

INVESTOR WEBINAR Q3 2019

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

15 November 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
Suvendrini Muthukumarana - Vice President - Finance
Niran Mahawatte - Vice President - Treasury
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



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



NDB has been a key catalyst in the country's development journey.

Presence [Physical and Virtual]

- 112 branches
- 101 ATMs [Off-site 20]
- 53 Cash Recycle Machines [Off-site 22]
- 80+ localities offering Branchless Banking - "BANK2U"
- NDB NEOS - 2 State-of-the-art "Phygital" branches
- Highly popular NDB mobile banking app



Human Capital & Diversity

- Team strength of over 2,800
- 39% overall female representation
- 40% senior management representation
- EDGE certified for work place gender equality



Key Awards and Accolades 2019

- **Global Finance USA - The World's Best Consumer Digital Banks - Winner - Sri Lanka**
- AsiaMoney Magazine - Best Domestic Bank Sri Lanka
- Close to 50 awards won by the NDB Group in 2019 to date

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

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- Part I - Business Overview

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Movement in KPIs Q3 2019 - Snapshot



Income Statement - LKR Mn	Q3 2019	YoY Growth %
Gross income	43,913	19
Net interest income	13,092	23
Net fee & comm income	2,753	21
Pre-tax core banking profit	7,144	16
Total operating expenses	7,153	16
Profit before taxes	7,562	11
Profit after tax	3,351	[13]
Profit attributable to shareholder [Group PAS]	2,937	[14]

Balance Sheet - LKR Bn	Q3 2019	YTD Growth %
Total assets	505	7
Gross loans	390	10
Total deposits	374	8
Borrowings	81	7

Movement in key ratios

KPI %	Q3 2019	Q3 2018
NIM	3.4	3.4
CIR	40.7	39.4
	Q3 2019	FY 2018
ROE	11.83	17.41
ROA [Pre-tax]	1.99	2.22
NPL	4.93	2.85

Performance impacted by;

- Reduced economic activity [low overall GDP growth]
- Industry-wide deteriorating credit quality and rising NPLs
- Higher taxes imposed on the banking industry

Fund and Non Fund Based Revenue Analysis



Fund Based Revenue - LKR Mn	Q3 2019	Q3 2018	Variance	%
Interest Income	39,424	31,790	7,634	24
Interest Expense	26,332	21,163	5,169	24
Net interest income	13,092	10,628	2,464	23

Non Fund Based Revenue - LKR Mn	Q3 2019	Q3 2018	Variance	%
Net fee and commission income	2,753	2,272	481	21
Net gains from trading	767	861	[94]	[11]
Net gain/ [loss] from financial investments	3	[16]	19	118
Net gains from de-recognition of financial assets	663	420	243	58
Other operating income	304	1,467	[1,163]	[79]
Total non-fund based income	4,490	5,004	[514]	[10]

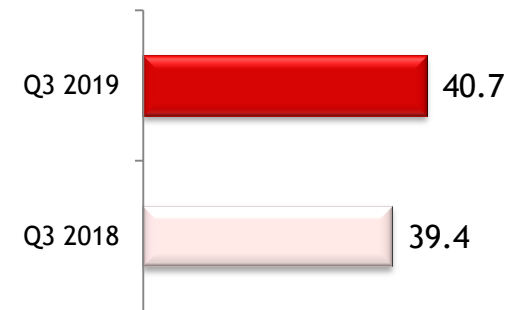
- NII supported by
 - The expansion of the loan book by 10% [LKR 36.4 Bn quantum growth]
 - NIM of 3.4% resulting from effective re-pricing of assets and liabilities
- Net fee and commission income
 - A contribution of 16% to overall operating income
 - Growth propelled by loan book as well as the thrust in the Bank's digital financial services

Operating Expenses & Taxation [Bank]



Operating Expenses - LKR Mn	Q3 2019	Q3 2018	% Increase
Personnel expenses	3,702	3,251	14
Depreciation & amortization	393	319	23
Other expenses	3,058	2,576	19
Total operating expenses	7,153	6,146	16

Cost to Income Ratio - %



- Staff base increase Q3 2019 - Q3 2018; 2,885 vs. 2,444 and annual salary revisions
- Depreciation increase due to investments in digital and physical infrastructure
- Cost to income ratio expected to improve over the year with the new process improvements and systems introduced

Taxation - LKR Mn	Q3 2019	Q3 2018	YoY % Increase
VAT on Financial services	1,374	1,228	12
NBT on Financial services	185	163	13
Debt repayment Levy	757	-	100
Income tax	1,894	1,556	22
Total taxes	4,210	2,947	
Effective tax rate [%]	56%	43%	

