



INVESTOR WEBINAR H1 2019

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

15 August 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
Indika Ranaweera - Vice President - SME, Middle Market & Business Banking
Shanka Abeywardene - Assistant Vice President - Corporate Planning & Business Intelligence




- Part I - Business Overview



- Part II - Financial Performance



- Part III - Q&A



- Part I - Business Overview



- Part II - Financial Performance



- Part III - Q&A

**Celebrating 40 years of
banking excellence
&
service to the nation.
1979 - 2019**



Presence [Physical and Virtual]

111 branches

108 ATMs [Off-site 20]

49 Cash Recycle Machines [Off-site 21]

80+ localities offering Branchless Banking - "BANK2U"

NDB NEOS - State-of-the-art "Phygital" branch

Highly popular NDB mobile banking app



Human Capital & Diversity

Team strength of over 2,700

39% overall female representation

40% senior management representation

EDGE certified for work place gender equality



Our CSR Impact

Core focus areas of Education, Environment
and Entrepreneurship & Financial Inclusion

1,560 staff volunteer hours [2018]

Number of beneficiaries [2018] - 116,323

Endeavours led by a strategic CSR Committee



Key Strengths

Competitive universal banking offerings

Expertise in development financing and project financing

Unmatched competence in capital market services

Digitized solutions with latest technology in deployment - *69% of transactions performed via digitized modes in 2018*

Strong Governance and Management

Led by a competent Board of Directors and an independent Chairman

Experienced, dynamic and versatile top management team

Commitment to highest standards of ethics

32 awards titles won so far for the year by the NDB Group, across a wide range of performance areas

- Highlights

- **AsiaMoney Magazine**

- Best Bank in Sri Lanka 2019

- Best for Premium Banking Services Sri Lanka

- Best Corporate and Investment Bank Sri Lanka [NDB Investment Bank Limited]

- **Global Banking and Finance Review UK - 2019 Awards**

- Best SME Bank Sri Lanka

- Best Bank for Project Financing Sri Lanka

- Best financial services Group Sri Lanka

- Most Innovative Digital Transformation Sri Lanka

- Best Automobile Lending Initiative Sri Lanka

- **Asian Banking & Finance Magazine Singapore - 2019 Awards**

- Best Domestic Retail Bank of the Year

- Best SME Bank of the Year

- Best Domestic Project Finance Bank of the Year

- Corporate & Investment Bank of the Year [NDB Investment Bank Limited]

- **Euromoney Awards for Excellence 2019**

- Sri Lanka's Best Investment Bank [NDB Investment Bank Limited - Eighth consecutive year]

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- Part I - Business Overview

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- Part II - Financial Performance

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- Part III - Q&A

Income Statement & Profitability

LKR Mn	H1 2019	YoY Growth %
Gross income	28,859	22
Net interest income	8,653	27
Net fee & comm income	1,763	22
Pre-tax core banking profit	4,625	14
Total operating expenses	4,663	18
Profit before taxes	5,008	8
Profit after tax	2,220	[15]

Balance Sheet

LKR Bn	H1 2019	YTD Growth %
Total assets	490	4
Gross loans	372	5
Total deposits	355	2
Borrowings	87	12

Movement in key ratios

KPI %	H1 2019	H1 2018
NIM	3.36	3.34
CIR	40.38	39.42
	H1 2019	FY 2018
ROE	10.91	17.41
ROA [Pre-tax]	1.88	2.22
NPL	4.56	2.85

Key results influencers;

- Reduced economic activity coupled with political uncertainty
- Deteriorating credit quality and rising NPLs
- Higher taxes imposed on the banking industry

Income Statement [Bank]



LKR Mn	H1 2019	H1 2018	Variance	%
Gross Income	28,859	23,649	5,210	22
Interest Income	25,963	20,352	5,610	28
Interest expenses	17,310	13,556	3,754	28
Net interest income	8,653	6,797	1,856	27
Non - Fund based income	2,896	3,297	[400]	[12]
Impairment charges for loans and other losses	1,878	1,514	364	24
Net operating income	9,672	8,579	1,092	13
Total operating expenses	4,663	3,958	705	18
Operating Profit before taxes	5,008	4,621	387	8
Taxes	2,788	2,007	780	39
PAT	2,220	2,614	[394]	[15]
Group PAS	1,790	2,265	[476]	[21]

