NDB bank

Our Commitment. **Your Success.**

YOURS

INVESTOR UPDATE

December - 2016

Forward Looking Statements

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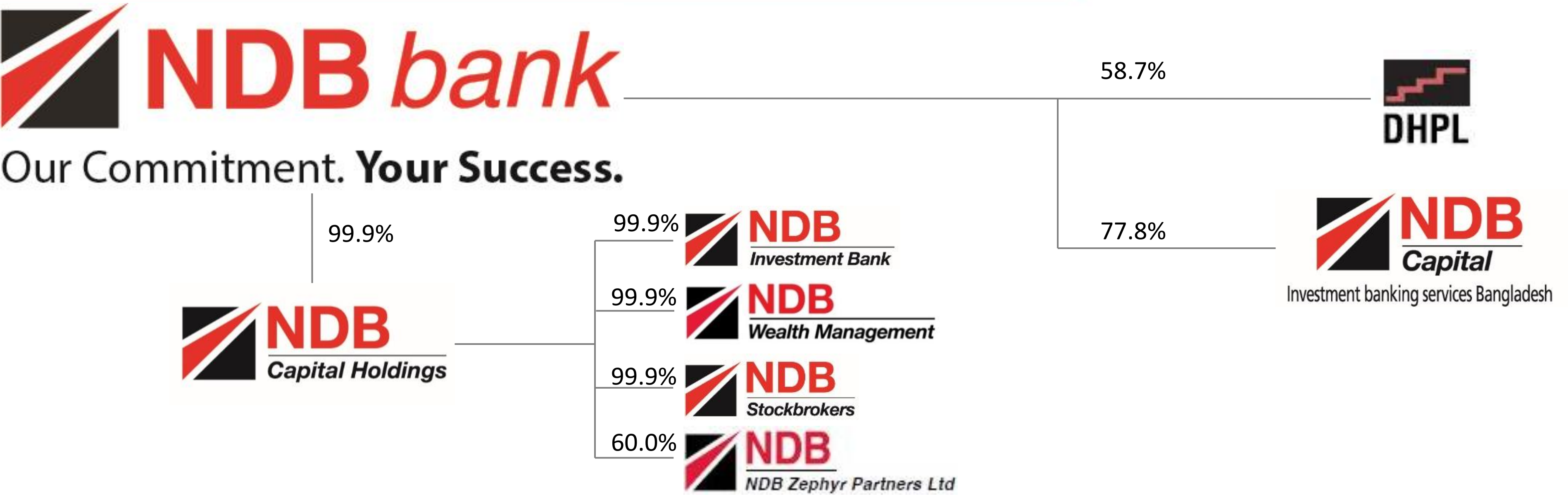
Agenda

- Overview
- Macroeconomic Snapshot
- Awards & Accolades
- Financial Performance

Overview



Vision

"The driving force for a financially empowered Sri Lanka"

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 & dedicated team committed to excellence

Values

- Integrity
- Accountability
- Creativity
- Sincerity
- Excellence

Brief History – Milestones

- **1979** – Formation of the National Development Bank of Sri Lanka (NDBSL)
- **1993** – 61% of share capital of the NDBSL transferred to private ownership
- **1995** – Setting up of NDB Stockbrokers & NDB Venture Investments
- **1997** – Establishment of NDB Investment Bank
- **1999** – Partners Zurich Insurance in Eagle Insurance which subsequently became AVIVA NDB Insurance
- **2001** – Acquisition of ABN AMRO Bank Colombo to commence commercial banking operations under the subsidiary, NDB Bank Ltd. (NBL)
- **2005** – The merger of NDB Bank and National Development Bank
- **2009** – Acquisition of the largest private sector wealth management company; Formation of NDB Capital Bangladesh
- **2011** – Establishment of Strategic alliance with DBS
- **2012** – Formation of NDB Capital Holdings as a fully fledged investment bank; Divestiture of the insurance arm while retaining bancassurance operations
- **2015** – Establishment of NDB Zephyr Partners Ltd. (NDBZ) in 2014; jointly owned by NDB Capital Holdings PLC and Zephyr Management LP, a New York-based global emerging markets investment firm.

