



INVESTOR UPDATE

1H 2016

Forward Looking Statements



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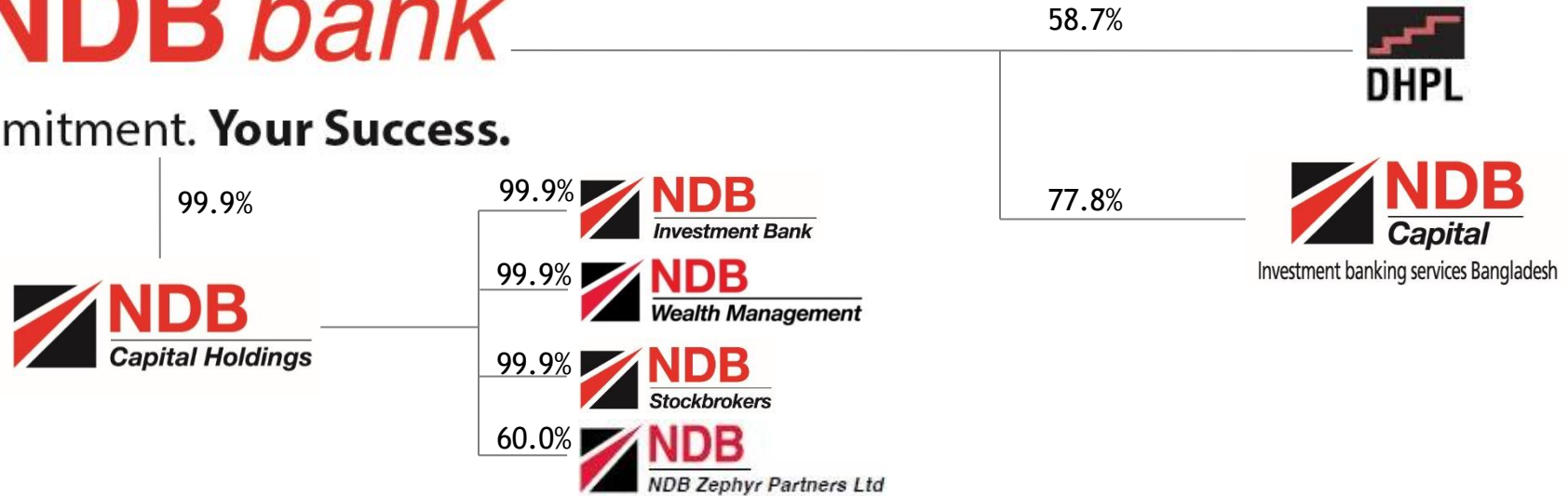
Awards & Accolades

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Financial Performance



Our Commitment. **Your Success.**



Vision

“The driving force for a financially empowered Sri Lanka”

