



Investor Update - H1 2017

National Development Bank PLC

27 July 2017 : 1030 hrs : Colombo Sri Lanka



Presented by

Dimantha Seneviratne

Director/ Chief Executive Officer

Panelists

Buwaneka Perera - Vice President -Corporate Banking

Niran Mahawatte - Vice President-Treasury

Sanjaya Perera - Vice President -Branch Network Management

Ms. Suvendrini Muthukumarana - Assistant Vice President -Finance & Planning

Raj Aboobucker- Vice President - Retail & Institutional Banking

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1. Business Overview

2. Recognition

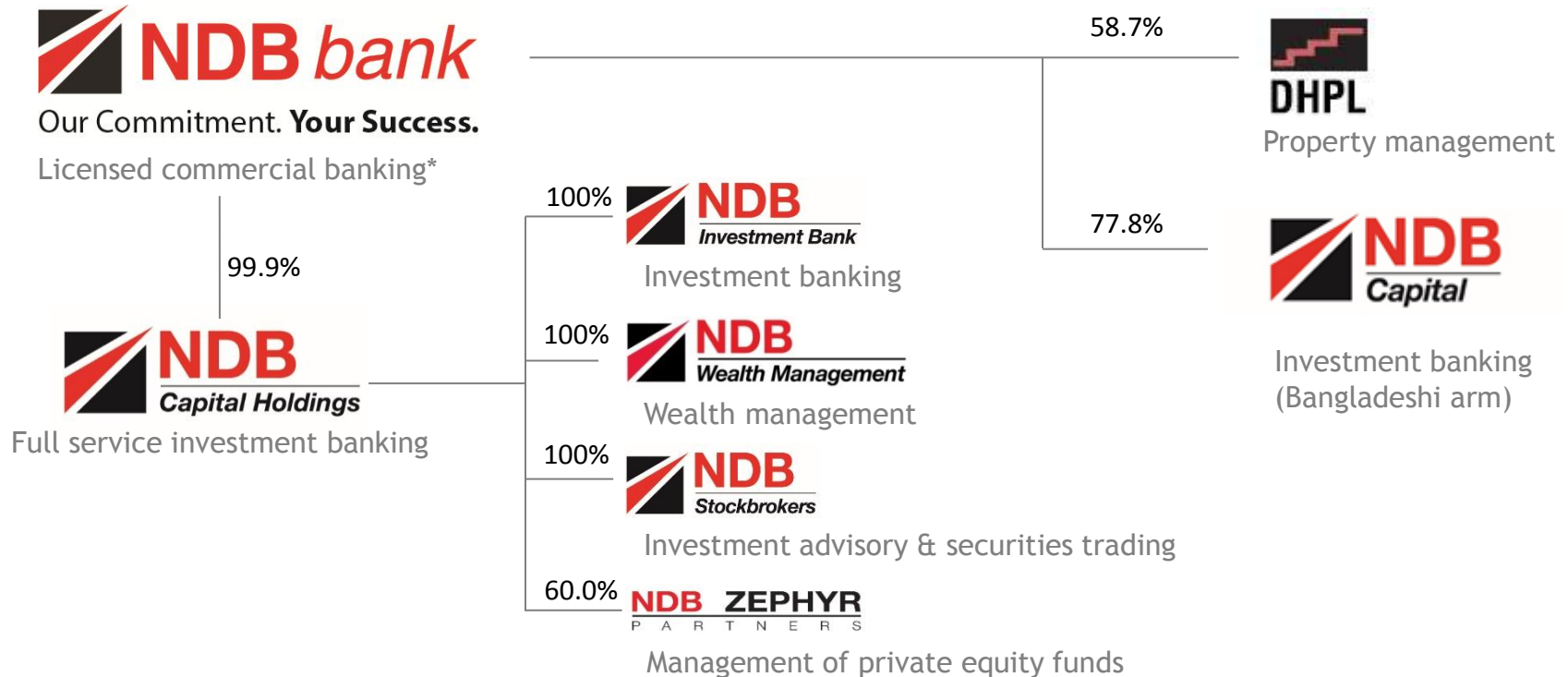
3. Macro Economic & Industry Analysis

4. Financial Performance

5. Q&A

Business Overview

A unique banking and capital markets group structure



***Banking services** - Retail banking , Commercial banking, Project & infrastructure, SME & micro financing , Card operations, Remittances, Correspondent banking, Cash management, Islamic banking, Bancassurance.

