

CHAIRMAN'S REVIEW

I am pleased to inform that NDB Group delivered yet another strong performance for the 1st half year of 2012 recording a commendable Profit after Tax of Rs 1,362 million to the shareholders. The reported earnings indicate an increase of 36 percent compared to the previous year. The impressive results are attributable to the Bank's overall strong position and the continued focus on providing solid returns and dividends to our shareholders. Results have been achieved in an environment where the impacts of the global financial crisis continue to linger and credit growth remains low with business and consumer confidence fragile given volatility and uncertainty in the markets. Despite the volatility in the interest rates and growing concerns over higher borrowing cost and the prevailing downward trend in the exchange rates, the Bank has reported a commendable second half due to the effective execution of our strategic priorities of Customer Satisfaction, Business Banking, Technology, Operational Excellence and Profit Growth.

The results are characterised by the Bank's Net income (Nil, fee and forex income) increasing by 52 percent to Rs 4,746 million, Net Interest Income of Rs 2,579 million and fee and forex income of Rs 1,512 million grew by 27 percent and 72 percent respectively over the comparative period. The Profit before Tax of Rs 2,757 million recorded an increase of Rs 1,078 million or 64 percent compared to the previous year.

The reported earnings for the Bank also include equity income of Rs 536 million on the sale of investments in NDB Investment Bank Ltd, NDB Stock Brokers (Pvt) Ltd and of the 5 percent direct holding in AVIVA NDB Insurance PLC, to NDB Capital Holdings PLC (formerly known as Capital Development and Investment Company PLC). Following a strategic restructuring of the groups corporate equity holdings, the re-launch of Capital Development and Investment Company PLC under a new corporate identity named 'NDB Capital Holdings PLC' further strengthens NDB group's universal banking capabilities comprising of Investment Banking, Wealth Management, Stock Broking, Private Equity and Insurance. We have no doubt that by leveraging NDB's unparalleled brand strength, and geographical reach, the subsidiary will play a key role in mainstreaming a substantial part of the shadow economy by providing better access to financial services.

The Bank's Basic Earnings per Share were Rs 16.17, an increase of 45 percent over the first half of 2011. The Bank's Return on Average Assets and Equity for the current period were 1.83 percent and 19.96 percent respectively, compared to 1.62 percent and 15.29 percent, respectively, over the first half of 2011.

The Bank's loans and advances increased to Rs 108.9 billion as at June 30 2012, an increase of Rs 21.3 billion, or 24 percent, compared to June 30, 2011. The NPLs to gross lending portfolio was 1.60 percent as at June 30, 2012. The NPL ratio of the Bank continues to remain healthy due to the proactive risk management practices of the Bank, and is well below the industry average. The customer deposit portfolio also grew significantly by Rs 27.2 billion or 40 percent over the comparative period to reach Rs 95.1 billion as at June 30 2012. NDB's branch network includes 66 branches which are strategically positioned throughout the country, enabling the Bank to reap commendable growth levels in the recent past. The Bank's strong and well managed balance sheet and the liquidity position indicate the ability to maintain a strong capital base, which enables the Bank to optimize profits through expansion.

During the period under review, the Bank expanded its network to Aluthgama, Embilipitiya, Kaduruwela and Nawalapitiya. NDB continues to be actively engaged in SME banking with the agriculture, handicrafts, manufacturing, trading, distribution, fisheries, and dairy sectors to develop the grass root entrepreneurs in the country. The Bank's aim is to develop this sector by educating and enhancing skills and building their competencies thereby preparing them to face the SME opportunities in the country.

Adding on to the Bank's noteworthy performance in the 2nd quarter, the UK based World Finance magazine recognized NDB as the 'Best Commercial Bank 2012' in Sri Lanka. The prestigious accolade recognized the Bank's commitment to continued excellence and superior service to its customers.

Meanwhile, NDB Group continued to make history, by NDB Investment Bank Ltd being adjudged the 'Best Investment Bank in Sri Lanka' at the recent Awards for Excellence 2012 by Euro Money, the world's premier financial markets magazine. It was the first time Euro Money has recognised an Investment Bank in Sri Lanka and NDB Investment Bank received the prestigious award in recognition of its pioneering efforts in developing the capital market in Sri Lanka.

This achievement was closely followed by the winning of several Annual Report awards at the League of American Communications Professionals (LACP) Vision Awards 2011; where NDB's Annual Report 2011 gained noteworthy global acclaim being ranked amongst the World's Top 100 as well as Asia Pacific's Top 50 whilst winning a Platinum award for the Best Annual Report in the Commercial Bank's Category, a second Platinum Award for the Most Improved Annual report in the Asia Pacific and a Gold award for the Most Improved Annual report Worldwide.

