

# INVESTOR WEBINAR | FY 2021

NATIONAL DEVELOPMENT BANK PLC



National Development Bank PLC  
NDB.N0000

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Colombo - Sri Lanka

National Long Term Rating  
A+(lka) Stable Outlook by Fitch Ratings Lanka Limited

## FORWARD LOOKING STATEMENTS

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## PRESENTED BY

**Dimantha Seneviratne**

Director/ Chief Executive Officer

### Panelists

Sanjaya Perera - Senior Vice President - Personal Banking & Customer Experience

Deepal Akuratiyagama - Chief Operating Officer

Suvendrini Muthukumarana - Vice President - Finance

Niran Mahawatte - Vice President - Treasury

Indika Ranaweera - Vice President - SME, Middle Market & Business Banking

Ishani Palliyaguru - Vice President - Project Finance and Corporate Credit Control

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Zeyan Hameed - Vice President - Branch Network Management & Product Development

Shanka Abeywardene - Assistant Vice President - Corporate Planning & Business Intelligence

## AGENDA

- PART I - CORPORATE PROFILE
- PART II - OPERATING ENVIRONMENT
- PART III - FINANCIAL PERFORMANCE - FY 2021
- PART IV - VOYAGE 2025 - STRATEGIC FOCUS AREAS
- PART V - WAY FORWARD
- PART VI - Q&A

# PART I - CORPORATE PROFILE

## Our Vision

The driving force for a financially empowered Sri Lanka

## Our Values

Integrity  
Creativity  
Excellence  
Sincerity  
Accountability  
Dependability

## Our Legacy

Over 40 years of service to the nation

## Our Team

Over 3,000 NDBers across the NDB Group

## Our Profile

Credit rating affirmed at A+/ Stable Outlook

## Our Presence

113 branches  
150+ CRM cum ATMs  
Global access through NDB NEOS

## Our Dynamism

NDB Group - Universal banking and full-spectrum capital market services

## Our Diversity

Commitment to gender equality with EDGE certification

## Our Integrity

Strong Corporate and ESG frameworks guiding our actions

## Our Wins

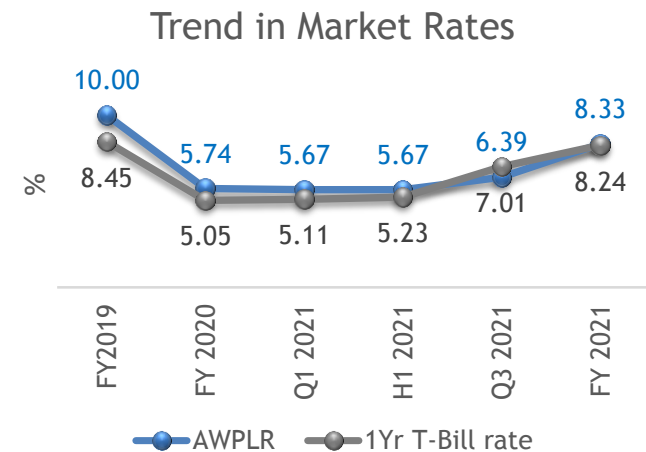
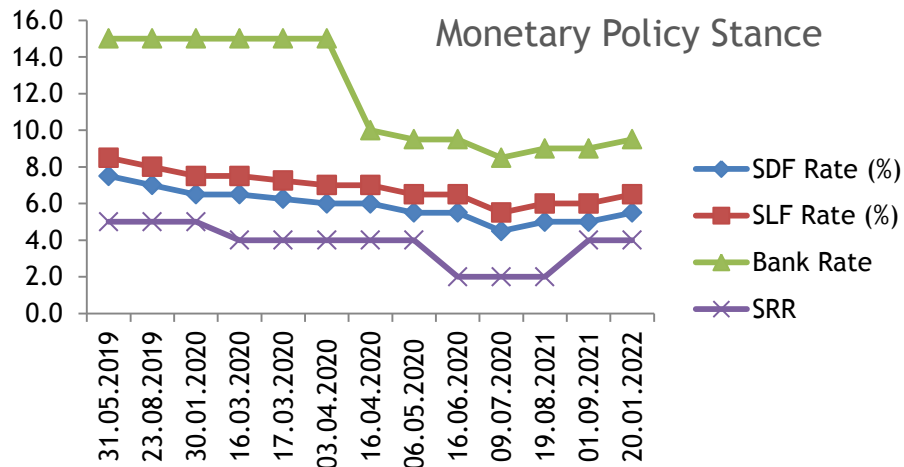
Over 70 accolades won in 2021