Relocation of NDB Capital Holdings Ltd and the subsidiary companies to new premises in Level 1, No. 135, Bauddhaloka Mawatha, Colombo 4 at the “state-of-the-art; one stop capital market solutions hub - NDB Capital Building”.

Business Overview - Channels

Strong presence in both physical and digital channels



Physical channels



106 branches - 118 ATMs
106th branch opened in May 2017

Digital channels



On-line banking



Mobile banking



Visa Debit & Credit cards



Social media presence

LKR 1 Billion mark crossed in April 2017 for value of transactions routed via the *NDB Mobile Banking App* (For the financial year 2017).

NDB Mobile Banking App recognized with multiple awards both globally and locally.



Recognition

Awards that the Bank & the Group Companies have won (April - June 2017)



Global Awards

Asian Banking & Finance Magazine of Singapore - Retail Banking Awards 2017

- Domestic Retail Bank Sri Lanka 2017 (for the fifth consecutive time)
- SME Bank of the Year Sri Lanka 2017 (for the fifth consecutive time)
- Mobile Banking Initiative of the Year Sri Lanka 2017

Asian Banking & Finance Magazine of Singapore - Wholesale Banking Awards 2017

- Domestic Project Finance Bank of the Year Sri Lanka 2017 (for the third consecutive year)
- Domestic Cash Management Bank of the Year Sri Lanka 2017 (for the second year).



Local Awards

SLT ZeroOne Awards 2017

- 'Best use of Mobile' under Financial Sector category

LankaPay Technnovation Awards 2017

- Runner Up for the 'Best Mobile Payment Application of the Year'

Women in Management organization in partnership with the International Finance Corporation - 2017 Edition of the Top 50 Professional and Career Women Awards - Sri Lanka & Maldives

- Best CSR Program Run by a Private Sector for Women Empowerment



Recognition

Awards that the Bank & the Group Companies have won (Jan - Mar 2017)



Bank

Global Banking & Finance Review of UK

- Best Mobile Banking Application - Sri Lanka 2017
- Best SME Bank - Sri Lanka 2017
- Best Investor Relations Bank - Sri Lanka 2017



CMO Golden Globe Brand Excellence Awards held in Kuala Lumpur, Malaysia

- Award for Brand Excellence within the Banking & Finance sector
- Award for Excellence in Social Media Marketing

Group
NDBIB

Global Brands Magazine

Most Trusted Investment Banking Brand, Sri Lanka for the year 2017

Asiamoney Banking Awards

Best Corporate and Investment Bank, Sri Lanka

Global economy

- The pickup in global growth anticipated remains on track, with global output projected to grow by 3.5 percent in 2017 and 3.6 percent in 2018
- Monetary policy normalization in some advanced economies, notably the United States, could trigger a faster-than-anticipated tightening in global financial conditions.