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

LKR Bn	Q3 2019	FY 2018	Q3 2018	YTD Quantum growth	YTD % growth	YoY Quantum growth	YOY % growth
Total assets	505	473	458	32	7	47	10
Gross loans	390	353	334	37	10	56	17
Total deposits	374	348	329	26	8	45	15
Borrowings	81	75	84	6	7	3	4
Total equity	37	35	32	2	6	5	16

- Balance sheet growth moderated to match the prevailing economic conditions and in line with the Bank's internal growth targets

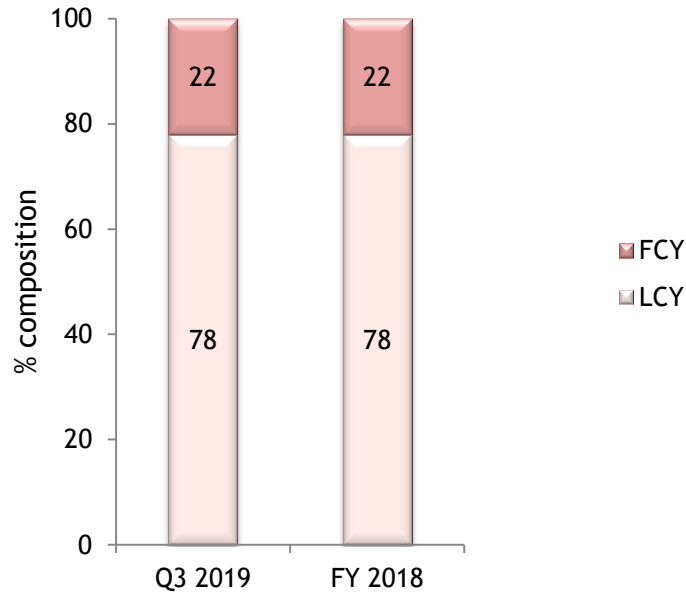
Impairment analysis

LKR Mn	Q3 2019	Q3 2018
Individual impairment	2,119	1,479
Collective impairment	561	1,234
Other provision - charge/[release]	186	[22]
Total	2,866	2,691

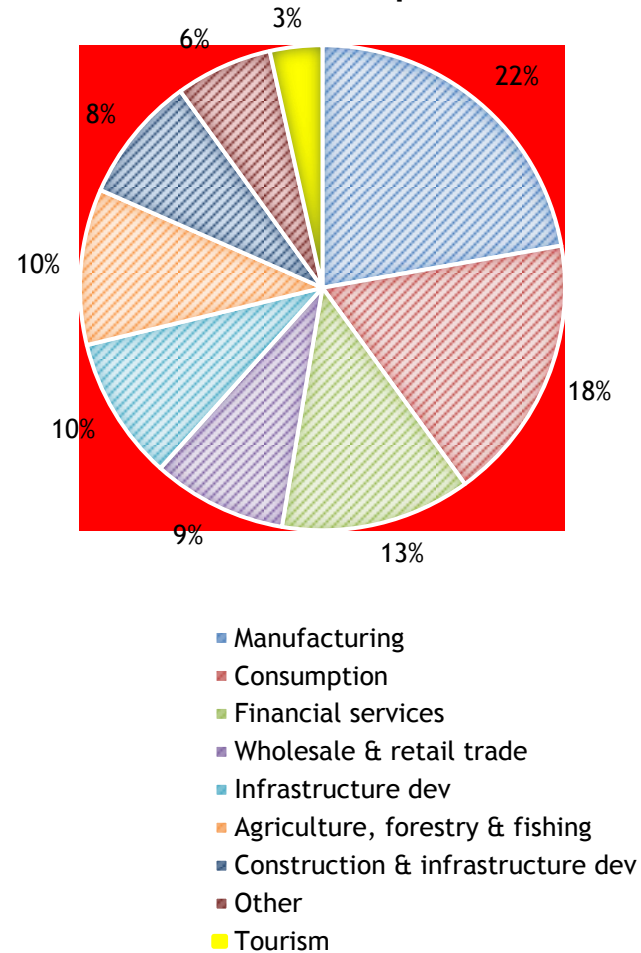
NPL ratio contained at 4.93%

- Increase in NPLs along the wider industry trend
- NPLs during Q3 has been well contained

Total gross loans - Currency composition



Sectoral composition of the loan book



- Gross loans - High performing products - Term loans, credit cards, consumer loans, leasing
- Overall loan growth seen in all business segments

The dynamism of the loan portfolio has ensured that adverse effects from macro economic conditions are well managed.

