



Investor Update - Q1 2017
National Development Bank PLC

05 May 2017 : 1400 hrs : Colombo Sri Lanka



Presented by

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Panelists

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Niran Mahawatte - VP-Treasury

Sanjaya Perera - VP-Branch Network Management

Ms. Suvendrini Muthukumarana - AVP-Finance & Planning

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1. Business Overview

2. Recognition

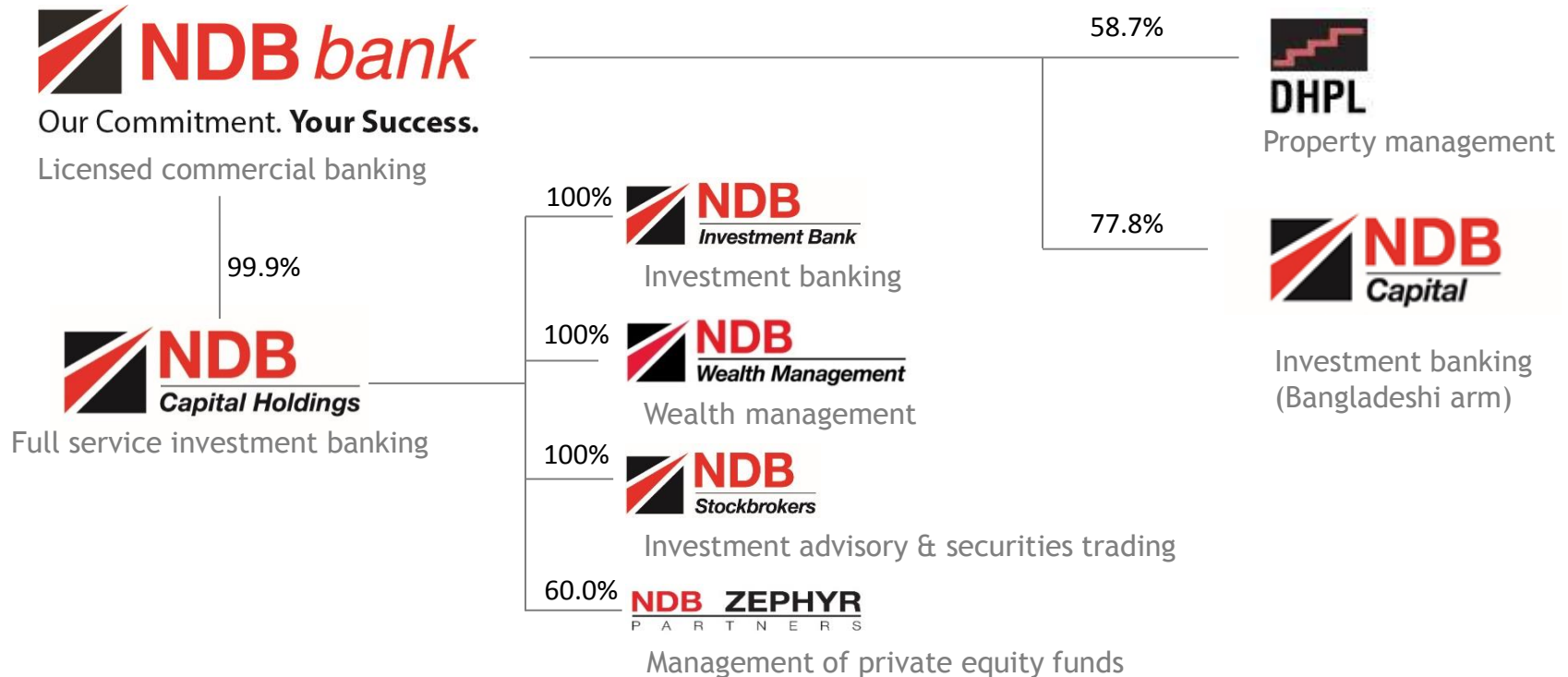
3. Macro Economic & Industry Analysis

4. Financial Performance

5. Q&A

Business Overview

A unique banking and capital markets group structure



Banking services

Retail banking
Project & infrastructure financing
Islamic banking
Card operations
Remittances

