

# INSIDE INSIGHT



## Investor Update - Q3 2022

National Development Bank PLC  
NDB.N0000

National Long-term Rating:  
A(lka), Fitch Ratings Lanka Limited

22 November 2022  
11.00 am (GMT +0:530)  
Hosted from Colombo, Sri Lanka



## FORWARD LOOKING STATEMENTS

This document has been prepared by National Development Bank PLC [“NDB”, “Bank” or the “Group”] solely for use at its presentation to potential & current investors. By accepting this document, you agree to maintain absolute confidentiality regarding the information disclosed in this document.

The information contained in this document should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation. Not the Bank nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever [in negligence or otherwise] for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

This document contains proprietary information and no part of it may be reproduced, redistributed or passed on, directly or indirectly, to any other person [whether within or outside your organization/firm] or published, in whole or in part, for any purpose.

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group. These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward-looking statements speak only as of the date they are made. The Group makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

## **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

## AGENDA

- PART I - CORPORATE PROFILE
- PART II - OPERATING ENVIRONMENT
- PART III - FINANCIAL PERFORMANCE - Q3 2022
- PART IV - WAY FORWARD
- PART V - 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(lka)

### **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**

Triple top wins from Euromoney, Global Finance USA & The Banker UK 2020-2022

## PART II - OPERATING ENVIRONMENT

### Context to operating landscape in 9 months of 2022

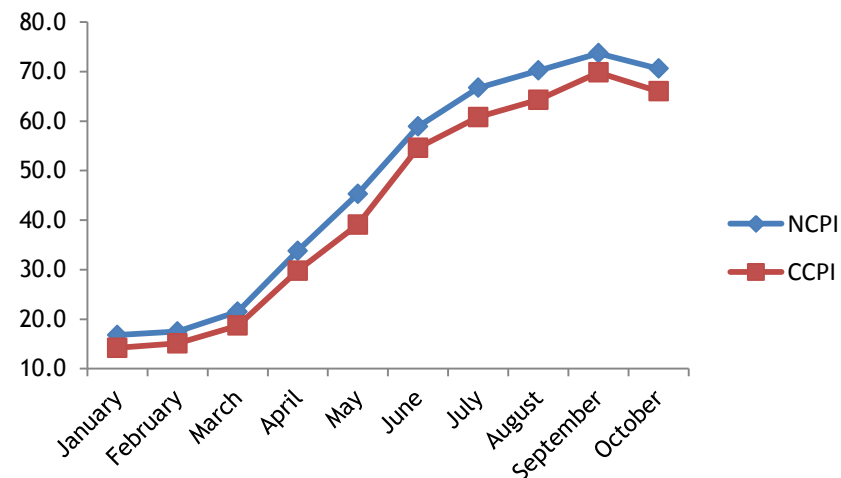
- Policy rates remain unchanged since 07 July 2022
- Over 80% Rupee depreciation against USD for 2022
- Power crisis managed, taking off the hit on nation-wide productivity
- Inflationary pressures continued over the nine months period
  - Takes a downward turn in October 2022
    - CCPI YoY - 66.0% (Sep 2022 - 69.8%)
    - NCPI YoY - 70.6% (Sep 2022 - 73.7%)
- IMF Relief programme - Board level approval expected in December 2022 and greater clarity on debt restructuring, etc., anticipated with same

#### Policy rates trend

Date/ %	SDF Rate	SLF Rate	Bank Rate	SRR
Aug 2021	5.0	6.0	9.0	2.0
Sep 2021	5.0	6.0	9.0	4.0
Jan 2022	5.5	6.5	9.5	4.0
Mar 2022	6.5	7.5	10.5	4.0
Apr 2022	13.5	14.5	17.5	4.0
Jul 2022*	14.5	15.5	18.5	4.0

\*Unchanged since 07-July-2022

#### Headline Inflation 2022



Sources: DCS, CBSL

## PART III - FINANCIAL PERFORMANCE OVERVIEW

### Income/ Profitability

Total operating income LKR 31.5 Bn - YoY 35%  
 Impairment charges LKR 22.2 Bn - YoY 234%  
 Pre-tax profitability LKR 790 Mn - YoY (91%)  
 Post-tax profitability LKR 561 Mn - YoY (90%)

- Growth in gross income 62%, NII 39% & Fee & Commission income 10%
- Profitability moderated due to impairment

### Balance Sheet

Total assets - LKR 819 Bn - YTD 16%  
 Gross loans and receivables - LKR 600 Bn  
 YTD 14%  
 Total deposits - LKR 649 Bn - YTD 18%  
 (Inclusive of inflationary effect from the exchange rate depreciation - c. 82% depreciation by end Sep 2022)

### Group Performance

Group PAS - LKR 641 Mn - YoY (89%)  
 Group Total Assets - LKR 825 Bn -YTD 16%

### KPIs

NIM - 3.78% (2021: 3.25%)  
 Impaired Loans (Stage 3) Ratio - 5.75% (2021: 4.55%)

### Capital

Tier I CAR of 9.42% (Reg. minimum - 8.5%)  
 Total CAR of 13.60% (Reg. minimum - 12.5%)

