



Best Bank in Sri Lanka 2018



INVESTOR WEBINAR Q3 2018

National Development Bank PLC
[CSE Stock Code - NDB.N0000]
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Colombo: Sri Lanka

Forward Looking Statements

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Presentation theme and iconology: This presentation is based on the 2017 NDB Annual Report theme; *Take a closer look*. The icon of a microscope is used where more details are available on the analysis.

Presented by

Dimantha Seneviratne

Director/ Group Chief Executive Officer



Panelists

Finance & Planning

Lalith T Fernando - Group Chief Financial Officer

Suvendrini Muthukumarana - AVP-Finance & Planning

Heads of Business

Buwaneka Perera - VP-Corporate Banking

Niran Mahawatte - VP-Treasury

Indika Ranaweera - VP - SME, Middle Market and Business Banking

KV Vinoj - AVP - Network Management, Product Development & Institutional Banking



Visit our 2017 Annual Report for the profiles of the Corporate Participants.

Part I - Business Overview

Part II - Financial Performance

Part III - Q&A Forum

Part I - Business Overview

Part II - Financial Performance

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- Incorporated in 1979 as a Development Financing Institution under and by virtue of National Development Bank of Sri Lanka Act No. 2 of 1979
- Converted in to a fully fledged commercial bank in 2005
- A network of 108 branches and 129 ATMs [including 12 Cash Recycling Machines] spread across the country
- A full suite of banking solutions on offer for retail masses, retail high net worth clients, SMEs, middle market and corporate customers
- A strong digital banking proposition on offer
- Extended services in capital market activities through the robust group companies cluster
- Unique business proposition of “one-stop-shop” for banking and capital market solutions offered under the NDB brand
- Strong brand equity as the Best Bank in Sri Lanka [as adjudged by the Global Finance Magazine of USA for 2018]
- Staff strength of over 2,300 NDBers strengthened by gender diversity
- A group asset base exceeding LKR 460 billion
- National Long Term Rating of A+ (lka) by Fitch Ratings Lanka Limited



Awards - 2018 [Bank]

Global Finance Magazine USA

Best Bank in Sri Lanka – 2018

Global Banking & Finance & Review - UK

Best Project Finance Bank Sri Lanka

Best SME Bank Sri Lanka

Best Bank for Credit Cards Sri Lanka

Best Retail Banking Product - (Personal Loan Product - Dream Maker Loans) Sri Lanka

Best Financial Group of the Year Sri Lanka

Asian Banking & Finance - Singapore

Under Retail Banking Awards Category

Best Domestic Retail Bank of the Year [for the sixth consecutive year]

Best SME Bank of the Year [For the sixth consecutive year]

Best Financial Inclusion Initiative of the Year

Under Wholesale Banking Awards Category

Best Domestic Project Finance Bank of the Year [for the fourth consecutive year]

Under Corporate & Investment Banking Awards Category

Best Debt Deal of the Year

Best Corporate Client Initiative of the Year

Best Syndicated Loan of the Year

7th Global Customer Engagement Awards Asian Customer Engagement Forum (ACEF) - Mumbai

Silver Award for Best Celebrity Endorsement for NDB Araliya Women's Savings product

Gold Social Impact Award for "Best Education Program

CFA Sri Lanka Capital Market Awards 2018

Gold award for Best Investor Relations [For the third consecutive time]



LankaPay Technnovation Awards 2018

Best Bank of the Year for Excellence in Customer Convenience - Category C – Winner

Best Common ATM Acquirer of the Year - Category B - Merit Award

Bank of the Year for Financial Inclusivity - Category B - Merit Award

USD STP Excellence Awards of Deutsche Bank, New York

Award for exceptional quality of payment messages

Awards - 2018 [Group companies]

NDB Investment Bank Limited

Euromoney Magazine Awards for Excellence

Sri Lanka's Best Investment Bank [For the seventh consecutive year]

FinanceAsia's Annual Country Awards

Best Investment Bank in Sri Lanka [For the second consecutive year]

Global Brands Magazine

Most Trusted Investment Banking Brand, Sri Lanka [For the fourth year]

Asiamoney Banking Awards - 2018

Best Corporate and Investment Bank, Sri Lanka [For the second consecutive year]

NDB Securities [Pvt] Ltd

CFA Sri Lanka Capital Market Awards 2018

Bronze award for Best Equity Research Report

- “Transformation 2020” - The Bank’s strategic framework spanning up to year 2020

