538,576	1,179,551	30	548,443	418,458	1,678,930	1,357,239	24	599,899	477,184
Staff retirement benefits	32,250	17,996	79	10,750	6,221	36,041	22,046	63	11,810	7,531
Premises, equipment and establishment expenses	855,146	563,838	52	303,786	170,129	1,052,505	754,292	40	366,211	233,596
Other operating expenses	572,803	633,966	(10)	188,295	214,087	541,088	604,047	(10)	176,961	204,066
	2,998,775	2,395,351	25	1,051,274	808,894	3,308,564	2,737,624	21	1,154,881	922,376
OPERATING PROFIT BEFORE PROVISIONS	3,742,667	2,489,129	50	943,574	951,055	3,499,352	2,726,494	28	1,063,200	1,071,490
Less, Provision for bad and doubtful debts and loans written off										
Provisions- General	43,648	(62,503)	170	15,212	(47,298)	43,648	(62,503)	170	15,212	(47,298)
Provisions- specific	51,732	91,043	(43)	9,526	70,925	51,732	91,043	(43)	9,526	70,925
Recoveries/Releases (-)	(60,026)	(292,853)	80	(11,585)	(62,882)	(60,026)	(292,853)	80	(11,585)	(62,882)
	35,354	(264,313)	113	13,153	(39,255)	35,354	(264,313)	113	13,153	(39,255)

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
(Rs. '000)	30.09.2012	30.09.2011	(%)	30.09.2012	30.09.2011	30.09.2012	30.09.2011	(%)	30.09.2012	30.09.2011
OPERATING PROFIT BEFORE PROVISION FOR FALL IN VALUE OF DEALING & INVESTMENT SECURITIES	3,707,313	2,753,442	35	930,421	990,310	3,463,998	2,990,806	16	1,050,046	1,110,745
Provision / (release) for fall in value of investment securities	-	165,000	(100)	(20,000)	81,000	-	-	-	(20,000)	(84,000)
OPERATING PROFIT AFTER PROVISION FOR FALL IN VALUE OF DEALING & INVESTMENT SECURITIES	3,707,313	2,588,442	43	950,421	909,310	3,463,998	2,990,806	16	1,070,046	1,194,745
Share of associate companies' profit before taxation	-	-	-	-	-	172,524	45,706	227	60,314	(20,291)
PROFIT BEFORE TAXES	3,707,313	2,588,442	43	950,421	909,310	3,636,521	3,036,512	20	1,130,360	1,174,453
VAT on financial services	534,814	383,341	40	150,276	132,919	534,814	383,341	40	150,276	132,919
PROFIT BEFORE CORPORATE TAXES	3,172,499	2,205,101	44	800,145	776,391	3,101,707	2,653,171	17	980,084	1,041,534
Taxation	783,500	633,931	24	233,470	294,694	972,644	870,853	12	278,717	361,224
Deferred taxation	47,000	33,040	42	7,000	(40,661)	47,000	32,273	46	7,000	(40,661)
	830,500	666,971	25	240,470	254,033	1,019,644	903,126	13	285,717	320,563
PROFIT AFTER TAXATION	2,341,999	1,538,130	52	559,675	522,358	2,082,064	1,750,046	19	694,368	720,972
Minority interests	-	-	-	-	-	(41,143)	(43,135)	5	(15,596)	(16,082)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2,341,999	1,538,130	52	559,675	522,358	2,040,921	1,706,910	20	678,771	704,890
Earnings per Share (Rs)	14.26	9.37	52			12.43	10.40	20		

