



INVESTOR WEBINAR - Q3 2017

National Development Bank PLC - NDB:N0000

01 November 2017 : 1115 hrs : Colombo Sri Lanka



Corporate Participants



Presented by

Dimantha Seneviratne
Director/ Chief Executive Officer

Panelists

Buwaneka Perera - Vice President -Corporate Banking

Sanjaya Perera - Vice President - Personal Banking Branch Network Management

Niran Mahawatte - Vice President-Treasury

Indika Ranaweera - Assistant Vice President - SME, Middle Market and Business Banking

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



Forward Looking Statements

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Forward-looking statements speak only as of the date they are made. The Group makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

1. Business Overview

2. Recognition

3. Macro Economic Analysis - Country & Sector

4. Q3 2017 Financial Performance

5. Q&A Session

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Business Overview - Corporate Profile



Our Vision

To be the driving force for a financially empowered Sri Lanka

Our Mission

To be the catalyst in the financial services industry by creating superior shareholder value and contributing to the national development through the empowerment of individuals with innovative financial solutions delivered by an inspired and dedicated team committed to excellence

Our Values

Integrity
Creativity
Excellence
Sincerity
Accountability

Our Commitment. Your Success.

Corporate Profile

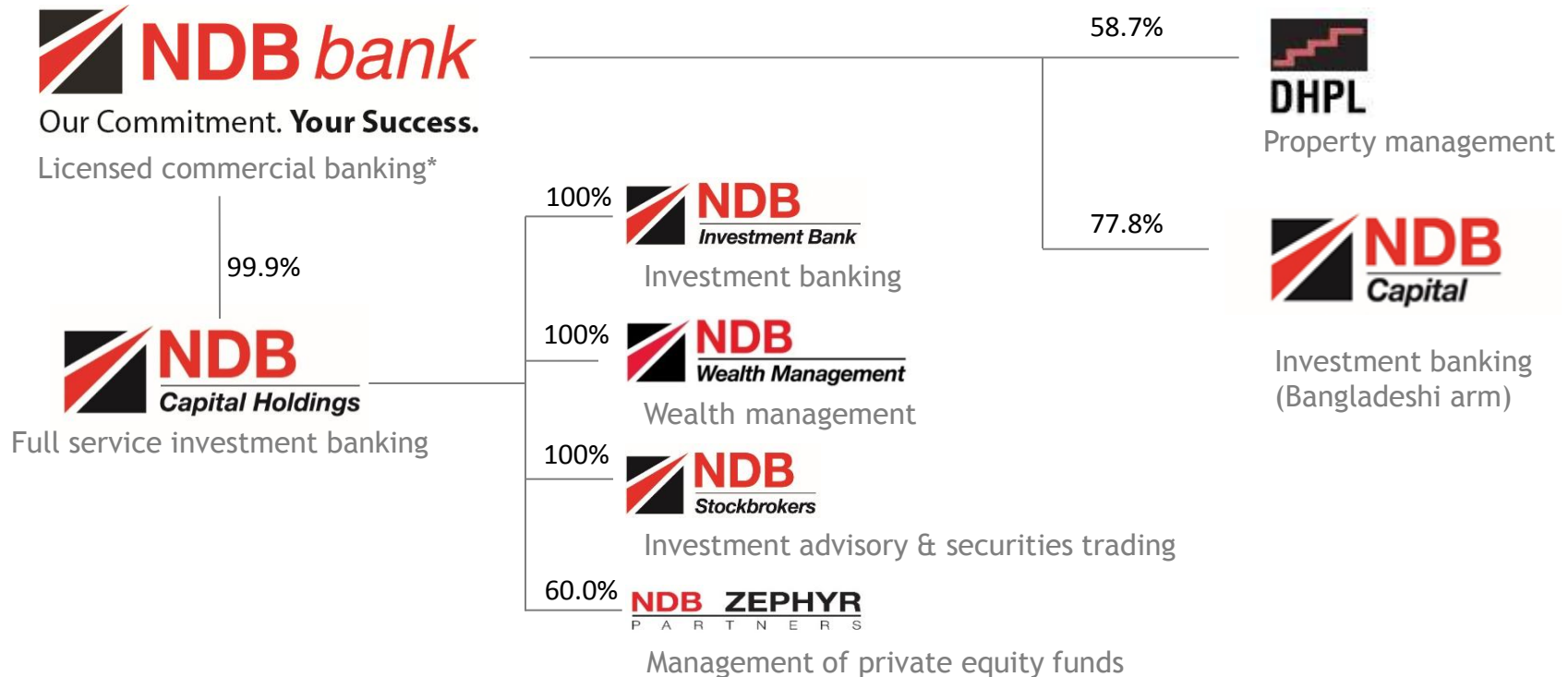
- ✓ Established in 1979 as a Development Financing Institution
- ✓ Conversion in to a fully-fledged commercial bank in 2005
- ✓ A staff strength of over 2,000 employees
- ✓ National Long Term Rating of A+ (lka) by Fitch Ratings Lanka Limited

