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National Development Bank PLC

Investor Update

1st Half 2014

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Contents

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1 Business Model and Strategy

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Business Model and Strategy

Full -Fledged Financial Conglomerate

- Profitable Balance Sheet Growth
- Operational Excellence
- Strong Sales Culture
- Higher Fee Income
- Cost Optimization
- Inspired Team
- Governance. Risk Management and Compliance

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- Subsidiaries
  - NDB Capital Holdings
    - NDB Wealth Management
    - NDB Investment Bank
    - NDB Securities
  - DHPL
  - NDB Capital Limited
- Retail Banking
- SME
- Project Financing
- Wholesale Banking

– Established by an Act of Parliament in 1979 and started commercial Banking operations after acquisition of ABN AMRO Bank Colombo in 2001

– NDB Group since then has transformed to provide diversified full-fledged banking services including commercial banking, development financing, investment banking, leasing, housing finance, stockbroking, wealth management and property investment

– Enjoys strong profitability while maintaining sound capital levels and best in industry NPL levels

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Integrated Services

An Opportunity to Cross Sell Wide Array of Products

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Infrastructure and Project Finance	Corporate Banking	SME and Retail	Treasury and ALM	Bancaassuarance	Capital Markets
Promoting Infrastructure Development	To build up Asset book through regional presence by 2017	Universal banking Model to reach all regions	Strengthening of funding through relationships	Smooth transformation from AVIVA to AIA	Synergise and grow capital market business
12% of gross income	29% of gross income	32% of gross income	21% of gross income	0.2% of gross income	6 % of gross income

Value Creation through Integrated Services

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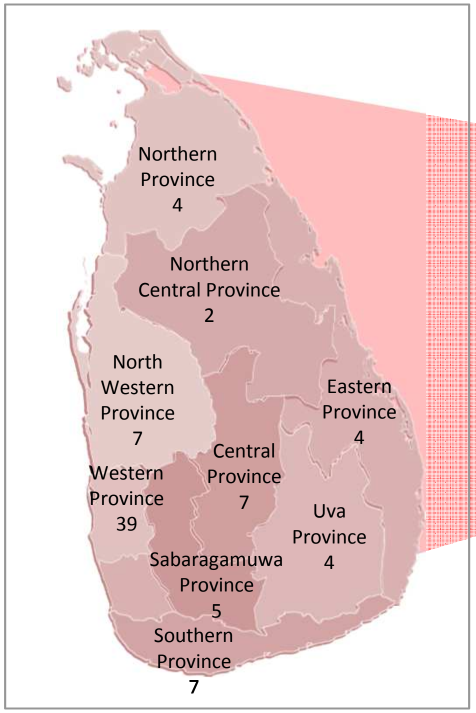
Network

Growing Distribution Network



Province	Branches
Northern	4
North Western	7
North Central	2
Eastern	4
Central	7
Western	39
Uva	4
Sabaragamuwa	5
Southern	7
Total	**79**

	Bank	Partners
Branch Network	79	Singer – 376; RDB – 250
ATM Network	77	VISA
Internet Banking	Corporate & Retail	-
Feet on Street	183	-
School Savings Centres	2	-

- The Branch Network increased from 73 to 79 since June 2013
- 9.00 to 6.00 Full service, Saturday Banking, Sunday Banking, Night Banking, 365 day Banking are in operation to increase customer convenience in Banking with NDB.

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2 1st Half Performance

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1st Half results - 2014

A Snapshot

Fitch Rating - AA- (Stable Outlook)

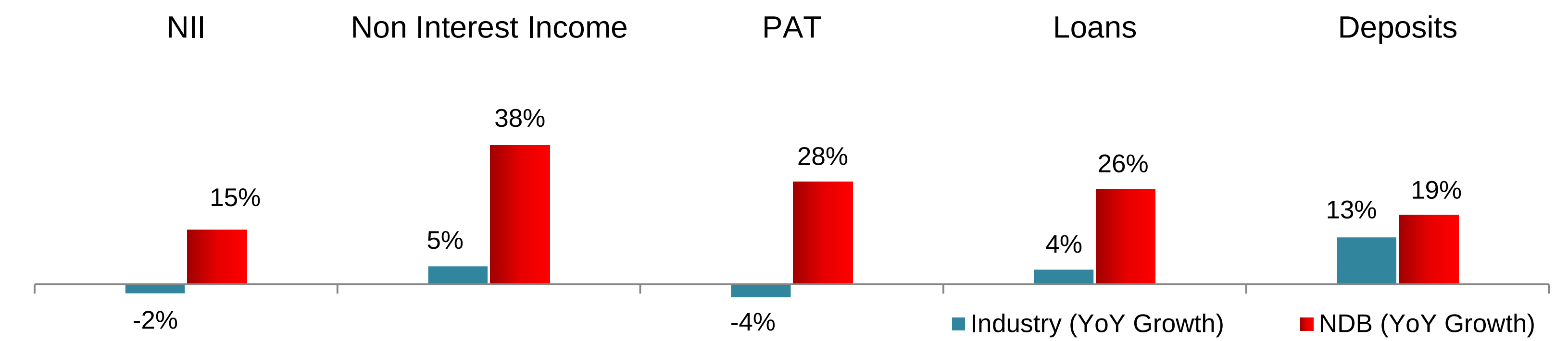
Financial Highlights

	LKR Mn	YoY growth
Operating Income	6.299	17% ↑
Profit for Shareholders	2,058	57% ↑
Earnings Per Share (LKR)	25.38	56% ↑
Loans and Advances (Gross)	157,822	26% ↑
Customer deposits	139,226	19% ↑
Total Assets	239,175	29% ↑

