

# INVESTOR FORUM FY 2018

National Development Bank PLC  
[CSE Stock Code - NDB.N0000]

06 March 2019  
Colombo  
Sri Lanka

## *Forward Looking Statements*

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## Presented by

Dimantha Seneviratne  
Director/ Group Chief Executive Officer

Suvendrini Muthukumarana  
Acting Group Chief Financial Officer/ Assistant Vice President -Finance & Planning

## Other Panelists

Ananda Atukorala - Chairman  
Buwaneka Perera - Senior Vice President - Corporate Banking  
Sanjaya Perera - Senior Vice President - Personal Banking & Branch Network  
Deepal Akuratiyagama - Chief Operating Officer  
Vajira Kulatilaka - Chief Executive Officer - NDB Capital Holdings Limited

Visit our corporate website for the panelists' full profiles - [www.ndbbank.com](http://www.ndbbank.com)




- Business Overview



- Investment Case



- Financial Performance



- Q&A



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- 4 decades of banking excellence with 14 years of commercial banking specialization
- Approximately 2,500 competent NDBers delivering excellent services
- 109 branches, 114 ATMS and 35 Cash Recycle Machines as physical touch-points
- LKR 473 Bn in total assets with a five year CAGR of 18.7%
- Strong digital financial capabilities
  - More than 60% of the Bank's transactions were routed via digitally enabled modes in 2018
    - Bank2U, the Branch-less Banking proposition reaching out to niches
    - Cash Recycle Machines [CRM] with the capability in cash withdrawals as well as cash deposits
    - Mobile Banking App
    - On-line banking solution
    - Phygital branch - NDB NEOS
- Only financial services group in the country, which provides seamless products in banking and capital markets services
- Close to 40 award titles won by the Bank and the Group, including the best bank in Sri Lanka and the Best Investment Bank in Sri Lanka
- First and only Sri Lankan entity to obtain EDGE Certification, the only global certification for gender equality at workplace
- Driven on a clear strategy called Transformation 2020 for the near term and a five year strategy upto 2023 for the medium term



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NDB's performance is characterized by strong KPIs demonstrating persistent growth.

KPI	2018	2017	2016
PAT - LKR Bn	5.5	4.4	3.2
Total assets - LKR Bn	473	383	335
ROE - %	17.41	16.27	13.36
ROA - %	1.30	1.21	0.99
EPS - LKR [Group]	27.98	19.66	15.69
NAVPS - LKR [Group]	185.49	192.51	181.23
PB Ratio [Group]	0.58	0.71	0.86
Share price - LKR	106.80	136.40	156.00

The Bank's performance is not reflected in the share price, and remains as a major Buy option.



Key performance indicators of the Bank improved during the year, some well ahead of the industry, whilst others were close to the industry average.

KPI	Bank	Industry Average
Total assets growth	23.5%	14.6%
Loans and receivables growth	26.7%	19.6%
Deposits growth	27.1%	14.8%
CASA base growth	30.4%	4.1%
NIM	3.5%	3.6%
NPL ratio	2.85%	3.4%
ROE	17.4%	13.2%
ROA	1.3%	1.1%

- The Bank is in the eve of attaining D-SIB [Domestic - Systemically Important Bank] status
- Capital augmentation plans are well underway to ensure adherence to new Basel III capital requirements and empower the Bank's growth
- The Bank raised LKR 3.4 Bn via a Rights Issue in 2018
- A Basel III compliant Tier II debenture of LKR 5 Bn, with an option to go up to LKR 6.5 Bn is currently underway
- The Bank is confident of raising the required capital as and when the demand arises

<b>BASEL III - FY 2018</b>	<b>Bank</b>	<b>Group</b>
Common Equity Tier 1 Capital Ratio % (Minimum Requirement - 6.375%)	9.17	10.39
Tier 1 Capital Ratio % (Minimum Requirement - 7.875%)	9.17	10.39
Total Capital Ratio % (Minimum Requirement - 11.875%)	12.63	13.62



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The financial statements of the Bank and the Group have been prepared based on the new accounting policies and methods which have been revised in line with the requirements of the SLFRS 9 -Financial Instruments. The Bank complied with LKAS -39, Financial Instruments: Recognition and measurements up to 31 December 2017, in the preparation of its annual financial statements. In order to recognize the impact on the transition, the Bank has adopted the modified retrospective approach in line with paragraph 7.2.14 Transition, of SLFRS 9- Financial Instruments. Accordingly the impact on the adoption of SLFRS 9 on the financial performance as at 31 December 2017, has been reflected in the opening equity balance as at 01 January 2018. The transition impact is arising predominantly due to impairment charges of loans and other losses.

