

YOURS

INVESTOR UPDATE

September - 2016

Forward Looking Statements



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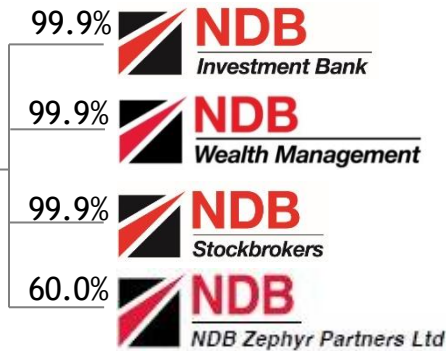
Overview



Our Commitment. **Your Success.**



99.9%



58.7%



77.8%



Vision

“The driving force for a financially empowered Sri Lanka”

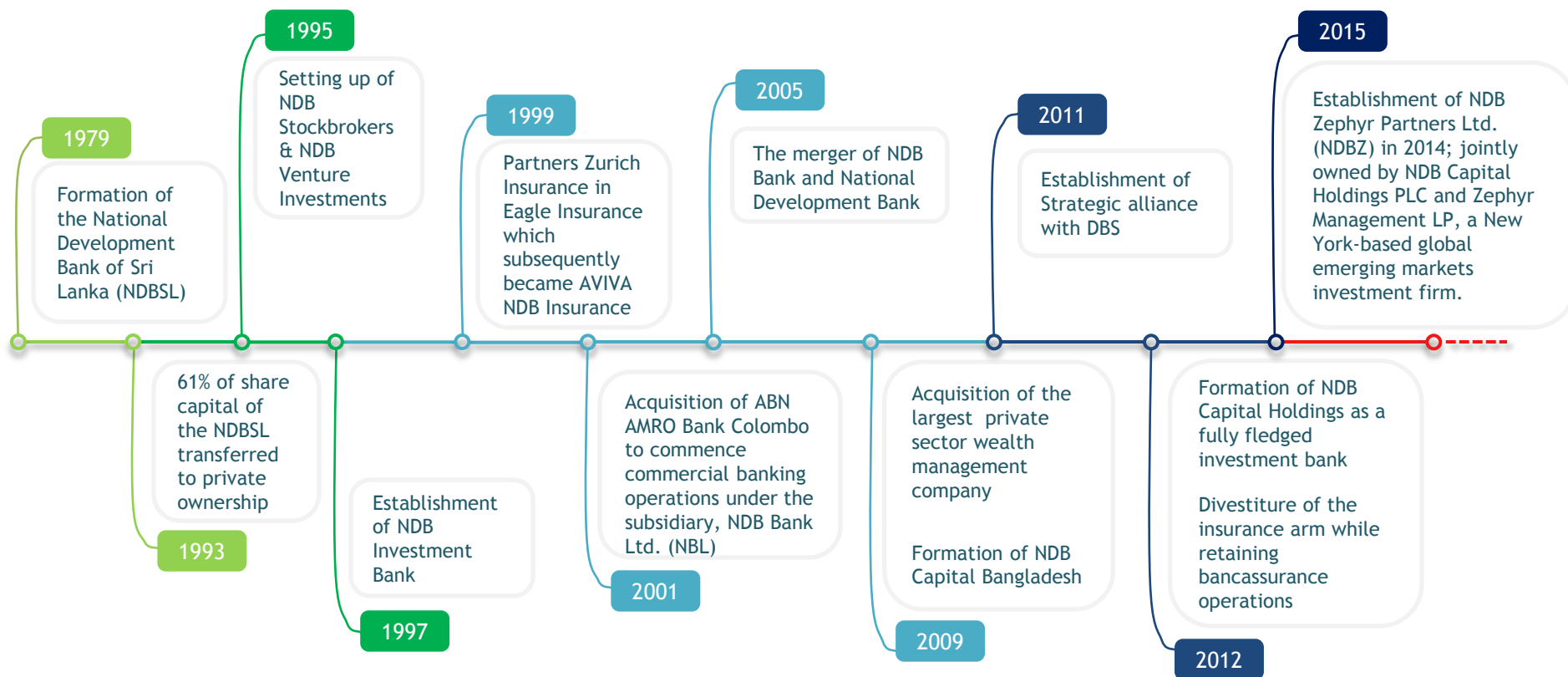
Mission

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

Brief History - Milestones



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

Macro Economic Overview



Economic Growth

- 2016 growth forecast was revised down to 5%
- Growth forecast for 2017 is lowered to 5.5% because of tight monetary and fiscal policies.

Extended Fund Facility with IMF

- Focus on strengthening external & fiscal balances.
- Contributed to positive investor sentiments -
 - ✓ Increased participation in government securities market.
 - ✓ Successful issuance of \$ 1.5 Bn Intl. sovereign bond

Tightening Monetary & Fiscal environment

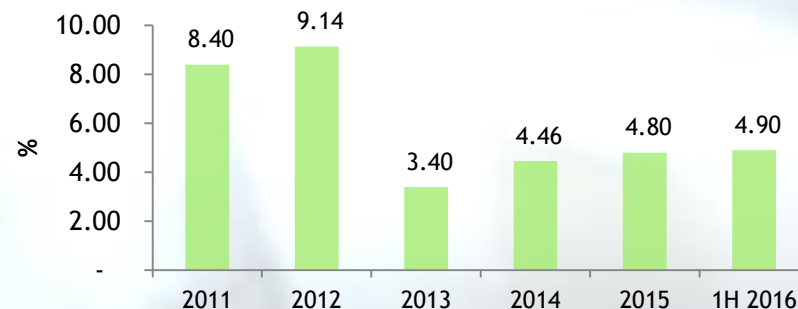
CBSL took several measures to prevent economy from overheating.

