

INTERIM REPORT

MARCH 2012

Chairman's Review

It is my pleasure to report on the strong financial results of National Development Bank PLC (NDB Bank) for the 1st quarter ended March 31, 2012.

The reported earnings included one off equity income of Rs 271 million on the sale of its investment in a 100 percent owned subsidiary, NDB Investment Bank Ltd (NDBIB) and of the 5 percent direct holding in AVIVA NDB Insurance PLC, to its subsidiary Capital Development and Investment Company PLC (CDIC) in March 2012. NDB continues to position itself as the only Financial Services Group in the country, with subsidiaries and associates in Investment Banking (locally and regionally), Stock Broking, and Wealth Management, which make up the Capital Markets cluster, and Insurance. This divestment to the Bank's 99.6 percent owned subsidiary CDIC was carried out as part of the overall Group's corporate restructuring exercise, with which, CDIC now positions itself as the diversified financial services investment arm of NDB Group. Accordingly, these investments will complement CDIC's existing strategic investments in AVIVA NDB Insurance PLC and NDB AVIVA Wealth Management Ltd.

The Bank's Profit After Tax growth after excluding this one-off income shows an increase of 52 percent compared to the 1st quarter of 2011. The Basic earnings per share were Rs 17.96, an increase of 68 percent over the 1st quarter of 2011.

The NDB Group's Profit Attributable to Shareholders for the quarter increased by 19 percent over the prior period. The growth in NDB group's PAS was lower than the Bank's Profit After Tax as the one-off equity income of Rs 271 million is eliminated in consolidating the NDB results. The Bank's Return on Average Assets and Equity for the first quarter of 2012 were 2.1 percent and 22.8 percent respectively, compared to 1.6 percent and 15.0 percent, respectively, over the 1st quarter of 2011.

The Bank's loans and advances increased to Rs 105.2 billion as at March 31, 2012, an increase of Rs 27.4 billion, or 35 percent, compared to March 31, 2011. The NPLs to gross lending portfolio was 1.36 percent as at March 31, 2012 end compared to 1.82 percent as at March 31, 2011. The NPL ratio of the Bank continues to remain healthy and is well below the industry average. The Bank has been able to achieve this low level of delinquency due its proactive risk management practices. The Bank's robust balance sheet and liquidity means that the Bank is able to continue its lending and maintain a strong capital adequacy. Additionally, total deposits increased to Rs 88.4 billion as at March 31, 2012, a 46 percent increase from the deposit level as at March 31, 2011. The growth in assets and deposits was the result of continuing organic growth through the Bank's existing branch network. The Bank also expanded its branch network to 62 branches with additional branches in Hambantota and Kaduwela.

NDB continued its active engagement in SME banking with agriculture, handicrafts, manufacturing, trading & distribution, fisheries, and dairy sectors to develop the entrepreneurs in the country. During the first quarter, NDB also conducted SME capacity-building workshops in Moratuwa, Pilimathalawa, Ambalanthota and Kurunegala in an effort to enrich their knowledge base.

As part of the NDB Group, the NDB Investment Bank had a positive start to the financial year, showing dominance in the country's investment banking arena by successfully managing the only two IPOs to debut on the CSE in the first quarter of 2012. The Access Engineering IPO raised Rs. 500 million, while the Mackwoods Energy IPO raised Rs. 350 million; both were oversubscribed on the opening day. The Investment Bank also structured several securitization deals for Finance Companies in the first quarter of 2012 and collectively raised over Rs 1.1 billion, asserting ourselves as the leading investment Bank in the country.