NDB's strategic marketing initiatives and brand building activity was commended with an international award presented by the Chief Marketing Officials' (CMO) Council of Asia. NDB clinched the 'Award for Brand Excellence' in the Banking and Financial sector at the recently concluded CMO Asia Awards. The award was in recognition of NDB's brand performance based on market dominance, brand longevity, goodwill, customer loyalty and market acceptance. This was yet another significant achievement for the Bank as NDB was the only Sri Lankan bank to be recognized at the CMO Asia Awards and the prestigious accolade corroborates the Bank's aspiration of becoming a household brand in Sri Lanka while building strong relationships with its stakeholders and the wider community.

We are pleased about the comprehensiveness of the 2nd quarter results, which is reflected in a wide spectrum of activities. The strong performance is a result of our well executed and disciplined strategies. Up ahead, we see opportunities along with the expected developments looming ahead as we progress in our journey through 2012. Hence, we urge our stakeholders to 'Watch This Space'.

Hemaka Amarasuriya
Chairman
13 August, 2012

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
	30.06.2012	30.06.2011	(%)	30.06.2012	30.06.2012	30.06.2012	30.06.2012	(%)	30.06.2012	30.06.2012
(Rs. '000)										
INCOME	9,769,259	6,181,853	58	5,071,755	3,282,466	9,572,449	6,493,286	47	4,992,347	3,323,272
Interest expenses										
Interest income on loans and advances	6,350,636	3,956,596	61	3,363,633	2,070,729	6,351,840	3,957,687	60	3,364,216	2,071,579
Interest income from other interest earning assets	1,251,356	1,125,821	11	658,790	555,269	1,348,654	1,230,524	10	704,173	606,112
	7,601,992	5,082,416	50	4,022,423	2,625,999	7,700,494	5,188,211	48	4,068,388	2,677,691
Interest expenses										
Interest expenses on deposits	3,356,784	1,855,755	81	1,827,499	969,843	3,356,784	1,855,755	81	1,827,499	969,843
Interest expenses on other interest bearing liabilities	1,665,880	1,201,566	39	863,678	629,987	1,625,829	1,167,280	39	852,462	611,839
	5,022,665	3,057,321	64	2,691,176	1,599,829	4,982,614	3,023,035	65	2,679,960	1,581,681
NET INTEREST INCOME	2,579,327	2,025,095	27	1,331,247	1,026,170	2,717,881	2,165,176	26	1,388,428	1,096,010
Non interest income										
Equity income										
Quoted and Non-quoted securities	23,327	(9,213)	(353)	23,089	2,054	80,323	(10,957)	(833)	76,195	(15,821)
Group companies	631,414	228,931	176	330,019	228,431	-	500	(100)	-	-
Other income	589,287	565,064	4	282,461	277,011	868,392	1,000,879	(13)	434,001	512,430
Foreign exchange income	923,239	314,654	193	413,763	148,971	923,239	314,654	193	413,763	148,971
Net other income	2,167,267	1,099,436	97	1,049,332	656,467	1,871,954	1,305,076	43	923,959	645,581
NET INCOME	4,746,594	3,124,531	52	2,380,578	1,682,637	4,589,835	3,470,251	32	2,312,387	1,741,591
Less: NON INTEREST EXPENSES										
Personnel costs	990,133	761,094	30	511,875	413,881	1,079,031	880,055	23	559,028	490,307
Staff retirement benefits	21,500	11,775	83	11,750	6,221	24,232	14,515	67	13,047	7,611
Premises, equipment and establishment expenses	551,361	393,709	40	294,216	170,672	686,294	520,696	32	359,540	232,399
Other operating expenses	384,508	419,879	(8)	207,699	249,181	364,127	399,981	(9)	198,224	238,981
	1,947,501	1,586,457	23	1,025,539	839,954	2,153,683	1,815,247	19	1,130,399	969,298
OPERATING PROFIT BEFORE PROVISIONS	2,799,093	1,538,075	82	1,355,039	842,682	2,436,152	1,655,004	47	1,181,988	772,293
Less, Provision for bad and doubtful debts and loans written off										
Provisions- General	28,436	(15,205)	(287)	(1,074)	(6,633)	28,436	(15,205)	(287)	(1,074)	(6,633)
Provisions- specific	42,206	20,118	110	(7,888)	1,524	42,206	20,118	110	(7,888)	1,524
Recoveries/Releases (-)	(48,441)	(229,971)	(79)	(7,461)	(207,029)	(48,441)	(229,971)	(79)	(7,461)	(207,029)
	22,201	(225,058)	(110)	(16,423)	(212,138)	22,201	(225,058)	(110)	(16,423)	(212,138)