- Increased SRR by 150 BPS to 7.5% in November 2015
- Increased policy rates twice - February & July 2016

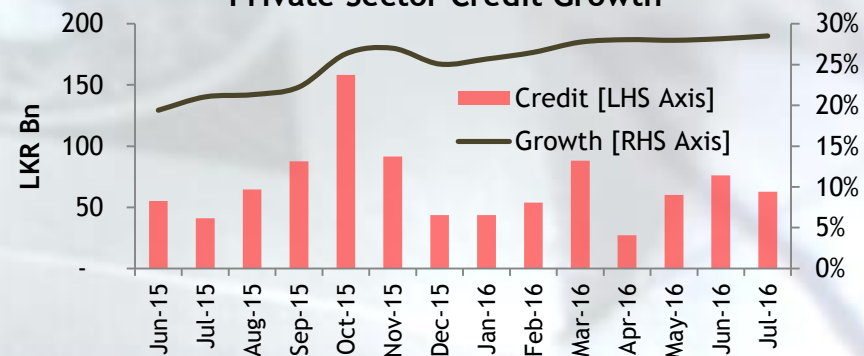
Inflation was moderated to a certain extent, however private sector credit growth still operates around 28%

Fiscal front is expected to improve further with the enactment of changes to the existing VAT regime

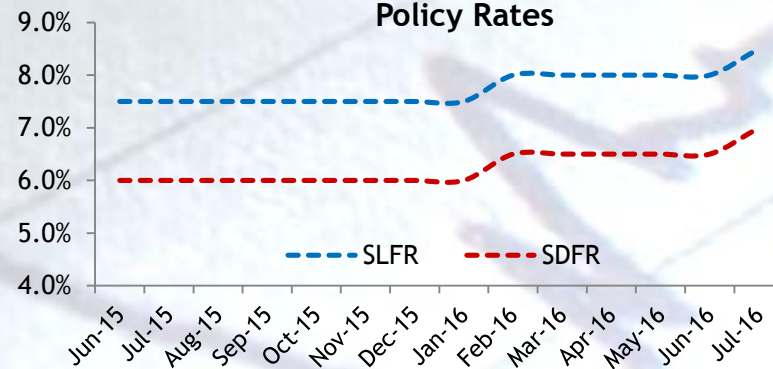
Economic Growth

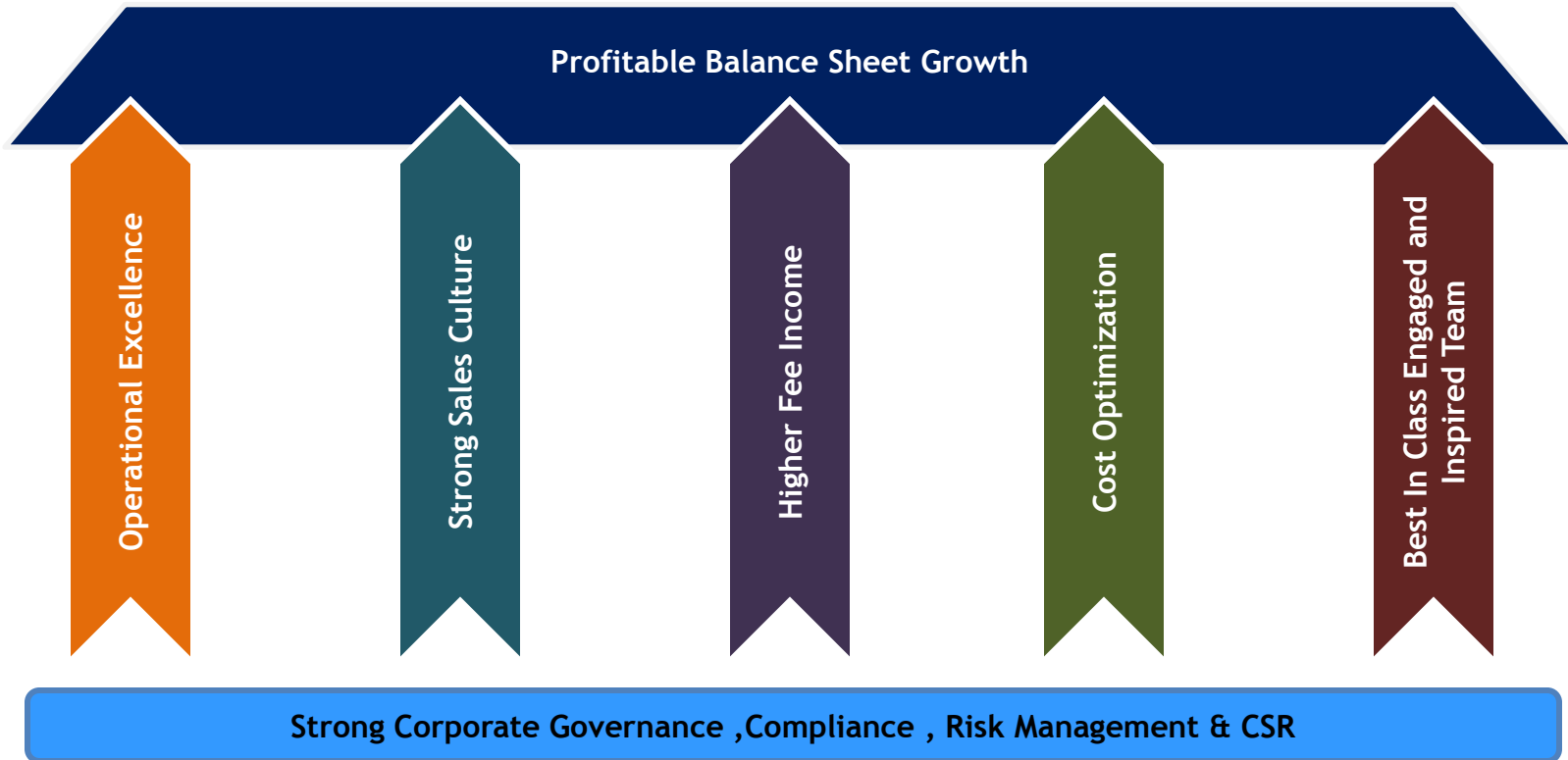


Private Sector Credit Growth



Policy Rates





Awards & Accolades



CFA Sri Lanka Capital Market Awards 2016
 • *Best Investor relations - Gold Award*



EUROMONEY Awards for Excellence 2016

- *NDBIB - Best Investment Bank in Sri Lanka - 5th consecutive year*



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



Best Corporate Citizen Sustainability Awards 2015

- *2nd Runner Up - Best Corporate Citizen*
- *Winner - Top Ten Corporate Citizens of the Year*
- *Winner - Category Award for Governance*
- *Winner - Triple Bottom Line Award for Economic Sustainability*

