



# **National Development Bank PLC**

## **Investor Update**

September 2014



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# Agenda

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Business Model & Strategy

Performance Highlights

Asset Quality

Awards & Accolades



## Business Model & Strategy

Performance Highlights

Asset Quality

Awards & Accolades



# Business Model & Strategy

Fully Fledged Financial Conglomerate

Profitable Balance Sheet Growth

Operational Excellence

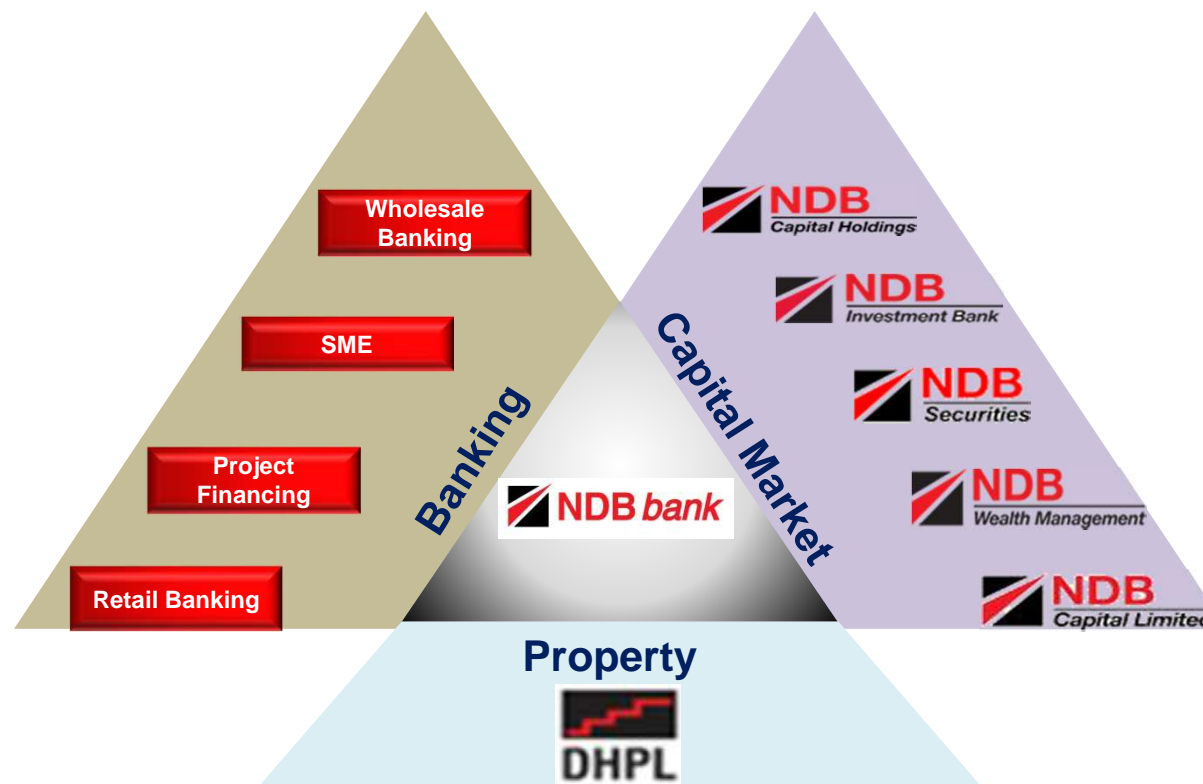
Strong Sales Culture

Higher Fee Income

Cost Optimization

Inspired Team

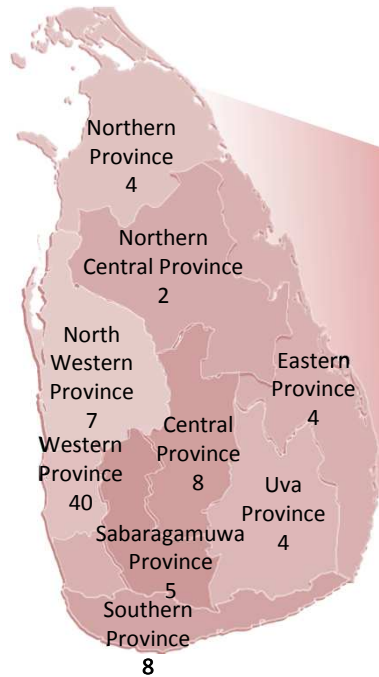
Governance, Risk Management and Compliance



- ❑ 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
- ❑ One of the highest credit ratings among private banks in Sri Lanka AA- (Ika), Stable Outlook by Fitch ratings

# Network

## Increasing Footprint



Province	Branches
Northern	4
North Western	7
North Central	2
Eastern	4
Central	8
Western	40
Uva	4
Sabaragamuwa	5
Southern	8
<b>Total</b>	<b>82</b>

### Expanding to Strategic Locations



- ❑ The Branch network increased to 82 from 76 in September 2013
- ❑ 9.00 to 6.00 Full Service, Saturday Banking, Sunday Banking, 365 day Banking are in operation to increase customer convenience in Banking with NDB
- ❑ Better customer reach through common ATM switch