Sri Lankan economy

- Economic growth rate of 3.8% during Q1 2017 (industry and services activities grew whilst agriculture activities contracted)
- Economic growth of Q2 2017 expected to be low due to experienced adverse weather conditions, but expected to pick up in second half of 2017
- Headline inflation and Core inflation as measured by CCPI 6.1% & 5.1% respectively.
- Inflation is projected to moderate to mid-single digits by the end of 2017, and stabilize thereafter.
- Gradual depreciation of the exchange rate was witnessed up to end June 2017 against key currencies
- Market interest rates remained high whilst yields on government securities indicated a decline

Sri Lankan banking sector

- SDFR and SLFR remained at 7.25% and 8.75% respectively, subsequent to changes effected in March 2017
- YoY total assets growth of 14.9% and deposits growth of 20.1%(as of May 2017)
- Cap on interest rates at 24% and cap on penal interest at 2% on loans charges by Banks removed by the CBSL w.e.f. 01 July 2017

A large red key graphic. The head of the key is a circle containing the text "UNLOCKING OUR POTENTIAL TO UNLEASH YOURS". The shaft of the key is a horizontal bar with a city skyline silhouette cutout at the bottom. The tip of the key is a red arrow pointing to the right.

**UNLOCKING
OUR POTENTIAL TO UNLEASH
YOURS**

H1 2017 Performance Summary



		H1-17	H1-16	Growth
Profitability (LKR Mn)	Net Operating Income	7,157	5,424	32%
	Operating Expenses	3,343	3,184	5%
	Profit after Tax	2,313	1,275	81%

		H1-17	FY2016	Growth
Financial Position (LKR Bn)	Total Assets	365	335	9%
	Total Loans	252	228	11%
	Total Deposits	239	204	17%

Efficiency & Return (%)	Cost to Income Ratio	43.20%	49.04%	▼
	Net Interest Margin	2.74%	2.64%	▲
	Return on Average Equity	14.63%	13.36%	▲
	NPL Ratio	2.22%	2.63%	▼

Business Capacity (%)	Loan to Deposits Ratio	108%	115%	▼
	Capital Adequacy Ratio	12.76%	12.95%	▼
	Liquidity Ratio (DBU)	22.31%	21.50%	▲

Income Statement



<i>LKR Mn</i>	H1-2017	H1-2016	Change	
			LKR	%
Net Interest Income	4,746	4,039	706	17
Other Income	1,851	1,140	711	62
Operating Income	7,738	6,253	1,485	24
Impairment	581	829	(248)	(30)
Operating Expenses	3,343	3,184	159	5
Operating Profit	3,814	2,240	1,574	70
Tax	1,500	965	535	55
PAT	2,314	1,275	1,039	81
PAS (Group)	1,486	1,083	403	37

- 17% growth in NII
- Reduced impairment charges due to sound credit review and monitoring processes
- Impressive growth in operating profits of 70% and PAT of 81% supported by commendable growth in banking operations and dividend contributions from Group companies
- PBT & PAT growths of 56% and 63% excluding Group dividends - Well reflects the strong growth in core banking operations

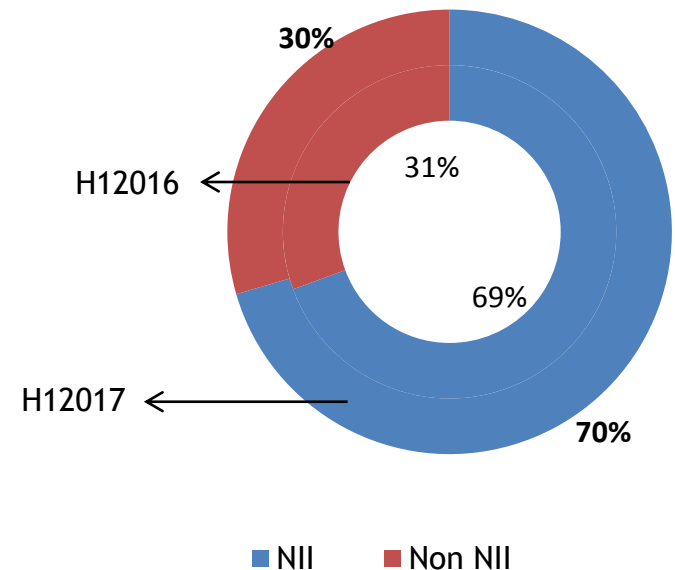
Revenue Analysis - Net Interest Income



LKR Mn	H1 2017	H1 2016	%
Interest Income	17,703	13,037	36
Interest Expenses	12,958	8,998	44
Net Interest Income (NII)	4,746	4,039	17