Key Financial Ratios

	%	YoY growth
Return on Equity	16.24%	5.52% ↑
Return On Assets	1.82%	0.37% ↑
Capital Adequacy	19.14%	0.82% ↑
Net Interest Margin	3.48%	0.47% ↓
Non Performing Loans	2.69%	0.84% ↑
Cost to Income	44.18%	4.58% ↓

NDB Vs Banking Industry



* Note : Industry Data source : Central Bank of Sri Lanka As of June 2014

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1st Half results - 2014

Superior Financial Performance - Group

LKR Mn	YTD 2013	YTD 2014	YOY Growth
Net Interest Income	3,354	3,896	16%
Other Income	2,023	2.402	19%
Credit Loss Provision	122	220	80%
Net Operating Income	**5,254**	**6,079**	**16%**
Overheads	2,611	2,783	7%
Profit Before Tax	**2,643**	**3,296**	**25%**
Share of Associate Co's	**11**	**97**	**811%**
Taxation	1,346	1,336	-1%
Profit After Tax	**1,307**	**2,058**	**57%**

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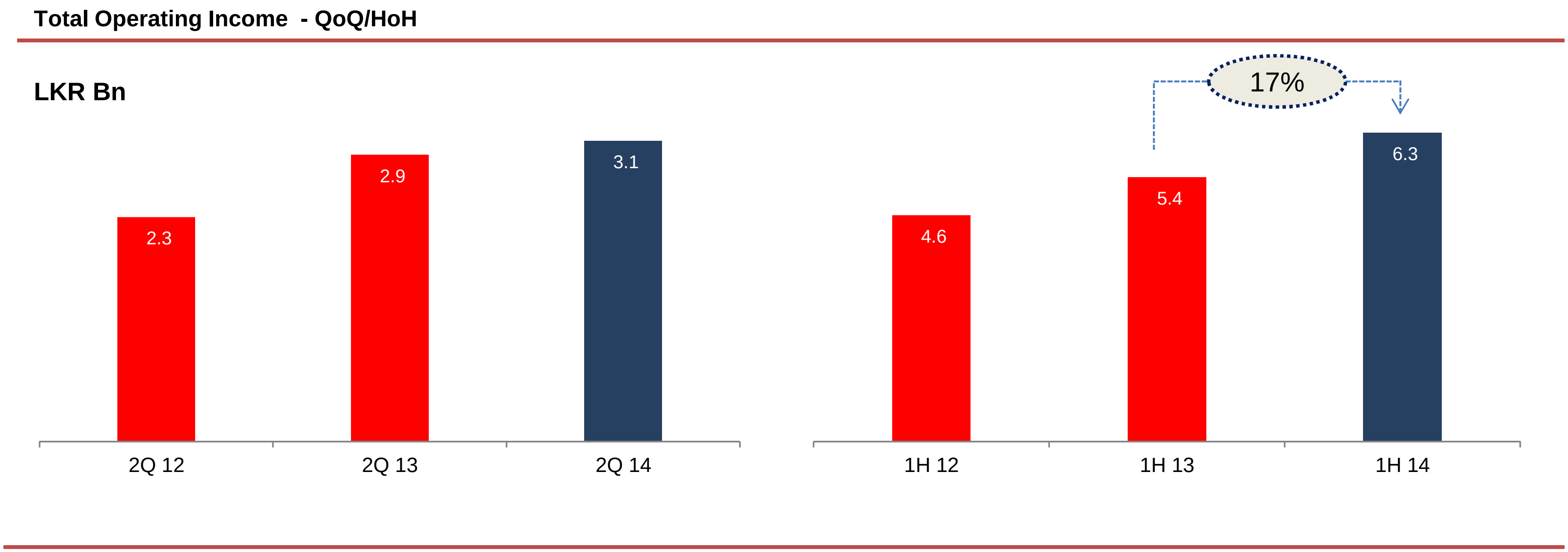
Operating Income Growth

Strategy Driven, Resilient Performance amidst slow industry performance



- 2014 recorded the highest Banking revenue in comparison to the corresponding quarters in 2012 and 2013 despite the slow growth that prevailed in the Banking industry
- Steady growth in Net interest income and Non funded income both contributed for sustainable operating income growth.

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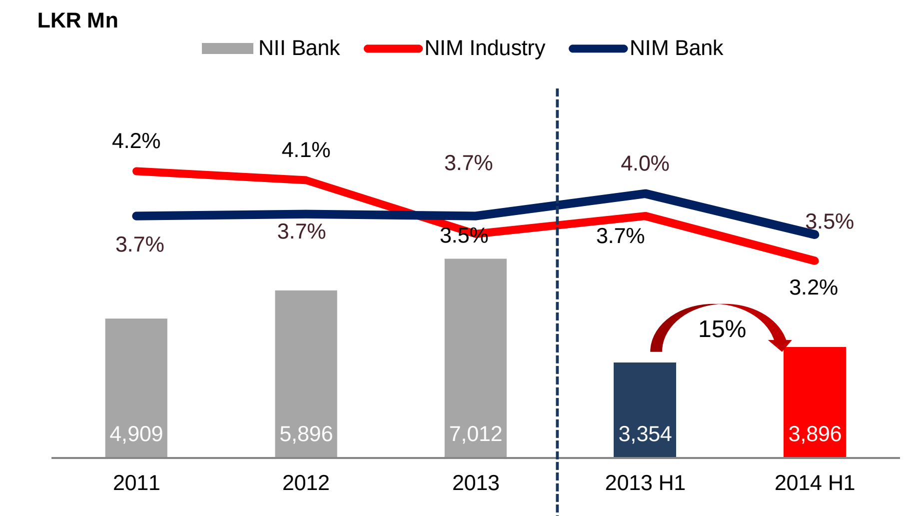
Income Analysis

