

INVESTOR WEBINAR Q1 2019

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

16 May 2019 10:00 HRS
Colombo
Sri Lanka

Forward Looking Statements

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Presented by


Dimantha Seneviratne
Director/ Group Chief Executive Officer

Panelists

Buwaneka Perera - Senior Vice President - Corporate Banking
Sanjaya Perera - Senior Vice President - Personal Banking & Branch Network
Deepal Akuratiyagama - Chief Operating Officer
Niran Mahawatte - Vice President - Treasury
Indika Ranaweera - Vice President - SME, Middle Market & Business Banking
Suvendrini Muthukumarana - Vice President - Finance
Shanka Abeywardene - Assistant Vice President - Corporate Planning & Business Intelligence

Visit our corporate website for the panelists' full profiles - www.ndbbank.com


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

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- 4 decades of banking excellence with 14 years of commercial banking specialization
- Approximately 2,500 competent NDBers delivering universal banking services
- 110 branches, 122 ATM & CRM touch-points
- Strong digital financial capabilities
 - Bank2U, the Branch-less Banking proposition reaching out to niches
 - 35 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
- 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

- AsiaMoney Magazine - Country Best Bank Awards 2019
 - Best Domestic Bank Sri Lanka
 - Best for Premium Banking Services Sri Lanka
 - Best Corporate and Investment Bank Sri Lanka [Third consecutive year]
- Global Banking & Finance Review UK - 2019
 - Best SME Bank Sri Lanka [Third consecutive year]
 - Best financial services Group Sri Lanka [Second consecutive year]
 - Most Innovative Digital Transformation Sri Lanka
 - Best Bank for Project Financing Sri Lanka [Second consecutive year]
 - Best Automobile Lending Initiative Sri Lanka
- International Business Magazine - UAE
 - Best Corporate Bank Sri Lanka 2019
- LMD Brands Annual 2019
 - NDB brand ranked 19th with a brand rating of A+. Brand value LKR 8,155 Mn



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Income Statement & Profitability

LKR Mn	Q1 2019	YoY Growth %
Net interest income	4,661	39
Net fee & comm income	864	22
Pre-tax core banking profit	2,579	22
Total operating expenses	2,232	16
Profit before taxes	2,919	9
Profit after tax	1,373	[12]

Balance Sheet

LKR Bn	Q1 2019	YTD Growth
Total assets	483	2
Gross loans	361	2
Total deposits	351	1
Equity capital	35	1

Key ratios

- NIM of 3.41%
- Cost to income ratio of 37.28%
- ROE of 11.06%
- ROA of 0.81%
- NPL ratio of 3.37%
- Tier I CAR of 9.34%
- Total CAR of 14.40%

Q1 results achieved amidst

Externally;

- Challenging macro economic conditions
- Industrywide escalation in NPLs

Internally

- Recalibrated business growth targets to match such conditions
- Strengthened risk management and credit underwriting standards to ensure sustainable growth

Income Statement [Bank]



LKR Mn	Q1 2019	Q1 2018	Variance	%
Gross Income	14,101	11,943	2,158	18
Interest Income	12,770	9,884	2,885	29
Interest expenses	8,108	6,533	1,575	24
Net interest income	4,661	3,351	1,310	39
Non - Fund based income	1,331	2,059	[728]	[35]
Impairment charges for loans and other losses	842	800	42	5
Net operating income	5,151	4,610	541	12
Total operating expenses	2,232	1,932	300	16
Operating Profit before taxes	2,919	2,678	241	9
Taxes	1,546	1,117	429	38
PAT	1,373	1,561	188	[12]
Group PAS	1,008	1,152	[144]	[13]

NII primarily driven by YoY portfolio growths of Gross Loans - LKR 73 Bn; Deposits LKR 67 Bn.