## PART II - OPERATING ENVIRONMENT

### Context to operating landscape in 2021

- GDP contraction by 1.5% in Q3 2021 - GDP performance affected by resurgence of infections, challenged foreign currency reserves position and resultant restrictions of imports
- Forex reserves end 2021 - USD 3.1 billion (vs. USD 4.8 Bn in Jan 2021)
- Sovereign rating downgrades by international rating agencies
- Sri Lankan Rupee depreciation by 7% in 2021
- Inflationary pressures escalated in latter part of 2021; Headline inflation and Core inflation Dec 2021- NCPI - 14.0% and 10.8% - CCPI - 12.1% and 8.3% respectively
- CBSL adopted a tightening monetary policy stance from Q3 2021
- SRR on rupee deposit liabilities increased by 2% to 4% from the 1<sup>st</sup> of September 2021
- In January 2022 SDFR and SLFR increased by 50 bps to 5.5% and 6.5%, Bank Rate increased to 9.5%
- Resultant market interest rates trended upwards towards the latter part of the year



Sources: DCS, CBSL

# PART III - FINANCIAL PERFORMANCE OVERVIEW

## Solid Balance Sheet growth maintained amidst challenged macro-economic background

Total assets - LKR 703 Bn - YoY - 12%

Gross loans and receivables - LKR 526 Bn - YoY - 19%

Total deposits - LKR 552 Bn - YoY - 13%

## Sound profitability enabled by strong delivery of the Bank's strategy

Pre-tax profitability - Up by 12% to LKR 10.3 Bn

ROE of 12.27%

## Enhanced capital position through successful Issues

Equity and debt infusions affording strong growth platform & buffer against risks

Total CAR of 15.42%

## Notable improvement in key performance ratios

NIM - 3.25% (2020: 3.07%)

CASA - 27% (2020: 25%)

CIR - 33.7% (2020: 37.0%)

NPL Ratio - 4.65% (5.35%)

## Group performance

Group ROE - 12.47% (2020: 11.20%)

Group ROA - 1.67% (2020: 1.58%)

Group EPS - LKR 22.44 (2020: LKR 21.99)

Group PAS - LKR 6.9 Bn (2020: LKR 5.1 Bn)

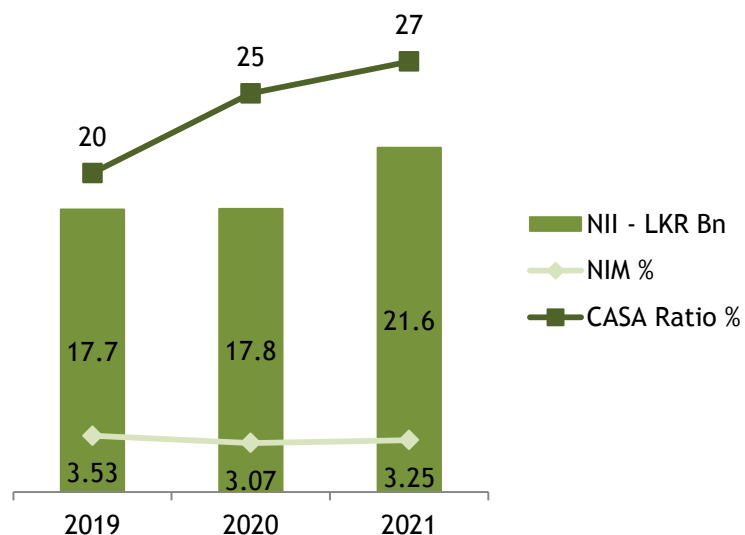
Group Total Assets - LKR 709 Bn - 12% YoY growth