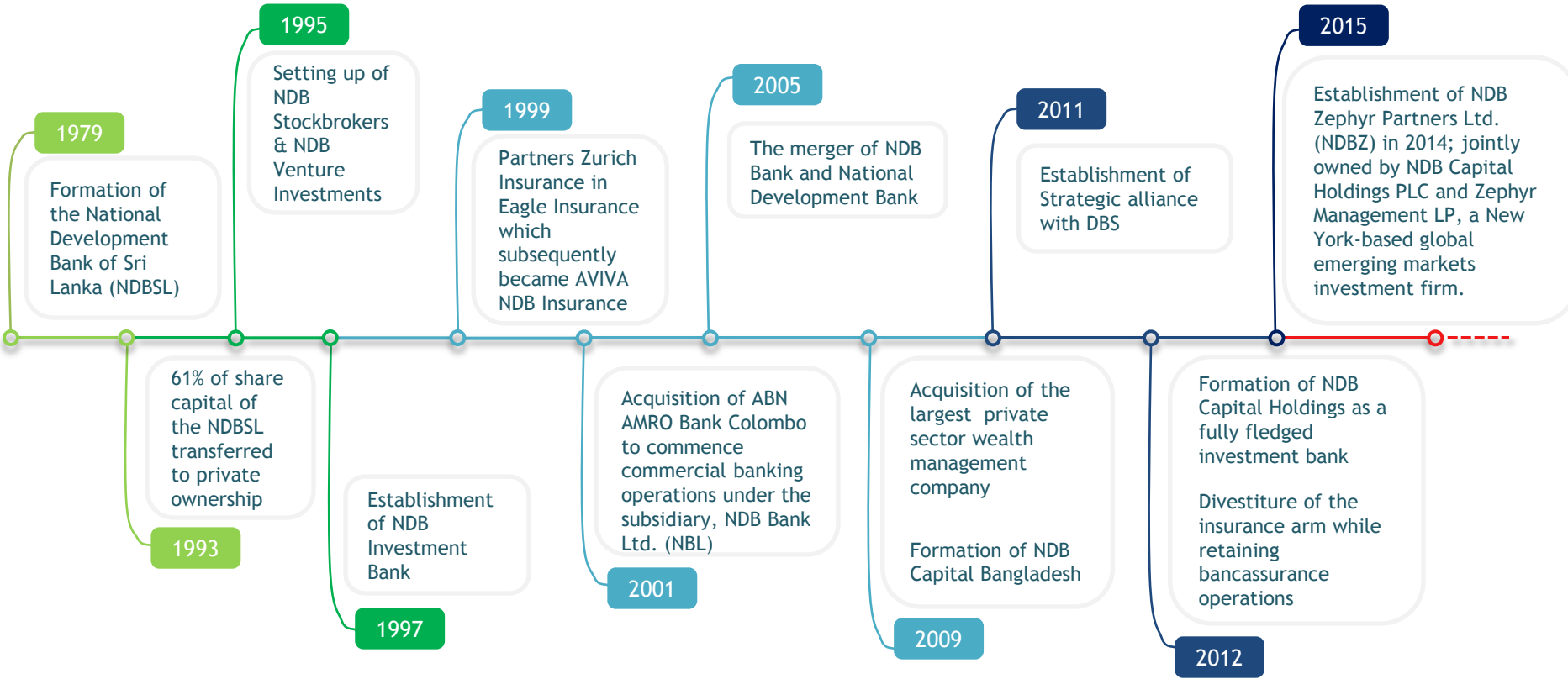
Mission

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



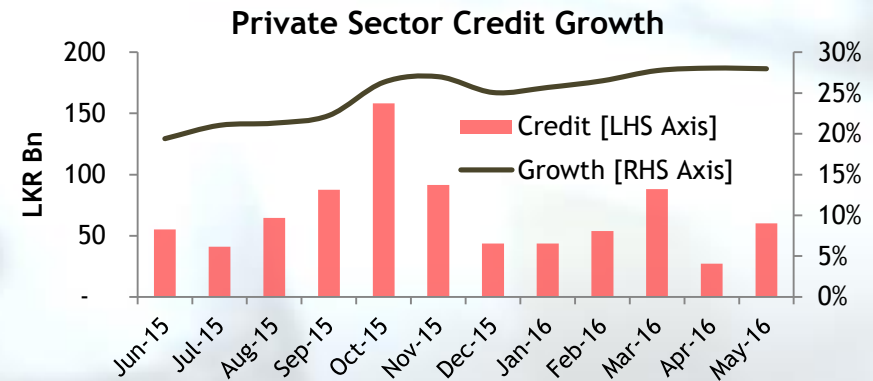
Phase I	Phase II	Phase III	Phase IV
Development Banking Phase	Project Finance dominance Diversification with NDB Act	New positioning with four integrated businesses; Corporate, Retail Capital markets, Insurance	Building scale in chosen businesses locally and regionally

Macro Economic Overview



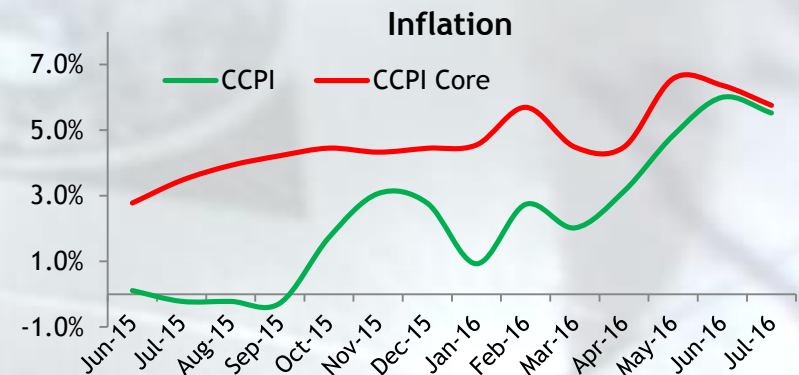
Private Sector Credit

- The appetite for bank credit by the private sector continued in spite of the upward movement in market interest rates.
- YoY growth of 28% against the desired level of 20%.



Increasing trend in Inflation

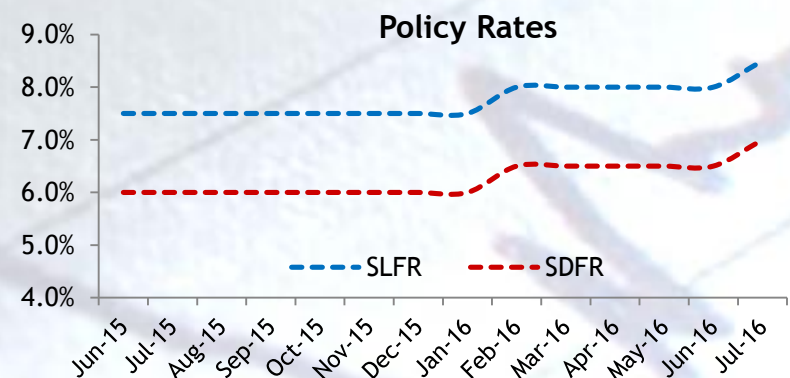
- Both headline and core inflation increased reflecting the demand driven inflationary pressures.
- Supply side disruptions from adverse weather conditions.



Tightening Monetary Policy

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



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

1H 2016



1H 2016 Performance Summary



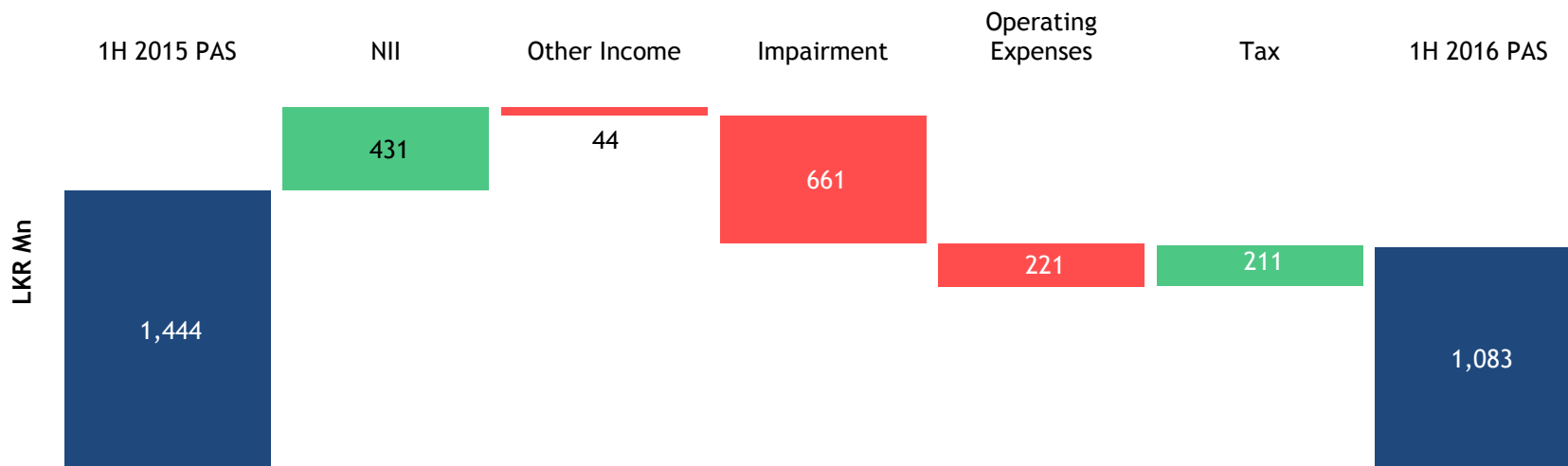
		1H 2015	1H 2016	YoY
Profitability (LKR Mn)	Operating Income	6,136	6,523	6%
	Operating Expenses	3,280	3,501	7%
	Profit for Shareholders	1,444	1,083	-25%
Financial Position (LKR Bn)	Total Assets	277	321	16%
	Total Loans	186	226	21%
	Total Deposits	170	190	12%
Efficiency & Return	Cost to Income Ratio	53.5%	53.7%	
	Net Interest Margin	2.8%	2.7%	
	Return on Average Equity	10.2%	7.6%	
Business Capacity	Loan to Deposits Ratio	109.9%	118.6%	
	Capital Adequacy Ratio	17.4%	14.9%	
	Liquidity Ratio	24.3%	21.2%	