SUMMARISED BALANCE SHEET

(Rs. '000)	BANK			GROUP		
	30th Sep	31st Dec	Change	30th Sep	31st Dec	Change
	2012	2011	(%)	2012	2011	(%)
	(AUDITED)			(AUDITED)		
ASSETS						
Cash in hand	1,242,285	1,140,934	9	1,242,353	1,140,996	9
Balances with Central bank	6,061,643	4,614,170	31	6,061,643	4,614,170	31
Dues from Banks and Other Financial Institutions	4,920,094	2,085,065	136	5,133,738	2,208,690	132
	112,224,021	7,840,168	56	12,437,733	7,963,857	56
Investments - Trading Account						
Government Securities	5,841,237	7,790,182	(25)	5,841,237	7,790,182	(25)
Other Securities	-	233,771	(100)	88,846	543,809	(84)
Investments - Held to maturity						
Government Securities	24,244,104	16,187,683	50	24,244,105	16,187,684	50
Other Securities	191,092	375,478	(49)	2,773,697	2,161,022	28
Investments in Associates & Subsidiaries	2,708,204	3,057,439	(11)	1,748,157	1,796,693	(3)
Total performing loans & advances						
Bills of exchange	3,493,496	3,850,423	(9)	3,493,496	3,850,423	(9)
Overdrafts	16,722,449	14,255,070	17	16,722,449	14,255,070	17
Lease rentals receivables	5,561,406	4,582,235	21	5,561,406	4,582,235	21
Other loans and advances	85,622,336	77,319,141	11	86,372,814	78,487,584	10
	111,399,687	100,006,868	11	112,150,165	101,175,312	11
Total non-performing loans & advances						
Bills of exchange	64,469	55,636	16	64,469	55,636	16
Overdrafts	243,615	120,887	102	243,615	120,887	102
Lease rentals receivables	162,250	83,098	95	162,250	83,098	95
Other loans and advances	1,059,303	1,104,496	(4)	1,059,303	1,104,496	(4)
	1,529,637	1,364,117	12	1,529,637	1,364,117	12
Total loans and advances	112,929,324	101,370,985	11	113,679,802	102,539,429	11
Interest receivables	1,306,139	1,264,673	3	1,306,139	1,264,673	3
Total Gross Loans & Advances	114,235,463	102,635,658	11	114,985,941	103,804,102	11
Less,						
Interest in suspense	(1,306,139)	(1,264,673)	3	(1,306,139)	(1,264,673)	3
General Loan loss provision	(504,521)	(460,873)	9	(504,521)	(460,873)	9
Specific loan loss provision	(991,567)	(1,065,903)	(7)	(991,567)	(1,065,903)	(7)
Net Loans & Advances	111,433,236	99,844,209	12	112,183,714	101,012,653	11
Other assets	1,251,203	1,406,667	(11)	1,812,403	1,853,736	(2)
Intangible Assets	274,318	278,634	(2)	322,770	318,348	1
Investment properties	-	-	-	1,295,693	1,295,693	-
Fixed assets	858,847	828,754	4	1,216,373	1,185,267	3
TOTAL ASSETS	159,026,261	137,842,985	15	163,964,728	142,108,944	15

SUMMARISED BALANCE SHEET...

	BANK			GROUP		
	30th Sep 2012	31st Dec 2011 (AUDITED)	Change (%)	30th Sep 2012	31st Dec 2011 (AUDITED)	Change (%)
(Rs. '000)						
LIABILITIES						
Total Deposits						
Demand Deposits	6,439,526	7,059,107	(9)	6,439,526	7,059,107	(9)
Savings Deposits	13,630,467	11,299,306	21	13,630,467	11,299,306	21
Time Deposits	76,199,104	61,577,767	24	76,199,104	61,577,767	24
Margin Deposits	188,512	312,007	(40)	188,512	312,007	(40)
Other Deposits	60,067	61,995	(3)	60,067	61,995	(3)
	96,517,676	80,310,131	20	96,517,676	80,310,131	20
Total Borrowings						
Borrowings from CBSL	980,728	1,069,482	(8)	980,728	1,069,482	(8)
Borrowings from Banks & financial institutions-SL	13,232,698	20,617,511	(36)	13,011,272	19,390,252	(33)
Borrowings from Banks & financial institutions-Abroad	8,806,000	3,853,237	129	8,806,000	3,853,237	129
Securities sold under repurchase agreements	16,308,011	11,242,672	45	16,308,011	11,242,672	45
Subordinated term debt	2,280,825	2,373,300	(4)	2,280,825	2,373,300	(4)
	41,608,262	39,156,202	6	41,386,836	37,928,943	9
Taxation	519,654	213,536	143	602,984	264,850	128
Deferred Tax	159,108	112,107	42	158,637	111,351	42
Dividends payable	239,248	755,381	(68)	239,248	755,381	(68)
Other liabilities	5,558,437	4,557,005	22	5,646,143	4,736,414	19
TOTAL LIABILITIES	144,602,386	125,104,412	16	144,551,524	124,107,119	16
SHAREHOLDER FUNDS						
Equity Capital & Reserves						
Stated capital (164,201,902 shares)	1,093,094	1,093,094	-	1,093,094	1,093,094	-
Statutory reserve fund	878,718	878,718	-	878,718	878,718	-
Revenue reserves	12,452,063	10,766,760	16	16,519,234	15,117,337	9
	14,423,875	12,738,572	13	18,491,046	17,089,150	8
Minority Interests	-	-	-	922,158	912,675	1
TOTAL FUNDS EMPLOYED	14,423,875	12,738,572	13	19,413,205	18,001,825	8
TOTAL LIABILITIES AND FUNDS EMPLOYED	159,026,261	137,842,985	15	163,964,728	142,108,944	15
CONTINGENCIES	108,310,861	112,580,575	4	108,310,861	112,580,575	(4)
COMMITMENTS	45,259,481	33,086,804	37	45,259,481	33,086,804	37
	153,570,342	145,667,380	5	153,570,342	145,667,380	5

