

INSIDE INSIGHT

Investor Update - Q1 2022

National Development Bank PLC
NDB.N0000

National Long-term Rating:
A+ (Ika) Outlook: RWN, 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

K V Vinoj - Vice President - Wholesale Banking

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

Damitha Silva - Assistant Vice President - Digital Financial Services

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

AGENDA

- PART I - CORPORATE PROFILE
- PART II - OPERATING ENVIRONMENT
- PART III - FINANCIAL PERFORMANCE - Q1 2022
- 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+
Outlook: RWN

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

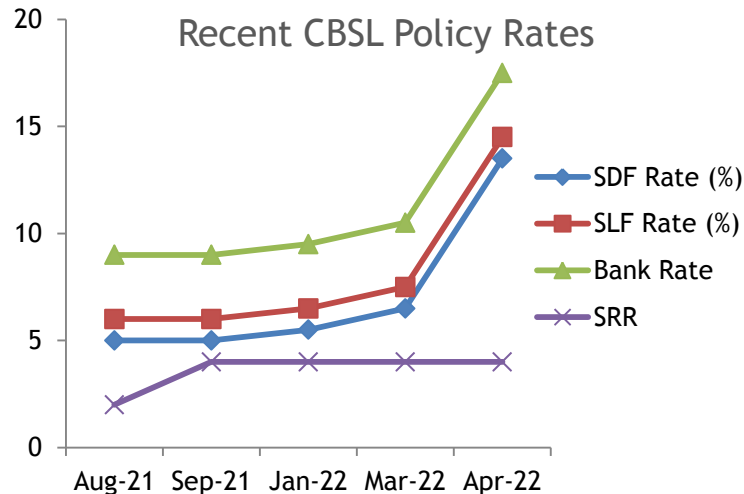
Over 70 accolades won in 2021
Best Bank in Sri Lanka
2022 - Global Finance USA



PART II - OPERATING ENVIRONMENT

Context to operating landscape in Q1 2022

- Tightening monetary policy, 150 bps increase in SDFR, SLFR and Bank Rate in Q1 2022
- Further depletion of foreign exchange reserves
- LKR 200 peg for USD removed by CBSL, causing sharp rupee depreciation
- Restrictions on importation of goods affecting import customers and export customers reliant on imports
- Exacerbated pressure from power outages and fuel shortages
- Highly volatile political environment and social unrest
- Sovereign rating downgrade by international rating agencies
- Inflationary pressures escalates - March 2022 (NCPI)
 - Headline inflation 21.5% and Core inflation 17.3%



Date	SDF Rate (%)	SLF Rate (%)	Bank Rate	SRR
Aug-21	5.0	6.0	9.0	2.0
Sep-21	5.0	6.0	9.0	9.0
Jan-22	5.5	6.5	9.5	4.0
Mar-22	6.5	7.5	10.5	4.0
Apr-22	13.5	14.5	17.5	4.0

PART III - FINANCIAL PERFORMANCE OVERVIEW

Balance Sheet

Total assets - LKR 765 Bn - YTD - 9%
Gross loans and receivables - LKR 580 Bn - YTD - 10%
Total deposits - LKR 600 Bn - YTD - 9%

Income/ Profitability

Total operating income - LKR 10 Bn - YoY - 22%
Pre-tax profitability - LKR 962 Mn - YoY - (72%)
Post-tax profitability - LKR 605 Mn - YoY - (74%)
ROE of 7.80%

Other KPIs

NIM - 3.43% (2021: 3.25%)
CASA - 28% (2021: 27%)
Impaired Loans (Stage 3) Ratio - 4.40% (2021: 4.55%)

Group performance

Group PAS - LKR 539 Mn - YoY - (77%)
Group ROE - 6.87% (2021: 12.47%)
Group Total Assets - LKR 771 Bn -YTD - 8%

Capital

Tier I CAR of 8.69%
Total CAR of 13.36%

PART III - FINANCIAL PERFORMANCE INCOME

<i>LKR Mn</i>	Q1 2022	Q1 2021	Variance	%
Gross Income	19,162	15,720	3,442	22
Interest Income	15,366	12,667	2,699	21
Interest Expense	9,159	7,536	1,623	22
Net Interest Income	6,207	5,129	1,078	21
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<i>LKR Mn</i>	Q1 2022	Q1 2021	Variance	%
Net fee & comm income	1,717	1,325	392	30
Other non-fund based income	2,072	1,721	351	20
Total Non-fund based income	3,789	3,046	743	24
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Total operating income	9,996	8,175	1,821	22

Fund based income

- Focused asset & liability management initiatives, timely re-pricing of the Bank's loans as well as deposits book and timely capital raising helped manage fund based income and expenses
- Resultantly, net interest margin improved to 3.43% (2021: 3.25%)