Income Statement



<i>LKR Mn</i>	Year - to - date		Variance over	
	2015	2016	2015	%
Net Interest Income	3,803	4,234	431	11
Operating Income	6,136	6,523	387	6
Impairment	218	879	661	304
Operating Expenses	3,280	3,501	221	7
Operating Profit	2,638	2,143	(495)	(19)
Tax	1,228	1,017	(211)	(17)
PAS	1,444	1,083	(361)	(25)

Y-o-Y movement in PAS



Net Interest Income



Figures in LKR Mn

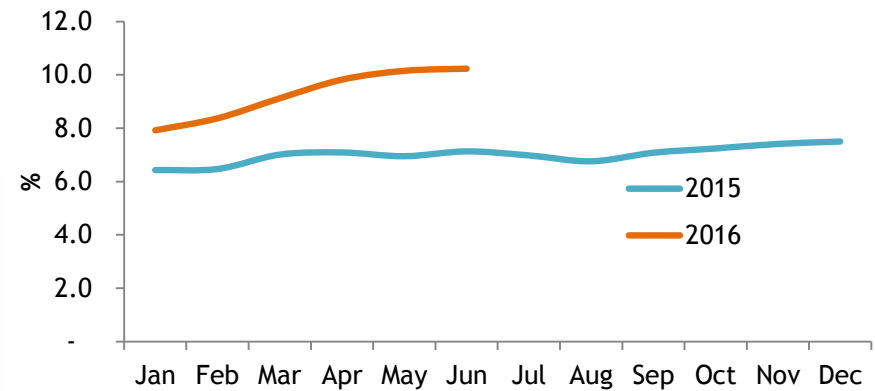
	1H-2016	YoY (%)
Interest Income	13,217	28.2
Interest Expenses	8,982	38.0
Net Interest Income	4,234	11.3

- 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;

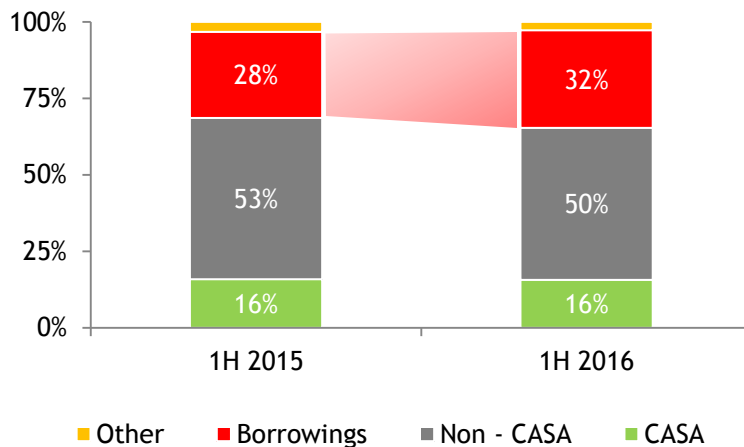
- Low growth in Customer Deposits & CASA
- High dependency on money market borrowings

