

INVESTOR WEBINAR

Full Year 2019

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

19 February 2020 15:30 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
- 100 ATMs [Off-site 20]
- 54 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 2,900
- 40% overall female representation
- 35% senior management representation
- EDGE certified for work place gender equality



Key Awards and Accolades 2019

- Global Finance 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 - *71% of transactions performed via digitized modes in 2019*

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 FY 2019 - Snapshot



Income Statement - LKR Mn	FY 2019	YoY Growth %
Gross income	59,114	16
Net interest income	17,707	20
Net fee & comm income	3,909	25
Pre-tax core banking profit	9,629	8
Total operating expenses	9,434	11
Profit before taxes	10,054	6
Profit after tax	5,112	[8]
Profit attributable to shareholder [Group PAS]	4,776	[7]

Balance Sheet - LKR Bn	FY 2019	YTD Growth %
Total assets	530	12
Gross loans	409	16
Total deposits	405	17
Borrowings	72	[4]

Movement in key ratios

KPI %	FY 2019	FY 2018
NIM	3.5	3.5
CIR	39.9	39.3
	FY 2019	FY 2018
ROE	13.73	17.41
ROA [Pre-tax]	2.01	2.22
NPL	4.77	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; DRL of LKR 1Bn

Fund and Non Fund Based Revenue Analysis



Fund Based Revenue - LKR Mn	FY 2019	FY 2018	Variance	%
Interest Income	53,175	44,354	8,821	20
Interest Expense	35,467	29,550	5,917	20
Net interest income	17,708	14,805	2,903	20

Non Fund Based Revenue - LKR Mn	FY 2019	FY 2018	Variance	%
Net fee and commission income	3,909	3,136	773	25
Net gains from trading	990	1218	[228]	[19]
Net gain/ [loss] from financial investments	3	[7]	10	147
Net gains from de-recognition of financial assets	716	384	332	87
Equity Income	448	612	[164]	[27]
Other operating income	[127]	1,406	[1,533]	[109]
Total non-fund based income	5,939	6,749	[810]	[12]

- NII supported by
 - The expansion of the loan book by 16% [LKR 56 Bn quantum growth]
 - NIM of 3.5% resulting from effective re-pricing of assets and liabilities
- Net fee and commission income
 - A contribution of 17% 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	FY 2019	FY 2018	% Increase
Personnel expenses	4,957	4,444	12
Depreciation & amortization	525	442	19
Other expenses	3,952	3,593	10
Total operating expenses	9,434	8,479	11

Cost to Income Ratio - %



- Staff base increase FY 2019 - FY 2018; 2,936 vs. 2,494 and annual salary revisions
- Depreciation increase due to investments in digital and physical infrastructure
- Cost to income ratio of 39.9% with the new process improvements such as workflow solutions, RPA, etc.

Taxation - LKR Mn	FY 2019	FY 2018	YoY % Increase
VAT on Financial services	1,838	1,710	7
NBT on Financial services	231	228	1
Debt repayment Levy	1,003	235	326
Income tax	1,871	1,772	6
Total taxes	4,943	3,946	
Effective tax rate [%]	49%	42%	

- Debt Repayment Levy introduced in Q4 2018

Balance Sheet & Asset Quality [Bank]



LKR Bn	FY 2019	FY 2018	YoY Quantum growth	YOY % growth
Total assets	530	473	57	12
Gross loans	409	353	56	16
Total deposits	405	348	57	17
Borrowings	72	75	[3]	[4]
Total equity	39	35	4	11

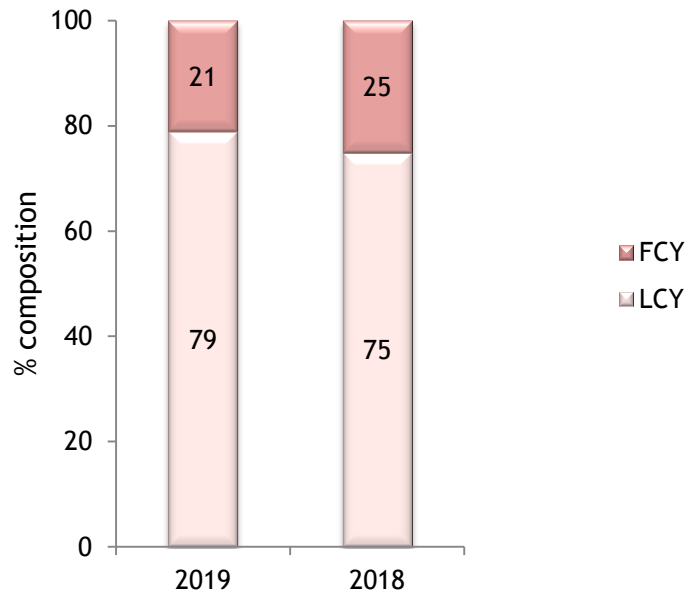
- Balance sheet growth moderated to match the prevailing economic conditions and in line with the Bank's internal growth targets

