Edited Transcript

National Development Bank PLC
Quarterly financial results – 3Q 2016
Webinar with investors and analysts

15 November 2016, 10.00 a.m. (GMT +0530hrs)

YOURS

Corporate participants

Rajendra Theagarajah – Director/Chief Executive Officer
Faizan Ozman – Group Chief Financial Officer
Ms. Suvendrini Muthukumarana – Assistant Vice President – Finance Planning
Chandana Guniyangoda – Assistant Vice President – Finance, Strategic Planning & Business Support

Contents

Forward Looking Statements

This document has been prepared by National Development Bank PLC ("NDB", "Bank" or the "Group") solely for the 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. None of 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 discussions 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 uncertainty 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.

Investor Presentation

Rajendra Theagarajah

Opening remarks

Good morning ladies and gentlemen, on behalf of the Board and the Management of National Development Bank let me warmly welcome all of you who have taken trouble to log on to this webinar to discuss the 3rd quarter financial results of the Bank. What I will try and do is, perhaps during the next 20 minutes or so, give a high level overview of the economy and perhaps even touch on a couple of points on the 2017 Budget, and then move to the key financial indicators and numbers as far as the Bank is concerned. We will then open it for questions and finally clarify any of your concerns or queries, which will help you to understand the organization better.

So with your permission, let me start the presentation.

Slides 02 -04

As most of you have been regular dial-in attendees of this quarterly presentation, I will try to reduce my focus on the first few slides, because there is no change in terms of the organization, its legal structure as well as the seven pillar strategy we are pursuing. So with your permission let me focus more on the economy as well as the Budget implications.

Slide 05 – Macro Economic Overview

In terms of the overall economic growth as per the recently concluded National Budget, I think what we have seen is the 2016 numbers; the overall growth forecast has been slightly moderated over what was originally forecasted. The GDP growth is now just below 5%. Also for 2017 the two key expectations, first the tax to GDP is expected to increase its contribution from around 11% to around 13.5-13.6%. It certainly is a welcoming aspiration and secondly, the deficit itself is certainly expected to be better than what it has been for this year. Of course the challenge we see is not the aspiration, but the relentless focus in actually delivering those two numbers. That is an important thing.

Last year we saw the Government towards the latter part of the year, despite some of the regional and global challenges, focusing on the positive investor sentiments, and did two things. One is the increased participation in government securities market which is seen as a positive thing. Secondly the Government was also able to successfully mobilize around USD 1.5 billion through an international sovereign bond offering, which I think went off well for the country in its continuation in the capital markets.

Certainly we have seen policy rates domestically revised twice as a measure to curtail the economy from overheating. However we notice despite some of these initiatives credit to the private sector still tends to hover around 28% which I think is, from what I understand, beyond what was expected to moderate around 20s. So I think there still is some work to be done in terms of moderating credit to the private sector.

Slide 06 - Strategy

In terms of the overall strategic direction of the Bank, I think the five pillars built on the firm foundation of a strong corporate governance/compliance/risk management framework combining a strong balance sheet remain unshaken. So that is not changed.

Slide 07 – Awards & Accolades

I think the Bank has continued to be blessed with some good recognition both locally and globally for various aspects, in terms of financial reporting, best in class investor disclosures and engagements and also in terms of its performance in Project Finance and Retail & SME space. So that is on external recognition.

Discussion the 2017 National Budget

So before we move on to the financial performance, if I look at the 2017 National Budget, some of the areas which I think need clarity from a banking sector point of view, there are three or four which I would like to mention. The main thing happens to be the impact on the proposed financial transaction levy, which is currently quantified at LKR 5/- per every LKR 10,000/-. The issue is what constitutes the LKR 10,000/-. Is it turnover, is it banking transactions, is it what is recorded through payments and settlements. That needs some interpretation and clarity. Because if it is to do with what goes through payments and settlements including the RTGS system, the numbers will be fairly substantial and the potential impact on the banking sector profitability certainly will be a challenge. But this is something we have asked for further clarification from the regulator.

Secondly on the capital infusion, there is a planned proposal to increase the minimum capital of LKR 10 billion to LKR 20 billion. I think for NDB per se and I would say for most domestic local commercial banks, this is not going to be too much of a challenge. Because most of them are already capitalized at that threshold other than one or two banks. The issue is, is this going to apply only for LCBs – Local Commercial Banks, or is it a challenge open to foreign banks? That clarity is important to make sure that any capital consolidation in this market is achieved. But then again, what we were told in the KPMG Forum was that it is applicable across the board. But one needs to see the direction.