Commercial banking
SME & micro financing
Bancassurance
Correspondent banking
Cash management

Business Overview

An equitable mix of physical and virtual channels



106 branches

Latest addition at Kottawa on 04 May 2017



118 ATMs

including 12 off-site ATMS



Online Banking

Internet banking



NDB Mobile Banking

Rapid on-boarding recorded since the launch of the App in Q1 2016



Social media sites

Accessible via a host of popular social media sites



Recognition

Awards that the Bank & the Group Companies have won YTD 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

- Global economic activity picking up with a long-awaited cyclical recovery in investments, manufacturing, and trade
- World growth expected to rise from 3.1% in 2016 to 3.5% in 2017

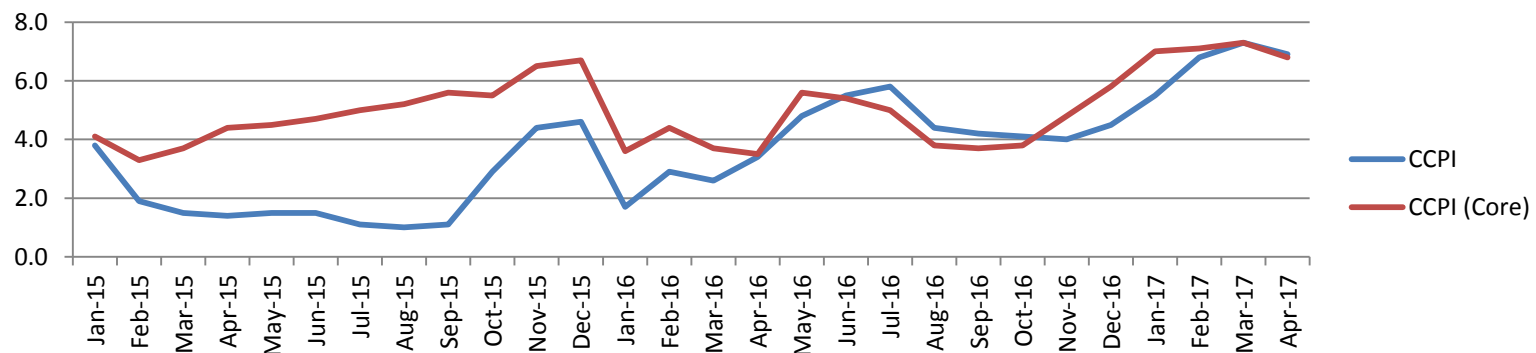
Sri Lankan economy

- Upward trend in inflation recorded up to March 2017 (CCPI core - 7.3% in March 2017)
This trend in inflation reversed in April 2017
- Slight depreciation of the Rupee against the US Dollar during Jan - Apr 2017
- Increases witnessed in key market rates such as the 1year T-Bill rate and AWPLR in Q1 2017

Sri Lankan banking sector

- Increase in SDFR and SLFR by 25 basis points each up to 7.25% and 8.75% respectively, by the CBSL w.e.f. 24 March 2017
- Banking industry total assets growth of 13.5% (as of February 2017)

Inflation (YoY Pt to Pt.)



A large red key graphic. The head of the key is a solid red circle containing the text "UNLOCKING OUR POTENTIAL TO UNLEASH YOURS" in white. The shaft of the key is a red arrow pointing to the right, with a white silhouette of a city skyline integrated into its lower half.

**UNLOCKING
OUR POTENTIAL TO UNLEASH
YOURS**

Q1 2017 Performance Summary



		Q1-17	Q1-16	Growth
Profitability (LKR Mn)	Net Operating Income	3,631	2,846	28%
	Operating Expenses	1,718	1,568	10%
	Profit after Tax	1,159	797	45%
		Q1-17	FY2016	Growth
Financial Position (LKR Bn)	Total Assets	347	335	4%
	Total Loans	241	228	6%
	Total Deposits	228	204	12%
Efficiency & Return (%)	Cost to Income Ratio	46.03%	49.04%	▼
	Net Interest Margin	2.78%	2.64%	▲
	Return on Average Equity	13.96%	13.36%	▲
Business Capacity (%)	Loan to Deposits Ratio	108%	115%	▼
	Capital Adequacy Ratio	12.76%	12.95%	▼
	Liquidity Ratio (DBU)	22.08%	21.50%	▲

