Edited Transcript

Webinar with investors and analysts
National Development Bank PLC
Quarterly financial results – Q3 2017

NDB bank
Our Commitment. **Your Success.**

01 November 2017, 1115HRS (GMT +0530hrs)

Corporate participants

Dimantha Seneviratne – Director/Chief Executive Officer
Buwaneka Perera – Vice President -Corporate Banking
Niran Mahawatte – Vice President -Treasury
Sanjaya Perera - Vice President -Personal Banking Branch Network Management
Indika Ranaweera – Assistant Vice President - SME, Middle Market and Business Banking
Ms. Suvendrini Muthukumarana – Assistant Vice President -Finance & Planning
Chandana Guniyangoda – Assistant Vice President -Finance & Planning

Forward Looking Statements

This document has been prepared by National Development Bank PLC (“NDB”, “Bank” or the “Group”) solely for use at its presentation to potential & current investors. By accepting this document, you agree to maintain absolute confidentiality regarding the information disclosed in this document.

The information contained in this document should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation. Neither the Bank nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

This document contains proprietary information and no part of it may be reproduced, redistributed or passed on, directly or indirectly, to any other person (whether within or outside your organization/firm) or published, in whole or in part, for any purpose.

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group. These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

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.

Contents

Investor Presentation

Dimantha Seneviratne

Opening Remarks

Good morning to all of you who are joining with us from Colombo and Singapore. You're joining with me to discuss the nine months ended financial performance of the National Development Bank and share some more insights about our numbers to clarify the questions you may have as we move along. We had a quite a good third quarter and results were released to CSE yesterday evening.

With me I got part of my leadership team, Buwaneka who is heading the Corporate Banking Division, Sanjaya Perera who is heading the Retail and the Branch Banking function, Indika Ranaweera heading the SME and the Middle Market Segment, Niran who is heading the treasury and from Finance Department we got Suvendrini and Chandana joining with the team.

Moving on to the Business Overview

Slide 06 – Business Overview (Corporate Profile)

NDB was established in 1979 as a Development Finance Corporation and then we have expanded rapidly in Commercial Banking arena from 2005.Our current staff strength is more than 2000. With the vision to be one of the driving forces for a financially empowered Sri Lanka we focus to develop the lives of people who are working with us and enriching the economy of the country. In terms of the reach, we now have 107 branches spreads across the country with an ATM network of 118 ATMs.

During the quarter, only two months back we opened our latest branch, NDB private Wealth Center at the Bauddaloka Mawath in Bambalapaitiya. This is again with our strategy in ensuring that the group company activities of investment banking, wealth management, stock brokering and various banking activities are being carried out under one roof. With this intension we moved our NDB Bank branch to cater to these clients and offer Wealth Management solutions at one stop as part of our vision.

Mobile banking is one of the major platforms that we are pushing and which are highly recognized due to NDBs Mobile Banking app in the market. Also it's a quite high achievement in terms of the number of transactions as we crossed LKR 3 billion worth of transactions during the first 9 months of the year.

Slide 07 – Business Overview (A unique banking and Capital markets group structure)

Getting back to the Banks group structure, NDB Bank holds 99.9% holding under NDB Capital holdings which is full service investment banking arm and under that we have NDB Investment Banking, NDB Wealth management, NDB Securities who is doing investment advisory and securities trading and NDB Zephyr which manage the private equity funds. Apart from that we have 58% investment in DHPL which is a property owning arm with a joint venture arrangement with Export Development Board. Then we got 77% exposure ownership of NDB Capital Bangaladesh which is conducting Investment Banking activities in Bangaladesh.

