



Change. Transform. Evolve.
Nations Trust Investor Webinar

Investor Webinar
August 2018

Presenter

Renuka Fernando

Director/ CEO

Nations Trust Bank PLC

Panelists

1. **Renuka Fernando** - Director/ CEO
2. **Ajith Akmeemana** - Chief Financial Officer
3. **Priyantha Talwatte** - Senior Executive Vice President (Consumer Banking & Cards)
4. **Thilak Piyadigama** - Chief Operating Officer
5. **Hemantha Gunetilleke** - Senior Executive Vice President (Commercial Banking)

Key Strategic Milestones

Working **SMART** to Deliver Results

Speed, **M**ore with less, **A**daptable, **R**esponsible, **T**ech-Savvy

Vision

We help people and businesses achieve today's goals and tomorrow's aspirations

Mission

We will work SMART to become the most respected financial services provider

Our Values

- Agile
- Proactive
- Excellence
- Winning together
- Trust

Key Milestones in 1H2018

- Introduced Open API Banking to Sri Lanka.
- FriMi recognized as one of the top 30 digital Banks in the Asia Pacific region by Asian Banker's Magazine.
- We reached the No: 1 position in the credit card industry in Sri Lanka.
- Acted as the lead arranger for a USD 30 mn Syndicated Term Loan for a leading Maldivian resort operator.

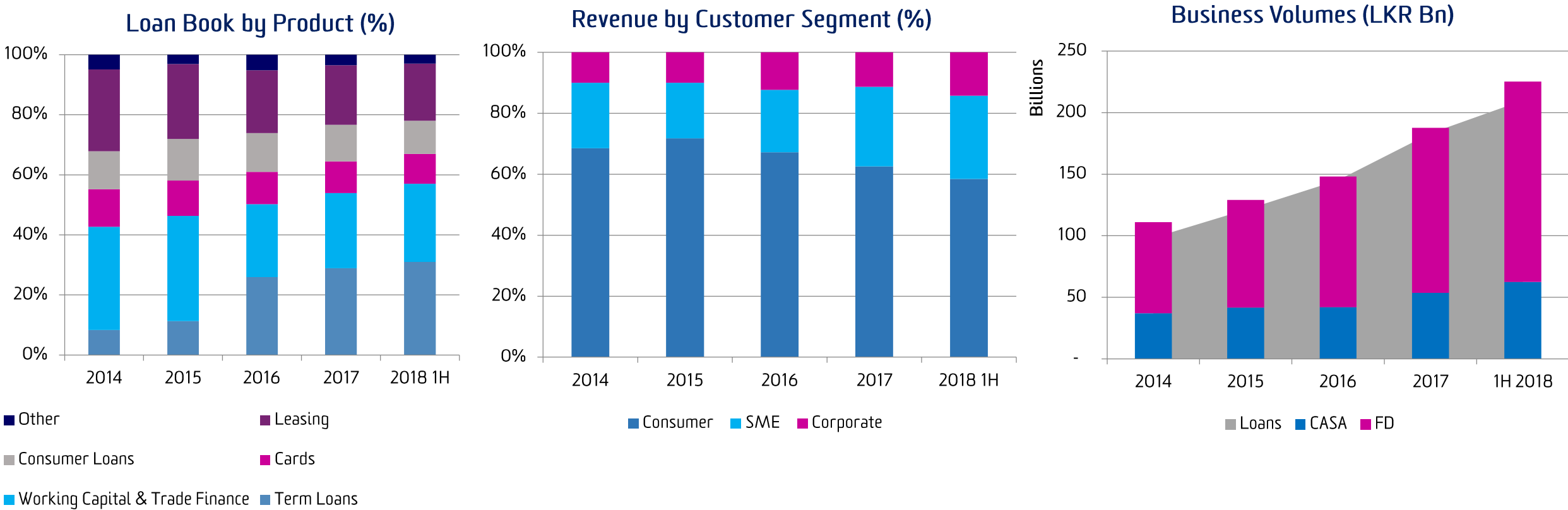
Setting the Stage for Transformation

Financials	Customer	Delivery & Distribution	Internal Process	Human Capital
Delivering better than industry ROE through expansion of our market share and efficiencies via significant improvement to C:I Ratio	Bringing unmatched transformational customer experience through innovation , technology and data analytics	Leveraging technology to bring digital experience and market access/penetration	Achieving operational efficiencies through automation and lean processes	Recruiting and developing different skills required in a dynamic environment