# Revenue and Profitability



<i>LKR Mn</i>	<b>FY 2018</b>	<b>FY 2017</b>	<b>Variance</b>	<b>%</b>
Gross Income	51,103	42,521	8,583	20
Net Interest Income*	14,805	10,750	4,055	38
Net Fee and Commission Income	3,136	2,521	616	24
Other income	3,613	2,881	731	25
<b>Total Operating Income</b>	<b>21,554</b>	<b>16,152</b>	<b>5,402</b>	<b>33</b>
Impairment charges for loans and other losses	3,581	1,259	2,322	185
<b>Net operating income</b>	<b>18,248</b>	<b>14,893</b>	<b>3,354</b>	<b>23</b>
Total operating expenses	8,492	7,346	1,146	16
Operating Profit	9,756	7,547	2,209	29
Taxes	3,946	3,196	750	23
<b>PAT**</b>	<b>5,548</b>	<b>4,352</b>	<b>1,197</b>	<b>28</b>
<b>Group PAS</b>	<b>5,136</b>	<b>3,490</b>	<b>1,646</b>	<b>47</b>

\*Interest income growth of 19% to LKR 44.4 Bn and Interest expense increase of 12% to LKR 29.5 Bn

\*\*Impressive PAT growth of 28% amidst newly introduced Debt Repayment Levy

## Impairment analysis

LKR mn	FY 2018	FY 2017
Individual impairment	2,827	586
Collective impairment	770	662
Other provision - charge/[release]	[16]	10
Total	3,581	1,259

The increase in impairment charges for loans and other losses - Due to precautionary provisions made for selective individually significant facilities, on a prudent basis, given the challenging economic environment, based on a futuristic model in line with the adoption of SLFRS 9, in comparison to the incurred loss model adopted in the previous years.

## NPL ratio analysis

Bank FY 2017	Bank FY 2018	Industry
1.83%	2.85%	3.4%

NPL ratio maintained well below the industry.

LKR Mn	FY 2018	FY2017	% growth
Personnel expenses	4,444	3,611	23
Depreciation & amortization	442	417	6
Other expenses	3,593	3,317	8
Total operating expenses	8,479	7,346	15

Cost to Income Ratio well managed at 39.3%

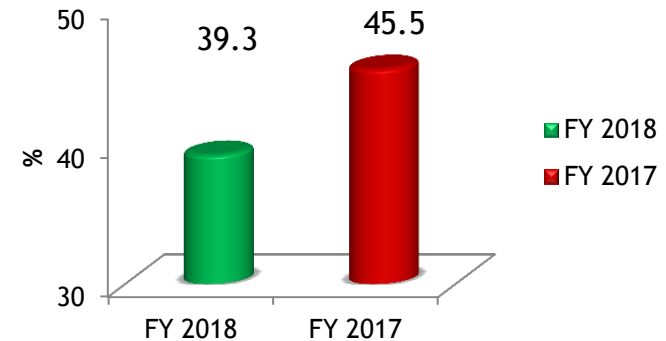
## Sound cost management resulted from;

- A large number of internal process improvements across the Bank through automation and deployment of technology
- Increase in digital modes of serving our customers
  - More than 60% of the Bank's transactions were routed via digitally enabled modes

## Key cost drivers

- Increased investments in target promotional activities
- Increase in the staff base
- Increased investments in digital infrastructure

## Cost to Income Ratio



LKR Bn	FY 2018	FY 2017	Quantum growth 2018	Percentage growth 2018
Total assets	473	383	90	23
Gross loans and receivables from customers	353	279	76	27
Total deposits from customers	348	273	75	27
Total equity	35	29	6	22

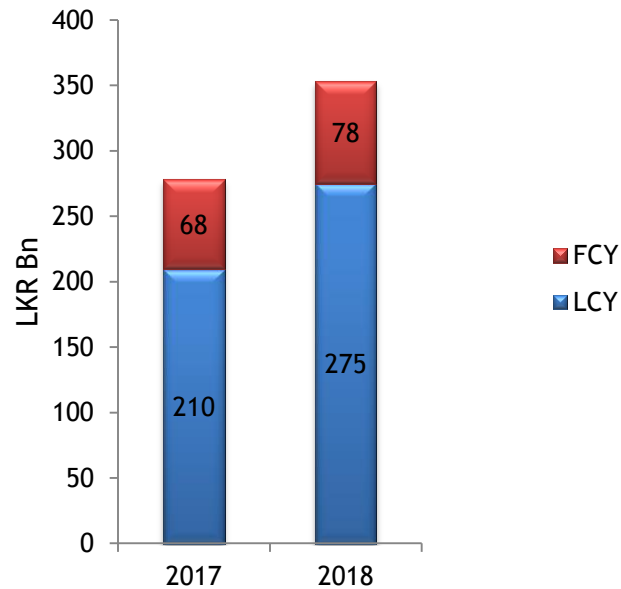
- Exceptional growth in total assets, loans and receivables and customer deposits, all ahead of industry ratios as discussed previously
- Enhanced growth capabilities in 2018 compared to prior year as a result of the large number of strategic initiatives implemented under Transformation 2020 Strategy