Global Finance - World's Best Banks Awards 2015

- *BEST EMERGING MARKETS BANKS IN ASIA PACIFIC - Winner - Sri Lanka*

Financial Performance

9M 2016



9M 2016 Performance Summary



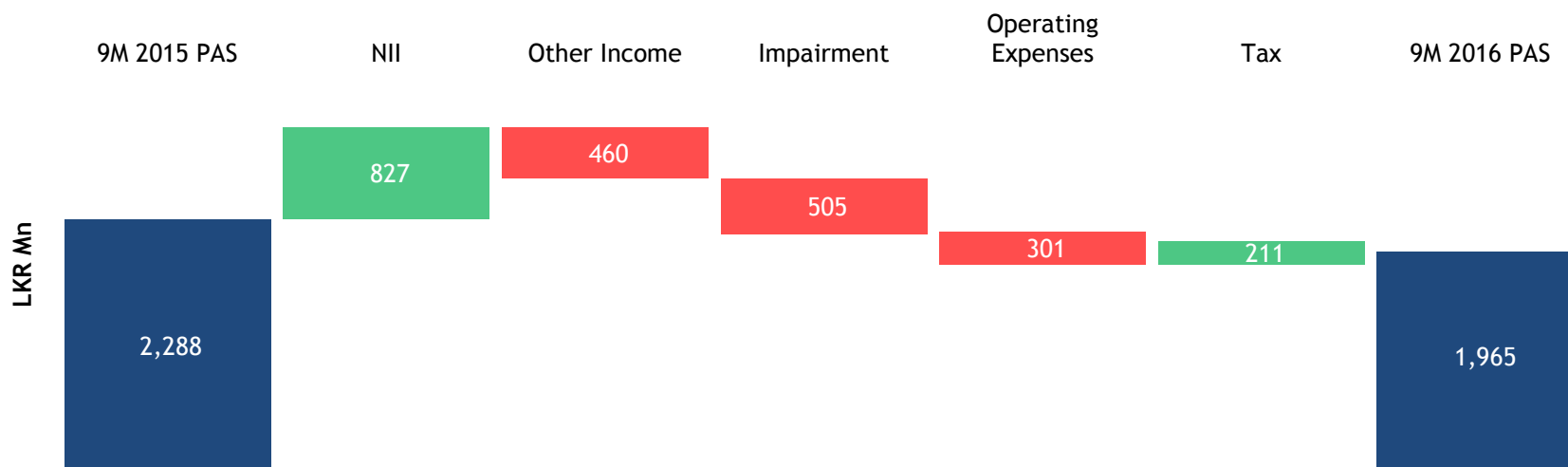
		9M 2015	9M 2016	YoY
Profitability (LKR Mn)	Operating Income	9,613	9,980	4%
	Operating Expenses	5,027	5,328	6%
	Profit for Shareholders	2,288	1,965	-14%
Financial Position (LKR Bn)	Total Assets	285	334	17%
	Total Loans	198	228	15%
	Total Deposits	169	193	14%
Efficiency & Return	Cost to Income Ratio	52.3%	53.4%	
	Net Interest Margin	2.8%	2.7%	
	Return on Average Equity	10.6%	9.0%	
Business Capacity	Loan to Deposits Ratio	117.1%	117.9%	
	Capital Adequacy Ratio	16.8%	15.4%	
	Liquidity Ratio	22.7%	21.9%	

Income Statement



<i>LKR Mn</i>	Year - to - date		Variance over	
	2015	2016	2015	%
Net Interest Income	5,705	6,532	827	14
Operating Income	9,613	9,980	367	4
Impairment	545	1,050	505	93
Operating Expenses	5,027	5,328	301	6
Operating Profit	4,041	3,603	(439)	(11)
Tax	1,790	1,579	(211)	(12)
PAS	2,288	1,965	(323)	(14)

Y-o-Y movement in PAS



Net Interest Income



Figures in LKR Mn

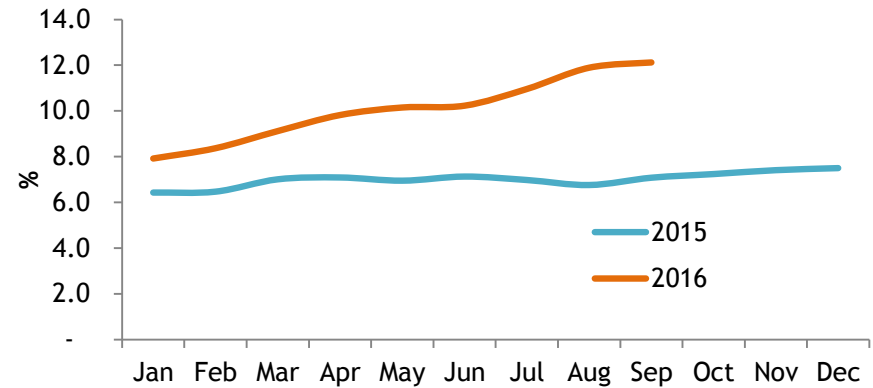
	9M-2016	YoY (%)
Interest Income	20,783	32.9
Interest Expenses	14,251	43.4
Net Interest Income	6,532	14.5

• Interest income improved on the back of re-pricing of short term assets (60%-70% of the loan book)

Cost of Funds increased by greater proportions;

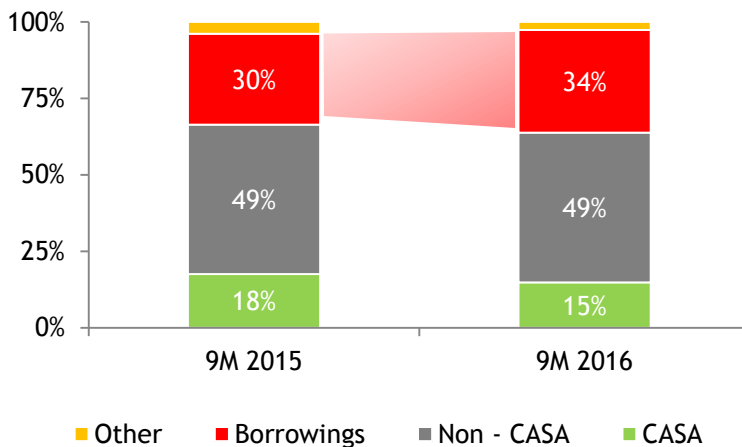
- Low growth in Customer Deposits & CASA
- Low level of liquidity in the market