1H2018 Initiatives/KPIs

<p>Revenue Growth (+30%)</p> <p>Loan Growth (+12%)</p> <p>CASA (+15.3%)</p> <p>C:I Ratio (48.6%)</p> <p>ROE (15.8%)</p>	<p>Inner Circle Re-launch</p> <p>FriMi Expansion</p> <p>Customer Satisfaction Score (>80%)</p>	<p>F1 project (Digitalizing branch processes)</p> <p>Digital & technology</p> <ul style="list-style-type: none"> • 59% of all customer originated funds transactions are on digital 	<p>22 operational processes are automated through Bot basis</p> <p>Measuring tools are in place to measure customer wait time/transaction time/ staff idle time /time to load balance</p>	<p>Up-skill knowledge</p> <ul style="list-style-type: none"> • E-learning platform for continuous Professional Development <p>Strengthened skills in technology/ data/ analytics</p> <p>Digital Staff engagement</p> <ul style="list-style-type: none"> • Digitalized Town hall Meetings
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Business Mix; Well-Balanced Asset Book, Diversification of Revenue



Financial Performance

Macro Economic Environment in 1H2018

• Inflation

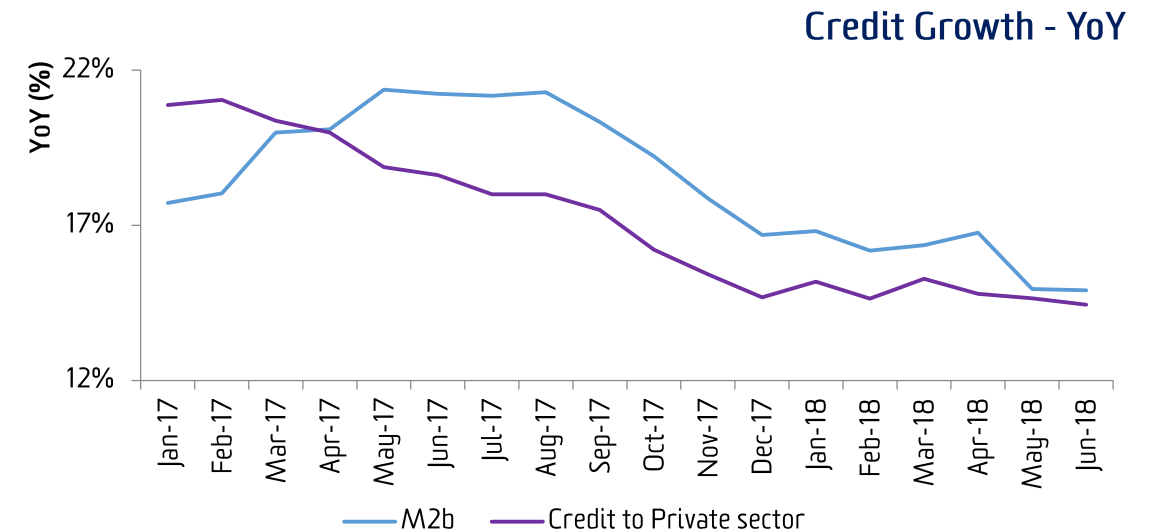
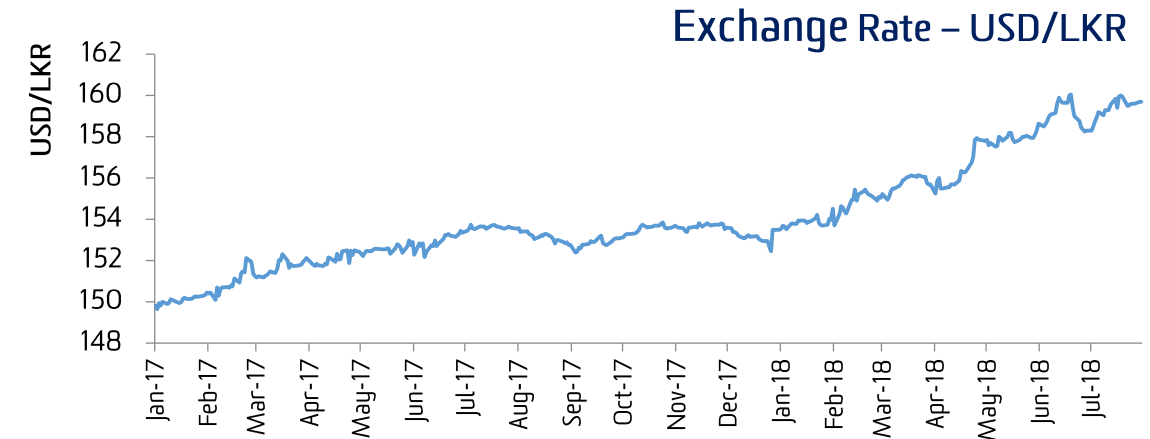
- Inflation decreased to 5.4% in July 2018 from 7.1% in December 2017 mainly attributable to declining food prices in the economy amidst increasing prices of energy basket.

