

Performance Commentary
Financial Performance
Q3 2015
National Development Bank PLC



NDB GROUP CONTINUES ITS GROWTH MOMENTUM

National Development Bank PLC and its Group companies (together referred to as the Group) ended the first nine months of 2015 with resilience and strength, continuing the growth momentum it has demonstrated in the recent past.

The Bank's post-tax profit for the period under review was LKR 2.7 billion, whilst the Group profit attributable to shareholders (PAS) stood at LKR 2.3 billion. It is noteworthy to mention that the Bank has demonstrated resilience to the less than favourable industry conditions and maintained the planned strategic growth momentum for the year 2015.

Group net interest income (NII) was LKR 5.7 billion, with a marginal reduction of 4% over the comparative period ended 30 September 2014. Considering the continuation of the low market interest rate levels, the Group has well managed its NII levels.

Profitability was strengthened by improved net fee and commission income, net gains from trading, and other operating income. The Bank's net fee and commission income stood at LKR 1.5 billion at the end of Q3 2015, an increase of 10% over the comparative period. Increased volumes in the primary business of lending, card transactions and international operations were the key contributors towards the enhanced net fee and commission income of the Bank. Net fee and commission income of the Group increased to LKR 2.2 billion, by a significant 23% growth over the comparative period, benefiting from the Group's wide array of expert capital market services.

Net gains from trading which includes foreign exchange income increased by 19% to reach LKR 831 million. Group other operating income of LKR 555 million recorded a marked increase of over LKR 400 million over the comparative period. However, net gains on financial investments of LKR 308 million reduced by over 70% over the comparative period, primarily due to the high marked to market gains earned during the prior period.

Impairment charges for loans and other losses of the NDB Group increased to LKR 545 million as compared with LKR 306 million for the comparative period. Collective impairment for the period under review was a charge of LKR 138 million as opposed to a release of LKR 13 million in the comparative period. The increase was primarily due to the increase in the collective impairment provision which resulted from the portfolio growth of the Bank by LKR 17 billion.

Total operating expenses of the Group increased by 17% from LKR 4.3 billion to LKR 5.0 billion. Twelve branches were added to the Bank's network during the twelve month period starting from 30 September 2014 (comparative period) to 30 September 2015, which resulted in the increase in the premises and establishment costs. The Bank's cost to income ratio (CIR) by the end of the period under review was 48.8%. The management will ensure that the CIR is well within the industry CIR levels.

The NDB Group's Balance Sheet expanded by 6% during the nine month period to reach LKR 285 billion in comparison to 31 December 2014. Within total assets, loans and receivables to customers grew by

10% to reach LKR 192 billion, a considerable growth against the industry climate of slow credit growth. Non-performing loans (NPL) have also been well-managed within the expanding portfolios. The gross NPL ratio for the quarter ended was 2.74% and compares with an industry ratio of 4.2% (as of August 2015). Total deposits grew by 12% to reach LKR 169 billion.

The Group remains well capitalized. The Tier I capital adequacy ratio of the Group as at 30 September 2015 was 12.39% whilst the Tier I & II ratio was 16.82% and compares with regulatory minimum ratio requirements of 5% and 10% respectively.

With regard to shareholder returns indicators, the Group Return on Equity (ROE) was 10.55%. Basic earnings per share (EPS) closed at LKR 18.25, whilst the share price at the end of the quarter was LKR 222.30.

Mr. Rajendra Theagarajah, the Chief Executive Officer of NDB emphasized on the NDB Group's concerted focus on growth and expansion for the remainder of the year, and also for the long run. The Group's diversified business model, competencies perfected over decades along with the Group's talent pool qualify the Group to make significant strides in the industry, he said. The NDB Group look forward for the remainder of the year to achieve its planned growth rates and generate enhanced results for its stakeholders.