INVESTOR WEBINAR
Q3 2018

National Development Bank PLC
[CSE Stock Code - NDB.N0000]
01 November 2018: 1000 HRS (UTC + 0530)
Colombo: Sri Lanka
Forward Looking Statements

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Presentation theme and iconology: This presentation is based on the 2017 NDB Annual Report theme; Take a closer look. The icon of a microscope is used where more details are available on the analysis.

Sources: Internal analysis, CBSL publications
Corporate Participants

Presented by
Dimantha Seneviratne
Director/ Group Chief Executive Officer

Panelists

Finance & Planning
Lalith T Fernando - Group Chief Financial Officer
Suvendrini Muthukumarana - AVP-Finance & Planning

Heads of Business
Buwaneka Perera - VP-Corporate Banking
Niran Mahawatte - VP-Treasury
Indika Ranaweera - VP - SME, Middle Market and Business Banking
KV Vinoj - AVP - Network Management, Product Development & Institutional Banking

Visit our 2017 Annual Report for the profiles of the Corporate Participants.
Agenda

- Part I - Business Overview
- Part II - Financial Performance
- Part III - Q&A Forum
Agenda

Part I - Business Overview

Part II - Financial Performance

Part III - Q&A Forum
Business Overview

- Incorporated in 1979 as a Development Financing Institution under and by virtue of National Development Bank of Sri Lanka Act No. 2 of 1979
- Converted into a fully fledged commercial bank in 2005
- A network of 108 branches and 129 ATMs [including 12 Cash Recycling Machines] spread across the country
- A full suite of banking solutions on offer for retail masses, retail high net worth clients, SMEs, middle market and corporate customers
- A strong digital banking proposition on offer
- Extended services in capital market activities through the robust group companies cluster
- Unique business proposition of “one-stop-shop” for banking and capital market solutions offered under the NDB brand
- Strong brand equity as the Best Bank in Sri Lanka [as adjudged by the Global Finance Magazine of USA for 2018]
- Staff strength of over 2,300 NDBers strengthened by gender diversity
- A group asset base exceeding LKR 460 billion
- National Long Term Rating of A+ (lka) by Fitch Ratings Lanka Limited
Business Overview

Awards - 2018 [Bank]

Global Finance Magazine USA
Best Bank in Sri Lanka – 2018

Global Banking & Finance & Review - UK
Best Project Finance Bank Sri Lanka
Best SME Bank Sri Lanka
Best Bank for Credit Cards Sri Lanka
Best Retail Banking Product - (Personal Loan Product - Dream Maker Loans)
Sri Lanka
Best Financial Group of the Year Sri Lanka

Asian Banking & Finance - Singapore
Under Retail Banking Awards Category
Best Domestic Retail Bank of the Year [for the sixth consecutive year]
Best SME Bank of the Year [For the sixth consecutive year]
Best Financial Inclusion Initiative of the Year
Under Wholesale Banking Awards Category
Best Domestic Project Finance Bank of the Year [for the fourth consecutive year]

Under Corporate & Investment Banking Awards Category
Best Debt Deal of the Year
Best Corporate Client Initiative of the Year
Best Syndicated Loan of the Year

7th Global Customer Engagement Awards Asian Customer Engagement Forum (ACEF) - Mumbai
Silver Award for Best Celebrity Endorsement for NDB Araliya Women’s Savings product
Gold Social Impact Award for “Best Education Program

CFA Sri Lanka Capital Market Awards 2018
Gold award for Best Investor Relations [For the third consecutive time]

LankaPay Technnovation Awards 2018
Best Bank of the Year for Excellence in Customer Convenience - Category C – Winner
Best Common ATM Acquirer of the Year - Category B - Merit Award
Bank of the Year for Financial Inclusivity - Category B - Merit Award

USD STP Excellence Awards of Deutsche Bank, New York
Award for exceptional quality of payment messages

Awards - 2018 [Group companies]

NDB Investment Bank Limited
Euromoney Magazine Awards for Excellence
Sri Lanka’s Best Investment Bank [For the seventh consecutive year]

FinanceAsia’s Annual Country Awards
Best Investment Bank in Sri Lanka [For the second consecutive year]

Global Brands Magazine
Most Trusted Investment Banking Brand, Sri Lanka [For the fourth year]

