

11 August 2016, Colombo.

## **NDB posts PAS of LKR 1.1 billion for the first half of 2016**

National Development Bank PLC and its Group companies posted a Profit Attributable to Shareholders (PAS) of LKR 1,083 million for the first six months of 2016. Despite growth in core banking operations, the PAS was a reduction of 25% in comparison to the corresponding period of 2015, mainly attributable to the increase in impairment charges. However, this is an improvement, in comparison to the year-on-year (YoY) PAS of Q1 2016 which was a reduction of 37%.

The gross income of the NDB Group was LKR 15,506 million for the period under review and was a healthy growth of 23% over the comparative period. The net interest income (NII) was LKR 4,234 million, an increase of 11%, which is commendable within the competitive interest rate environment that prevailed in the industry. This compares with the 4% YoY growth recorded during the first quarter of 2016, which indicates improved performance of the core banking operations of the Bank mainly attributable to the better management of interest margins and the assets and liability mix of the Bank.

The net fee and commission income from core banking operations grew by 15% over the comparative period to reach LKR 1,073 million. The continuous healthy growth in fee income which the Bank has achieved over the past couple of months is a result of the increase in fee generating business volumes. However, the Bank recorded a negative growth in net gains from financial investments due to the upward movement in market interest rates.

Impairment charges for loans and other losses for the period was LKR 879 million and compares with LKR 218 million for the corresponding period in 2015. The total impairment charges for the period included individual impairment charges of LKR 438 million (which compares with a LKR 350 million for the first quarter of 2016) which represents specific provisions made for few customers, based on sound judgement and objective evidence. Impairment charges also include a collective impairment charge of LKR 423 million, which was primarily due to the growth in the lending portfolio by LKR 11 billion over the last year end and the provisioning basis adopted by the Bank in line with its Impairment Policy. Such prudent measures adopted at this juncture will benefit the Bank's profit in the future; once the envisaged recoveries of these impaired loans are achieved by the Bank's meticulous and stringent recovery process.

The quality of the Bank's asset portfolio was affirmed by the non-performing loan ratio of 2.54% for the period under review, which is well below the industry average.

Operating expenses of the Group grew by 7% compared to the comparative period and were LKR 3,501 million by end June 2016. Cost management forms a key strategic lever for the Bank in its objective of achieving profitable growth. The Bank has been able to well manage its costs amidst business expansions.

## Press Release

### National Development Bank PLC

In terms of balance sheet performance, total assets recorded a moderate growth of 2% for the six months ended 30 June 2016, over total assets at the end of 2015. Accordingly, NDB Group's total assets stood at LKR 321 billion. Loans and receivables to customers grew by 5%, an increment of LKR 10,773 million from end December 2015. On a YoY basis, loans and receivables to customers grew by 21%. This is a satisfactory increase in the Bank's business volumes amidst stiff competition. Volume growth was seen across all business segments of retail & SME, corporate and project & infrastructure financing.

NDB Group's customer deposits reached LKR 190 billion by end June 2016. This was again a relatively modest growth of 3%, an equivalent of LKR 5.9 billion. Customer deposits grew by 12% on a YoY basis. The Bank is focused on increasing its deposits base, with greater emphasis placed on CASA deposits whilst striking an optimum in the funding mix.

Capital adequacy of the NDB Group as measured by Basel ratios were 10.85% for core/ Tier I level, whilst the total capital ratio was 14.92% at the end of the first six months of 2016. The same ratios for the Bank were 8.50% and 12.51%.

The six months ended 30 June 2016 recorded an annualized earnings per share (EPS) of LKR 13.19 and a return on average shareholders' funds (ROE) of 7.64%. The closing share price at the end of June 2016 was LKR 168.80.

The quarter ended marked a special occasion for the Bank during which it expanded its branch network beyond 100. The Bank's 100<sup>th</sup> branch was ceremoniously opened at Hingurakgoda, followed by two more branches, taking the total network to 102 by the end of the quarter. The Bank also relocated two of its branches in Pettah and Wellawatta. The Chief Executive Officer, Mr. Rajendra Theagarajah, commenting on the Bank's ambitious organic growth mentioned that the Bank is resolute in providing the best and most convenient banking experience to the Bank's clientele, through meaningful expansion of the branch network and technology enabled banking services.

The Chairman of NDB Mr. N G Wickremeratne maintained that the Bank will strengthen its stance through the infusion of quality capital in the near future, which will enable the Bank, further expansions. The Bank is well geared for the remainder of the year to embrace new business opportunities, attune its strategies in response to evolving monetary policy stances from the regulator and yield profitable growth and sustained returns to all its stakeholders.

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