Reach

- ✓ A robust branch network of 107 branches spread across the country -
Supplemented by an ATM network of 118 ATMs
Latest addition to the network:
NDB Private Wealth Centre at the Rainbow Business Centre - Col 07
- ✓ Banking services offered through multiple channels of internet banking & mobile banking
Milestone achieved in mobile banking in October 2017:
LKR 3 billion worth of transactions routed via the Mobile App



Business Overview - A unique banking and capital markets group structure



- ✓ The only banking institution in the country which offers a full spectrum of banking and capital market solutions through dedicated entities within the Group
- ✓ NDB Investment Bank - Market leader for investment banking in Sri Lanka
- ✓ NDB Wealth Management - Largest private sector fund management company in Sri Lanka
- ✓ NDB Zephyr Partners - The fund manager for The Emerald Sri Lanka Fund, a pioneering private equity fund and is jointly owned by NDB Capital Holdings Limited and Zephyr Management, LP, a New York-based global emerging markets investment firm

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Global Awards

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

- Domestic Retail Bank Sri Lanka 2017 (for the fifth consecutive year)
- SME Bank of the Year Sri Lanka 2017 (for the fifth consecutive year)
- 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).



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

Asiamoney New Silk Road Finance Awards 2017

- Best local Bank in South Asia for BRI (Belt & Road Initiative)

Local Awards

CFA Sri Lanka Capital Market Awards 2017

- Gold awardee for the second consecutive year for best investor relations amongst listed entities in the Colombo Stock Exchange

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 Entity for Women Empowerment

Awards won by NDB investment Bank Ltd

Euromoney Awards 2017

Best Investment Bank in Sri Lanka (for the sixth consecutive year)

Global Brands Magazine

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

Asiamoney Banking Awards

Best Corporate and Investment Bank, Sri Lanka

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Sri Lankan Economy

- Sri Lankan economy growth of 3.9% in H1 2017 vs. 3.7% in H1 2016
- Rupee depreciation by 2.6% against the US dollar during the year up to 25 October 2017
- Credit to the private sector continued to decelerate since July 2016 in response to tight monetary policy
YoY growth of credit to the private sector decelerated to 18.0% in August 2017
- Market interest rates adjusted upwards and appear to have stabilized at high levels although short term rates have shown some decline
- Inflation is expected to decline to the desired level of 4-6% by end 2017.
- Headline inflation of 7.1% and core inflation of 6.0% in September 2017
- The national economy is driven on the new policy framework of the Government of Sri Lanka spanning up to 2025 titled *Vision 2025 - A country enriched*

Banking Sector Developments

- LKR 10 Trillion worth of assets as of September 2017
- Monetary policy rates remain unchanged : SDFR - 7.25%, SLFR - 8.75% and SRR - 7.5% since March 2017

Source: CBSL & DCS and Publications



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Q3 2017 Financial Performance Summary - Bank



		Q3-17	Q3-16	Growth
Profitability (LKR Mn)	Net Operating Income	11,151	8,356	33%
	Operating Expenses	5,472	4,824	13%
	Profit after Tax	3,310	2,014	64%

		Q3-17	FY2016	Growth
Financial Position (LKR Bn)	Total Assets	371	335	11%
	Total Loans	259	228	14%
	Total Deposits	255	204	25%

Efficiency & Return (%)	Cost to Income Ratio	45.8%	49.04%	▼
	Net Interest Margin	2.90%	2.64%	▲
	Return on Average Equity	15.66%	13.36%	▲
	NPL Ratio	1.96%	2.63%	▼

Business Capacity (%)	Loan to Deposits Ratio	104%	115%	▼
	Capital Adequacy Ratio	12.5%	12.95%	▼
	Liquidity Ratio (DBU)	24.08%	21.50%	▲