- Interest income growth of 36% supported by high market interest rates - *Majority of the Bank's Loan Book is variable priced and linked to key market rates*
- 44% increase in interest expenses due to challenging CASA composition of the Bank's deposits portfolio - *Interest rate differential between fixed and savings deposits in the market continue to pose a challenge in improving CASA*
- Better NIM (2.74%) compared to NIM of 2016 (2.64%) coupled with volume growth in loans of LKR 25 billion, strengthening NII

Composition of NII within Total operating Income*
H1 2017 vs. H1 2016



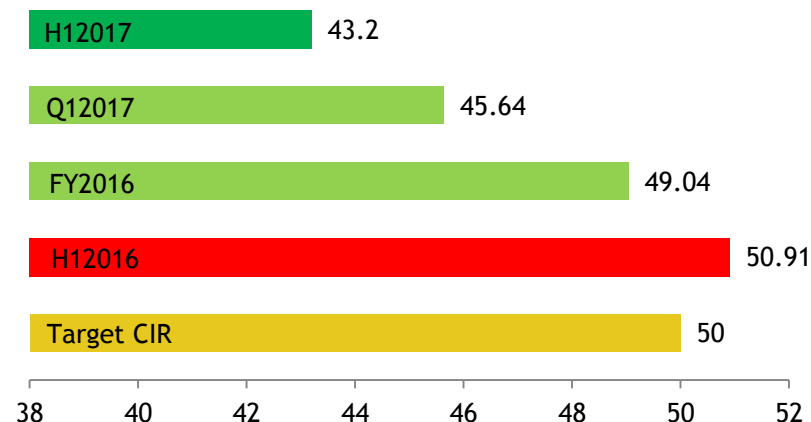
*Excludes dividend income earned from Group companies

LKR Mn	H1 2017	H1 2016	%
Net Fee and Commission Income	1,141	1,073	6
Net gain/(loss) from trading	533	456	17
Net gain/(loss) from financial investments	122	128	(5)
Other operating income	1,197	556	115
Total non interest income	2,993	2,213	35%

- Non interest income growth excluding group dividends of 12%
- Net fee and commission growth of 6% in H1 2017. Target NII to Net fee & Commission Income ratio is 70:30
- The Bank is relentlessly deploying all cross selling opportunities to promote fee income generating businesses

LKR Mn	H1 2017	H1 2016	%
Personnel expenses	1,703	1,735	(2)
Depreciation & amortization	206	213	(3)
Other expenses	1,433	1,236	16
Total operating expenses	3,343	3,184	5

CIR movement (%)



- Focus on structured cost management initiatives contributed towards 5% growth in operating expenses
- Target CIR of <50% met in H1 2017
- 4 new branches added on to the network over the period H12016 - H12017

LKR Mn	H1 2017	FY 2016	%
Cash & Cash Equivalents	19,754	20,130	-2%
Investments	85,529	80,599	6%
Net Loans & Investments	252,500	227,677	11%
Fixed Assets	2,434	2,447	-1%
Other Assets	4,595	3,692	24%
Total Assets	364,812	334,545	9%