PART III - FINANCIAL PERFORMANCE

IMPAIRMENT CHARGES

<i>LKR Mn</i>	Q1 2022	Q1 2021	Variance	%
Impairment charges	6,367	2,183	4,184	192

Impairment on loans

- A reflection of escalated stress levels faced by the customers and significant impact arising from the rupee depreciation
- Comprised impairment charges on an individually significant basis as well as on a collective portfolio level basis, using objective evidence of customer credit quality

Impairment on investments

- Significant impairment provision made for foreign currency denominated government securities, factoring in the revisions of the sovereign rating of the country and the impact arising from rupee depreciation

KPIs Denoting Asset Quality

%	Q1 2022	FY2021
Impaired Loans (Stage 3) Ratio	4.40	4.55
Impairment (stage 3) to Stage 3 loans Ratio	34.02	32.81

PART III - FINANCIAL PERFORMANCE

OPERATING EXPENSES

<i>LKR Mn</i>	Q1 2022	Q1 2021	%	Cost composition %	
				Q1 2022	Q1 2021
Personnel expenses	1,340	1,378	(3)	50	55
Depreciation & amortization	193	221	(13)	7	9
Other expenses	1,133	924	23	43	36
Total operating expenses	2,666	2,524	6		

Cost management strategies, vast benefits derived from automation of internal processes and digitization of customer solutions enabled to manage the operating expenses increase at 6%, amidst high inflation in Q1 2022

Profitability

<i>LKR Mn</i>	Q1 2022	Q1 2021	%
Profit before all taxes	962	3,468	(72)
VAT & Income Tax	357	1,133	(69)
Profit after tax	605	2,335	(74)
Group PAS	539	2,363	(77)

Profitability affected by higher impairment charges as previously elaborated

PART III - FINANCIAL PERFORMANCE

BALANCE SHEET

<i>LKR Bn</i>	Q1 2022	FY 2021	YTD LKR	YTD %
Total assets	765	704	60	9
Investments	147	146	1	0.4
Gross loans	580	526	54	10
Total deposits	600	552	48	9
Borrowings	84	79	5	6
Total equity	55	59	(4)	(7)

- The increase in the Total Assets includes the exchange rate impact arising from the sharp depreciation of the rupee during the period under review
- Loan book growth after excluding the effects of the exchange rate movement stemmed from all business segments
- Total shareholder equity - strengthened by a Tier I equity capital infusion of LKR 9.5 Bn in 2021
- Basel III compliant Tier II debentures - LKR 8 Bn - raised in November 2021, the timing helped the Bank optimize its cost of funds noting sharp increase in rates in 2022

PART III - FINANCIAL PERFORMANCE INVESTOR RATIOS

	Bank		Group	
	Q1 2022	FY 2021	Q1 2022	FY 2021
Closing price per share [LKR]	55.70	68.90	-	-
EPS [LKR] [Annualized]	12.48	20.68	11.72	22.44
ROE [%] [Annualized]	7.80	12.27	6.87	12.47
ROA [%] [Pre-tax] [Annualized]	0.96	1.55	0.55	1.67
Book value per Share [LKR]	155.06	165.02	165.85	175.65
P/E [times] Investor	4.5	3.33	-	-
Price to Book value [PBV] [times]	0.4	0.4	-	-

PART III - FINANCIAL PERFORMANCE CAPITAL & LIQUIDITY POSITION

	Bank		Group	
	Q1 2022	FY 2021	Q1 2022	FY 2021
BASEL III				
Common Equity Tier 1 Capital Ratio % [Minimum Requirement - 6.5%]	8.69	10.01	9.19	10.53
Tier 1 Capital Ratio % [Minimum Requirement - 8.0%]	8.69	10.01	9.19	10.53
Total Capital Ratio % [Minimum Requirement - 12.0%]	13.36	15.42	13.78	15.82
Liquidity Coverage Ratio [%] - Rupee [Minimum Requirement - 100%]	206.32	193.03	206.32	193.03
Liquidity Coverage Ratio [%] - All Currency [Minimum Requirement - 100%]	156.73	171.33	156.73	171.33
Net Stable Funding Ratio [Minimum Requirement- 100%]	118.43	118.27	118.43	118.27

PART V - WAY FORWARD

- Challenged conditions ahead
- Inflationary pressure likely to continue, before stabilizing with the effects of measures taken by CBSL
- Cautious business expansions to match the prevailing economic conditions
- Priorities will be on
 - preserving asset quality
 - managing liquidity
 - enhancing our deposits base - across all business segments, thereby strengthening Bank's own liquidity position
 - supporting customers maintain resilience
 - generating best possible returns to shareholders
 - augmentation of capital in line with regulator guidelines will be pursued depending on the market conditions and revival of economy

PART VI - Q&A

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

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Director/ Chief Executive Officer

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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

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