We are excited about our first quarter results. We were able to continue the strong momentum built in 2011, and will seek further growth opportunities for the Bank throughout 2012. Our discipline in the execution of our strategies has produced excellent first quarter results. Our focused management on all of our banking operations is expected to deliver solid growth into the future and enhance shareholder value

Hemaka Amarasuriya

Chairman

11 May 2012

NATIONAL DEVELOPMENT BANK PLC

SUMMARISED INCOME STATEMENT

| | BANK | | | GROUP | | |
|---|----------------------------------|----------------------------------|---------------|----------------------------------|----------------------------------|---------------|
| | Three months ended 31.03.2012 | Three months ended 31.03.2011 | Change (%) | Three months ended 31.03.2012 | Three months ended 31.03.2011 | Change (%) |
| INCOME | 4,697,504 | 2,899,387 | 62 | 4,580,102 | 3,170,014 | 44 |
| Interest income | | | | | | |
| Interest income on loans and advances | 2,987,003 | 1,885,866 | 58 | 2,987,624 | 1,886,109 | 58 |
| Interest income from other interest earning assets | 592,566 | 570,551 | 4 | 644,482 | 624,411 | 3 |
| | 3,579,568 | 2,456,417 | 46 | 3,632,106 | 2,510,520 | 45 |
| Interest expenses | | | | | | |
| Interest expenses on deposits | 1,529,286 | 885,912 | 73 | 1,529,286 | 885,912 | 73 |
| Interest expenses on other interest bearing liabilities | 802,203 | 571,580 | 40 | 773,368 | 555,442 | 39 |
| | 2,331,488 | 1,457,492 | 60 | 2,302,653 | 1,441,354 | 60 |
| NET INTEREST INCOME | 1,248,080 | 998,925 | 25 | 1,329,453 | 1,069,166 | 24 |
| Non interest income | | | | | | |
| Equity income | | | | | | |
| Quoted and Non-quoted securities | 238 | (11,267) | (102) | 4,128 | 4,863 | (15) |
| Group companies | 301,396 | 500 | 60,179 | - | 500 | (100) |
| Other income | 306,826 | 288,053 | 7 | 434,392 | 488,448 | (11) |
| Foreign exchange income | 509,476 | 165,683 | 208 | 509,476 | 165,683 | 208 |
| Net other income | 1,117,935 | 442,969 | 152 | 947,996 | 659,494 | 44 |
| NET INCOME | 2,366,016 | 1,441,895 | 64 | 2,277,448 | 1,728,660 | 32 |
| Less, NON INTEREST EXPENSES | | | | | | |
| Personnel costs | 478,258 | 347,213 | 38 | 519,443 | 389,748 | 33 |
| Staff retirement benefits | 9,750 | 5,554 | 76 | 11,185 | 6,904 | 62 |
| Premises, equipment and establishment expenses | 257,145 | 223,037 | 15 | 326,754 | 288,296 | 13 |
| Other operating expenses | 176,809 | 170,698 | 4 | 165,903 | 161,000 | 3 |
| | 921,962 | 746,503 | 24 | 1,023,284 | 845,949 | 21 |
| OPERATING PROFIT BEFORE PROVISIONS | 1,444,054 | 695,392 | 108 | 1,254,164 | 882,711 | 42 |
| Less, Provision for bad and doubtful debts and loans written off | | | | | | |
| Provisions- General | 29,510 | (8,572) | (444) | 29,510 | (8,572) | (444) |
| Provisions- specific | 50,094 | 18,594 | 169 | 50,094 | 18,594 | 169 |
| Recoveries/Releases (-) | (40,980) | (22,942) | 79 | (40,980) | (22,942) | 79 |
| | 38,624 | (12,920) | (399) | 38,624 | (12,920) | (399) |
| OPERATING PROFIT BEFORE PROVISION FOR FALL IN VALUE OF DEALING & INVESTMENT SECURITIES | 1,405,430 | 708,312 | 98 | 1,215,540 | 895,631 | 36 |
| Provision / (release) for fall in value of investment securities | - | - | - | - | - | - |
| OPERATING PROFIT AFTER PROVISION FOR FALL IN VALUE OF DEALING & INVESTMENT SECURITIES | 1,405,430 | 708,312 | 98 | 1,215,540 | 895,631 | 36 |
| Share of associate companies' profit before taxation | - | - | - | 49,796 | 70,341 | 29 |
| PROFIT BEFORE TAXES | 1,405,430 | 708,312 | 98 | 1,265,336 | 965,972 | 31 |
| VAT on financial services | 172,715 | 102,392 | 69 | 172,715 | 102,392 | 69 |
| PROFIT BEFORE CORPORATE TAXES | 1,232,715 | 605,920 | 103 | 1,092,621 | 863,580 | 27 |
| Taxation | 260,520 | 161,719 | 61 | 333,610 | 244,326 | 37 |
| Deferred taxation | 26,999 | 5,150 | 424 | 26,999 | 4,383 | 516 |
| | 287,519 | 166,869 | 72 | 360,609 | 248,709 | 45 |
| PROFIT AFTER TAXATION | 945,196 | 439,051 | 115 | 732,012 | 614,871 | 19 |
| Minority interests | - | - | - | (11,138) | (9,528) | (17) |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | 945,196 | 439,051 | 115 | 720,873 | 605,343 | 19 |
| Earnings per Share (Rs) | 5.76 | 2.67 | 115 | 4.39 | 3.69 | 19 |

