



# Investor Presentation

## 1<sup>st</sup> Quarter of 2019

# Vision

## *Vision:*

*“Our Vision is to be the innovator of Banking Solutions to the wider Corporate, SME and Retail Segments and to be their Bank of choice, through professional and empowered people”.*

## *Mission:*

- *To our customers we provide the means of economic up liftment through customized banking and financial services.*
- *To our shareholders we provide a return on their investment above industry norm.*
- *To our staff we are a learning and innovative organization providing opportunities for faster career progression within a pleasant work environment.*
- *We adhere to the practice of good Corporate Governance in the eyes of the regulatory authorities.*
- *We are conscious of the need to be a responsible corporate citizen for the betterment of our society.*



## CEO's message

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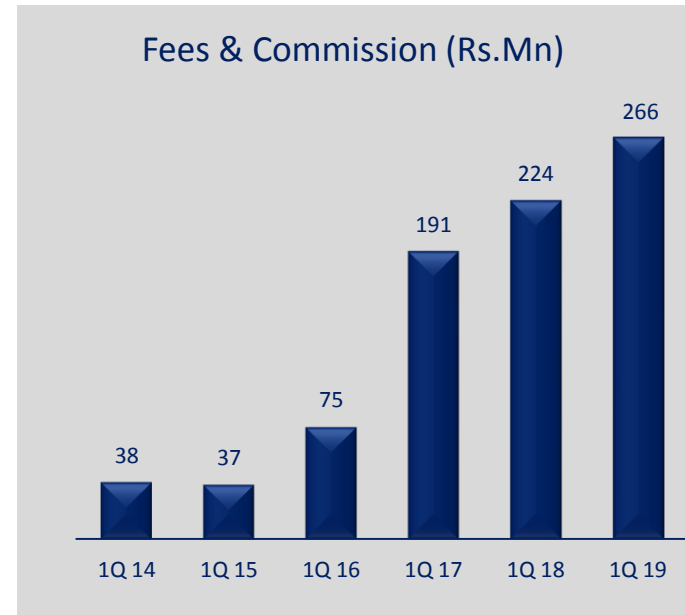
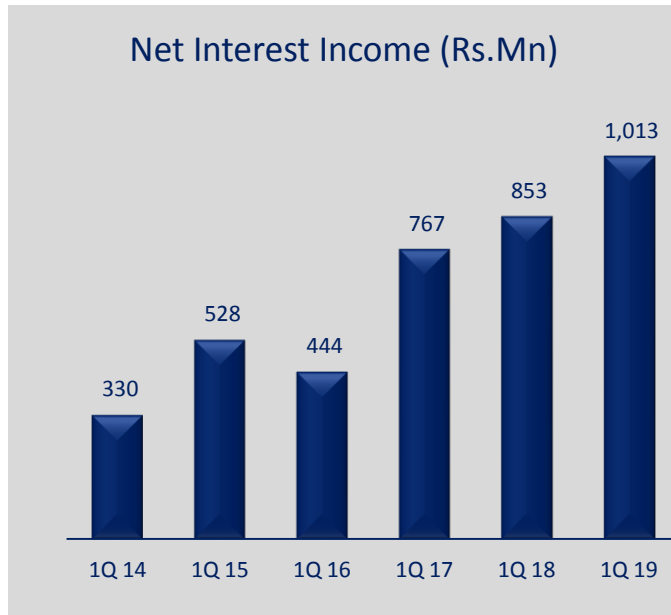
*“We have got a very positive start to the year 2019 with significant growth in the core banking operations. However the macro environmental conditions are very challenging which will have an impact going forward. We will continue to build on this solid foundation, with focused efforts in expanding our business growth in the identified key strategic business pillars. We also plan to add scale to the Bank through inorganic growth strategies, including portfolio acquisitions with the objective of optimising capital utilisation and thereby enhancing shareholder returns.”*