Key Balance Sheet growth funding sources;

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

Deposits [LKR Bn]

Deposit	Q3 2019	FY 2018	Quantum increase
Current	24	23	1
Savings	52	53	[1]
Time	297	271	26
Other	0.9	1	[.1]
Total	374	348	27

- Highest growth seen in Time Deposits during the first 9 months
- Net outflows in FCY CASA deposits experienced during first half of 2019
- Growth observed in granular deposits [both Term and CASA], demonstrating efficiency of the Network
- CASA ratio
 - Q3 2019 - 20%

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 - Q3 2019	Bank	Group
Common Equity Tier 1 Capital Ratio % [Minimum Requirement - 7.0%]	9.5	10.6
Tier 1 Capital Ratio % [Minimum Requirement - 8.5%]	9.5	10.6
Total Capital Ratio % [Minimum Requirement - 12.5%]	14.0	14.8
Liquidity Coverage Ratio [%] - Rupee [Minimum Requirement - 100%]	207.7	207.7
Liquidity Coverage Ratio [%] - All Currency [Minimum Requirement - 100%]	155.0	155.0
Net Stable Funding Ratio [Minimum Requirement - 100%]	108.0	108.0

Hitherto the existing regulatory directions, the Bank is deemed to be a Domestic Systemically Important Bank [D-SIB] with its total assets in excess of LKR 500 Bn, and the minimum capital adequacy ratios applicable are 10% and 14% for Tier I and total capital respectively.

However, the Regulator is in the process of finalising the new assessment methodology for D-SIBs, where the assessment of D-SIBs will be based on multiple factors such as size, inter-connectedness, substitutability and complexity. Accordingly new banks passing the threshold of LKR 500 Bn in asset size at present may not be selected as D-SIBs under the new framework and hence will not be required to meet the enhanced capital adequacy requirements currently applicable for D-SIBs. The above position has been confirmed by the regulator to the Bank. Therefore the Bank's minimum regulatory capital requirement for Tier 1 and Total capital remains at 8.5% and 12.5% respectively, where the current ratios for the Bank stands at 9.52% and 14.01% respectively. In the meantime, the Bank is continuing with its Capital augmentation process to support the Bank's long term growth aspirations.

Investor Ratios	Bank		Group	
	Q3 2019	FY 2018	Q3 2019	FY 2018
Closing price per share [LKR]	97.80	106.80	NA	NA
EPS [LKR] [Annualized]	19.27	28.44	17.38	26.33
ROE [%]	11.83	17.41	9.64	14.26
ROA [%] [Pre-tax]	1.99	2.22	2.00	2.17
Book value per Share [LKR]	167.90	166.41	184.83	185.49
P/E [times]	5.08	3.75	5.63	4.06
Price to Book value [PBV] [times]	0.58	0.64	0.53	0.58

- The Share remains an attractive BUY as demonstrated by a <1 PBV

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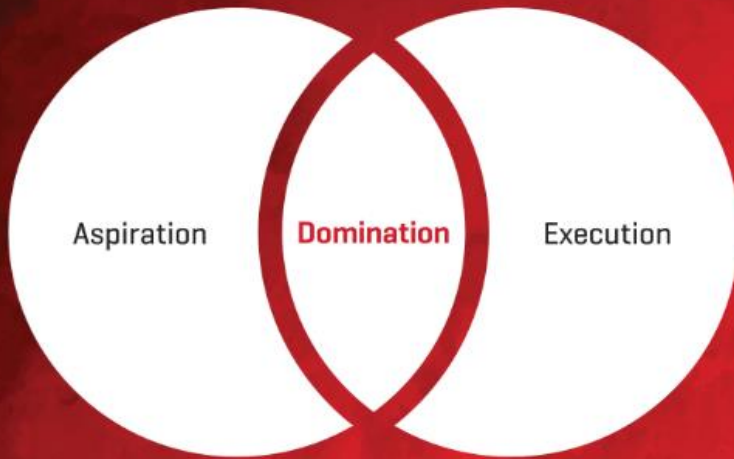
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NDB's Investor Relations is the recipient of the Gold Award for Best Investor Relations at the coveted CFA Sri Lanka Capital Market Awards, for four consecutive years in 2019, 2018, 2017 & 2016.

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

Reach us;

investor.relations@ndbbank.com

T: + 94 112 448 448 Extn: 35338/35301

www.ndbbank.com/InvestorRelations