

Press Release

Results for the nine months ended 30 September 2017

National Development Bank PLC



NDB continues strong growth momentum for the nine months ended 30 September 2017

- **Impressive YoY growth of 64% in Profit after Tax to LKR 3.3 billion**
- **Accelerated growth in core banking operations**
- **11% increase in Total Assets to LKR 371 billion in nine months**
- **Deposits growth of 25% to LKR 255 billion and loans growth of 13% to LKR 264 billion for the nine months**
- **NPLS further improves to 1.96%**

Profitability

National Development Bank PLC (NDB) reported a 64% commendable growth in its Profit After Tax over the comparative period to record LKR 3,310 million for the nine months ended 30 September 2017. The Bank's Profit Before Tax (PBT) of LKR 5,679 million was an increase of 61% over the comparative period. Continuous and consistent improvement in core banking operations of the Bank over the reported three quarters and dividend income from group companies contributed towards this remarkable performance. The PBT and PAT of the Bank, excluding the Group dividends grew impressively by 51% and 50% respectively, which is a clear reflection of the strong performance of the core banking operations.

Net interest income (NII) recorded a 23% growth over the corresponding period to LKR 7,656 million. Accelerated NII growth over the quarters was due to steady growth in loans and advances coupled with improved Net Interest Margins of 2.90% for the nine months of 2017 as compared to 2.62% for the comparative period.

Net Fee and Commission Income of LKR 1,812 mn for the period was a growth of 10% over the comparative period and was in line with the increase in business volumes. Net fee and Commission Income have progressively improved over the three quarters affirming that fee income remains a strategic priority in improving the profitability of the Bank.

Net gains from trading had a 16% growth to LKR 793 mn which was also in line with business volumes generated during the period.

Total Operating Income which is a combination of NII and non-interest income had a 29% growth to LKR 12.02 billion.

The total impairment charges for loans and other losses for the nine months was LKR 872 million, a reduction of 11% over the corresponding period last year. Sound credit review, effective monitoring and recovery processes adopted by the Bank have resulted in reduced impairment charges for the period.

Total operating expenses was LKR 5,472 million, an increase of 13% over the comparative period. If not for the one-off cost involved in the pre-payment of a foreign currency loan, the increase was only 8% over the comparative period and reflects the efficient and effective cost management initiatives

adopted by the Bank, despite branch expansion and launch of new products during the period. The cost to income ratio (CIR) of 45.8% was well within the Bank's targets of maintaining its CIR below 50%.

The profit attributable to shareholders was LKR 2,520 million and was 28% over the comparative period. The moderate performance in the capital markets activities experienced during the nine months period, continue to pose a challenge to the investment banking and stock broking businesses within the NDB group, resulting in lower contribution from the group.

Balance sheet growth and asset quality

The Bank's Balance sheet closed at LKR 371 billion, a growth of 11%, over the year 2016. The asset growth was supported by loans and advances growth of 14% (absolute growth of LKR 31 billion). The growth in loans and advances was from all business and product segments of the Bank, corporate banking, project and infrastructure financing, retail banking and SME financing, which consolidates the position of the Bank's effort to reach all market segments throughout the country.

The Bank's Non-performing ratio of 1.96% was well below the industry average and was a notable improvement from 2.63% recorded as at 31 December 2016. The Bank continues with its efforts through proactive risk management practices in preserving the quality of the portfolio amidst the rapid expansions that the Bank is undergoing.

Customer deposits was LKR 255 billion and recorded an impressive growth of 25% over the year 2016, (by LKR 52 billion). The Bank continues to increase its presence in the retail space of the market thereby reducing the reliance on costly funding sources. Improving the demand and savings (CASA) deposit composition within the total deposit remains a challenge given the relatively high interest differential that is experienced in time based deposits and demand and savings deposits. The Bank launched three new products recently, namely, "NDB Araliya" women's savings account, "NDB Savings Planner" and "NDB Achara" for senior citizens. Furthermore, NDB re-launched its Children's Savings Account, taking a refreshing and novel turn in its offerings and benefits to minor account holders. The Bank also introduced "NDB Business Class", a unique relationship banking proposition for business customers. The launch of these products are anticipated to largely improve the CASA base of the Bank.

The Bank's loans to deposits ratio (LDR) stood at 104% as at 30 September 2017, a considerable improvement from the LDR of 115% reported at end 2016.

The Bank's Tier I capital ratio and Total capital ratio were 8.77% and 12.50% as at 30 September 2017 and was well above the minimum regulatory requirements as per Basel III regulations of 7.25% and 11.25% respectively. The Bank's Liquidity position remains well above the minimum thresholds for Liquid Assets Ratio of 20% and was 24.08% for Domestic Banking Unit and 23.5% for Foreign Currency Banking Unit as at 30 September 2017. The Bank was also well within the Liquidity Coverage Ratio mandated by the Basel III regulations and was 359.52% for local currency (minimum ratio of 80%) and 225.27% for all currencies (minimum ratio of 80%) as at 30 September 2017.

In terms of key investor ratios, the Bank's Return on Shareholder Funds (ROE) was 15.66% for the nine months ended 30 September 2017 an improvement from 13.36% of 2016. Annualized Earning per Share (EPS) for the nine months also improved to LKR 24.30 over LKR 19.19 of 2016.

Commenting on the performance for the nine months ended 30 September 2017, the Director/CEO of NDB, Mr. Dimantha Seneviratne, mentioned that consistent growth was experienced over the three reported quarters with greater focus on customer service, whilst understanding the needs of the various customer segments of the country. As a result, growth was reported from all business segments, which affirms that the Bank, strives to impact the society and the development of the country in a sustainable and productive manner. Further commenting on the performance Mr. Seneviratne mentioned that the Bank's new strategy which was developed in professional consultation with the International Finance Corporation (IFC) has made much progress and is now on track with a strong foundation for the next 3 – 4 years of growth, which will enhance stakeholder returns whilst positioning the Bank as a systemically important bank in the country.

Customer Reach

During the quarter, the Bank's network reached 107 branches with the opening of NDB's iconic Private Wealth Centre Branch at Baudhhaloka Mawatha, Colombo 07. With the opening of this branch, NDB Private Wealth Centre is now complete with NDB's unique full spectrum of banking and capital market solutions offered at one single location to its customers. The on and off site ATM network also expanded to 119 ATMs.

NDB's digital channels continue to enable customers with seamless and hassle free banking from any corner of the world. NDB's popular mobile banking app achieved yet another milestone during the year by crossing LKR 3 billion in terms of worth of transactions in early October 2017.

Accolades

During the three month ended 30 September 2017, NDB was recognized with a number of awards. The Bank emerged as the Gold awardee for best investor relations for the second consecutive time at the CFA Sri Lanka capital Market Awards 2017. The Bank was also recognized by the AsiaMoney New Silk Road Finance Awards 2017 as the Best Local Bank in South Asia for BRI (Belt & Road Initiative)

Furthermore, NDB Investment Bank Ltd (NDBIB) was awarded the best investment bank in Sri Lanka for the sixth consecutive year, at the EuroMoney Awards 2017, affirming the strong market leadership position in expert investment banking enjoyed by NDBIB.