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**We said it before last year.  
Change is in the air; more  
relevant now than ever before.**

Within this context, the Bank propounds a redefinition of 'development banking'.

It is about the fruits of development reaching the citizenry and every man and woman having access to banking services. In short, it is one that balances economic growth and environmental stewardship with social equity.

## Seeing the Big Picture

Development oriented commercial banking per se, means many things to many people. To us, it is a broad canvas. It begins with an appreciation of an individual's basic needs such as access to affordable housing finance, the ability to own personal transportation and access to finance for education. As one moves up the hierarchy of needs, the Bank too is there all the way, from micro financing to get a fledgling business off the ground to an array of innovative savings solutions to fit any wallet. These go beyond mere finance, as a host of complementary support services are very much part of the package we offer to the micro and small & medium enterprise sector.

Further up the ladder, we continue to nurture thousands of enterprises in the middle market segment to thrive and grow. At the top end of the pyramid, we provide a full suite of commercial, development and investment banking products and services through the Bank and its Group companies. In fact, it is this synergy that enables us to seamlessly bundle and deliver customized financial solutions of value right across the board...whatever the size of business, wherever it is located in whichever economic sector.

It is a far-sighted philosophy that goes beyond only making profits or being the best in our industry, but one that illustrates the importance of seeing the big picture...a picture that depicts the interdependency between the twin goals of deriving and delivering value across a broad spectrum of stakeholders. Indeed, a unique value proposition that provides a true developmental flavour to our enterprise.

## Walking the Talk

It is said painting is self-discovery, but just seeing the big picture is not enough. Leadership is demonstrated through both seeing that picture and by ensuring that others also see it. We worked on this home truth during the year by building a shared vision across all employees of the Bank.

Our vision to be a world-class Sri Lankan bank is underpinned by five core corporate values, namely, integrity, care, passion, teamwork and service. Going beyond mere corporate window dressing, we chose to bring life to these core values through real life action. It's the sort of acid test that makes good companies great and great companies legends. The launch of 'The NDB Spirit Achievers Programme' during the year was the beginning of such a journey.

This is an award scheme designed to recognize members of staff who actively demonstrate that such values are at the very heart of the Bank's business through their actions, behaviour, responses in times of difficulty and engagement with fellow staff, customers and wider communities.

The Programme is thus an exciting new dimension to managing our talent. It complements our usual approaches to training, development, compensation and retention and further asserts the incomparable value we place on our human capital.

## Building Relationships that Create Value

We make every effort to effectively engage with our broad spectrum of stakeholders, map their expectations and ours to identify mutually important aspects and develop strategies and action plans that create value.

Investor relations received special focus during the year. It was a full calendar of activity across a multitude of channels including social media. We reached every segment of the investor community including institutional investors, fund managers and research analysts via meetings, webinars, investor forums, group engagement, road shows and more, across financial centres of the world including Singapore, Rotterdam and New York. There was an overarching purpose behind this.

The Bank ventured overseas and raised a total of USD 250 million in short and medium-term funding at competitive rates of interest from a diverse group of lenders from Europe as well as the International



Finance Corporation of the World Bank Group. It was our first such significant foray overseas and a valuable learning experience that gives us the confidence to raise funds of this nature in the future as well. During the latter quarter of 2014, the NDB Group launched the Emerald Sri Lanka Fund, which is the largest private equity fund dedicated to Sri Lanka. This completes the supply chain of financing solutions we offer to our customers, ranging from basic bank debt and pre-IPO equity to syndicated debt and IPO facilitation.

## Pushing the Envelope

We said it was our best year last time when reporting on 2013. Well, we need to say it again this time as well. Year 2014 was one of solid performance in our core banking business as well as complementary businesses through our subsidiary companies, locally and in Bangladesh.

The Bank earned a profit after tax of LKR 3,418 million for the year under review as against LKR 7,723 million in 2013. Whilst on the face of it, this indicates a year-over-year decline of 56%, in actuality, the Bank's profit for the year grew by 64%, if the one-off capital gain earned as a consequence of the divestment of AVIVA NDB Insurance PLC is discounted. All segments of the NDB Group contributed robustly to fuel this result.

