

Q1 2016

National Development Bank PLC



PERFORMANCE COMMENTARY

On the financial performance for the three months (first quarter) ended 31.03.2016

Released on 11 May 2016

NDB commences the year on a positive note

National Development Bank PLC and its Group companies (together referred to as the Group) commenced 2016 on a positive note, posting a 20% year-on-year (YoY) growth in gross income. Accordingly, the Group ended the first quarter with a gross income of LKR 7,555 million, a LKR 1,235 million increase over the comparative period of first three months of 2015.

The net interest income (NII) of the NDB Group was LKR 2,064 million as compared to LKR 1,984 million, a 4% increase over the comparative period. Group net fee and commission income recorded a 13% growth to reach LKR 765 million for the period, which affirms the Bank's greater focus on fee based income in a challenging interest rate environment. Net gains from financial investments also grew by 41% YoY. Accordingly, NDB Group's total operating income grew by 7% to reach LKR 3,346 million, as compared to LKR 3,142 million for the comparative period.

Impairment charges for loans and other losses for the period was a charge of LKR 546 million as compared to a release of LKR 64 million in Q1 2015. Individual impairment charges of LKR 350 million represent specific provisions made for few customers, based on sound judgement and objective evidence. However, a stringent recovery process is being pursued to minimize any significant losses that may arise from such facilities.

Total operating expenses increased by 10% YoY across the Group to LKR 1,723 million. The Bank opened 6 new branches during the first three months of 2016, which increased the premises and establishment costs. Given this expansion in the Bank's network, the Bank has managed its costs well during the said quarter. The Cost to Income Ratio (CIR) was 46.34% and compares with a CIR of 49.55% as at end 2015.

Group profit attributable to shareholders (PAS) declined by 37% YoY, and ended at LKR 548 million. The commendable growth in core banking income and the increase in the profit share from Group companies were however, negated by the comparatively larger increase in impairment charges.

In terms of Balance Sheet performance, total assets recorded a growth of LKR 3.6 billion from end 2015, to reach LKR 319 billion as at 31 March 2016. Loans and receivables grew by 3% to reach LKR 216 billion, which was an increase of LKR 6 billion. Customer deposits grew by 6% at the Bank level to reach LKR 197 billion. It should be noted that in terms of YoY growth, the Bank's total assets significantly grew by 18%, supported by a 23% growth in loans and receivables and 21% increase in customer deposits.

Asset quality as reflected in the non-performing loans (NPL) ratio was 2.49% by the end of the period under review, and compares with a ratio of 2.43% as at the end of 2015. The maintenance of the Bank's NPL ratio at consistently stable levels well below the industry average amidst quantum increases in the loan book is an assured indicator of the Bank's sound risk management endeavours.

Annualized Group earnings per share (EPS) was LKR 13.37 for the three months ended 31 March 2016 whilst Return on average shareholders' funds (ROE) was 7.84%. In February 2016, the Bank paid a final

dividend of LKR 4/- to shareholders for the financial year 2015, which resulted in a total dividend of LKR 11/- for the same year. The closing share price at the end of the quarter was LKR 168.80.

As mentioned earlier, NDB opened six new branches within the first three months of the year, bringing its total branch count to 99. Five of these branches opened were outside the Western Province. The Chairman of NDB, Mr. N G Wickremeratne, commenting on the Bank's expansion strategies mentioned that the Bank has robust plans to expand its branch network further, during the remainder of the year, with special focus on localities in need of assistance for their economic revival.

Furthermore NDB crossed a milestone in the first quarter of 2016 with the launch of its mobile banking facility. NDB's mobile banking App is one the most advanced mobile banking offerings in Sri Lanka as well as in the region. The Bank also further streamlined its e-statements offerings by integrating all banking products including credit cards and Group company products into a single statement.

Expressing his views for the year that lays ahead, the Chief Executive Officer of NDB, Mr. Rajendra Theagarajah stated that, following the strong balance sheet growth which the Bank achieved during the latter half of 2015, NDB is set on a firm trajectory for enhanced growth in 2016. The Bank is committed to superior shareholder returns through profitable growth. The Bank will also focus on offering banking services combining further technological advancements to its clientele, for meaningful banking with NDB.

End.