Prime Lending Rate

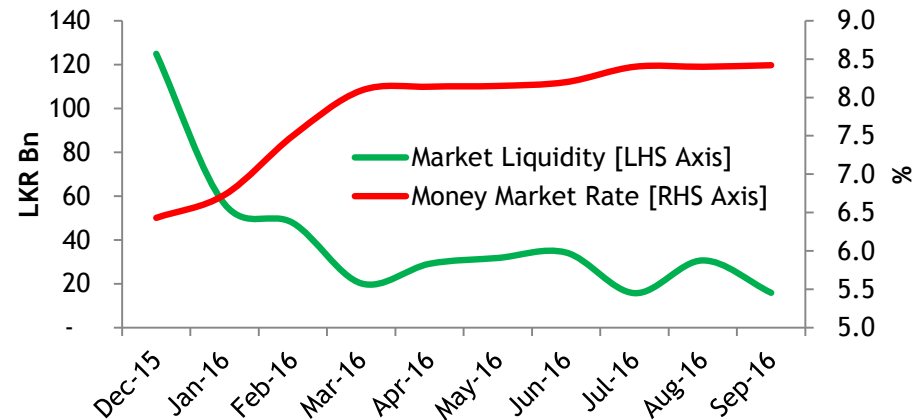


Source: CBSL

Liabilities - Mix



Source: Internal Analysis



Source: CBSL

Non Interest Income

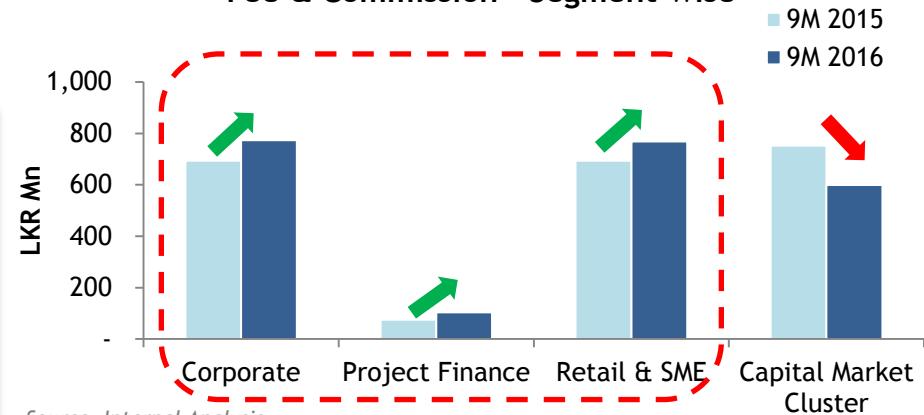


Figures in LKR Mn

	9M-2016	YoY (%)
Fee & Commission	2,243	1.3
Gain / (Loss) Trading	683	(17.8)
Other operating income	523	(39.5)
Total Non Interest Income	3,448	(11.8)

- Fee & Commission growth at the Group level was hindered by the moderation of capital market activities.
- However, there was a 13% YoY growth at the Bank level.

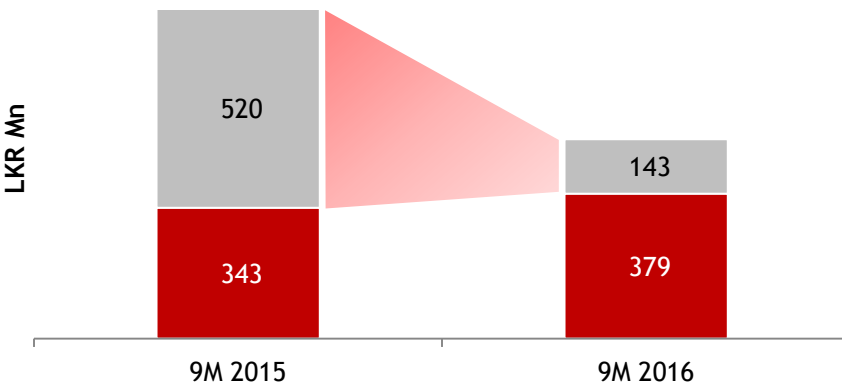
Fee & Commission - Segment-wise



Source: Internal Analysis

Other operating income

- Other operating income
- Net gain/(loss) from financial investments



Source: Internal Analysis

- Forex trading opportunities were scarce during the reporting period of 2016, thus a drop in trading income.
- Increasing trend in interest rates prevailed during the period didn't present any opportunities for ALM gains.

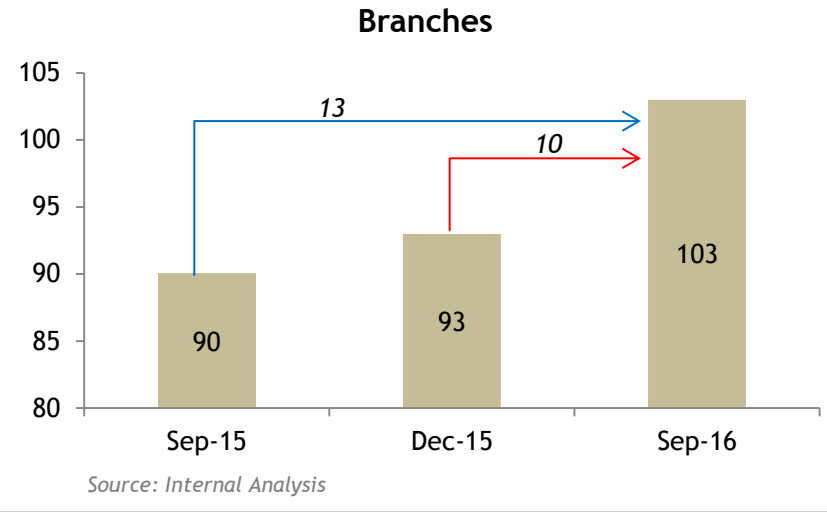
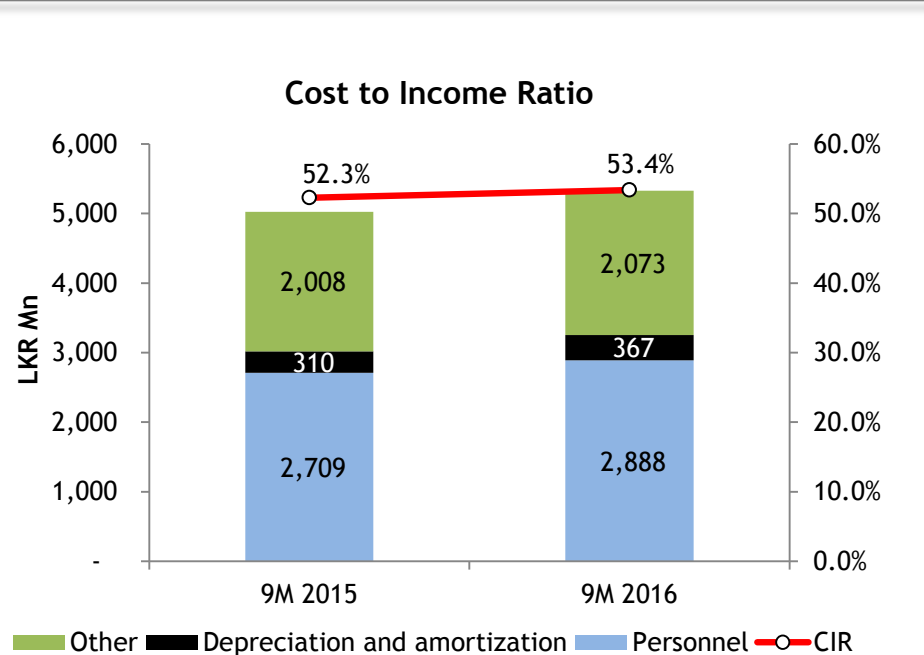
Operating Expenses



