INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED 30TH JUNE 2017

NATIONAL DEVELOPMENT BANK PLC

CSE stock code: NDB.N0000 | Bloomberg: NDB SL | Reuter's: NDB.CM

NDB bank

Our Commitment. Your Success.

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***The financial statements presented herewith are the unaudited financial statements for the six months ended 30 June 2017 and are prepared in accordance with the Sri Lanka Financial Reporting Standards.**

NDB records highest ever Profit After Tax of LKR 2.3 billion for the first half of 2017

- PBT records 70% YOY growth to reach LKR 3.8 bn
- Sound Balance Sheet expansion with 11% growth in advances and 17% growth in deposits in 6 months
- NPLS further improves to 2.2%
- Bolsters the results achieved in Q1 2017 with a sustainable growth momentum

National Development Bank PLC (NDB) concluded the first half of the financial year with a record Profit After Tax (PAT) of LKR 2.3 billion (81% growth YOY). This is the highest recorded PAT for the Bank in its history for the first half of a financial year, which was supported by commendable growth in core banking operations and dividend contributions from Group companies.

The reported growth levels for the Bank's Profit Before Tax (PBT) of LKR 3,814 million was 70% over the comparative period of H1 2016. It is noteworthy to mention that the PBT and PAT of the Bank, excluding the Group dividends grew impressively by 56% and 63% respectively, which is a clear reflection of the strong performance of the core banking operations.

The Balance Sheet grew by 9% in 6 months and stood at LKR 365 billion. This was supported by the growth in loans and advances to customers which grew by 11%, (by LKR 24.8 billion) and deposits by a notable 17%, (by LKR 35.5 billion), furthering the growth momentum achieved in the first quarter of the year.

The Director/CEO of NDB, Mr. Dimantha Seneviratne, sharing his views on the performance of the 1st half, mentioned that the Bank has been able to well maintain the sound growth coming from all the sectors diversifying the core banking income base. He also mentioned that the first half results are a clear affirmation of the sustainable growth mode that the Bank has entered in to.

Further commenting on the performance Mr. Seneviratne expressed his confidence in the Bank being driven towards enhanced performance for the year 2017 and beyond. He mentioned that the Bank's new strategy which is developed in professional consultation with the International Finance Corporation (IFC) is now in execution mode, and will direct the Bank towards reaching key milestones in business volumes as well as enhancing stakeholder returns.

Enhanced earnings

Net interest income (NII) recorded a 17% growth over the corresponding period to LKR 4,746 million. This growth is satisfactory in an environment where the loan book has grown by 11% where further volatility and downward trend in interest rates are noted. The growth in NII was a combined effect of the growth in the portfolios as well as the improved net interest margins (NIM). NIM for H1 2017 was 2.74% which recorded an increase from 2.60% in 2016.

Net fee and commission income grew by 6% in H1 2017 over H1 2016 up to LKR 1,141 million. The Bank envisages stronger growth in net fee and commission income in to the future. Improving the net interest income to net fee and commission ratio up 30:70 ratio is one of the key strategic priorities of the Bank.

Net gains from trading of LKR 533 million grew by 17% in H1 2017 over the comparative period. Other operating income was LKR 1,197 million and included dividend earned from the NDB Group companies.

The total impairment charges for H1 2017 was LKR 581 million, a reduction of 30% compared to H1 2016. The sound credit review and monitoring processes have resulted in reduced impairment charges which are also reflected in an improved Non-Performing Loan ratio (NPL) for H1 2017. The resultant NPL ratio for H1 2017 was 2.22%, much below the industry average, and a notable improvement from 2.63% recorded in December 2016. The Bank is clearly focused on preserving the quality of the portfolio amidst the rapid expansions that the Bank is undergoing.

Total operating expenses were kept under close watch with only a 5% increase over the prior period. Managing growth in operating costs, amidst accelerated business growth and inflation is one of the key challenges managed well via structured and focused cost management initiatives, as opposed to cost cuts. The cost to income ratio (CIR) of 43.2% is well within the Bank's targets of maintaining its CIR below 50%.

Balance sheet growth

The Bank made encouraging strides in the Balance Sheet (growth of 9%) during the first half of 2017 to reach LKR 365 billion with a quantum growth of LKR 30 billion. Asset growth was supported by the growth in loans to customers by an 11% growth, to close at LKR 252 billion, (by LKR 24.8 billion). Loan book growth was facilitated by considerable growth in all business fronts of corporate banking, project and infrastructure financing, retail banking and SME financing.

Customer deposits grew by an impressive 17%, (by LKR 35.5 billion). The Bank is consistently enhancing deposit mobilization, thereby reducing the reliance on costly funding sources. The Bank's loans to deposits ratio (LDR) stood at 108% by end June 2017, a considerable improvement from the LDR of 115% reported at end 2016.

The Bank's Tier I capital ratio and Total capital ratio were 9.42% and 12. 76% as at 30 June 2017 and was well above the minimum regulatory requirements as per Basel II guidelines of 5% and 10% respectively. The Bank is also fully compliant with the Basel III regulations on capital which came in to effect from 01 July 2017, which mandates minimum ratios to be maintained for Tier I capital ratio and Total capital ratio to be 7.25% and 11.25% respectively.

In terms of key investor ratios, the Bank's Return on Shareholder Funds (ROE) was 14.63% for 1H 2017, an improvement from 13.36% of 2016. Annualized Earning per Share (EPS) also improved to LKR 22.82 in H1 2017 over LKR 19.19 of 2016.

Customer Reach

The branch network reached 106 branches spread across the island, with the latest addition to the network being Kottawa in May 2017. The network is amply supported by on and off-site ATM network of 118 ATMs. The Bank continued to grow in the digital channels frontier as well. In April 2017, the Bank's mobile banking platform crossed LKR 1 billion transactions amount for the year 2017, whilst this is expected to cross the LKR 2 billion mark in July 2017. This is a clear affirmation of the high level of penetration the Bank's digital channels have made amongst its clientele.

Accolades

The Asian Banking and Finance Magazine of Singapore recognized NDB with three awards under their Retail Banking Awards, as the Domestic Retail Bank Sri Lanka 2017 (for the fifth consecutive time), SME Bank of the Year Sri Lanka 2017 (for the fifth consecutive time) and the Mobile Banking Initiative of the Year Sri Lanka 2017. They also recognized the Bank under their Wholesale Banking Awards with two tiles, namely, the Domestic Project Finance Bank of the Year Sri Lanka 2017 (for the third consecutive year) and the Domestic Cash Management Bank of the Year Sri Lanka 2017 (for the second year).

Adding on to its list of awards, the Bank received a number of awards during 1H of 2017 in many fronts, both at home and away. NDB was recognized at the SLT ZeroOne Awards held recently, for the 'Best use of Mobile' under Financial Sector category. The Bank also emerged as the Runner Up for the 'Best Mobile Payment Application of the Year' at the LankaPay Technnovation Awards 2017, being the only bank to emerge as a winner in this category. In recognition of the Bank's dedicated endeavors in empowering women, the Bank was awarded the Best CSR Program Run by a Private Sector for Women Empowerment by the Women in Management organization, conducted in partnership with the International Finance Corporation at the 2017 Edition of the Top 50 Professional and Career Women Awards for Sri Lanka and Maldives.

The Bank is encouraged by these external endorsements and is geared for the remainder of the year to deliver best in class services to its clientele and generate sound results to its valued stakeholders.