• Market Rates

- AWFDR decreased from 11.48% to 10.82% while AWPLR slightly decreased to 11.41% from 11.5% during 1H2018.
- SLF reduced by 25bps in April, shrinking the spread of policy rates.
- YTD USD/LKR exchange rate sharply depreciated by c. 4% in 1H2018.

• Credit

- YTD Private sector credit recorded a subdued growth of 7% during 1H2018.



Numbers at a Glance – 1H2018

Financial Summary

Earnings Summary (Group)			
LKR mn	1H17	1H18	YoY Change
Total Revenue	7,593	9,874	30%
Operating Expenses	4,010	4,802	20%
Impairment Charges	606	1,190	96%
Profit After Tax	1,428	1,875	31%

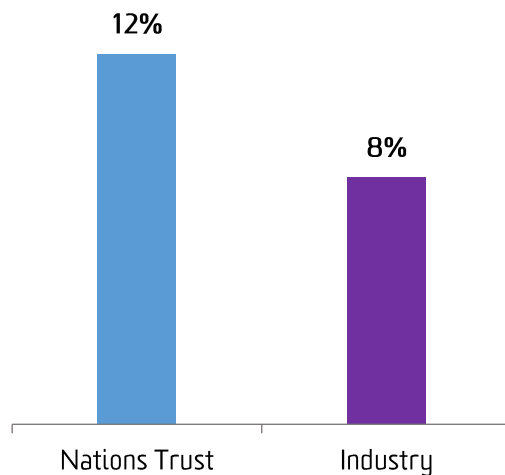
Financial Position (Group)			
LKR mn	Dec-17	1H18	YoY Change
Deposits	194,269	225,235	16%
Loans	186,746	209,936	12%
Total Assets	268,324	300,832	12%
Total Equity	21,470	26,448	23%

Key Performance Indicators	1H17	1H18
Profitability (Group)		
Net Interest Margin (%)	4.7	5.0
Non-Performing-Loans ratio (%)	2.5	3.1
Return on Equity (%)	16.1	15.8
Cost to Income ratio (%)	53.0	48.6
Key Performance Indicators	Dec-17	1H18
Investor Information (Bank)		
Market value per Share (LKR.)	78	90.0
Earnings per Share-basic	18.12	7.53
Net Asset value per Share (LKR.)	87.94	93.55
Regulatory Ratios (Group) %		
Tier 1 Capital (minimum ratio of 7.25%)	10.83	11.71
Total Capital (minimum ratio of 11.25%)	13.89	16.02
Statutory Liquid Assets ratio (DBU) (%)	21.13	22.1

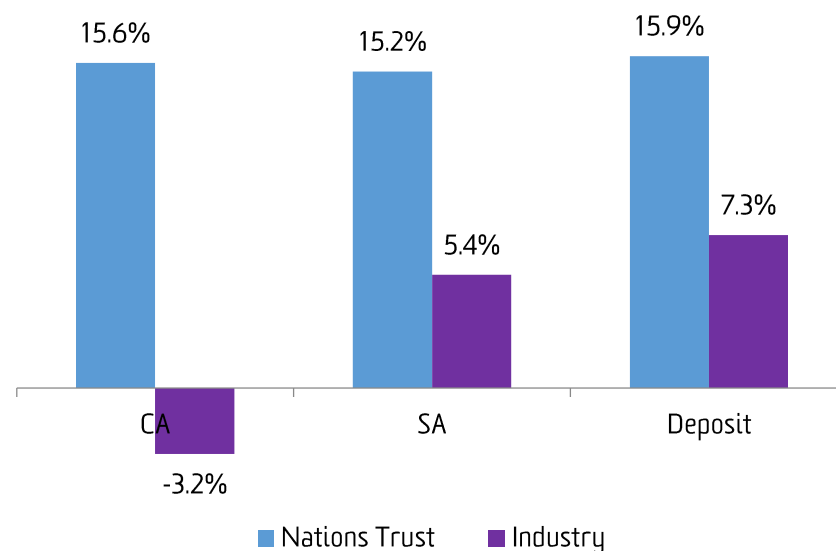
Robust Loan and Deposit Growth amidst Macro Challenges