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
(Rs. '000)	30.06.2012	30.06.2011	(%)	30.06.2012	30.06.2012	30.06.2012	30.06.2012	(%)	30.06.2012	30.06.2012
OPERATING PROFIT BEFORE PROVISION FOR FALL IN VALUE OF DEALING & INVESTMENT SECURITIES	2,776,892	1,763,132	57	1,371,462	1,054,820	2,413,951	1,880,062	28	1,198,411	984,430
Provision / (release) for fall in value of investment securities	20,000	84,000	(76)	20,000	84,000	20,000	84,000	(76)	20,000	84,000
OPERATING PROFIT AFTER PROVISION FOR FALL IN VALUE OF DEALING & INVESTMENT SECURITIES	2,756,892	1,679,132	64	1,351,462	970,820	2,393,951	1,796,062	33	1,178,411	900,430
Share of associate companies' profit before taxation	-	-	-	-	-	112,210	65,997	(70)	62,414	(4,344)
PROFIT BEFORE TAXES	2,756,892	1,679,132	64	1,351,462	970,820	2,506,161	1,862,059	35	1,240,825	896,087
VAT on financial services	384,538	250,422	54	211,823	148,029	384,538	250,422	54	211,823	148,029
PROFIT BEFORE CORPORATE TAXES	2,372,354	1,428,711	66	1,139,639	822,791	2,121,623	1,611,637	32	1,029,002	748,057
Taxation	550,030	339,237	62	289,510	177,518	693,927	509,629	36	360,317	265,303
Deferred taxation	40,000	73,701	(46)	13,001	68,551	40,000	72,934	(45)	13,001	68,551
	590,030	412,938	43	302,511	246,069	733,927	582,563	26	373,318	333,854
PROFIT AFTER TAXATION	1,782,324	1,015,773	75	837,128	576,722	1,387,696	1,029,074	35	655,685	414,203
Minority interests	-	-	-	-	-	(25,546)	(27,054)	6	(14,408)	(17,525)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	1,782,324	1,015,773	75	837,128	576,722	1,362,150	1,002,020	36	641,276	396,678
Earnings per Share (Rs)	10.85	6.19	75			8.30	6.10	36		

SUMMARISED BALANCE SHEET

(Rs. '000)	BANK			GROUP		
	30th June	31st Dec	Change	30th June	31st Dec	Change
	2012	2011	(%)	2012	2011	(%)
		(AUDITED)			(AUDITED)	
ASSETS						
Cash in hand	1,046,418	1,140,934	(8)	1,046,489	1,140,996	(8)
Balances with Central bank	5,712,477	4,614,170	24	5,712,477	4,614,170	24
Dues from Banks and Other Financial Institutions	7,701,292	2,085,065	269	7,824,298	2,208,690	254
	14,460,187	7,840,168	84	14,583,264	7,963,857	83
Investments - Trading Account						
Government Securities	5,566,375	7,790,182	(29)	5,566,375	7,790,182	(29)
Other Securities	-	233,771	(100)	189,876	543,809	(65)
Investments - Held to maturity						
Government Securities	19,233,989	16,187,683	19	19,233,990	16,187,684	19
Other Securities	183,959	375,478	(51)	2,447,868	2,161,022	13
Investments in Associates & Subsidiaries	2,708,204	3,057,439	(11)	1,830,106	1,796,693	2
Total performing loans & advances						
Bills of exchange	3,138,027	3,850,423	(19)	3,138,027	3,850,423	(19)
Overdrafts	15,824,099	14,255,070	11	15,824,099	14,255,070	11
Lease rentals receivables	5,443,834	4,582,235	19	5,443,834	4,582,235	19
Other loans and advances	82,737,656	77,319,141	7	83,535,673	78,487,584	6
	107,143,615	100,006,868	7	107,941,632	101,175,312	7
Total non-performing loans & advances						
Bills of exchange	67,855	55,636	22	67,855	55,636	22
Overdrafts	159,147	120,887	32	159,147	120,887	32
Lease rentals receivables	244,908	83,098	195	244,908	83,098	195
Other loans and advances	1,269,528	1,104,496	15	1,269,528	1,104,496	15
	1,741,438	1,364,117	28	1,741,438	1,364,117	28
Total loans and advances	108,885,053	101,370,985	7	109,683,070	102,539,429	7
Interest receivables	1,296,085	1,264,673	2	1,296,085	1,264,673	2
Total Gross Loans & Advances	110,181,138	102,635,658	7	110,979,155	103,804,102	7
Less,						
Interest in suspense	(1,296,085)	(1,264,673)	2	(1,296,085)	(1,264,673)	2
General Loan loss provision	(489,309)	(460,873)	6	(489,309)	(460,873)	6
Specific loan loss provision	(996,715)	(1,065,903)	(6)	(996,715)	(1,065,903)	(6)
Net Loans & Advances	107,399,030	99,844,209	8	108,197,047	101,012,653	7
Other assets	1,646,569	1,406,667	17	2,141,904	1,853,736	16
Intangible Assets	271,492	278,634	(3)	322,880	318,348	1
Investment properties	-	-	-	1,295,693	1,295,693	-
Fixed assets	844,010	828,754	2	1,220,404	1,185,267	3
TOTAL ASSETS	152,313,816	137,842,985	10	157,029,407	142,108,944	10