## PART III - FINANCIAL PERFORMANCE

### FUND BASED INCOME

LKR Mn	FY 2021	FY 2020	Variance	%
Interest Income	52,693	53,004	(311)	(1)
Interest Expense	31,070	35,255	(4,185)	(12)
<b>Net Interest Income</b>	<b>21,623</b>	<b>17,748</b>	<b>3,874</b>	<b>22</b>

Fund based income & CASA



- NII supported by sound cost of funds management and improving deposits composition
- NIM of 3.25% (vs. 3.07% of 2020)



## PART III - FINANCIAL PERFORMANCE

### NON-FUND BASED INCOME

LKR Mn	FY 2021	FY 2020	Variance	%
Net fee and commission income	5,602	4,250	1,351	32
Other non-fund based income	3,783	3,404	379	11
<b>Total Non-fund based income</b>	<b>9,384</b>	<b>7,654</b>	<b>1,731</b>	<b>23</b>

#### Non-fund based income driven by

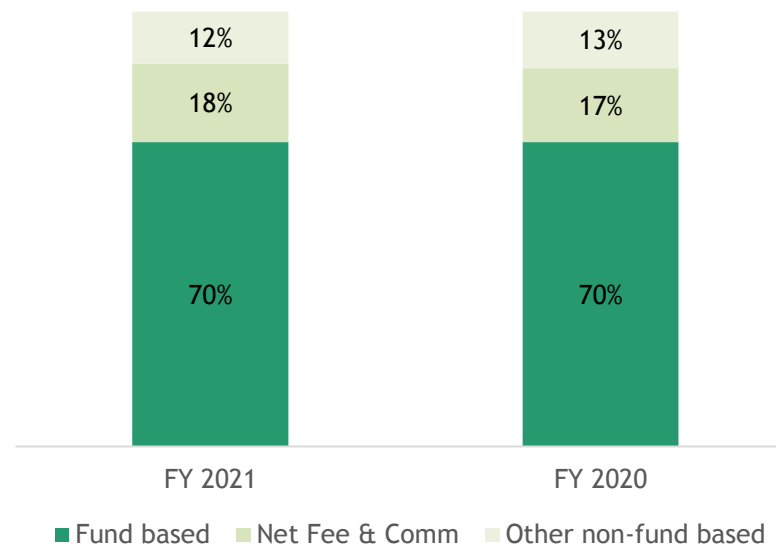
- Growth in business volumes - Gross loans growth of 19%
- Increase in export oriented trade business
- Enhanced income from forex trading given the depreciation of the LKR over USD

**Composition of fund: non-fund income** - The Bank has preserved composition amidst challenges

**Group level non-fund based income** - Complemented by enhanced capital market cluster company operations

**Resultant Total Operating Income**  
LKR 31 Bn - up by 22%

#### Composition of Total Operating Income



## PART III - FINANCIAL PERFORMANCE

### IMPAIRMENT CHARGES

LKR Mn	FY 2021	FY 2020	Variance	%
Impairment charges on loans	8,177	6,231	1,945	31
Impairment on investments	2,088	565	1,523	270

#### Impairment on loans

- Consists of impairment on individually significant basis and collective basis
- Conscious review of customer stress levels on prudent basis in lights of the prevailing economic conditions duly factored in