Income Statement - Summary



LKR Mn	Bank				Group			
	Q3-2017	Q3-2016	Change		Q3-2017	Q3-2016	Change	
			LKR	%			LKR	%
Net Interest Income	7,656	6,244	1,412	23	7,909	6,532	1,377	21
Other Income	4,367	3,095	1,272	41	4,095	3,448	647	19%
Operating Income	12,023	9,339	2,684	29	12,004	9,980	2,024	20
Impairment	872	983	(111)	(11)	831	1,049	-219	-21
Operating Expenses	5,472	4,824	648	13	6,092	5,328	764	14
Operating Profit	5,679	3,532	2,147	61	5,081	3,603	1,478	41
Tax	2,369	1,518	851	56	2,524	1,579	945	60%
PAT	3,310	2,014	1,296	64	2,557	2,023	534	26
PAS (Group)	-	-	-	-	2,520	1,965	555	28

- Impressive growth reported in profit from core banking operations
- Less than expected fee income from Group companies (due to subdued capital market activities) constrained growth in PAS to 28%

Revenue Analysis - Net Interest Income

LKR Mn	Q3 2017	Q3 2016	%
Interest Income	27,283	20,517	33
Interest Expenses	19,627	14,273	38
Net Interest Income (NII)	7,656	6,244	23
Net Interest Margin (NIM)	2.9%	2.6%	-

Key contributors to improved NII

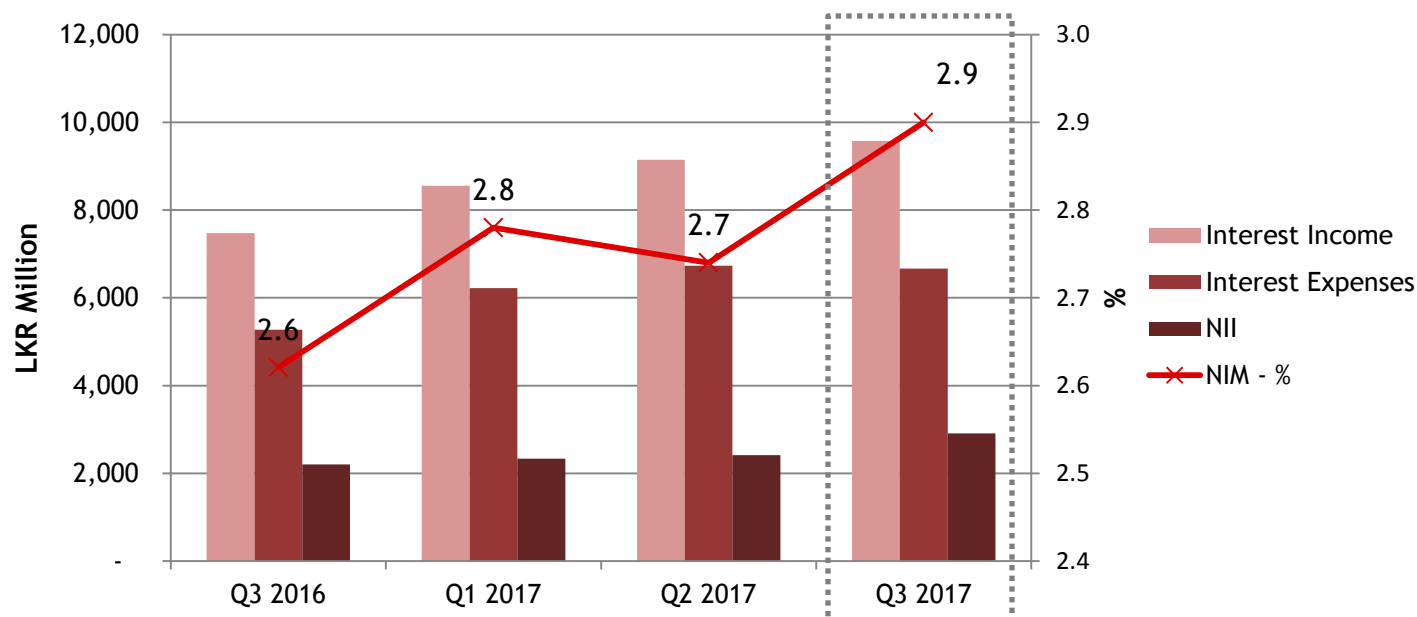
Combined effects of

- ✓ Steady growth in loans and advances
- ✓ Improved Net Interest Margins of 2.9%

