

Performance Commentary
Financial Performance Q1 - 2015
National Development Bank PLC



NDB Bank posts LKR 1.6 billion PAT – A YoY growth of 30%

National Development Bank PLC (the Bank) concluded the first quarter of 2015, posting a Profit After tax (PAT) of LKR 1,558 million. The PAT translates to a 30% growth compared to the first quarter of 2014, alluding, promising performance for the year ahead, and affirming the “Best Bank in Sri Lanka” status conferred on NDB by the prestigious Global Finance Magazine of USA.

Profitability

The Bank’s Total Operating Income before impairment charges for loans & other losses and operating expenses grew by 18% year-on-year (YoY) to LKR 3,631 million in the first quarter of 2015. This commendable growth was supported by a Net Interest Income (NII) growth of 7% and Net Fee and Commission Income growth of 8% over the first quarter of 2014.

The Bank’s net gains from its total investment portfolio declined by 49%, a rupee equivalent of LKR 284 million as compared to the prior year, primarily due to the higher marked to market profit realized from the portfolio in the first quarter of 2014.

Other Operating Income increased by LKR 673 million over the prior period, which was predominantly due to the increased Group dividends of LKR 569 million received during the period. However, at a Group level, Total Operating Income recorded a marginal decline of 3% which was due to the reduction in net gains from the Group’s total investment portfolio.

Impairment charges for loans and other losses was a release of LKR 64 million for the current quarter as compared to a charge of LKR 28 million for the corresponding quarter of 2014. This was a direct outcome of the improved asset quality of the Bank despite a static loans and advances portfolio, compared to the prior year. The resultant Non Performing Loan (NPL) ratio of the Bank was 2.49% and compares with an NPL ratio of 2.51% at the end of 2014. This is one of the lowest NPL ratios of the industry and reflects the sound risk management practices embedded within the Bank’s loan origination, disbursement, recovery and monitoring processes.

The NDB Group strengthened its strategic cost management initiatives during the first quarter of 2015 as cost optimization remains a key strategic priority of the Bank. The NDB Group recorded only a 9% increase in its Total Operating Expenses, whilst expanding its network by three new branches. The Cost to Income Ratio (CIR) was 39% for the quarter and is one of the lowest CIRs in the industry.

Balance sheet growth

Total Assets of the Group reached LKR 270 billion at the end of the first quarter in 2015. The Bank’s Loans and receivables to customers were LKR 175 billion. Loans and receivables to customers recorded only a marginal increase over the portfolio at 31 December 2014. However, Loans and receivables recorded a YoY growth of 21% as compared with March 2014. Customer deposits of the Bank grew by 7% from 31 December 2014, to reach LKR 163 billion. The YoY change of the customer deposits was 20%.

The NDB Group continues to focus on the effective utilization of its assets base, and recorded a Return on Assets (ROA) of 1.29% for the concluded quarter.

The total capital base of the Bank as at 31 March 2015 was LKR 29,406 million, whilst the same at the Group level was LKR 36,648 million. Core capital and Total capital adequacy ratios of the Bank were 10.11% and 14.86%, whilst the same ratios for the Group were 12.70% and 17.56%. The capital adequacy ratios of the Bank and the Group have always remained well above the minimum regulatory requirements and the capital base has amply facilitated the ambitious growth of the Bank and the Group.

Sustained value generated for shareholders

The Group Earnings Per Share (EPS) for the first quarter was LKR 21.12 and Return on Shareholders' Funds (ROE) was 12.42%. These shareholder returns indicators are expected to improve with planned aggressive business expansions which will improve the profitability of the Bank and the Group.

The share price of the Bank closed at LKR 248/- on 31 March 2015 with a market capitalization of LKR 41 billion. The Group Price Earning (PE) Ratio was 12 (times).

Awards & recognition

NDB commenced the year on a high note with the Bank being awarded the Best Bank Award for Sri Lanka under World's Best Emerging Markets Banks in Asia-Pacific - 2015 of the prestigious Global Finance magazine of USA. The award speaks volumes on the significant blueprint NDB has established in the Sri Lankan banking landscape, especially with regard to growth in assets, profitability, strategic relationships, customer service, competitive pricing and innovative products.

Chief Executive Officer's remarks

The Chief Executive Officer of NDB Mr. Rajendra Theagarajah, commenting on the first quarter results reiterated that NDB is committed to adding tangible value to its stake holders through excellent financial performance. The CEO also mentioned that the Bank has embarked on an aggressive growth trajectory to gain significant and systemically important market share in the Sri Lankan banking and financial services sector.

The opening of three new branches during the first three months of the year affirms this stance of the Bank. The Bank is driven by a target to expand its branch network to 100 branches in 2015. The CEO also reiterated that whilst expanding its reach, the Bank is committed to disseminating inclusive and responsible financial services penetrating all segments of the Sri Lankan society, empowering them to make valuable contribution towards the overall national development.

Outlook

NDB is strategically focused and robustly aligned for a stellar performance in 2015. The Bank and the Group have set ambitious growth targets for the year ahead and are energetically pursuing the achievement of same. In the meantime, the Bank is open to growth opportunities arising in the industry, and NDB's appetite for inorganic growth remains strong as ever before.