- *Well coordinated movement in interest income and interest expenses*
- *Impressive NII growth of 27%*
- *Impairment charges managed at a 24% increase due to strong risk management practices*
- *Over 50% of PBT paid out as taxes, impacting the post tax profitability*

LKR Mn	H1 2019	H1 2018	Variance	%
Net fee and commission income	1,763	1,447	316	22
Net gains from trading	676	588	88	15
Net gain/ [loss] from financial investments	3	[2]	5	215
Net gains from de-recognition of financial assets	353	344	10	3
Other operating income	101	921	[819]	[89]
Total non-fund based income	2,896	3,297	[400]	[12]

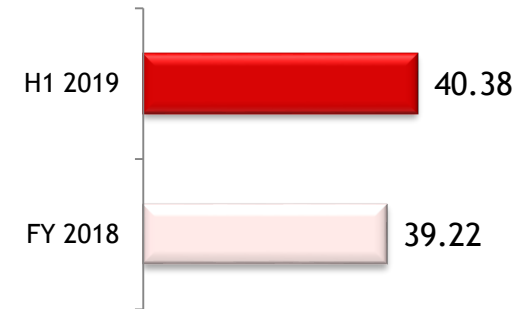
- Net fee and commission benefitted from
 - The increase in business volumes including credit cards
 - The steep uptake of digital financial solutions of the Bank
- Total operating income down due to
 - The exchange losses incurred on the revaluation of the foreign currency reserves of the Bank

Operating Expenses & Taxation [Bank]



Operating Expenses - LKR Mn	H1 2019	H1 2018	% Increase
Personnel expenses	2,403	2,128	13
Depreciation & amortization	260	212	22
Other expenses	2,001	1,618	24
Total operating expenses	4,663	3,958	18

Cost to Income Ratio - %



- Staff base increase H1 2019 - H1 2018; 2,766 vs. 2,381
- Depreciation increase due to large investments in digital and physical infrastructure

Taxation - LKR Mn	H1 2019	% Composition Effective Tax Rate	H1 2018	% Composition Effective Tax Rate	YoY % Increase
VAT on Financial services	912	33	813	41	12
NBT on Financial services	122	4	113	6	8
Debt repayment Levy	498	18	-	-	100
Income tax	1,256	45	1,082	54	16
Total taxes	2,788		2,007		39
Effective tax rate [%]	56		43		-

- High taxes - a challenge in profitability
- Debt Repayment Levy introduced in Q4 2018

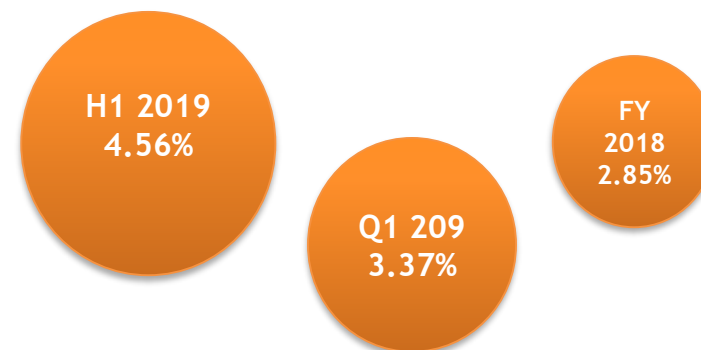
LKR Bn	H1 2018	H1 2019	FY 2018	YTD Quantum growth	YTD % growth	YoY Quantum growth	YOY % growth
Total assets	416	490	473	17	4	74	18
Gross loans	307	372	353	19	5	66	21
Total deposits	297	355	348	7	2	57	19
Borrowings	77	87	75	12	16	10	13
Total equity	31	36	35	1	4	5	18