NDB bank

STATEMENT OF PROFIT OR LOSS

	Bank					Group				
	Period ended 30/06/2017 LKR '000	Period ended 30/06/2016 LKR '000	**Change %**	**Quarter ended 30/06/2017 LKR '000**	**Quarter ended 30/06/2016 LKR '000**	**Period ended 30/06/2017 LKR '000**	Period ended 30/06/2016 LKR '000	**Change %**	**Quarter ended 30/06/2017 LKR '000**	**Quarter ended 30/06/2016 LKR '000**
Gross Income	**20,695,753**	**15,250,883**	**36**	**10,709,502**	**7,651,122**	**20,373,744**	**15,505,624**	**31**	**10,592,067**	**7,950,850**
Interest Income	17,703,188	13,037,351	36	9,147,499	6,841,421	17,851,035	13,216,688	35	9,220,050	6,933,432
Interest Expenses	12,957,571	8,997,894	44	6,736,209	4,780,883	12,939,799	8,982,383	44	6,728,330	4,774,100
Net Interest Income	**4,745,617**	**4,039,457**	**17**	**2,411,290**	**2,060,538**	**4,911,236**	**4,234,305**	**16**	**2,491,720**	**2,159,332**
Net Fee and Commission Income	**1,141,373**	**1,073,301**	**6**	**586,929**	**533,895**	1,518,072	**1,503,166**	**1**	**807,301**	**738,120**
Net gain/(loss) from trading	532,822	456,048	17	260,141	268,653	532,822	456,048	17	260,141	268,653
Net gain/(loss) from financial investments	121,660	128,138	(5)	121,554	(1,050)	275,725	207,306	33	210,305	57,573
Other operating income	1,196,710	556,045	115	593,379	8,203	196,090	122,416	60	94,270	(46,928)
Total Operating Income	**7,738,182**	**6,252,989**	24	**3,973,293**	**2,870,239**	**7,433,945**	**6,523,241**	**14**	**3,863,737**	**3,176,750**
Impairment charges for loans and other losses										
Individual Impairment	338,236	437,932	(23)	270,418	87,850	338,236	437,932	(23)	270,418	87,850
Collective Impairment	195,645	423,394	(54)	161,033	236,283	195,645	423,394	(54)	161,033	236,283
Other provision - charge/(release)	47,369	(32,057)	248	15,769	(32,057)	18,254	17,540	4	9,169	8,810
	581,250	829,269	(30)	447,220	292,076	552,135	878,866	(37)	440,620	332,943
Net operating income	**7,156,932**	**5,423,720**	**32**	**3,526,072**	**2,578,162**	**6,881,810**	**5,644,375**	**22**	**3,423,117**	**2,843,807**
Operating Expenses										
Personnel Expenses	1,703,406	1,735,371	(2)	785,617	881,072	1,894,038	1,893,359	0	884,972	956,371
Depreciation and amortization	206,301	212,660	(3)	103,193	113,408	228,160	240,266	(5)	114,288	127,349
Other Expenses	1,433,328	1,235,542	16	735,845	621,546	1,611,545	1,367,748	18	832,335	694,993
Total operating expenses	**3,343,035**	**3,183,573**	5	**1,624,655**	**1,616,027**	**3,733,743**	**3,501,373**	**7**	**1,831,595**	**1,778,713**
Operating Profit Before Tax on Financial Services	**3,813,897**	**2,240,147**	**70**	**1,901,417**	**962,137**	**3,148,067**	**2,143,002**	**47**	1,591,522	1,065,095
Less: Tax on Financial Services	767,715	426,797	80	374,296	191,598	767,715	426,797	80	374,296	191,598
Operating Profit After Tax on Financial Services	3,046,182	1,813,350	68	1,527,121	770,539	2,380,352	1,716,205	39	1,217,226	873,497
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	**3,046,182**	**1,813,350**	**68**	**1,527,121**	**770,539**	**2,380,352**	**1,716,205**	**39**	**1,217,226**	**873,497**
Less :Taxation	732,298	538,314	36	372,362	292,814	869,400	590,491	47	456,113	317,941
Profit for the period	**2,313,884**	**1,275,036**	**81**	**1,154,759**	**477,725**	**1,510,952**	**1,125,714**	**34**	**761,113**	**555,556**
Profit Attributable to:										
Equity Holders of the parent	2,313,884	1,275,036	81	1,154,759	477,725	1,485,627	1,082,965	37	748,111	535,434
Non Controlling Interests	-	-	-	-	-	25,326	42,749	(41)	13,002	20,122
	2,313,884	**1,275,036**	**81**	**1,154,759**	**477,725**	**1,510,953**	**1,125,714**	**34**	**761,113**	**555,556**
Basic Earnings per share (in LKR)	**13.85**	**7.72**	**79**	**6.91**	**2.89**	**8.90**	**6.56**	**36**	**4.48**	**3.25**
Diluted Earnings per share (in LKR)	**13.85**	**7.72**	**79**	**6.91**	**2.89**	**8.90**	**6.56**	**36**	**4.48**	**3.25**

STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30/06/2017 LKR '000	**Period ended 30/06/2016 LKR '000**	**Change %**	**Quarter ended 30/06/2017 LKR '000**	**Quarter ended 30/06/2016 LKR '000**	**Period ended 30/06/2017 LKR '000**	**Period ended 30/06/2016 LKR '000**	**Change %**	**Quarter ended 30/06/2017 LKR '000**	**Quarter ended 30/06/2016 LKR '000**
Profit for the period	**2,313,884**	**1,275,036**	**81**	**1,154,759**	**477,725**	**1,510,952**	**1,125,714**	**34**	**761,113**	**555,556**
Other comprehensive income /(expenses) to be reclassified to profit or loss in subsequent periods										
Exchange differences on translation of foreign operations	-	-	-	-	-	3,781	3,619	4	1,693	(3,726)
Gains/(losses) from Available for Sale Investments	453,267	(471,320)	196	610,724	473,091	437,186	(498,843)	188	630,336	475,930
Gains /(losses) on cash flow hedges	405,599	311,779	30	139,022	(32,156)	405,599	311,779	30	139,022	(32,156)
Other comprehensive income /(expenses) not to be reclassified to profit or loss in subsequent periods										
Actuarial Gains/(losses) on defined benefit plans	-	(10,354)	100	-	-	-	(12,697)	100	-	-
Total Other Comprehensive Income /(expenses)	**858,866**	(169,895)	606	**749,746**	440,935	**846,566**	(196,142)	532	**771,051**	440,048
Less : Tax expenses relating to components of other comprehensive Income	(188,527)	33,840	(657)	(145,637)	(120,498)	(188,527)	33,840	(657)	(145,637)	(120,498)
Total Other Comprehensive Income after Tax	**670,339**	(136,055)	593	**604,109**	320,437	**658,039**	(162,302)	505	**625,414**	319,550
Total Comprehensive Income for the period	**2,984,223**	1,138,981	162	**1,758,870**	798,162	**2,168,991**	963,412	125	**1,386,527**	875,105
Attributable to:									-	
Equity holders of the parent	2,984,223	1,138,981	162	1,758,870	798,162	2,142,410	919,765	133	1,372,853	856,177
Non Controlling Interests	-	-	-	-	-	26,581	43,647	(39)	13,674	18,928
	2,984,223	1,138,981	162	**1,758,870**	798,162	**2,168,991**	963,412	125	**1,386,527**	875,105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Period	Previous Period		Current Period	Previous Period	
	As at 30/06/2017	As at 31/12/2016 (Audited)	Change	As at 30/06/2017	As at 31/12/2016 (Audited)	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets						
Cash and cash equivalents	4,388,070	5,018,438	(13)	4,441,669	5,139,389	(14)
Balances with the Central Bank of Sri Lanka	13,976,164	11,815,277	18	13,976,164	11,815,277	18
Placements with banks	1,389,901	3,297,262	(58)	1,389,901	3,297,262	(58)
Derivative Financial Instruments	2,016,727	1,544,621	31	2,016,727	1,544,621	31
Financial Assets - Held for trading	7,875,318	832,694	846	9,878,559	3,661,530	170
Loans and Receivables to banks	26,334	37,032	(29)	26,334	37,032	(29)
Loans and Receivables to other customers	252,473,929	227,639,844	11	252,439,279	227,679,939	11
Financial Investments - Loans and receivables	32,425,908	41,992,533	(23)	34,269,471	43,896,593	(22)
Financial Investments - Available for sale	39,275,413	31,500,020	25	39,658,506	31,899,259	24
Financial Investments - Held to maturity	3,865,685	4,137,601	(7)	4,621,461	4,946,120	(7)
Investments -Held for sale	18,524	18,524	-	33,300	33,300	-
Investments in subsidiary companies	2,068,481	2,115,850	(2)	-	-	-
Investment Property	-	-	-	1,776,000	1,776,000	-
Intangible assets	385,535	368,083	5	386,859	384,740	1
Property, plant & equipment	2,048,029	2,078,569	(1)	2,542,042	2,528,256	1
Other assets	2,577,975	2,148,384	20	3,133,253	2,092,449	50
Total assets	**364,811,994**	**334,544,732**	**9**	**370,589,525**	**340,731,767**	**9**
Liabilities						
Due to Banks	8,156,603	17,124,944	(52)	8,156,603	17,124,944	(52)
Derivative Financial Instruments	411,661	474,770	(13)	411,661	474,770	(13)
Due to other Customers	239,345,976	203,866,547	17	238,962,998	203,515,828	17
Debt Securities issued and other borrowed funds	60,642,549	59,233,264	2	60,642,549	59,233,264	2
Current Tax Liabilities	1,159,524	845,660	37	1,172,241	852,454	38
Deferred Tax	1,051,818	791,791	33	1,033,715	744,880	39
Other liabilities	6,344,264	7,966,274	(20)	7,098,530	8,275,897	(14)
Dividends payable	52,640	49,933	5	52,640	49,933	5
Subordinated Term Debts	20,289,105	19,446,500	4	20,289,105	19,446,500	4
Total liabilities	**337,454,140**	**309,799,683**	**9**	**337,820,042**	**309,718,470**	**9**
Equity						
Stated Capital (Bank & Group - 171,485,705 shares)	2,208,520	1,246,479	77	2,208,520	1,246,479	77
Statutory Reserve Fund	1,246,479	1,246,479	-	1,246,479	1,246,479	-
General Reserve	5,805,707	5,805,707	-	5,805,707	5,805,707	-
Retained Earnings	17,082,947	16,088,681	6	21,292,194	21,139,741	1
Other Reserves	1,014,202	357,703	184	1,154,681	498,182	132
Total shareholders' equity	**27,357,855**	**24,745,049**	**11**	**31,707,581**	**29,936,588**	**6**
Non Controlling Interests	-	-	-	1,061,902	1,076,709	(1)
Total Equity	**27,357,855**	**24,745,049**	**11**	**32,769,483**	**31,013,297**	**6**
Total liabilities and equity	**364,811,994**	**334,544,732**	**9**	**370,589,525**	**340,731,767**	**9**
Net Book Value Per Share (LKR)	**159.53**	**149.80**	6	**184.90**	**181.23**	2
Contingent liabilities and commitments	**244,041,596**	**234,221,049**	**4**	**244,951,210**	**235,130,473**	**4**