Net Interest Margin benefited from

- ✓ Timely re-pricing of assets and liabilities
- ✓ Effective management of borrowing costs

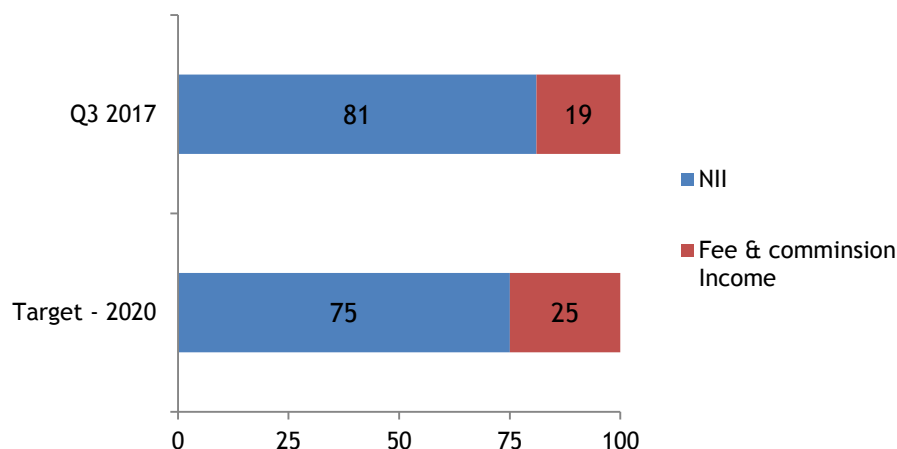
Quarterly Performance of NII & NIMS



Revenue Analysis - Non Interest Income

LKR Mn	Q3 2017	Q3 2016	%
Net Fee and Commission Income	1,812	1,644	10
Net gain/(loss) from trading	793	683	16
Net gain/(loss) from financial investments	545	199	174
Other operating income	1,216	570	113
Total non interest income	4,367	3,095	41

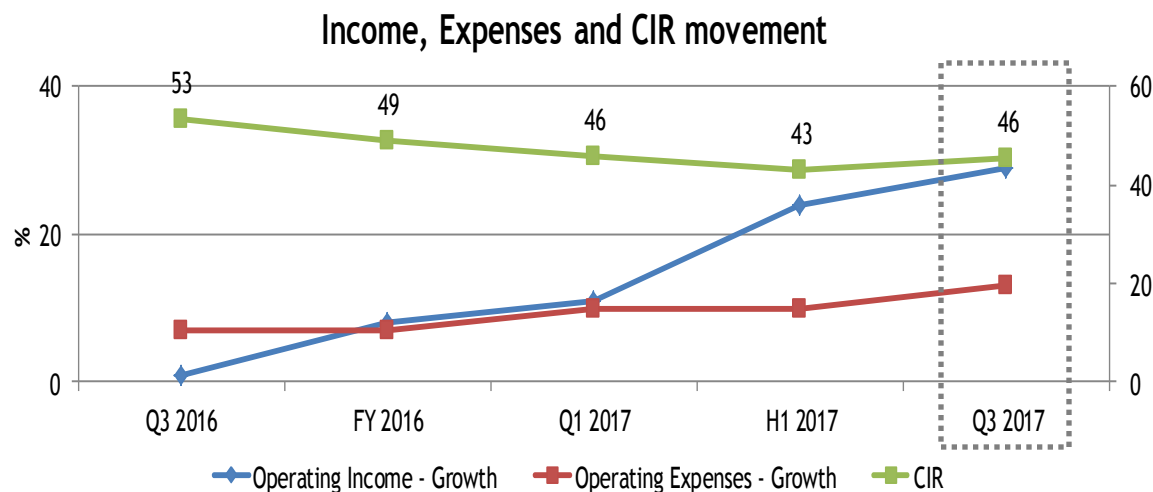
NII: Net Fee & Commission Income Ratio



- Non interest income growth excluding group dividends - 26%
- Progressive improvement in Net Fee & Commission Income over the year
- Net gains from financial investments benefited from the movement in exchange rates over the comparative period

Operating Expenses

	Bank			Group		
LKR Mn	Q3 2017	Q3 2016	%	Q3 2017	Q3 2016	%
Personnel expenses	2,645	2,632	1	2,941	2,888	2
Depreciation & amortization	312	325	(4)	349	367	(5)
Other expenses	2,514	1,867	35	2,802	2,073	35
Total operating expenses	5,472	4,824	13	6,092	5,328	14