Further Analysis in to Operating Income

Net Interest Income is challenged by low margins

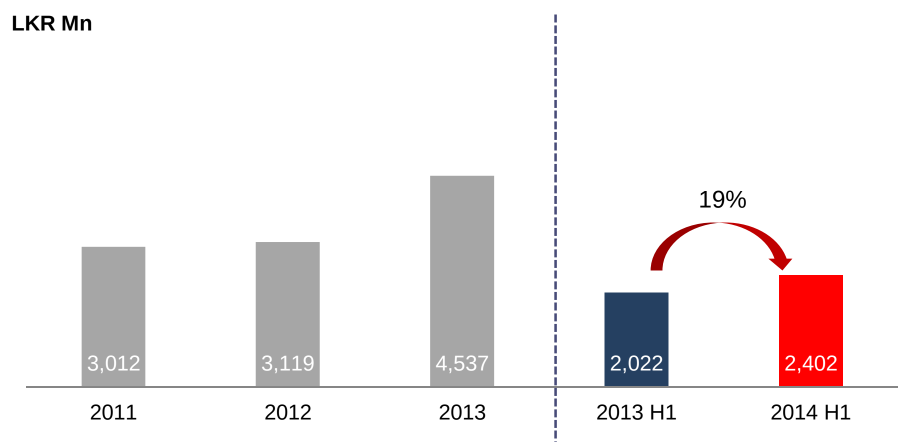


* Note : Industry Data source : Central Bank of Sri Lanka As of June 2014

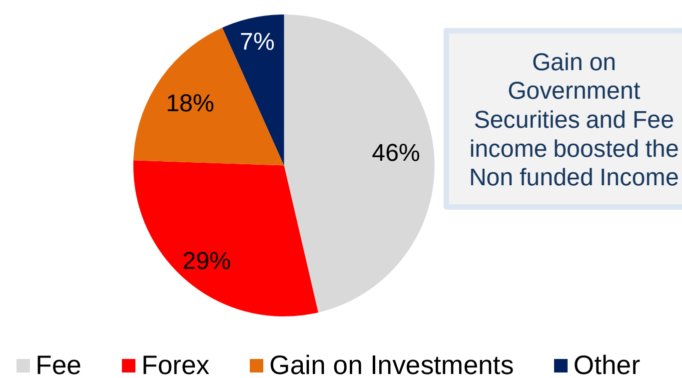
NII Performance

- Banking industry interest margins came down to 3.2% from 4.2% as a result of the higher liquidity and the policy measures taken.
- NDB margins were maintained at 3.5% during the period through efficient Assets and liability management.
- Net interest Income Recoded a YoY growth of 15%
- NII growth is mainly supported through maintained margins and growth in Volumes achieved through Market Penetration

Non funded income Trend



Non funded income Composition



Gain on Government Securities and Fee income boosted the Non funded Income

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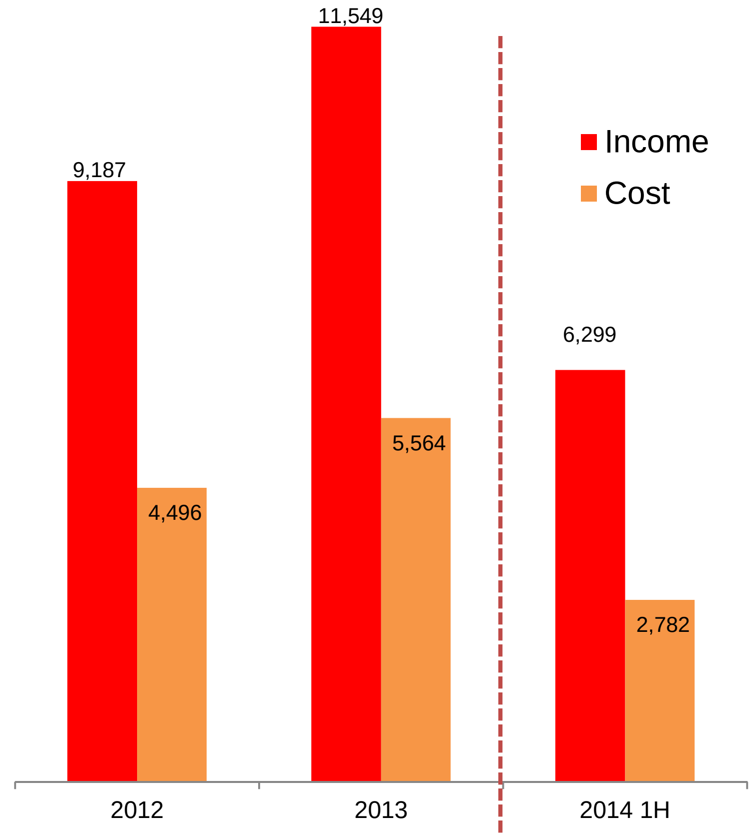
Operating efficiency

Focus on Cost Optimization

Cost Optimization Initiatives in place

- ✓ Rationalization of Procurement process
- ✓ Efficient allocation of resources with right people at the right time
- ✓ Tracking and monitoring mechanism to ensure the intended results are met
- ✓ Staff awareness programs on efficient utilization of resources.
- ✓ Re thinking and Re engineering of processes to produce more user friendly efficient layouts.
- ✓ Encouraging paperless environment in the work place and with customers.