Group profit attributable to shareholders grew by 56%, crossing the LKR 4 billion mark to reach LKR 4,134 million (2013: LKR 2,642 million). This impressive growth was driven by enhanced performance from both our core banking operations as well as by the capital markets cluster.

The Bank's total assets expanded by 31%, nearing LKR 263 billion, setting ambitious growth targets for the coming year. Customer deposits increased to LKR 152 billion, a 17% growth compared to the previous year. Your Bank maintained sound portfolio quality with a low NPL ratio of 2.5% by year end. We have always championed the efficient management of costs and were rewarded with a cost to income ratio of 45% for the year. These performance indicators are well ahead of industry ratios of 4.8% and 52%

respectively, based on industry data as at 30 November 2014.

The NDB Group has maintained one of the best Capital Adequacy Ratios in the industry and has benefited from a Capital Base that has grown in a steady and robust manner. The close of the year saw the Group's Core Capital Base rising to LKR 26,952 million, a 9% growth from end December 2013, while the Total Capital base recorded LKR 36,611 million, a 7% growth. This solid Capital Base strengthens your Bank's capability to expand its business operations sustainably to generate higher revenue, while being able to withstand any potential downside shocks.

If I were to identify the main drivers of such exemplary results, I would say it was the result of an agile management team coupled with a compulsion across all areas of the Bank to outperform our previous very best. It's what we call pushing the envelope - to move past the limits of what has already been done or whatever that is accepted as the current standard.

## Maintaining a Balanced Scorecard

Going beyond financial performance, the Bank did well on many other fronts. We championed new product development in retail banking, deepened our portfolio in renewable energy financing, invested in technology to enhance productivity and customer convenience, opened our first digitized branch at the Kandy City Centre and ventured into private equity through a new subsidiary set up in Mauritius.

Our approach to corporate social responsibility is structured. The Bank's strategic CSR activities during the year continued with ongoing programmes that covered education and healthcare. We partnered a novel philanthropic CSR project during the year to set up palmyra bio-fencing, initially on a pilot basis, to address the human-elephant conflict.

The Bank spearheaded a new national venture - 'Cinnamon to the World' - to revive the local export crop and over time, create a national brand akin to Ceylon Tea.

Our efforts did not go unnoticed. They were recognized through numerous global awards across the Bank and the Group and are summarized on pages 243 to 245. While winning is not our ultimate goal, it does tell us we are heading in the right direction.

## Going Forward

Ours is a strategy-driven performance driven by an engaged Board. The Bank's medium-term Strategic Plan 2014-2018, developed in-house, provides the basis for alignment and direction across all business units. The Plan is systematically executed through a best in class 'Strategy Tracker', which provides space for feedback and corrective measures where necessary. Some of the planned activities are now on hold, on account of the ongoing merger discussions with DFCC Bank, a topic that is discussed in the Chairman's Message.

We see 2015 as a year of opportunity despite the possibility of General Elections following the Presidential Elections of January 2015. Our twin areas of focus would be in accelerating the growth of current and saving accounts (CASA) to further improve our net interest margins and increasing the contribution from fee-based income as a proportion of the total operating income of the Bank. The above strategies will be ably supported by multiple initiatives relating to digital banking and electronic payments which will make financial inclusion a viable business proposition and become a strong anchor of the sustainability of our business model.

In conclusion, I would like to thank the Chairman and the Board of Directors for their guidance and counsel, all staff for their unstinted effort and commitment, our customers for their loyal patronage and all other stakeholders whose interactions with us we value highly. We bade farewell to our Chief Operating Officer Indrajith Wickramasinghe during the year. We are grateful for his contribution to the Bank and on behalf of all staff, I wish him well for the future.

It was an eventful year at the Bank. Ongoing activities were fine tuned, new initiatives were welcomed, while more ideas were under incubation. Change is indeed in the air. If I may paraphrase George Bernard Shaw, progress is impossible without change and those who cannot change their minds cannot change anything.



**Rajendra Theagarajah**  
Chief Executive Officer

13 February 2015