Phase I	Phase II	Phase III	Phase IV
Development Banking Phase	Project Finance dominance Diversification with NDB Act	New positioning with four integrated businesses; Corporate, Retail, Capital markets & Insurance	Building scale in chosen businesses locally and regionally

Macro Economy & Industry Overview

Global Economy

- World economy grew by 3.1% in 2016, amidst China, the world's largest trading nation posting the lowest GDP growth in 26 years.
- Weak global demand continued throughout 2016 and international trade slowed down as fears of US trade war loom

Sri Lankan Economy

- GDP growth is estimated to stay marginally above 5% in 2016
- Key policy reforms and enhanced currency flexibility contributed towards short-term stability.
- Annual average inflation increased to 4.0%

Banking Industry

- Credit growth declined to 17.5% (21.1% in 2015)
- Deposits grew at 16.5% (15.3% in 2015)
- Margins remained at 3.6% with the increased cost of funds
- Profitability improved on the back of lower credit losses

Source: CBSL, CCC Publications

Awards & Accolades

CFA Sri Lanka Capital Market Awards 2016
- *Best Investor relations - Gold Award*
- *Best Stockbroker Research Team – Gold Award*

EUROMONEY Awards for Excellence 2016
- *NDBIB - Best Investment Bank in Sri Lanka – 5th consecutive year*
- *NDB Capital Limited – Best Investment Bank in Bangladesh*

Asian Banking & Finance Retail Banking Awards 2016
- *Domestic Retail Bank of the Year - Sri Lanka*
- *Best SME Bank of the Year - Sri Lanka*
- *Social Media Initiative of the Year – Sri Lanka*

Asian Banking & Finance Wholesale Banking Awards 2016
- *Sri Lanka Domestic Project Finance Bank of the Year*

Asia Pacific Customer Engagement Forum
- *NDB Shilpa – Runner-Up*
- *NDB Mobile Banking App - Winner*

Financial Performance

2016

2016 Performance Summary

NDB bank

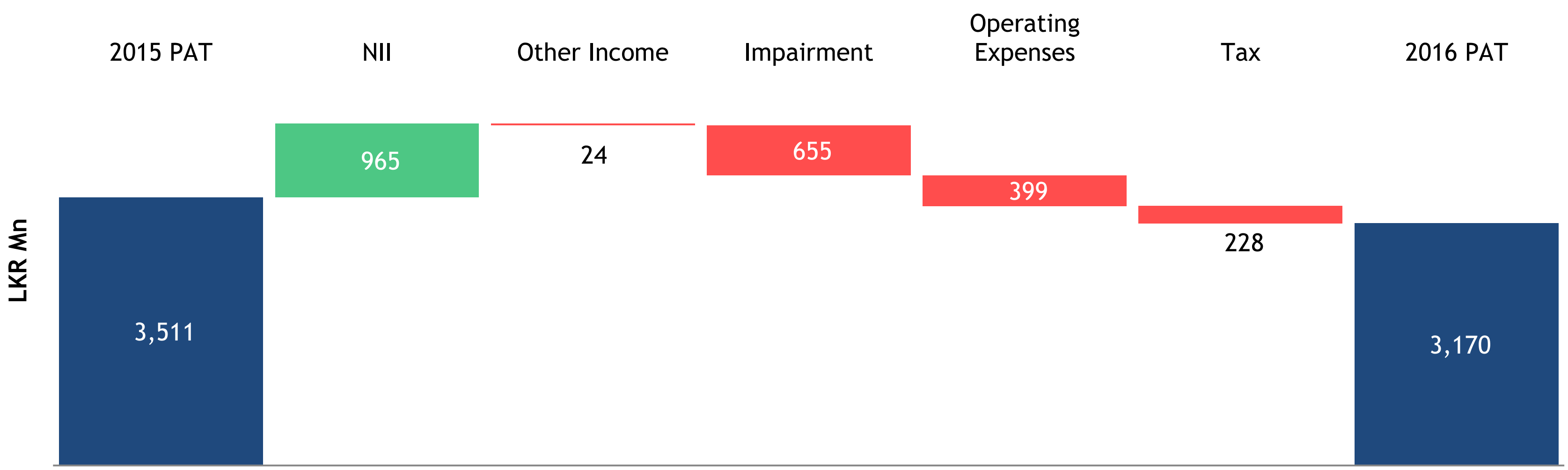
		2015	2016	YoY
Profitability (LKR Mn)	Operating Income	12,209	13,151	*8%*
	Operating Expenses	6,050	6,449	*7%*
	Profit after Tax	3,511	3,170	*-10%*
Financial Position (LKR Bn)	Total Assets	309	335	*8%*
	Total Loans	215	234	*9%*
	Total Deposits	185	204	*10%*
Efficiency & Return (%)	Cost to Income Ratio	*49.5*	*49.0*	▼
	Net Interest Margin	*2.6*	*2.6*	◀ ▶
	Return on Average Equity	*15.6*	*13.4*	▼
Business Capacity (%)	Loan to Deposits Ratio	*116.3*	*114.6*	▼
	Capital Adequacy Ratio	*12.6*	*13.0*	▲
	Liquidity Ratio (DBU)	*22.2*	*21.5*	▼