Then there is another area which is an interesting announcement from a national point of view; but the practicality of its application has to be examined. In terms of supporting lower and middle class housing by getting the HDFC and SMIB together with NSB to offer housing loans at 7% up to 25 years. So I think that is a laudable thing in sponsoring and supporting middle class housing. But given that these banks are also regulated by the Central Bank, the challenge is as to how these banks are able to mobilize 25 year money at those rates and the asset liability mismatch management. So I think that again has to be managed in consultation with the regulator to make this practically workable.

But from an initiative point of view it is welcome.

Less was mentioned about the Real Estate Investment Trust. In capital markets I think a lot of anticipation was there after the last Budget. While there was some mention about the development of real estate, adjacent to the rail tracks which is welcome, we did not see too much of mentioning on Real Estate Investment Trust. That is a very important tool to harness and parcel these lands and mobilize capital using that tool. So I hope that will be clarified.

The other area from the banking side is the proposal for directed lending. Now the Finance Minister mentioned that there would be six sectors ranging from SME to tourism to export, which will collectively account for up to 50% of the bank's loan book which according to the Speech should be directed. Some of us certainly are of the view that it is nice to encourage banks to go in the direction of those particular sectors but to mandated specific caps, certainly is not what is generally welcomed by the institutional investors, because we have been engaging with a diverse group of institutional investors over the years. This sort of mandating is generally not welcome. So again we have asked for clarity whether it is a mandate or whether it is a desire.

I think there were some other concessions given to the non-bank wealth management/ mutual fund/ unit trusts which now have been removed. I know that there were some initial concerns with some quarters saying that it is counter-productive for the development of the market. But my only comment as far as the unit trusts are concerned, the removal of the concession is, if one traces back 25 years ago when the unit trust industry was formed, it was not formed for the benefit of the institutional investors. It was formed to give the common Sri Lankan, the small scale Sri Lankan the opportunity to participate in the domestic capital market. But it so happened that over the last so many years, the market has developed with the support of the bigger ticket investors and institutional support. But I believe the current view taken is not to harm the aspirations of the small time individuals which were in relation to the original mandate or objective of the unit trusts.

These are some of the broad thoughts from our side at a high level in terms of the Budget. But overall I think they believe in an inclusive budget and there is more consistency this time, perhaps compared to the last year.

So it is to a great extent welcome.

Slide 09 – 9M 2016 Performance Summary

In terms of the financial performance, a snap shot - if we look at the four pillars, on a profitability point of view we have seen the operating income raised by 4%. Operating expenses have gone up by 6%. Again this is an improvement in relation to the previous quarter which increased by 10%. So we've seen operating expenses better managed.

Profit attributable to shareholders is at just under LKR 2 billion. It has shown a year-on-year (YoY) decline of 14%. But to all of you who have been following us for the last few quarters, if you look at history, we started the first quarter with a YoY dip of 37% which further reduced as at the end of first six months to as low as 25% and now it has come down to 14%. So from our point of view we have continued to demonstrate an improvement quarter on quarter by pulling some of the levers we have spelt out to you early in the year. From that perspective we are very pleased that our path, our journey is progressing in the right direction.

On a YoY basis the asset growth has been around 17%, with loans growing at 15% against deposits at 14%. In a way we are very happy that there is a better co-relation between the both sides of the balance sheet, which will now hopefully have a better impact on margins as we go forward. Because managing the deposits growth at tandem with loans will certainly help us to continuously reduce our reliance on money market borrowings. That is an important feature.

Cost to income ratio is 53% which is a slight increase YoY. Net interest margin is 2.7% in relation to 2.8% in relation to the previous year.

We have seen the ROE going to 9%. It is still below what you would like to see. A more permanent level would be around 12%. But what we are happy about in relation to the first quarter, we started with around 7% and we have seen an improvement. That is the positive side.

Loans to deposit ratio is just under 118%, which is within the threshold level of the Bank. I believe this ratio has moderated in October to 113% - 114%. So the strategy in last quarter in moderating the LDR is also working.

Capital adequacy, total capital is at just over 15% and the liquidity is at above the minimum 20% at 21.9%.