Memorandum Information

Number of Employees	2,070	2,108
Number of Branches	106	104

Certification:

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

(Sgd.)
Suvendrini Muthukumarana
Assistant Vice President- Finance & Planning

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.

(Sgd.)
Ananda.W. Atukorala
Director/Chairman

(Sgd.)
Dimantha Seneviratne
Director/Chief Executive Officer

25 July 2017

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June	Stated Capital	Reserves								Non Controlling Interests	Total Equity
		Statutory Reserve Fund	General Reserve	Revaluation Reserve	Share Based Payment Reserves	Available For Sale Reserves	Cash Flow Hedge Reserve	Retained Earnings	Total		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK											
Balance as at 1 January 2016	1,242,772	1,242,772	5,805,707	853,456	14,590	(207,277)	110,160	13,638,678	22,700,858	-	22,700,858
Profit for the period	-	-	-	-	-	-	-	1,275,036	1,275,036	-	1,275,036
Other Comprehensive Income before Tax	-	-	-	-	-	(471,320)	311,779	(10,354)	(169,895)	-	(169,895)
Tax on Other Comprehensive Income	-	-	-	-	-	33,840	-	-	33,840	-	33,840
Total Comprehensive Income for the period	-	-	-	-	-	(437,480)	311,779	1,264,682	1,138,981	-	1,138,981
Transactions with equity holders											
Dividend to equity holders	-	-	-	-	-	-	-	(655,740)	(655,740)	-	(655,740)
Balance as at 30 June 2016	**1,242,772**	**1,242,772**	**5,805,707**	**853,456**	**14,590**	**(644,757)**	**421,939**	**14,247,620**	**23,184,101**	**-**	**23,184,101**
Balance as at 1 January 2017	1,246,479	1,246,479	5,805,707	853,456	13,841	(565,741)	56,148	16,088,681	24,745,050	-	24,745,050
Profit for the period	-	-	-	-	-	-	-	2,313,884	2,313,884	-	2,313,884
Other Comprehensive Income before Tax	-	-	-	-	-	453,267	405,599	-	858,866	-	858,866
Tax on Other Comprehensive Income	-	-	-	-	-	(188,527)	-	-	(188,527)	-	(188,527)
Total Comprehensive Income for the period	-	-	-	-	-	264,740	405,599	2,313,884	2,984,223	-	2,984,223
Transactions with equity holders											
Issue of Shares	962,040					-	-	-	962,040	-	962,040
Expiry of the ELCP option exercise period	-	-	-	-	(13,841)	-	-	-	(13,841)		(13,841)
Dividend to equity holders	-	-	-	-	-	-	-	(1,319,618)	(1,319,618)	-	(1,319,618)
Balance as at 30 June 2017	**2,208,518**	**1,246,479**	**5,805,707**	**853,456**	**-**	**(301,000)**	**461,746**	**17,082,947**	**27,357,854**	**-**	**27,357,855**

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June	Stated Capital	Reserves							Total	Non Controlling Interests	Total Equity
		Statutory Reserve Fund	General Reserve	Revaluation Reserve	Share Based Payment Reserves	Available For Sale Reserves	Cash Flow Hedge Reserve	Retained Earnings			
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
GROUP											
Balance as at 1 January 2016	1,162,963	1,242,772	5,805,707	948,795	81,098	(139,559)	110,160	19,170,268	28,382,204	1,018,513	29,400,717
Profit for the period	-	-	-	-	-	-	-	1,082,965	1,082,965	42,749	1,125,714
Other Comprehensive Income before Tax	-	-	-	-	-	(498,843)	311,779	(9,961)	(197,025)	883	(196,142)
Tax on Other Comprehensive Income	-	-	-	-	-	33,840	-	-	33,840	-	33,840
Total Comprehensive Income for the period	-	-	-	-	-	(465,003)	311,779	1,073,004	919,780	43,632	963,412
Transactions with equity holders											
Adjustment to share based payment reserves	79,809	-	-	-	(66,508)	-	-	-	13,301	-	13,301
Dividend to equity holders	-	-	-	-	-	-	-	(655,736)	(655,736)	(40,748)	(696,484)
Balance as at 30 June 2016	**1,242,772**	**1,242,772**	**5,805,707**	**948,795**	**14,590**	**(604,562)**	**421,939**	**19,587,536**	**28,659,549**	**1,021,397**	**29,680,946**
Balance as at 1 January 2017	1,246,479	1,246,479	5,805,707	969,795	13,841	(542,587)	56,148	21,140,725	29,936,587	1,076,709	31,013,296
Profit for the period	-	-	-	-	-	-	-	1,485,627	1,485,627	25,326	1,510,953
Other Comprehensive Income before Tax	-	-	-	-	-	437,186	405,599	2,525	845,310	1,255	846,565
Tax on Other Comprehensive Income	-	-	-	-	-	(188,527)	-	-	(188,527)	-	(188,527)
Total Comprehensive Income for the period				-		248,659	405,599	1,488,152	2,142,410	26,581	2,168,991
Transactions with equity holders											
Issue of shares	962,040	-	-	-	-	-	-	-	962,040	-	962,040
Expiry of the ELCP option exercise period	-	-	-	-	(13,841)	-	-	-	(13,841)		(13,841)
Dividend to equity holders	-	-	-	-	-	-	-	(1,319,614)	(1,319,614)	(41,389)	(1,361,003)
Balance as at 30 June 2017	**2,208,519**	**1,246,479**	**5,805,707**	**969,795**	**-**	**(293,928)**	**461,747**	**21,309,263**	**31,707,582**	**1,061,901**	**32,769,483**