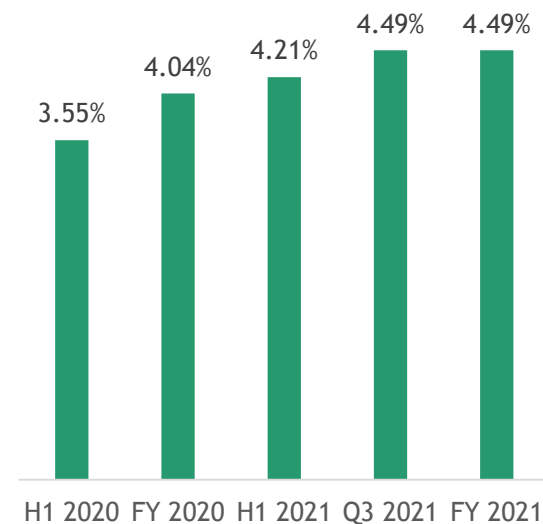
#### Impairment on investments

- Higher level of probability of default applied due to revision of sovereign ratings by external rating agencies

#### KPIs Denoting Asset Quality

%	FY 2021	FY 2020
Gross Non-performing Advances Ratio	4.65	5.35
Net Non-performing Advances Ratio	2.29	3.23
Impaired Loans (Stage 3) Ratio	4.55	4.47
Impairment (stage 3) to Stage 3 loans Ratio	32.81	31.68

#### Impairment Coverage\*



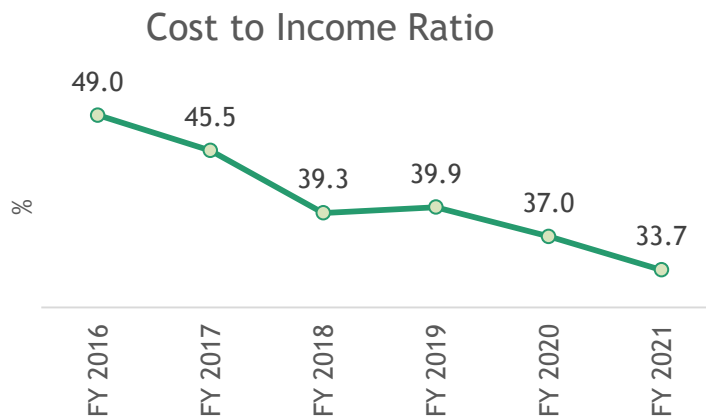
\*Accumulated impairment provision over the gross lending portfolio

## PART III - FINANCIAL PERFORMANCE

### OPERATING EXPENSES

#### Cost composition %

LKR Mn				Cost composition %	
	FY 2021	FY 2020	%	FY 2021	FY 2020
Personnel expenses	5,672	5,171	10	54	55
Depreciation & amortization	831	819	2	8	9
Other expenses	3,931	3,409	15	38	36
<b>Total operating expenses</b>	<b>10,434</b>	<b>9,399</b>	<b>11</b>	<b>100</b>	<b>100</b>



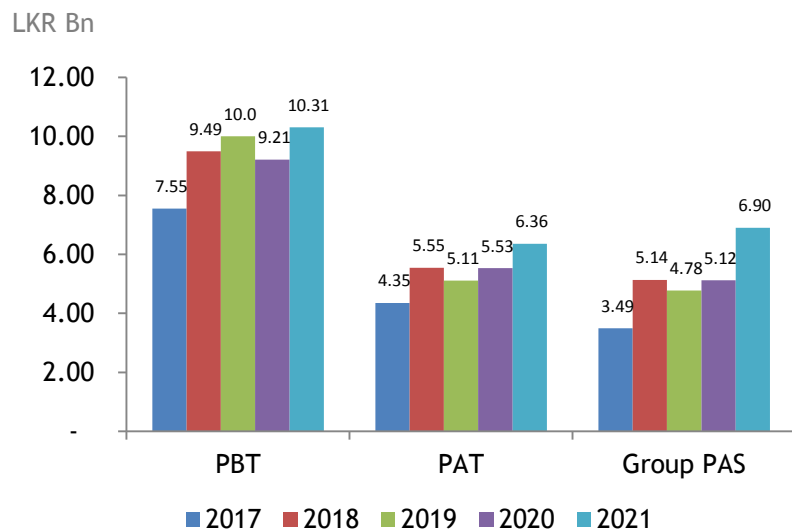
- Operating costs curtailed at LKR 10.4 Bn (YoY increase of 11%) amidst hiking inflation seen during the latter part of the year
- Cost composition remains broadly unchanged
- Concerted efforts in driving cost down reflected in CIR
- Digitization, technology enabled automations, cost conscious culture among staff - key contributors
- Operating costs across Group companies following similar trend