Drivers of Earnings

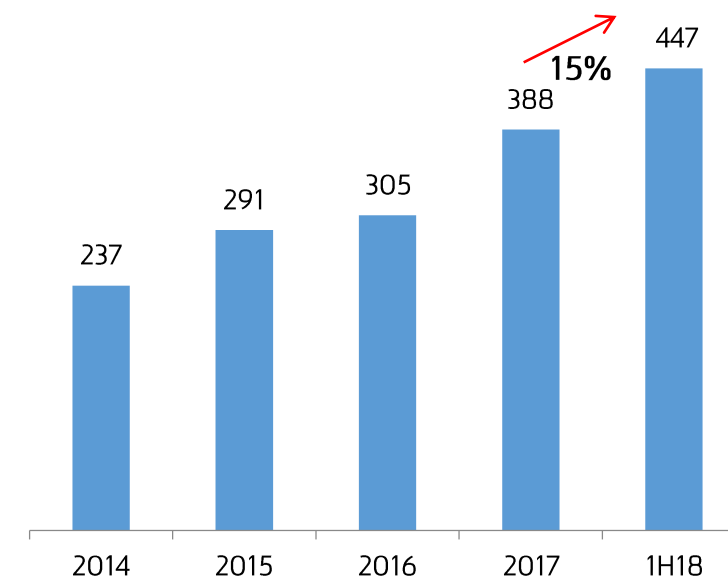
Loan Growth



Deposit Growth



SA/ Branch (LKR mn)



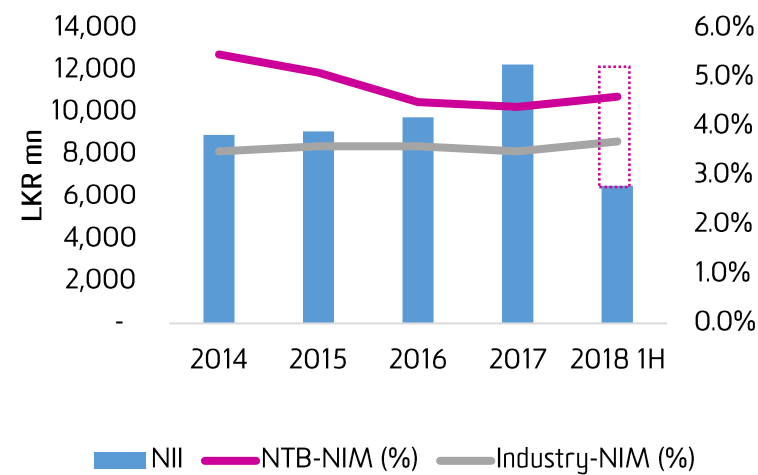
Loan book growth primarily driven by growth in corporate banking portfolio.

	LKR	FCY	Total
CA	-6%	176%	15.6%
SA	15%	17%	15.2%
CASA	7%	54%	15.3%

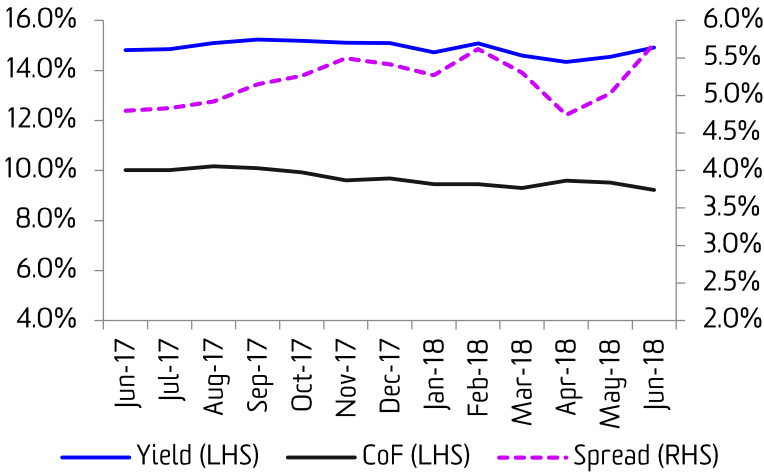
Net Interest Income Recorded a 35% Growth with Stable Yield and CoF Movement