Figures in LKR Mn

	9M -2016	YoY (%)
Personnel expenses	2,888	6.6
Depreciation and amortization	367	18.6
Other expenses	2,073	3.2
Total operating expenses	5,328	6.0

- Major portion of the incremental depreciation is due to the continued focus on network expansion.



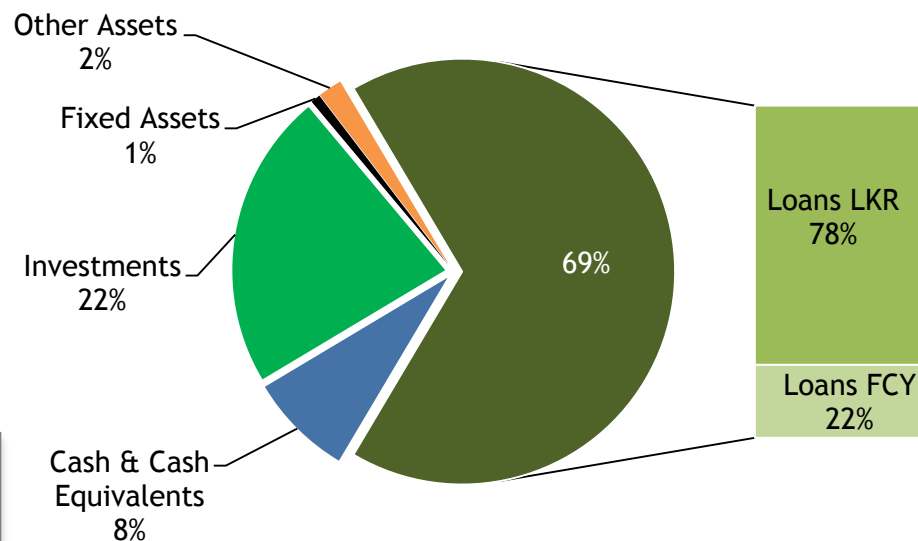
- Cost to income ratio was under pressure due to low business growth.

Balance Sheet



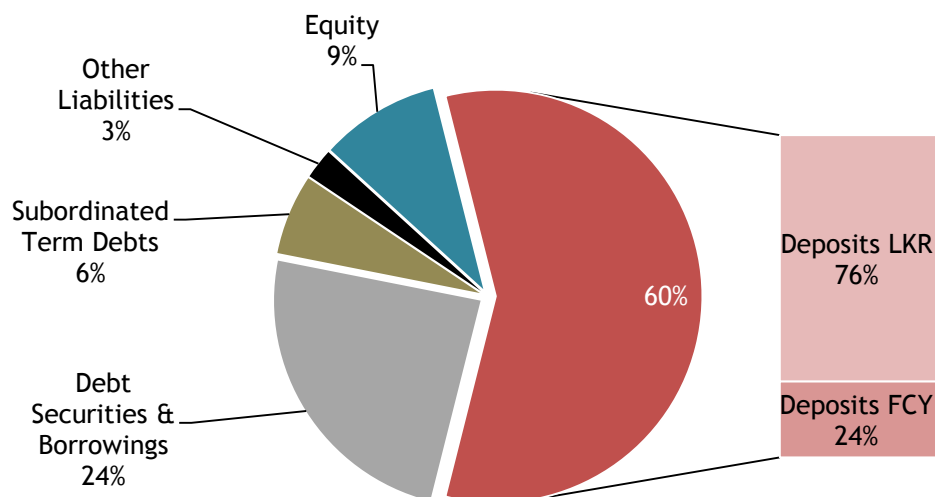
LKR Mn	Sep-16	Dec-15	%
Cash & Cash Equivalents	26,851	20,002	34
Investments	76,369	77,327	(1)
Net Loans & Advances	222,225	209,666	6
Fixed Assets	2,504	2,455	2
Other Assets	6,245	5,905	6
Total Assets	334,195	315,354	6

Asset Mix (Sep 2016)



Source: Internal Analysis

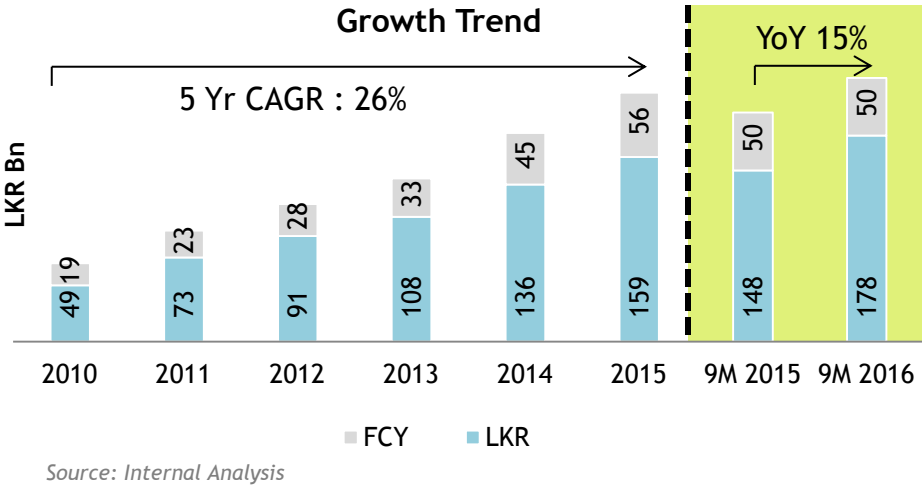
Liability Mix (Sep 2016)