Prime Lending Rate

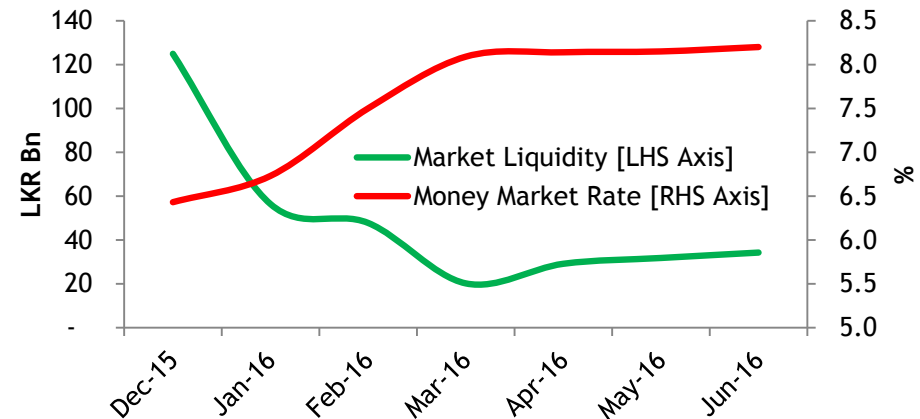


Source: CBSL

Liabilities - Mix



Source: Internal Analysis



Source: CBSL

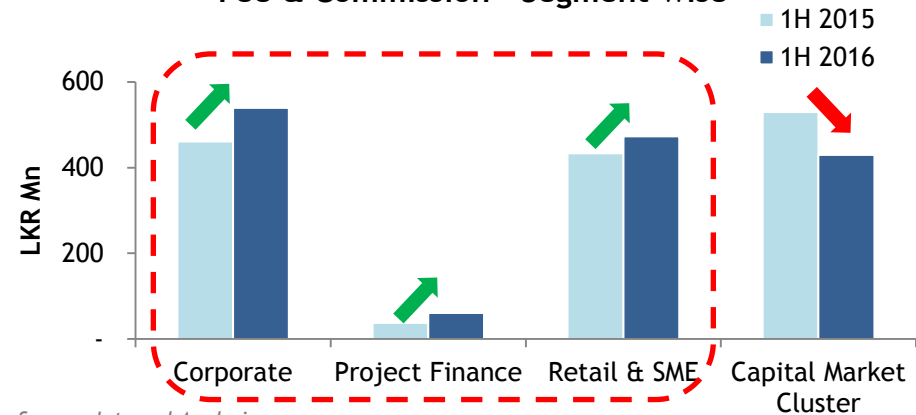
Non Interest Income

Figures in LKR Mn

	1H-2016	YoY (%)
Fee & Commission	1,503	2.8
Gain / (Loss) Trading	456	(2.5)
Other operating income	330	(18.2)
Total Non Interest Income	2,289	(1.9)

- Fee & Commission growth at the Group level was hindered by the moderation of capital market activities.
- However, there was a 15% YoY growth at the Bank level.

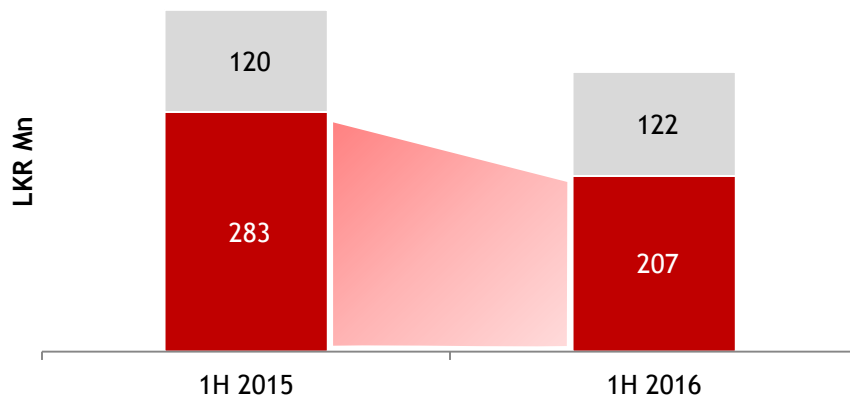
Fee & Commission - Segment-wise



Source: Internal Analysis

Other operating income

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



Source: Internal Analysis

- Forex trading opportunities were scarce during 1H 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

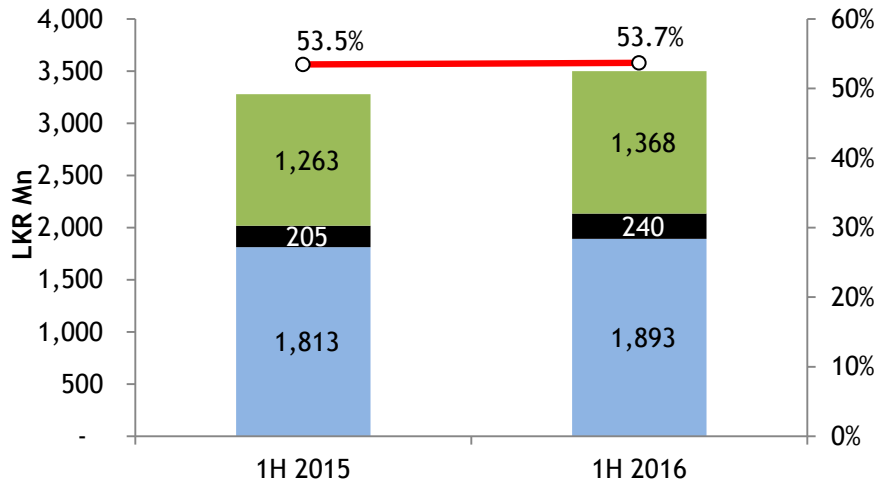


Figures in LKR Mn

	1H-2016	YoY (%)
Personnel expenses	1,893	4.4
Depreciation and amortization	240	17.5
Other expenses	1,368	8.3
Total operating expenses	3,501	6.7