Business Model & Strategy

## Performance Highlights

Asset Quality

Financial Performance



# Interim Results September 2014

Snapshot

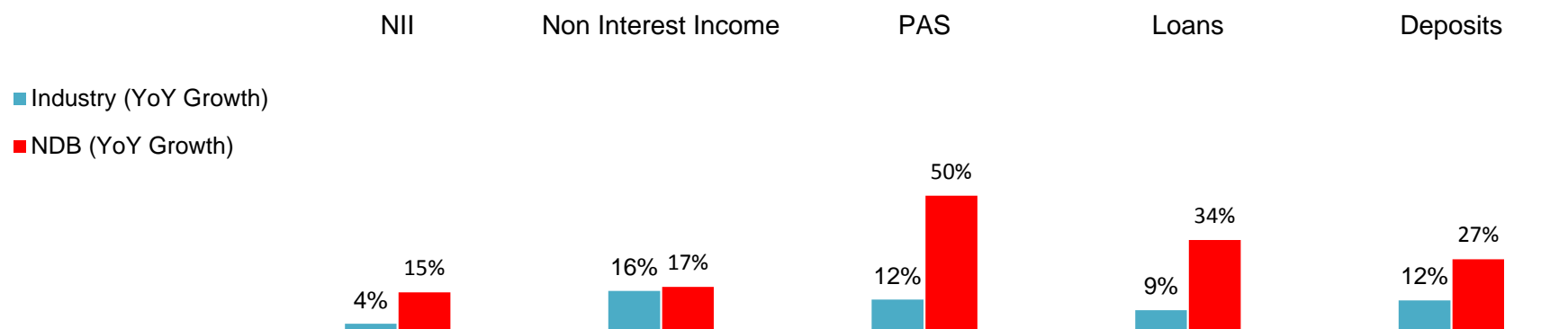
## Financial Highlights

Nine months ended September 2014	LKR Mn	YoY growth
Net Interest Income	5,961	15% ↑
Operating Income	9,672	16% ↑
Operating Expenses	4,305	7% ↑
Profit After Tax	3,309	50% ↑
Loans and Advances (Gross)	169,281	34% ↑
Customer Deposits	150,211	27% ↑
Total Assets	260,837	39% ↑

## Key Financial Ratios

Nine months ended September 2014	%	YoY variance
Return on Equity	16.57	4.77% ↑
Return On Assets	1.87	0.25% ↑
Capital Adequacy	18.22	0.04% ↓
Net Interest Margin	3.40	0.59% ↓
Non Performing Loans	2.44	0.50% ↑
Cost to Income	44.51	4.04% ↓
Earnings Per Share (LKR)	27.26	9.48 ↑









## Performing above the Industry norms





# Financial Overview

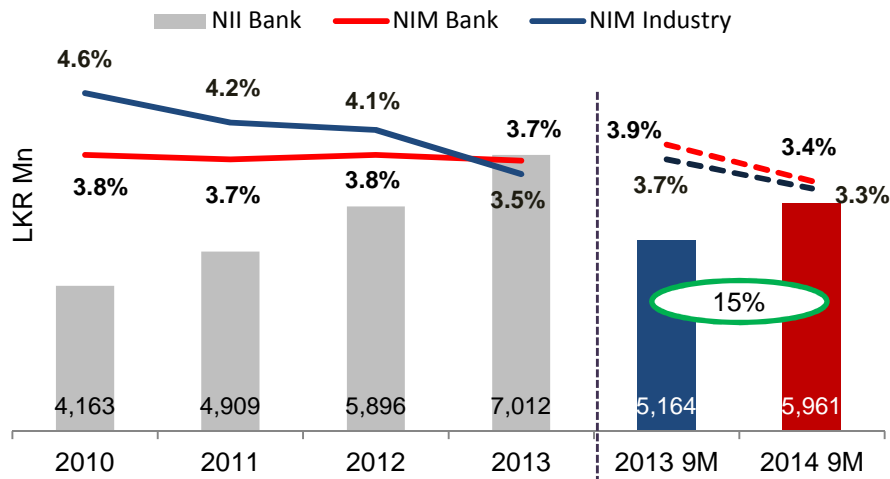
## Summary of Income Statement

LKR Mn	9M 2014	9M 2013	YoY Growth
Net Interest Income	5,961	5,164	15% 
Other Income	3,712	3,159	17% 
Impairment Charges	306	205	49% 
<b>Net Operating Income</b>	<b>9,367</b>	<b>8,117</b>	<b>15%</b> 
Overheads	4,305	4,040	7% 
<b>Profit Before Tax</b>	<b>5,062</b>	<b>4,077</b>	<b>24%</b> 
Taxation	1,850	1,905	3% 
<b>Profit After Tax</b>	<b>3,309</b>	<b>2,212</b>	<b>50%</b> 