| | BANK | | | GROUP | | |
|---|----------------|---------------------------|-------------|----------------|---------------------------|-------------|
| | 31-Mar 2012 | 31-Dec 2011 AUDITED | Change % | 31-Mar 2012 | 31-Dec 2011 AUDITED | Change % |
| ASSETS | | | | | | |
| Cash in hand | 1,291,073 | 1,140,934 | 13 | 1,291,142 | 1,140,996 | 13 |
| Balances with Central bank | 5,451,438 | 4,614,170 | 18 | 5,451,438 | 4,614,170 | 18 |
| Dues from Banks and Other Financial Institutions | 2,967,991 | 2,085,065 | 42 | 3,504,858 | 2,208,690 | 59 |
| | 9,710,502 | 7,840,168 | 24 | 10,247,438 | 7,963,857 | 29 |
| Investments - Trading Account | | | | | | |
| Government Securities | 4,892,507 | 7,790,182 | (37) | 4,892,507 | 7,790,182 | (37) |
| Other Securities | - | 233,771 | (100) | 194,011 | 543,809 | (64) |
| Investments - Held to maturity | | | | | | |
| Government Securities | 19,299,649 | 16,187,683 | 19 | 19,299,650 | 16,187,684 | 19 |
| Other Securities | 375,968 | 375,478 | 0 | 1,918,820 | 2,161,022 | (11) |
| Investments in Associates & Subsidiaries | 2,735,144 | 3,057,439 | (11) | 1,811,199 | 1,796,693 | 1 |
| Total performing loans & advances | | | | | | |
| Bills of exchange | 3,202,014 | 3,850,423 | (17) | 3,202,014 | 3,850,423 | (17) |
| Overdrafts | 15,099,588 | 14,255,070 | 6 | 15,099,588 | 14,255,070 | 6 |
| Lease rentals receivables | 5,205,307 | 4,582,235 | 14 | 5,205,307 | 4,582,235 | 14 |
| Other loans and advances | 80,315,024 | 77,319,141 | 4 | 81,307,124 | 78,487,584 | 4 |
| | 103,821,933 | 100,006,868 | 4 | 104,814,033 | 101,175,312 | 4 |
| Total non-performing loans & advances | | | | | | |
| Bills of exchange | 62,279 | 55,636 | 12 | 62,279 | 55,636 | 12 |
| Overdrafts | 136,571 | 120,887 | 13 | 136,571 | 120,887 | 13 |
| Lease rentals receivables | 89,521 | 83,098 | 8 | 89,521 | 83,098 | 8 |
| Other loans and advances | 1,130,279 | 1,104,496 | 2 | 1,130,279 | 1,104,496 | 2 |
| | 1,418,650 | 1,364,117 | 4 | 1,418,650 | 1,364,117 | 4 |
| Total loans and advances | 105,240,583 | 101,370,985 | 4 | 106,232,683 | 102,539,429 | 4 |
| Interest receivables | 1,352,354 | 1,264,673 | 7 | 1,352,354 | 1,264,673 | 7 |
| Total Gross Loans & Advances | 106,592,937 | 102,635,658 | 4 | 107,585,037 | 103,804,102 | 4 |
| Less, | | | | | | |
| Interest in suspense | (1,352,354) | (1,264,673) | 7 | (1,352,354) | (1,264,673) | 7 |
| General Loan loss provision | (490,384) | (460,873) | 6 | (490,384) | (460,873) | 6 |
| Specific loan loss provision | (1,056,276) | (1,065,903) | (1) | (1,056,276) | (1,065,903) | (1) |