## PART III - FINANCIAL PERFORMANCE TAXATION & PROFITABILITY

TAXATION - LKR Mn	FY 2021	FY 2020	%
VAT on Financial services	2,015	1,819	11
Income tax	1,931	1,857	4
<b>Total taxes</b>	<b>3,946</b>	<b>3,676</b>	<b>7</b>
<b>Effective Tax Rate (%)</b>	<b>38</b>	<b>40</b>	

PROFITABILITY - LKR Mn	FY 2021	FY 2020	%
Profit before all taxes	10,308	9,206	12
Profit before income tax	8,293	7,388	12
Profit after tax	6,362	5,530	15
Group PAS	6,904	5,117	35

### Profitability Trend



### Transformation growth trend - 5 years

KPIs - %	2016	2021
NIM	2.64	3.25
CASA Ratio	22.7	27.3
Cost to income ratio	49.04	33.7
Loans to deposits ratio	112	95
<b>5 year CAGR - Pre-tax profitability</b>		<b>14%</b>

# PART III - FINANCIAL PERFORMANCE

## BALANCE SHEET

LKR Bn	FY 2021	FY 2020	YoY LKR	YOY %
Total assets	703	626	76	12
Investments	146	159	(13)	(8)
Gross loans	526	444	83	19
Total deposits	552	490	62	13
Borrowings	79	80	1	1
Total equity	59	45	14	32

### Transformation growth trend - 5 years

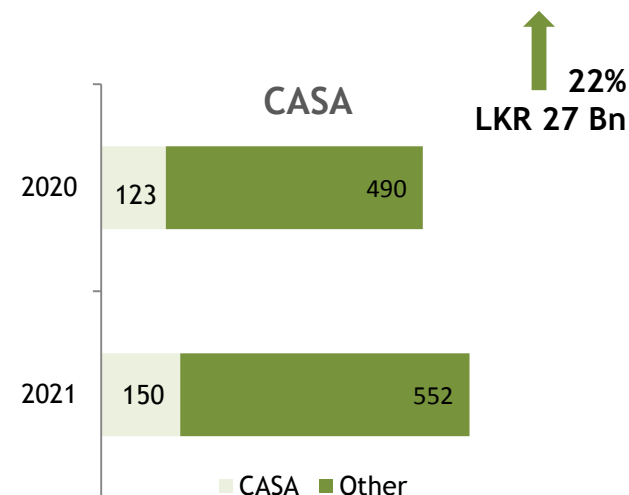
LKR Bn	2016	2021	5 year CAGR
Total assets	335	703	16%
Gross loans	228	526	18%
Total deposits	204	552	22%

#### Assets

- Total assets crosses LKR 700 Bn mark, satisfactory progress towards LKR 1 Tn by 2025
- Loans cross LKR 500 Bn
- Loan book growth a balance between cautious lending in preserving loan book quality and channeling funds to support economic growth

#### Funding

- Deposits** - Solid growth amidst low interest rate levels benefitted by; Dynamic products, convenience in account opening through digitized solutions
- **Equity infusion** - LKR 9.5 Bn in Tier 1 equity (LKR 8 Bn Rights Issue & LKR 1.5 Bn Private Placement)
- Debt capital** - LKR 8 Bn in Tier II listed debentures, Agreement with Development Finance Corporation of USA for a funding line of USD 75 Mn



## PART III - FINANCIAL PERFORMANCE INVESTOR RATIOS

	Bank		Group	
	FY 2021	FY 2020	FY 2021	FY 2020
Closing price per share [LKR]	68.90	78.10	-	-
EPS [LKR] [Annualized]	20.68	23.77	22.44	21.99
ROE [%] [Annualized]	12.27	13.13	12.47	11.20
ROA [%] [Pre-tax] [Annualized]	1.55	1.59	1.67	1.58
Book value per Share [LKR]	165.02	192.49	175.65	206.23
P/E [times] Investor	3.33	3.29	-	-
Price to Book value [PBV] [times]	0.4	0.4	-	-