During the quarter we were recognized by receiving various awards. Global Banking & Finance Review recognize our mobile Banking app and as the 'Best SME bank' in Sri Lanka for 2017 and also for best investor relations. Similarly, the CFA institute also during their annual award ceremony recognize NDB as the best 'investor relations Corporate' entity amongst listed entities in Colombo Stock Exchange. We really value these kind of investor webinars and clarification seminars as they actually help us to keep that edge as one of the investor friendly institute who is willing to share information that is needed for the investors

The Asian banking & Finance, magazine of Singapore recognized NDB as the 'Best Domestic Retail Bank' and also as 'SME Bank' of the year .Our mobile banking app. too was recognized by the Asian banking & Finance, magazine in 2017.

NDB was recognized as the Domestic project Finance bank of the year by the Asian banking & Finance magazine during the year 2017. This is the third consecutive year NDB was recognized, in fact our Project Financing business is quite active and quite involved in projects, developments that are happening in the country which has been recognized through this award. Also, we were recognized for the second consecutive year by Asian banking & Finance Magazine as the 'Domestic cash management Bank of the year'

In terms of local awards, as I mentioned earlier at the CFA Sri lanka Capital Market award we were the gold award winner for the second consecutive year for the best investor relations among the listed entities in Sri Lanka.

The SLT ZeroOne Award was received for 'Best use of mobile' under the financial sector category and at lankapay technovvation awards 2017 we were runners up as the best mobile payment application of the year. Also NDB was awarded as the 'Best investment bank in Sri Lanka' by the Euromoney award for 2017. This is actually the 6 consecutive year that we were awarded with. Also we were awarded from the Global Brands Magazine for the most trusted Investment Banking Bank and by Asiamoney Banking award for best Corporate and Investment Bank in Sri Lanka.

Apart from that our Bangaladeshi Subsidiary also won the Euro Money Award for Bangladesh for 2017

Slide 12 – Macro Economic Analysis – Country & Sector

Countries growth rate grew about 3.9% and the expectations are to be somewhere between 4% to 4.5% by the end of the year. The Rupee depreciated by about 2.6% against the USD up to 25th October 2017.As per the Central Banks latest report up to September 2017 the Credit to private sector goes as decelerated but still there is 17% growth to be seen. This is a low growth compared to what it was last year. The expectations of the Central Bank is with all the monetary controls in placed is the credit growth to come down around 15%-16% by the end of the year.

Market interest rate adjusted upwards and appears to be stabilized. However, Short term rates have seen little reduction due to availability of the liquidity in the market.

Inflation is expected to decline to the desired level. Of course during October, November there was a spike in inflation as affected by the drought. In the previous year there was a VAT impact that basically had an impact of having a low inflation as, VAT was removed for some period but was re-introduced during the latter part of last year. Due to this reason the year on year change is expected to narrow down by the year end.

The country is now progressing based on the economy policy framework that the government introduces spanning up to 2025 title vision 2025 'A county enriched'.

In terms of the Banking developments, entire banking sector's total assets are now LKR 10 trillion and from that the loan book is about LKR 6.2 trillion. From this NDB roughly have about 4.3 % of lending book in the market share. Banking Industry NPL rate is now around 2.7% where as NDB has come down below 2% and we are currently at 1.96% as at September 2017. Monetary policy rates remain unchanged during last few months, SDFR at 7.25% and SLFR at 8.75%. Also it is to be noted that from March 2017 the monetary policy has remained at the same rate.

Slide 14 – Q3 2017 Financial Performance Summary

The Banks Q3 performance is given in comparison between last year Q3 and this year Q3 performances. We saw quite a good growth in the Net Operating Income ending up at LKR 11.1 billion. This is a 33% growth from LKR 8.3 billion last year

The growth of operating expense was 13% and increased from LKR 4.8 billion to LKR 5.4 billion. This includes on-off expenditure that we incurred during the last quarter which will be explained later when we have more discussion on the operating expense side. The Profit after Tax indicated 64% year on year growth from LKR 2 billion last year to LKR 3.3 billion for the first nine months ended in year 2017.

In terms of the Balance Sheet expansion the Total Assets we had grew by 11% from December last year to September 2017 . This 11% growth for 9 months expanded the Balance Sheet by LKR 371 billion.