## 62% growth in Results from operating activities

Income Statement (Rs.Mn)	1Q 2019	1Q 2018	YoY G%
Net interest income	1,013	853	19%
Net fee and commission income	219	197	11%
Net Trading and other Operating income	136	221	-38%
<b>Total operating income</b>	<b>1,368</b>	<b>1,271</b>	<b>8%</b>
Operating cost	955	938	2%
<b>Operating margin</b>	<b>413</b>	<b>333</b>	<b>24%</b>
Impairment Charges	51	109	-53%
<b>Results from operating activities</b>	<b>362</b>	<b>224</b>	<b>62%</b>
Share of subsidiary profits	4	22	-83%
<b>Profit Before all Taxes</b>	<b>366</b>	<b>246</b>	<b>49%</b>
Taxes ( including VAT & NBT, DRL )	261	116	125%
<b>Net profit for the period</b>	<b>105</b>	<b>130</b>	<b>-19%</b>

- *Results from operating activities grew by 62% Year on Year (YoY) as a result of strong 24% increase in operating margin and 53% decline in credit cost.*
- *Share of subsidiary profits reduced by Rs.18Mn as both subsidiaries were affected due to adverse market conditions/tax regulations prevailed during the period..*
- *Profit after Tax (PAT) for the period declined by 19% YoY, which was affected by significant increase in the effective tax rate.*
  - *The Increase in the effective tax rate was due to the withdrawal of tax exemptions on profits earned on investments in Sri Lanka Development bonds, investments in units, investments in debentures and also due to introduction of Debt Repayment Levy. In addition, the withdrawal of notional tax credit further impacted the effective tax rate.*

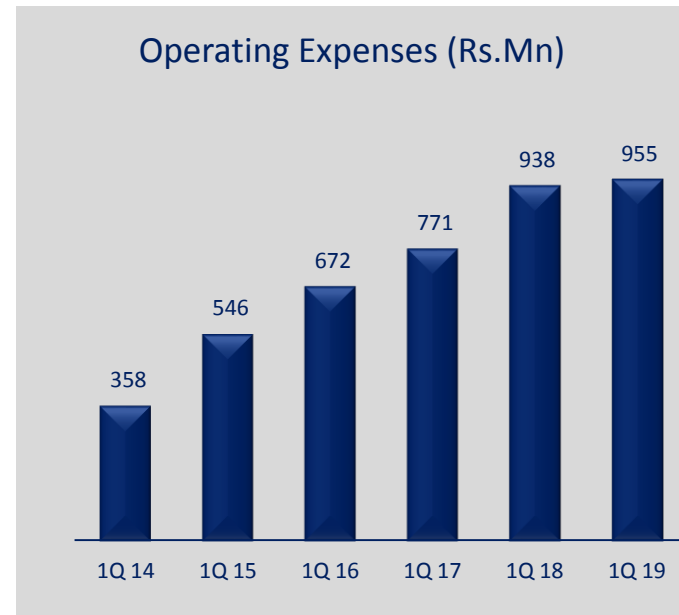
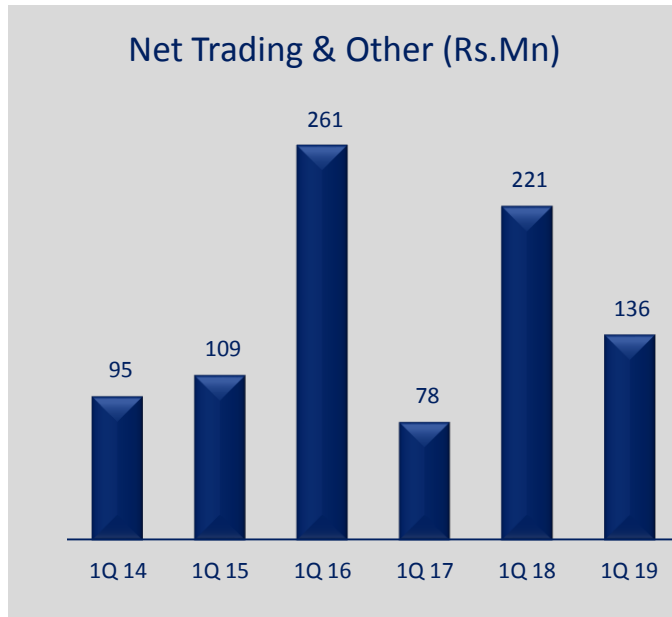
# NII & Fees increased by 19% YoY



- Continuous focus on revenue optimisation through portfolio re-alignment within and across business units resulted in a 19% YoY growth in Net Interest Income (NII) despite the increase in cost of deposits.