Earnings - NII

NII Trends



Yield/Spread Movement

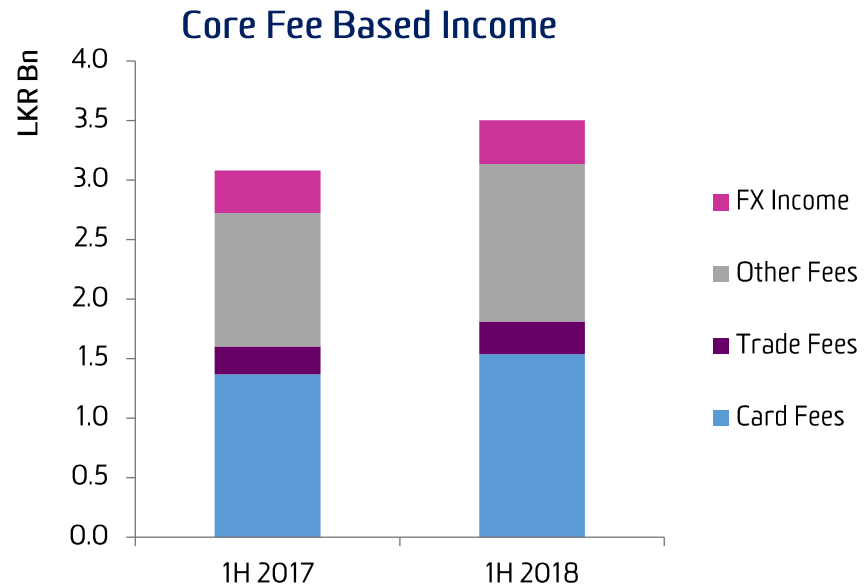


	Assets	Liabilities	Total
Yield Impact	230	904	1,134
Volume Impact	6,587	(4,302)	2,285
Total	6,817	(3,397)	3,240

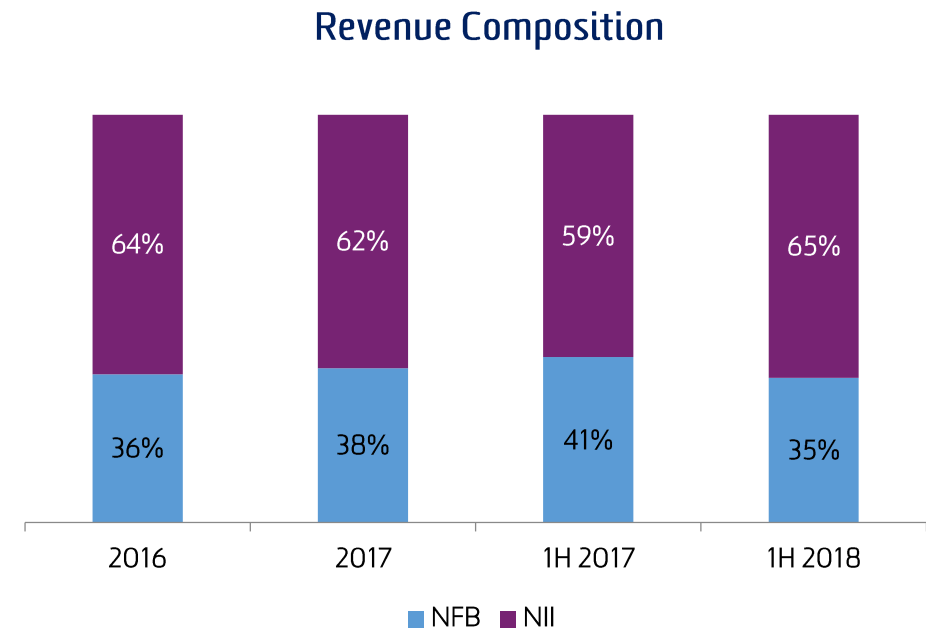
- Net Interest Margin (NIM) continued to be above industry levels.
- Positive volume impact largely contributed to NII growth.

Core Non-Fund Based Income Recorded a Growth of 14%

Earnings - Fees



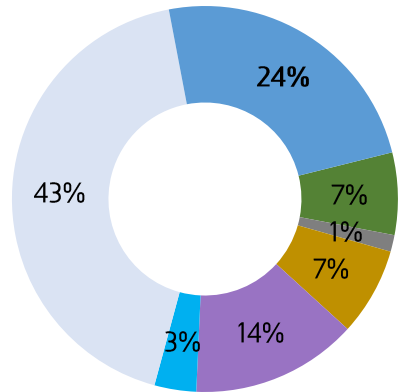
(Core non fund based income is excluding funding SWAP borrowing cost which is shown under net interest income for meaningful comparison.)