Income Statement

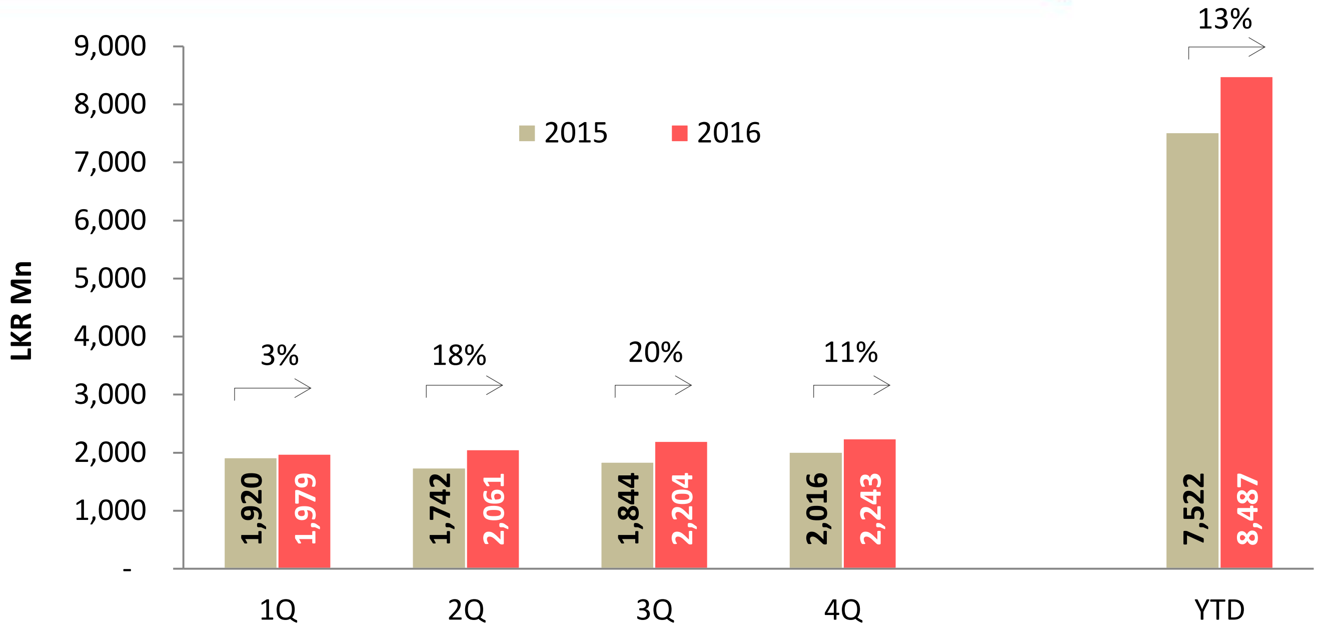
NDB bank

LKR Mn	2015	2016	Variance over 2015	%
Net Interest Income	7,522	8,487	965	*12.8*
Other Income	4,687	4,663	(24)	*(0.5)*
Operating Income	**12,209**	**13,151**	**942**	***7.7***
Impairment	712	1,367	655	*92.0*
Operating Expenses	6,050	6,449	399	*6.6*
Operating Profit	**5,448**	**5,335**	**(113)**	***(2.1)***
Tax	1,936	2,165	228	*11.8*
PAT	**3,511**	**3,170**	**(341)**	***(9.7)***

Y-o-Y movement in PAT



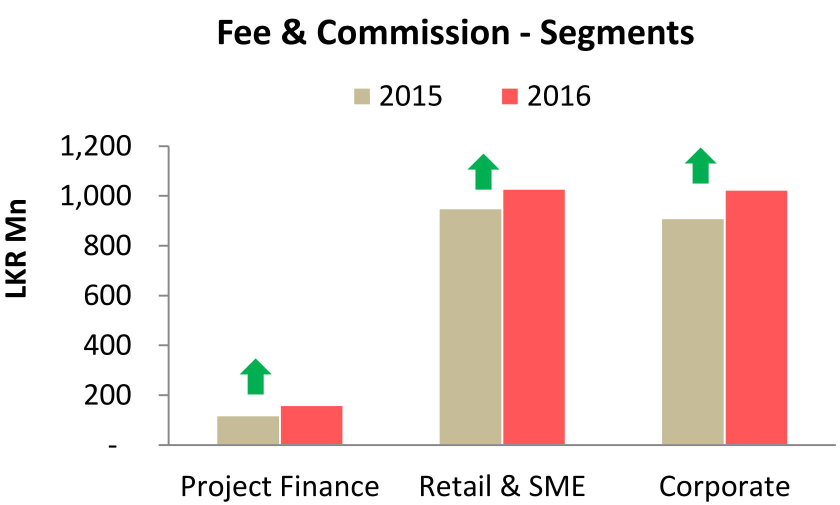
Net Interest Income



- *Interest income improved on the back of re-pricing of short term assets*
- *Funding cost increased at a much higher pace as a result of;*
  - *Low CASA base*
  - *Decline in market liquidity*
- *Volume growth in funds under management resulted in a modest increase in NII*