- Growth in operating cost justified given the expansion in business volumes
- If not for the one-off cost involved in the pre-payment of a foreign currency loan, increase in Operating Expenses was only 8%
- 4 new branched added over the 12 months period from Q3 2016 - Q3 2017

Balance Sheet - Summary



Bank

LKR Mn	Q3 2017	FY 2016	%
Cash & Cash Equivalents	20,764	20,130	3%
Investments	83,297	80,597	3%
Net Loans & Investments	259,491	227,677	14%
Fixed Assets	2,399	2,447	-2%
Other Assets	4,818	3,693	30%
Total Assets	370,769	334,545	11%

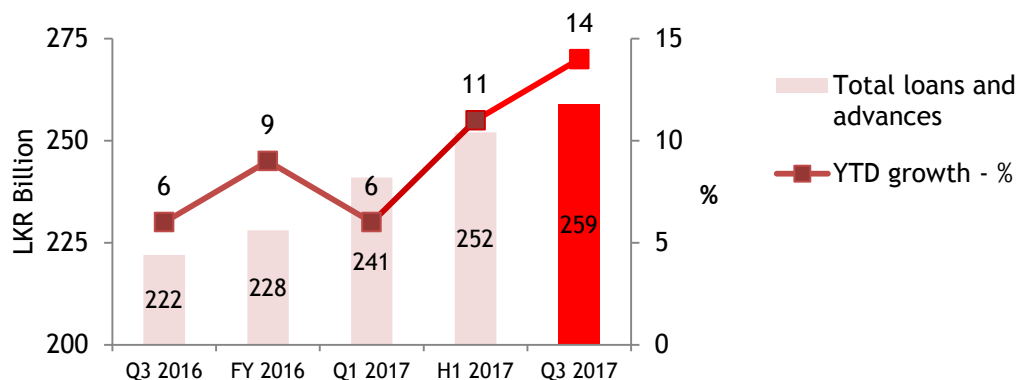
Debt securities & borrowings	55,841	76,358	-27%
Customer deposits	255,414	203,867	25%
Subordinated Term Debts	20,870	19,447	7%
Other Liabilities	11,062	10,128	9%
Equity	27,582	24,745	11%
Total Liabilities & Equity	370,769	334,545	11%

Bank	YTD Balance Sheet growth LKR Mn	YoY Growth
Total assets	36,224	13%
Loans to customers	31,814	17%
Customer deposits	51,547	32%

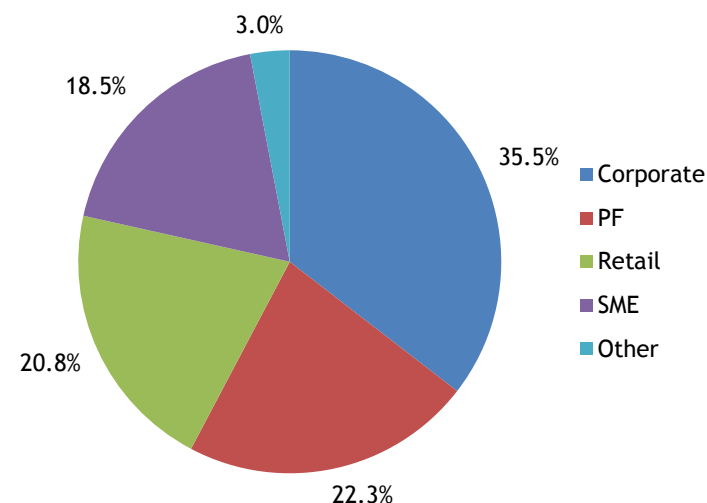
Group

Balance Sheet Summary - Group LKR Mn	Q3 2017	FY 2016	Growth
Total assets	376,186	340,732	10%
Equity	31,968	29,937	7%