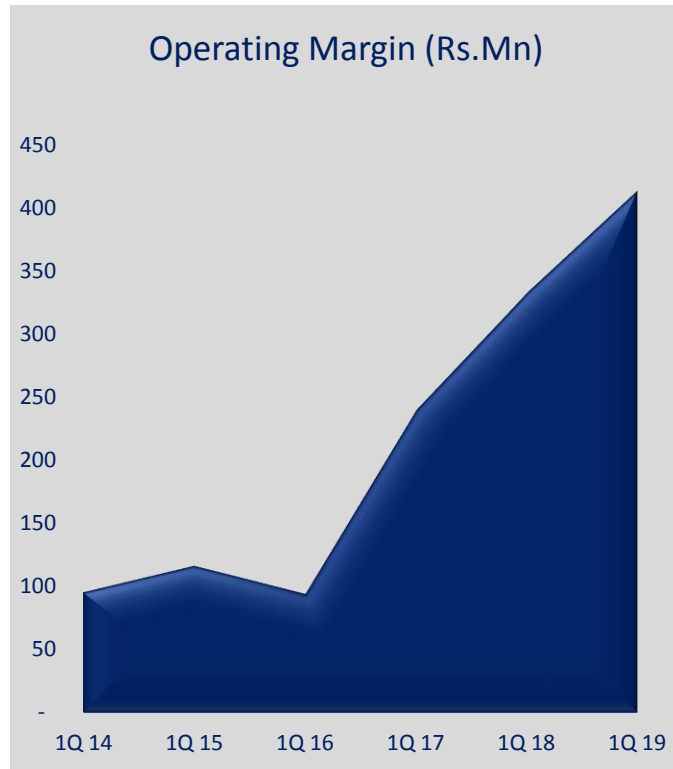
- Fee and commission income grew by 19%.
- The growth is from a number of products including fees collected on Credit Cards - the newest addition to the product portfolio.
- Trade and remittances related fees indicated a slight decline YoY, owing to the uncondusive market dynamics for these products.

# Operating expenses increased only by 2%

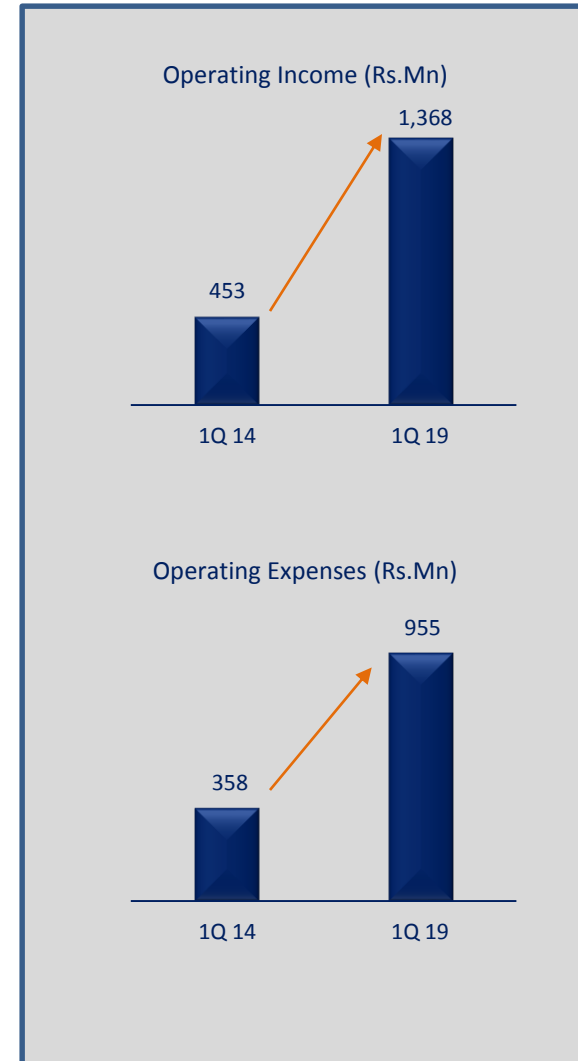


- *Capital gains from government securities for the period were Rs.71Mn which was a 23% increase YoY.*
- *Income from investment in units for the period was Rs.70Mn and was a reduction of 33% YoY, stemming from reduced investments in units with the changes to tax regulations.*
- *Foreign exchange income for the period showed a 71% decline YoY, as a result of revaluation due to the appreciation of the value of the Sri Lankan Rupee.*
- *Total Operating Expenses were prudently managed and grew only by 2% YoY.*
- *Cost: Income ratio improved to 70% from 74% of 1Q 2018*