- Balance sheet growth moderated yet at healthy levels within the prevailing economic conditions and in line with the Bank's internal growth targets

Impairment analysis

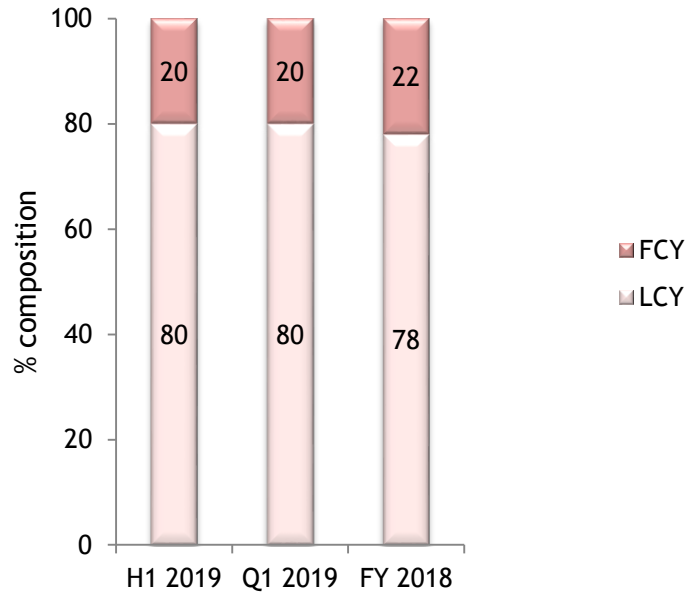
LKR Mn	H1 2019	H1 2018
Individual impairment	1,972	749
Collective impairment	[210]	744
Other provision - charge/[release]	115	21
Total	1,878	1,514

NPL ratio

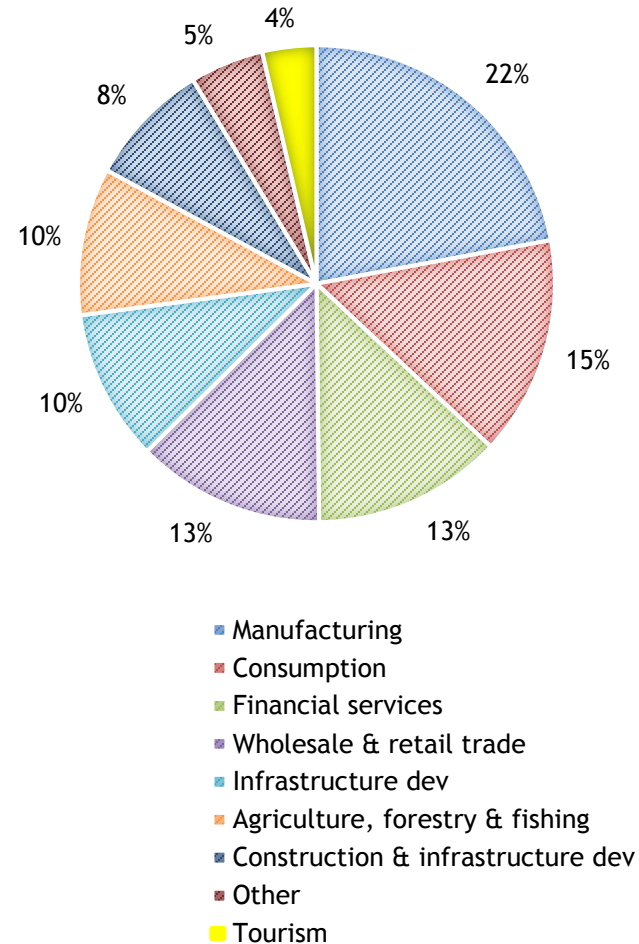


- Increase in NPLs along the wider industry trend, yet compares lower than the industry average.