Goal

To transform the Bank to a large, systemically important bank from its current mid sized status by end 2020

- Involves a wide span of changes including the business focus, business processes, organizational structure, employee mindset and culture
- Majority of the strategic initiatives are now implemented
- Results are reflected in the financial numbers recorded for Q3 2018
- Greater results to be derived in the near future
- Clear indication that the goal will be met well ahead of the set deadline of 2020
- Already strategized the way forward beyond 2020 as a systemically important bank



Part I - Business Overview

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Profitability Indicators [Vs. Q3 2018] ▲

Pre-tax core banking profits up by 43% - LKR 6.4 bn
NII up by 39% - LKR 10.6 bn
Net fee & comm income up by 25% - LKR 2.3 bn
Total op. income up by 30% - LKR 15.6 bn
Total op. expenses increase 13% - LKR 6.2 bn
PAT growth of 22% - LKR 4.0 bn
Group PAS up by 42% - LKR 3.6 bn

Balance Sheet Indicators [Vs. FY 2017] ▲

Total assets of LKR 458 bn - impressive 20% growth
Net loans to customers of LKR 328 bn - growth of 20%
Customer deposits of LKR 329 bn - growth of 20%
Total assets [Group] - LKR 463 bn

Efficiency & Return Ratios [Vs. FY 2017] ▲

Cost to Income Ratio improved to 39.4% from 45.5%
Net Interest Margin improved to 3.36% from 3.0%
Return on Average Equity improved to 16.95% from 16.27%
Return on average assets improved to 1.23% from 1.21%

Business Capacity Ratios [Vs. FY 2017] ▲

Loans to Deposits Ratio of 102%
Tier I Capital and Total Capital Adequacy ratios well above the statutory minimum requirements applicable for 2018 (Tier I - 8.37% ; Tier II - 12.13%)
Liquidity Coverage Ratios [Rupee & All currency] well above the statutory minimum requirements

Income Statement [Bank]



<i>LKR Mn</i>	Q3-2018	Q3-2017	Variance	%
Gross Income	36,797	31,650	5,148	16
Net Interest Income	10,628	7,656	2,972	39
Net Fee and Commission Income	2,272	1,813	459	25
Total Operating Income	15,634	12,023	3,612	30
Impairment charges for loans and other losses	2,365	872	1,493	171
Net operating income	13,269	11,151	2,118	19
Total operating expenses	6,162	5,472	690	13
Operating Profit	7,107	5,679	1,428	25
Taxes	3,078	2,369	709	30
PAT	4,029	3,310	719	22
Group PAS	3,573	2,520	1,053	42



- Net operating income from core banking operations [excluding equity income] increased by 43%
- Increase in taxes by 30%
- Bank PAT crosses LKR 4 bn, an impressive feat for nine months performance

Revenue Analysis - Fund Based Income

LK Mn	Q3 2018	Q3 2017	% growth
Interest income	31,790	27,283	17
Interest expenses	21,163	19,627	8
NII	10,628	7,656	39
NIM (%)	3.36	2.9	-

Fund based income



- Impressive NII growth due to
 - sound balance sheet management and ALCO strategies.



*Loan book enhanced by LKR 69 bn YoY, supporting the interest income growth

*The loans to deposits ratio improved to 102% helping maintain the increase in interest expenses at 8%

Revenue Analysis - Other Income

LKR Mn	Q3 2018	Q3 2017	% growth
Net Fee and Commission Income	2,272	1,813	25
Net gain from trading	861	793	9
Net gain from financial investments	455	545	-17
Other operating income [excluding equity income]	857	160	436
Total non-interest income from core banking operations [excluding equity income]	4,445	3,311	34
Other operating income from equity investments	562	1,056	-47
Total non-interest income	5,007	4,367	15

- Continued Net fee and commission income growth due to;
 - aggressive drive in retail products including credit card business, mobile banking onboarding, trade services and other fee generating services
 - overall loan portfolio growth

LKR Mn	Q3 2018	Q3 2017	% growth
Personnel expenses	3,267	2,645	24
Depreciation & amortization	319	312	2
Other expenses	2,576	2,514	2
Total operating expenses	6,162	5,472	13