Cost Vs Income (LKR Mn)



CIR	48.9%	48.2%	44.2%

Note : 2012 CIR is calculated by adjusting for the Capital gain of LKR 5.75 Bn on account of the sale of AVIVA NDB insurance

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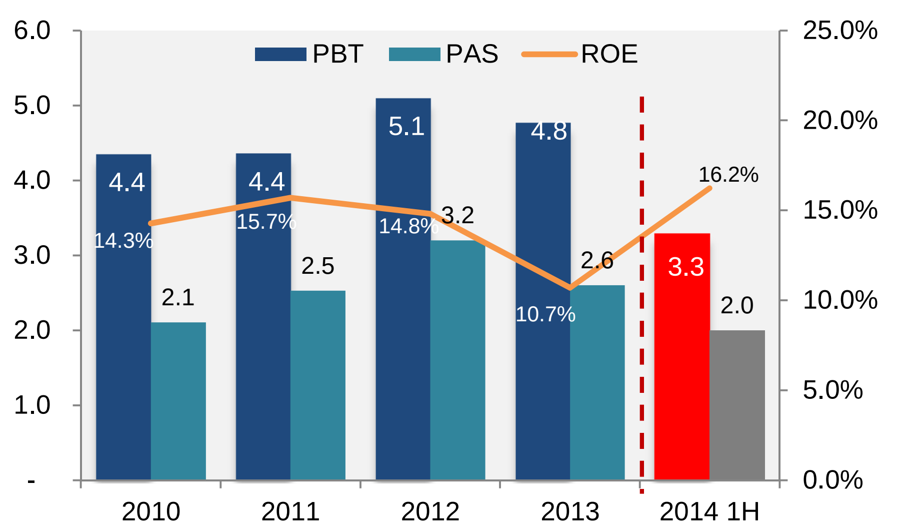
Profitability

Consistently improving Profitability

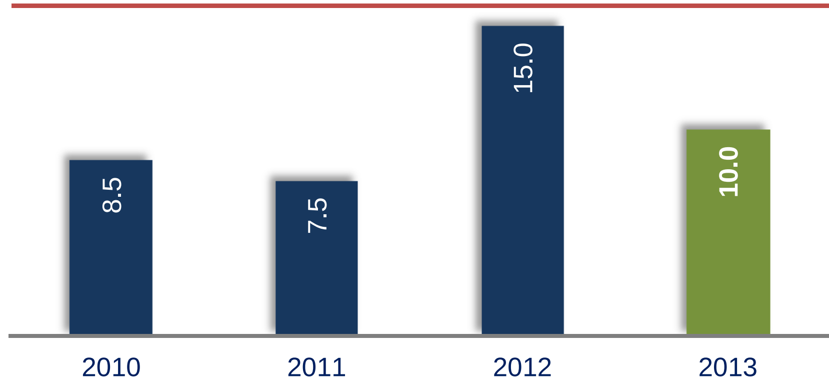
Profitability trend (LKR Bn)



Note : 2012 PBT , PAS and the ROE is adjusted for the exceptional gain earned from the sale of AVIVA NDB Stake

- ✓ 2014 1H ROE indicates the highest since 2010.
- ✓ Sustainable Revenue and efficient operations boosted profits during 2014.
- ✓ This exemplary results were achieved amidst challenging conditions and slow market growth where as the whole Banking Industry remained flat
- ✓ Key Drivers of the Profitability
  - ❑ Volume growth through Market Penetration
  - ❑ Cost optimization and operational excellence
  - ❑ Proactive asset quality Management
  - ❑ Properly articulated ALM
  - ❑ Access to low cost funding.

Dividend Trend



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3 Financial Position

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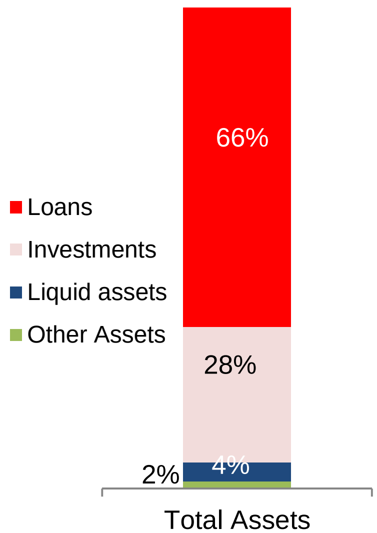
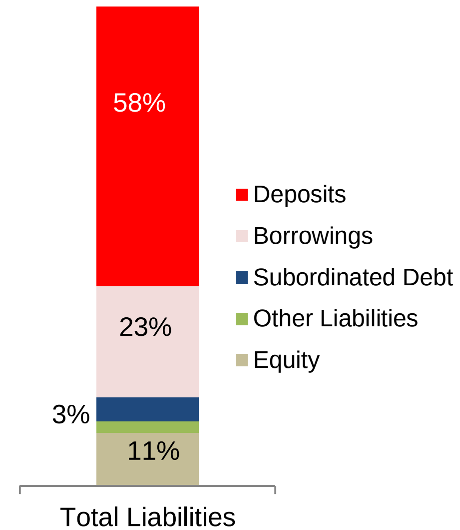
Balance Sheet composition