Asiamoney Banking Awards - 2018
Best Corporate and Investment Bank, Sri Lanka [For the second consecutive year]

NDB Securities [Pvt] Ltd
CFA Sri Lanka Capital Market Awards 2018
Bronze award for Best Equity Research Report
Business Overview - Strategic Focus - Update

• “Transformation 2020” - The Bank’s strategic framework spanning up to year 2020

Goal
To transform the Bank to a large, systemically important bank from its current mid sized status by end 2020

• Involves a wide span of changes including the business focus, business processes, organizational structure, employee mindset and culture
• Majority of the strategic initiatives are now implemented
• Results are reflected in the financial numbers recorded for Q3 2018
• Greater results to be derived in the near future
• Clear indication that the goal will be met well ahead of the set deadline of 2020
• Already strategized the way forward beyond 2020 as a systemically important bank
Agenda

Part I - Business Overview

Part II - Financial Performance

Part III - Q&A Forum
Q3 2018 - Key Performance Indicators [Bank]

**Profitability Indicators [Vs. Q3 2018]**
- Pre-tax core banking profits up by 43% - LKR 6.4 bn
- NII up by 39% - LKR 10.6 bn
- Net fee & comm income up by 25% - LKR 2.3 bn
- Total op. income up by 30% - LKR 15.6 bn
- Total op. expenses increase 13% - LKR 6.2 bn
- PAT growth of 22% - LKR 4.0 bn
- Group PAS up by 42% - LKR 3.6 bn

**Balance Sheet Indicators [Vs. FY 2017]**
- Total assets of LKR 458 bn - impressive 20% growth
- Net loans to customers of LKR 328 bn - growth of 20%
- Customer deposits of LKR 329 bn - growth of 20%
- Total assets [Group] - LKR 463 bn

**Efficiency & Return Ratios [Vs. FY 2017]**
- Cost to Income Ratio improved to 39.4% from 45.5%
- Net Interest Margin improved to 3.36% from 3.0%
- Return on Average Equity improved to 16.95% from 16.27%
- Return on average assets improved to 1.23% from 1.21%

**Business Capacity Ratios [Vs. FY 2017]**
- Loans to Deposits Ratio of 102%
- Tier I Capital and Total Capital Adequacy ratios well above the statutory minimum requirements applicable for 2018 (Tier I - 8.37%; Tier II - 12.13%)
- Liquidity Coverage Ratios [Rupee & All currency] well above the statutory minimum requirements
## Income Statement [Bank]

<table>
<thead>
<tr>
<th>LKR Mn</th>
<th>Q3-2018</th>
<th>Q3-2017</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>36,797</td>
<td>31,650</td>
<td>5,148</td>
<td>16</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>10,628</td>
<td>7,656</td>
<td>2,972</td>
<td>39</td>
</tr>
<tr>
<td>Net Fee and Commission Income</td>
<td>2,272</td>
<td>1,813</td>
<td>459</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td><strong>15,634</strong></td>
<td><strong>12,023</strong></td>
<td><strong>3,612</strong></td>
<td><strong>30</strong></td>
</tr>
<tr>
<td>Impairment charges for loans and other losses</td>
<td>2,365</td>
<td>872</td>
<td>1,493</td>
<td>171</td>
</tr>
<tr>
<td><strong>Net operating income</strong></td>
<td><strong>13,269</strong></td>
<td><strong>11,151</strong></td>
<td><strong>2,118</strong></td>
<td><strong>19</strong></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>6,162</td>
<td>5,472</td>
<td>690</td>
<td>13</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>7,107</td>
<td>5,679</td>
<td>1,428</td>
<td>25</td>
</tr>
<tr>
<td>Taxes</td>
<td>3,078</td>
<td>2,369</td>
<td>709</td>
<td>30</td>
</tr>
<tr>
<td><strong>PAT</strong></td>
<td><strong>4,029</strong></td>
<td><strong>3,310</strong></td>
<td><strong>719</strong></td>
<td><strong>22</strong></td>
</tr>
<tr>
<td>Group PAS</td>
<td>3,573</td>
<td>2,520</td>
<td>1,053</td>
<td>42</td>
</tr>
</tbody>
</table>

- Net operating income from core banking operations [excluding equity income] increased by 43%
- Increase in taxes by 30%
- Bank PAT crosses LKR 4 bn, an impressive feat for nine months performance
Revenue Analysis - Fund Based Income

