Forward Looking Statements

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Agenda

1. Overview of NDB Group
2. Macro Economic Overview
3. Awards & Accolades
4. Financial Performance
Overview

NDB bank

Our Commitment. Your Success.

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

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
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.

Source: CBSL & ADB
Strategy

Profitable Balance Sheet Growth

Operational Excellence
Strong Sales Culture
Higher Fee Income
Cost Optimization
Best In Class Engaged and Inspired Team

Strong Corporate Governance, Compliance, Risk Management & CSR
Awards & Accolades

• 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

### Profitability (LKR Mn)

<table>
<thead>
<tr>
<th>Metric</th>
<th>9M 2015</th>
<th>9M 2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>9,613</td>
<td>9,980</td>
<td>4%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5,027</td>
<td>5,328</td>
<td>6%</td>
</tr>
<tr>
<td>Profit for Shareholders</td>
<td>2,288</td>
<td>1,965</td>
<td>-14%</td>
</tr>
</tbody>
</table>

### Financial Position (LKR Bn)

<table>
<thead>
<tr>
<th>Metric</th>
<th>9M 2015</th>
<th>9M 2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>285</td>
<td>334</td>
<td>17%</td>
</tr>
<tr>
<td>Total Loans</td>
<td>198</td>
<td>228</td>
<td>15%</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>169</td>
<td>193</td>
<td>14%</td>
</tr>
</tbody>
</table>

### Efficiency & Return

<table>
<thead>
<tr>
<th>Metric</th>
<th>9M 2015</th>
<th>9M 2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost to Income Ratio</td>
<td>52.3%</td>
<td>53.4%</td>
<td></td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>2.8%</td>
<td>2.7%</td>
<td></td>
</tr>
<tr>
<td>Return on Average Equity</td>
<td>10.6%</td>
<td>9.0%</td>
<td></td>
</tr>
</tbody>
</table>

### Business Capacity

<table>
<thead>
<tr>
<th>Metric</th>
<th>9M 2015</th>
<th>9M 2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan to Deposits Ratio</td>
<td>117.1%</td>
<td>117.9%</td>
<td></td>
</tr>
<tr>
<td>Capital Adequacy Ratio</td>
<td>16.8%</td>
<td>15.4%</td>
<td></td>
</tr>
<tr>
<td>Liquidity Ratio</td>
<td>22.7%</td>
<td>21.9%</td>
<td></td>
</tr>
</tbody>
</table>
## Income Statement

### LKR Mn

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

### Y-o-Y movement in PAS

<table>
<thead>
<tr>
<th>9M 2015 PAS</th>
<th>NII</th>
<th>Other Income</th>
<th>Impairment</th>
<th>Operating Expenses</th>
<th>Tax</th>
<th>9M 2016 PAS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>827</td>
<td>460</td>
<td>505</td>
<td>301</td>
<td>211</td>
<td>1,965</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LKR Mn</th>
<th>2,288</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,965</td>
</tr>
</tbody>
</table>
Net Interest Income

Figures in LKR Mn

<table>
<thead>
<tr>
<th></th>
<th>9M-2016</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>20,783</td>
<td>32.9</td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>14,251</td>
<td>43.4</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>6,532</td>
<td>14.5</td>
</tr>
</tbody>
</table>

- 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

Liabilities - Mix

Source: CBSL

Prime Lending Rate

Source: CBSL

Money Market Rate

Source: CBSL

Market Liquidity

Source: Internal Analysis
**Non Interest Income**

**Figures in LKR Mn**

<table>
<thead>
<tr>
<th></th>
<th>9M-2016</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee &amp; Commission</td>
<td>2,243</td>
<td>1.3</td>
</tr>
<tr>
<td>Gain / (Loss) Trading</td>
<td>683</td>
<td>(17.8)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>523</td>
<td>(39.5)</td>
</tr>
<tr>
<td><strong>Total Non Interest Income</strong></td>
<td><strong>3,448</strong></td>
<td><strong>(11.8)</strong></td>
</tr>
</tbody>
</table>

- 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.

- 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.

**Fee & Commission - Segment-wise**

Source: Internal Analysis
Operating Expenses

Figures in LKR Mn

<table>
<thead>
<tr>
<th></th>
<th>9M-2016</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>2,888</td>
<td>6.6</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>367</td>
<td>18.6</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2,073</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>5,328</strong></td>
<td><strong>6.0</strong></td>
</tr>
</tbody>
</table>

- **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

## Asset Mix (Sep 2016)

<table>
<thead>
<tr>
<th>Item</th>
<th>Sep-16</th>
<th>Dec-15</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>26,851</td>
<td>20,002</td>
<td>34</td>
</tr>
<tr>
<td>Investments</td>
<td>76,369</td>
<td>77,327</td>
<td>(1)</td>
</tr>
<tr>
<td>Net Loans &amp; Advances</td>
<td>222,225</td>
<td>209,666</td>
<td>6</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>2,504</td>
<td>2,455</td>
<td>2</td>
</tr>
<tr>
<td>Other Assets</td>
<td>6,245</td>
<td>5,905</td>
<td>6</td>
</tr>
<tr>
<td>Total Assets</td>
<td>334,195</td>
<td>315,354</td>
<td>6</td>
</tr>
</tbody>
</table>