Total gross loans - Currency composition



Sectoral composition of the loan book



- Currency composition of the loan book maintained at 80:20 ratio
- Gross loans - High performing products - Term loans, credit cards, consumer loans, leasing

A well diversified portfolio which has stood resilient in turbulent economic conditions

Key Balance Sheet growth funding sources;

- Increase in deposits
- Funds sourced via a listed debenture issuance

Deposits [LKR Mn]

LCY	H1 2019	FY 2018	Movement - LKR	%
Demand deposits	19,576	18,593	983	5%
Savings deposits	32,803	36,179	(3,375)	-9%
Time deposits	226,559	206,114	20,445	10%
Other deposits	563	930	(368)	-40%
Sub total	279,501	261,816	17,685	7%

FCY	H1 2019	FY 2018	LKR	%
Demand deposits	2,723	4,300	(1,577)	-37%
Savings deposits	9,647	16,622	(6,975)	-42%
Time deposits	62,529	64,382	(1,853)	-3%
Other deposits	218	391	(172)	-44%
Sub total	75,118	85,695	(10,577)	-12%
Total	354,619	347,511	7,108	2%

- Net outflows in FCY CASA deposits experienced during H1 2019
- However, growth observed in granular deposits, demonstrating efficiency of the Network
- CASA expected to improve over the second half of the year

Listed debentures

50 Mn Basel III compliant, listed rated unsecured and subordinated debentures at a par value of LKR 100/- with a tenor of five years issued in March 2019 - *Oversubscribed and raised LKR 5.561 Bn as Tier II capital*

BASEL III - H1 2019	Bank	Group
Common Equity Tier 1 Capital Ratio % [Minimum Requirement -7.0%]	9.02	10.21
Tier 1 Capital Ratio % [Minimum Requirement - 8.5%]	9.02	10.21
Total Capital Ratio % [Minimum Requirement - 12.5%]	13.64	14.56
Liquidity Coverage Ratio [%] - Rupee [Minimum Requirement - 100%]	211.85	211.85
Liquidity Coverage Ratio [%] - All Currency [Minimum Requirement - 100%]	156.40	156.40

- Capital ratios remain above the minimum requirement
- Capital augmentation plans underway
- Adequate liquidity maintained as evident in the key liquidity ratios

Investor Ratios	Bank		Group	
	H1 2019	FY 2018	H1 2019	FY 2018
Closing price per share [LKR]	89.90	106.80	NA	NA
EPS [LKR] [Annualized]	17.52	30.22	15.30	27.98
ROE [%]	10.91	17.41	8.59	14.26
ROA [%] [Pre-tax]	0.81	1.30	0.70	1.18
Book value per Share [LKR]	163.40	166.41	180.16	185.49
P/E [times]	5.13	3.53	NA	NA
Price to Book value [PBV] [times]	0.55	0.64	NA	NA

- Investor ratios to improve with anticipated improvements in profitability over the remainder of the year



- Part I - Business Overview



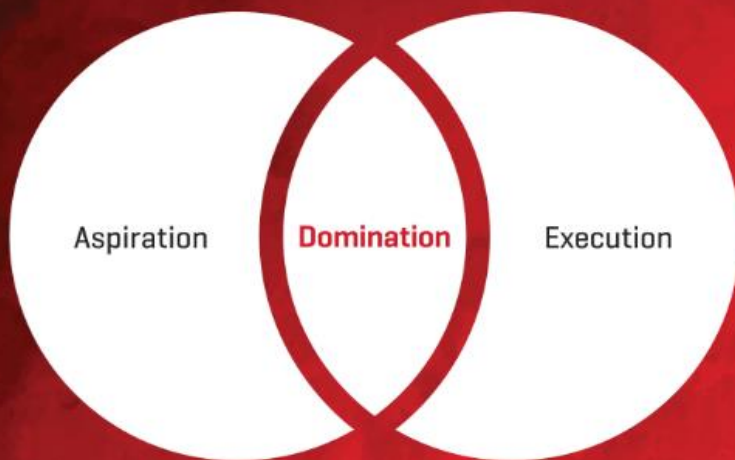
- Part II - Financial Performance



- Part III - Q&A



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 four consecutive years in 2019, 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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