So let us examine some of the numbers in a bit more detail.

Slide 10 – Income Statement

The net interest income on the income side has seen a growth of 14% over the previous year, which is pleasing. I think the main contributor here is that the re-pricing of some of our assets in the past few quarters are bringing in the positive effect. I think we are very pleased with that. Certainly the increase in cost of capital/ cost of funds is continuing to worry us, which is certainly straight jacketing the 14%. We would like to see much more than 14%. But it is a good start given the environment we are in.

The total operating income has grown by 4%. The impairment figure is just over a billion at LKR 1,050 million which has shown a 93% growth. The bulk of it was what came in the first and second quarters. The first quarter in terms of specific impairment and the second quarter in terms of collective impairment, which we discussed at length during the previous presentation. There was very little in terms of surprises during the third quarter. Our anticipation is that this will continue in the fourth quarter as well.

Operating expenses have moderated by 6% which is very pleasing to mention in the current rate of inflation.

Slide 11 – Net Interest Income

If we further analyze the numbers on the NII at 14%, on the income side, we have seen a 33% growth which has demonstrated the fact that around 70% of the loan book has been successfully repriced.

Interest expenses continued to be of concern. It has grown faster than interest income at 43%. But it is something we are conscious of and we are tackling this on a daily basis. The cost of funds increase is certainly more attributable to the fact that the current and savings accounts are not coming as fast as we would like to see it.

Secondly, given our overall challenge of managing loans to deposits ratio at a manageable level, the message we have given is, yes be mindful of CASA but the overarching requirement is first to bring in the deposits. So I think we are adopting a dual pronged impact on the deposits growth, which is also moderating the income and expenses, which we understand is probably more temporary rather than permanent. On the overall market liquidity, it continues to be tight, even though it is better than what it was. It continues to be tight. So I think our internal strategy to manage our asset book in relation to the funding base is certainly showing results.

Slide 12 – Non Interest Income

Fee and commission income recorded a 1.3% YoY growth, but let's note from the basic banking side all three pillars, the corporate, the project finance and the retail-SME clusters have performed very well and collectively have shown around 13% YoY growth but the 1.3% you see is also aggregated impact given that the capital market cluster of the Group has not shown the type of growth that you would like to see. But the core banking itself has shown a remarkable growth in fees and commission.

We had limited opportunities in forex trading in 2016. So we have seen a drop in trading income in relation to last year, where we had much better opportunities in forex. Also in terms of the ALM gains, the opportunity this year in a rising interest rate regime has been moderated. So I think we have depended far more on fees and commission rather than depending on ALM.

Slide 13 – Operating Expenses

In terms of expenditure the overall opex has grown by 6% but we are pleased on the personnel expenses, it is still below 7% at 6.6%. Depreciation and amortization has grown by about 18% along with the other expenses by 3.2%. Despite opening 10 branches during the 12 months period up to September 2016, we have still managed our overall other expenses at around 3%. I think it is commendable. As the branches continue to deliver the business I think this should do very well for the Bank in 2017.

In terms of a branch expansion strategy we are 103 at this point in time. Probably we will open another couple more branches before the year ends and probably end at around 105 and then there will be the residual flowing in to the next two quarters of the next year.

Slide 14 – Balance Sheet

Let's look at the Balance Sheet. We have shown an overall 6% growth for the nine months to September of which the loans also have grown by 6%. Loans comprise of around a 78/22% split between local currency and foreign currency, which blends in with the Bank's focus on development oriented commercial banking primarily in Sri Lanka. We are selectively looking at off shore opportunities.

On the liability side we see the deposits accounting for 76% in local currency with foreign currency accounting for 24%. This proportion matched very well with the assets composition of the Bank.

Slide 15 – Loans and Advances

This gives a snapshot of the CAGR of the five years on the loan book, it has been around 26% whilst this year, YoY we are looking at 15%. The CAGR has been very consistent. If we look at the 2016 YoY growth, what is very pleasing is the corporate banking book showing more moderation with the contribution coming down to 34% as opposed to 40% in September 2015. What is pleasing is, from a segmental growth point of view, the retail and SME sector has shown a 26% growth whilst the project finance pillar continues to be robust. These two pillars have done very well which means that from an overall margin management point of view the more rate sensitive- margin sensitive corporate baking business is managed more selectively while we are getting a better diversification from retail, SME & project financing.