| Net Loans & Advances | 103,693,923 | 99,844,209 | 4 | 104,686,024 | 101,012,653 | 4 |
| Other assets | 1,646,954 | 1,406,667 | 17 | 1,855,260 | 1,853,736 | 0 |
| Intangible Assets | 277,429 | 278,634 | (0) | 317,143 | 318,348 | (0) |
| Investment properties | - | - | - | 1,295,693 | 1,295,693 | - |
| Fixed assets | 844,488 | 828,754 | 2 | 1,225,005 | 1,185,267 | 3 |
| TOTAL ASSETS | 143,476,565 | 137,842,985 | 4 | 147,742,750 | 142,108,944 | 4 |
| LIABILITIES | | | | | | |
| Total Deposits | | | | | | |
| Demand Deposits | 5,798,302 | 7,059,107 | (18) | 5,798,302 | 7,059,107 | (18) |
| Savings Deposits | 12,050,329 | 11,299,306 | 7 | 12,050,329 | 11,299,306 | 7 |
| Time Deposits | 70,292,541 | 61,577,767 | 14 | 70,292,541 | 61,577,767 | 14 |
| Margin Deposits | 236,783 | 312,007 | (24) | 236,783 | 312,007 | (24) |
| Other Deposits | 67,562 | 61,995 | 9 | 67,562 | 61,995 | 9 |
| | 88,445,517 | 80,310,181 | 10 | 88,445,517 | 80,310,181 | 10 |
| Total Borrowings | | | | | | |
| Borrowings from CBSL | 1,072,377 | 1,069,482 | 0 | 1,072,377 | 1,069,482 | 0 |
| Borrowings from Banks & financial institutions-SL | 19,767,596 | 20,617,511 | (4) | 18,734,619 | 19,390,252 | (3) |
| Borrowings from Banks & financial institutions-Abroad | 2,807,550 | 3,853,237 | (27) | 2,807,550 | 3,853,237 | (27) |
| Securities sold under repurchase agreements | 10,145,136 | 11,242,672 | (10) | 10,145,136 | 11,242,672 | (10) |
| Subordinated term debt | 2,373,300 | 2,373,300 | - | 2,373,300 | 2,373,300 | - |
| | 36,165,959 | 39,156,202 | (8) | 35,132,981 | 37,928,943 | (7) |
| Taxation | 247,257 | 213,536 | 16 | 301,076 | 264,850 | 14 |
| Deferred Tax | 139,106 | 112,107 | 24 | 138,635 | 111,351 | 25 |
| Dividends payable | 251,349 | 755,381 | (67) | 251,349 | 755,381 | (67) |
| Other liabilities | 5,134,736 | 4,557,005 | 13 | 5,329,947 | 4,736,414 | 13 |
| TOTAL LIABILITIES | 130,383,924 | 125,104,412 | 4 | 129,599,505 | 124,107,119 | 4 |
| 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 | 11,120,829 | 10,766,760 | 3 | 15,268,448 | 15,117,337 | 1 |
| | 13,092,641 | 12,738,572 | 3 | 17,240,261 | 17,089,150 | 1 |
| Minority Interests | - | - | - | 902,985 | 912,675 | (1) |
| TOTAL FUNDS EMPLOYED | 13,092,641 | 12,738,572 | 3 | 18,143,246 | 18,001,825 | 1 |
| TOTAL LIABILITIES AND FUNDS EMPLOYED | 143,476,565 | 137,842,985 | 4 | 147,742,750 | 142,108,944 | 4 |
| CONTINGENCIES | 114,988,465 | 112,580,575 | 2 | 114,988,465 | 112,580,575 | 2 |
| COMMITMENTS | 46,787,025 | 33,086,804 | 41 | 46,787,025 | 33,086,804 | 41 |
| | 161,775,490 | 145,667,380 | 11 | 161,775,490 | 145,667,380 | 11 |