STATEMENT OF CASH FLOW				
	BANK		GROUP	
For the period ended 30 June	**2017**	**2016**	**2017**	**2016**
	LKR '000	**LKR '000**	**LKR '000**	**LKR '000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	18,552,344	12,086,670	18,719,795	12,246,021
Fee based income received	1,141,373	1,021,001	1,559,301	1,496,289
Dividend income received	1,066,150	52,017	36,013	62,517
Other Operating income received	775,808	711,701	793,311	736,809
Interest paid	(10,993,635)	(8,777,374)	(10,993,635)	(8,777,374)
Personnel costs paid	(1,648,591)	(1,651,271)	(1,761,987)	(1,805,546)
Other expenses paid	(1,468,409)	(1,200,548)	(1,776,366)	(1,377,744)
Operating Profit before changes in operating assets and liabilities	**7,425,040**	**2,242,196**	**6,576,432**	**2,580,972**
Net increase in loans and receivables to other customers	(26,091,987)	(10,879,999)	(26,099,271)	(10,883,097)
Net Increase in deposits from customers	34,362,641	6,119,673	34,362,641	6,119,673
Net (increase)/decrease in other assets	(512,648)	178,177	(611,939)	73,363
Net increase/(decrease) in other liabilities	(1,641,836)	(2,897,874)	(1,669,922)	(2,883,042)
Net cash inflow/(outflow) from operating activities before taxation	**13,541,210**	**(5,237,827)**	**12,557,941**	**(4,992,131)**
Tax on Financial Services paid	(821,122)	(394,663)	(821,122)	(394,663)
Income taxes paid	(346,934)	(371,637)	(380,522)	(398,076)
Net cash provided by/(used in) operating activities	**12,373,154**	**(6,004,127)**	**11,356,297**	**(5,784,870)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(4,640,646)	5,706,986	(3,500,744)	5,499,607
Expenditure on property, plant & equipment	(193,083)	(337,403)	(237,027)	(373,017)
Proceeds from sale of property, plant & equipment	2,203	10,357	2,203	11,095
Net cash used in investing activities	**(4,831,526)**	**5,379,940**	**(3,735,568)**	**5,137,685**
CASH FLOWS FROM FINANCING ACTIVITIES				
(Decrease)/ Increase in other borrowings	(7,563,600)	959,712	(7,563,600)	959,712
Dividends paid to non-controlling interests	-	-	(146,459)	-
Dividends paid to shareholders of the Bank	(354,870)	(663,385)	(354,870)	(663,385)
Net cash provided by /(used in) financing activities	**(7,918,470)**	**296,327**	**(8,064,929)**	**296,327**
NET INCREASE IN CASH AND CASH EQUIVALENTS	(376,842)	(327,860)	(444,199)	(350,858)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	20,130,977	19,975,020	20,251,933	20,002,093
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**19,754,135**	**19,647,160**	**19,807,734**	**19,651,235**
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	4,388,070	4,805,572	4,441,669	4,809,648
Balances with the Central Bank of Sri Lanka	13,976,164	9,996,674	13,976,164	9,996,674
Placements with banks	1,389,901	4,844,915	1,389,901	4,844,913
	19,754,135	**19,647,160**	**19,807,734**	**19,651,235**
Amount due to foreign Banks	-	-	-	-
	19,754,135	**19,647,160**	**19,807,734**	**19,651,235**

SEGMENTAL ANALYSIS- GROUP

For the period ended 30 June

	Banking		Capital Markets		Property Investment		Others		Consolidated	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Revenue										
Interest Income	17,703,188	13,037,351	130,075	163,940	-	-	-	-	17,833,263	13,201,291
Net Fee and Commission Income	1,141,373	1,073,301	218,960	278,467	68,455	66,426	64,689	62,127	1,493,477	1,480,321
Foreign exchange profit	532,822	456,048	-	-	-	-	-	-	532,822	456,048
Net gain/(loss) from financial investments	121,660	128,138	154,065	79,168	-	-	-	-	275,725	207,306
Other Income	192,866	122,634	3,224	(218)	-	-	-	-	196,090	122,416
Total revenue from external customers	19,691,909	14,817,472	506,324	521,357	68,455	66,426	64,689	62,127	20,331,377	15,467,382
Inter-segment Revenue	-	-	9,029	9,905	33,338	28,337	-	-	42,367	38,242
Total Revenue	19,691,909	14,817,472	515,353	531,262	101,792	94,763	64,689	62,127	20,373,744	15,505,624
Impairment (charge)/reversal for loans & other losses	(533,881)	(861,326)	(18,254)	(17,540)	-	-	-	-	(552,135)	(878,866)
Segment expenses	(16,282,831)	(12,201,033)	(341,961)	(231,919)	(7,093)	(6,175)	(41,657)	(44,630)	(16,673,542)	(12,483,756)
Total segment expenses	(16,816,712)	(13,062,359)	(360,215)	(240,727)	(7,093)	(14,907)	(41,657)	(44,627)	(17,225,677)	(13,362,622)
Segment results	2,875,197	1,755,113	155,137	290,535	94,699	79,857	23,033	17,500	3,148,067	2,143,002
Share of associate companies' profit before taxation	-	-	-	-	-	-	-	-	-	-
Taxation									869,400	590,491
VAT on financial services									767,715	426,797
Profit after taxation									1,510,952	1,125,714
Other information										
Segment assets	364,806,492	313,938,799	3,766,621	5,016,847	1,894,149	1,782,029	88,963	104,899	370,556,224	320,842,575
Investments -Held for sale	-	-	-	-	-	-	33,301	33,301	33,301	33,301
Consolidated total assets									370,589,525	320,875,876
Segment liabilities	337,061,763	290,712,638	704,631	320,614	50,557	149,872	3,090	11,806	337,820,041	291,194,930
Consolidated total liabilities									337,820,041	291,194,930
Segmental Cash flows										
Cash flows from operating activities	12,358,810	(6,004,127)	(978,964)	209,930	29,412	61,516	(52,961)	(52,189)	11,356,297	(5,784,870)
Cash flows from investing activities	(4,831,526)	5,379,940	1,096,181	(229,095)	-	(13,160)	(223)	-	(3,735,568)	5,137,685
Cash flows from financing activities	(7,918,470)	296,327	(49,150)	-	(97,309)	-	-	-	(8,064,929)	296,327

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2017 - BANK (LKR '000)

ASSETS	Held for Trading	Held to Maturity	Loans and Receivables	Available for Sale	Others	Held for sale	Total
Cash and cash equivalents	-	-	4,388,070	-	-	-	4,388,070
Balances with the Central Bank of Sri Lanka	-	-	13,976,164	-	-	-	13,976,164
Placements with banks	-	-	1,389,901	-	-	-	1,389,901
Derivative Financial Instruments	2,016,727	-	-	-	-	-	2,016,727
Financial Assets - Held for trading	7,875,318	-	-	-	-	-	7,875,318
Loans and Receivables to banks	-	-	26,334	-	-	-	26,334
Loans and Receivables to other customers	-	-	252,473,929	-	-	-	252,473,929
Financial Investments - Loans and receivables	-	-	32,425,908	-	-	-	32,425,908
Financial Investments - Available for sale	-	-	-	39,275,413	-	-	39,275,413
Financial Investments - Held to maturity	-	3,865,685	-	-	-	-	3,865,685
Other Financial Assets	-	-	6,185	-	-	-	6,185
Total Financial Assets	**9,892,045**	**3,865,685**	**304,686,492**	**39,275,413**	**-**	**-**	**357,719,634**
Investments -Held for sale	-	-	-	-	-	18,526	18,526
Investments in subsidiary companies	-	-	-	-	2,068,481	-	2,068,481
Intangible assets	-	-	-	-	385,535	-	385,535
Property, plant & equipment	-	-	-	-	2,048,029	-	2,048,029
Other assets	-	-	-	-	2,571,788	-	2,571,788
Total assets	**9,892,045**	**3,865,685**	**304,686,492**	**39,275,413**	**7,073,833**	**18,526**	**364,811,994**

LIABILITIES	Held for Trading	Amortized cost	Others	Total
Due to Banks	-	8,156,603	-	8,156,603
Derivative Financial Instruments	411,661	-	-	411,661
Due to other Customers	-	239,345,976	-	239,345,976
Debt Securities issued and other borrowed funds	-	60,642,549	-	60,642,549
Subordinated Term debts	-	20,289,105	-	20,289,105
Other Financial Liabilities	-	863,274	-	863,274
Total Financial Liabilities	**411,661**	**329,297,507**	**-**	**329,709,168**
Current Tax Liabilities	-	-	1,159,524	1,159,524
Deferred Tax	-	-	1,051,818	1,051,818
Other liabilities	-	-	5,480,990	5,480,990
Dividends payable	-	-	52,640	52,640
Total liabilities	**411,661**	**329,297,507**	**7,744,972**	**337,454,140**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 30 JUNE 2017 - GROUP (LKR '000)