During the year the loan book grew by 14% up to LKR 259 billion expanding the loan book by LKR 31 billion. The deposits reached the highest of LKR 51 billion growth and In terms of percentage it's a 25% growth from LKR 204 billion to LKR 255 billion. What is important is that in that deposit growth we had LKR 6 billion growth in low cost CASA as well. There is a much focused approach in growing our deposits and to ensure our advances to deposit ratio continue to be maintained and brought down to 100% because historically we were above 100% and now moving well within our targets of bringing it below 100%.

In terms of efficiency ratios cost to income ratio has improved from 49% last year to 45.8%. Interest margins again have seen a sizable improvement from 2.6% -2.9%. Of course compared to the market this is slightly below the market standards but we have seen very notable improvements in this. As the total assets are used as the denominator to calculate NIMs of the Bank, we still stands at 2.9% with the progressing Balance sheet expansion.

If you compare month on month movement of the NIM we talk about 3.3% for the month of September. This means the improvement of the interest margin process is currently underway and we are accepting that to reach a very high level by the end of the year crossing around 3%

Once again Return on equity reflects a sizable improvement from 13.36% to 15.66% as at Q3 end. We will continue to work on improving our ROE numbers. When looking at the NPLs of the Bank once again a very positive growth to be seeing from Q3 2016 2.63% has come down to 1.96% in Q3 2017. This is the first time that NPL ratio of the Bank has come down below 2% after quite some time. This improvement reflects quite a positive improvement in terms of the quality of the lending book.

The loan to deposit ratio which reflects our business capacity is something which we keep on improving and in end September last year we were at 115% which has now improved to 104% as at September 2017. We are well within the Capital adequacy requirement and now stands at 12.5% as at Q3 2017.Interms of the liquidity of the Bank, once again we are well above the minimum level of 20% and currently stands at 24%.

Slide 15 – Income Statement – Summary

The Income Statement reflects a quarter to quarter comparison at both the bank level and also at the group level. Net interest income of the Bank was grown by 23% from LKR 6.2 billion to 7.6 billion. Also if you look at the Operating Income growth reflects a 29% increase from Q3 2016 to Q3 2017 standing at LKR 12 billion. Impairment was slightly reduced by LKR 100 million compared to Q3 of 2016 which brings a total cumulative impairment charge of LKR 872 million for the year up to now.

Operating expenses reflects 13% increase from LKR 4.8 billion to LKR 5.4 billion for this quarter. This increase is due to the one off expenditure which took place during the last quarter and which will be explained to you in detail later. So overall as a result of the growth of the Income Statement, our tax component has also grown by 56% from LKR 1.5 billion to LKR 2.3 billion as at Q3 2017.

Overall Profit After tax indicates a growth of 64% from LKR 2 billion to LKR 3.3 billion reflecting a growth of LKR 1.3 billion from last year nine months to this year nine months.

Apart from the growth in the Balance Sheet in terms of the financial performance of the Bank we had a very impressive nine months, and interestingly the growth coming from Core Banking activities are very well important which brings a positive outlook to all business sectors as banks businesses are very well diversified and coming from all business sector. The important factor to be noted is that in all three quarters all business lines are equally contributing to the growth of the Bank as reflected in financials.

Of course, the expectation from the group companies has come down because of the subdue capital market activities in the country. As a result compared to last year nine months the contributions from the group companies are less than the Bank and we are currently reviewing this situation. Also we are looking at other opportunities that are coming in. There are lot of Investment banking activities that are going to catch-up in the market and we are looking at them very positively and comfortably and will look at those when the opportunity comes.

Slide 16 – Revenue Analysis – Net Interest Income

Getting into more details of revenue analysis

Net interest income of the Bank reached LKR 7.6 billion generating a 33% increase compared to Q3 of 2016. This growth is actually due to the two contributory factors made by the scheduled growth in the loans and advances book of the Bank which reflected LKR 31 billion growth. The other contributory factor would be the positive growth of our margins as we constantly looked at our margins and challenged where the margins are low. On the other side we looked at bringing the cost of funds down and as a result from both sides we have managed to improve NIM of the Bank.