Slide 16 – Asset Quality

In terms of asset quality we have shown in relation to September last year, the numbers have shown an improvement; we are at 2.4% on a gross basis NPL, with impairment allowances as a percentage of gross loans moderating at 2.5%.

In terms of NPL as a sector composition there is hardly any change from the second quarter. If I just take your attention to some of the last three bars, the bottom right side of the slide, if you look at agriculture you are looking at 3.6% as NPL. If we take away one facility of LKR 350 million which has gone in to non-performance but which is very much in terms of recovery mode with the business of that particular facility changing hands in to the hands of a conglomerate, if we take that away, the impact is just 2%.

Secondly on textile and garments, it shows an 8.4% NPL. As we reported in the first half of the year, if we take away two specific facilities, totaling around to LKR 678 million, the adjusted NPL in this sector is just 3.6%. So I think it is a reflection that the 8% does not reflect a systemic impact for the sector.

Slide 17 - Customer Deposits

In terms of the customer deposits, like the assets, we are showing a CAGR of 25% over the last five years. This year we are moderating the growth at 14% which is in line with the loan growth of 15%. That is well managed.

Slide 18 - Capital Adequacy

The total capital adequacy is at 15.4% and Tier I is at 11.3% at Group level, which are well above the minimum thresholds.

Slide 19 – Investor Ratios

As I earlier made some reference, if I look at the progress, we see the Q3 EPS certainly showing an improvement over the two quarters, just under LKR 16/- per share. The ROE is around 9% which is an improvement over the first two quarters as there is a steady growth. However, it is not at the ideal level but it is moving in the right direction.

Book value per share is at LKR 182/- which shows that today we are trading at around 0.9 from a Price to Book basis. What is pleasing is that over the last nine months we have shown a steady growth of almost LKR 10/- in the book value per share. It is a steady value accretion as far as the share is concerned. So toady at 0.9, it continues to be an attraction to medium to long term investors.

Slide 20 – Outlook

So in terms of our outlook for the future, the Bank has been and will continue to focus on improving its margins. It will relentlessly look at re-pricing its short term assets to make sure that the deployment of assets is done at the best interest of the Bank.

I think cost management has been quite successful over the last nine months. We will continue that journey to curtail the growth to current levels at single digits.

The risk management, yes, the business is not exposing the Bank to additional risk. I think the risk management pillar will continue to play a key focus.

Corporate governance/ institutional enterprise governance/ controls will continue to play an important role. In that context I think we were one of the very first banks in the last nine months that recognized the importance of data security as opposed to information security, segregated those two functions and brought in a dedicated resource to look in to data security and also further intensified the internal and external defense against cyber security. That is been taken as a serious risk management initiative.

In terms of the overall talent and the leadership, we have seen a couple of our colleagues leaving the Bank and about to go out. That is something which is inevitable in an organization which is rich with the fusion of home-grown talent and talent which has come from outside. That is always looked at on both sides. On one side it is sad to see good people going, but on the other hand it can also be an indication of a healthy sign to see, a regular infusion of fresh talent.

On this particular subject, I myself as the CEO will be stepping down on the 30th of November. The Team around me will continue the journey. The Board took a decision last week to appoint one of our senior management team members Mr. Buwaneka Perera as acting CEO from 01st of December which is to ensure that there is a continuity of leadership between now and the announcement of a permanent solution which will come sooner than later. The process in identifying and finalizing the permanent solution for leadership is a Board driven process which is currently very much being pursued as per the plan. I think the interim announcement is made to ensure that the leadership team will get together with Mr. Perera and give me the opportunity in the next 15 days to work with him and make sure that some of the key deliverables are continued as planned.

So that's as far as the leadership is concerned.

We continue our focus to be a caring corporate not just a corporate focusing on money. But to be mindful of the environment we live and work in and to also be mindful and be respectful to the society we work in and engage with.

In the last week or so, we signed a major initiative on CKD, water borne kidney diseases where I believe in the next couple of quarters something like 5,000 potential people from various communities will be screened using mobile screening capabilities for CKD related sicknesses along with the Ministry of Health and this is a very good initiative that we are proud of.

I am also delighted that my entire team within the branch network and Head Office joined me and supported me through employee volunteerism in the Trail project where I personally walked the entire 660 kms from Point Pedro in the North to Dondra in the South. What was very pleasing was every day during that walk we had groups of fellow colleagues at all levels within the organization who joined me and spurred me on and also I thought it was an incredible support from almost 250 of our staff members who joined us in this journey at various stages which again shows that NDB cares.