Premeditated diversification of Uses and Sources of Funds

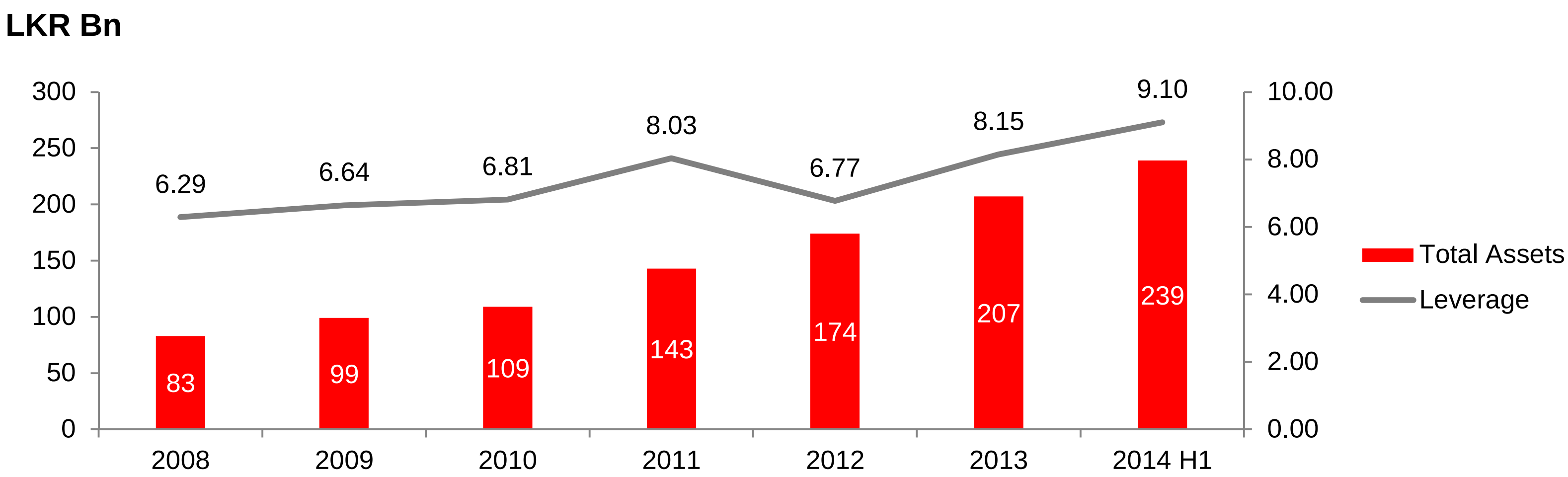


Key Attributes

- ✓ Total assets mainly comprises of Loans to Customers and Investments in government securities which accounts for 66% and 28% respectively.
- ✓ Customer Deposits Accounts for 58% of the total Funding in the Balance Sheet
- ✓ Borrowings Including the Debenture issue represents for 26% of the Total Liabilities
- ✓ Balance sheet leverage is 9.1



Balance Sheet growth with Leverage



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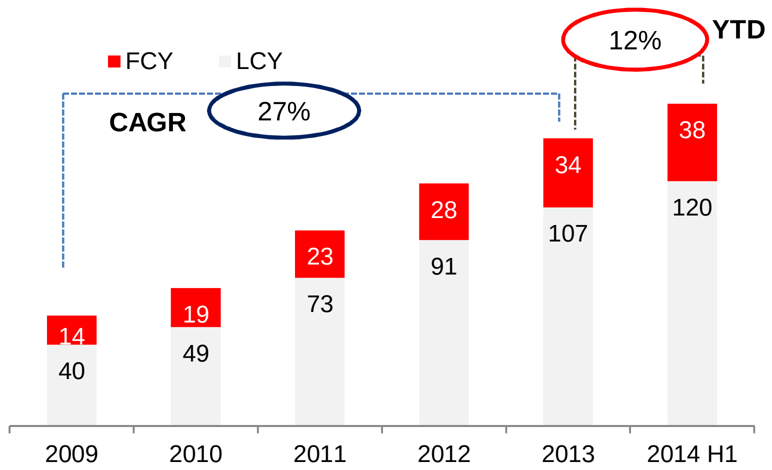
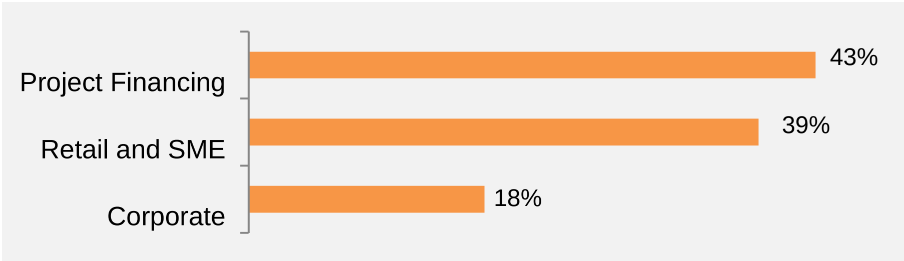
Loans and Advances

A Well Diversified Portfolio

Loans and Advances grew with

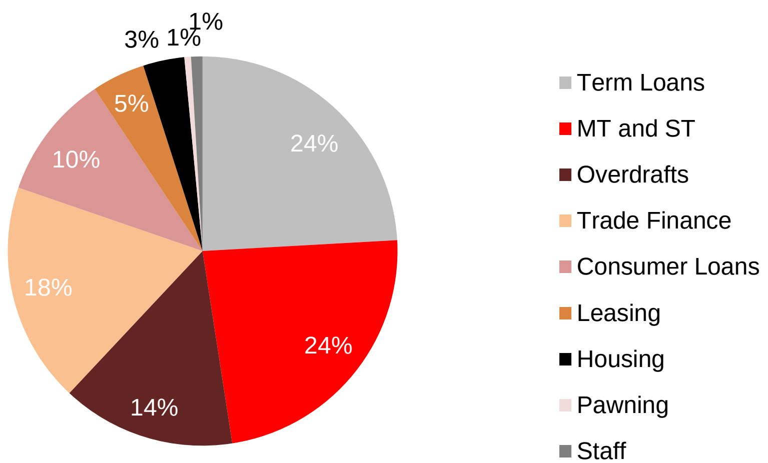


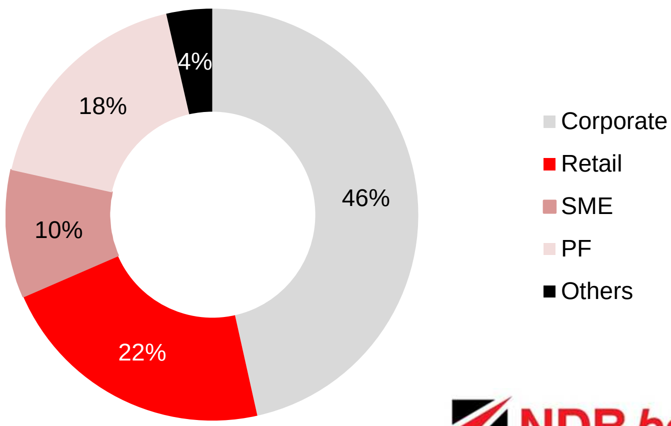
Growth Contribution by segments during First Half



- ✓ Supports the development of Small and Medium Entrepreneurs
- ✓ Assists the Development of the Economy by financing large development projects
- ✓ Best Personal Loan Scheme (Dream Maker) for professionals
- ✓ Leasing and Credit cards facilities with less hassle to satisfy customer needs.