# Income Analysis

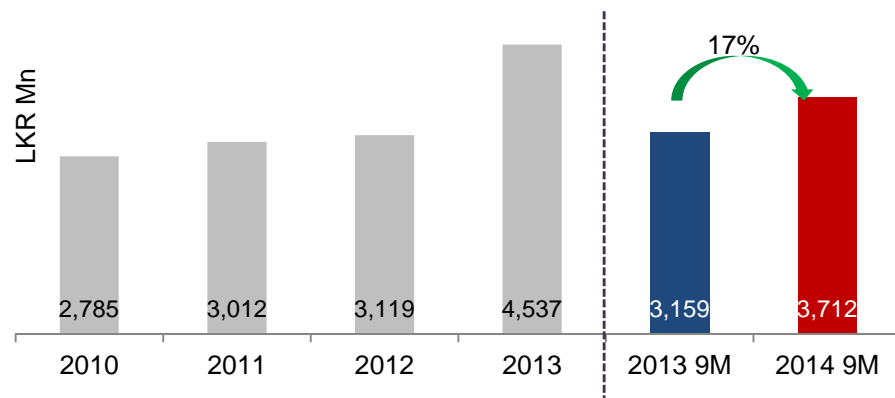
## Margins and Other Income

**Bank outperforms the industry despite operating in low interest rate environment**



- NII growth of 15% YoY, predominantly supported by volume growth.
- Continuous focus on high yielding products such as Credit Cards, Leasing and Personal Loans.
- Overall efforts initiated to minimize the cost of funding while increasing CASA base supports sustaining the Net interest margins of the Bank above the Industry.

**Non interest income continues to become imperative for the Banking Industry**

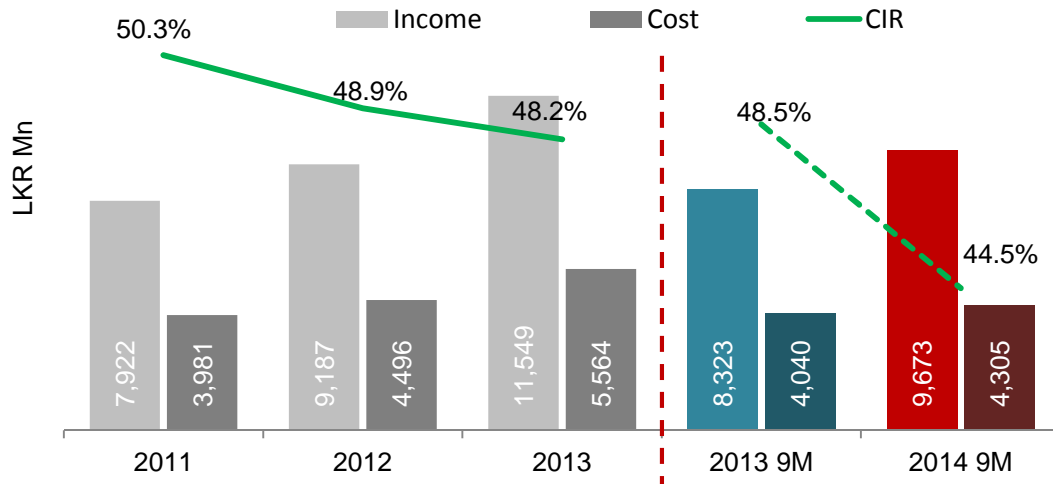


- More focus towards improving the trade related off balance sheet exposures.
- Continuous focus towards improving loan related fee income through portfolio growth.
- Capitalize on market opportunities to optimize the trading income.