Income Statement



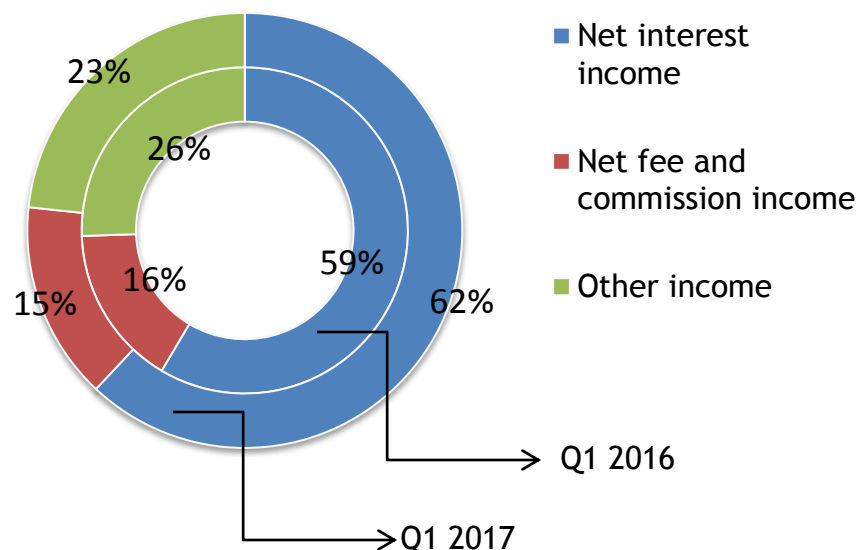
<i>LKR Mn</i>	Q1-2017	Q1-2016	Variance	%
Net Interest Income	2,334	1,979	355	18
Other Income	1,431	1,404	27	1.9
Operating Income	3,765	3,383	382	11
Impairment	134	537	(403)	(75)
Operating Expenses	1,718	1,568	150	10
Operating Profit	1,912	1,278	634	50
Tax	753	481	272	57
PAT	1,159	797	362	45

- Commendable growth in NII with improved NIMs
- Relatively high impairment recorded during Q1 2016 due to one-off specific provisions
- Operating profits before taxes recorded an impressive growth of 50%
- Increase in VAT rate to 15% in Q1 2017 compared to 11% applied in Q1 2016

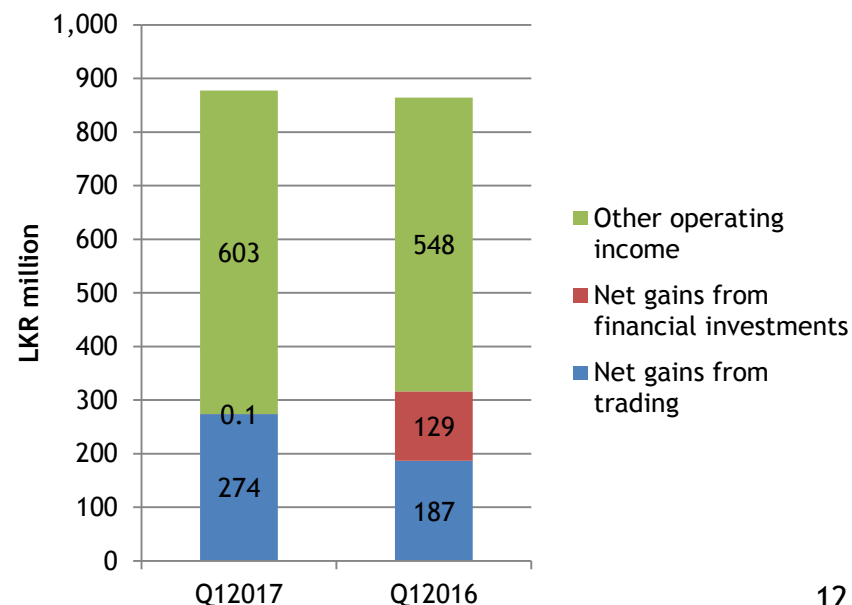
LKR Mn	Q1 2017	Q1 2016	%
Gross income	9,986	7,600	31
Total operating income	3,765	3,382	11
--Net interest income	2,334	1,979	18
--Net fee and commission income	554	539	3
--Other income*	877	864	1

- Top line has demonstrated strong growth, which supported the profitability
- NII supported by growth in asset products and enhanced NIMs (2.78%)
- Net fee & commission income grew moderately. Increasing this segment is a key strategic priority for us.