Source: Internal Analysis

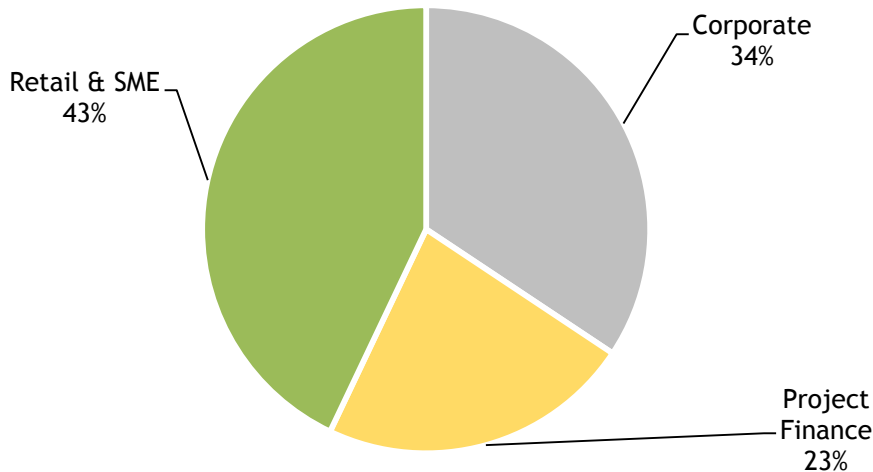
LKR Mn	Sep-16	Dec-15	%
Deposits	193,348	184,152	5
Debt Securities & Borrowings	80,809	72,118	12
Subordinated Term Debts	20,994	19,574	7
Other Liabilities	7,932	10,109	(22)
Equity	31,111	29,401	6
Total Liabilities	334,195	315,354	6

Loans & Advances

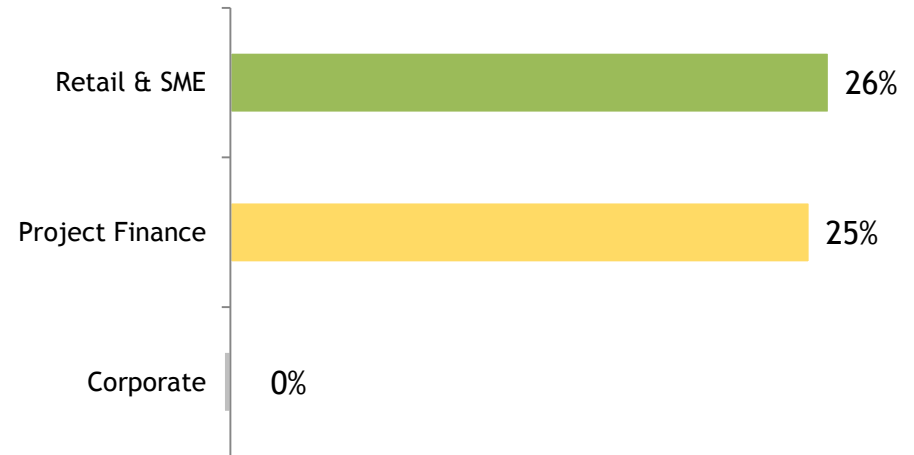


- Gross Loan Book stood at LKR 228 Bn
 - Grew by 6% from Dec-2015
- Corporate Segment represents 34% of Loan book compared to 40% in Sep-2015

Loans & Advances Breakdown by Segments



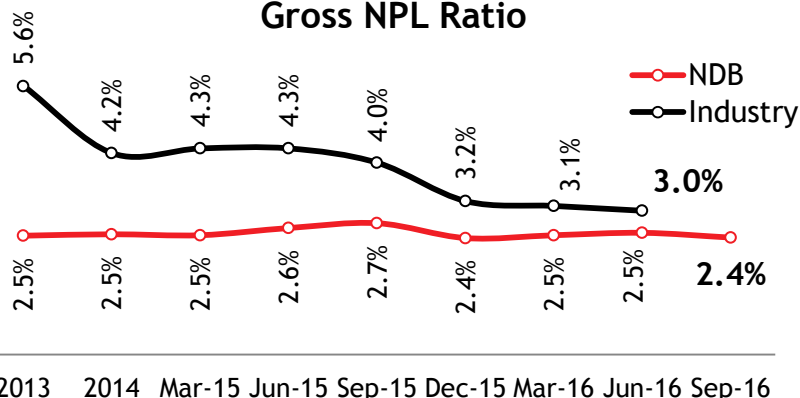
Segmental Growth (YoY)