# Cost Analysis

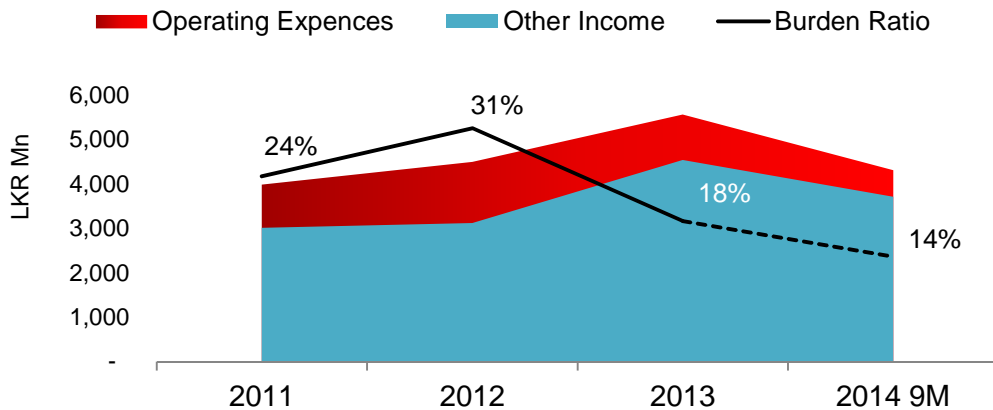
Focus on Cost Optimization

## Continuous improvement in efficiency

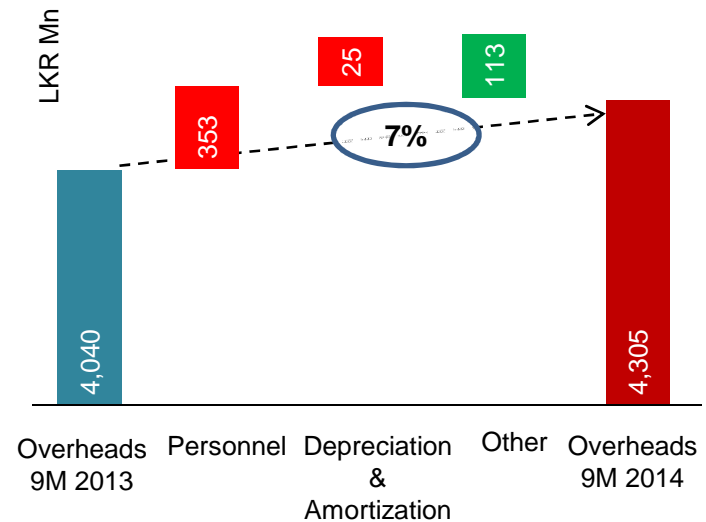


- Cost to income ratio improved progressively with the support of continuous cost rationalization process
- Burden ratio is at the lowest levels due to continuous efforts taken to increase revenue while managing cost
- $Burden\ Ratio = (Operating\ expenses - Other\ income) / Operating\ expenses$