Composition of Total Operating Income

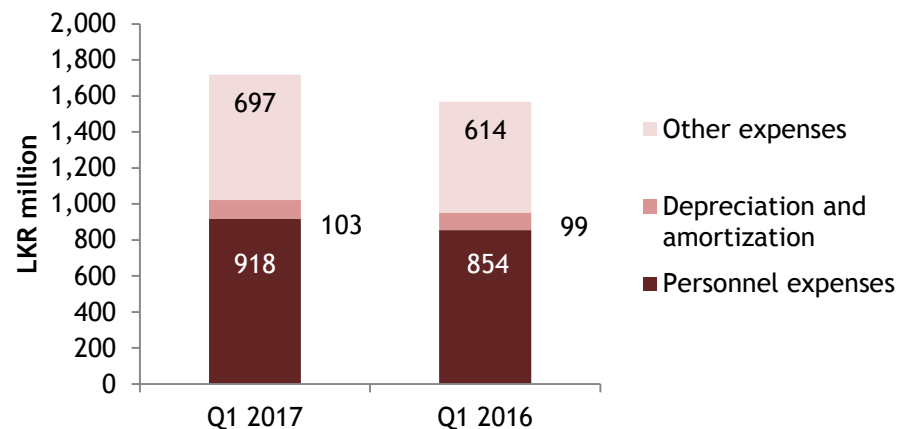


Composition of other income*



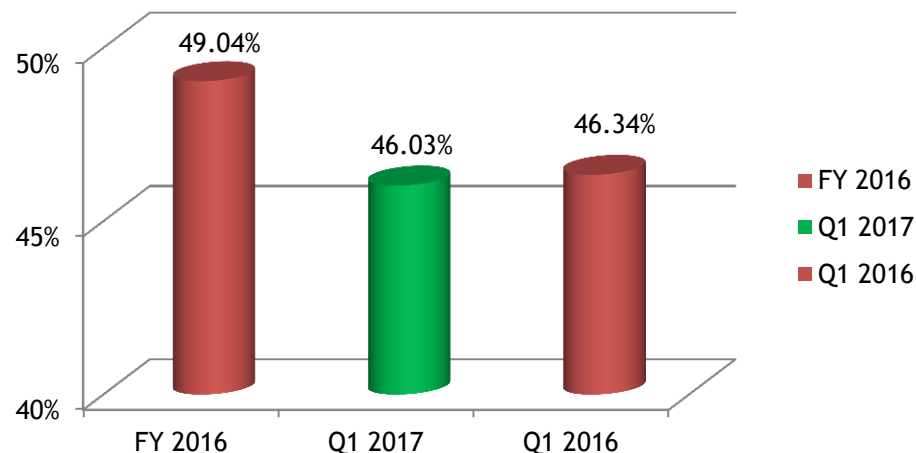
LKR Mn	Q1 2017	Q1 2016	%
Personnel expenses	918	854	7
Depreciation & amortization	103	99	4
Other expenses	697	614	14
Total operating expenses	1,718	1,567	10

Analysis - Operating expenses



- Operating expenses well managed. Key attributers under operating expenses;
 - Network expansions (6 branches added to the network over the comparative period)
 - Business volume expansions
 - Impact of tax rate (VAT) changes
 - Increase in deposit insurance premium cost
- Focus for CIR - <50%