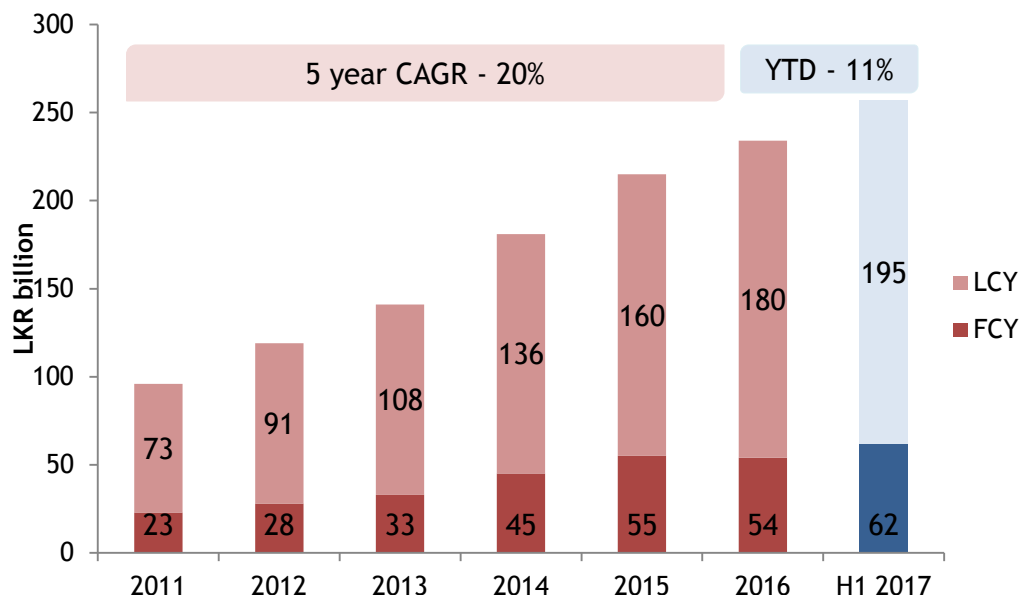
Debt securities & borrowings	68,799	76,358	-10%
Customer deposits	239,346	203,867	17%
Subordinated Term Debts	20,289	19,447	4%
Other Liabilities	9,020	10,128	-11%
Equity	27,358	24,745	3%
Total Liabilities & Equity	364,812	334,545	9%

YTD Balance Sheet growth

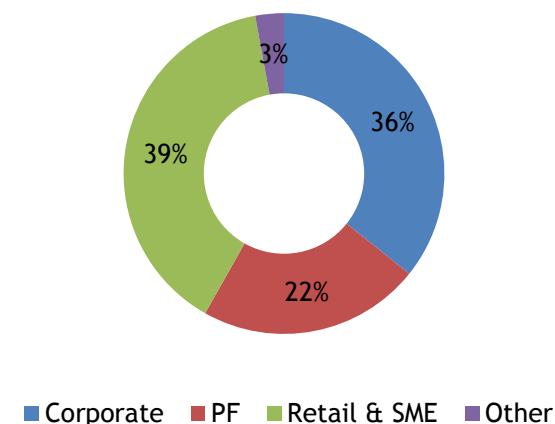
	LKR millions
Total assets	30,267
Loans to customers	24,834
Customer deposits	35,479