## PART III - FINANCIAL PERFORMANCE CAPITAL & LIQUIDITY POSITION

	Bank		Group	
	FY 2021	FY 2020	FY 2021	FY 2020
BASEL III				
Common Equity Tier 1 Capital Ratio % [Minimum Requirement - 6.5%]	10.01	9.17	10.53	9.73
Tier 1 Capital Ratio % [Minimum Requirement - 8.0%]	10.01	9.17	10.53	9.73
Total Capital Ratio % [Minimum Requirement - 12.0%]	15.42	14.32	15.82	14.75
Liquidity Coverage Ratio [%] - Rupee [Minimum Requirement - 100%]	193.03	161.97	193.03	161.97
Liquidity Coverage Ratio [%] - All Currency [Minimum Requirement - 100%]	171.33	157.12	171.33	157.12
Net Stable Funding Ratio [Minimum Requirement- 100%]	118.27	112.52	118.27	112.52

## PART IV - V25 STRATEGIC FOCUS AREAS

### Business Focus

Targeted expansion in selected growth sectors

### Customer Solutions

Customised solutions catering to individual preferences

### Empowered Staff

Empower the NDB team to drive motivation, creativity and productivity

### Digital and Data as a Transformer

Leverage on digital and data capabilities to enhance the customer experience

### Organizational realignment

Realign structures to deliver customer centricity across product verticals and market segments

## Key initiatives by the Bank propelling growth and competitive edge

- **Digital Drive**
  - New bank wide manifesto encapsulating the digital drive - *The Future is Banking on Us*
  - NEOSBIZ - Mobile App for SMEs
  - Virtual KYC empowering account opening remotely
- **New product launches**
  - NDB Zee
  - Privilege Select Plus
  - NDB Family Banking
- **Banking on Women** - Sri Lanka Vanithabimana 2021/2022 Phase II under way
- **Strong ESG practices**
- **Continued support to pandemic affected customers** - Including restructuring and rescheduling of facilities, etc.



### Tax implication - Fiscal Budget 2022

- FSVAT - Increased to 18% from 15% for the year 2022 (from 01.01.2022 to 31.12.2022)
- One-off Surcharge tax of 25% will be introduced for individuals or companies who have earned taxable income more than LKR 2 Bn for the Y/A 2020/2021
- Social Security Contribution of 2.5% on turnover will be imposed w e f 01.04.2022 if turnover exceeds LKR 120Mn.

### Opportunities

- Growth opportunities in local manufacturing, import substitution and export industries in line with the national agenda
- Policy stimuli towards supporting the country's SME Sector

### Risks

- Potential stress on credit quality given broad-based economic pressures
- Exchange rate volatility
- Potential implications stemming from challenged fx reserves
- Rising inflationary pressures

Please use the chat option in the MS Teams window to pose your questions to the CEO and Panel.

**Dimantha Seneviratne**  
Director/ Chief Executive Officer

### Panelists

Sanjaya Perera - Senior Vice President - Personal Banking & Customer Experience

Deepal Akuratiyagama - Chief Operating Officer

Suvendrini Muthukumarana - Vice President - Finance

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## ANALYSTS SUPPORT

- ✓ Clearly defined Quarterly Results Calendar released at the end of each quarter
- ✓ Webinar transcripts hosted to the NDB Corporate website/ IR page in playback video and written transcript forms
- ✓ Dedicated communication channels made available for any queries and clarifications

Write to us on

[investor.relations@ndbbank.com](mailto:investor.relations@ndbbank.com)

Visit us on

[www.ndbbank.com/InvestorRelations](http://www.ndbbank.com/InvestorRelations)

Call us on

+94 112 448 448 Extns - 35301, 35317, 35338