CIR



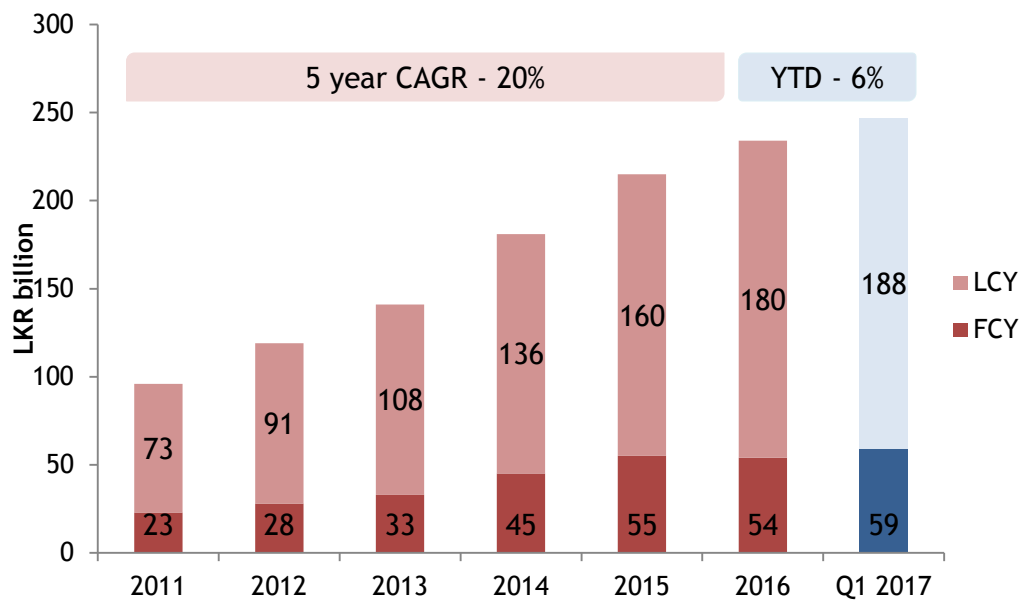
LKR Mn	Q1 2017	FY 2016	%
Cash & Cash Equivalents	25,833	20,130	28%
Investments	73,542	80,599	-9%
Net Loans & Investments	241,444	227,677	6%
Fixed Assets	2,455	2,447	0%
Other Assets	4,202	3,692	14%
Total Assets	347,476	334,545	4%
Debt securities & borrowings	64,803	76,358	-15%
Customer deposits	227,984	203,867	12%
Subordinated Term Debts	19,990	19,447	3%
Other Liabilities	9,088	10,128	-10%
Equity	25,611	24,745	3%
Total Liabilities & Equity	347,476	334,545	4%

YTD Balance Sheet growth

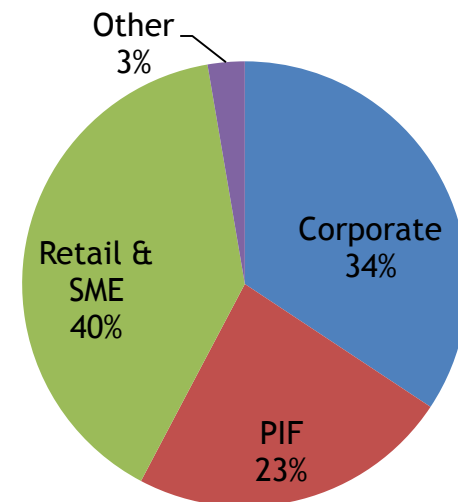
- Total assets growth of LKR 13 billion
- Loans and receivables growth of LKR 14 billion
- Customer deposits growth of impressive LKR 24 billion

YoY Balance Sheet growth

On an YoY basis, the Balance Sheet grew by 11%, supported by a YoY loans growth of 12% and YoY customer deposits growth of 15%.