Asset Quality



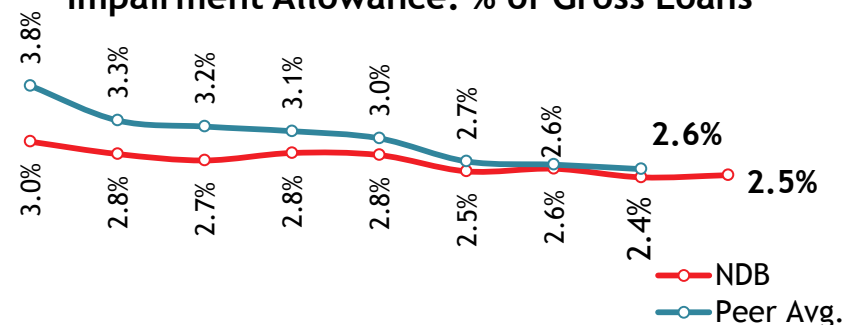
Gross NPL Ratio



2013 2014 Mar-15 Jun-15 Sep-15 Dec-15 Mar-16 Jun-16 Sep-16

Source: Internal Analysis

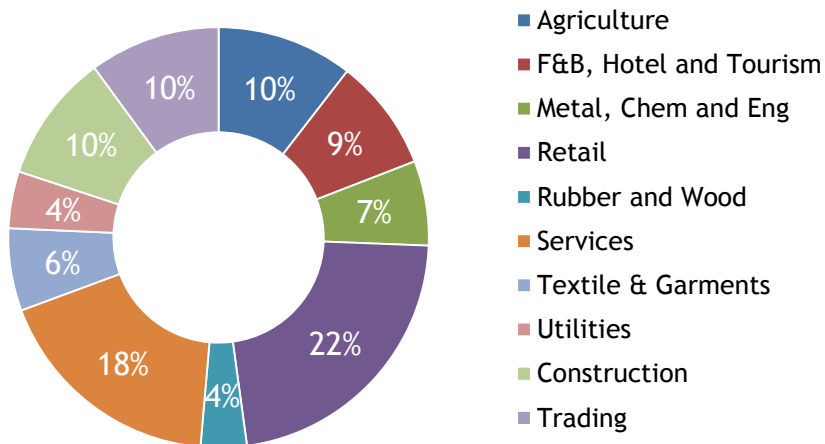
Impairment Allowance: % of Gross Loans



2013 2014 Mar-15 Jun-15 Sep-15 Dec-15 Mar-16 Jun-16 Sep-16

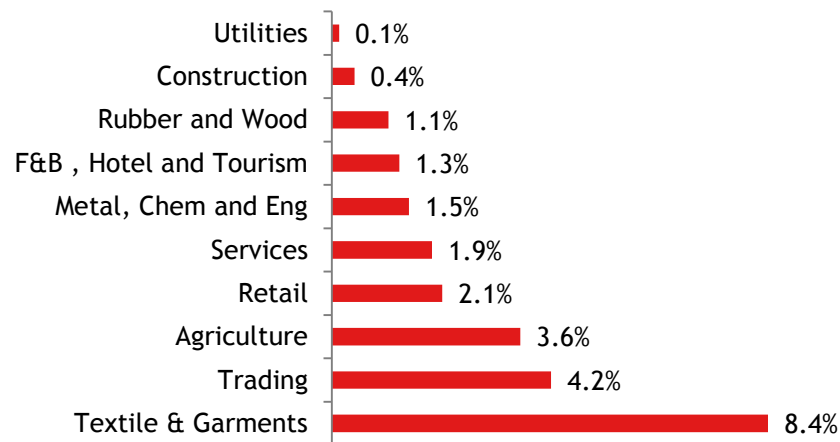
Source: Internal Analysis

A Well Diversified Portfolio



Source: Internal Analysis

NPL Ratio - sector wise

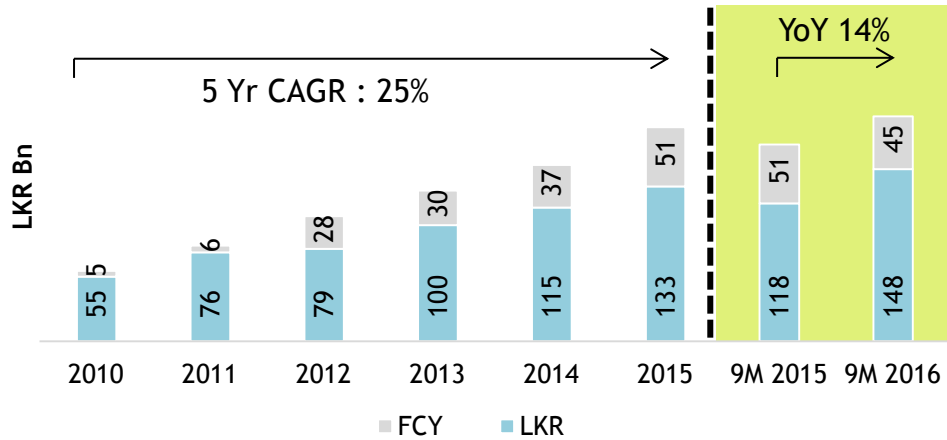


Source: Internal Analysis

Customer Deposits

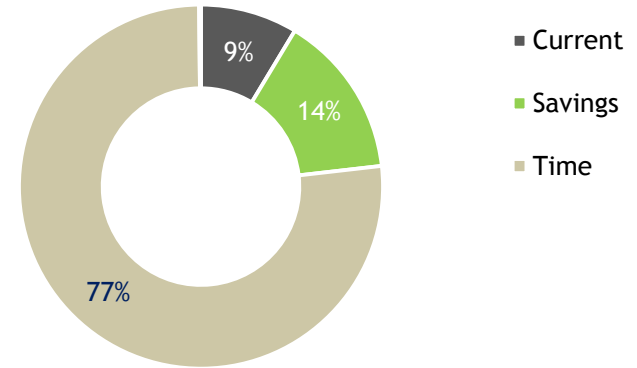


Growth Trend



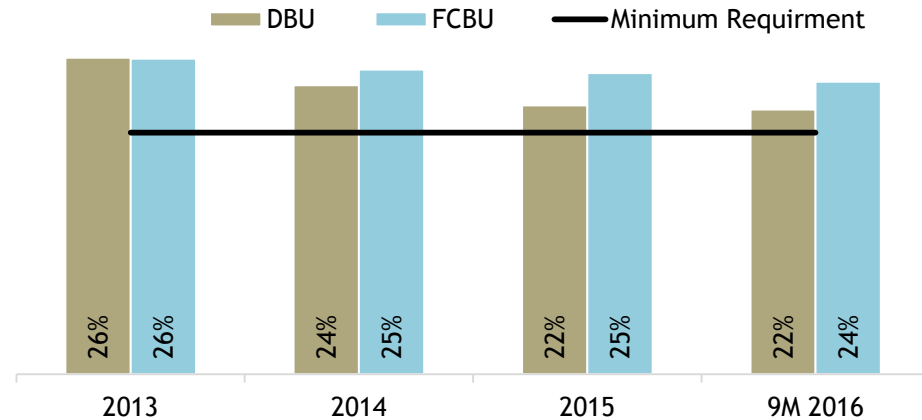
Source: Internal Analysis

Deposit Mix (Sep 2016)