So in September month alone the NIM stands at 3.3% but cumulative over the 9 months the NIM has improved from 2.6% to 2.9%. This is reflected in the growth of the interest income by 33% with the interest income by LKR 7 billion compared to the lending growth of LKR 31 billion.

Since the deposits had a substantial growth, the main reason for this increase would be the drop in income interest expenses. But all in all net interest income which we really measure what exactly the progress is, has gone up from LKR 6.2 billion to LKR 7.6 billion creating 23% growth in NII with NIM rising from 2.6% to 2.9%

Slide 17 – Revenue Analysis – Non Interest Income

The Non interest income generated out from fee based income reflects a 10% growth. Income from financial investment stands at LKR 199 million to LKR 545 million. The other operating income which has almost got double from LKR 570 million to LKR 1216 million includes the dividend payment that we received from group subsidiaries.

Total non-interest income has gone up by 41% from LKR 3 billion to LKR 4.3 billion. Of Course from the year beginning, our plan was to increase the non - interest income as one of the strategic imperative which focus on improving the fee based income and bring it up to much more sizable figure what we here from current 19% to 25% over the next three years.

Slide 18– Operating Expenses

Getting into operating expenses we can see that it is broken down into three parts. The personal expenses which we had only 1% growth from LKR 2.6 billion to LKR 2.645 billion is a quite a sizable and a good achievement despite working on staff internal increments and improving on staff costs. We manage to bring down personal expenses so that we succeed to keep the Operating expenses at a lower level. Of course during the last quarter there were some salary adjustments which will reflect in the next quarter financials but the increment is still very well contained within the budgeted numbers.

Then the other expenses which now has increased from LKR 1.8 billion to LKR 2.5 billion has increased due to one off prepayment charge of large FCY borrowing that was prepaid during the quarter. This is a conscious strategic decision that we took because these borrowings were at a higher cost and when with the prevailing conditions in the market the ability to deploy them with a margin was quite restrictive. So we took a strategic decision to repay the foreign currency loan from the financial institution which helped us to improve the interest margins significantly. The benefits of the prepayment are expected in next to 3 to 4 years. But of course there was a one time -prepayment charge however, we are still very well comfortable that we can basically cover the expenses within this year. If it's not for this one-off prepayment charge of the foreign currency loan the increase in the operating expense is only 8%. When comparing to current admin expenses of the Bank 8% increase is quite commendable

Slide 19– Balance Sheet - Summary

Moving on to discuss the Balance Sheet, We saw an overall expansion of 11% totaling Assets from LKR 344 million to LKR 371 million Balance Sheet. This growth has mainly come from the expansion of loan book of the Bank.

In terms of the liability side the growth is coming from deposits which expanded from LKR 203 million to LKR 255 million. At group level we have 10% growth from LKR 340 million to LKR 376 million. Equity of the Group had LKR 29 million last year which has grown up to 31.9 Mn as at Q3 2017.Further year to date growth of loans and advances are 14% resulting LKR 259 billion loan book for the Bank.

Slide 20– Balance Sheet – Loans & Advances

When analyzing pie chart for the loans & advances, it reflects that the 35.5% growth has come from Corporate, and Project Finance has contributed by 22%. So it's a quite a mix of the Corporate and Project Finance divisions. However, as per the strategic plan of the Bank we are now focusing more on Retail and SME segments and to serve this purpose 50 number of new branches were added into the system to support the growth of Retail and SME and middle market segments.

Apart from that when looking at the local currency to foreign currency mix of the Balance Sheet, we roughly stand around 15% rupee loan book and which will be moving gradually more towards rupee based Balance Sheet. Even the Pre - settlements of the borrowing is a part of this strategy, to move out from some of the high cost borrowings and manage our books by moving more towards rupee based books since this would let us improve our margins.