ASSETS	Held for Trading	Held to Maturity	Loans and Receivables	Available for Sale	Others	Held for sale	Total
Cash and cash equivalents	-	-	4,441,669	-	-	-	4,441,669
Balances with the Central Bank of Sri Lanka	-	-	13,976,164	-	-	-	13,976,164
Placements with banks	-	-	1,389,901	-	-	-	1,389,901
Derivative Financial Instruments	2,016,727	-	-	-	-	-	2,016,727
Financial Assets - Held for trading	9,878,559	-	-	-	-	-	9,878,559
Loans and Receivables to banks	-	-	26,334	-	-	-	26,334
Loans and Receivables to other customers	-	-	252,439,279	-	-	-	252,439,279
Financial Investments - Loans and receivables	-	-	34,269,471	-	-	-	34,269,471
Financial Investments - Available for sale	-	-	-	39,658,506	-	-	39,658,506
Financial Investments - Held to maturity	-	4,621,461	-	-	-	-	4,621,461
Other Financial Assets	-	-	6,185	-	-	-	6,185
Total Financial Assets	**11,895,286**	**4,621,461**	**306,549,003**	**39,658,506**	**-**	**-**	**362,724,256**
Investments -Held for sale	-	-	-	-	-	33,300	33,300
Investment Property	-	-	-	-	1,776,000	-	1,776,000
Intangible assets	-	-	-	-	386,859	-	386,859
Property, plant & equipment	-	-	-	-	2,542,040	-	2,542,040
Other assets	-	-	-	-	3,127,070	-	3,127,070
Total assets	**11,895,286**	**4,621,461**	**306,549,003**	**39,658,506**	**7,831,969**	**33,300**	**370,589,525**

LIABILITIES	Held for Trading	Amortized cost	Others	Total
Due to Banks	-	8,156,603	-	8,156,603
Derivative Financial Instruments	411,661	-	-	411,661
Due to other Customers	-	238,962,998	-	238,962,998
Debt Securities issued and other borrowed funds	-	60,642,549	-	60,642,549
Subordinated Term debts	-	20,289,105	-	20,289,105
Other Financial Liabilities	-	863,274	-	863,274
Total Financial Liabilities	**411,661**	**328,914,529**	**-**	**329,326,189**
Current Tax Liabilities	-	-	1,172,241	1,172,241
Deferred Tax	-	-	1,033,715	1,033,715
Other liabilities	-	-	6,235,259	6,235,259
Dividends payable	-	-	52,640	52,640
Total liabilities	**411,661**	**328,914,529**	**8,493,855**	**337,820,042**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2016 - BANK (LKR '000)

ASSETS	Held for Trading	Held to Maturity	Loans and Receivables	Available for Sale	Others	Held for sale	Total
Cash and cash equivalents	-	-	5,018,438	-	-	-	5,018,438
Balances with the Central Bank of Sri Lanka	-	-	11,815,277	-	-	-	11,815,277
Placements with banks	-	-	3,297,262	-	-	-	3,297,262
Derivative Financial Instruments	1,544,621	-	-	-	-	-	1,544,621
Financial Assets - Held for trading	832,694	-	-	-	-	-	832,694
Loans and Receivables to banks	-	-	37,032	-	-	-	37,032
Loans and Receivables to other customers	-	-	227,639,844	-	-	-	227,639,844
Financial Investments - Loans and receivables	-	-	41,992,533	-	-	-	41,992,533
Financial Investments - Available for sale	-	-	-	31,500,020	-	-	31,500,020
Financial Investments - Held to maturity	-	4,137,601	-	-	-	-	4,137,601
Other Financial Assets	-	-	3,091	-	-	-	3,091
Total Financial Assets	**2,377,315**	**4,137,601**	**289,803,477**	**31,500,020**	**-**	**-**	**327,818,413**
Investments -Held for sale	-	-	-	-	-	18,525	18,524
Investments in subsidiary companies	-	-	-	-	2,115,850	-	2,115,850
Intangible assets	-	-	-	-	368,083	-	368,083
Property, plant & equipment	-	-	-	-	2,078,569	-	2,078,569
Other assets	-	-	-	-	2,145,295	-	2,145,295
Total assets	**2,377,315**	**4,137,601**	**289,803,477**	**31,500,020**	**6,707,797**	**18,525**	**334,544,734**

LIABILITIES	Held for Trading	Amortized cost	Others	Total
Due to Banks	-	17,124,944	-	17,124,944
Derivative Financial Instruments	474,770	-	-	474,770
Due to other Customers	-	203,866,547	-	203,866,547
Debt Securities issued and other borrowed funds	-	59,233,264	-	59,233,264
Subordinated Term debts	-	19,446,500	-	19,446,500
Other Financial Liabilities	-	2,960,063	-	2,960,063
Total Financial Liabilities	**474,770**	**302,631,318**	**-**	**303,106,088**
Current Tax Liabilities	-	-	845,660	845,660
Deferred Tax	-	-	791,791	791,791
Other liabilities	-	-	5,006,211	5,006,211
Dividends payable	-	-	49,933	49,933
Total liabilities	**474,770**	**302,631,318**	**6,693,595**	**309,799,683**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2016 - GROUP (LKR '000)

ASSETS	Held for Trading	Held to Maturity	Loans and Receivables	Available for Sale	Others	Held for sale	Total
Cash and cash equivalents	-	-	5,139,389	-	-	-	5,139,389
Balances with the Central Bank of Sri Lanka	-	-	11,815,277	-	-	-	11,815,277
Placements with banks	-	-	3,297,262	-	-	-	3,297,262
Derivative Financial Instruments	1,544,621	-	-	-	-	-	1,544,621
Financial Assets - Held for trading	3,661,530	-	-	-	-	-	3,661,530
Loans and Receivables to banks	-	-	37,032	-	-	-	37,032
Loans and Receivables to other customers	-	-	227,679,939	-	-	-	227,679,939
Financial Investments - Loans and receivables	-	-	43,896,593	-	-	-	43,896,593
Financial Investments - Available for sale	-	-	-	31,899,259	-	-	31,899,259
Financial Investments - Held to maturity	-	4,946,120	-	-	-	-	4,946,120
Other Financial Assets	-	-	3,091	-	-	-	3,091
Total Financial Assets	**5,206,151**	**4,946,120**	**291,865,493**	**31,899,259**	**-**	**-**	**333,920,113**
Investments -Held for sale	-	-	-	-	-	33,301	33,300
Investment Property	-	-	-	-	1,776,000	-	1,776,000
Intangible assets	-	-	-	-	384,740	-	384,740
Property, plant & equipment	-	-	-	-	2,528,256	-	2,528,256
Other assets	-	-	-	-	2,089,358	-	2,089,358
Total assets	**5,206,151**	**4,946,120**	**291,865,493**	**31,899,259**	**6,778,354**	**33,301**	**340,731,767**

LIABILITIES	Held for Trading	Amortized cost	Others	Total
Due to Banks	-	17,124,944	-	17,124,944
Derivative Financial Instruments	474,770	-	-	474,770
Due to other Customers	-	203,515,828	-	203,515,828
Debt Securities issued and other borrowed funds	-	59,233,264	-	59,233,264
Subordinated Term debts	-	19,446,500	-	19,446,500
Other Financial Liabilities	-	2,963,953	-	2,963,953
Total Financial Liabilities	**474,770**	**302,284,489**	**-**	**302,759,258**
Current Tax Liabilities	-	-	852,454	852,454
Deferred Tax	-	-	744,880	744,880
Other liabilities	-	-	5,311,947	5,311,947
Dividends payable	-	-	49,933	49,933
Total liabilities	**474,770**	**302,284,489**	**6,959,214**	**309,718,470**

1. The figures are extracted from the unaudited financial statements.

2. The financial statements of the Bank and the Group have been prepared based on the accounting policies and methods applied for the year ended 31 December 2015 and comply with Sri Lanka Accounting Standard 34- "Interim Financial Reporting". Previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

3.On 21 February 2017,the Bank declared a final dividend of LKR 8.00 per share comprising of a cash dividend of LKR 2.00 per share and a scrip dividend of LKR 6.00 per share for the financial year ended 31 December 2016 .Accordingly ,the Stated Capital of the Bank increased to LKR 2,209 million as at 30 June 2017 (LKR 1,246 million as at 31 December 2016) ,as a result of scrip dividends declared for the year ended 31 December 2016.

4 .There are no other events that require adjustment to the Financial Statements or disclosure in the Financial Statements that has occurred subsequent to the date of the Statement of the Financial Position of the Bank and the Group .