So that is as far as the formal presentation is concerned. Now I would like to make myself available along with the Finance Team to clarify any questions – provide clarity for your better understanding of the presentation.

Thank you very much.

Q & A Session

Q1: What is the expectation for loan growth in 2017?

I think the Team is currently getting together its plan for the full year in terms of a budget for 2017. I think it would probably be better if that is answered towards January as we get the Board approval for the 2017 budget instead of we giving a number today. Most probably Buwaneka along with Ozman as the Group CFO will be in a position to better answer that in January.

Q2: In terms of NIMs, improving in the last two quarters, is there scope for further increase?

Certainly yes, as we said we have seen that the short term asset repricing having a positive impact and we will relentlessly continue that journey. On the cost of funding side, we will continue to reduce, wherever possible our reliance on money market and better manage the quality of the funding book. So yes, there is further opportunity in improving the NIMs.

Q3: ROE has also improved compared to the previous quarters. Which are the key drivers which can help further improve them to 14-15%?

Certainly on the gross income side, it's the repricing of the assets book, and selectively growing the asset book focusing on NIMs. In terms of the cost of funding side, again to inch by inch improve the quality of CASA in total. But in addition to that, also manage the book in such a way to drive it from a liability point of view as opposed to an asset point of view. So that you manage the mismatch more effectively. Also the other opportunity is, as you have seen in the last quarter, we have shown a 13% growth in fees and commission from core banking. Every rupee we bring in as fees and commission contributes to a better ROE. So I think that again is taken very well on board by the Management Team and I am sure we will continue to focus on same.

Q4: Why has effective tax rate reduced to 38.5% in the third quarter?

At a Group level we had exempt income from the Bank as well as some of the Unit Trust income coming at the Group level, which resulted in the tax rate of 38% during the third quarter.

Q5: What is the impact of the budget imposed minimum core capital level of LKR 20 billion?

I think I already took that in my initial comments. So for us there isn't an issue because our core capital is already in excess of LKR 20 billion. Saying that, yes, we still need further infusion to manage our asset growth. That is the conversation we as the Management have had with the Board at least for the last six months. It is also built in the ICAAP document and I think the Board is very mindful of its responsibility along with the Management to handle that sooner than later. But as far as the LKR 20 billion, it is not an issue. We have already moved above the threshold.

Q6: What are the prospective sectors for project financing?

I think for project financing we have continued to do very well, on renewable energy, on which this Bank has built a lot of expertise. Not just from the traditional mini hydro to wind, now we are getting to waste-to-energy probably sooner than later in to solar as well. So I think that is a very good sign. Leisure continues to be an important contributor to Sri Lanka's GDP and I think we will continue to selectively support leisure. We will continue to support exports oriented enterprises as well.

We have been in the forefront of export credit oriented financing as well as long term project financing in two sectors on large scale infrastructure financing. One is in terms of water purification and water sanitation undertaken by the Water Board. Secondly on some of the larger roads, necessary to connect the country. These have of course worked with sovereign guarantees and it makes sense to us. We will continue to selectively support these areas.

Q7: Please comment on the impact on NDB's leasing book, caused by the LTV ratio per category imposed by the Budget.

I guess we are talking about the caps which have come in the Budget speech. Certainly it will not only have an impact to NDB; it will impact the entire industry. What we mean by vehicle financing is not only leasing. Our quality of borrowers is such that we have the agility where leasing becomes a challenge, to move in to Auto Finance/ auto loans. So depending on the quality of the segment, I am sure the retail and SME teams will look at both sectors and both options and ensure the Budget expectations whilst keeping up with the Bank's own aspirations.

Q8: Please comment on the asset quality in the project financing sector.

As per the Head of our Corporate Banking the asset quality of our project finance book is less than 1% of NPLS.

Q9: Based on the information available now, what will be the impact of the removal of the notional tax credit on G-Secs and the impact on NDB's existing portfolio of securities?

I am told by the Finance team colleagues that there is an impact on the profitability. What will happen is that you will see a shift or transfer in revenue streams of NII and taxation. Further, there is a negative impact on the Bank's cash flows due to this revision.

Q10: Why has the corporate loan book remained flat, whilst the other two segments have grown?