SUMMARISED BALANCE SHEET...

	BANK			GROUP		
	30th June 2012	31st Dec 2011 (AUDITED)	Change (%)	30th June 2012	31st Dec 2011 (AUDITED)	Change (%)
(Rs. '000)						
LIABILITIES						
Total Deposits						
Demand Deposits	5,859,386	7,059,107	(17)	5,859,386	7,059,107	(17)
Savings Deposits	12,248,463	11,299,306	8	12,248,463	11,299,306	8
Time Deposits	76,624,833	61,577,767	24	76,624,833	61,577,767	24
Margin Deposits	286,633	312,007	(8)	286,633	312,007	(8)
Other Deposits	66,827	61,995	8	66,827	61,995	8
	95,086,142	80,310,181	18	95,086,142	80,310,181	18
Total Borrowings						
Borrowings from CBSL	970,506	1,069,482	(9)	970,506	1,069,482	(9)
Borrowings from Banks & financial institutions-SL	13,111,153	20,617,511	(36)	12,787,465	19,390,252	(34)
Borrowings from Banks & financial institutions-Abroad	9,478,500	3,853,237	146	9,478,500	3,853,237	146
Securities sold under repurchase agreements	11,423,971	11,242,672	2	11,423,971	11,242,672	2
Subordinated term debt	2,280,825	2,373,300	(4)	2,280,825	2,373,300	(4)
	37,264,955	39,156,202	(5)	36,941,267	37,928,943	(3)
Taxation	458,580	213,536	115	449,829	264,850	70
Deferred Tax	152,108	112,107	36	150,916	111,351	36
Dividends payable	236,021	755,381	(69)	236,021	755,381	(69)
Other liabilities	5,251,811	4,557,005	15	5,441,181	4,736,414	15
TOTAL LIABILITIES	138,449,616	125,104,412	11	138,305,356	124,107,119	11
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	11,892,388	10,766,760	10	15,844,615	15,117,337	5
	13,864,200	12,738,572	9	17,816,427	17,089,150	4
Minority Interests	-	-	-	907,624	912,675	(1)
TOTAL FUNDS EMPLOYED	13,864,200	12,738,572	9	18,724,051	18,001,825	4
TOTAL LIABILITIES AND FUNDS EMPLOYED	152,313,816	137,842,985	10	157,029,407	142,108,944	10
CONTINGENCIES	103,727,493	112,580,575	(8)	103,727,493	112,580,575	(8)
COMMITMENTS	48,600,143	33,086,804	47	48,600,143	33,086,804	47
	152,327,636	145,667,380	4	152,327,636	145,667,380	5
MEMORANDUM INFORMATION						
Number of employees	1,420	1,357				
Number of branches	66	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