Diversification among Products and Segments





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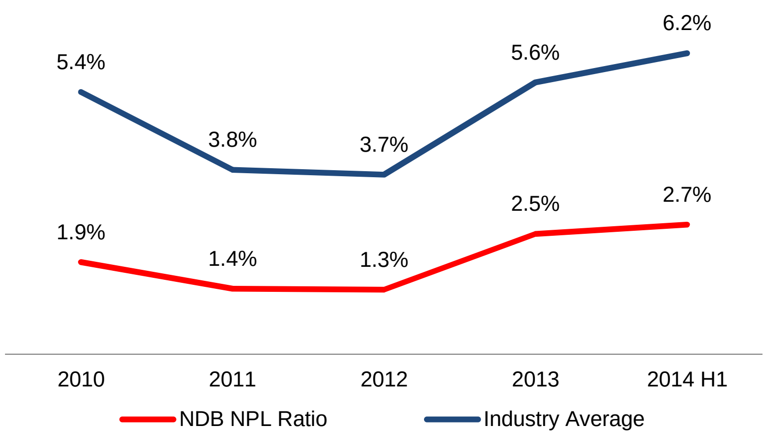
Asset quality

Robust Risk Management Process

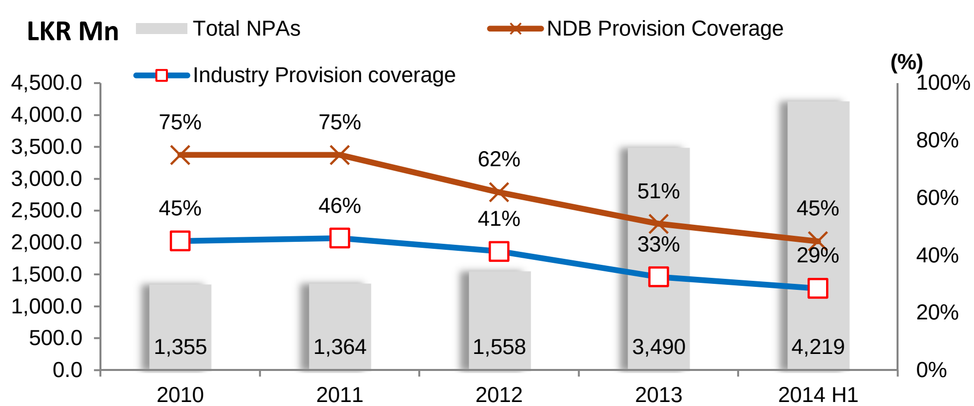
Risk management practices

- Structured and Standardized credit approval Process
- Delegation of Authority
- Internal Risk Ratings
- A post sanction review and monitoring mechanism
- Prudential Limits
- Stress testing

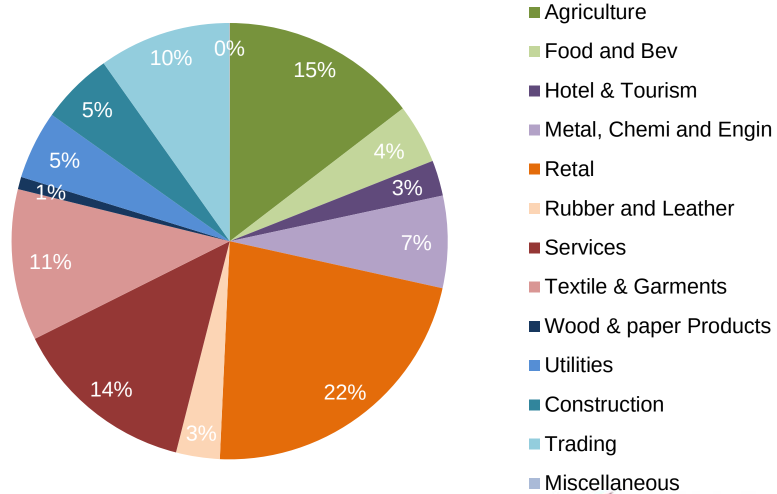
NPL – NDB Vs Industry



Provision Coverage



Sector wise diversification



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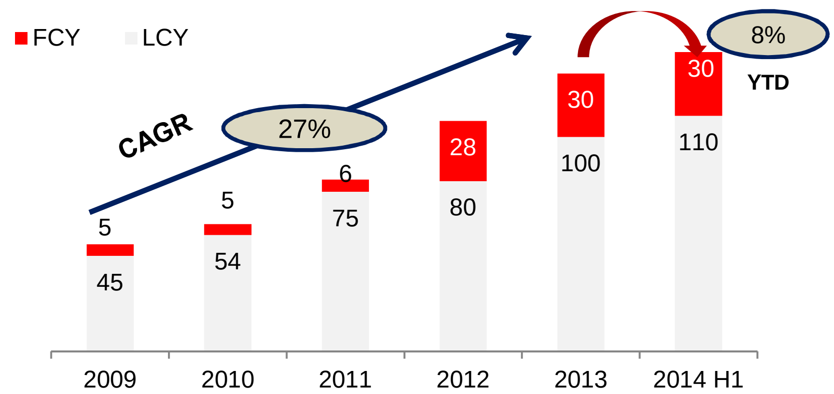
Funding