MEMORANDUM INFORMATION

Number of employees	1,415	1,357
Number of branches	67	60

CERTIFICATION:

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

Sgd.
D Senathirajah
Vice President - Finance and 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:

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

Sgd.
H D S Amarasuriya
Chairman
9 November 2012

Sgd.
N I R De Mel
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

For the six months ended	Stated	Statutory	General	Investment	Retained	Minority	Total
30 June, 2012	Capital	Reserve	Reserve	Fund	Profit	Interests	
	Fund	Fund		Account			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
BANK							
Balance as at 1 January 2011	1,093,095	878,718	5,805,707	-	3,914,998	-	11,692,518
Restatement of interest income	-	-	-	-	(85,528)	-	(85,528)
Balance as at 1 January 2011 restated	1,093,095	878,718	5,805,707	-	3,829,470	-	11,606,990
Net profit for the period	-	-	-	-	1,015,773	-	1,015,773
Transfer to Investment Fund Account	-	-	-	162,935	(162,935)	-	-
Dividends paid	-	-	-	-	(369,454)	-	(369,454)
Balance as at 30 June 2011	1,093,095	878,718	5,805,707	162,935	4,312,854	-	12,253,309
Balance as at 1 January 2012	1,093,095	878,718	5,805,707	386,825	4,574,227	-	12,738,572
Net profit for the period	-	-	-	-	1,782,324	-	1,782,324
Transfer to Investment Fund Account	-	-	-	652,285	(652,285)	-	-
Dividends paid	-	-	-	-	(656,696)	-	(656,696)
Balance as at 30 June 2012	1,093,095	878,718	5,805,707	1,039,110	5,047,570	-	13,864,200
GROUP							
Balance as at 1 January 2011	1,093,095	878,718	5,805,707	-	7,589,287	717,083	16,083,890
Restatement of interest income	-	-	-	-	(85,528)	-	(85,528)
Balance as at 1 January 2011 restated	1,093,095	878,718	5,805,707	-	7,503,759	717,083	15,998,362
Net profit for the period	-	-	-	-	1,002,020	27,054	1,029,074
Exchange gain from valuation of foreign associate	-	-	-	-	(11,001)	(2,848)	(13,849)
Transfer to Investment Fund Account	-	-	-	162,935	(162,935)	-	-
Dividends paid	-	-	-	-	(369,454)	(37,751)	(407,205)
Balance as at 30 June 2011	1,093,095	878,718	5,805,707	162,935	7,962,389	703,538	16,606,382
Balance as at 1 January 2012	1,093,095	878,718	5,805,707	386,825	8,924,804	912,676	18,001,824
Net profit for the period	-	-	-	-	1,362,150	25,546	1,387,696
Exchange gain from valuation of foreign associates and subsidiaries	-	-	-	-	23,897	4,662	28,560
Transfer to Investment Fund Account	-	-	-	652,285	(652,285)	-	-
Change in holding in group companies	-	-	-	-	(2,072)	2,072	-
Dividends paid	-	-	-	-	(656,696)	(37,333)	(694,029)
Balance as at 30 June 2012	1,093,095	878,718	5,805,707	1,039,110	8,999,798	907,624	18,724,051