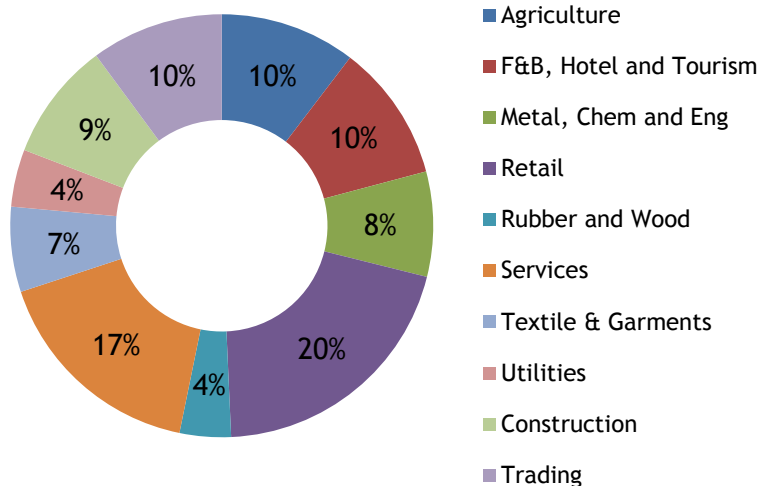


Segmental mix of loans - Q1 2017

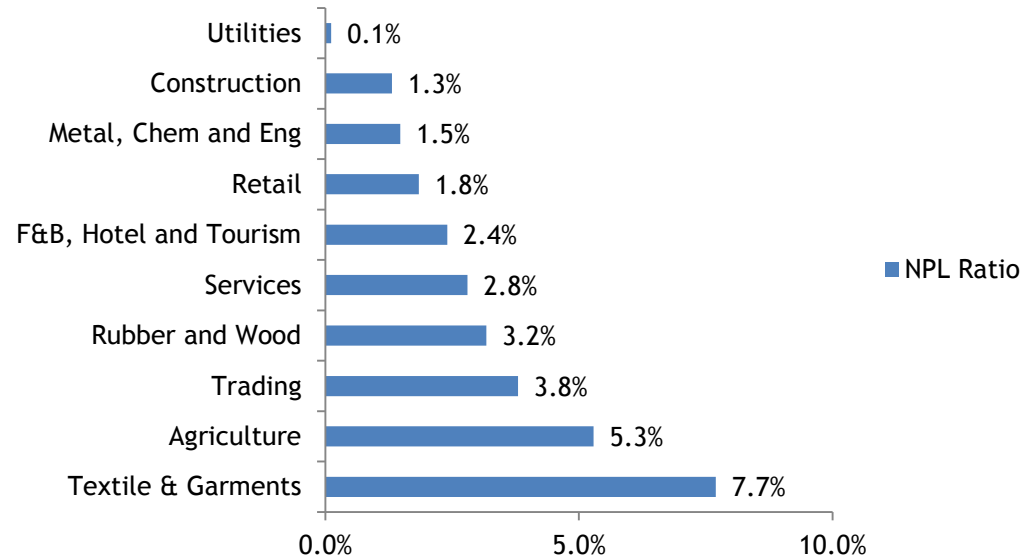


- Loan growth recorded across the entire portfolio of Corporate, PIF and Retail & SME
- Retail & SME portfolio accounting for the largest portion of the loan book, depicting the Bank's strong focus on retail banking
- Loan book growth supported by the highly competent sales force, convenient services and streamlined internal processes