Impairment analysis

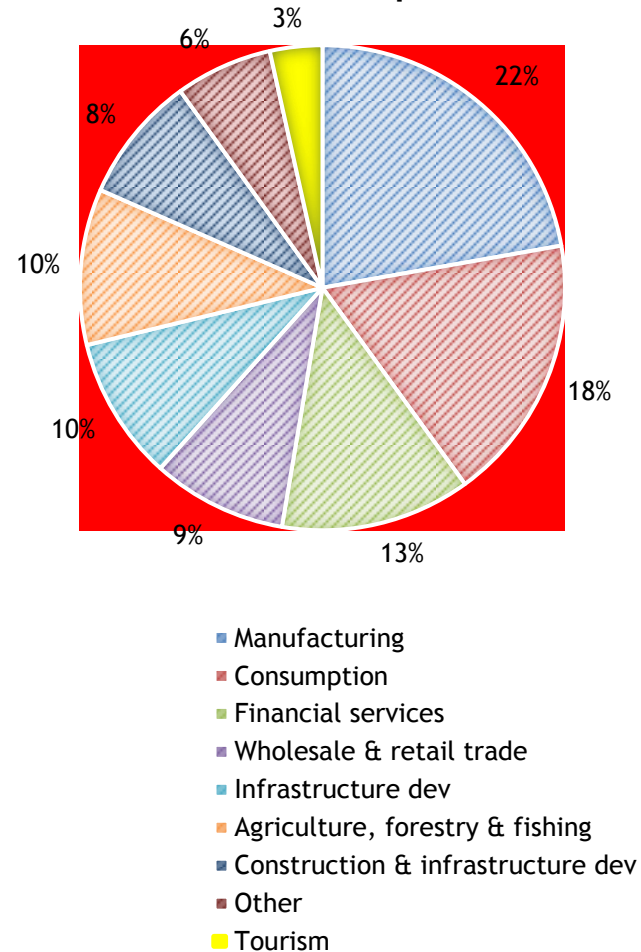
LKR Mn	FY 2019	FY 2018
Individual impairment	2,721	2,827
Collective impairment	1,124	770
Other provisions - charge/[release]	312	[16]
Total	4,158	3,581

- NPL ratio contained at 4.77%, Increase in NPLs along the wider industry trend
- NPL industry exposure well diversified

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	FY 2019	FY 2018	Quantum increase
Current	25	23	2
Savings	55	53	2
Time	324	271	53
Other	0.8	1	[.2]
Total	405	348	57

- Highest growth seen in Time Deposits during the year
- 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 FY 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 - FY 2019	Bank	Group
Common Equity Tier 1 Capital Ratio % [Minimum Requirement -7.0%]	9.2	10.2
Tier 1 Capital Ratio % [Minimum Requirement - 8.5%]	9.2	10.2
Total Capital Ratio % [Minimum Requirement - 12.5%]	13.4	14.2
Liquidity Coverage Ratio [%] - Rupee [Minimum Requirement - 100%]	162.4	162.4
Liquidity Coverage Ratio [%] - All Currency [Minimum Requirement - 100%]	153.3	153.3
Net Stable Funding Ratio [Minimum Requirement- 100%]	108.9	108.9

On 20 December 2019, The Central Bank of Sri Lanka issued a direction on the framework for dealing with Domestic Systematically Important Banks (DSIBs), which identifies a DSIB based on a relative score. As per this direction, despite crossing the LKR 500 Bn asset base, NDB's regulatory capital requirement remains at 8.5% for Tier 1 and 12.5% for Total Capital.

Investor Ratios	Bank		Group	
	FY 2019	FY 2018	FY 2019	FY 2018
Closing price per share [LKR]	100.00	106.80	NA	NA
EPS [LKR] [Annualized]	23.05	28.44	21.53	26.33
ROE [%]	13.73	17.41	11.59	14.26
ROA [%] [Pre-tax]	2.01	2.22	1.97	2.17
Book value per Share [LKR]	178.02	166.41	195.59	185.49
P/E [times]	4.34	3.75	4.64	4.06
Price to Book value [PBV] [times]	0.56	0.64	0.51	0.53

- A first and final dividend of LKR 7.00 per share (LKR 2.00-Cash Dividend and LKR 5.00 -Scrip Dividend)- maintained a dividend payout ratio of 30%
- The Share remains an attractive BUY as demonstrated by a <1 PBV

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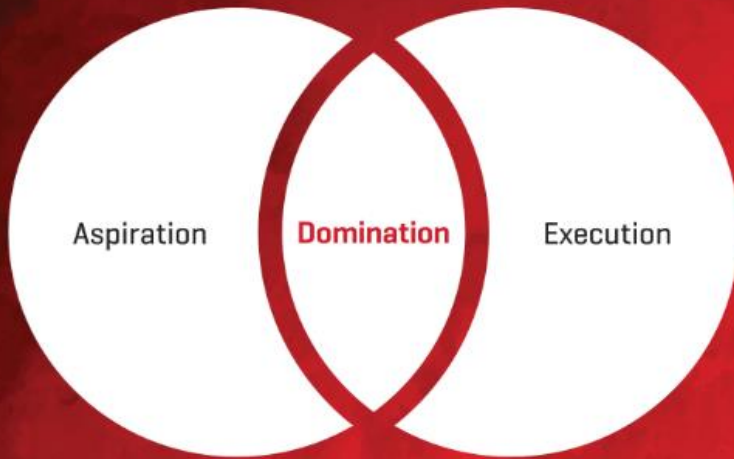
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NDB Investor Relations



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 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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