13 August, 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
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 six months ended 30 June, 2012	BANK			GROUP
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Interest received	7,345,846	5,136,557	7,480,360	5,217,334
Fee based income received	578,491	(2,901)	693,313	53,666
Dividend income received	118,787	264,622	54,401	57,133
Other income received	1,298,555	938,363	1,470,858	1,180,323
Interest paid	(3,938,667)	(2,779,316)	(3,938,667)	(2,779,316)
Personnel cost paid	(990,133)	(11,775)	(1,052,933)	(87,143)
General expenses paid	(795,001)	(1,510,935)	(898,727)	(1,634,052)
Income taxes paid	(304,986)	(500,049)	(366,573)	(560,481)
VAT paid	(377,033)	(249,609)	(377,033)	(249,609)
Net (increase) / decrease in loans and advances	(7,320,876)	(16,242,008)	(7,320,876)	(16,242,008)
Net Increase in Deposits from customers	14,775,961	8,539,910	14,775,961	8,539,910
Net (increase) /decrease in other receivables	(288,665)	(740,622)	(303,291)	(691,220)
Net increase /(decrease) in other liabilities	(427,529)	122,197	(538,459)	63,712
Net cash provided by operating activities	9,674,742	(7,035,565)	9,678,336	(7,131,750)
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	54,737	54,972	1,007,917	122,041
Government treasury bills and bonds	(822,499)	1,684,860	(822,499)	1,684,860
Disposal of group companies	884,951	-	-	(256)
Net due to/(from) related companies	(11,161)	(28,160)	(11,161)	(28,160)
Securities sold under repurchase agreements	181,299	669,114	181,299	763,403
Proceeds from disposal of fixed assets	19,733	309	20,898	941
Expenditure on fixed assets	(113,179)	(133,895)	(147,640)	(150,948)
Net cash provided by/(used in) investing activities	193,881	2,247,200	228,814	2,391,881
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in borrowings	(2,072,547)	6,155,721	(2,072,547)	6,155,721
Dividend paid	(1,176,057)	(301,377)	(1,215,197)	(347,305)
Net cash provided by/(used in) financing activities	(3,248,603)	5,854,344	(3,287,743)	5,808,416
Net increase/(decrease) in cash and cash equivalents	6,620,020	1,065,979	6,619,407	1,068,547
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	14,460,187	6,334,817	14,583,264	6,621,396
Cash in hand	1,046,418	784,489	1,046,489	784,548
Balances with Central Bank	5,712,477	3,973,533	5,712,477	3,973,533
Dues from banks and other financial institutions	7,701,292	1,576,794	7,824,298	1,863,314
	14,460,187	6,334,817	14,583,264	6,621,396

SEGMENTAL ANALYSIS - GROUP

For the Six Months ended 30th June	Banking Income		Investment Banking Cluster		Property Investment		Insurance		Others		Consolidated	
	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	9,114,517	5,962,134	2,84,545	370,771	52,335	52,570	-	-	60,619	53,627	9,512,017	6,439,102
Inter-segment Income	-	-	16,793	7,833	23,468	17,213	-	-	20,171	29,138	60,432	54,184
Total Income	9,114,517	5,962,134	3,01,338	378,604	75,803	69,783	-	-	80,790	82,765	9,572,449	6,493,286
Segment Expenses	(6,992,366)	(4,418,720)	(165,690)	(269,138)	(33,885)	(26,574)	-	-	13,444	17,207	(7,178,497)	(4,697,225)
Segment Results	2,122,151	1,543,414	1,35,648	109,466	41,918	43,210	-	-	94,234	99,972	2,393,951	1,796,062
Share of Associate Companies												
Profit Before Taxation	(27,248)	(63,224)	-	(2,519)	-	-	139,458	131,740	-	-	112,210	65,997
Taxation											(733,927)	(582,563)
VAT on Financial Services											(384,538)	(250,422)
Profit After Taxation											1,387,696	1,029,074
Other Information												
Segment Assets	149,433,326	117,370,953	810,985	663,980	1,664,004	1,251,202	-	-	3,302,659	3,736,567	155,210,974	123,022,702
Investment in Associates	(19,690)	-	-	-	-	-	1,816,495	1,634,797	33,301	26,605	1,830,106	1,661,402
Consolidated Total Assets	138,125,928	107,713,532	103,278	144,218	40,183	110,657	-	-	35,967	23,788	157,041,081	124,684,104
Segment Liabilities												
Consolidated Total Liabilities	138,305,356	107,992,195										
SEGMENTAL CASH FLOWS												
Cash Flows From Operating Activities	9,674,742	(7,035,565)	49,066	49,066	17,882	17,882	-	-	(63,354)	(163,133)	9,678,336	(7,131,750)
Cash Flows From Investing Activities	193,881	2,247,200	(97,156)	(97,156)	18,899	18,899	-	-	113,190	222,938	228,814	2,391,881
Cash Flows From Financing Activities	(3,287,743)	5,854,344	(8,546)	(8,546)	(36,781)	(36,781)	-	-	45,327	(601)	(3,287,743)	5,808,416