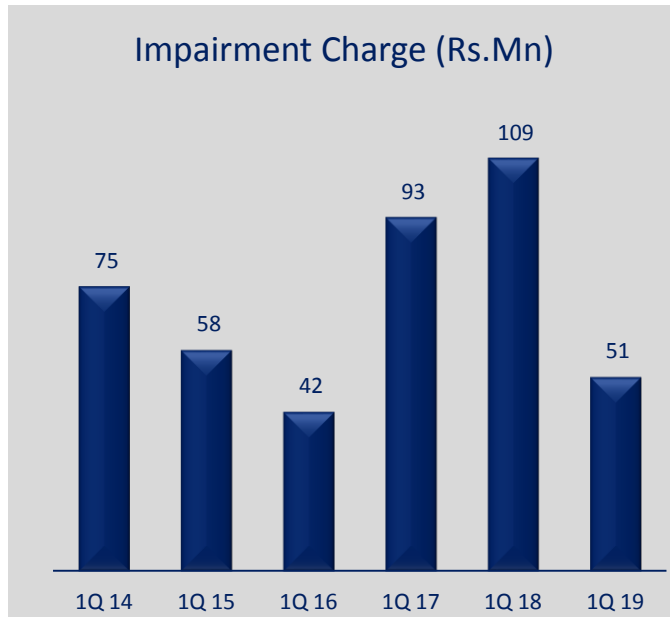
# Operating margin increased by 24%



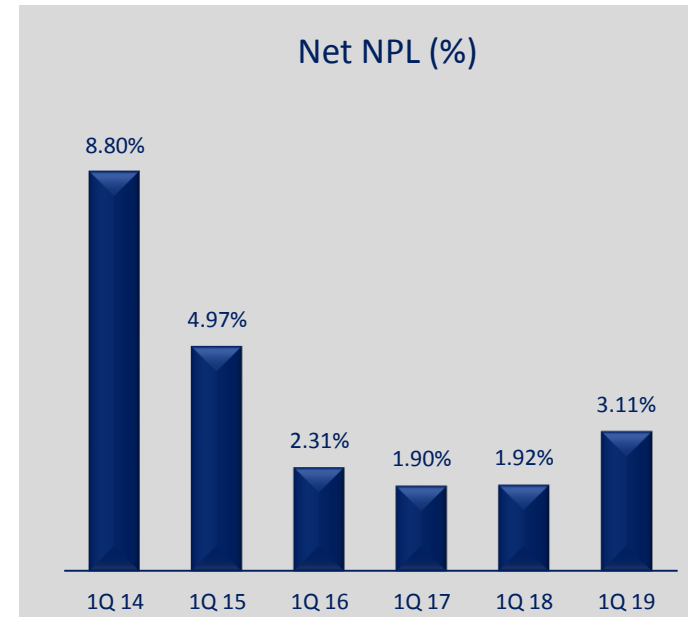
- The Total Operating Income of the Bank represented a growth of 8% YoY. Total Operating Expenses grew only by 2% YoY. As a result, the operating margin improved by 24% YoY to Rs. 413 Mn*



# Impairment charge reduced by 53%



- *Impairment charge for the period reduced by 53% YoY, as a result of the reduction in individual impairment charges.*