MEMORANDUM INFORMATION

| | | |
|---------------------|-------|-------|
| Number of employees | 1,401 | 1,357 |
| Number of branches | 62 | 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:

- (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
H D S Amarasuriya
Chairman

Sgd
N I R De Mel
Chief Executive Officer

11 May 2012

NATIONAL DEVELOPMENT BANK PLC

**Statement of Changes in Equity
for the three months ended 31 March 2012**

| BANK | Stated Capital | Statutory Reserve Fund | General Reserve | Investment Fund Account | Retained Profit | Minority Interests | Total |
|---|---------------------------|---------------------------------------|----------------------------|--|----------------------------|-------------------------------|---------------|
| | Rs`000 | Rs`000 | Rs`000 | | Rs`000 | Rs`000 | Rs`000 |
| 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 | - | - | - | - | 439,051 | - | 439,051 |
| Dividends paid | - | - | - | - | (369,454) | - | (369,454) |
| Balance as at 31 March 2011 | 1,093,095 | 878,718 | 5,805,707 | - | 3,899,067 | - | 11,676,587 |
| 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 | - | - | - | - | 945,196 | - | 945,196 |
| Transfer to Investment Fund Account | - | - | - | 511,913 | (511,913) | - | - |
| Dividends paid | - | - | - | - | (591,126) | - | (591,126) |
| Balance as at 31 March 2012 | 1,093,095 | 878,718 | 5,805,707 | 898,738 | 4,416,383 | - | 13,092,641 |
| 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 | - | - | - | - | 605,343 | 9,258 | 614,601 |
| Exchange gain from valuation of foreign associate | - | - | - | - | (680) | - | (680) |
| Dividends paid | - | - | - | - | (369,454) | - | (369,454) |
| Balance as at 31 March 2011 | 1,093,095 | 878,718 | 5,805,707 | - | 7,738,968 | 726,341 | 16,242,829 |
| 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 | - | - | - | - | 720,873 | 11,138 | 732,012 |
| Exchange gain from valuation of foreign associates and subsidiaries | - | - | - | - | 21,364 | 3,341 | 24,705 |
| Transfer to Investment Fund Account | - | - | - | 511,913 | (511,913) | - | - |
| Dividends paid | - | - | - | - | (591,126) | (24,169) | (615,295) |
| Balance as at 31 March 2012 | 1,093,095 | 878,718 | 5,805,707 | 898,738 | 8,564,002 | 902,985 | 18,143,246 |