YoY Balance Sheet growth

	%
Total assets	16%
Loans to customers	15%
Customer deposits	25%

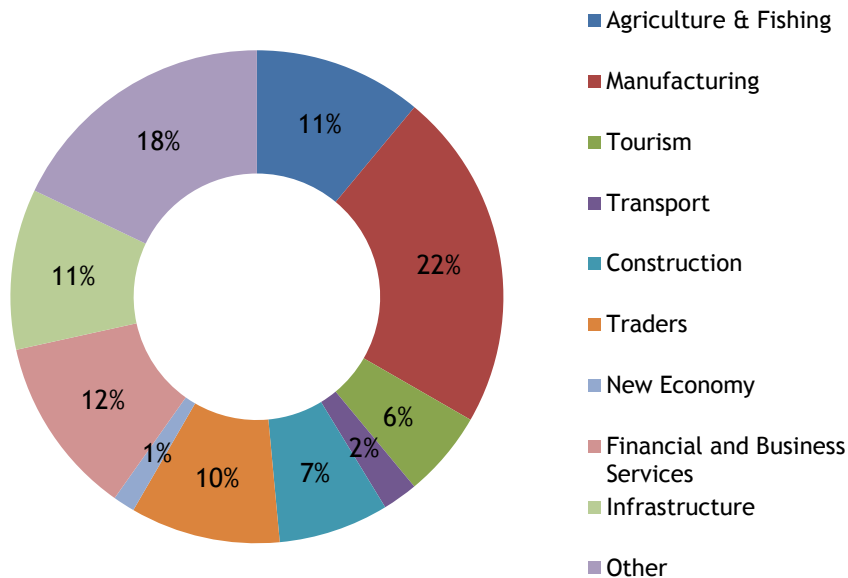


Composition of the Loan portfolio

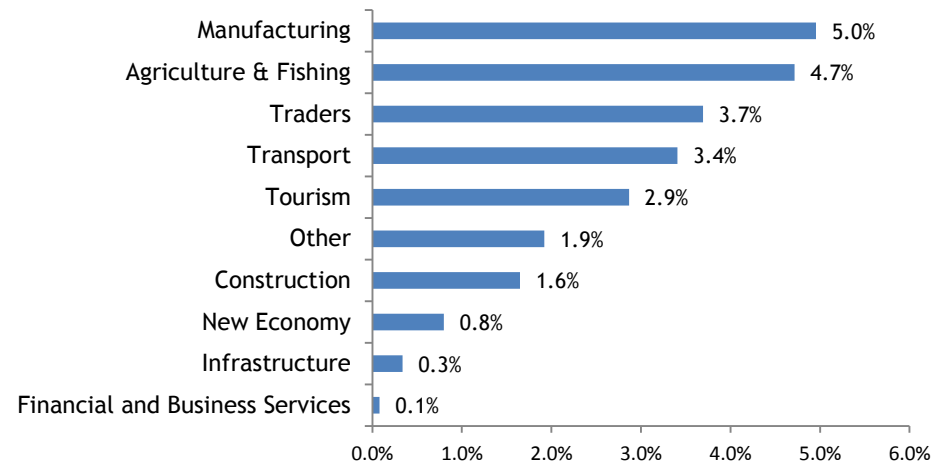


- LKR:FCY mix of loans at 76:24 with the target to achieve a mix of 85:15
- Retail & SME composition of 39%. Greater focus to be placed on increasing the composition of Retail & SME within the overall portfolio