## Operating expenses vs. other income



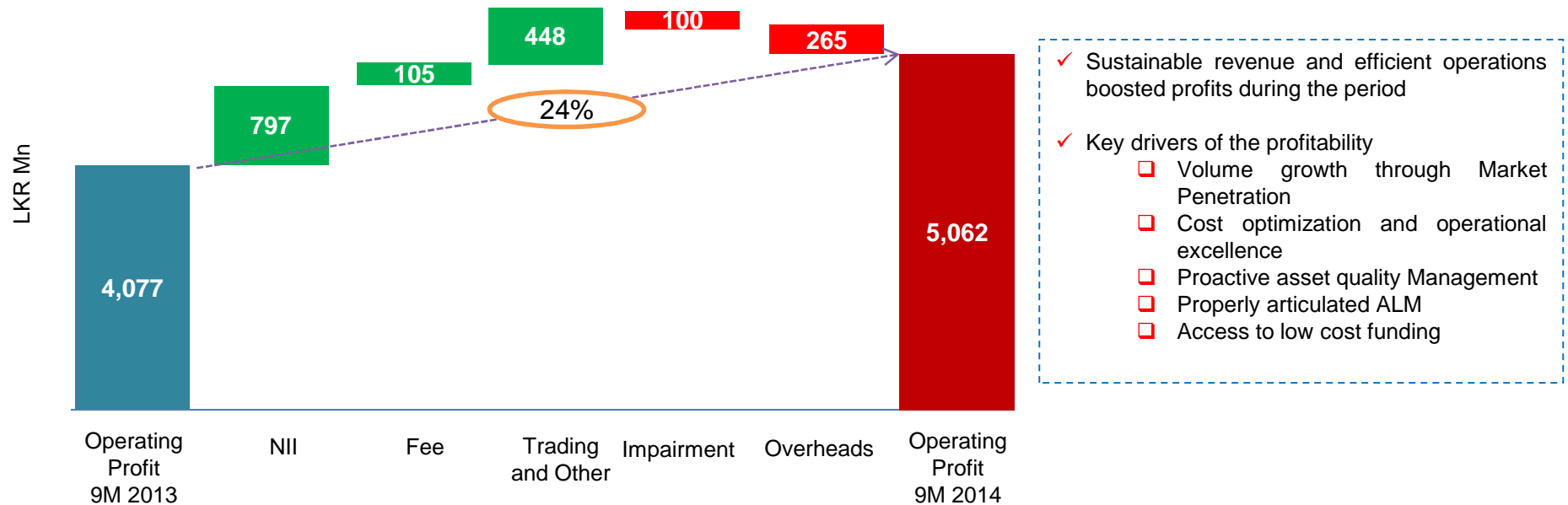
## Cost drivers growth YoY



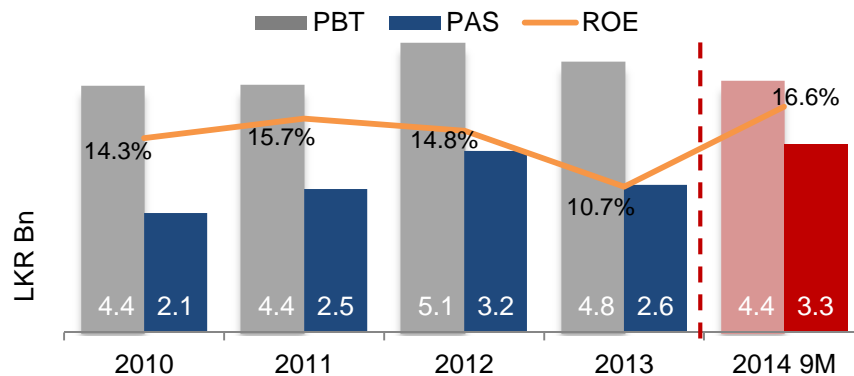
# Profitability

Operating Profit Grew 24% YoY

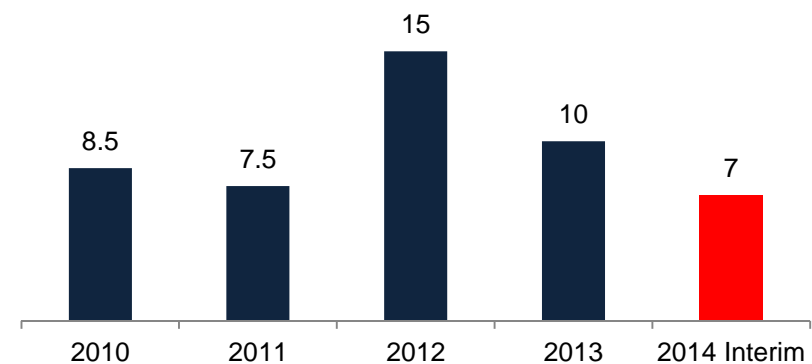
*NII and other income coupled with operating efficiencies supported the overall profit growth*



## Profitability Trend



## Dividend Trend (DPS)



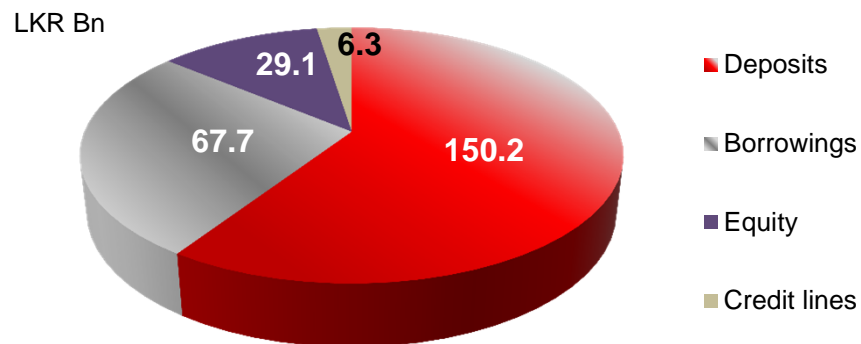
# Financial Position

Steady Balance Sheet Growth

*Cautiously increasing the leverage*



## Key sources of funding

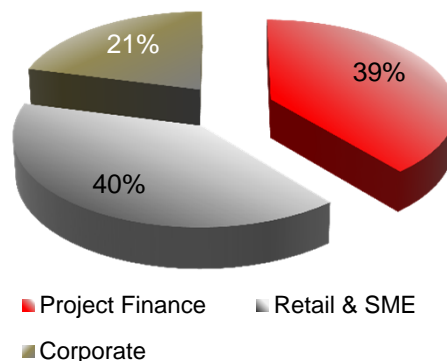
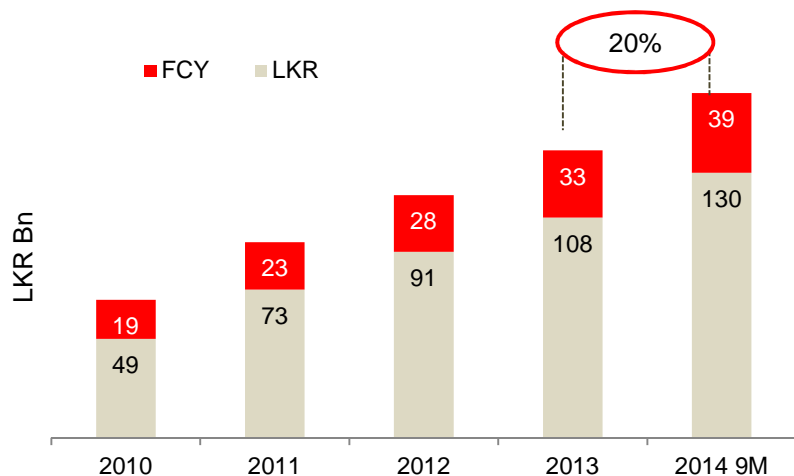


- ✓ Customer Deposits Accounts for 59% of the total Funding in the Balance Sheet
- ✓ Borrowings Including the Debenture issue represents for 27% of the Total Liabilities