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 In 2011, the Bank entered into a Sale and Purchase Agreement (SPA) with Dialog Broadband Networks (Private) Limited and the rest of the shareholders of Suntel Limited to divest its entire shareholding in Suntel Limited. The purchase consideration is dependent upon the finalisation of certain predetermined conditions, which are not wholly within the control of the Bank. Therefore as at 30 June 2012, the above flow of funds was uncertain thereby, the contingent asset cannot be estimated due to the non finalisation of the agreed conditions.
- 5 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 complement its existing strategic 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.
- 6 There have been no events subsequent to the end of the reporting period that require disclosure.

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 30 June 2012	Impact to Net Assets as at 30 June 2012	Impact to Net Assets as at 31 December 2011
1. Impairment of financial assets (A) 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. 151mn.	The provision for impairment increased by Rs. 28mn.	Profit before tax decreased by Rs. 124mn.
(B) Other financial assets	-	-	-	-
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 (A) Available for sale	-	-	-	-
(B) Fair value through P & L	Investment to be classified either as fair value through profit and loss (FVTPL) 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. 12 Mn.	Deposit portfolio decreased by Rs. 90 mn.	Deposit portfolio decreased by Rs. 78.2 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	-	Profit before tax decreased by Rs. 3 Mn.	Net assets increased by Rs. 1.3 Mn.	Net assets increased by Rs. 4.3 Mn.

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

KEY FINANCIAL INDICATORS

BANK	30.06.2012	31.12.2011	30.06.2011
Basic Earnings per share - (Rs.)	16.17	12.25	11.19
Book value per share (Rs.)	84.43	77.58	75.14
Return on Average Shareholders' Funds (%)	19.96	16.52	15.29
Return on Average Assets (%)	1.83	1.66	1.62
Core Capital (Rs m)	12,353	11,037	9,559
Capital Base (Rs m)	13,883	12,449	11,029
Capital adequacy - Tier 1 (%)	11.12	10.05	10.2
- Tier 1 & 2 (%)	12.50	11.33	11.7
Asset growth (%)	10.50	31.61	15.56
Debt/Equity Ratio (Times)	9.55	9.38	8.42
Interest cover (Times)	1.51	1.66	1.66
Gross Non-performing Advances Ratio (%)	1.60	1.35	1.58
Net Non-performing Advances Ratio (%)	0.73	0.34	0.42
Statutory liquid assets- Rs m	31,692	26,813	22,975
Statutory liquid assets ratio (%)			
DBU	23.24	22.54	24.0
FCBU	25.07	28.49	24.8
Net interest margin (%)	3.56	3.70	3.58
Key financial indicators- Group	30.06.2012	31.12.2011	30.06.2011
Basic Earnings per share - (Rs.)	14.35	16.48	12.20
Book value per share (Rs.)	108.50	104.07	97.37
Return on Average Shareholders' Funds (%)	13.50	6.72	12.78
Return on Average Assets (%)	1.58	2.16	1.72
Core Capital (Rs m)	17,406	16,697	14,441
Capital Base (Rs m)	19,182	18,544	16,447
Capital adequacy - Tier 1 (%)	14.90	14.39	14.53
- Tier 1 & 2 (%)	16.42	15.98	16.55
Asset growth (%)	10.50	30.94	14.69
Debt/Equity Ratio (Times)	7.41	6.92	6.42
Interest cover (Times)	1.55	1.70	1.72
Gross Non-performing Advances Ratio (%)	1.59	1.33	1.56
Net Non-performing Advances Ratio (%)	0.73	0.34	0.41
Share information	30.06.2012	31.12.2011	30.06.2011
Market Value per share (Rs.)	100.00	138.10	150.00
Highest Price per share for the Period (Rs.)	125.00	141.00	176.00
Lowest Price per share for the Period (Rs.)	96.00	119.50	150.00

TOP 20 LARGEST REGISTERED SHAREHOLDERS

As at 29th June, 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	8,619,000	5.25
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. MR. A K PATHIRAGE	3,470,000	2.11
14. PERSHING LLC S/A AVERBACH GRAUSON & CO.	3,375,000	2.06
15. HSBC INTL NOM LTD-SNFE- NTASIAN DISCOVERY MASTER FUND	3,152,000	1.92
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 29.06.2012 - 96.4%

DIRECTOR'S INTEREST IN SHARES OF NDB

As at 29th June, 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	-