Source: Internal Analysis

Healthy Liquidity



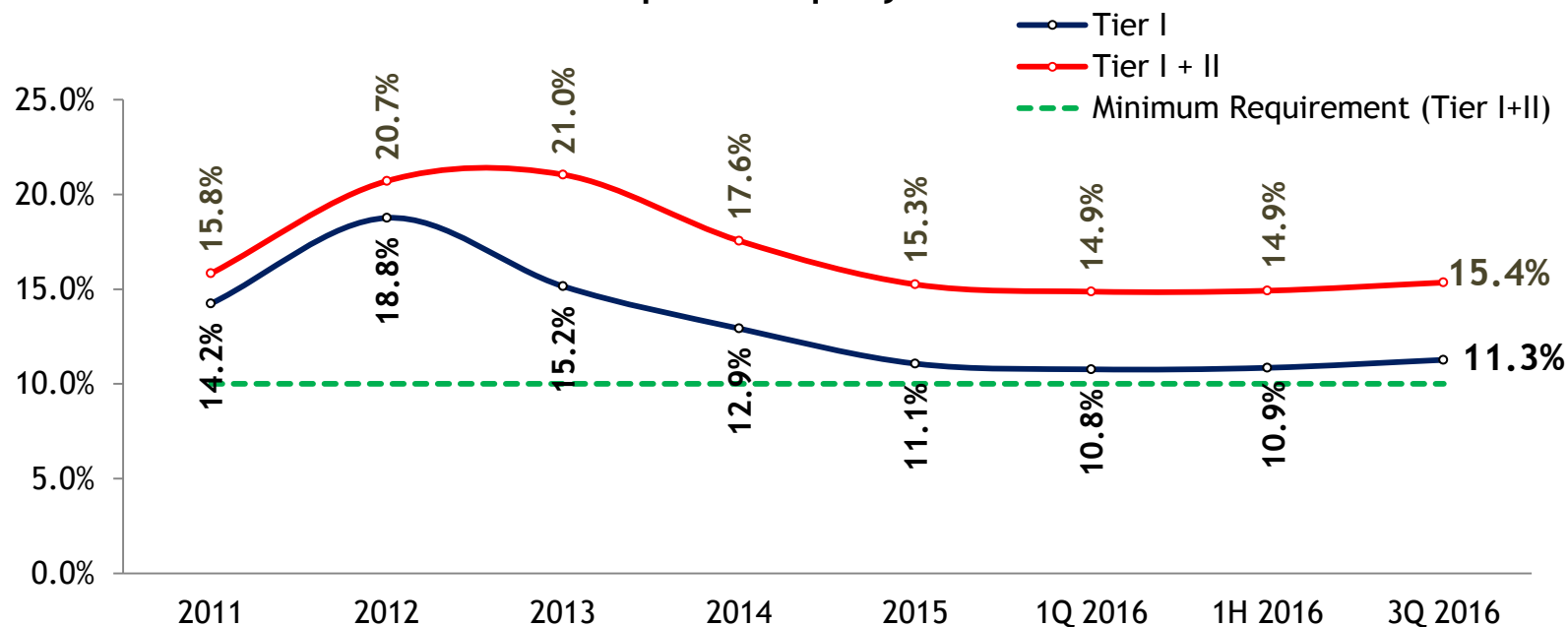
Source: Internal Analysis

- Liquidity Coverage Ratio
 ✓ 100.2% as at September 2016 against the regulatory minimum requirement of 70%

Capital Adequacy



Capital Adequacy Trend



RWA (LKR Bn)

116.1	135.1	163.2	208.6	245.3	249.8	248.1	247.2
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Leverage

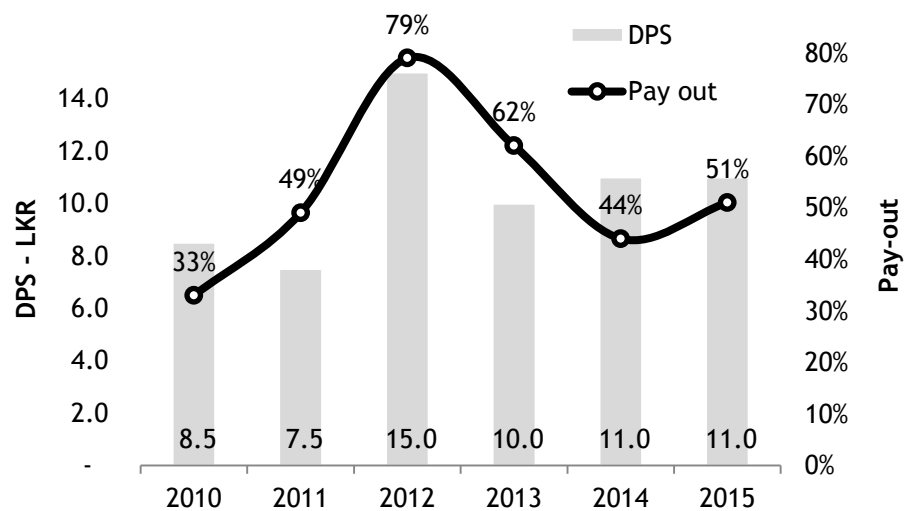
8.42x	7.00x	8.44x	9.65x	11.11x	11.47x	11.20x	11.11x
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Investor Ratios



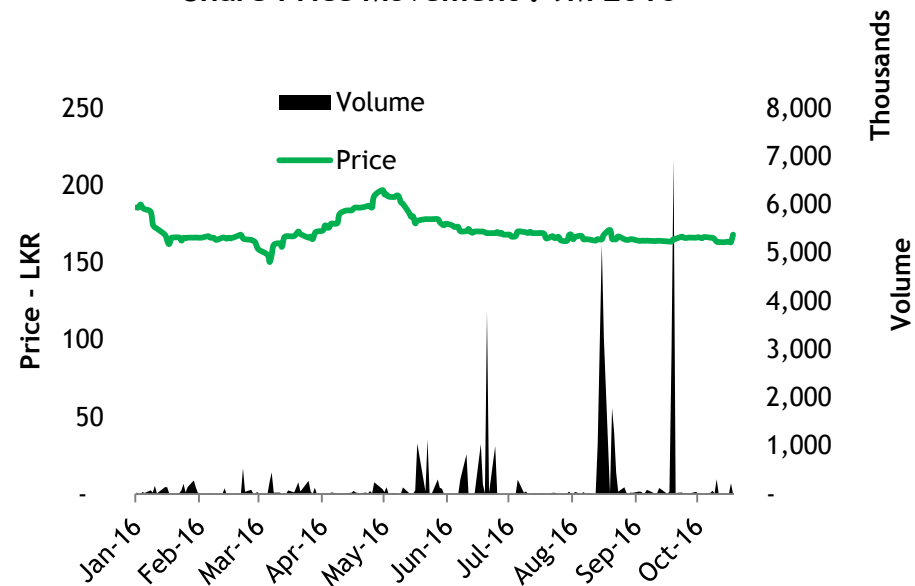
	2014	1Q-2015	1H-2015	3Q-2015	2015	1Q-2016	1H 2016	3Q-2016
EPS (LKR)	25.14	21.12	17.54	18.25	21.51	13.37	13.19	15.89
ROE (%)	15.78	12.42	10.21	10.55	12.59	7.84	7.64	8.98
Book value per Share (LKR)	169.35	170.70	174.19	176.79	172.35	168.80	173.52	182.12
P/E (times)	9.95	11.74	14.84	12.18	9.02	14.51	12.80	10.45
Price to Book value (times)	1.48	1.45	1.49	1.26	1.13	1.00	0.97	0.91

Dividends Trend



Source: Internal Analysis

Share Price Movement : 9M 2016



Source: Bloomberg

Outlook



Improve Margins



Manage Cost Better



Focus on Risk Management



Governance & Controls



Build Leadership & Talent



Contribute to Society & Environment

Q & A



Our Commitment. **Your Success.**

Investor Relations

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