NATIONAL DEVELOPMENT BANK PLC
Cash flow for the three months ended 31 March

| | BANK | | Group | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2012 Rs '000 | 2011 Rs '000 | 2012 Rs '000 | 2011 Rs '000 |
| Interest received | 3,379,692 | 3,063,224 | 3,442,133 | 3,109,606 |
| Fee based income received | 2,125 | 42,005 | 255,647 | 69,158 |
| Dividend income received | 30,800 | 3,133 | 164 | 3,759 |
| Other income received | 1,181,194 | 411,640 | 1,352,526 | 748,586 |
| Interest paid | (1,696,957) | (1,367,222) | (1,697,533) | (1,367,222) |
| Personnel cost paid | (81,369) | (347,213) | (111,779) | (403,186) |
| General expenses paid | (775,929) | (295,757) | (827,115) | (395,780) |
| Income taxes paid | (226,798) | (252,501) | (256,261) | (294,373) |
| VAT paid | (209,935) | (127,338) | (209,935) | (127,338) |
| Net (increase) / decrease in loans and advances | (3,688,462) | (7,069,042) | (3,688,462) | (7,069,042) |
| Net Increase in Deposits from customers | 8,135,336 | 1,166,280 | 8,135,336 | 1,166,280 |
| Net (increase) /decrease in other receivables | 33,852 | 200,828 | (90,701) | 127,201 |
| Net increase /(decrease) in other liabilities | (6,218) | 40,411 | (122,823) | 54,808 |
| Net cash provided by operating activities | 6,077,332 | (4,531,552) | 6,181,196 | (4,377,543) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Change in other investments | (137,272) | (137,152) | 219,556 | 87,959 |
| Government treasury bills and bonds | (214,291) | 1,423,973 | (214,291) | 1,423,973 |
| Net due to/(from) related companies | (291,575) | (21,106) | (291,575) | (21,106) |
| Securities sold under repurchase agreements | (1,097,536) | 8,437 | (1,097,536) | 8,437 |
| Proceeds from disposal of fixed assets | 3,774 | 305 | 5,810 | 922 |
| Expenditure on fixed assets | (73,357) | (99,492) | (95,254) | (107,899) |
| Net cash provided by/(used in) investing activities | (1,810,257) | 1,174,965 | (1,473,289) | 1,392,286 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Net increase/(decrease) in borrowings | (1,892,707) | 4,059,332 | (1,892,707) | 4,059,332 |
| Dividend paid | (504,032) | (300,460) | (531,618) | (299,606) |
| Net cash provided by/(used in) financing activities | (2,396,739) | 3,758,872 | (2,424,325) | 3,759,726 |
| Net increase/(decrease) in cash and cash equivalents | 1,870,335 | 402,285 | 2,283,581 | 774,469 |
| 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 | <u>9,710,502</u> | <u>5,671,123</u> | <u>10,247,438</u> | <u>6,327,319</u> |
| Cash in hand | 1,291,073 | 768,879 | 1,291,142 | 768,930 |
| Balances with Central Bank | 5,451,438 | 3,087,193 | 5,451,438 | 3,087,193 |
| Dues from banks and other financial institutions | 2,967,991 | 1,815,052 | 3,504,858 | 2,471,195 |
| | <u>9,710,502</u> | <u>5,671,124</u> | <u>10,247,438</u> | <u>6,327,319</u> |

NATIONAL DEVELOPMENT BANK PLC

SEGMENTAL ANALYSIS- GROUP
For the three months ended 31 March

| | 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 | 4,395,870 | 2,910,154 | 98,266 | 178,853 | 21,455 | 28,756 | - | - | 14,106 | 16,148 | 4,529,698 | 3,133,911 |
| Inter-segment income | - | - | 9,443 | 3,848 | 11,823 | 6,419 | - | - | 29,138 | 25,836 | 50,404 | 36,103 |
| Total income | <u>4,395,870</u> | <u>2,910,154</u> | <u>107,709</u> | <u>182,701</u> | <u>33,278</u> | <u>35,175</u> | <u>-</u> | <u>-</u> | <u>43,244</u> | <u>41,984</u> | <u>4,580,102</u> | <u>3,170,014</u> |
| Segment expenses | (3,292,074) | (2,191,075) | (68,452) | (81,438) | (18,893) | (11,691) | - | - | 14,857 | 9,821 | (3,364,562) | (2,274,383) |
| Segment results | <u>1,103,796</u> | <u>719,079</u> | <u>39,257</u> | <u>101,263</u> | <u>14,385</u> | <u>23,483</u> | <u>-</u> | <u>-</u> | <u>58,101</u> | <u>51,806</u> | <u>1,215,540</u> | <u>895,631</u> |
| Share of associate companies profit before taxation | (13,090) | (14,003) | - | - | - | - | 62,886 | 84,344 | - | - | 49,796 | 70,341 |
| Taxation | | | | | | | | | | | (360,609) | (248,709) |
| VAT on financial services | | | | | | | | | | | (172,715) | (102,392) |
| Profit after taxation | | | | | | | | | | | <u>732,012</u> | <u>614,871</u> |
| Other information | | | | | | | | | | | | |
| Segment assets | 140,365,453 | 104,924,421 | 800,948 | 668,569 | 1,652,762 | 1,248,993 | - | - | 3,112,388 | 5,730,816 | 145,931,550 | 112,572,799 |
| Investment in associates | (3,435) | 130,617 | - | - | - | - | 1,781,333 | 1,641,514 | 33,301 | 29,124 | 1,811,199 | 1,801,255 |
| Consolidated total assets | | | | | | | | | | | <u>147,742,750</u> | <u>114,374,054</u> |
| Segment liabilities | 129,350,946 | 97,727,809 | 106,285 | 210,570 | 89,329 | 81,954 | - | - | 52,944 | 25,095 | 129,599,505 | 98,045,428 |
| Consolidated total liabilities | | | | | | | | | | | <u>129,599,505</u> | <u>98,045,428</u> |
| Segmental Cash flows | | | | | | | | | | | | |
| Cash flows from operating activities | 6,077,332 | (4,531,552) | 49,066 | 125,278 | 17,882 | 63,202 | - | - | 36,917 | (34,471) | 6,181,196 | (4,377,543) |
| Cash flows from investing activities | (1,810,257) | 1,174,965 | (97,156) | (117,801) | 18,899 | (44,813) | - | - | 415,225 | 379,935 | (1,473,289) | 1,392,286 |
| Cash flows from financing activities | (2,424,325) | 3,758,872 | (8,546) | 1,192 | (36,781) | (18,389) | - | - | 45,327 | 18,051 | (2,424,325) | 3,759,726 |