Other Income

Figures in LKR Mn	**2015**	**2016**	***YoY (%)***
Fee & Commission	2,016	2,253	*11.8*
Forex trading	1,088	982	*(9.8)*
Net gain/(loss) from financial investments	262	211	*(19.3)*
Other Operating Income	1,321	1,217	*(7.9)*
Total Other Income	**4,687**	**4,663**	***(0.5)***

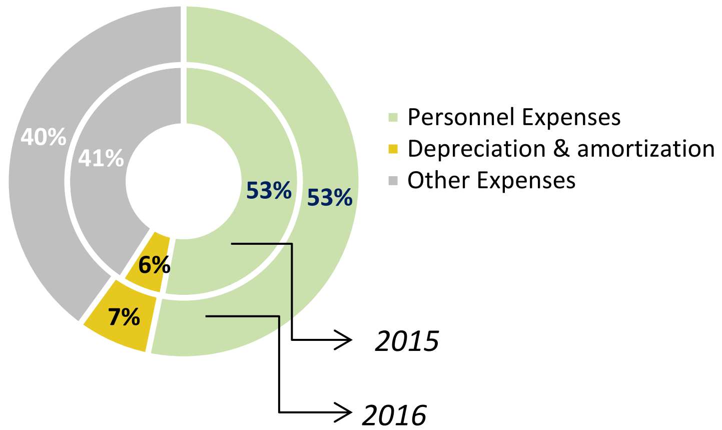


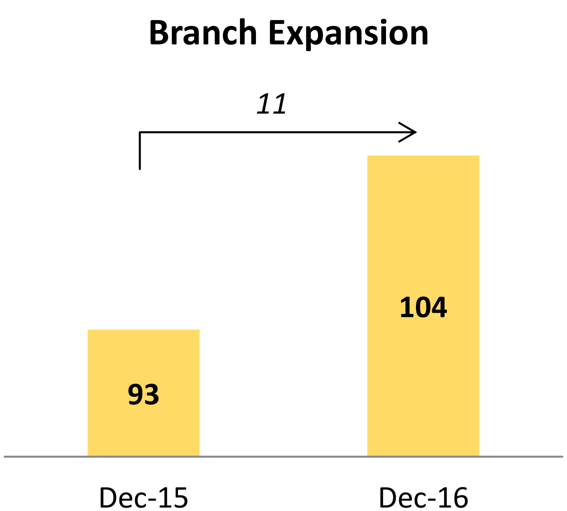
- *All business segments contributed positively for the Fee & Commission growth.*
- *Forex trading was hindered due to prevailed market conditions*
- *Drop in other operating income stemmed from lower currency depreciation*

Source: Internal Analysis

Operating Expenses

Figures in LKR Mn	**2015**	**2016**	***YoY (%)***
Personnel Expenses	3,204	3,435	*7.2*
Depreciation & amortization	370	435	*17.3*
Other Expenses	2,475	2,580	*4.2*
Total Operating Expenses	**6,050**	**6,449**	***6.6***
Cost to Income Ratio	*49.5*	*49.0*	
Cost to Avg. Assets	*2.12*	*2.00*	



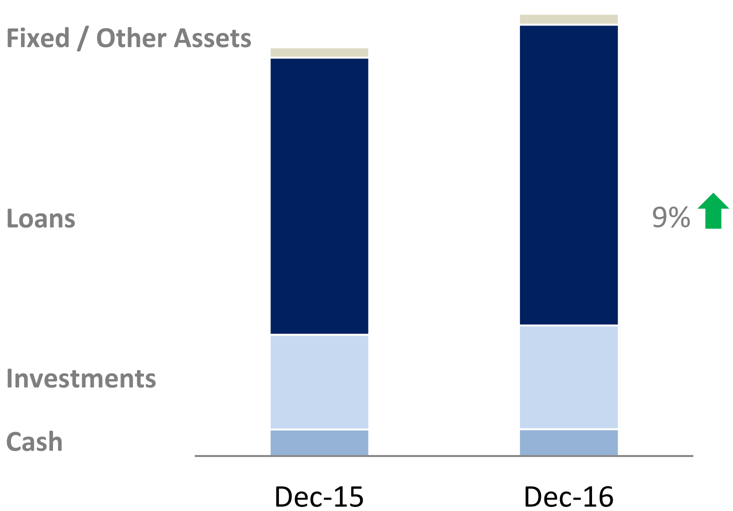


- *Major portion of the incremental personnel expenses were directed towards facilitating branch expansion and annual increments*
- *Additional capital expenditure made on technological enhancements resulted in a higher depreciation charge*
- *Managed the CIR below 50% amidst challenging operating environment*