<table>
<thead>
<tr>
<th>LK Mn</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>31,790</td>
<td>27,283</td>
<td>17</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>21,163</td>
<td>19,627</td>
<td>8</td>
</tr>
<tr>
<td>NII</td>
<td>10,628</td>
<td>7,656</td>
<td>39</td>
</tr>
<tr>
<td>NIM (%)</td>
<td>3.36</td>
<td>2.9</td>
<td>-</td>
</tr>
</tbody>
</table>

- Impressive NII growth due to sound balance sheet management and ALCO strategies.

*Loan book enhanced by LKR 69 bn YoY, supporting the interest income growth.*

*The loans to deposits ratio improved to 102% helping maintain the increase in interest expenses at 8%*
## Revenue Analysis - Other Income

<table>
<thead>
<tr>
<th>LKR Mn</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Fee and Commission Income</td>
<td>2,272</td>
<td>1,813</td>
<td>25</td>
</tr>
<tr>
<td>Net gain from trading</td>
<td>861</td>
<td>793</td>
<td>9</td>
</tr>
<tr>
<td>Net gain from financial investments</td>
<td>455</td>
<td>545</td>
<td>-17</td>
</tr>
<tr>
<td>Other operating income [excluding equity income]</td>
<td>857</td>
<td>160</td>
<td>436</td>
</tr>
<tr>
<td><strong>Total non-interest income from core banking operations [excluding equity income]</strong></td>
<td><strong>4,445</strong></td>
<td><strong>3,311</strong></td>
<td><strong>34</strong></td>
</tr>
<tr>
<td>Other operating income from equity investments</td>
<td>562</td>
<td>1,056</td>
<td>-47</td>
</tr>
<tr>
<td><strong>Total non-interest income</strong></td>
<td><strong>5,007</strong></td>
<td><strong>4,367</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>

- Continued Net fee and commission income growth due to;
  - aggressive drive in retail products including credit card business, mobile banking on-boarding, trade services and other fee generating services
  - overall loan portfolio growth
Operating Expenses [Bank]

- Operating expenses increase of 13%
- Incurred capital expenditure to support business expansion and enhanced customer experience
  - Network expansion [New branch opened in Katugasthota]
  - 12 Cash Recycle Machines [CRMs]
  - Official launch of branchless banking – Bank2U – Our newest digital solution to individuals and SMEs
  - 5 new NDB Privilege Banking Centers
  - 4 branch relocations to new spacious locations
  - Dedicated Business Banking Unit at the NDB Head Office premises

Cost to Income Ratio well managed at 39.4% - One of the lowest in the industry

<table>
<thead>
<tr>
<th>LKR Mn</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>3,267</td>
<td>2,645</td>
<td>24</td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>319</td>
<td>312</td>
<td>2</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2,576</td>
<td>2,514</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>6,162</td>
<td>5,472</td>
<td>13</td>
</tr>
</tbody>
</table>
## Balance Sheet [Bank]

<table>
<thead>
<tr>
<th></th>
<th>LKR Bn</th>
<th>Q3 2018</th>
<th>FY 2017</th>
<th>YTD Quantum growth</th>
<th>YTD percentage growth</th>
<th>Q3 2017</th>
<th>YoY Quantum growth</th>
<th>YoY percentage growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>458</td>
<td>383</td>
<td>75</td>
<td>20</td>
<td>371</td>
<td>87</td>
<td>23</td>
</tr>
<tr>
<td><strong>Net loans and receivables from customers</strong></td>
<td></td>
<td>328</td>
<td>274</td>
<td>54</td>
<td>20</td>
<td>259</td>
<td>69</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total deposits from customers</strong></td>
<td></td>
<td>329</td>
<td>273</td>
<td>56</td>
<td>20</td>
<td>255</td>
<td>74</td>
<td>29</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>32</td>
<td>29</td>
<td>3</td>
<td>12</td>
<td>28</td>
<td>4</td>
<td>14</td>
</tr>
</tbody>
</table>

- Exceptional growth in total assets, loans and receivables and customer deposits at 20% YTD
- YoY growth rates in excess of 20%