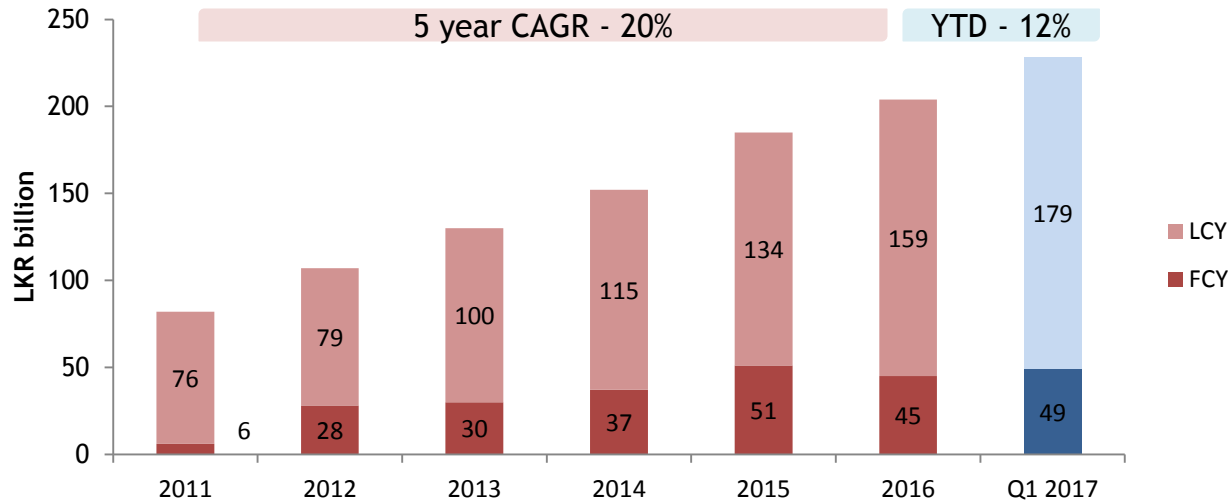
A well diversified portfolio



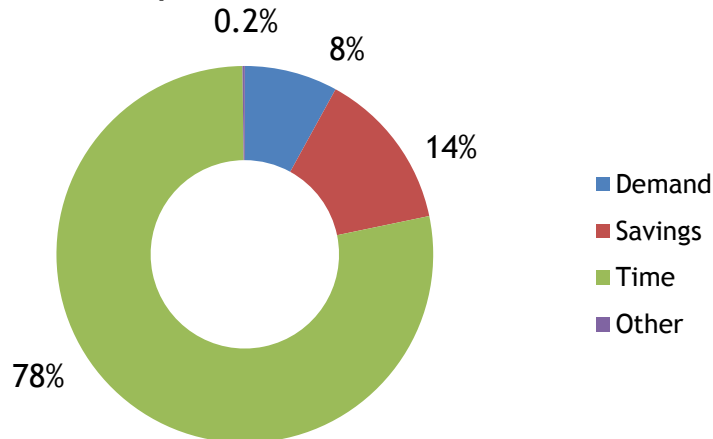
Sector-wise NPL ratios



- A well diversified portfolio with minimized concentration risk
- Gross NPL ratio of 2.87% and net NPL ratio of 1.56%
- Proactive risk management and recoveries processes ensuring the NPLs are maintained within desired levels