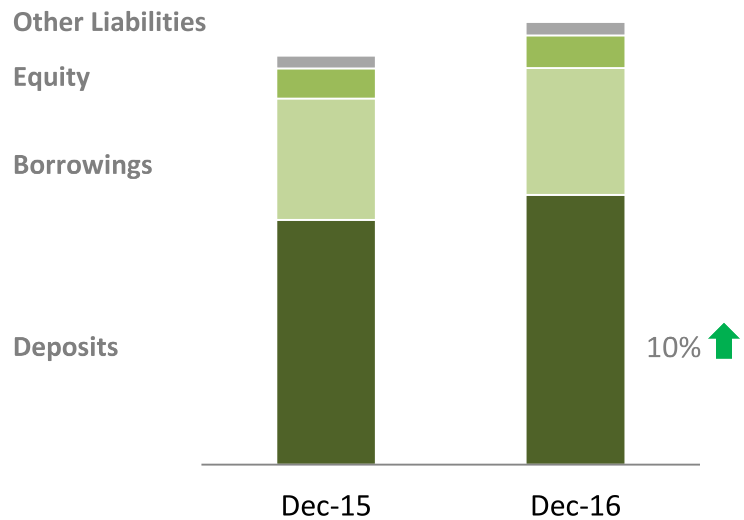
Source: Internal Analysis

Balance Sheet

Assets



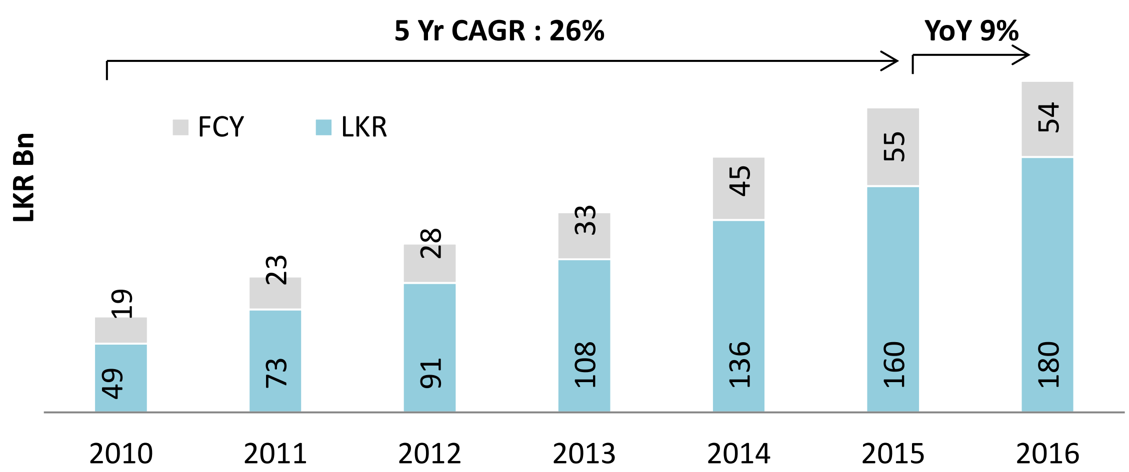
Liabilities



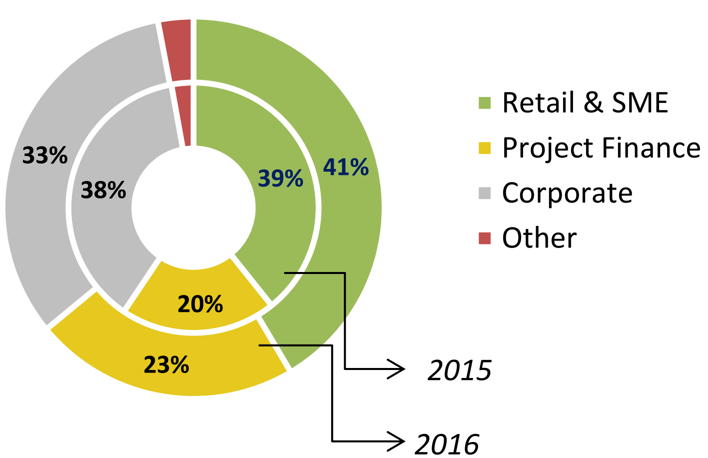
- *A modest growth (8%) in Total assets*
- *Loan growth was curtailed specifically in the retail space due to;*
  - *High interest rates*
  - *Contractionary policy measures*
- *Deposit growth largely came from FDs*