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

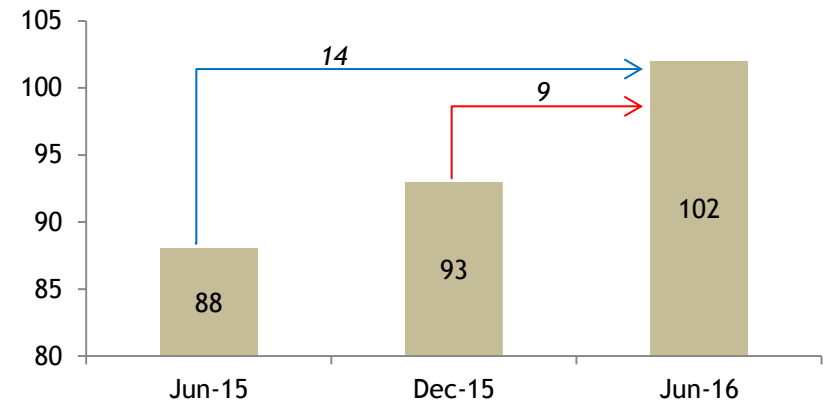
Cost to Income Ratio



Other Depreciation and amortization Personnel CIR

Source: Internal Analysis

Branches



Source: Internal Analysis

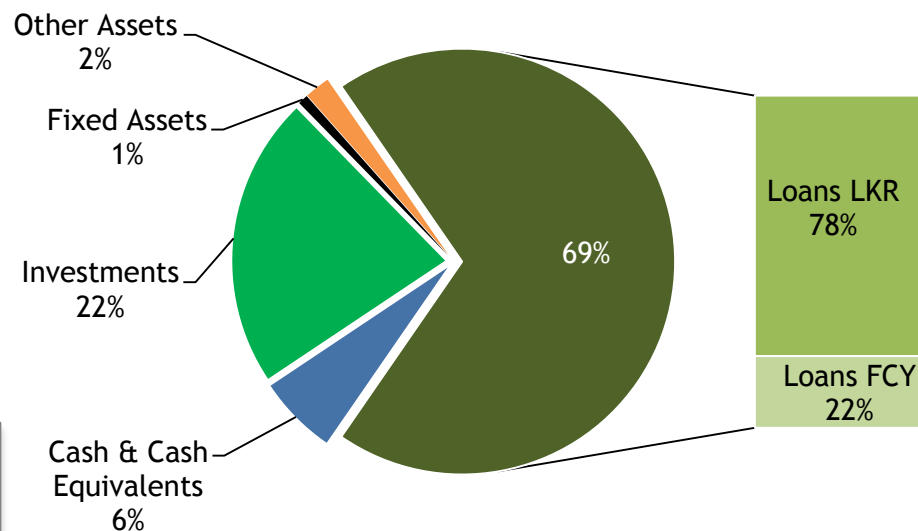
- Cost to income ratio remained nearly flat due to the proactive measures taken to manage overheads amidst low business growth.

Balance Sheet



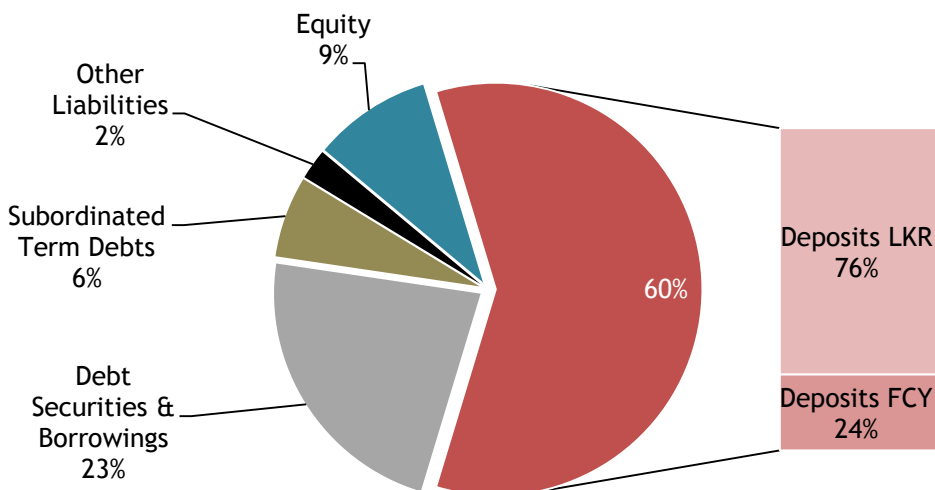
LKR Mn	Jun-16	Dec-15	%
Cash & Cash Equivalents	19,651	20,002	(2)
Investments	71,995	77,327	(7)
Net Loans & Investments	220,439	209,666	5
Fixed Assets	2,487	2,455	1
Other Assets	6,304	5,905	7
Total Assets	320,876	315,354	2

Asset Mix (June 2016)



Source: Internal Analysis

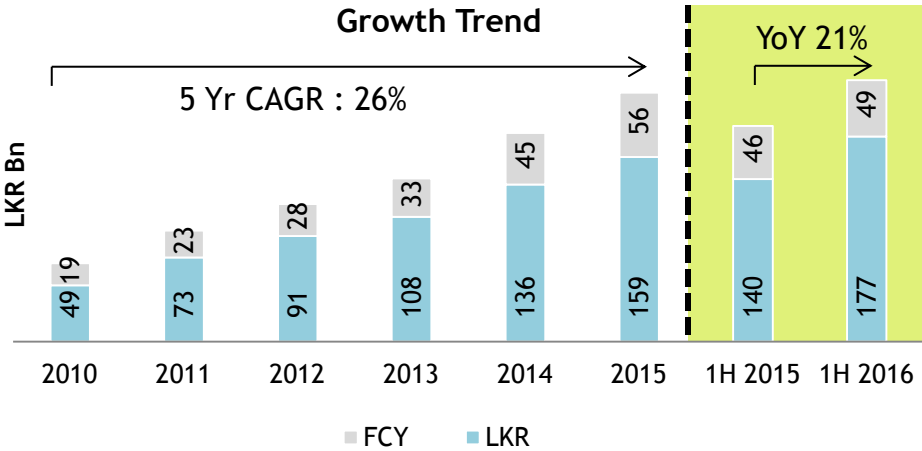
Liability Mix (June 2016)



Source: Internal Analysis

LKR Mn	Jun-16	Dec-15	%
Deposits	190,448	184,152	3
Debt Securities & Borrowings	72,706	72,118	1
Subordinated Term Debts	20,411	19,574	4
Other Liabilities	7,630	10,109	(25)
Equity	29,681	29,401	1
Total Liabilities	320,876	315,354	2

