Forward Looking Statements

This document has been prepared by National Development Bank PLC (“NDB”, “Bank” or the “Group”) solely for use at its presentation to potential & current investors. By accepting this document, you agree to maintain absolute confidentiality regarding the information disclosed in this document.

The information contained in this document should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation. None of the Bank nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

This document contains proprietary information and no part of it may be reproduced, redistributed or passed on, directly or indirectly, to any other person (whether within or outside your organization/firm) or published, in whole or in part, for any purpose.

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group. These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward-looking statements speak only as of the date they are made. The Group makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.
Agenda

- Overview
- Macroeconomic Snapshot
- Awards & Accolades
- Financial Performance
Overview

The driving force for a financially empowered Sri Lanka

To be the catalyst in the financial services industry by creating superior shareholder value and contributing to the national development through the empowerment of individuals with innovative financial solutions delivered by an inspired & dedicated team committed to excellence

Values
- Integrity
- Accountability
- Creativity
- Sincerity
- Excellence

Vision

“Our Commitment. Your Success.”

Mission

99.9%

58.7%

77.8%

60.0%
Ce Brief History – Milestones

1979
Formation of the National Development Bank of Sri Lanka (NDBSL)

1993
61% of share capital of the NDBSL transferred to private ownership

1995
Setting up of NDB Stockbrokers & NDB Venture Investments

1997
Establishment of NDB Investment Bank

1999
Partners Zurich Insurance in Eagle Insurance which subsequently became AVIVA NDB Insurance

2001
Acquisition of ABN AMRO Bank Colombo to commence commercial banking operations under the subsidiary, NDB Bank Ltd. (NBL)

2005
The merger of NDB Bank and National Development Bank

2009
Acquisition of the largest private sector wealth management company

2011
Establishment of Strategic alliance with DBS

2012
Formation of NDB Capital Holdings as a fully fledged investment bank

2015
Establishment of NDB Zephyr Partners Ltd. (NDBZ) in 2014; jointly owned by NDB Capital Holdings PLC and Zephyr Management LP, a New York-based global emerging markets investment firm.

Phase I
Development Banking Phase

Phase II
Project Finance dominance
Diversification with NDB Act

Phase III
New positioning with four integrated businesses;
Corporate, Retail, Capital markets & Insurance

Phase IV
Building scale in chosen businesses locally and regionally
Global Economy

- World economy grew by 3.1% in 2016, amidst China, the world’s largest trading nation posting the lowest GDP growth in 26 years.
- Weak global demand continued throughout 2016 and international trade slowed down as fears of US trade war loom.

Sri Lankan Economy

- GDP growth is estimated to stay marginally above 5% in 2016.
- Key policy reforms and enhanced currency flexibility contributed towards short-term stability.
- Annual average inflation increased to 4.0%.

Banking Industry

- Credit growth declined to 17.5% (21.1% in 2015).
- Deposits grew at 16.5% (15.3% in 2015).
- Margins remained at 3.6% with the increased cost of funds.
- Profitability improved on the back of lower credit losses.

Source: CBSL, CCC Publications
Awards & Accolades

EUROMONEY Awards for Excellence 2016
- NDBIB - Best Investment Bank in Sri Lanka – 5th consecutive year
- NDB Capital Limited – Best Investment Bank in Bangladesh

- Best Investor relations - Gold Award
- Best Stockbroker Research Team – Gold Award

Asian Banking & Finance Retail Banking Awards 2016
- Domestic Retail Bank of the Year - Sri Lanka
- Best SME Bank of the Year - Sri Lanka
- Social Media Initiative of the Year – Sri Lanka

Asian Banking & Finance Wholesale Banking Awards 2016
- Sri Lanka Domestic Project Finance Bank of the Year

Asia Pacific Customer Engagement Forum
- NDB Shilpa – Runner-Up
- NDB Mobile Banking App - Winner
# 2016 Performance Summary