Loans & Advances

Growth Trend



Loans – Segmental Mix

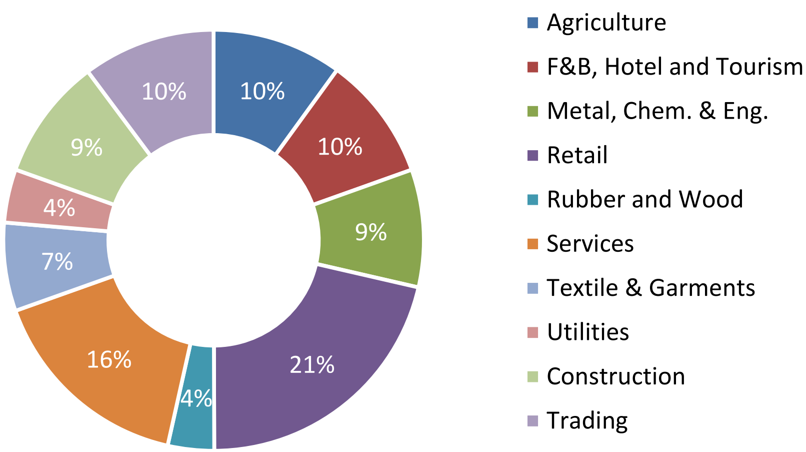


- *Loan growth was hindered due to challenging market conditions*
- *Corporate book continued to shrink as SME and Project Finance segments grew rapidly*
- *Overall FCY exposure was reduced*