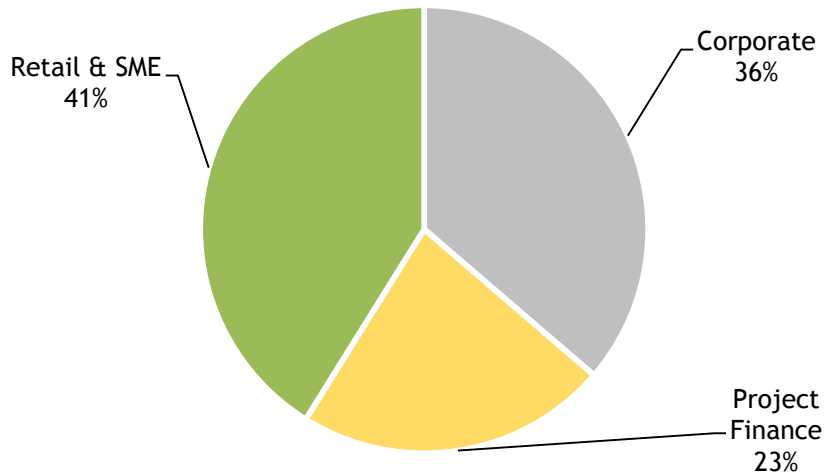
Loans & Advances



Source: Internal Analysis

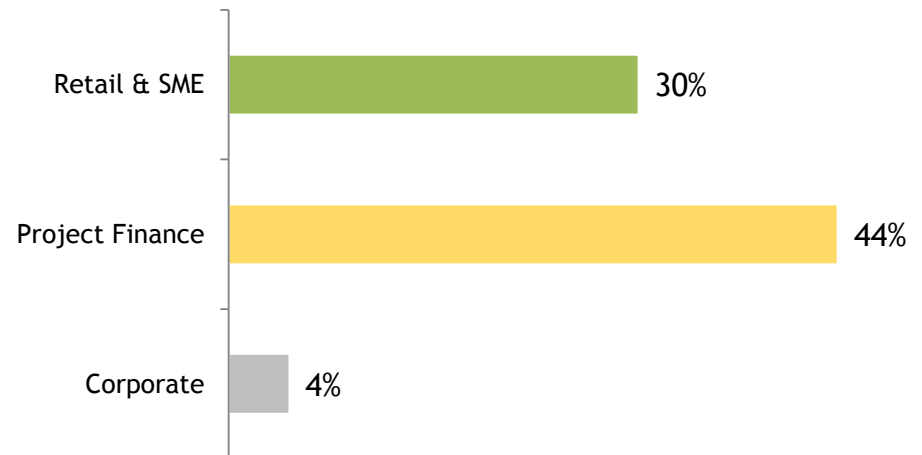
- Gross Loan Book stood at LKR 226 Bn
 - Grew by 5% from Dec-2015
- Corporate Segment represents 36% of Loan book compared to 42% in June-2015

Loans & Advances Breakdown by Segments

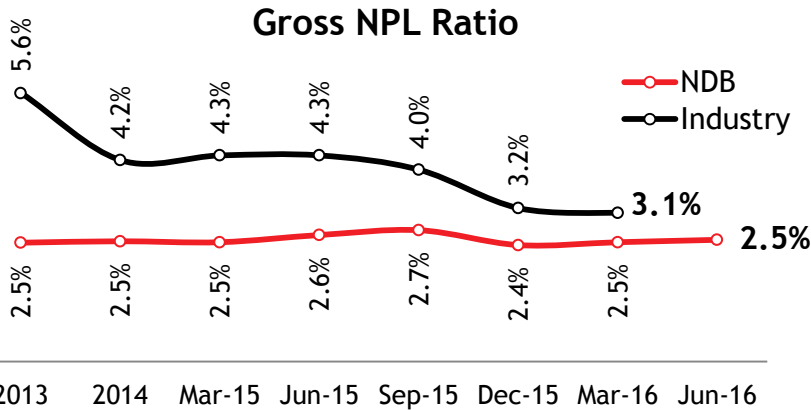


Source: Internal Analysis

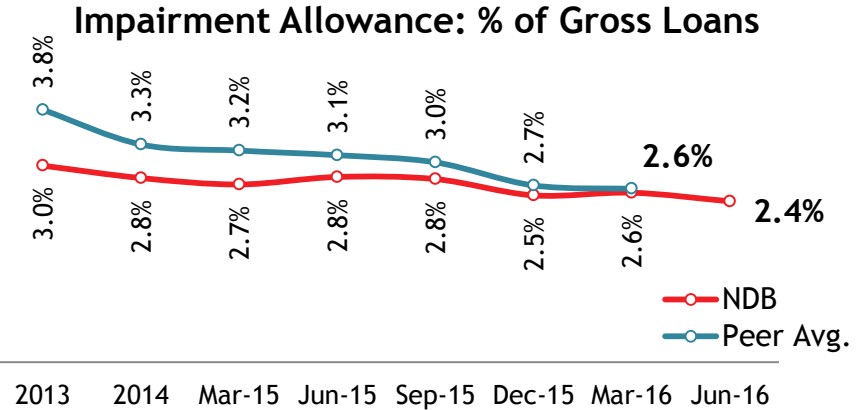
Segmental Growth (YoY)