## Liability Mix (Sep 2016)

<table>
<thead>
<tr>
<th>Item</th>
<th>Deposits LKR 76%</th>
<th>Deposits FCY 24%</th>
<th>Subordinated Term Debts 6%</th>
<th>Debt Securities &amp; Borrowings 24%</th>
<th>Other Liabilities 3%</th>
<th>Equity 9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>LKR Mn</td>
<td>Sep-16</td>
<td>Dec-15</td>
<td>193,348</td>
<td>184,152</td>
<td>80,809</td>
<td>20,994</td>
</tr>
<tr>
<td>Deposits</td>
<td>193,348</td>
<td>184,152</td>
<td>60%</td>
<td>60%</td>
<td>6%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Internal Analysis
Loans & Advances

Growth Trend

- 5 Yr CAGR: 26%
- YoY 15%

- 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

- Retail & SME: 43%
- Corporate: 34%
- Project Finance: 23%

Segmental Growth (YoY)

- Retail & SME: 26%
- Project Finance: 25%
- Corporate: 0%

Source: Internal Analysis
Asset Quality

Gross NPL Ratio

- NDB
- Industry


Source: Internal Analysis

Impairment Allowance: % of Gross Loans

- NDB
- Peer Avg.


Source: Internal Analysis

A Well Diversified Portfolio

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

Source: Internal Analysis

NPL Ratio - sector wise

- Utilities: 0.1%
- Construction: 0.4%
- Rubber and Wood: 1.1%
- F&B, Hotel and Tourism: 1.3%
- Metal, Chem and Eng: 1.5%
- Services: 1.9%
- Retail: 2.1%
- Agriculture: 3.6%
- Trading: 4.2%
- Textile & Garments: 8.4%

Source: Internal Analysis
Customer Deposits

Growth Trend

5 Yr CAGR: 25%

LKR Bn


55.5  67  79  100 115 133 118 148

FCY  LKR

Source: Internal Analysis

Deposit Mix (Sep 2016)

Healthy Liquidity

Liquidity Coverage Ratio

✓ 100.2% as at September 2016 against the regulatory minimum requirement of 70%

Source: Internal Analysis
Capital Adequacy Trend

- Tier I
- Tier I + II
- Minimum Requirement (Tier I+II)

<table>
<thead>
<tr>
<th>Year</th>
<th>Tier I</th>
<th>Tier I + II</th>
<th>Minimum Requirement (Tier I+II)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>14.2%</td>
<td>15.8%</td>
<td>18.0%</td>
</tr>
<tr>
<td>2012</td>
<td>18.8%</td>
<td>20.7%</td>
<td>21.0%</td>
</tr>
<tr>
<td>2013</td>
<td>21.0%</td>
<td>15.2%</td>
<td>17.6%</td>
</tr>
<tr>
<td>2014</td>
<td>17.6%</td>
<td>12.9%</td>
<td>15.3%</td>
</tr>
<tr>
<td>2015</td>
<td>15.3%</td>
<td>10.8%</td>
<td>14.9%</td>
</tr>
<tr>
<td>1Q 2016</td>
<td>14.9%</td>
<td>10.9%</td>
<td>14.9%</td>
</tr>
<tr>
<td>1H 2016</td>
<td>14.9%</td>
<td>11.3%</td>
<td>11.3%</td>
</tr>
<tr>
<td>3Q 2016</td>
<td>15.4%</td>
<td>11.3%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

RWA (LKR Bn)

- 2011: 116.1
- 2012: 135.1
- 2013: 163.2
- 2014: 208.6
- 2015: 245.3
- 1Q 2016: 249.8
- 1H 2016: 248.1
- 3Q 2016: 247.2

Leverage

- 2011: 8.42x
- 2012: 7.00x
- 2013: 8.44x
- 2014: 9.65x
- 2015: 11.11x
- 1Q 2016: 11.47x
- 1H 2016: 11.20x
- 3Q 2016: 11.11x

Source: Internal Analysis
Investor Ratios

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (%)</td>
<td>15.78</td>
<td>12.42</td>
<td>10.21</td>
<td>10.55</td>
<td>12.59</td>
<td>7.84</td>
<td>7.64</td>
<td>8.98</td>
</tr>
<tr>
<td>Book value per Share (LKR)</td>
<td>169.35</td>
<td>170.70</td>
<td>174.19</td>
<td>176.79</td>
<td>172.35</td>
<td>168.80</td>
<td>173.52</td>
<td>182.12</td>
</tr>
<tr>
<td>P/E (times)</td>
<td>9.95</td>
<td>11.74</td>
<td>14.84</td>
<td>12.18</td>
<td>9.02</td>
<td>14.51</td>
<td>12.80</td>
<td>10.45</td>
</tr>
<tr>
<td>Price to Book value (times)</td>
<td>1.48</td>
<td>1.45</td>
<td>1.49</td>
<td>1.26</td>
<td>1.13</td>
<td>1.00</td>
<td>0.97</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Dividends Trend

Share Price Movement : 9M 2016

Source: Internal Analysis
Source: Bloomberg
Outlook

- Improve Margins
- Manage Cost Better
- Focus on Risk Management
- Governance & Controls
- Build Leadership & Talent
- Contribute to Society & Environment
Q & A
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