CASH FLOW STATEMENT

For the nine months ended 30 September, 2012	BANK		GROUP	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Interest received	11,843,257	8,092,293	11,678,808	8,204,509
Fee based income received	823,484	839,386	954,931	1,005,470
Dividend income received	118,990	294,631	152,676	74,282
Other income received	1,595,441	637,764	1,822,494	940,817
Interest paid	(6,980,572)	(4,561,655)	(6,800,901)	(4,561,655)
Personnel cost paid	(1,538,576)	(1,179,551)	(1,644,702)	(1,325,494)
General expenses paid	(1,225,320)	(1,088,808)	(1,269,974)	(1,248,640)
Income taxes paid	(477,381)	(696,788)	(598,292)	(384,808)
VAT paid	(527,309)	(384,808)	(483,152)	(818,757)
Net (increase) / decrease in loans and advances	(11,368,235)	(22,256,379)	(11,014,966)	(22,256,379)
Net Increase in Deposits from customers	16,207,495	13,452,490	16,207,495	13,452,489
Net (increase) /decrease in other receivables	123,492	(722,663)	(35,439)	(664,329)
Net increase /(decrease) in other liabilities	(103,641)	244,699	(428,248)	209,056
Net cash provided by operating activities	8,491,125	(7,329,390)	8,540,730	(7,373,440)
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	47,605	55,718	1,018,433	247,892
Government treasury bills and bonds	(6,107,476)	1,685,376	(6,107,476)	1,580,862
Disposal of group companies	884,951	-	-	0
Net due to/(from) related companies	(1,746)	(21,802)	(1,746)	(21,802)
Securities sold under repurchase agreements	5,065,339	(427,002)	5,065,339	(330,285)
Proceeds from disposal of fixed assets	(96,657)	33	142,968	665
Expenditure on fixed assets	(113,179)	(209,325)	(337,755)	(249,447)
Net cash provided by/(used in) investing activities	(321,163)	1,082,997	(220,236)	1,227,884
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in borrowings	(2,613,279)	9,044,885	(2,613,279)	9,044,885
Dividend paid	(1,172,829)	(343,439)	(1,233,338)	(390,987)
Net cash provided by/(used in) financing activities	(3,786,108)	8,701,446	(3,846,617)	8,653,898
Net increase/(decrease) in cash and cash equivalents	4,383,854	2,455,053	4,473,877	2,508,343
Cash and cash equivalents at the beginning of the period	7,840,167	5,268,838	7,963,857	5,552,850
Cash and cash equivalents at the end of the period	12,224,021	7,723,890	12,437,733	8,061,193
Cash in hand	1,242,285	834,852	1,242,353	836,017
Balances with Central Bank	6,061,643	4,403,261	6,061,643	4,403,261
Dues from banks and other financial institutions	4,920,094	2,485,777	5,133,738	2,821,914
	12,224,021	7,723,890	12,437,733	8,061,193

SEGMENTAL ANALYSIS - GROUP

For the Nine Months ended 30th September	Banking		Investment		Property		Insurance		Others		Consolidated	
	Income		Banking Cluster		Investment		Rs. '000		Rs. '000		Rs. '000	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
REVENUE												
External Income	14,062,685	9,483,233	521,096	534,036	78,414	52,570	-	-	87,262	53,627	14,749,457	10,123,466
Inter-segment Income	-	-	20,282	7,833	36,958	17,213	-	-	21,501	29,138	78,741	54,184
Total Income	14,062,685	9,483,233	541,378	541,869	115,372	69,783	-	-	108,763	82,765	14,828,198	10,177,650
Segment Expenses	(11,101,438)	(6,970,620)	(228,571)	(279,538)	(44,245)	(26,574)	-	-	10,054	17,207	(11,364,201)	(7,259,524)
Segment Results	2,961,247	2,512,613	312,806	262,332	71,126	43,210	-	-	118,818	99,972	3,463,998	2,918,126
Share of Associate Companies												
Profit Before Taxation	(35,883)	(127,275)	-	(2,519)	-	-	208,407	131,740	-	-	172,524	1,946
Taxation												
VAT on Financial Services											(1,019,644)	(582,563)
Profit After Taxation											(534,814)	(250,422)
Other Information												
Segment Assets	156,126,965	124,667,127	984,542	706,199	1,661,013	1,251,202	-	-	3,444,050	3,736,567	162,216,570	130,361,096
Investment in Associates	(28,755)	-	-	-	-	-	1,743,612	1,634,797	33,301	26,605	1,740,157	1,661,402
Consolidated Total Assets												
Segment Liabilities	144,380,960	114,671,043	65,443	141,256	116,142	110,657	-	-	(11,021)	23,788	144,351,524	114,946,743
Consolidated Total Liabilities												
											163,964,728	132,022,497
											144,551,524	114,946,743
SEGMENTAL CASH FLOWS												
Cash Flows From Operating Activities	8,491,125	(7,329,390)	(95,536)	49,066	(712)	17,882	-	-	145,674	(110,997)	8,540,730	(7,373,440)
Cash Flows From Investing Activities	(321,163)	1,082,997	196,967	(97,156)	37,493	18,899	-	-	(133,534)	223,144	(220,236)	1,227,884
Cash Flows From Financing Activities	(3,786,108)	8,701,446	(11,907)	(8,546)	(36,781)	(36,781)	-	-	(11,821)	(2,221)	(3,846,617)	8,653,898