As I said earlier in my comments, which was a conscious decision taken. The corporate book tends to be more of short term assets, whilst the project loans book is more medium to long term. The retail and SME book represents a growing diversified sector. In a rising interest rate - diminishing margin environment, the corporate book tends to get squeezed first and I think this was an intelligent decision which was taken by the Business Line along with Finance & all of us together, where we decided that we have to allocate resources within asset classes which moderates the corporate book and focus it more on fee based business instead of just growing the number with a reduced margin and diversify the deployment of our resources more in to the SME as well as the project finance cluster.

So it was a very conscious strategic redirection on our end.

Q11: Please comment on the maturity composition of the project finance loans.

They range from 2 years to as long as 12-15 years. But the bulk tends to be in 2-5 years range.

Q12: With regard to the loan book growth up to nine months, some banks namely NTB. COMM Bank, Seylan Bank range from 14-15%. Do you find it difficult to grow the corporate book because of this or is it coming from the funding side?

As I said earlier, it is a dual pronged approach. I think for us this year, the important thing is to manage the loan book in relation to the availability of funding. Secondly if we look at YoY, our loan book has grown by 15% as opposed to the deposits growth by 14%. So what we have done is we have managed both sides of the Balance Sheet.

We would also like to respectfully point out that the overall loan book has grown by 15% YoY, the project Finance element of the loan book has grown by as high as 25% and the retail and SME segment has grown as high as 23%. So what you are seeing is an aggregation but in terms of these particular segments we have shown growth above the industry.

Q13: Your personnel expenses have grown by 6.6%. With so many new branches being opened, you would have had a head count growth. How did you manage to keep it at 6.6%?

I think a couple of things to mention. I think the 10 branches have required increasing head counts. But also what we have done is in addition to that, we have intelligently managed the deployment of cadre within the Bank as a whole and productivity enhancement within the centre have also helped us to redeploy from the centre and release people to network. That has been done consciously as a strategy on how our staff is deployed. We have had this conversation few years ago when I was somewhere else. Over a certain period we did that same strategy consistently by getting the best out of the centre and deploying, retraining and making use of staff released from the centre for the betterment and the support of growing the network.

Q14: What has been the head count growth?

We have increased it by about a 100 staff on a base of 2,000.

Q15: Please comment on the contraction of FCY loans.

Yes, we have had a contraction on the FCY loans. That is because of a conscious decision. It is not a loss of market share in terms of number of customers. But we selectively agreed to fix it or facilitate towards the large FCY borrowers who were rate sensitive, about LKR 6 billion equivalent in USD to repay and look at funding options. So it was not that we lost business to competition. It was intelligently "let go of".

Q16: Typically when you say retail and SME, there is a definition of I think about LKR 100 million facilities.

So I am told that the average borrowings on the SME side are hovering around LKR 100 million.

Q17: The retail and SME growths that you have recorded, are these new relationships or existing relationships?

It is a combination of both. Our approach had a dual effect. One is the increase in credit and cross selling among our existing customers and wherever possible to support the value chain where you are linking them with the access to markets with some of our corporate customers. One example would be the cement industry. For example we work with one of the large multinational corporates in cement. Now we are looking at top 25 distributors island-wide and getting in to receivables financing.

Q18: You did give a large loan to the Road development Authority (RDA). There was a time when you borrowed some money overseas and lent them out. Can you give a bit of details on this, any impairment on this?

Nothing. We have not directly lent to RDA. The borrower is actually the Ministry of Finance (MOF) on behalf of the RDA as the beneficiary. There are two ways to structure this loan; one is where the underlying SOE itself borrows with the MOF or a Treasury Guarantee. The second thing is where the MOF borrows on behalf of a nominated SOE. We try to shift as much as possible to the latter model than the former. So far to date, we have not had any issues in the last three years. Not just on RDA, the other one was for the Water Board.

Q19: Have you had to impair any of these loans?

We have had no reason to impair because the payments have been coming in as per plans.

End of Questions and Answers.

Closing remarks

Thank you, all of you, who have logged in. It has been a pleasure interacting with you guys for three years on behalf of NDB. Thank you very much and we hope you will continue to extend your support and understanding with my successor and the Finance Team who has been engaging with you regularly. I wish every one of you every success in your endeavours.

Have a great day.

Thank you.

End of edited transcript.