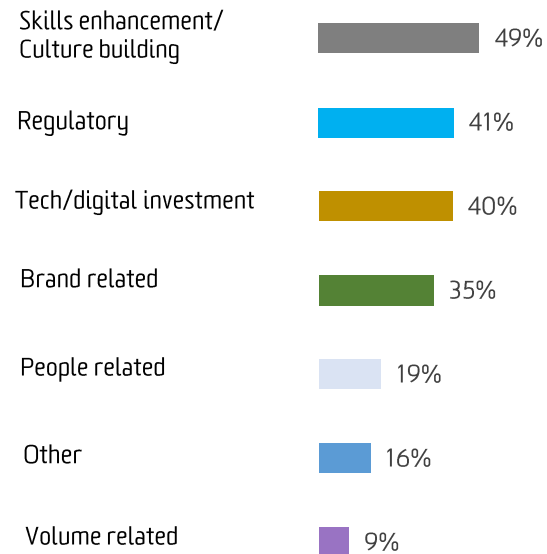
- 18% increase in trade fees.
- Robust portfolio and transactional volume growth assisted in other fees consisting of deposits and loan related fees growing by 21%.

Growth of 20% in OPEX is Mainly for Future Related Investments

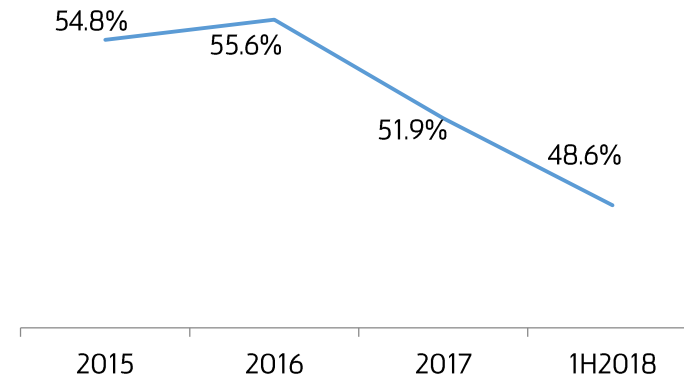
Composition of Cost



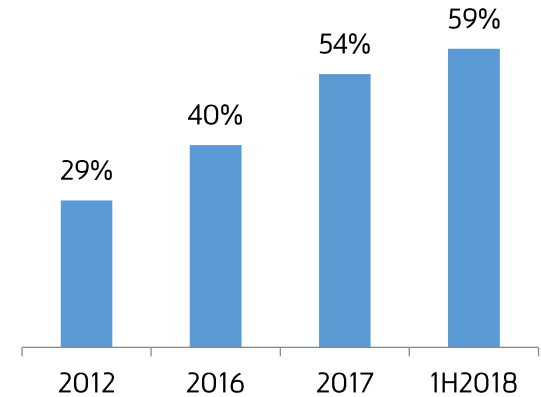
Growth YoY



C:I Ratio



Transition to Digital

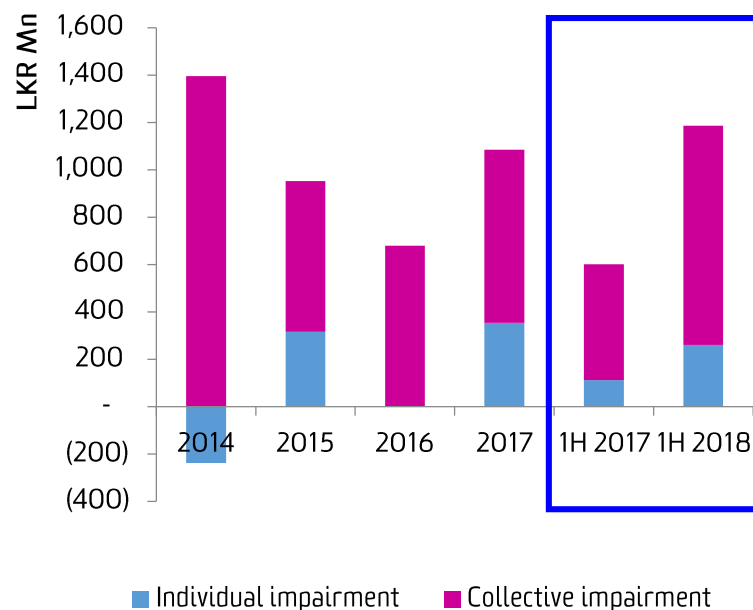


(Digital Channels includes transactions on ATM/POS/Internet/Mobile/CDMs)

- Ongoing focus on automating processes, lean initiatives and productivity improvements have resulted in improving Group's cost-to-income ratio to **48.6%** from **53%** in 1H2017.