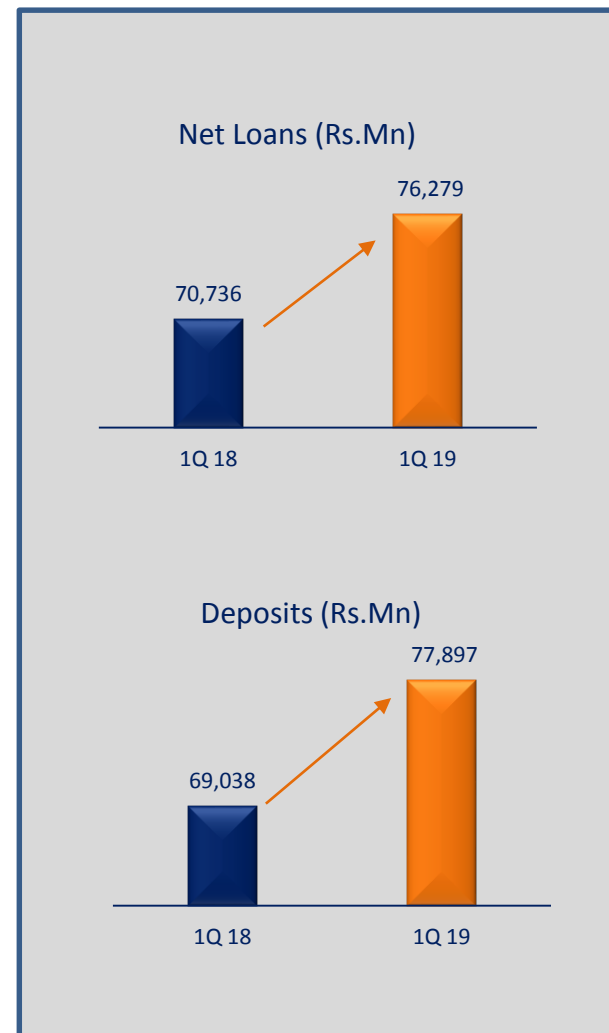


- *The Bank continued to focus on asset quality with prudent risk management practices. However, due to the negative impact of the macro economic challenges faced by the industry, net NPL ratio of the Bank increased to 3.1% from 1.92% in 1Q 2018.*

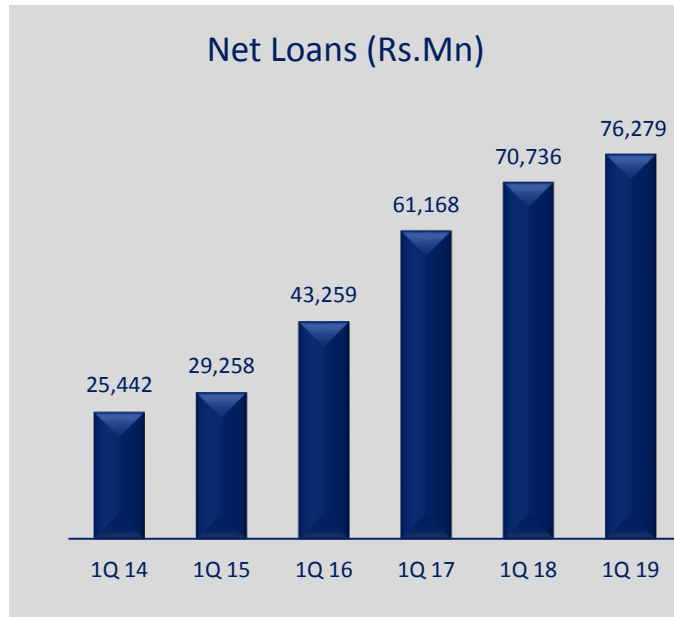
# Bank balance sheet

Balance Sheet (Rs.Mn)	1Q 2019	2018	Growth %
Treasury Assets	38,329	40,884	-6%
Loans & Advances	76,279	73,749	3%
Cash & Balance with CB	5,863	7,138	-18%
Other Assets	4,152	4,149	0%
<b>Total Assets</b>	<b>124,624</b>	<b>125,920</b>	<b>-1%</b>
Borrowings	27,727	28,240	-2%
Customer Deposits	77,897	79,251	-2%
Other Liabilities	2,078	1,802	15%
Equity	16,922	16,627	2%
<b>Total Equity &amp; Liabilities</b>	<b>124,624</b>	<b>125,920</b>	<b>-1%</b>