### Total Assets - Group

<table>
<thead>
<tr>
<th>LKR Bn</th>
<th>Q3 2018</th>
<th>FY 2017</th>
<th>% YTD growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>463</td>
<td>389</td>
<td>19</td>
</tr>
</tbody>
</table>
• Considerable improvement in the currency mix of the loan book with 77% of LCY loans in Q3 2018 [Q3 2017 - 75%]
• Accelerated performance demonstrated in all key segments, with notable growth recorded in Business Banking
**Asset Quality**

**Impairment analysis**

<table>
<thead>
<tr>
<th>LKR mn</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual impairment</td>
<td>1,479</td>
<td>365</td>
</tr>
<tr>
<td>Collective impairment</td>
<td>934</td>
<td>439</td>
</tr>
<tr>
<td>Other provision - charge/[release]</td>
<td>[47]</td>
<td>68</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,365</strong></td>
<td><strong>872</strong></td>
</tr>
</tbody>
</table>

**NPL ratio analysis**

<table>
<thead>
<tr>
<th></th>
<th>Bank FY 2017</th>
<th>Bank Q3 2018</th>
<th>Industry As of Aug 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.83%</td>
<td>2.57%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

- The increase in the Bank NPL ratio reflects the industry-wide trend for NPLs resulting from slowing economic growth and other market challenges.

- Collective impairment increase due to the rapid growth in the loan book [YTD – LKR 55 mn, YoY 69 mn]

- Individual impairment increase due to precautionary provisions which the Bank made for a selective individually significant facilities, on a prudent basis.

**Strengths of the Bank, which would improve the impairment and NPL position of the Bank’s**

- Robust and focused recoveries mechanism – dedicated unit and resources
- Prudent risk management strategies
- Well diversified loan portfolio with minimized concentration risk
Customer Deposits

- Re-launched *Ithuru Karana Maga* - NDB’s iconic proposition for savings as a life’s habit

- Quantum increase in deposits
  - YTD LKR 56 bn
  - YoY LKR 74 bn

- Increase in CASA base - LKR 12 bn

- CASA Ratio well maintained throughout the nine months period. Q3 2018- 21.4%
Equity capital

<table>
<thead>
<tr>
<th>BASEL III –Q3 2018</th>
<th>Bank</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier 1 Capital Ratio % (Minimum Requirement -6.375%)</td>
<td>8.37</td>
<td>9.62</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio % (Minimum Requirement - 7.875%)</td>
<td>8.37</td>
<td>9.62</td>
</tr>
<tr>
<td>Total Capital Ratio % (Minimum Requirement - 11.875%)</td>
<td>12.13</td>
<td>13.12</td>
</tr>
</tbody>
</table>

- Rights Issue announced at the ratio on 1 share per 3 shares held
- Achieved a subscription rate of 60%
- The Bank has announced that it will explore opportunities with strategic investors for the subscription of remaining Rights
### Investor Ratios

<table>
<thead>
<tr>
<th>Investor Ratios</th>
<th>Bank</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 2018</td>
<td>FY 2017</td>
</tr>
<tr>
<td>Closing price per share (LKR)</td>
<td>104/-</td>
<td>136.40</td>
</tr>
<tr>
<td>EPS (LKR) (Annualized)</td>
<td>29.09</td>
<td>24.52</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>16.95</td>
<td>16.27</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>1.23</td>
<td>1.21</td>
</tr>
<tr>
<td>Book value per Share (LKR)</td>
<td>181.27</td>
<td>167.58</td>
</tr>
<tr>
<td>P/E (times)</td>
<td>3.58</td>
<td>5.56</td>
</tr>
<tr>
<td>Price to Book value (times)</td>
<td>0.57</td>
<td>0.81</td>
</tr>
</tbody>
</table>

- Share price traded in the range of a low of LKR 102/20 and a high of LKR 116/- during Q3
- NDB share continues to be a attractive BUY at a PB < 1
NDB’s Investor Relations is the recipient of the Gold Award for Best Investor Relations at the coveted CFA Sri Lanka Capital Market Awards, for three consecutive years in 2018, 2017 & 2016.

Investor/Analysts Support
- Clearly defined Quarterly Results Calendar released at the end of each quarter
- Webinar transcripts hosted to the NDB Corporate website/IR page in playback video and written transcript forms
- Dedicated communication channels made available for any queries and clarifications

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