Slide 21- Asset Quality

In terms of the asset quality NDB has a very well diversified portfolio in to various industry sectors generating quite a well spread book. Due to this reason we don't have any concentration risk. In terms of the NPL ratio it's a positive growth created and improvements were high of 2.87 coming down to 1.96. Last couple of years we were above 2.4% but now we have mange to bring that down to present level.

Impairment provision which covers the gross loans has also improved and has come down to 1.37% during Q3 2017.

Slide 22- Customer Deposits

NDB had a quite a substantial growth from deposits during this year. As you can see from Q1 2017 we had 12% growth and by H1 a 17% growth and by Q3 25% growth. All in all, the quantum wise LKR 51 million growth in deposits from December 2016. This achievement was accomplished as we were concentrating hard on this and we got our branch network to work on this. Also NDB came up with some innovative attractive products mainly targeting our current and savings base. Out of the products that were launch NDB investment planner was a quite a successful product which has generated quite a good progress. Then the ladies saving product 'Araliya' is a women's savings account again, reflected quite a good substantial growth. As said earlier, our entire branch network is actively involved in marketing these products.

We also introduce business class relationship banking for our middle market and SME clientele targeting the growth in client and savings base of the Bank. Also the introduction of 'NDB Achara' savings and the loan scheme for retired citizens were launched very recently. Our children savings product was re-launched with an array of quite attractive gifts and good rates.

All the above has substantially contributed for the growth in deposits and we will maintain this momentum and improve our liabilities so that our branch focus also would be growing our liability base to support low cost funding.

Slide 23 – Capital Adequacy & Investor Ratios

In terms of capital adequacy we are well within the requirements. The total capital ratio at bank level is 12.5%. Tier 1 level is 8.7 % when the minimum requirement is 7.25%. The minimum capital ratio of Tier 11 is at 11.25 % when we are at 12.5%. This means we are doing well in terms of Capital management of the Bank.

When it comes to other ratios which mainly reflect improved investor confidence on the Bank we can see that price per share does not reflect the high return that reflects in earnings per share and price to book value. Investors should take note of the price to book value which is at 80% and so much of potential which is not reflected interms of the market price of the Bank.

ROE has improved from 13.36% to 15.66%. ROA from 0.99% to 1.16% and book value per share has also gone up from LKR 149 to LKR 160. This is the book value at the Bank level, but overall group level book value to the share is LKR 186 which the investors have the exposure to. Because of this the price to book value ratio should be calculated based on the book value per share of the group. Still it would have been 67% with the group's contribution which is something the investor should make note on.

With this we have come to the end of our presentation and before concluding I am sure you have questions and now the question line is open and we will be happy to answer all those questions.

Questions and answers session

(Answered by the CEO, unless specifically mentioned)

Q1: Can you give some insight over the level exposure to Condominium Projects

Buwaneka Perera: We don't have an excessive exposure to condominium projects. We entered to this exposure in the recent past and exposed roughly about LKR 7 - 7.5 billion. This is also on selected middle market Clients and out of them 80% is from Corporate Banking. Strictly those are selected projects where we are quite comfortable depending on the location. So I can say that we are not excessively exposed to condominium projects.

Q2: Capital is becoming issue with the Tier 1 CAR ratio coming to 8.7 and the ROE hovering around 15.2 . Gross NPLs are also down. So growing the loan book will be a challenge without Capital. Which will in-tern place pressure on the ROE.

What's your game plan for this?

We will keep improving our ROE so that it would be more attractive for investors. In terms of Capital with our projections for the next year we are quite well and comfortable with the current availability. In-terms of meeting our loan growth targets the excessive current year capital available is sufficient with the retained earnings coming from the profit that we are earning.

We should be able to manage as there is no immediate requirement for capital infusion. But we will be certainly be mindful and if required we will go for capital enhancement somewhere early next year. But as per the projections we are quite conformable with the current capital levels with the risk weighted assets improving and also focusing more on SME and the middle market sector as there are capital advantages that we can use. So we are quite conformable that existing level is sufficient to manage the next year growth.

