

## Press Release

Quarterly financial results – Q3 2016

National Development Bank PLC

**YOURS**

### **NDB records a PAS of LKR 2 billion – growth momentum in Q3**

National Development Bank PLC and its Group companies together referred to as the NDB Group, recorded a PAS of LKR 1,965 million for the first nine months of 2016. Although a 14% reduction compared to the first nine months of 2015, the quarter recorded an accelerated growth in PAS, which was LKR 882 million for the quarter as compared with LKR 535 million for Q2 and LKR 548 million for Q1 2016.

Total operating income of the Bank for the period under review was LKR 9,339 million, an increase of 1% over the comparative period. Total operating income of the comparative period included a higher Group dividend earned by the Bank compared to the current period. If such Group dividend is eliminated from the comparative period, the Bank's core banking operations have recorded a commendable growth with a 13% increase in the net interest income and 12% increase in net fee and commission income. The operating income for the Bank excluding Group dividends was a 7% increase over the comparative period.

The Group total operating income was LKR 9,980 million, which was a 4% growth over the comparative period, an equivalent of LKR 367 million. Within Group total operating income, net interest income (NII) was LKR 6,532 million which recorded a commendable growth of 14%. NDB Group's net fee and commission income recorded a marginal growth of 1%, despite the Bank recording a 12% increase, which was negated by the reduced fee and commission income of the NDB Group's capital markets cluster. The Group recorded a negative growth in net trading and other operating income, mainly attributable to the increase in the interest rates and the movement in exchange rates. Net gains from financial investments however grew by 11%.

The Group recorded an impairment charge of LKR 1,050 million for the first nine months of 2016 as compared to LKR 545 million in the comparative period. The higher charge during the current period was due to the one off specific provisions made for few customers, based on sound judgement and objective evidence as per the Bank's impairment policy.

Net operating income after impairment charges was LKR 8,930 million, a marginal negative growth of 2% compared to the comparative period. Total operating expenses of the Group grew by 6% to LKR 5,328 million. The Group has been able to contain its cost growth at stable levels over the year.

The Group's balance sheet grew by 6% to close the first nine months at a total assets figure of LKR 334 billion. This was an incremental asset growth of LKR 19 billion over end December 2015 and LKR 13 billion over the end of the first half of 2016.

Within total assets, loans and receivables to customers grew by 6%, and increment of LKR 12.6 billion over end December 2015. This growth in loans and receivables is satisfactory given the competitive interest rates and constrained liquidity conditions experienced in the industry. The YoY loan growth was

15%. Furthermore, the Bank has sustained its asset quality despite the volume increase, with only a marginal increase recorded in non-performing loans (NPL) ratio of 2.44% from 2.43% in December 2015.

Customer deposits grew by 5% to reach LKR 193 billion over end December 2015. On a YoY basis, deposits grew by 14%. The CASA ratio of the Bank by the end of Q3 was 23.2% and improvement of same remains a key strategic focus for NDB.

Group Tier I capital adequacy ratio by end Q3 2016 was 11.27% whilst total capital adequacy ratio was 15.35%, which are well above the regulatory minimum levels of 5% and 10% as specified by the Central Bank of Sri Lanka respectively.

Return on Average Shareholders' Funds (ROE) for the Group was 8.98% for the first nine months of 2016. The ROE for the Bank was 10.77%. However if the Group dividend earned by the Bank was eliminated, the ROE which reflects core banking operations would be 11.28%. The annualized earnings per share (EPS) for the Group was LKR 15.89. The NDB share closed trading at 166.10 at the end of the quarter.

The Bank opened its 103<sup>rd</sup> branch in Nattandiya during Q3, as a part of its strategic network expansion plan. The Bank also increased its total ATM count to 113, which included 10 off-site ATMs spread across the country. The Bank re-located several branches during the period under consideration with a bid to provide enhanced services to its customers.

The Chief Executive Officer of NDB mentioned that the Bank is reaching out to its customers via its multi-channel strategy, thereby enabling the customers convenient banking with NDB. He also mentioned that the Bank's mobile banking app which was launched this year will be further upgraded with more convenient features.

The Chairman of NDB emphasized that the Bank is encouraged, and highly attuned to the emerging opportunities in the Sri Lankan economy. He also mentioned that the Bank is privileged to be a part of this overall national growth thrust by providing meaningful banking services to the various sectors of the economy.

End.