Cost to Income Ratio well managed at 39.4% - One of the lowest in the industry

Cost to Income Ratio

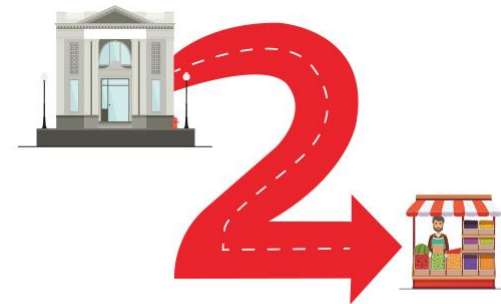


- Operating expenses increase of 13%
- Incurred capital expenditure to support business expansion and enhanced customer experience
 - Network expansion [New branch opened in Katugasthota]
 - 12 Cash Recycle Machines [CRMs]
 - Official launch of branchless banking – Bank2U – Our newest digital solution to individuals and SMEs
 - 5 new NDB Privilege Banking Centers
 - 4 branch relocations to new spacious locations
 - Dedicated Business Banking Unit at the NDB Head Office premises

NDB BANK2U

Easier than before, closer than ever
Experience the service of

BANK2U

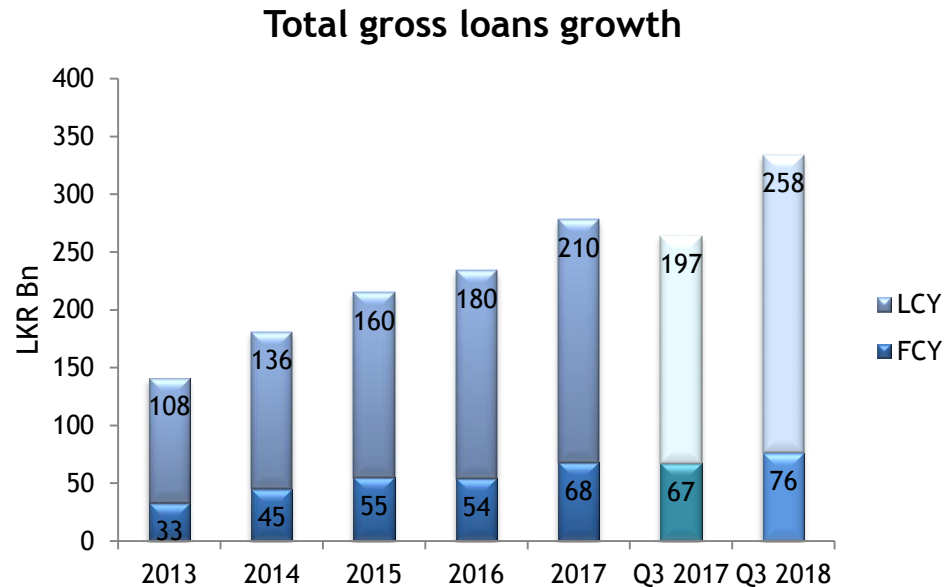


LKR Bn	Q3 2018	FY 2017	YTD Quantum growth	YTD percentage growth	Q3 2017	YoY Quantum growth	YoY percentage growth
Total assets	458	383	75	20	371	87	23
Net loans and receivables from customers	328	274	54	20	259	69	27
Total deposits from customers	329	273	56	20	255	74	29
Total equity	32	29	3	12	28	4	14

- Exceptional growth in total assets, loans and receivables and customer deposits at 20% YTD
- YoY growth rates in excess of 20%

Total Assets - Group

LKR Bn	Q3 2018	FY 2017	% YTD growth
Total assets	463	389	19



- Considerable improvement in the currency mix of the loan book with 77% of LCY loans in Q3 2018 [Q3 2017 - 75%]
- Accelerated performance demonstrated in all key segments, with notable growth recorded in Business Banking

Impairment analysis

LKR mn	Q3 2018	Q3 2017
Individual impairment	1,479	365
Collective impairment	934	439
Other provision - charge/[release]	[47]	68
Total	2,365	872

- The increase in the Bank NPL ratio reflects the industry-wide trend for NPLs resulting from slowing economic growth and other market challenges
- Collective impairment increase due to the rapid growth in the loan book [YTD – LKR 55 mn, YoY 69 mn]
- Individual impairment increase due to precautionary provisions which the Bank made for a selective individually significant facilities, on a prudent basis.