Q3: What is the forecast impact from IFRS 09 implementation

Suvendrini Muthukumarana: Industry is still quantifying and closely working with the consultants. By the end of the year we need to look at the models and identify the risk. So for the time being I can say that the impact is still being evaluated.

Dimantha Senevirathne: The banking industry as a whole is working on this. Impact is basically based on tenor of the facilities and the assumptions that we make when constructing the models. One assumption is that there is a revertible assumption of how we classify an account weather its a near NPL or not. And at the moment the industry is debating whether it's an overdue from 30 plus days or not. There are much more closer assessments where we can use 60 plus rather than 30 plus days

Industry should also work on these numbers. Audit firms are working closely with all the Banks. Central Bank is also now fully involved in this process. Still the impact is not properly assessed but we will continue to work on those numbers.

Q4: Can you please explain the loss of Cash flow hedge of LKR 829 Mn for Q3 2017

Suvendrini Muthukumarana: The Bank has a SWAP arrangement that is renewed annually to cover 50% of the exchange risk on foreign currency term loans. In valuing the SWAP arrangement which has to be done at each reporting period, the forward premium rate for the exchange rate is considered and the loss is due to the application of higher premium rates for the longer tenors. The fair value of the hedging instrument will increase when the tenor of the loan becomes shorter and will have a positive impact on equity. It is a timing issue.
Further the benefit derived from 50% exchange cover is reflected in the NII line and impacts positively.

Q5: What is the reason behind the higher tax burden

Suvendrini Muthukumarana: Currently the 47% tax ratio is arising from 28% for income tax, 17% from effective rate and 2% from financial tax and NBT. Also with a 47% tax ratio NDB is par with the industry.

Q6: What is the reason for the increase in 'Held for trading' in the Banking book from 832 million in December to LKR 5.3 billion in September?

Niran Mahawatte: The reason for increasing in the Held for trading' portfolio of the Bank is to obtain the Capital gains arising from the favorable movement of short term rates in the market.

Q7: Can you give your loan growth by each segment

Of Course the Loan growth has come from all four segments equally and I believe that we can't specifically say this particular side of the business has only contributed, but we are specifically focused on developing SME and Retail segments. However, current growth is coming from Corporate Banking, PF, SME and Retail as all lines have contributed and not concentrated to one segment.

Q8: What did you mean by Capital advantage coming from SME and Retail sectors

This is the Capital advantage coming from adopting BASEL 111. Compared to unrated Corporate entities which is Risk weighted at 100% the exposure to SME is at 17.5% under BASEL 111. Under Housing loans when the loan to value ratio is less than 70% the risk weighted assets would be at 50% .So there are certain advantages in moving on to the retail and SME side in Capital wise .

We have to make use of our presence in different locations island wise with branch network expansion and make use of our presence to contribute to the economy from our strong credit skills

As a Development Bank we have built up that strong credit assessment skills and that is one of the major advantages that entity is having. What we are doing is that makes use of that strong credit skills by taking it to the region and capitalize on them.

Apart from that we have very good refinancing portfolio and we continue to be the leader in getting the funds to deploy them for refinancing in Solar or wherever the countries' growth rate is focused on. NDB is there to support the countries vision. Our expertise mixed along with our facilities will provide the ability to approach clients with a total package.

Q9:Are we going for Scrip dividends

That is something for the Board to be decided. But of course you all are aware that yesterday we declared LKR 2 dividend payment. It's an interim dividend payment. So apart from that before we close the year the Board will take into account how we distribute the dividends.

Keeping in mind the capital required to be retained for the growth we will also look at our investors since we had a good year compared to what it was last year. In fact, we want to share part of our success with our shareholders for the trust and confidence they have on us.