## Total Assets - Group

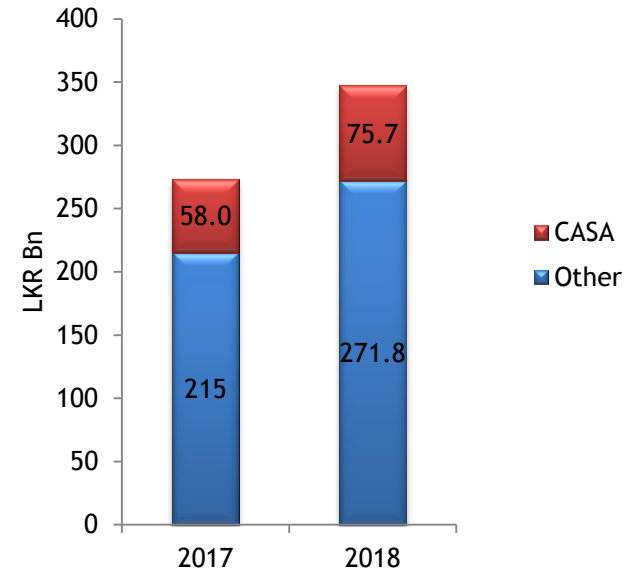
LKR Bn	FY 2018	FY 2017	Quantum growth	% YTD growth
Total assets	479	389	90	23



### Total gross loans growth



### Customer deposits



- Enhanced performance across all loan products and segments
- Target marketing, customer acquisition strategies and deeper penetration in to new segments through digital solutions

## CASA

- Well maintained CASA ratio at 22%
  - 30% increase in the CASA deposits base [LKR 18 Bn]
- \*Amidst industry-wide deterioration of CASA deposits

Enhanced LDR of 101.7% as of end 2018

BASEL III - FY 2018	Bank	Group
Common Equity Tier 1 Capital Ratio % (Minimum Requirement - 6.375%)	9.17	10.39
Tier 1 Capital Ratio % (Minimum Requirement - 7.875%)	9.17	10.39
Total Capital Ratio % (Minimum Requirement - 11.875%)	12.63	13.62
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 90%)	168.74	168.74
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 90%)	215.99	215.99

- The Bank concluded a Rights Issue during the last quarter of 2018, resulting in LKR 3.4 bn being raised as Tier I capital
- In December 2018 the Bank also announced its plans to raise Tier II capital via a five year listed debenture issue, to support the business growth
- The Bank is also compliant with the Basel guidelines applicable as at 01 January 2019, with the regulatory requirements for Tier I and Total capital ratios of 8.5% and 12.5% respectively.
- Liquidity ratios well above the statutory minimum requirements




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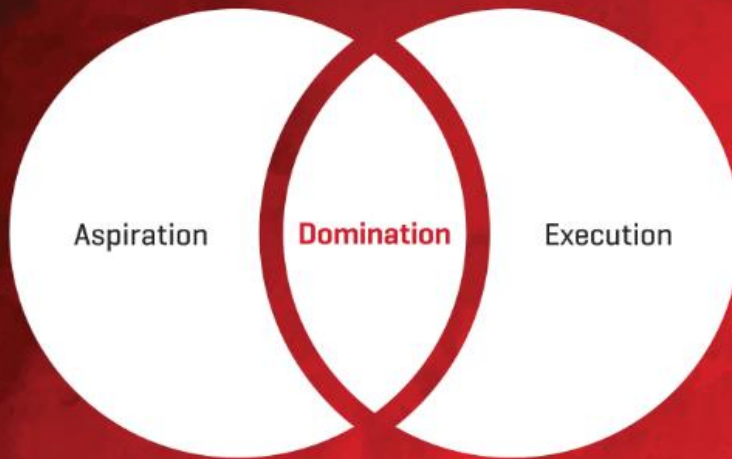
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# NDB Investor Relations



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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