NATIONAL DEVELOPMENT BANK PLC

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 Rs 165 Mn was provided during the year ended 31 December 2011 in respect of the impairment of the Bank's investment in Maldives Finance Leasing Company Ltd. Further the Bank has provided letters of comfort for the borrowings undertaken by the Company. Accordingly the probable liability in the event the company fails to meet its debt obligations reduced by Rs 75 mn over 31 December 2011 and amounts to Rs 210 mn as at the Balance Sheet date.
- 5 At the Annual General Meeting held on 30 March 2011, the shareholders of the Bank approved to increase the number of existing ordinary shares amounting to 82,100,951 by sub dividing the said existing ordinary shares in the proportion of one share for every ordinary share in issue so that the number of ordinary shares representing the Stated Capital of NDB Bank be increased to 164,201,902. Accordingly the number of shares as at 31 March 2012 was 164,201,902.
- 6 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 31 March 2012, the above flow of funds was uncertain thereby, the contingent asset cannot be estimated due to the non finalisation of the agreed conditions.
- 7 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 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.
- 8 There have been no other events subsequent to the end of the reporting period that require disclosure.

| Share information | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|--|------------|------------|------------|
| Market value per share (Rs.) | 122.80 | 138.10 | 340.40 |
| Highest price per share for the period (Rs.) | 140.50 | 141.00 | 372.00 |
| Lowest price per share for the period (Rs.) | 117.50 | 119.50 | 340.00 |

| Key financial indicators- Bank | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|------------|------------|------------|
| Basic Earnings per share - annualised (Rs.) | 17.96 | 12.25 | 10.70 |
| Book value per share (Rs.) | 79.74 | 77.58 | 71.63 |
| Return on Average Shareholders' Funds (%) | 22.84 | 16.52 | 14.98 |
| Return on Average Assets (%) | 2.10 | 1.66 | 1.63 |
| Core Capital (Rs m) | 11,562 | 11,037 | 9,526 |
| Capital Base (Rs m) | 13,172 | 12,449 | 10,980 |
| Capital adequacy - Tier 1 (%) | 10.74 | 10.05 | 11.2 |
| - Tier 1 & 2 (%) | 12.24 | 11.33 | 12.9 |
| Asset growth (%) | 4.09 | 31.61 | 5.17 |
| Debt/Equity Ratio (Times) | 9.52 | 9.38 | 7.97 |
| Interest cover (Times) | 1.54 | 1.66 | 1.69 |
| Gross Non-performing Advances Ratio (%) | 1.35 | 1.35 | 1.82 |
| Net Non-performing Advances Ratio (%) | 0.39 | 0.34 | 0.50 |
| Statutory liquid assets- Rs m | 28,703 | 26,813 | 20,759 |
| Statutory liquid assets ratio (%) | | | |
| DBU | 22.20 | 22.54 | 24.0 |
| FCBU | 23.97 | 28.49 | 24.0 |
| Net interest margin (%) | 3.55 | 3.70 | 3.71 |