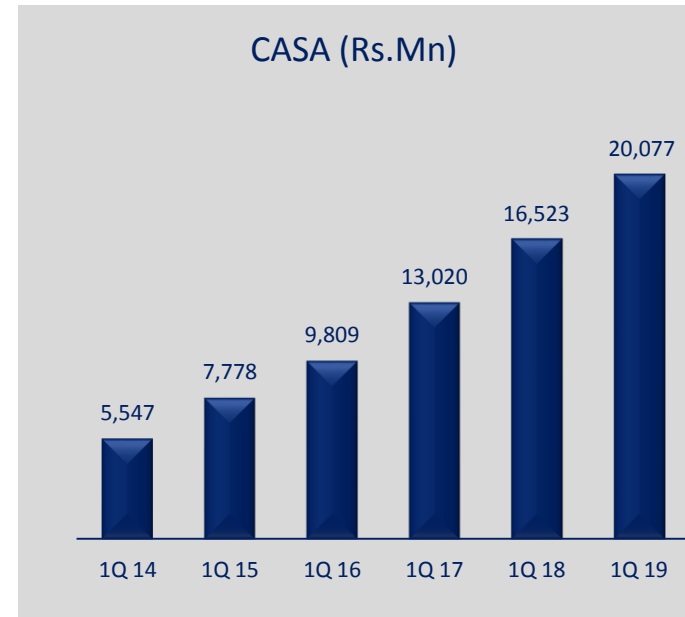
- *Loan to Deposit ratio improved to 99% from 105% a year ago.*
- *Net Asset Value per Share improved to Rs.15.50 from Rs.15.23.*
  - *Total other comprehensive income for the period was Rs.295 and was an increase of Rs.246Mn YoY.*



# CASA growth of 22%



- The Bank's loans and receivables increased by Rs.2,595 Mn, a growth of 4%.

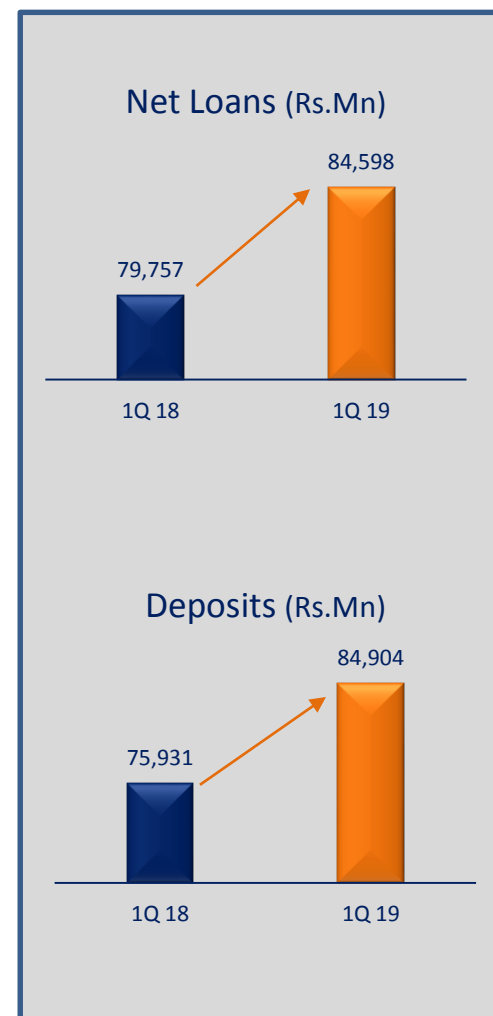


- Total CASA grew by 22% YoY. Maintaining a healthy CASA inflow was supported through focused acquisition strategies driven by Retail, Corporate and SME banking segments.
- CASA ratio improved to 26% from 24% in 1Q 2018.

