

Press Release

Results for financial year ended 31 December 2017

National Development Bank PLC



NDB closes 2017 on a high note: 41% growth in PBT to LKR 7.5 billion

- **Exceptional growth in PAT by 37% to LKR 4.35 billion. Group PAS of LKR 3.7 billion**
- **20% growth in Loans to reach LKR 274 billion with an excellent NPL ratio of 1.83%**
- **Impressive 34% growth in deposits to reach LKR 273 billion, an increment of LKR 70 billion**

National Development Bank PLC (NDB) completed the financial year 31 December 2017 with impressive performance across all fronts. Commenting on this performance, the Chief Executive Officer of the Bank, Mr. Dimantha Seneviratne stated that 2017 has been a highly satisfactory year, during which the Bank stabilized its base, gathered rapid growth momentum and delivered enhanced results to all its stakeholders. He contributed the success of the year to a streamlined strategy which was pursued with focus, and the commitment and dedication of NDB's talented team for precise execution. He also mentioned that the Bank made vast contributions during the year, to individuals, businesses and the nation at large through various financial solutions and services in taking them to new heights of development.

Impressive profitability and sound cost management

The Bank recorded a 28% growth in gross income to cross LKR 42.5 billion. Net interest income (NII) grew by an impressive 27% to LKR 10.75 billion, supported with the dual impact of an enhanced net interest margin (NIM) of 3% and increased loan volumes due to the strategic balance sheet management and prudent repricing of assets and liabilities.

Net fee and commission income for the year was LKR 2,521 million, a growth of 12% over the year. The Bank's focused approach in retail and SME sectors whilst working on the accelerated growth in trade finance and remittance business along with the portfolio growth, supported this growth in fee and commission income.

Resultantly, total operating income grew by 23% to LKR 16,152 million.

Total impairment charges for loans and other losses was LKR 1,259 million, which was a reduction of 8% over 2016. Within total impairment, individual impairment saw a reduction of 47% to LKR 586 million. Prudent risk management and timely provisioning on the individually impaired loans led to this reversal. The increase in the collective impairment is attributable to the large loan volume increase seen during the year, amounting to over LKR 46 billion.

Operating expenses increased by 14% in 2017 over 2016 to LKR 7,346 million. The year saw 3 new branches and 5 ATMs added on to the network, 2 branch re-locations along with 4 new product launches and one product re-launch. The staff strength also increased in tandem with the business expansions. The increase in expenses was well managed amidst such expansions, with a largely improved cost to income ratio of 45.51% in 2017, (2016: 49.04%).

In terms of profitability, operating profit before tax on financial services was up by 41% to LKR 7,547 million. Profit after tax exceeded LKR 4 billion to LKR 4,352 million up by 37% over 2016. At a group level, profit attributable to shareholders also rose by an impressive 38% to LKR 3,716 million.

The Return on assets ratio (ROA) increased to 1.21% from 0.99% in 2016.

A resilient balance sheet growth

The total assets of the Bank stood at LKR 383 billion at the end of the year, with a healthy growth of 15% over the prior year. Total assets were fortified by the highly satisfactory growth in the loan book by 20% to reach LKR 274 billion. The growth rate surpassed the growth recorded by the industry for 2017.

All of the business segments contributed to the loan book increase, bearing fruits of specific strategies which were rolled out during the year to increase respective market share and volumes. On the retail frontier, housing loans, personal loans, credit cards and leasing propelled the retail loan growth. Loans to the SME and Micro sector also increased. Corporate banking comprising commercial banking and project & infrastructure financing made valuable contribution to the loan growth through their customized corporate banking and cash management solutions.

The non-performing loan (NPL) ratio of the Bank was 1.83% as of end 2017, a remarkable improvement from 2.63% of 2016 and much better than the industry average of 2.5%. Each loan facility of the Bank undergoes a prudent process right from loan origination, approval through disbursement up to timely recovery, which has helped maintain the NPL at below industry average. Precise diversification of the portfolio and avoidance of over-concentration on any one sector have also helped maintain the quality of the loan portfolio.

Customer deposits grew by 34% in 2017, which is the highest deposits growth recorded by the Bank over the last five years. Accordingly, Customer deposits reached LKR 273 billion, with an impressive quantum increase of LKR 70 billion. The Bank launched a savings planner account titled “NDB Saving Planner” and savings products dedicated to ladies as well as senior citizens, namely “NDB Araliya” and “NDB Aachara” respectively. The Bank also re-launched its children’s savings product and introduced a new business proposition dubbed as “NDB Business Class”. All these products, along with the rest of the deposits product suite well contributed towards this deposits growth. Resultantly, the Bank’s funding composition further improved with lesser reliance on institutional borrowings and credit line funding.

The Loans to Deposits ratio (LDR) vastly improved to 102% from 115% in 2016.

Extensive marketing and promotional campaigns spread across the year helped to record balance sheet growth at both asset and liability fronts.

A sound capital base energizing business growth

NDB remains healthy capitalized. Capital adequacy as measured by the Basel III mandated ratios were well ahead of the stipulated minimum requirements levels for 2017. Tier I capital ratio of the Bank was 8.85% and total capital ratio was 13.89%, ahead of the minimum requirements of 7.25% and 11.25% respectively. The Bank’s reported statutory liquid asset ratios for both domestic and foreign banking units were ahead of the regulator specified minimum of 20%. Liquidity coverage ratios for local currency as well as for all currencies were also ahead of the Basel III mandated 80%, at 214.35% and 154.50% respectively.

Investor returns

The Return on Shareholder Funds (ROE) at the Bank level improved to 16.22%, up from 13.36% in 2016. The Bank ROE was closer to the industry average as of November 2017. Group ROE was 11.73%, an increase from 9.23% in 2016. Earnings per share (EPS) increased in relation to ROE with the EPS at the Bank level being LKR 25.57 (2016: LKR 19.19) and EPS at the Group level being LKR 21.84 (2016: KJR 16.29). The closing trading price for the NDB share as of the last trading day in 2017 was LKR 136.40.

Customer Reach

As of end 2017, NDB's branch network stood at 107 branches with 121 on and off-site ATMs. Network expansion during the year was moderated but strategic, reaching out to the most needy and sensible locations in the country. The NDB mobile banking app made vast progress as one of the most popular mobile apps in the financial services sector, with a record transaction volume exceeding LKR 4 billion routed via the app during 2017. In January 2018, the Bank launched its first Cash Recycling Machine (CRM), diversifying the customer touch point options to its clientele.

An awards studded year

NDB Bank, along with its capital market cluster group companies in Sri Lanka and Bangladesh won close to 40 awards titles during the year, from leading institutions and magazines across the globe for excellence in performance in a number of areas. These external endorsements are a firm affirmation of the value that the Bank is generating to its shareholders, customers, employees, the society and a wide range of its other stakeholders. NDB dedicates these awards to all its stakeholders for the utmost support they have shown the Bank in its journey.

A promising future

Commenting on the future, Mr. Seneviratne further added that the Bank has commenced implementing its new strategic plan from the second half of 2017 which was devised with the professional input of the International Finance Corporation (IFC). The Bank and the group companies are set on a strong platform to drive performance to ambitious heights under this strategy. Customer convenience delivered through digitalization will be a notable component of the Bank's strategy. NDB stays committed to delivering superior stakeholder value through innovative and meaningful financial solutions in 2018 and beyond.