Impairment Increased Mirroring the Industry

Impairment Charges

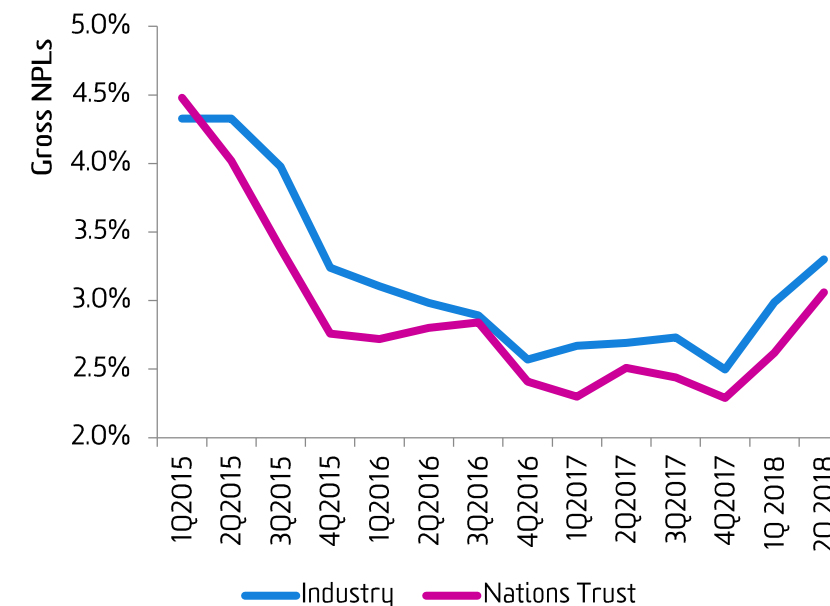


Impairment Charges – 1H 2018

LKR mn	1H2017	1H 2018
Individual Impairment	112	261
Collective Impairment	489	923
Others - Charges	5	3
Receivable Impairment		
Total	606	1,189
Impairment as a % of Gross Loan portfolio	1.52%	1.60%

Earnings - Impairment

NPL Movement



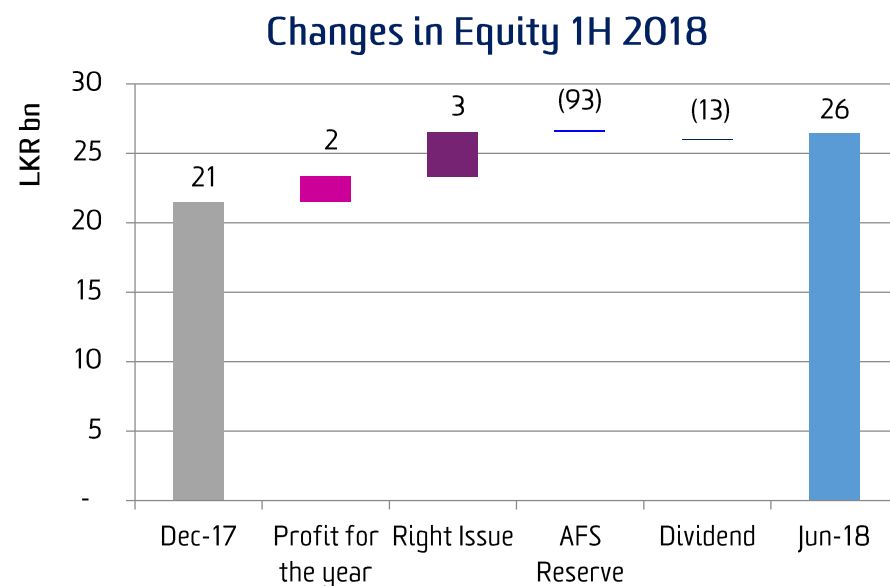
The Group's impairment charges increased significantly following;

- Cash flow stress witnessed in selective portfolios
- Subdued economic conditions
- Loan book growth

Group's gross NPL ratio increased from 2.29% in 2017 to 3.06% in 1H2018.