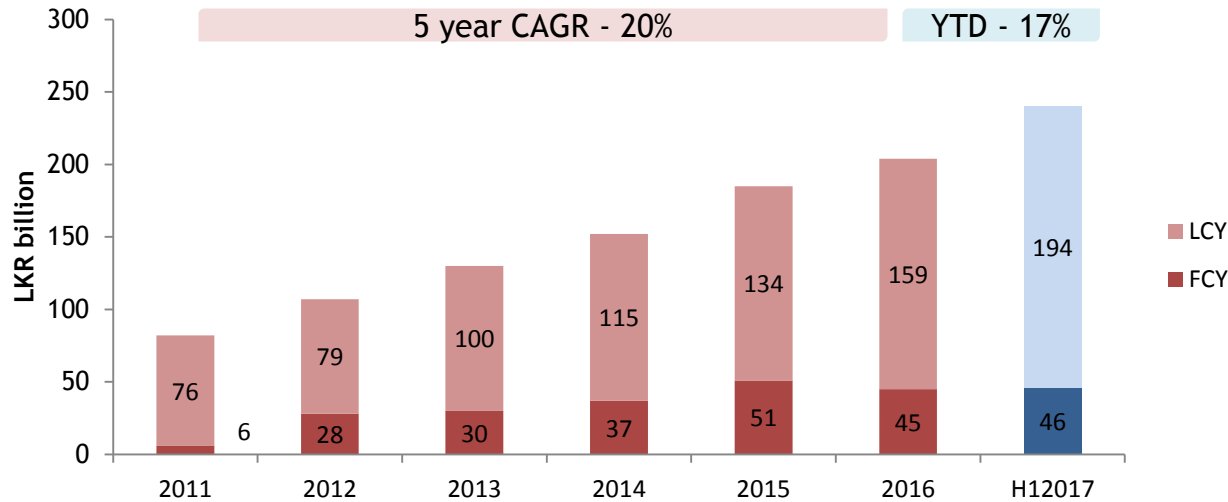
Potfolio composition well diversified



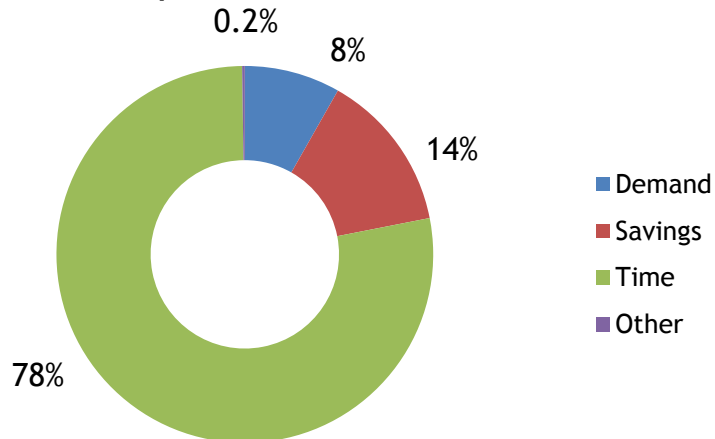
Sector-wise NPL ratio



- Gross NPL ratio of 2.22% improved from 2.63% in end December 2016
- Manufacturing and agriculture sectors contributing to the highest NPL ratios
- No any major sectors stressed or causing alarm. NPLs are arising from only individual facilities