Source: Internal Analysis

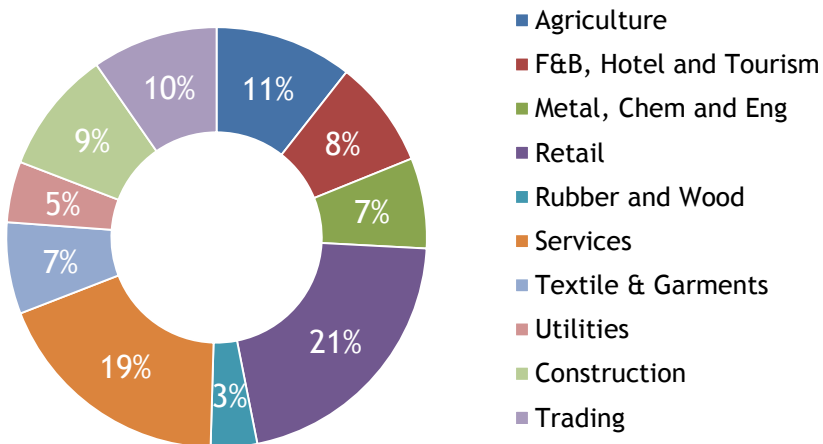


Source: Internal Analysis



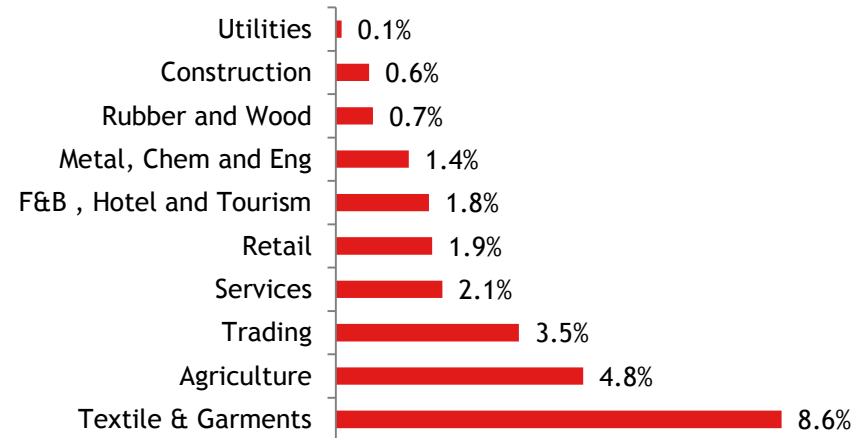
Source: Internal Analysis

A Well Diversified Portfolio



Source: Internal Analysis

NPL Ratio - sector wise

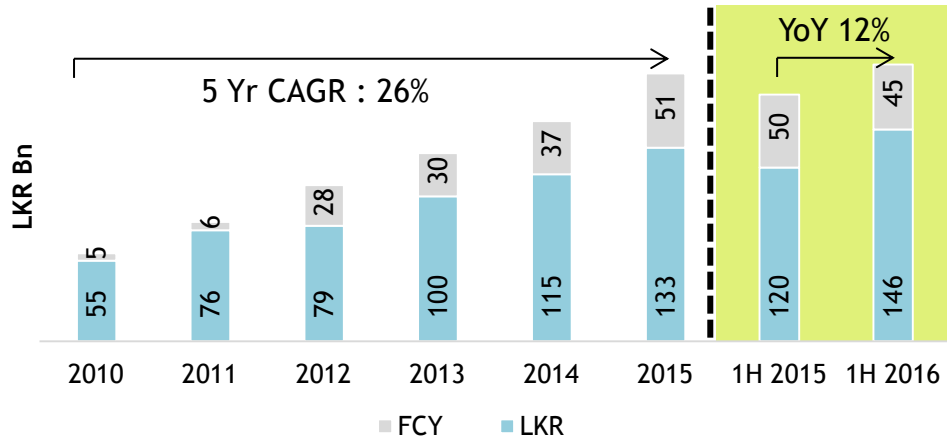


Source: Internal Analysis

Customer Deposits

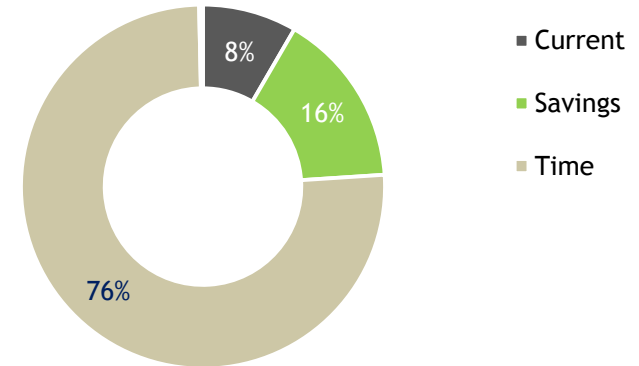


Growth Trend



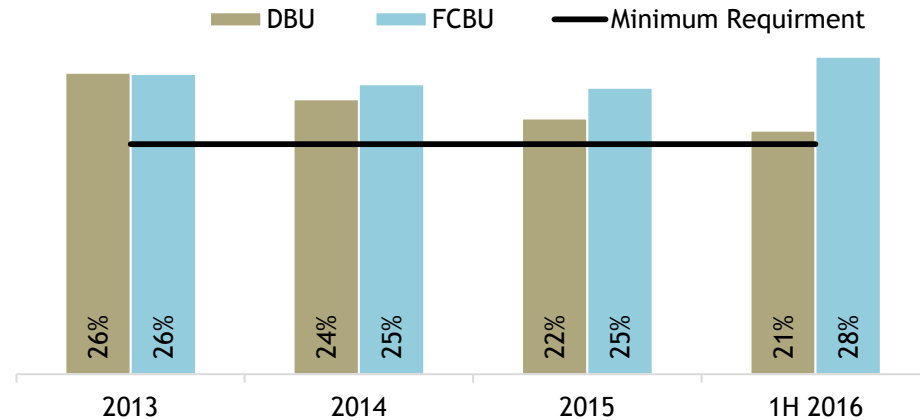
Source: Internal Analysis

Deposit Mix (June 2016)