## Profitability (LKR Mn)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>12,209</td>
<td>13,151</td>
<td>8%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>6,050</td>
<td>6,449</td>
<td>7%</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>3,511</td>
<td>3,170</td>
<td>-10%</td>
</tr>
</tbody>
</table>

## Financial Position (LKR Bn)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>309</td>
<td>335</td>
<td>8%</td>
</tr>
<tr>
<td>Total Loans</td>
<td>215</td>
<td>234</td>
<td>9%</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>185</td>
<td>204</td>
<td>10%</td>
</tr>
</tbody>
</table>

## Efficiency & Return (%)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost to Income Ratio</td>
<td>49.5</td>
<td>49.0</td>
<td>▼</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>2.6</td>
<td>2.6</td>
<td>▷▷</td>
</tr>
<tr>
<td>Return on Average Equity</td>
<td>15.6</td>
<td>13.4</td>
<td>▼</td>
</tr>
</tbody>
</table>

## Business Capacity (%)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan to Deposits Ratio</td>
<td>116.3</td>
<td>114.6</td>
<td>▼</td>
</tr>
<tr>
<td>Capital Adequacy Ratio</td>
<td>12.6</td>
<td>13.0</td>
<td>▲</td>
</tr>
<tr>
<td>Liquidity Ratio (DBU)</td>
<td>22.2</td>
<td>21.5</td>
<td>▼</td>
</tr>
</tbody>
</table>
## Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>Variance over 2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>7,522</td>
<td>8,487</td>
<td>965</td>
<td>12.8</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>4,687</td>
<td>4,663</td>
<td>(24)</td>
<td>(0.5)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>12,209</td>
<td>13,151</td>
<td>942</td>
<td>7.7</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>712</td>
<td>1,367</td>
<td>655</td>
<td>92.0</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>6,050</td>
<td>6,449</td>
<td>399</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>5,448</td>
<td>5,335</td>
<td>(113)</td>
<td>(2.1)</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>1,936</td>
<td>2,165</td>
<td>228</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>PAT</strong></td>
<td>3,511</td>
<td>3,170</td>
<td>(341)</td>
<td>(9.7)</td>
</tr>
</tbody>
</table>

### Y-o-Y movement in PAT

<table>
<thead>
<tr>
<th>2015 PAT</th>
<th>NII</th>
<th>Other Income</th>
<th>Impairment</th>
<th>Operating Expenses</th>
<th>Tax</th>
<th>2016 PAT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>965</td>
<td>24</td>
<td>655</td>
<td>399</td>
<td>228</td>
<td>3,170</td>
</tr>
</tbody>
</table>
• Interest income improved on the back of re-pricing of short term assets
• Funding cost increased at a much higher pace as a result of;
  • Low CASA base
  • Decline in market liquidity
• Volume growth in funds under management resulted in a modest increase in NII
Other Income

Figures in LKR Mn

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee &amp; Commission</td>
<td>2,016</td>
<td>2,253</td>
<td>11.8</td>
</tr>
<tr>
<td>Forex trading</td>
<td>1,088</td>
<td>982</td>
<td>(9.8)</td>
</tr>
<tr>
<td>Net gain/(loss) from financial investments</td>
<td>262</td>
<td>211</td>
<td>(19.3)</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>1,321</td>
<td>1,217</td>
<td>(7.9)</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td>4,687</td>
<td>4,663</td>
<td>(0.5)</td>
</tr>
</tbody>
</table>

- All business segments contributed positively for the Fee & Commission growth.
- Forex trading was hindered due to prevailed market conditions.
- Drop in other operating income stemmed from lower currency depreciation.