Profitability impacted by

- reduced non-fund based income
- Increased effective tax rate of 53% vs. 42% with the introduction of the Debt Repayment Levy [Q1 2019 - LKR 275 Mn]

Non Fund Based Revenue Analysis

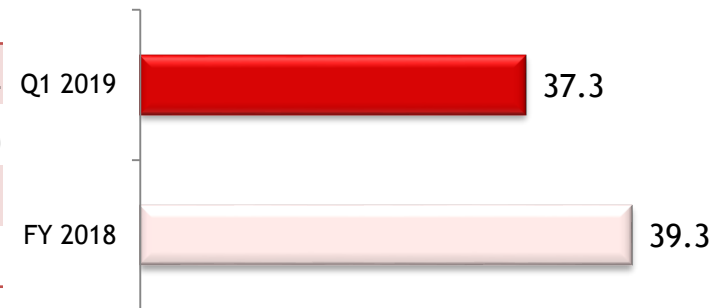


LKR Mn	Q1 2019	Q1 2018	Variance	%
Net fee and commission income	864	710	154	22
Net gains from trading	356	355	1	0.3
Net gain/ [loss] from financial investments	5	[11]	16	142
Net gains from de-recognition of financial assets	62	272	[210]	[77]
Other operating income	44	733	[689]	[94]
Total non-fund based income	1,331	2,059	[728]	[35]

- Net fee and commission - Growth due to the expansion of fee generating business activities and volume growths over the last twelve months
- Net gains from financial investments - Decline due to the higher gains earned during Q1 2018, as a result of the favourable movement in the interest rates
- Other operating income - Decline due to the exchange losses incurred on the revaluation of the foreign currency reserves of the Bank, due to the appreciation of the Sri Lankan Rupee in Q1 2019

LKR Mn	Q1 2019	Q1 2018	% Increase
Personnel expenses	1,161	1,015	14
Depreciation & amortization	137	105	30
Other expenses	934	811	15
Total operating expenses	2,232	1,932	16

Cost to Income Ratio - %



Key cost drivers

- Increase in staff base to support the growing business [Staff base: Q1 2018 - 2,331; Q1 2019 - 2,652]
- Increase in depreciation and amortization in line with the large investment initiatives taken by the Bank, in expanding
 - the branch network [Q1 2018: 107 - Q1 2019: 110]
 - enhancing digital offerings for a better customer experience [Cash recycle machines Q1 2018: 4 - Q1 2019: 35]

Sound cost management resulted from;

- A large number of internal process improvements across the Bank through automation and deployment of technology - BPR, Robotic Process Automation, Lean Six-Sigma
- Increase in digital modes of serving our customers powered by Cash Recycle Machines, Mobile Banking App, Bank2U branchless banking proposition and online banking platform

LKR Bn	Q1 2018	Q1 2019	FY 2018	YTD Quantum growth	YTD % growth	YoY Quantum growth	YOY % growth
Total assets	396	483	473	9.7	2	87	22
Gross loans	288	361	353	7.6	2	73	26
Total deposits	284	351	348	3.5	1	67	24
Total equity	29.7	35.3	35	0.3	1	5.6	19

- Balance Sheet growth moderated in line with the wider macro economic and industry conditions