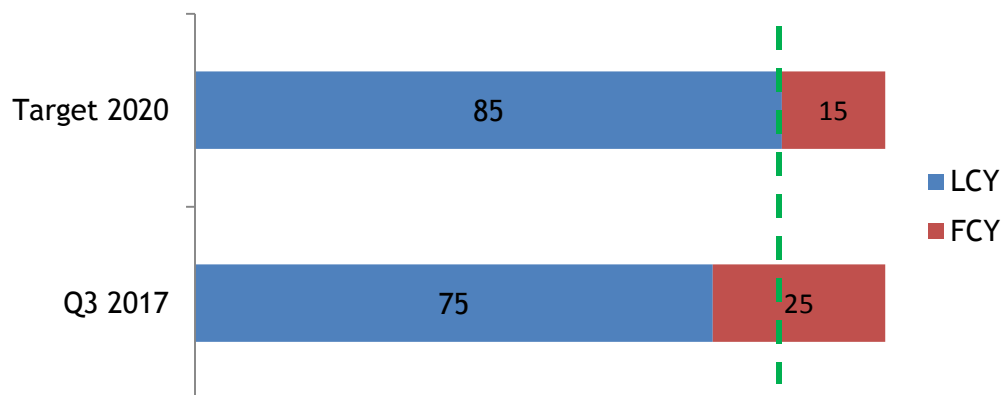
YTD Loan Growth



Segment Composition

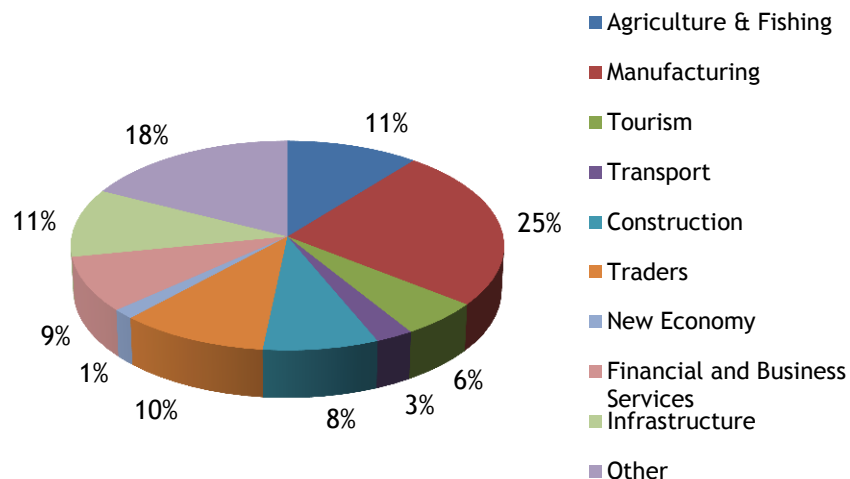


LCY:FCY mix of the Loan Book

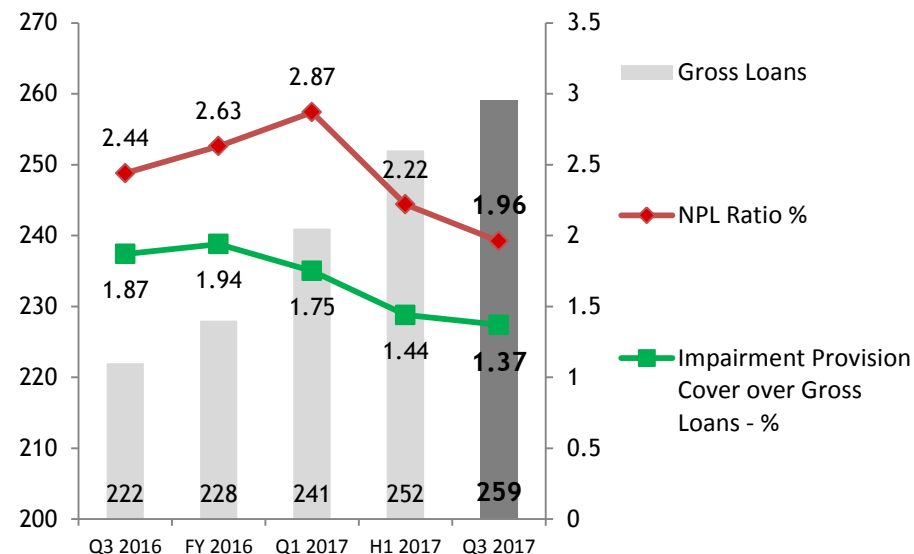


- Higher YTD growth recorded in Q3 2017 vs. Q3 2016 and FY 2016
- Corporate and Project Financing yielding the greater portion of the loan book
- Greater improvement required in the LCY:FCY mix of the loan book to reach the target level of 85:15