## Group's profit before all taxes increased by 31%

Income Statement (LKR.Mn)	1Q 2019	1Q 2018	Growth %
Net interest income	1,219	1,041	17.1%
Net fee and commission income	246	238	3.8%
Net Trading and other Operating income	140	228	-38.6%
<b>Total operating income</b>	<b>1,605</b>	<b>1,506</b>	<b>6.6%</b>
Operating cost	1,097	1,074	2.1%
<b>Pre- impairment Profit</b>	<b>509</b>	<b>433</b>	<b>18%</b>
Impairment Charges	107	126	-14.7%
<b>Profit Before Tax</b>	<b>401</b>	<b>307</b>	<b>31%</b>
Taxes ( including VAT & NBT )	282	153	84.2%
<b>Net profit for the period</b>	<b>119</b>	<b>154</b>	<b>-22%</b>

Balance Sheet (Rs.Mn)	1Q 2019	2018	Growth %
Treasury Assets	38,589	40,844	-6%
Loans & Advances	84,598	82,120	3%
Cash & Balance with CB	6,353	7,526	-16%
Other Assets	4,524	4,541	0%
<b>Total Assets</b>	<b>134,065</b>	<b>135,032</b>	<b>-1%</b>
Borrowings	29,816	30,045	-1%
Customer Deposits	84,904	86,266	-2%
Other Liabilities	2,565	2,248	14%
Equity	16,780	16,473	2%
<b>Total Equity &amp; Liabilities</b>	<b>134,065</b>	<b>135,032</b>	<b>-1%</b>



# Key performance indicators

Key Performance Indicators	BANK		GROUP	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
<b>Regulatory Capital Ratios (%)</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement 2019 - 7%, 2018 - 6.375%)	16.88%	17.41%	16.01%	16.47%
Tier 1 Capital Ratio (Minimum Requirement 2019 - 8.5%, 2018 - 7.875%)	16.88%	17.41%	16.01%	16.47%
Total Capital Ratio (Minimum Requirement 2019 - 12.5%, 2018- 11.875%)	16.88%	17.41%	16.01%	16.47%
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	21.26%	21.77%		
Foreign Currency Banking Unit	21.60%	21.14%		
Liquidity Coverage Ratio (%), Rupee (Minimum Requirement 2019 - 100%, 2018- 90%)	425.37%	335.43%		
Liquidity Coverage Ratio (%), All Currency (Minimum Requirement 2019 - 100%, 2018- 90%)	185.15%	131.50%		
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)	4.32%	3.68%		
Net Non-Performing Advances,% (Net of interest in suspense and provision)	3.11%	2.51%		
<b>Profitability</b>				
Interest Margin, %	3.24%	2.98%		
Return on Assets (Before Tax), %	0.64%	0.63%		
Return on Equity (Before Tax), %	4.77%	2.74%		

# Corporate Information

## Board of Directors

Name	Title
Atul Malik	Chairman/Non-Ind. Non-Exec. Director
Priyantha Fernando	Deputy Chairman/ Ind. Non Exec. Director
Indrajit Wickramasinghe	Exec. Director/CEO
Sabry Ghouse	Independent, Non Executive Director
Ranvir Dewan	Non Independent, Non Executive Director
Gaurav Trehan	Non Independent, Non Executive Director
Puneet Bhatia	Non Independent, Non Executive Director
Michael J. O’Hanlon	Non Independent, Non Executive Director
Trevine Fernandopulle	Independent, Non Executive Director
Dilshani Wijayawardana	Independent, Non Executive Director
Keshav Thakkar	Alternate Director to Puneet Bhatia

## Leadership Team

Name	Title
Indrajit Wickramasinghe	Director/ Chief Executive Officer
Hiranthi de Silva	Vice President Wholesale Banking
Malinda Samaratunga	Chief Financial Officer
Ravi Jayasekera	Vice President Human Resources
S. Sri Ganendran	Vice President Operations
Chaya Jayawardena	Vice President Retail Banking
Suhen Vanigasooriya	Chief Risk Officer
Wije Dambawinna	Vice President – Head of Treasury
Nisala Kodippili	Vice President/Chief Information Officer
Inoka Jayawardhana	AVP – Head of Legal and Company Secretary

## Legal Form

A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No. 17 of 1982. Re-registered under the Companies Act No. 7 of 2007. Listed as a public quoted Company at the Colombo Stock Exchange in 2011.

A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

## Credit Ratings

ICRA : (SL) BBB Stable  
Fitch : BB+ (lka)Positive

## Date of Incorporation

February 2nd, 1995

## Auditors

Ernst & Young  
Chartered Accountants,  
No. 201, De Saram Place  
Colombo 10