

Press Release

Results for the first quarter ended 31 March 2017

National Development Bank PLC



NDB records impressive 50% YoY growth in profits before taxes of LKR 1.9 billion for Q1 2017

- PAT exceeds LKR 1.1 billion
- Notable Balance sheet growth of LKR 13 billion within the quarter. Deposits grown by LKR 24 billion.
- Improved NIMs compared to 2016
- Cost to income ratio well managed

National Development Bank PLC (NDB) recorded a Profit after Tax (PAT) of LKR 1,159 million for the three months ended 31 March 2017, an impressive growth of 45% over the corresponding period of Q1 in 2016. During the quarter, the total assets of the Bank grew up to LKR 347 billion (4% from December 2016). Loans and receivables to customers recorded a notable growth of LKR 14 billion (6%) to reach LKR 241 billion. Customer deposits also achieved an impressive growth of LKR 24 billion (12%), thereby bringing the total customer deposits to LKR 228 billion.

Commenting on this impressive first quarter performance, the Chief Executive Officer of NDB, Mr. Dimantha Seneviratne stated that such results at the outset of the year are encouraging, and reflects the potential of the Bank to record enhanced performance throughout the year. He attributed the impressive results to the strong teamwork and the firm focus on generating enhanced value from all fronts to all its stakeholders. He also mentioned that the Bank's fresh strategy will place the group on the precise trajectory in becoming a major player within the industry, whilst committing and contributing to the success of its stakeholders and the nation at large.

Improved core banking operations contributed towards the growth in profitability of the Bank. Net interest income (NII) grew by 18% in Q1 2017 up to LKR 2,334 million compared to LKR 1,979 million for Q1 2016, supported by the strong growth in several key asset products coupled with the enhanced net interest margin (NIM) of 2.78% compared to the NIM of 2.64% in 2016.

Net fee and commission income of LKR 554 million for Q1 2017 grew moderately by 3%. The Bank continuously strategizes on improving non-fund based income, thereby maintaining an appropriate revenue mix to overcome any unforeseen challenges. Net gains from trading of LKR 273 million, which comprises of income from foreign exchange, grew by 46% compared to the corresponding period, benefiting from the movement in the exchange rates.

Impairment charges for loans and other losses (LKR 134 million) saw a reduction of 75% compared to Q1 2016. The higher impairment charge during Q1 2016 was due to one-off specific provisions made for few customers, based on sound judgement and objective evidence.

Operating expenses have been strategically managed. Expenses were up by 10% to LKR 1,718 million over LKR 1,568 million for Q1 2016. The increase in costs was mainly attributable to the increase in business volumes, network expansion, increase in Value Added Taxes and the increase in deposit insurance premium cost resulting from the increased customer deposits base of the Bank. The Bank strives to continuously improve this ratio amidst planned volume and network expansions.

The resultant operating profit before taxed on financial services was LKR 1,912 million, a marked increase of 50% over LKR 1,278 million in Q1 2016. Tax on financial services comprising of NBT and VAT increased by 67%. This was partly due to the increase in the VAT rate to 15% from 11% applied for the corresponding period.

Profit attributable to equity holders of the Bank (Group PAS) was LKR 738 million, an impressive 35% growth over LKR 548 million for Q1 2016.

Total assets of the Bank stood at LKR 347 billion, whilst total assets of the Group stood at LKR 354 billion as at the end of Q1 2017. Loans and receivables to customers grew by 6% over December 2016 and stood at LKR 241 billion. This was an increment of LKR 14 billion which was achieved across all of the business segments of Corporate, Retail and SME.

Customer deposits grew by a notable 12% or by LKR 24 billion during Q1 2017 to LKR 228 billion by end Q1 2017. Within deposits, term deposits recorded a relatively higher growth, reflecting the general preference of depositors to place their money in high interest yielding products. The Bank is meticulous in adjusting its deposit mix to increase the CASA contribution within the total mix. CASA grew up to LKR 49.6 billion from LKR 46.3 billion over the three months period.

Gross non-performing loan (NPL) ratio of the Bank for Q1 2017 was 2.87%, whilst the net NPL ratio was 1.56%. The Bank's proactive risk management and recoveries processes ensure that the ratio is well managed.

Bank's Tier I capital adequacy ratio for Q1 2017 was 9.24% whilst its total capital adequacy ratio was 12.76%. The same ratios for the Group were 11.24% and 14.84% respectively. The ratios are well above the statutory minimum requirements of 5% and 10% for Tier I and Total Capital Ratio respectively. The Bank has carried out the necessary ground work to migrate to the BASEL III capital requirement which will come to effect in July 2017.

The Bank's annualized return on average shareholders' funds (ROE) for Q1 2017 was 13.96% (2016: 13.36%) with an earnings per share (EPS) of LKR 21.25 (2016: LKR 19.19).

NDB added one branch to its network during the quarter with the opening of the Katana branch, bringing the total branch network to 105, whilst relocating Kiribathgoda and Wennappuwa branches to more spacious locations for greater customer convenience. The total ATM count was 117, with 12 off-site ATMs. NDB's reach to the customers comprises of an equitable mix of physical and virtual channels. The Bank's mobile banking app saw a rapid increase in on-boarding during the quarter and is widely commended by the users.

The quarter saw the Bank being recognized with five awards. The Global Banking & Finance Magazine of UK recognized NDB with three award titles, namely, the Best Mobile Banking App, the Best SME Bank and the Best Investor Relations Bank 2017 in Sri Lanka. The Bank also won awards for Brand Excellence

within the Banking & Finance sector and excellence in Social Media Marketing from the CMO Golden Globe Brand Excellence Awards held in Kuala Lumpur, Malaysia recently. Furthermore, NDB Investment Bank Limited, the investment banking subsidiary of NDB was awarded two titles, namely, the Most Trusted Investment Banking Brand - Sri Lanka by the prestigious Global Brands Magazine Awards 2017 and the Best Corporate and Investment Bank - Sri Lanka by the Asiamoney Banking Awards 2017. All these awards are a firm affirmation of the stature that the Bank and its Group companies have established in the Sri Lankan banking and capital markets sphere.