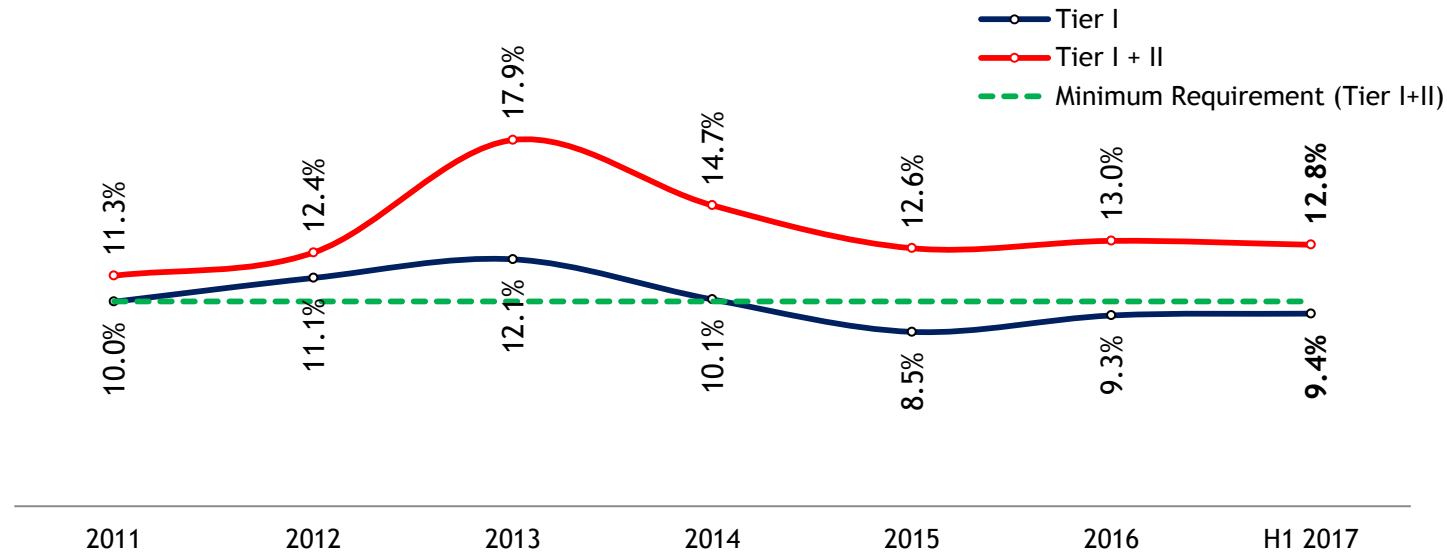


Deposits Mix - H1 2017



- YTD growth of deposits ahead of industry deposits rate (as at May 2017)
- Improved composition of LCY and FCY deposits. Target composition 85:15
- Two new products introduced recently, to promote CASA deposits - NDB Savings Planner and NDB Araliya (Women's savings product)

Capital Adequacy Trend



- The Bank is well capitalized as per the current Basel regulations which were in effect as of 30 June 2017 (Tier I - 5%, Tier I&II - 10%).
- The Bank is also compliant with the new Basel III regulations which came to effect from 01 July 2017 as indicated below.

Pillar I - Total Tier I Ratio - 7.25%

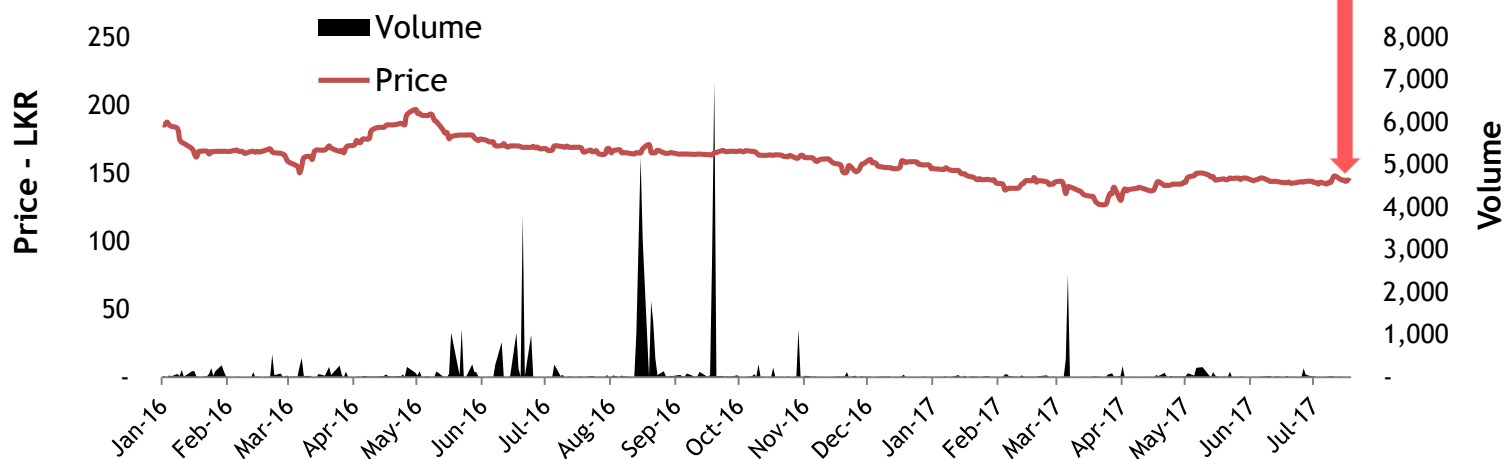
Total capital Ratio - 11.25%

- Capital planning is currently under way as per an integral part of the Bank's new strategy

	H1 2017	2016
Price per share (LKR)	144.0	156.0
EPS (LKR)	22.82	19.19
ROE (%)	14.63	13.36
ROA (%)	1.09	0.99
Book value per Share (LKR)	159.53	149.8
P/E (times)	6.3	8.1
Price to Book value (times)	0.9	1.0

Share Price Movement

Latest share price (26/07) - LKR 144.20





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