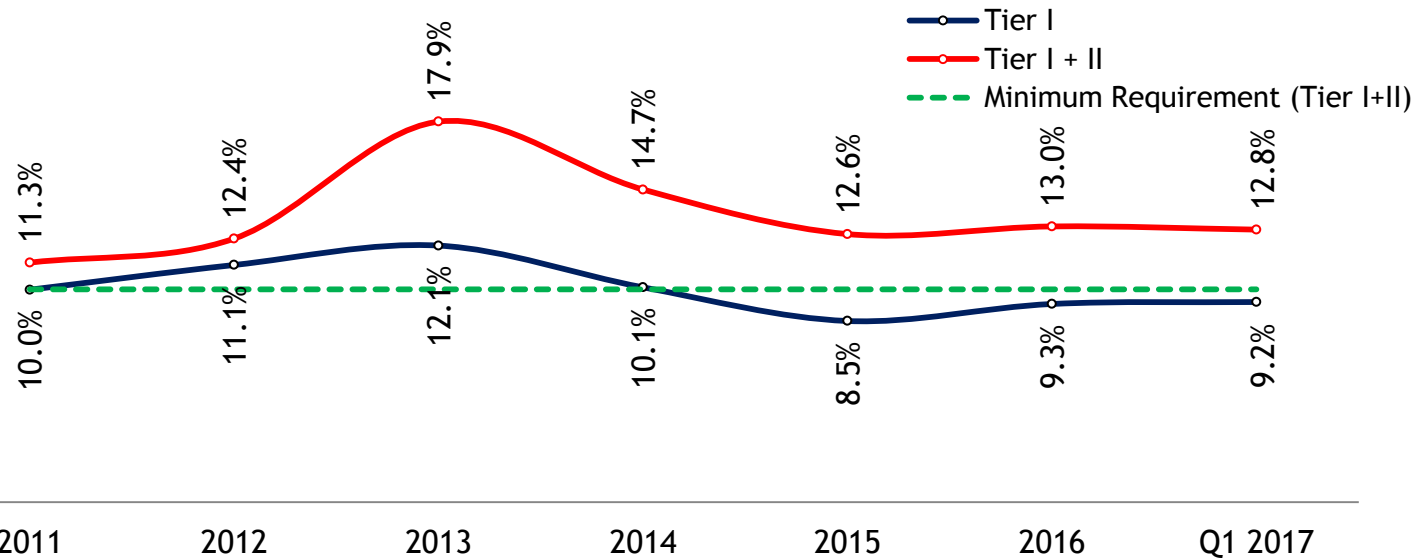


Deposits Mix - Q1 2017



- Impressive deposit growth of LKR 24 billion over end 2016
- Continued customer preference on high interest yielding deposits, thereby making CASA a challenge.
- CASA deposits base improved from LKR 46.3 billion to LKR 49.6 billion over Q1 2017

Capital Adequacy Trend



- The Bank is well capitalized as per the current Basel regulations.
- The Bank also meets the new Basel III regulations which will come to effect from 01 July 2017 as indicated below.

Pillar I - Total Tier I Ratio of 7.25%

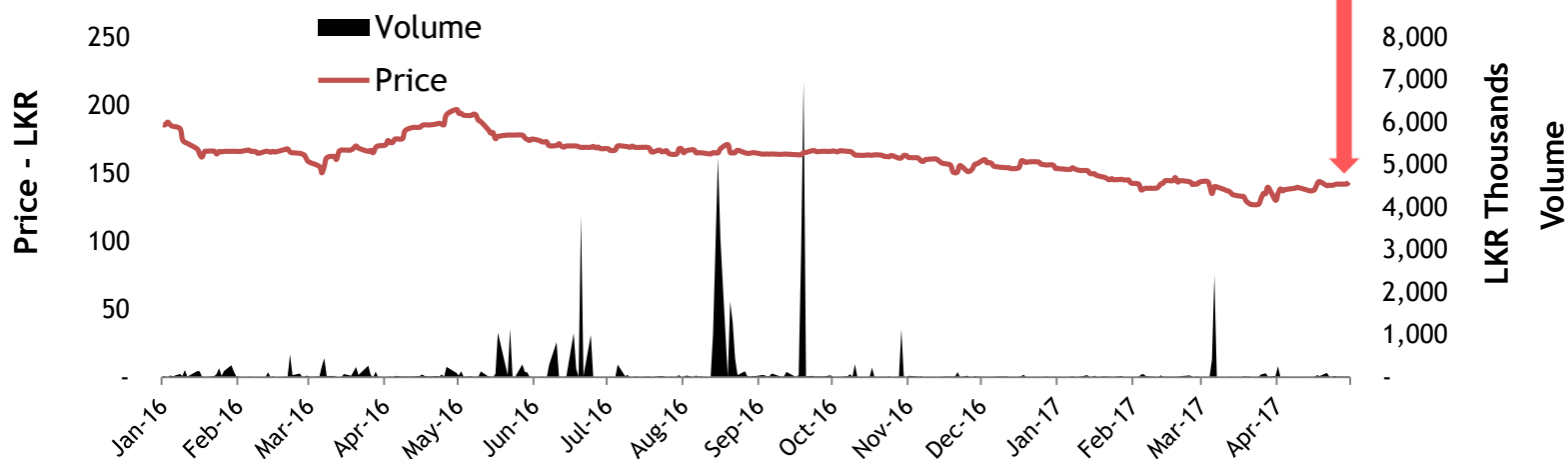
Total capital Ratio of 11.25%

- Strengthening the Bank's capital base to support the growing franchise is a key strategic priority which the Bank is currently pursuing

	Q1 2017	2016
Price per share (LKR)	139.6	156.0
EPS (LKR)	21.25	19.19
ROE (%)	13.96	13.36
ROA (%)	1.03	0.99
Book value per Share (LKR)	149.35	149.8
P/E (times)	6.6	8.1
Price to Book value (times)	0.9	1.0

Share Price Movement

Latest share price (04/05) - LKR 143.40





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