# Loans and Advances

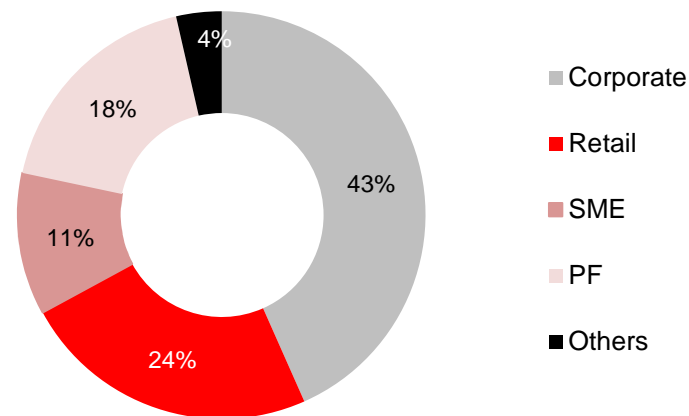
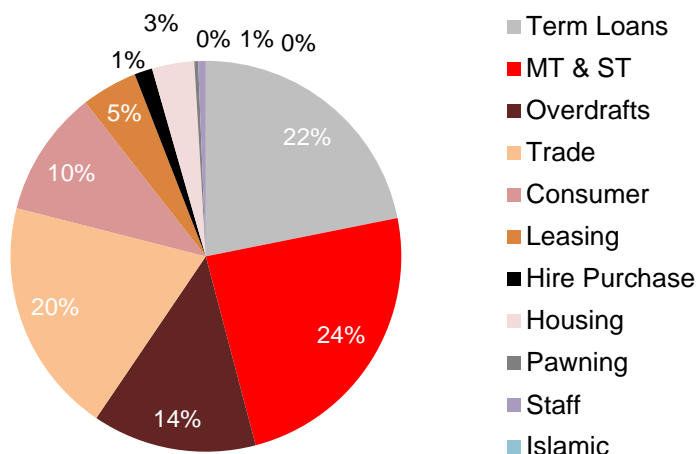
Steady Growth in Loans and Advances

## Loans and advances growth and contribution by key segments at end September 2014



- ✓ Continuous support towards development of Small and Medium Entrepreneurs.
- ✓ Financing of large development projects assists the development of the Economy
- ✓ Best Personal Loan Scheme (Dream Maker) for professionals
- ✓ Leasing and Credit cards facilities to satisfy customer needs.

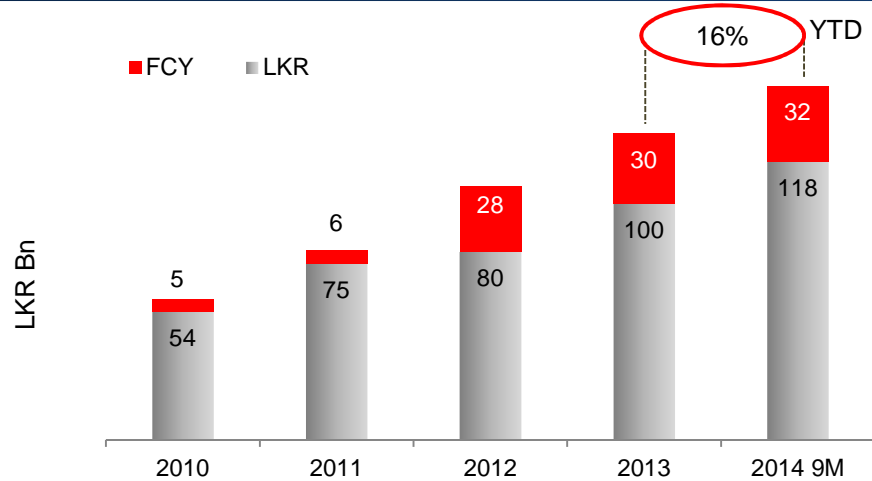
## Diversification among products and segments



# Customer Deposits

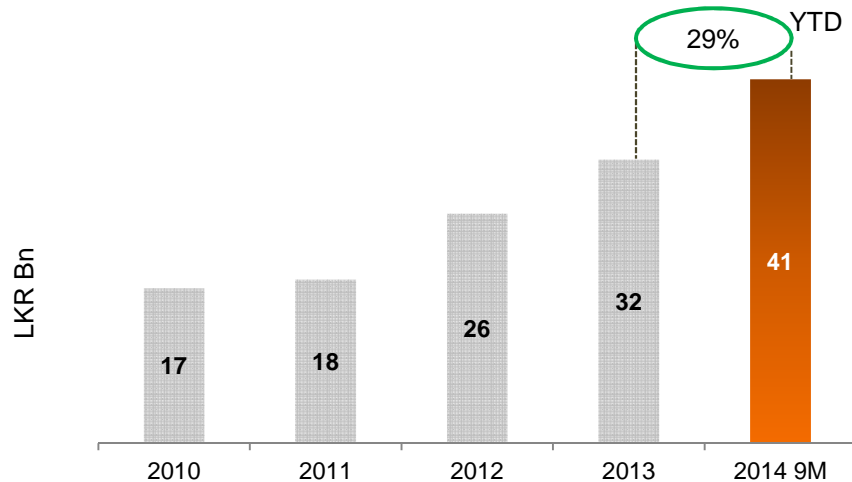
## Funding Growth Through Deposit Mobilization

### Deposit growth



- ✓ 22% of the total deposits are held in Foreign Currency
- ✓ Impressive Deposit growth of 16% YTD compared to the industry growth of 8% YTD.
- ✓ Customer confidence, convenience and strong brand position drives the Customer deposits growth.