Increase in NPL was primarily driven by subdued economic conditions prevailed in the economy which had an impact on overall industry.

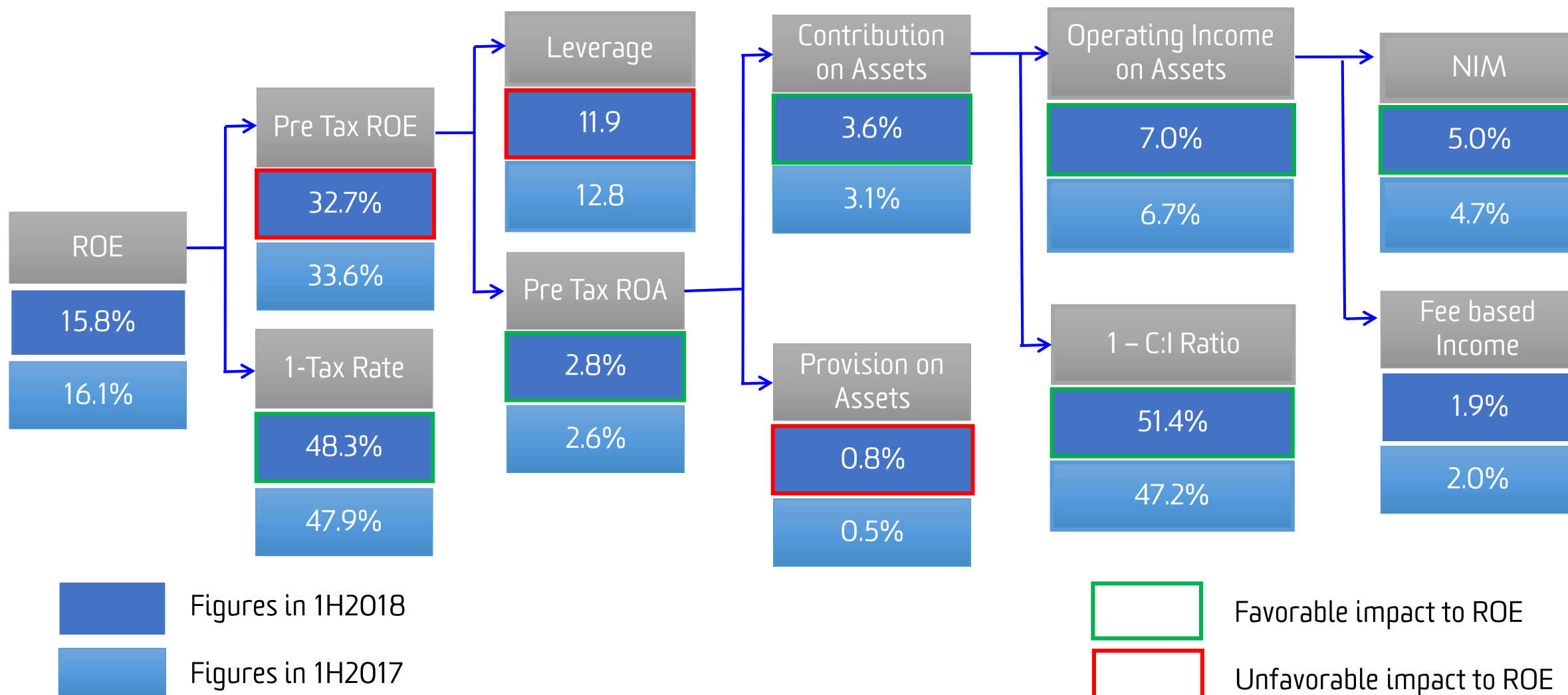
Capital Ratios are Much Stronger with the Recent Rights Issue



Regulatory Ratios (Group) %	2017	2018 1H
Tier 1 (minimum ratio of 7.25%)	10.83%	11.71%
Total Capital (minimum ratio of 11.25%)	13.89%	16.02%

- Shareholders' funds increased by 23% to LKR 26.48 bn in June 2018.
- LKR 3.2 bn capital raised through a rights issue of ordinary non-voting convertible shares in February 2018.
- LKR 3.5 bn Basel III compliant debenture raised in 1H2018.

Du-Pont Analysis



Looking Ahead....

- Managing impairment
- Continue with digital transformation
- Investment in technology

Questions & Answers

Thank You...!!

For more inquiries contact ntb.investorrelations@nationstrust.com