Funding growth via Deposit Mobilization

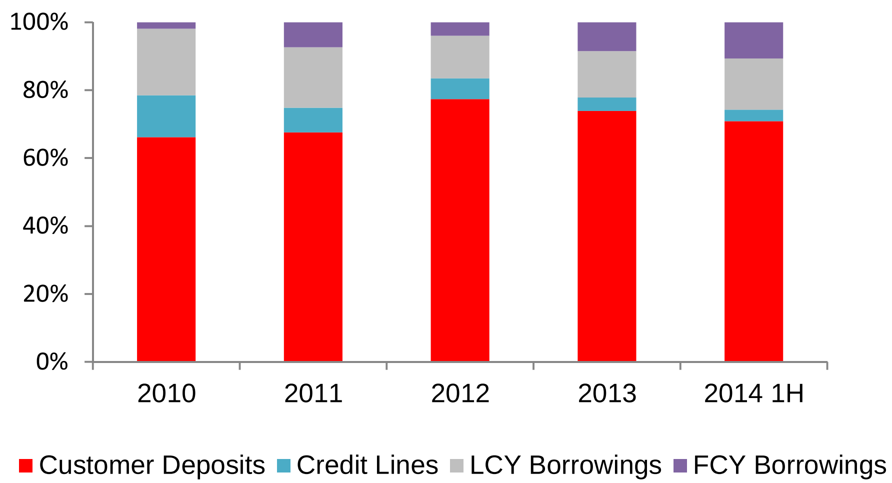
Deposit growth over Last 5 years (LKR Bn)



Key Highlights

- ✓ 21% of the total deposits are held in Foreign Currency
- ✓ Low cost CASA base improved to 25.3% from 21.5% YoY
- ✓ YTD Deposit growth is 8% impressive while the industry growth is at 5% for the 6 months.
- ✓ Customer confidence, convenience and strong brand position drives the Customer deposits growth.

Trend in sources of Funding



Key Highlights

- ✓ FCY borrowing increased to 11% during the 2nd quarter with the funds received from IFC worth of USD 125 Mn
- ✓ 50% of the IFC borrowings are hedged with Central Bank of Sri Lanka with NO SWAP cost.
- ✓ LCY borrowings mainly represents Repo borrowings other than the Quoted Debenture Issue.

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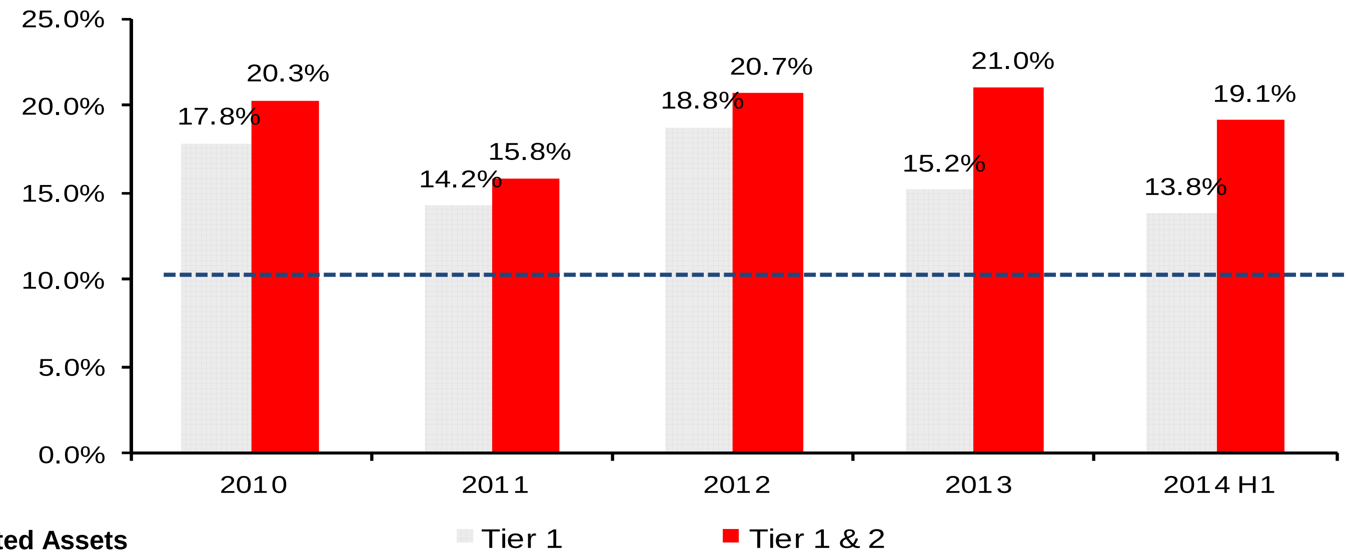
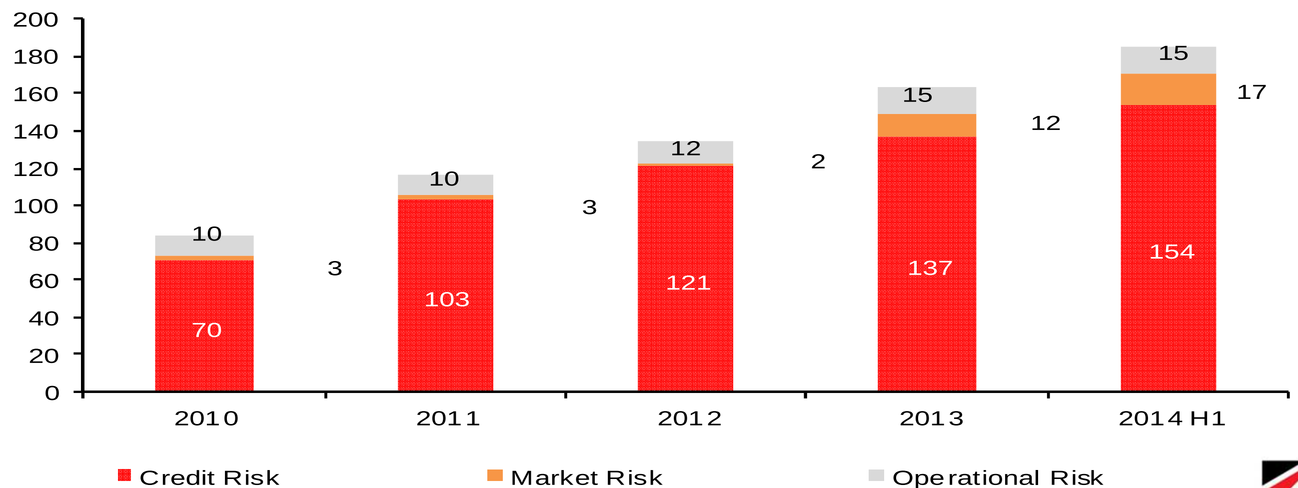
Capital Adequacy