### CASA growth



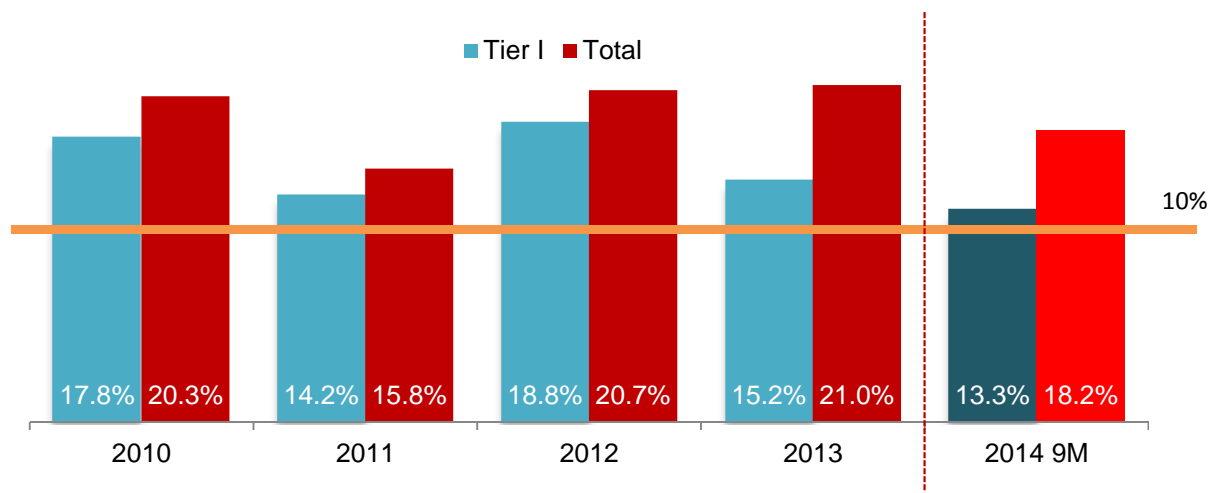
- ✓ Low cost CASA base improved to 27.2% from 21.4% YoY