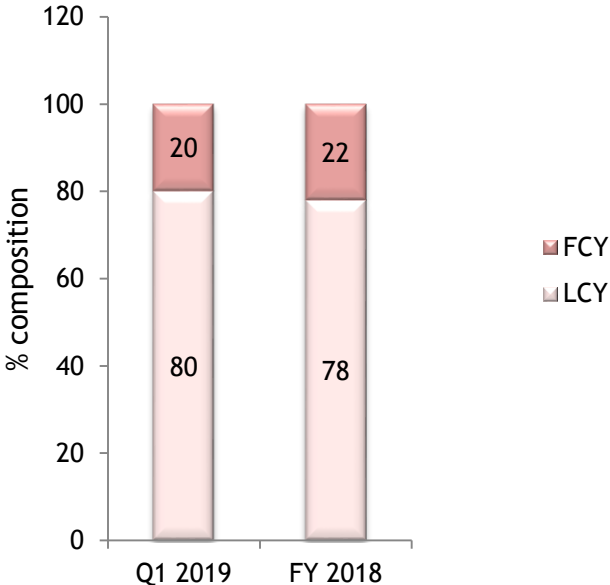
Group Total Assets - LKR 488 Bn

Impairment analysis

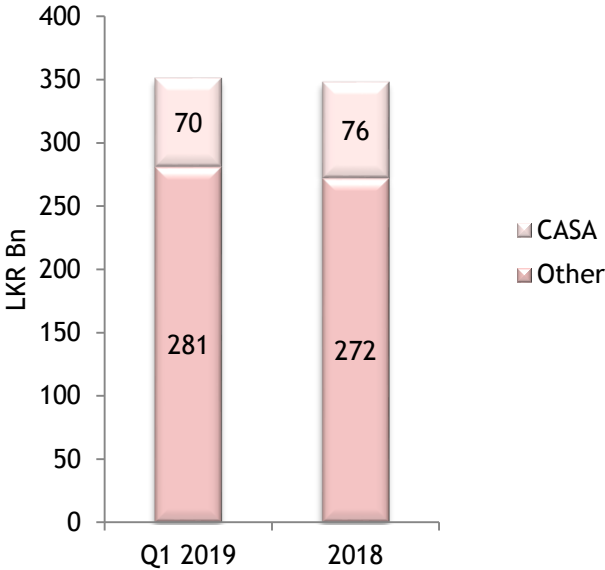
LKR Mn	Q1 2019	Q1 2018
Individual impairment	1,039	330
Collective impairment	[243]	456
Other provision - charge/[release]	45	15
Total	842	800

- The Bank is mindful of the stresses experienced in the industry and is continuously reviewing the collection and recovery processes to minimize the high impairment loss effect to the Bank
- Escalation in NPL Ratio to 3.37% reflecting the industry-wide NPL trend - Yet below industry average

Total gross loans - Currency composition



Customer deposits




- Enhanced currency mix of the loan book in Q1 2019
- Long and medium term loans and credit cards recorded sound growth
- All segments contributed towards the loan growth
- Segment composition of the loan book Corporate: Retail & SME - 58:42
- CASA remains a challenge
- The Bank’s digital initiatives are expected to support the growth in the low cost deposits base

BASEL III - Q1 2019	Bank	Group
Common Equity Tier 1 Capital Ratio % [Minimum Requirement -7.0%]	9.34	10.61
Tier 1 Capital Ratio % [Minimum Requirement - 8.5%]	9.34	10.61
Total Capital Ratio % [Minimum Requirement - 12.5%]	14.40	15.39
Liquidity Coverage Ratio [%] - Rupee [Minimum Requirement - 100%]	167.85	167.85
Liquidity Coverage Ratio [%] - All Currency [Minimum Requirement - 100%]	181.82	181.82

- In Q1 2019 the Bank issued
 - 50 Mn Basel III compliant, listed rated unsecured and subordinated debentures
 - par value of LKR 100/-
 - tenor - five years
 - oversubscribed and raised LKR 5.561 Bn as Tier II capital
- Capital infusion plans well underway

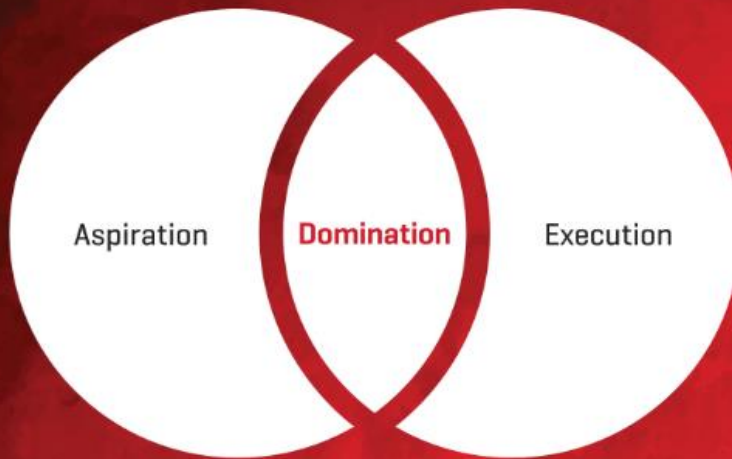
Investor Ratios	Bank		Group	
	Q1 2019	FY 2018	Q1 2019	FY 2018
Closing price per share [LKR]	94.20	106.80	NA	NA
EPS [LKR] [Annualized]	17.52	30.22	13.92	27.98
ROE [%]	11.06	17.41	7.91	14.26
ROA [%]	0.81	1.30	0.64	1.18
Book value per Share [LKR]	159.17	166.41	176.10	185.49
P/E [times]	5.38	3.53	NA	NA
Price to Book value [PBV] [times]	0.59	0.64	NA	NA

NDB share remains a BUY on the basis of a <1 PBV.

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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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