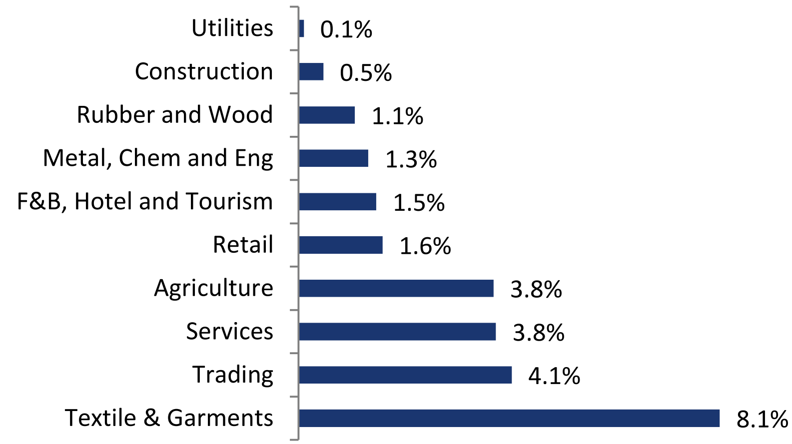
Source: Internal Analysis

Asset Quality

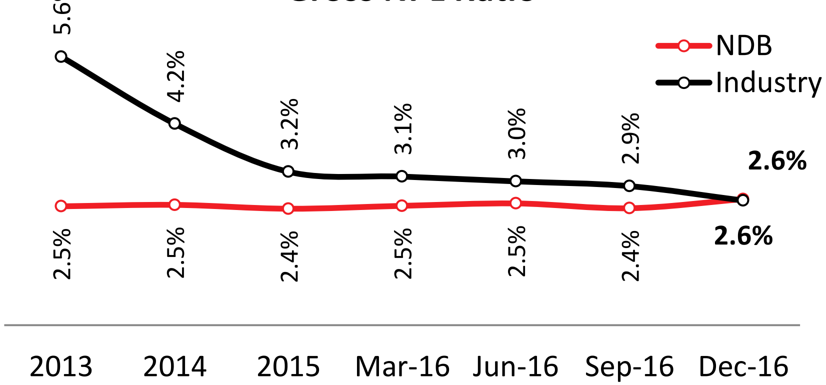
Diversified Portfolio



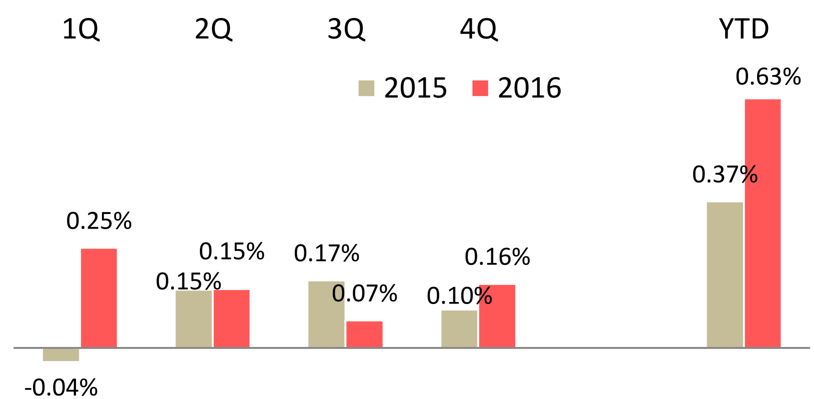
NPL Ratio – sector wise



Gross NPL Ratio



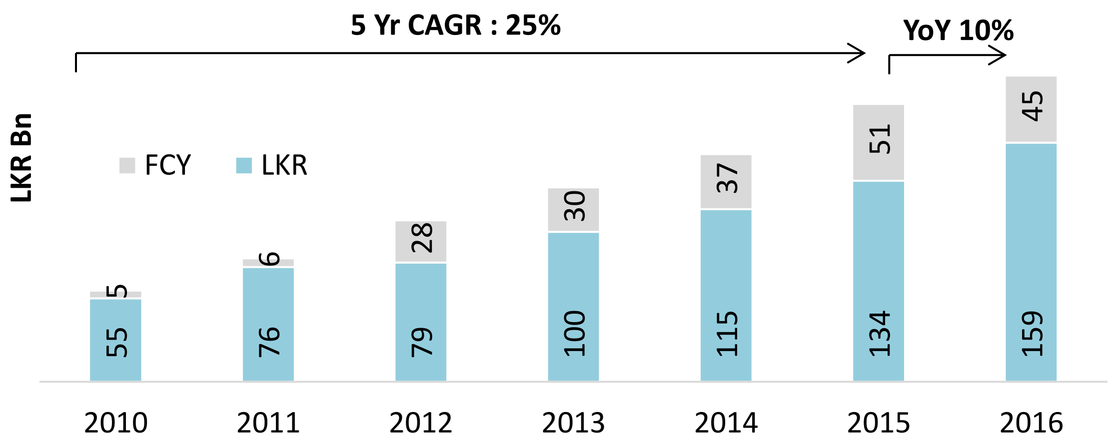
Credit Cost



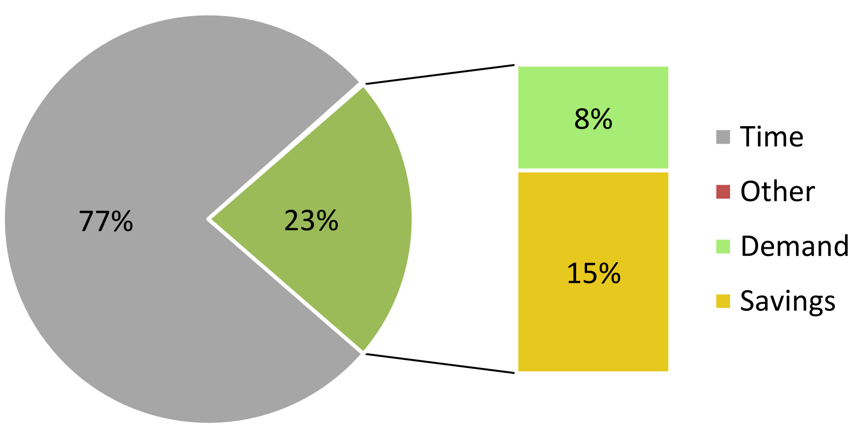
Source: Internal Analysis

Customer Deposits

Growth Trend



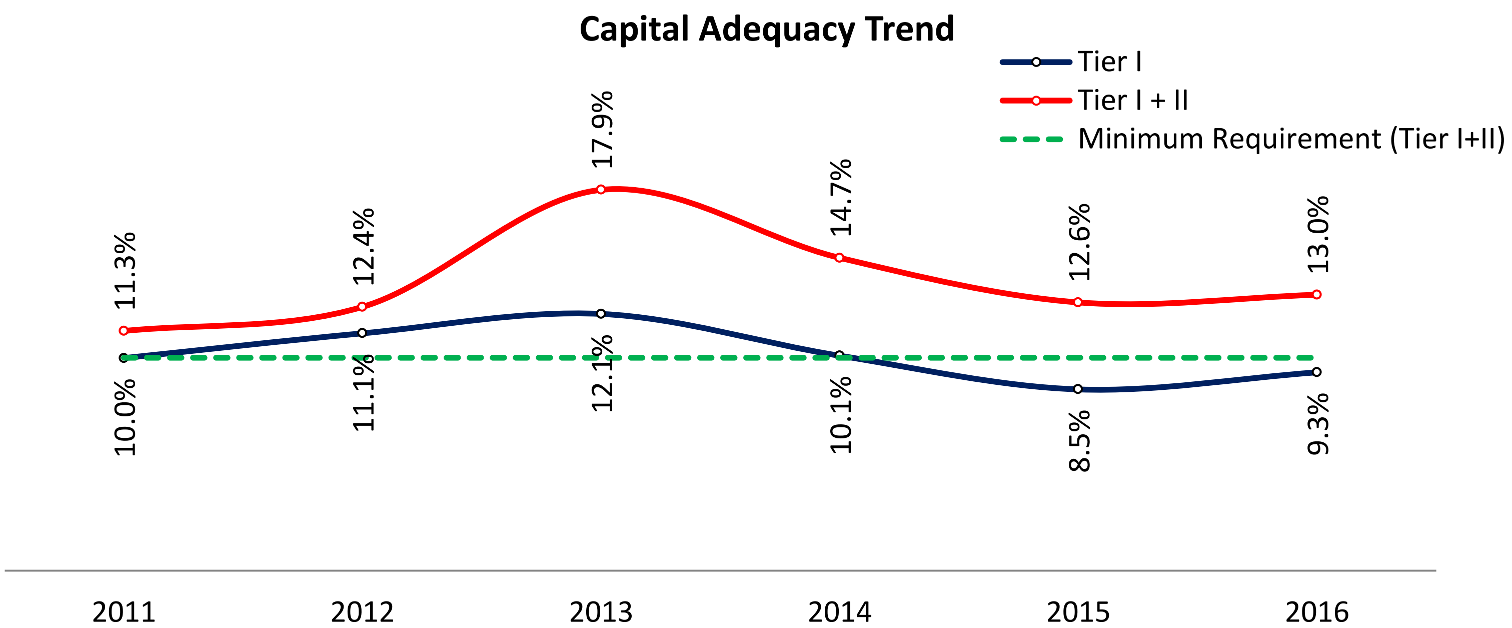
Deposit Mix (Dec-2016)