Source: Internal Analysis
Operating Expenses

<table>
<thead>
<tr>
<th>Figures in LKR Mn</th>
<th>2015</th>
<th>2016</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Expenses</td>
<td>3,204</td>
<td>3,435</td>
<td>7.2</td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>370</td>
<td>435</td>
<td>17.3</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>2,475</td>
<td>2,580</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>6,050</strong></td>
<td><strong>6,449</strong></td>
<td><strong>6.6</strong></td>
</tr>
</tbody>
</table>

- Cost to Income Ratio: 49.5 (2015) vs 49.0 (2016)

- **Branch Expansion**
  - Dec-15: 93
  - Dec-16: 104

- Major portion of the incremental personnel expenses were directed towards facilitating branch expansion and annual increments.

- Additional capital expenditure made on technological enhancements resulted in a higher depreciation charge.

- Managed the CIR below 50% amidst challenging operating environment.

Source: Internal Analysis
A modest growth (8%) in Total assets

Loan growth was curtailed specifically in the retail space due to:
  - High interest rates
  - Contractionary policy measures

Deposit growth largely came from FDs
Loans & Advances

Growth Trend

5 Yr CAGR : 26%
YoY 9%

LKR Bn


FCY LKR

• Loan growth was hindered due to challenging market conditions

• Corporate book continued to shrink as SME and Project Finance segments grew rapidly

• Overall FCY exposure was reduced

Source: Internal Analysis

Loans – Segmental Mix

Retail & SME
Project Finance
Corporate
Other

2015 2016

33% 38% 39% 41% 20% 23%
Asset Quality

Diversified Portfolio

- Agriculture
- F&B, Hotel and Tourism
- Metal, Chem. & Eng.
- Retail
- Rubber and Wood
- Services
- Textile & Garments
- Utilities
- Construction
- Trading

NPL Ratio – sector wise

- Utilities: 0.1%
- Construction: 0.5%
- Rubber and Wood: 1.1%
- Metal, Chem and Eng: 1.3%
- F&B, Hotel and Tourism: 1.5%
- Retail: 1.6%
- Agriculture: 3.8%
- Services: 3.8%
- Trading: 4.1%
- Textile & Garments: 8.1%

Gross NPL Ratio

- 2013: 5.6%
- 2014: 4.2%
- 2015: 3.2%
- Mar-16: 3.1%
- Jun-16: 3.0%
- Sep-16: 2.9%
- Dec-16: 2.6%

Credit Cost

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>0.25%</td>
<td></td>
</tr>
<tr>
<td>2Q</td>
<td>0.15%</td>
<td></td>
</tr>
<tr>
<td>3Q</td>
<td>0.17%</td>
<td></td>
</tr>
<tr>
<td>4Q</td>
<td>0.16%</td>
<td></td>
</tr>
<tr>
<td>YTD</td>
<td>0.37%</td>
<td>0.63%</td>
</tr>
</tbody>
</table>

Source: Internal Analysis
Customer Deposits

Growth Trend

- 5 Yr CAGR: 25%
- YoY: 10%

Deposit Mix (Dec-2016)

- Deposit growth was limited as market liquidity dried out during second half of 2016
- CASA ratio deteriorated as funds were mobilized mainly through FDs
- Liquidity levels were well above the regulatory thresholds; DBU: 21.5%, FCBU 22.9%

Source: Internal Analysis
Basel III

- New regulations will be in effect from 01st July 2017.
  - Pillar I: Total Tier I Ratio of 7.25%
  - Total capital Ratio of 11.25%
## Investor Ratios

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS (LKR)</td>
<td>20.72</td>
<td>21.26</td>
<td>19.19</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>16.33</td>
<td>15.63</td>
<td>13.36</td>
</tr>
<tr>
<td>Book value per Share (LKR)</td>
<td>134.7</td>
<td>137.4</td>
<td>149.8</td>
</tr>
<tr>
<td>P/E (times)</td>
<td>12.1</td>
<td>9.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Price to Book value (times)</td>
<td>1.9</td>
<td>1.4</td>
<td>1.0</td>
</tr>
</tbody>
</table>

### Share Price Movement

Source: Bloomberg
Q & A
Investor Relations

Telephone : +94 112 448 448 (ext. 3838)
Email : investor.relations@ndbbank.com
Web : www.ndbbank.com