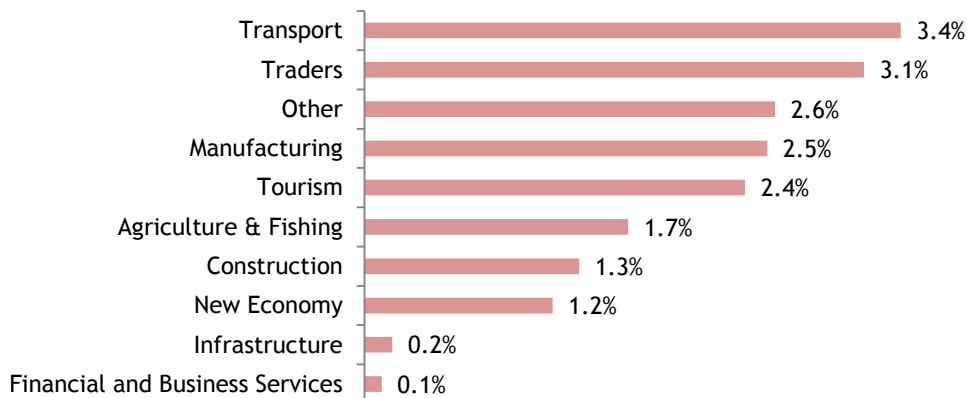
Sectoral Composition of Loans



NPL & Provision Cover



Sector NPL Ratio

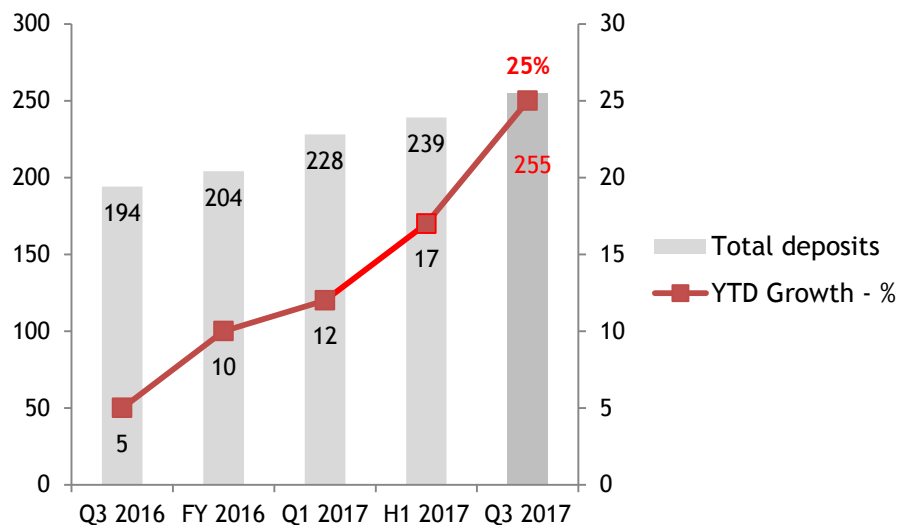


- Healthy mix of sectorial composition in the loan book with well met regulatory requirements
- Lowest NPL of 1.96% over the 12 months period since Q3 2016

Customer Deposits



Customer Deposits Growth Trend



Highest YTD growth in customer deposits recorded in Q3 2017

CASA Mix



Products relaunched/ introduced to support the CASA base



Capital Adequacy & Investor Ratios

- Capital adequacy levels are well ahead of the new Basel III guidelines which came in to effect from 01 July 2017.

BASEL III – Q3 2017	Bank	Group
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 5.75%)	8.77%	10.44%
Tier 1 Capital Ratio (Minimum Requirement - 7.25%)	8.77%	10.44%
Total Capital Ratio (Minimum Requirement - 11.25%)	12.5%	13.92%

- Key investor ratios showed improvement over the quarter.
- A price to Book value ratio of less than 1

	Bank		Group	
	Q3 2017	2016	Q3 2017	2016
Price per share (LKR)	127.50	156.0	NA	NA
EPS (LKR) (Annualized)	24.30	19.19	19.98	16.29
ROE (%)	15.66	13.36	10.89	9.23
ROA (%)	1.16	0.99	0.94	0.82
Book value per Share (LKR)	160.84	149.80	186.42	181.23
P/E (times)	5.2	8.1	NA	NA
Price to Book value (times)	0.8	1.0	NA	NA

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Please pose your questions via the Chat option available.

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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