- *Deposit growth was limited as market liquidity dried out during second half of 2016*
- *CASA ratio deteriorated as funds were mobilized mainly through FDs*
- *Liquidity levels were well above the regulatory thresholds; DBU : 21.5%, FCBU 22.9%*

Source: Internal Analysis

Capital Adequacy



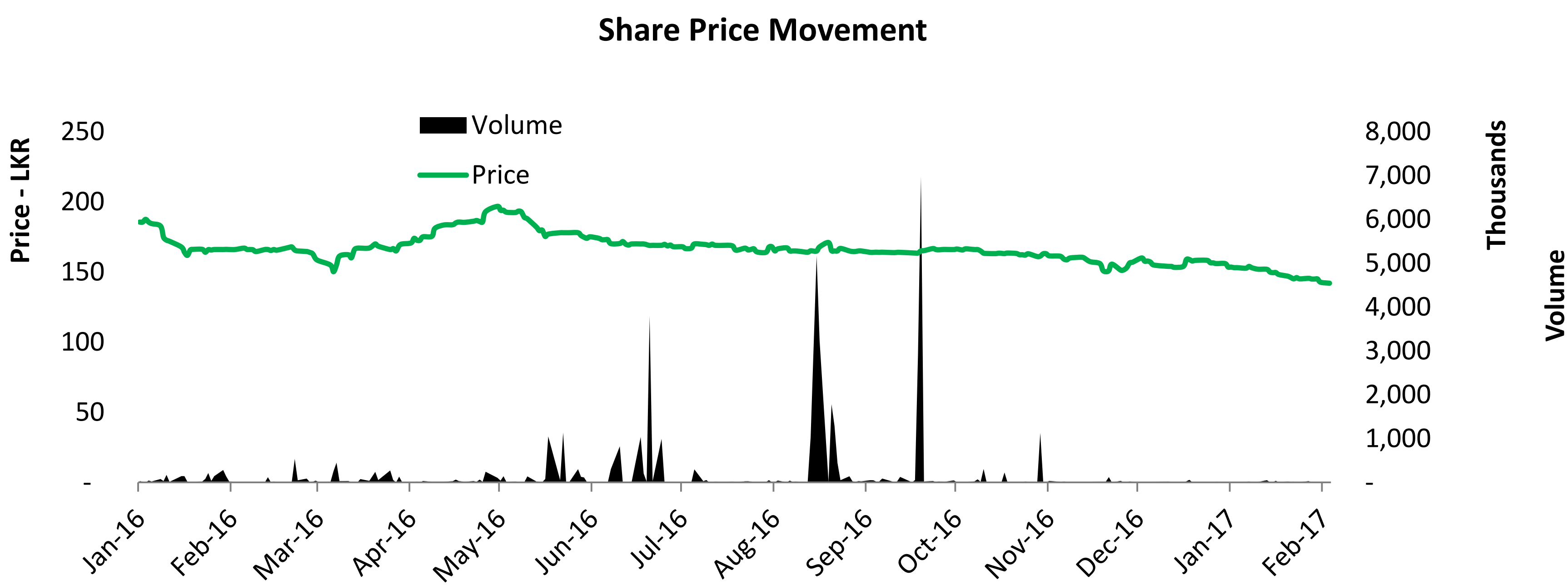
Basel III

- *New regulations will be in effect from 01st July 2017.*
  - ✓ *Pillar I : Total Tier I Ratio of 7.25%*

    : Total capital Ratio of 11.25%

Investor Ratios

	2014	2015	2016
EPS (LKR)	20.72	21.26	19.19
ROE (%)	*16.33*	*15.63*	*13.36*
Book value per Share (LKR)	134.7	137.4	149.8
P/E (times)	12.1	9.1	8.1
Price to Book value (times)	1.9	1.4	1.0



Source: Bloomberg

Q & A

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Investor Relations

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