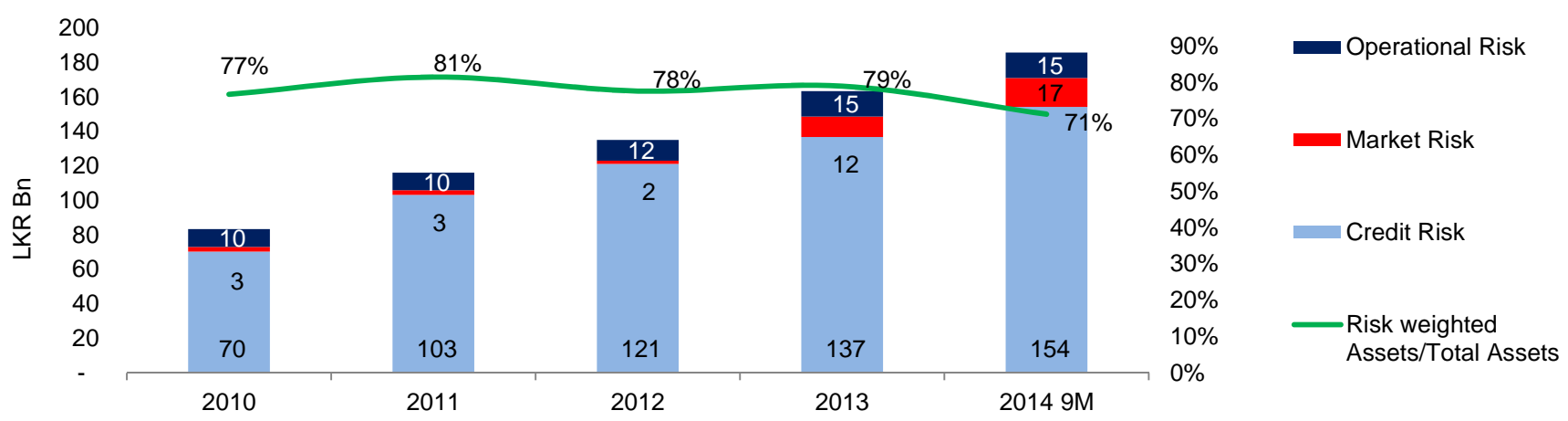
# Capital Adequacy

## Well Capitalized Balance Sheet

### Capital adequacy trend



### Risk weighted assets





Business Model & Strategy

Performance Highlights

**Asset Quality**

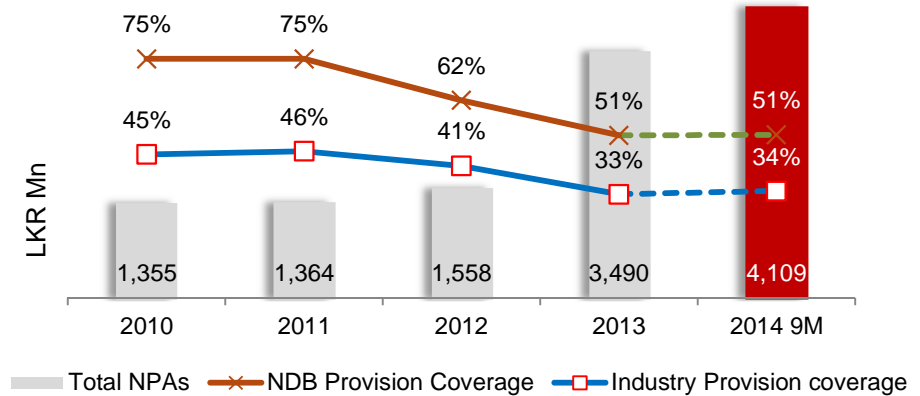
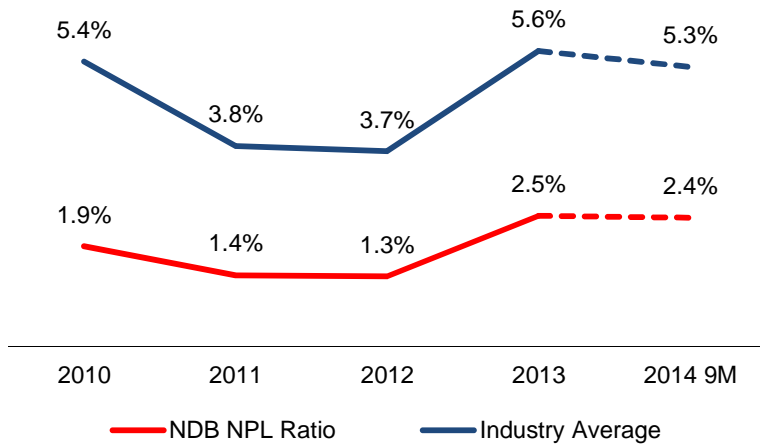
Awards & Accolades



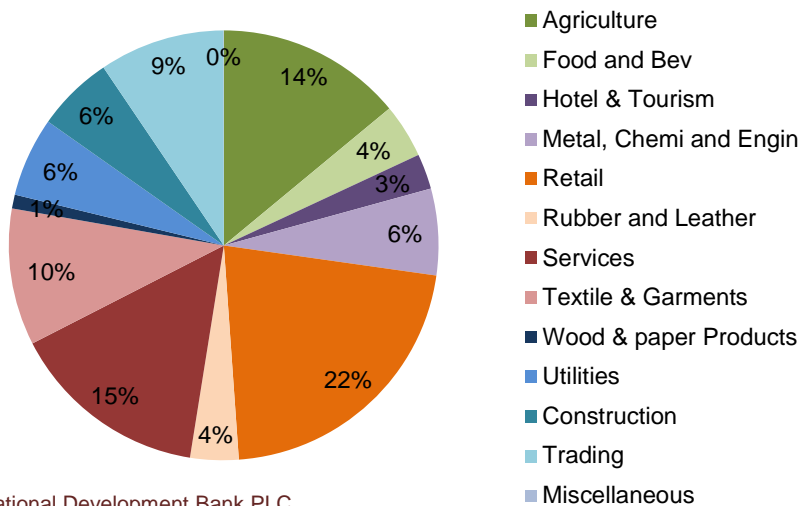
# Asset Quality

Well Managed Portfolio

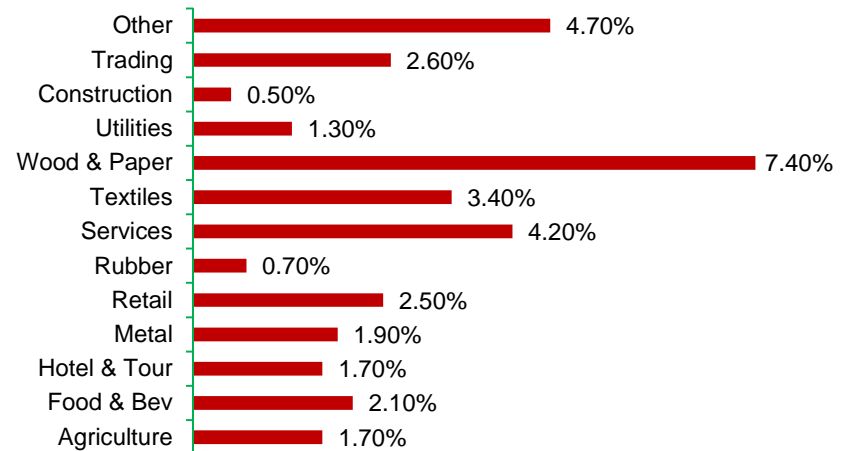
**Non performing Loans and Provision covers are on improving trend**



## Diversification of the loan book



## Sector-wise NPL Ratio



# Ahead of competition

Gaining Market Share

## Market share grew on YoY

	September 2013	September 2014
Total Assets	3.2%	4.0%
Loans	3.8%	4.7%
Deposits	2.9%	3.3%



## Group KPIs outperformed the industry

	NDB	Industry
ROE	16.6%	16.0%
ROA	1.9%	1.4%
NIM	3.4%	3.3%
Cost to Income	44.5%	51.8%
NPL	2.4%	5.3%
Provision Cover	51.1%	33.5%

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

Business Model & Strategy

Performance Highlights

Asset Quality

**Awards & Accolades**



# Awards and Accolades

## Global Recognitions



- ❑ 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,



- ❑ Most Trusted Bank – Sri Lanka
- ❑ Bank of the Year – Sri Lanka,

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