Notes to the Financial Statements

5. ADDITIONAL QUARTERLY DISCLOSURES PRESCRIBED BY CBSL AS PER CIRCULAR (02/17/900/0001/004) DATED 11 OCTOBER 2013

a) Loans and Receivables to Other Customers	Bank		Group	
	Current Period	Previous Period	Current Period	Previous Period
	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000
Gross loans and receivables	257,694,757	233,679,116	257,660,106	233,719,211
(Less): Individual impairment	2,017,864	3,028,934	2,017,864	3,028,934
Collective impairment	3,202,964	3,010,338	3,202,963	3,010,338
Net loans and receivables	**252,473,929**	**227,639,844**	**252,439,279**	**227,679,939**

b) Gross Loans and Receivables to Other Customers - By product	Bank		Group	
	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000
By product-Domestic Currency				
Term loans	63,905,787	61,889,699	63,905,786	61,889,701
Medium and short term loans	26,680,155	20,473,581	26,680,155	20,473,581
Overdrafts	40,261,475	33,922,462	40,141,762	33,876,980
Trade Finance	11,441,432	11,680,422	11,441,432	11,680,422
Consumer loans	22,224,541	22,459,289	22,224,541	22,459,289
Lease rentals receivable	14,380,028	15,008,636	14,380,028	15,008,636
Housing loans	9,847,134	9,460,115	9,847,134	9,460,115
Islamic Banking facilities	2,752,076	1,515,319	2,752,076	1,515,319
Credit cards	1,410,403	1,189,488	1,410,403	1,189,488
Staff loans	1,469,349	1,453,984	1,554,412	1,539,563
Hire Purchase	556,770	825,668	556,770	825,668
Pawning	135,151	122,755	135,151	122,755
Sub total	**195,064,299**	**180,001,417**	**195,029,649**	**180,041,515**
By product-Foreign Currency				
Overdrafts	2,234,104	1,949,378	2,234,104	1,949,378
Medium and short term loans	33,456,797	29,426,091	33,456,797	29,426,091
Trade Finance	24,834,926	20,998,205	24,834,926	20,998,205
Islamic Banking facilities	2,104,630	1,304,023	2,104,630	1,304,023
Sub total	**62,630,457**	**53,677,697**	**62,630,457**	**53,677,697**
Total	**257,694,757**	**233,679,114**	**257,660,106**	**233,719,212**

c) Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers	Bank		Group	
	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000
Individual impairment				
Opening balance at 01st January	3,028,933	2,621,344	3,028,933	2,621,344
Charge/(Write back) to Statement of Profit or Loss	338,236	1,101,589	338,236	1,101,589
Write-off during the period	(1,349,305)	(694,000)	(1,349,305)	(694,000)
Closing balance	**2,017,864**	**3,028,933**	**2,017,864**	**3,028,933**
Collective impairment				
Opening balance at 01st January	3,010,338	2,789,036	3,010,338	2,789,036
Charge/(Write back) to Statement of Profit or Loss	195,645	277,098	195,645	277,098
Write-off during the Period	(3,019)	(55,796)	(3,019)	(55,796)
Closing balance	**3,202,964**	**3,010,338**	**3,202,964**	**3,010,338**
Total impairment	**5,220,828**	**6,039,271**	**5,220,828**	**6,039,271**

d) Due to Other Customers - By product	Bank		Group	
	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000	As at 30/06/2017 LKR '000	As at 31/12/2016 LKR '000
By product-Domestic Currency				
Demand deposits	17,242,822	12,170,167	17,234,209	12,160,072
Savings deposits	24,502,821	21,810,521	24,497,955	21,807,856
Time deposits	151,445,934	124,893,885	151,076,437	124,555,927
Other deposits	413,132	295,906	413,132	295,906
Sub total	**193,604,710**	**159,170,479**	**193,221,732**	**158,819,760**
By product- Foreign Currency				
Demand deposits	2,442,591	3,668,781	2,442,591	3,668,781
Savings deposits	8,255,463	8,666,616	8,255,463	8,666,616
Time deposits	34,907,847	32,231,107	34,907,847	32,231,107
Other deposits	135,365	129,563	135,365	129,563
Sub total	**45,741,266**	**44,696,068**	**45,741,266**	**44,696,068**
Total	**239,345,976**	**203,866,547**	**238,962,998**	**203,515,828**

Selected Performance Indicators (As per regulatory Reporting)	BANK		GROUP	
	As at 30/06/2017	As at 31/12/2016	As at 30/06/2017	As at 31/12/2016
Regulated Capital Adequacy				
Core Capital (Tier 1 Capital) (LKR mn)	24,352	22,404	30,191	29,108
Total Capital Base (LKR mn)	32,961	31,153	39,391	38,484
Core Capital adequacy Ratio -Core Capital as a % of Risk -weighted Assets (Minimum Requirement, 5%)	9.42	9.31	11.23	11.55
Total Capital Adequacy Ratio -Total Capital as a % of (Tier 1 & 2 (%) Risk -weighted Assets (Minimum Requirment,10%)	12.76	12.95	14.65	15.27
Asset Quality				
Gross Non-performing Advances Ratio (%)	2.22	2.63	2.22	2.43
Net Non-performing Advances Ratio (%)	1.22	1.01	1.22	1.01
Profitability				
Earnings Per Share (LKR)- (annualised)	22.82	19.19	17.94	16.29
Return on Average Shareholders' Funds (%)	14.63	13.36	9.72	9.23
Return on Average Assets (%)	1.09	0.99	0.84	0.82
Net interest margin (%)	2.74	2.64	2.78	2.70
Debt Security - Related Ratios				
Interest Cover (Times)	1.37	1.55	1.38	1.57
Debt to Equity (Times)	12.01	12.19	10.35	9.72
Regulatory Liquidity				
Statutory liquid assets- LKR mn	73,982	67,105	73,982	67,105
Statutory liquid assets ratio (%)				
Domestic Banking Unit	22.31	21.50	22.31	21.50
Foreign Currency Banking Unit	24.52	22.93	24.52	22.93

SHARE PRICE

As at	30/06/2017	31/12/2016
Number of shares	171,485,705	165,185,506
Last traded price (LKR)	144.00	156.00
For the year ended	**30/06/2017**	**31/12/2016**
Highest price per share (LKR)	152.40	168.90
Lowest price per share (LKR)	130.00	150.00

TOP 20 LARGEST SHARE HOLDERS OF NATIONAL DEVELOPMENT BANK PLC AS AT 30.06.2017

	NAME	NO OF SHARES	%
1	BANK OF CEYLON NO. 1 ACCOUNT	16,995,471	9.91%
2	EMPLOYEES PROVIDENT FUND	16,620,881	9.69%
3	MR. R.S. CAPTAIN	13,963,988	8.14%
4	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	9,746,566	5.68%
5	DR. S. YADDEHIGE	8,876,393	5.18%
6	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	8,103,126	4.73%
7	PERPETUAL TREASURIES LIMITED	7,632,593	4.45%
8	EMPLOYEES TRUST FUND BOARD	5,932,549	3.46%
9	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	5,215,877	3.04%
10	SBI VEN HOLDINGS PTE LTD	5,190,700	3.03%
11	BNYMSANV RE-CF RUFFER INVESTMENT FUNDS : CF RUFFER PACIFIC FUND	5,034,979	2.94%
12	HATTON NATIONAL BANK PLC A/C NO 1	4,445,523	2.59%
13	HSBC INTL NOM LTD-BBH-MATTHEWS EMERGING ASIA FUND	3,502,989	2.04%
14	PERPETUAL EQUITIES (PRIVATE) LIMITED	3,482,872	2.03%
15	MR. A. K. PATHIRAGE	3,083,276	1.80%
16	CIC HOLDINGS PLC	2,556,829	1.49%
17	ASIRI SURGICAL HOSPITAL PLC	2,411,893	1.41%
18	SOFTLOGIC LIFE INSURANCE PLC-A/C 02 (LIFE FUND)	2,242,119	1.31%
19	DFCC BANK PLC A/C 1	2,076,280	1.21%
20	AKBAR BROTHERS (PRIVATE) LIMITED A/C NO. 1	1,832,220	1.07%

PUBLIC HOLDING PERCENTAGE

	As at 30/06/2017
Public holding percentage	89.82%
Number of Public Shareholders	8,052

DIRECTORS INTEREST IN SHARES OF NDB AS AT 30.06.2017

NAME	NO OF SHARES
A W ATUKORALA (CHAIRMAN)	519
A K PATHIRAGE	4,145,293*
T L F JAYASEKARA	-
K FERNANDO	-
D S P WIKRAMANAYAKE	-
I SUGATHADASA	-
D M A HARASGAMA	-
D M R PHILLIPS	-
K D W RATNAYAKA	-