Q10: How happy are you with the subsidiary performance. Banks ROE 15+ gets diluted down to 10% at group level. Would you look at divesting some of these or what are your growth expectations for the subsidiaries

Naturally the investment banking activities in good times returns are much higher. We have experienced this in past. So basically we are going through a year where very little progress has been made in the capital market side. As an Investment Bank we have the reputation we have the capacity to build up and have the ability to reach the market. So we are waiting for correct opportunity to come and with the activities happening around the opportunities are surely not very far away

With the Financial center coming up and government's intention of divesting in some of the SOEs. There would be opportunities which we can capitalize and we are quite happy to wait for those opportunities. Even though current return wise there may be slight drop but we have seen in past that these entities are giving good return whenever the opportunities come. That has been the practice and we are happy to take that call

Apart from that the activities of NDB Zephyr is giving good returns. 'Wealth Management' had a drop because of various tax adjustments and uncertainty of tax treatments in wealth trust products. Especially in unit trusts. Now since some certainly is given we have seen funds coming back and due to this we are moving towards more retail based management products. The strategy of having a NDB branch within the NDB Wealth center is also to cater some of these wealth management products to the retail sector. Also we have a plan as a group to capitalize on Cross selling opportunities and ensuring the group synergies are out from the Bank.

If you look at our tag line 'Unlocking our potential to unleash yours' is what we have been doing from the year beginning. Unlocking our potential within NDB as we have so much potential with the Bank and the Group and we one by one unlock and use when we started the year. We see the progress when we unlock each potential within the Bank and the group.

Q11:Can you share some of your future plans on Digitalizing

Digitalization is a major area that we want to be focused on apart from branch expansion. In terms of the reach it is important that we invest on the digital platforms and have recruited some key staff to develop one of the strategic pillars to be the best in the market

Similarly we had branchless banking and there is a strategy in terms of moving towards cash deposit machines, cash recycling machines, using the digital channels to provide that convenience to our clients and ensure we getter bigger share of customer business.

Q12:Out of LKR 1.2 billion of operating income how much is the dividend income

Out of LKR 1.2 Billion income the dividend income received from the group was LKR 1 billion. Even if we exclude this dividend income there is still a 50% growth to be seen at Banks PAT level.

Q13:Can you give your growth in each segment

Corporate is about 35.5%, PF we have 22%, Rest is retail and SME. This mix would naturally move towards retail and SME because that is where we are more focusing on. In fact the details are given in the presentation.

Q14:What was the impact of the prepayment of the foreign currency loan at OPEX and PAT level

Increase in the operating expenses reflects the prepayment penalty which was roughly around 1% of the loan exposure. We are quite comfortable with the reduction in the saving as we were paying a higher rate compared to our ability of lending it with a positive gap. So even after taking a 1% prepayment penalty, we are quite comfortable that we can wipe out the expense during this year itself. This is currently reflected with the improvements in the margins.

The significance of this decision is that the benefits are going forward for the next 3.5 years is substantial even though we will be covering this prepayment during the year itself. Actually the interest saving on the dollar loan was around 3%. Which means the saving alone is sufficient to cover the 1% prepayment charge

Q15: Prepayment carried on group level or at the Bank Level

Actually it’s on the Bank level

Q16: Why has the individual impairment declined? Was there a specific loan provided for

Buwenaka - Based on the questions you asked during the previous quarters we took a heavy trigger on impairment, based on the objective evidences that we had with this the portfolio was cleared. The impact is that we have much more better portfolio.

End of Q&A.

Closing remarks

Thank you ladies and gentlemen for your participation

I think we have not received any further questions. If you have any more questions Please feel free to reach us through our email investor.relations@ndbbank.com and from our contact numbers given.

With our strategic plan up to 2020 we see growth coming from all segments and we are quite pleased with the progress made by the Bank. With this growth we are looking at getting the Balance Sheet to a sizable level so that we can become a systematically important bank.

Also we are evaluating and eagerly looking at overseas options to expand the business.

With my staff we all work as one NDB. Management's intention on getting all staff to contribute and to show tremendous results to continue with this tremendous numbers will continue.

End of edited transcript.