NOTES TO 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 financial statements are presented in accordance with SLAS-35, Interim Financial Reporting.
- 4 The Bank's 99.6% owned subsidiary Capital Development and Investment Company PLC (CDIC), approved a business plan to position itself as a diversified financial services conglomerate with ultimate exposure to investment banking (both regionally and in Sri Lanka), stock broking, wealth management, private equity investments and insurance sectors. Accordingly, in March 2012, CDIC acquired full ownership of NDBIB and 5% holding in AVIVA NDB Insurance PLC which was directly held by the Bank, which will compliment its existing investments in AVIVA NDB Insurance PLC and NDB AVIVA Wealth Management Ltd. Further in April 2012, the shares of the Bank's fully owned subsidiary NDB Stock Brokers (Private) Limited was also transferred to CDIC in line with this business plan. Following this strategic restructuring of the group corporate Equity Holding, CDIC was relaunched under a new corporate identity named "NDB Capital Holdings PLC".
- 5 On 27th 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 41.56% share holding in AVIVA NDB Holdings and 5% of AVIVA Insurance PLC. The sale of these shares are subject to and conditional upon the sale by AVIVA Asia Holdings of its share holding in AVIVA NDB Holdings to AIA.
- 6 There have been no other events subsequent to the end of the reporting period that require disclosure.
7. Impact to the Financial Statements on the adoption of LKAS 32 and 39

Based on the preliminary estimation impact on work completed by the Bank on LKAS 32 and 39, the following areas have been identified as having significant Financial Statement impact. Such analysis with its estimated impact is made on a best effort basis and is subject to audit. The impact on other SLFRSs / LKASs which is considered to be not significant is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS ...

7 Impact to the Financial Statements on adoption of LKAS 32 and 39

Based on the preliminary estimation impact on work completed by the Bank on LKAS 32 and 39, the following areas have been identified as having significant Financial Statement impact. Such analysis with its estimated impact is made on a best effort basis and is subject to audit. The impact on other SLFRSs/LKASs which is considered to be not significant is not disclosed.

Area	Description	Impact to profit before tax for the 6 months ended as at 30 September 2012	Impact to Net Assets as at 30 September 2012	Impact to Net Assets as at 31 December 2011
1. Impairment of financial assets Loans and advances	Time based CBSL provision will be replaced with collective and specific impairment. All individually significant loans with objective evidences will be individually tested while other loans will be tested collectively for impairment.	Profit before tax decreased by Rs. 159mn.	The provision for impairment increased by Rs. 35mn.	Profit before tax decreased by Rs. 124mn.
2. Measurement of staff loans at fair value	All staff loans are to be recognized initially at fair value. Subsequent recognition should be on EIR. Day 1 difference is treated as pre-paid staff cost and to be amortised.	No significant Impact	No significant Impact	No significant Impact
3. Measurement of investments at fair value Fair value through P & L	Investment to be classified either as fair value through profit and loss (FVPL), and held to maturity (HTM). Measurement should be either at fair value or amortised cost using effective interest rate based on the classification.	No significant Impact	No significant Impact	No significant Impact
4. Measurement of deposits at Effective Interest Rate	Interest expenses will be recognized on effective interest basis rather than on straight line method.	Profit before tax decreased by Rs. 14 Mn.	Deposit portfolio decreased by Rs. 64 mn.	Deposit portfolio decreased by Rs. 78 mn.
5. Fair valuation of derivative assets and liabilities	All derivatives should be fair valued and brought in to the balance sheet.	No significant Impact	No significant Impact	No significant Impact
6. Other Measurement Adjustment		No significant Impact	No significant Impact	No significant Impact

* The above impact is excluding tax adjustments as tax authorities have not issued relevant guidelines on the same.

