

## Press Release

Results for the first half ended 30 June 2017

National Development Bank PLC



## **NDB records highest ever Profit After Tax of LKR 2.3 billion for the first half of 2017**

- PBT records 70% YOY growth to reach LKR 3.8 bn
- Sound Balance Sheet expansion with 11% growth in advances and 17% growth in deposits in 6 months
- NPLS further improves to 2.2%
- Bolsters the results achieved in Q1 2017 with a sustainable growth momentum

National Development Bank PLC (NDB) concluded the first half of the financial year with a record Profit After Tax (PAT) of LKR 2.3 billion (81% growth YOY). This is the highest recorded PAT for the Bank in its history for the first half of a financial year, which was supported by commendable growth in core banking operations and dividend contributions from Group companies.

The reported growth levels for the Bank's Profit Before Tax (PBT) of LKR 3,814 million was 70% over the comparative period of H1 2016. It is noteworthy to mention that the PBT and PAT of the Bank, excluding the Group dividends grew impressively by 56% and 63% respectively, which is a clear reflection of the strong performance of the core banking operations.

The Balance Sheet grew by 9% in 6 months and stood at LKR 365 billion. This was supported by the growth in loans and advances to customers which grew by 11%, (by LKR 24.8 billion) and deposits by a notable 17%, (by LKR 35.5 billion), furthering the growth momentum achieved in the first quarter of the year.

The Director/CEO of NDB, Mr. Dimantha Seneviratne, sharing his views on the performance of the 1st half, mentioned that the Bank has been able to well maintain the sound growth coming from all the sectors diversifying the core banking income base. He also mentioned that the first half results are a clear affirmation of the sustainable growth mode that the Bank has entered in to.

Further commenting on the performance Mr. Seneviratne expressed his confidence in the Bank being driven towards enhanced performance for the year 2017 and beyond. He mentioned that the Bank's new strategy which is developed in professional consultation with the International Finance Corporation (IFC) is now in execution mode, and will direct the Bank towards reaching key milestones in business volumes as well as enhancing stakeholder returns.

### **Enhanced earnings**

Net interest income (NII) recorded a 17% growth over the corresponding period to LKR 4,746 million. This growth is satisfactory in an environment where the loan book has grown by 11% where further volatility and downward trend in interest rates are noted. The growth in NII was a combined effect of the growth in the portfolios as well as the improved net interest margins (NIM). NIM for H1 2017 was 2.74% which recorded an increase from 2.60% in 2016.

Net fee and commission income grew by 6% in H1 2017 over H1 2016 up to LKR 1,141 million. The Bank envisages stronger growth in net fee and commission income in to the future. Improving the net interest income to net fee and commission ratio up 30:70 ratio is one of the key strategic priorities of the Bank.

Net gains from trading of LKR 533 million grew by 17% in H1 2017 over the comparative period. Other operating income was LKR 1,197 million and included dividend earned from the NDB Group companies.

The total impairment charges for H1 2017 was LKR 581 million, a reduction of 30% compared to H1 2016. The sound credit review and monitoring processes have resulted in reduced impairment charges which are also reflected in an improved Non-Performing Loan ratio (NPL) for H1 2017. The resultant NPL ratio for H1 2017 was 2.22%, much below the industry average, and a notable improvement from 2.63% recorded in December 2016. The Bank is clearly focused on preserving the quality of the portfolio amidst the rapid expansions that the Bank is undergoing.

Total operating expenses were kept under close watch with only a 5% increase over the prior period. Managing growth in operating costs, amidst accelerated business growth and inflation is one of the key challenges managed well via structured and focused cost management initiatives, as opposed to cost cuts. The cost to income ratio (CIR) of 43.2% is well within the Bank's targets of maintaining its CIR below 50%.

### **Balance sheet growth**

The Bank made encouraging strides in the Balance Sheet (growth of 9%) during the first half of 2017 to reach LKR 365 billion with a quantum growth of LKR 30 billion. Asset growth was supported by the growth in loans to customers by an 11% growth, to close at LKR 252 billion, (by LKR 24.8 billion). Loan book growth was facilitated by considerable growth in all business fronts of corporate banking, project and infrastructure financing, retail banking and SME financing.

Customer deposits grew by an impressive 17%, (by LKR 35.5 billion). The Bank is consistently enhancing deposit mobilization, thereby reducing the reliance on costly funding sources. The Bank's loans to deposits ratio (LDR) stood at 108% by end June 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 9.42% and 12.76% as at 30 June 2017 and was well above the minimum regulatory requirements as per Basel II guidelines of 5% and 10% respectively. The Bank is also fully compliant with the Basel III regulations on capital which came in to effect from 01 July 2017, which mandates minimum ratios to be maintained for Tier I capital ratio and Total capital ratio to be 7.25% and 11.25% respectively.

In terms of key investor ratios, the Bank's Return on Shareholder Funds (ROE) was 14.63% for 1H 2017, an improvement from 13.36% of 2016. Annualized Earning per Share (EPS) also improved to LKR 22.82 in H1 2017 over LKR 19.19 of 2016.

## **Customer Reach**

The branch network reached 106 branches spread across the island, with the latest addition to the network being Kottawa in May 2017. The network is amply supported by on and off-site ATM network of 118 ATMs. The Bank continued to grow in the digital channels frontier as well. In April 2017, the Bank's mobile banking platform crossed LKR 1 billion transactions amount for the year 2017, whilst this is expected to cross the LKR 2 billion mark in July 2017. This is a clear affirmation of the high level of penetration the Bank's digital channels have made amongst its clientele.

## **Accolades**

The Asian Banking and Finance Magazine of Singapore recognized NDB with three awards under their Retail Banking Awards, as the Domestic Retail Bank Sri Lanka 2017 (for the fifth consecutive time), SME Bank of the Year Sri Lanka 2017 (for the fifth consecutive time) and the Mobile Banking Initiative of the Year Sri Lanka 2017. They also recognized the Bank under their Wholesale Banking Awards with two titles, namely, the Domestic Project Finance Bank of the Year Sri Lanka 2017 (for the third consecutive year) and the Domestic Cash Management Bank of the Year Sri Lanka 2017 (for the second year).

Adding on to its list of awards, the Bank received a number of awards during 1H of 2017 in many fronts, both at home and away. NDB was recognized at the SLT ZeroOne Awards held recently, for the 'Best use of Mobile' under Financial Sector category. The Bank also emerged as the Runner Up for the 'Best Mobile Payment Application of the Year' at the LankaPay Technnovation Awards 2017, being the only bank to emerge as a winner in this category. In recognition of the Bank's dedicated endeavors in empowering women, the Bank was awarded the Best CSR Program Run by a Private Sector for Women Empowerment by the Women in Management organization, conducted in partnership with the International Finance Corporation at the 2017 Edition of the Top 50 Professional and Career Women Awards for Sri Lanka and Maldives.

The Bank is encouraged by these external endorsements and is geared for the remainder of the year to deliver best in class services to its clientele and generate sound results to its valued stakeholders.