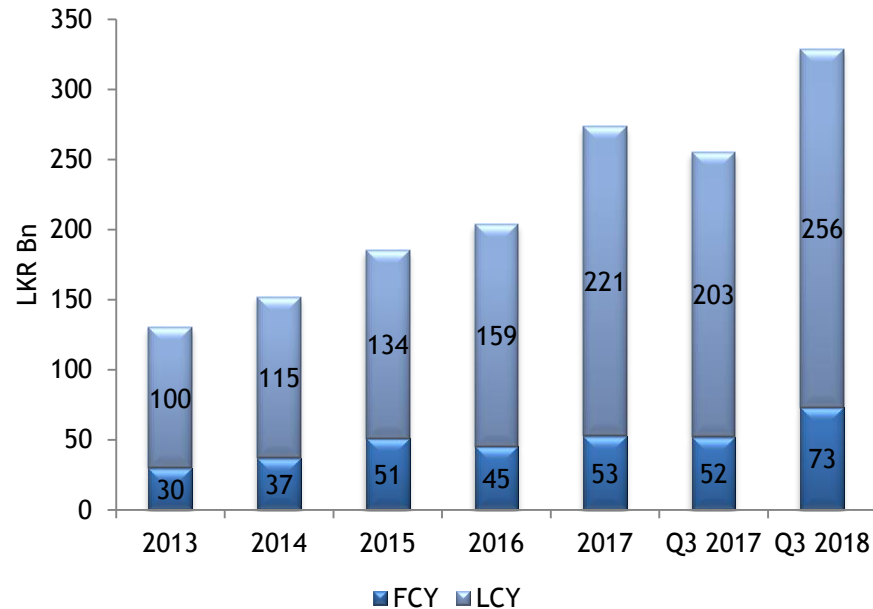
NPL ratio analysis

Bank FY 2017	Bank Q3 2018	Industry As of Aug 2018
1.83%	2.57%	3.6%

Strengths of the Bank, which would improve the impairment and NPL position of the Bank's

- robust and focused recoveries mechanism – dedicated unit and resources
- prudent risk management strategies
- well diversified loan portfolio with minimized concentration risk

Customer deposits



- Re-launched *Ithuru Karana Maga* - NDB's iconic proposition for savings as a life's habit



NDB Ithuru Karana Maga

Learn the skill of

SAVING

and excel in life

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Saving is a must-have skill if you want to excel in life. Truly mastering this skill means learning, practicing and applying it in every day life. **NDB Ithuru Karana Maga** will ensure you receive a step-by-step guide to mastering the skill of saving. Join the **NDB Ithuru Karana Maga** movement.

- Quantum increase in deposits
 - YTD LKR 56 bn
 - YoY LKR 74 bn
- Increase in CASA base - LKR 12 bn
- CASA Ratio well maintained throughout the nine months period. Q3 2018- 21.4%

Equity capital

BASEL III –Q3 2018	Bank	Group
Common Equity Tier 1 Capital Ratio % (Minimum Requirement -6.375%)	8.37	9.62
Tier 1 Capital Ratio % (Minimum Requirement - 7.875%)	8.37	9.62
Total Capital Ratio % (Minimum Requirement - 11.875%)	12.13	13.12

- Rights Issue announced at the ratio on 1 share per 3 shares held
- Achieved a subscription rate of 60%
- The Bank has announced that it will explore opportunities with strategic investors for the subscription of remaining Rights

Investor Ratios	Bank		Group	
	Q3 2018	FY 2017	Q3 2018	FY 2017
Closing price per share (LKR)	104/-	136.40	NA	NA
EPS (LKR) (Annualized)	29.09	24.52	26.69	19.66
ROE (%)	16.95	16.27	13.27	11.09
ROA (%)	1.23	1.21	1.11	0.96
Book value per Share (LKR)	181.27	167.58	203.15	192.51
P/E (times)	3.58	5.56	NA	NA
Price to Book value (times)	0.57	0.81	NA	NA

- Share price traded in the range of a low of LKR 102/20 and a high of LKR 116/- during Q3
- NDB share continues to be a attractive BUY at a PB < 1

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NDB Investor Relations



NDB's Investor Relations is the recipient of the Gold Award for Best Investor Relations at the coveted CFA Sri Lanka Capital Market Awards, for three consecutive years in 2018, 2017 & 2016.

Investor / Analysts Support

- ✓ Clearly defined Quarterly Results Calendar released at the end of each quarter
- ✓ Webinar transcripts hosted to the NDB Corporate website/ IR page in playback video and written transcript forms
- ✓ Dedicated communication channels made available for any queries and clarifications

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