| Key financial indicators- Group | 31.03.2012 | 31.12.2011 | 31.03.2011 |
|---|------------|------------|------------|
| Basic Earnings per share - annualised (Rs.) | 17.56 | 16.48 | 14.75 |
| Book value per share (Rs.) | 104.99 | 104.07 | 95.02 |
| Return on Average Shareholders' Funds (%) | 16.80 | 16.72 | 15.64 |
| Return on Average Assets (%) | 1.99 | 2.16 | 2.17 |
| Core Capital (Rs m) | 16,847 | 16,697 | 14,349 |
| Capital Base (Rs m) | 18,732 | 18,544 | 16,243 |
| Capital adequacy - Tier 1 (%) | 14.89 | 14.39 | 15.87 |
| - Tier 1 & 2 (%) | 16.55 | 15.98 | 17.97 |
| Asset growth (%) | 3.96 | 30.94 | 5.21 |
| Debt/Equity Ratio (Times) | 7.17 | 6.92 | 5.95 |
| Interest cover (Times) | 1.58 | 1.70 | 1.74 |
| Gross Non-performing Advances Ratio (%) | 1.34 | 1.33 | 1.79 |
| Net Non-performing Advances Ratio (%) | 0.38 | 0.34 | 0.49 |

9. 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.

| Area | Description | Bank | | |
|--|---|--|---|---|
| | | Impact to Profit before tax for the 3 months ended 31 March 2012 | Impact to Net Assets as at 31 March 2012 | Impact to Net Assets as at 31 December 2011 |
| 1. Impairment of financial assets | | | | |
| Loans & 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 increased by Rs 145 Mn | The provision for impairment decreased by Rs 269 Mn | The provision for impairment decreased by Rs 124 Mn |
| Other financial assets | - | - | - | - |
| 2. Measurement of staff loans at fair value | All staff loans are to be recognised 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 Available for Sale | | | | |
| Fair Value through P & L | Investments 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 recognised on effective interest basis rather than on straight line method. | Profit Before Tax decreased by Rs 1.2 Mn | Deposit portfolio decreased by Rs 77 Mn | Deposit portfolio decreased by Rs 78.2Mn |
| 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 increased by Rs 7.6 Mn | Net Assets Increased by Rs 11.9 Mn | Net Assets Increased by Rs 4.3 Mn |

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

TOP 20 LARGEST REGISTERED SHARE HOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 31.03.2012

| Name | No of Shares | % |
|--|---------------------|--------------|
| 1. BANK OF CEYLON A/C 1 | 16,371,076 | 9.97 |
| 2. EMPLOYEES PROVIDENT FUND | 14,773,280 | 9.00 |
| 3. SRI LANKA INSURANCE CORPORATION LIMITED - GENERAL FUND | 9,388,488 | 5.72 |
| 4. DR. S YADDEHIGE | 8,469,000 | 5.16 |
| 5. SRI LANKA INSURANCE CORPORATION LIMITED - 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. HSBC INTL NOM LTD - SNFE-NTASIAN DISCOVERY MASTER FUND | 4,152,000 | 2.53 |
| 13. NDB-ESOP | 4,133,726 | 2.52 |
| 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. PERSHING LLC S/A AVERBACH GRAUSON & CO. | 2,950,000 | 1.80 |
| 17. MR. S.E. CAPTAIN | 2,696,619 | 1.64 |
| 18. ASIRI HOSPITAL HOLDINGS PLC | 2,400,000 | 1.46 |
| 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 |
| TOTAL | 113,993,865 | 69.44 |

Public holding as at 31.03.2012 – 96.4%

DIRECTORS INTEREST IN SHARES OF NDB AS AT 31ST MARCH 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 | - |



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