Well Capitalized Balance Sheet

Capital Adequacy Trend



Risk Weighted Assets



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Ahead of Competition

Gaining the Market Share

Market share grew on YoY

	June 2013	June 2014
Total Assets	3.3%	3.8%
Loans	3.8%	4.6%
Deposits	3.0%	3.2%

Better Financial Indicators over the industry Standards

	NDB	Industry
ROE	16.2%	15.3%
ROA	1.8%	1.3%
NIM	3.5%	3.2%
Cost to Income	44.2%	54.7%
NPL	2.7%	6.2%
Provision Cover	45%	29.7%

* Note : Industry Data source : Central Bank of Sri Lanka As of June 2014

- Disciplined Execution of Strategy
- Focused on the basics of Banking
- Supporting clients needs
- Strong governance, compliance and Risk Management

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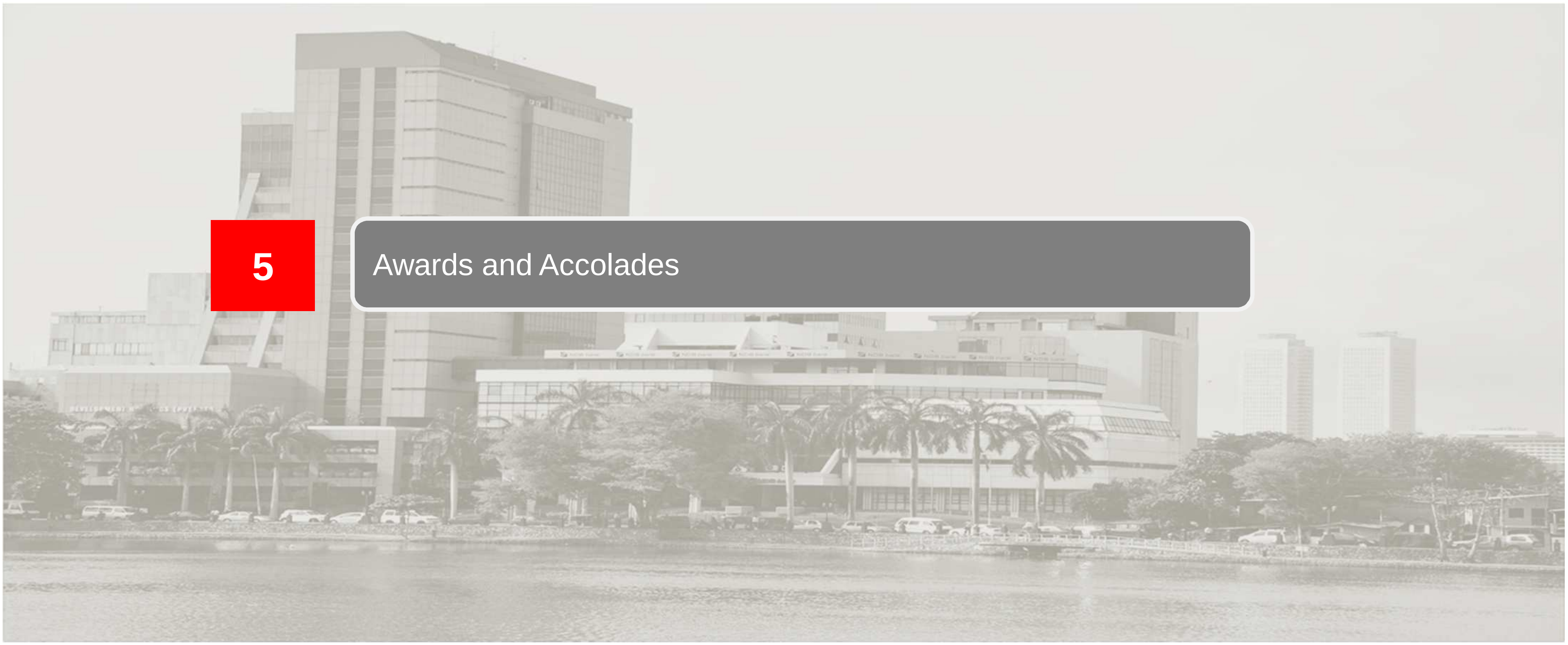

5 Awards and Accolades

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Awards and Accolades

Gaining Global Recognition

- ❑ Domestic Retail Bank of the Year - Sri Lanka
- ❑ SME Bank of the Year - Sri Lanka
- ❑ Core Banking system initiative of the year - Sri Lanka

- ❑ Bronze award for Investor relations - CFA Sri Lanka

- ❑ Winner - Excellence in Core Banking Technology

- ❑ NDBIB was adjudged as the Best Investment Bank in Sri Lanka 2014
- ❑ NDB Capital Limited (Bangladesh) was awarded the Best Investment Bank in Bangladesh, 2014,

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