* Includes shares held in the slash account

Type of Debenture	CSE Listing	Interest payable frequency	Balance as at 30 June 2017 LKR mn	Market Value			Interest Rate		Interest rate of comparable Govt. Security %	Other ratios as at last trade	
				Highest LKR	Lowest LKR	Quarter end LKR	Coupon Rate %	Effective Annual Yield %		Interest Yield %	Yield To Maturity %
Fixed rate - Debenture June 2015											
A - Jun 2015/Jun 2020	Listed	Annually	7,000	87.00	87.00	87.00	9.40	9.19	8.30	14.56	14.56
B - Jun 2015/Jun 2020	Listed	Payable on date of redemption	1,914	Not traded during the quarter			9.4 annual compounding on the Issue Price of Rs. 63.8136	9.18	8.30	Not traded during the quarter	
Fixed rate - Debenture December 2013											
A - Dec 2013/Dec 2018	Listed	Semi annually	1,243	Not traded during the quarter			13.00	12.79	8.30	Not traded during the quarter	
B - Dec 2013/Dec 2018	Listed	Annually	1,529	Not traded during the quarter			13.40	12.77	8.30	Not traded during the quarter	
C - Dec 2013/Dec 2023	Listed	Annually	3,638	86.00	86.00	86.00	13.90	13.17	9.75	17.59	17.59
D - Dec 2013/Dec 2025	Listed	Annually	3,590	Not traded during the quarter			14.00	13.26	9.75	Not traded during the quarter	
Total Debentures			**18,914**								

Disclosures regarding the utilization of funds as per the objectives stated in the Debenture Prospectus

Debenture Issue - June 2015

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Strengthen the Tier II Capital Base of the Bank and maintain the Capital Adequacy requirements to facilitate future growth of the lending portfolio of the Bank	10,000,000,000	NA	10,000,000,000	100%	432,779,000	4%	The Bank has utilized LKR 432,779,000/- which is the maximum eligible amount for strengthening the Tier II capital base of the Bank, subject to the condition of "the total subordinated debentures so considered should not exceed 50% of the total Tier I capital of the Bank" as per Basel II guidelines. All funds raised via the debenture were lent to customers.
2	To mobilize/ raise medium term funds to match medium term lending of the Bank	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-
3	To minimize the interest rate risk rate risk and manage the gap exposures of the Bank's assets and liabilities	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-

The face value of the debentures issued is LKR 10 billion. Of the total debentures issued, Type B debentures were issued as zero coupon bonds with a face value of LKR 100/- per debenture and an issue price of LKR 63.8136. Hence the total proceeds of the debenture is LKR 8,914 million.

Debenture Issue - December 2013

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Strengthen the Tier II Capital Base of the Bank and maintain the Capital Adequacy requirements in line with the Bank's future expansion of operations and the asset base, and facilitate the future expansion of business activities.	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-
2	To mobilize/ raise medium term funds to match medium term lending of the Bank	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-
3	To minimize the interest rate risk rate risk and manage the gap exposures of the Bank's assets and liabilities	10,000,000,000	NA	10,000,000,000	100%	10,000,000,000	100%	-

STATEMENT OF PROFIT OR LOSS IN USD

	Bank					Group				
	Period ended 30/06/2017 USD'000	Period ended 30/06/2016 USD'000	Change %	Quarter ended 30/06/2017 USD'000	Quarter ended 30/06/2016 USD'000	Period ended 30/06/2017 USD'000	Period ended 30/06/2016 USD'000	Change %	Quarter ended 30/06/2017 USD'000	Quarter ended 30/06/2016 USD'000
Gross Income	**136,052**	**104,339**	**30**	**70,081**	**52,108**	**133,935**	**106,082**	**26**	**69,312**	**54,149**
Interest Income	116,379	89,195	30	59,859	46,593	117,351	90,422	30	60,334	47,220
Interest Expenses	85,182	61,559	38	44,080	32,560	85,065	61,453	38	44,029	32,514
Net Interest Income	**31,198**	**27,636**	**13**	**15,780**	**14,033**	**32,287**	**28,969**	**11**	**16,306**	**14,706**
Net Fee and Commission Income	**7,503**	**7,343**	**2**	**3,841**	**3,636**	**9,980**	**10,284**	**(3)**	**5,283**	**5,027**
Net gain/(loss) from trading	3,503	3,120	12	1,702	1,830	3,503	3,120	12	1,702	1,830
Net gain/(loss) from financial investments	800	877	(9)	795	(7)	1,813	1,418	28	1,376	392
Other operating income	7,867	3,804	107	3,883	56	1,289	838	54	617	(320)
Total Operating Income	**50,870**	**42,780**	**19**	**26,000**	**19,548**	**48,870**	**44,629**	**10**	**25,283**	**21,635**
Impairment charges for loans and other losses										
Individual Impairment	2,224	2,996	**(26)**	1,770	598	2,224	2,996	**(26)**	1,770	598
Collective Impairment	1,286	2,897	**56**	1,054	1,609	1,286	2,897	**56**	1,054	1,609
Other provision	311	(219)	**(100)**	103	(218)	120	120	**100**	60	60
	3,821	5,673	**(33)**	2,927	1,989	3,630	6,013	**(40)**	2,883	2,267
Net operating income	**47,048**	**37,106**	**27**	**23,073**	**17,558**	**45,239**	**38,616**	**17**	**22,399**	**19,368**
Operating Expenses										
Personnel Expenses	11,198	11,873	(6)	5,141	6,000	12,451	12,953	(4)	5,791	6,513
Depreciation and amortization	1,356	1,455	(7)	675	772	1,500	1,644	(9)	748	867
Other Expenses	9,423	8,453	11	4,815	4,233	10,594	9,357	13	5,447	4,733
Total operating expenses	**21,978**	**21,780**	**1**	**10,632**	**11,006**	**24,546**	**23,955**	**2**	**11,986**	**12,114**
Operating Profit Before Tax on Financial Services	**25,070**	**15,326**	**64**	**12,440**	**6,553**	**20,693**	**14,661**	**41**	10,415	7,254
Tax on Financial Services	5,047	2,920	73	2,449	1,305	5,047	2,920	73	2,449	1,305
Operating Profit After Tax on Financial Services	20,023	12,406	61	9,991	5,248	15,647	11,742	33	7,965	5,949
Share of associate companies' profits/(losses)	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	**20,023**	**12,406**	**61**	**9,991**	**5,248**	**15,647**	**11,742**	**33**	**7,965**	**5,949**
Taxation	4,814	3,683	31	2,437	1,994	5,715	4,040	41	2,985	2,165
Profit for the Period	**15,209**	**8,723**	**74**	**7,555**	**3,254**	**9,932**	**7,703**	**29**	**4,981**	**3,784**
Profit Attributable to:										
Equity Holders of the parent	15,209	8,723	74	7,554	3,254	9,766	7,409	32	4,895	3,647
Non Controlling Interests	-	-	-	-	-	166	292	(43)	85	137
	15,209	**8,723**	**74**	**7,554**	**3,254**	**9,932**	**7,703**	**29**	**4,981**	**3,784**
Basic Earnings per share (in USD)	**0.09**	**0.05**	**72**	**0.05**	**0.02**	**0.06**	**0.04**	**30**	**0.03**	**0.02**
Diluted Earnings per share (in USD)	**0.09**	**0.05**	**72**	**0.05**	**0.02**	**0.06**	**0.04**	**30**	**0.03**	**0.02**