Source: Internal Analysis

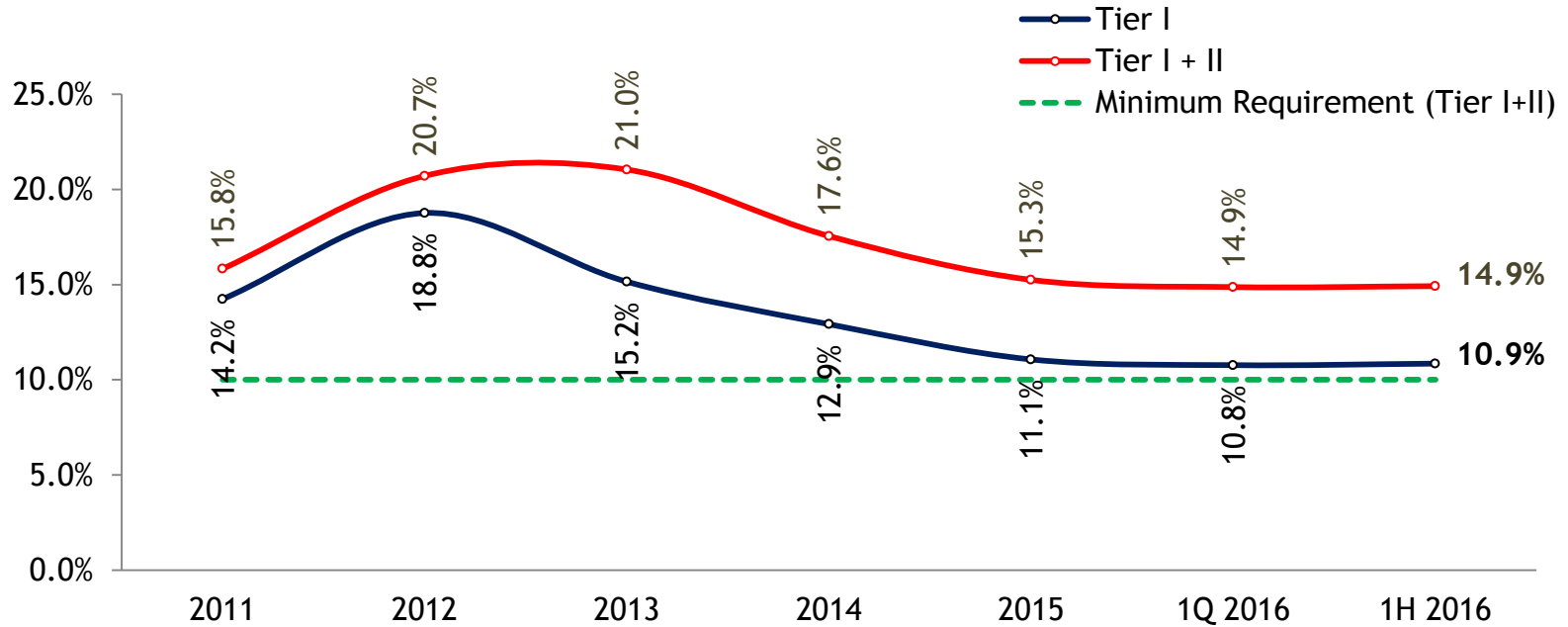
Healthy Liquidity



Source: Internal Analysis

- Liquidity Coverage Ratio
✓ 92% as at June 2016 against the regulatory minimum requirement of 70%

Capital Adequacy Trend



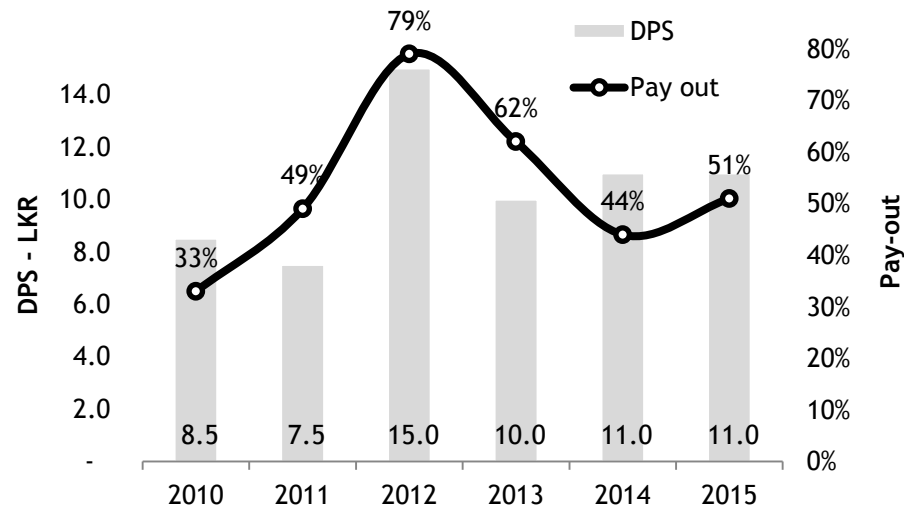
RWA (LKR Bn)	116.1	135.1	163.2	208.6	245.3	249.8	248.1
Leverage	8.42x	7.00x	8.44x	9.65x	11.11x	11.47x	11.20x

Investor Ratios



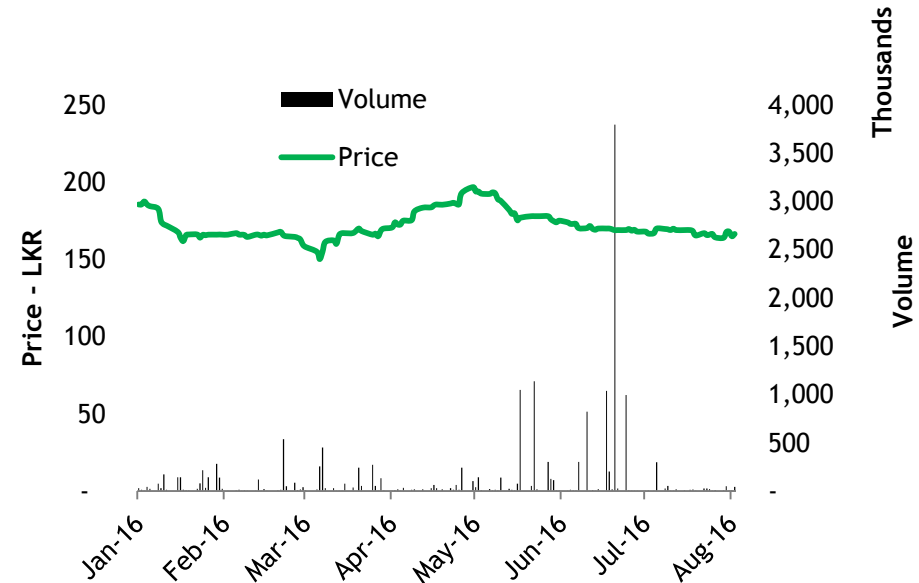
	2014	1Q-2015	1H-2015	3Q-2015	2015	1Q-2016	1H 2016
EPS (LKR)	25.14	21.12	17.54	18.25	21.51	13.37	13.19
ROE (%)	15.78	12.42	10.21	10.55	12.59	7.84	7.64
Book value per Share (LKR)	169.35	170.70	174.19	176.79	172.35	168.80	173.52
P/E (times)	9.95	11.74	14.84	12.18	9.02	14.51	12.80
Price to Book value (times)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

Dividends Trend



Source: Internal Analysis

Share Price Movement : 1H 2016



Source: Bloomberg



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