KEY FINANCIAL INDICATORS

BANK	30.09.2012	31.12.2011	30.09.2011
Basic Earnings per share - (Rs.)	17.23	12.25	12.36
Book value per share (Rs.)	87.84	77.58	77.88
Return on Average Shareholders' Funds (%)	20.83	16.52	16.63
Return on Average Assets (%)	1.91	1.66	1.74
Core Capital (Rs m)	12,353	11,037	9,621
Capital Base (Rs m)	13,883	12,449	11,009
Capital adequacy - Tier 1 (%)	11.12	10.05	9.6
- Tier 1 & 2 (%)	12.50	11.33	11.0
Asset growth (%)	15.37	31.61	22.61
Debt/Equity Ratio (Times)	9.58	9.38	8.64
Interest cover (Times)	1.50	1.66	1.67
Gross Non-performing Advances Ratio (%)	1.35	1.35	1.41
Net Non-performing Advances Ratio (%)	0.52	0.34	0.32
Statutory liquid assets- Rs m	31,692	26,813	24,684
Statutory liquid assets ratio (%)			
DBU	22.58	22.54	23.0
FCBU		28.49	27.1
Net interest margin (%)	3.62	3.70	3.69

Key financial indicators- Group	30.09.2012	31.12.2011	30.09.2011
Basic Earnings per share - (Rs.)	15.88	16.48	13.86
Book value per share (Rs.)	112.61	104.07	101.12
Return on Average Shareholders' Funds (%)	14.66	16.72	14.27
Return on Average Assets (%)	1.70	2.16	1.89
Core Capital (Rs m)	17,406	16,697	14,412
Capital Base (Rs m)	19,182	18,544	16,246
Capital adequacy - Tier 1 (%)	14.90	14.39	13.68
Tier 1 & 2 (%)	16.42	15.98	15.42
Asset growth (%)	15.38	30.94	21.82
Debt/Equity Ratio (Times)	7.46	6.92	6.60
Interest cover (Times)	1.53	1.70	1.72
Gross Non-performing Advances Ratio (%)	1.35	1.33	1.40
Net Non-performing Advances Ratio (%)	0.51	0.34	0.32

Share information	30.06.2012	31.12.2011	30.09.2011
Market Value per share (Rs.)	149.40	138.00	137.00
Highest Price per share for the Period (Rs.)	155.00	141.00	158.40
Lowest Price per share for the Period (Rs.)	98.00	119.50	132.00

TOP 20 LARGEST REGISTERED SHAREHOLDERS

As at 29th September, 2012

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. ASIAN ALLIANCE INSURANCE PLC – GENERAL FUND ACCOUNT NUMBER 01	6,241,700	3.80
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 L.P.	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. HSBC INTL NOM LTD-SNFE- NT ASIAN DISCOVERY MASTER FUND	3,752,521	2.29
14. MR. A K PATHIRAGE	3,470,000	2.11
15. PERSHING LLC S/A AVERBACH GRAUSON & CO.	3,250,000	1.98
16. BNY-CF RUFFER INVESTMENT FUNDS : CF RUFFER PACIFIC FUND	3,000,000	1.83
17. ASIRI HOSPITAL HOLDINGS PLC	2,408,136	1.47
18. HSBC INTERNATIONAL NOMINEES LIMITED-MSNY-BAY POND INVESTORS (BERMUDA) LP	2,045,200	1.25
19. DFCC BANK A/C 1	2,000,000	1.22
20. HSBC INTL NOMINEES LTD-BP2S LONDON-ABERDEEN ASIA SMALLER COMPANIES INVESTMENT TRUST	1,683,000	1.02
TOTAL	113,600,350	69.2

Public holding as at 28.09.2012 - 96.4%

DIRECTOR'S INTEREST IN SHARES OF NDB

As at 28th September, 2012

Name	No of Shares
H D S AMARASURIYA	18,150
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	-