STATEMENT OF COMPREHENSIVE INCOME IN USD

	Period ended 30/06/2017 USD'000	Period ended 30/06/2016 USD'000	Change %	Quarter ended 30/06/2017 LKR '000	Quarter ended 30/06/2016 LKR '000	Period ended 30/06/2017 USD'000	Period ended 30/06/2016 USD'000	Change %	Quarter ended 30/06/2017 LKR '000	Quarter ended 30/06/2016 LKR '000
Profit for the period	**15,211**	**8,723**	**74**	**7,556**	**3,254**	**9,933**	**7,702**	**29**	**4,981**	**3,784**
Other comprehensive income /(expenses) to be reclassified to profit or loss in subsequent periods										
Exchange differences on translation of foreign operations	-	-	-	-	-	25	25	0	11	(25)
Gains/(losses) from Available for Sale Investments	2,980	(3,225)	192	3,996	3,222	2,874	(3,413)	184	4,125	3,241
Gains /(losses) on cash flow hedges	2,666	2,133	25	910	(219)	2,666	2,133	25	910	(219)
Other comprehensive income /(expenses) not to be reclassified to profit or loss in subsequent periods										
Actuarial Gains/(losses) on defined benefit plans	-	(71)	(100)	-	-	-	(87)	(100)	-	-
									-	-
Total Other Comprehensive Income /(expenses)	**5,646**	(1,162)	118	**4,906**	3,003	**5,565**	(1,342)	113	**5,046**	2,997
Less : Tax expenses relating to components of other comprehensive Income	(1,239)	232	(635)	(953)	(821)	(1,239)	232	(635)	(953)	(821)
Total Other Comprehensive Income after Tax	**4,407**	(931)	115	**3,953**	2,182	**4,326**	(1,110)	108	**4,093**	**2,176**
Total Comprehensive Income for the period	**19,618**	7,792	260	**11,510**	5,436	**14,259**	6,591	711	**9,073**	5,960
Attributable to:										
Equity holders of the parent	19,618	7,792	152	11,510	5,436	14,084	6,293	124	8,984	5,831
Non Controlling Interests	-	-	-	-	-	175	299	(41)	89	129
	19,618	7,792	260	**11,510**	5,436	**14,259**	6,591	711	**9,073**	5,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN USD

	BANK			Group		
	Current Period	Previous Period		Current Period	Previous Period	
	As at 30/06/2017	As at 31/12/2016 (Audited)	Change	As at 30/06/2017	As at 31/12/2016 (Audited)	Change
	USD'000	USD'000	%	USD'000	USD'000	%
Assets						
Cash and cash equivalents	28,624	33,501	(15)	28,974	34,308	(16)
Balances with the Central Bank of Sri Lanka	91,169	78,874	16	91,169	78,874	16
Placements with banks	9,067	22,011	(59)	9,067	22,011	(59)
Derivative Financial Instruments	13,155	10,311	28	13,155	10,311	28
Financial Assets - Held for trading	51,372	5,559	824	64,439	24,443	164
Loans and Receivables to banks	172	247	(31)	172	247	(31)
Loans and Receivables to other customers	1,646,927	1,519,625	8	1,646,701	1,519,893	8
Financial Investments - Loans and receivables	211,519	280,324	(25)	223,545	293,035	(24)
Financial Investments - Available for sale	256,200	210,281	22	258,699	212,946	21
Financial Investments - Held to maturity	25,216	27,621	(9)	30,147	33,018	(9)
Investments -Held for sale	121	124	(2)	217	222	(2)
Investments in subsidiary companies	13,493	14,124	(4)	-	-	-
Investment Property	-	-	-	11,585	11,856	(2)
Intangible assets	2,515	2,457	2	2,524	2,568	(2)
Property, plant & equipment	13,360	13,876	(4)	16,582	16,878	(2)
Other assets	16,817	14,342	17	20,439	13,968	46
Total assets	**2,379,726**	**2,233,276**	**7**	**2,417,414**	**2,274,578**	**6**
Liabilities						
Due to Banks	53,207	114,319	(53)	53,207	114,319	(53)
Derivative Financial Instruments	2,685	3,169	(15)	2,685	3,169	(15)
Due to other Customers	1,561,291	1,360,925	15	1,558,793	1,358,584	15
Debt Securities issued and other borrowed funds	395,581	395,416	0	395,581	395,416	0
Current Tax Liabilities	7,564	5,645	34	7,647	5,691	34
Deferred Tax	6,861	5,286	30	6,743	4,972	36
Other liabilities	41,385	53,179	(22)	46,305	55,246	(16)
Dividends payable	343	333	3	343	333	3
Subordinated Term Debts	132,349	129,816	2	132,349	129,816	2
Total liabilities	**2,201,266**	**2,068,089**	**6**	**2,203,653**	**2,067,547**	**7**
Equity						
Stated Capital (Bank & Group - 171,485,705 shares)	14,407	8,321	73	14,407	8,321	73
Statutory Reserve Fund	8,131	8,321	(2)	8,131	8,321	(2)
General Reserve	37,872	38,756	(2)	37,872	38,756	(2)
Retained Earnings	111,435	107,401	4	138,892	141,120	(2)
Other Reserves	6,616	2,388	177	7,532	3,326	126
Total shareholders' equity	**178,460**	**165,187**	**8**	**206,834**	**199,844**	**3**
Non Controlling Interests	-	-	-	6,927	7,188	(4)
Total Equity	**178,460**	**165,187**	**8**	**213,760**	**207,031**	3
Total liabilities and equity	**2,379,726**	**2,233,276**	**7**	**2,417,414**	**2,274,578**	**6**
Net Book Value Per Share (USD)	**1.04**	**1.00**	4	**1.21**	**1.21**	(0)
Contingent liabilities and commitments	**1,591,922**	**1,563,558**	**2**	**1,597,855**	**1,569,629**	**2**

Memorandum Information

Number of Employees	2,110	2,108
Number of Branches	105	104

Important Dates - H1 2017 - Quarterly Financial Results Release

Event	Date
Financial statements released to the Colombo Stock Exchange, together with a Performance Commentary	25 July 2017
Investor Webinar	27 July 2017
Updates to the investor relations web page within the Bank's corporate website www.ndbbank.com	Within five working days from the release to the CSE
Financial statements published in selected newspapers in the three languages of Sinhala, Tamil and English	11 August 2017
Edited transcript and playback video of the Investor webinar released/ uploaded to the Bank's website	Within five working days from the date of the Webinar
Investor Forum	Date to be notified.

Corporate Information

Name National Development Bank PLC **Legal Form** Established under the National Development Bank of Sri Lanka Act No. 02 of 1979 and incorporated as a Company under the Companies Act No. 17 of 1982 and reregistered under the Companies Act No. 07 of 2007 and also licensed as a Licensed Commercial Bank in terms of the Banking Act No. 30 of 1988 as amended from time to time.	**Head Office/Registered Office** No. 40, Navam Mawatha, Colombo 02 Tel: +94 11 2448448 Fax: +94 11 2341044 SWIFT Code: NDBS LK LX Web Page: www.ndbbank.com E-mail: contact@ndbbank.com VAT Registration No.: 409000266-7000 **Credit Rating:** Long-term National Rating: A+(lka)/ Stable Outlook - Fitch Ratings Lanka Limited
Registration No. PQ 27 **Accounting Year End** 31 December **VAT Registration No.** 409000266-7000	**Auditors** M/s Ernst & Young, 201, De Saram Place, Colombo 10 **Company Secretary:** Mrs. Shehani Ranasinghe **Compliance Officer** Mrs. Manique Kiriella Bandara
Board of Directors A W Atukorala - Chairman A K Pathirage - Director/ Deputy Chairman P L D N Seneviratne - Director/ Chief Executive Officer T L F Jayasekera (Director) D S P Wikramanayake (Director) Mrs. K Fernando - (Director) Mrs. W A I Sugathadasa - (Director) D M R Phillips, PC - (Director) K D W Ratnayaka - (Director) ***Resignations in 2017*** Mrs. D M A Harasgama (resigned w.e.f 30th June 2017) N S Welikala (resigned w.e.f 30th April 2017)	**Subsidiary Companies** NDB Capital Holdings Ltd. NDB Capital Ltd. (Bangladesh) Development Holding (Pvt) Ltd. NDB Investment Bank Ltd. NDB Wealth Management Ltd. NDB Securities (Pvt) Ltd. NDB Zephyr Partners Ltd. NDB Zephyr Partners Lanka (Pvt) Ltd. NDB Venture Investments (Pvt) Ltd. (Under liquidation) Ayojana Fund (Pvt) Ltd. (Under liquidation)

Investor Relations - Contact Details

Company Secretarial Unit Mrs. Shehani Ranasinghe Company Secretary/Assistant Vice-President Email: shehani.ranasinghe@ndbbank.com Tel.: +94 (0)11 2448448 Extn: 33000	**Investor Relations Team** Mrs. Suvendrini Muthukumarana Assistant Vice-President - Finance & Planning Email: suvendrini.muthukumarana@ndbbank com investor.relations@ndbbank.com Tel.: +94(0)112448448 Extn: 3817

Our Commitment. **Your Success.**

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