## PART III - FINANCIAL PERFORMANCE INCOME

<i>LKR Mn</i>	Q3 2022	Q3 2021	Variance	%
Gross Income	74,503	46,060	28,443	62
Interest Income	65,172	38,712	26,460	68
Interest Expense	42,985	22,780	20,205	89
<b>Net Interest Income</b>	<b>22,187</b>	<b>15,932</b>	<b>6,255</b>	<b>39</b>
<i>LKR Mn</i>	Q3 2022	Q3 2021	Variance	%
Net fee & comm income	4,395	3,993	402	10
Other non-fund based income	4,920	3,355	1,565	47
<b>Total Non-fund based income</b>	<b>9,315</b>	<b>7,348</b>	<b>1,967</b>	<b>27</b>
<b>Total operating income</b>	<b>31,502</b>	<b>23,280</b>	<b>8,222</b>	<b>35</b>

### Fund based income

- With the upward movement in interest rates in the market, interest income as well as interest expenses increased, reflecting timely re-pricing of the asset book, and mobilization of deposits respectively
- NIM - 3.78% (2021: 3.25%) benefitting from strategic deployment of funds supporting NII

### Non-fund based income

- Growth mainly driven by trade business, retail banking operations and digital banking initiatives



## PART III - FINANCIAL PERFORMANCE

### IMPAIRMENT CHARGES

<i>LKR Mn</i>	Q3 2022	Q3 2021	Variance	%
Impairment charges	22,225	6,653	15,572	234

- Impairment charges inclusive of provisions made for foreign currency denominated government securities and loans to customers - Former comprising the greater portion
- Prudent loan provisioning made on the loan book given the escalated credit risks in the current operating environment
- Precautionary provisioning made on the investment book with clarity anticipated on GoSL debt restructuring measures

#### KPIs Denoting Asset Quality

%	Q3 2022	FY2021
Impaired Loans (Stage 3) Ratio	5.75	4.55
Impairment (Stage 3) to Stage 3 loans Ratio	34.66	32.81

## PART III - FINANCIAL PERFORMANCE

### OPERATING EXPENSES

<i>LKR Mn</i>				Cost composition %	
	Q3 2022	Q3 2021	%	Q3 2022	Q3 2021
Personnel expenses	4,335	4,206	3	51	55
Depreciation & amortization	624	631	-1	7	8
Other expenses	3,528	2,864	23	42	37
<b>Total operating expenses</b>	<b>8,487</b>	<b>7,701</b>	<b>10</b>	<b>100</b>	<b>100</b>

- Cost curtailment at 10% amidst high inflation
- Staff redeployments, process automations, productivity enhancements, etc., have helped optimize staff cost
- CIR at <30%, reflecting both cost efficiencies and revenue enhancements

## PART III - FINANCIAL PERFORMANCE

### BALANCE SHEET

<i>LKR Bn</i>	<i>Variance</i>			
	Q3 2022	FY 2021	YTD LKR	YTD %
Total assets	819	705	114	16
Investments	176	146	30	21
Gross loans	600	526	74	14
Total deposits	649	552	97	18
Borrowings	94	79	15	19
Total equity	62	59	3	5

- Balance sheet growth inclusive of inflationary pressure from LKR depreciation
- Further Balance Sheet growth moderated across the industry given pressure on capital - NDB to follow suite
- Strong liquidity position maintained with reasonable cost of funds

## PART III - FINANCIAL PERFORMANCE INVESTOR RATIOS

	Bank		Group	
	Q3 2022	FY 2021	Q3 2022	FY 2021
Closing price per share [LKR]	43.00	68.90	-	-
EPS [LKR] [Annualized]	1.97	20.68	2.26	22.44
ROE [%] [Annualized]	1.24	12.27	1.34	12.47
ROA [%] [Pre-tax] [Annualized]	0.14	1.55	0.20	1.67
Book value per Share [LKR]	162.17	165.02	172.48	175.65
P/E [times] Investor	21.78	3.33	-	-
Price to Book value [PBV] [times]	0.3	0.4	-	-

**Book value per share** - Reduction stemming from the increase in the share base on account of scrip dividends issued in March 2022

## PART III - FINANCIAL PERFORMANCE CAPITAL & LIQUIDITY POSITION

	Bank		Group	
	Q3 2022	FY 2021	Q3 2022	FY 2021
Common Equity Tier 1 Capital Ratio % [Minimum Requirement - 7% - 2021-6.5% ]	9.42	10.01	9.92	10.53
Tier 1 Capital Ratio % [Minimum Requirement - Q3 2022-8.5% - 2021-8%]	9.42	10.01	9.92	10.53
Total Capital Ratio % [Minimum Requirement - Q3 2022-12.5%, 2021 -12%]	13.60	15.42	14.03	15.82
Statutory Liquid Assets Ratio (Minimum Requirement -20%) - DBU	22.80	23.14	22.80	23.14
Statutory Liquid Assets Ratio (Minimum Requirement -20%) - Off-shore	25.40	25.31	25.40	25.31
Liquidity Coverage Ratio [%] - Rupee [Minimum Requirement - Q3 2022-90%, 2021-100%]	208.00	193.03	208.00	193.03
Liquidity Coverage Ratio [%] - All Currency [Minimum Requirement - Q3 2022-90%, 2021-100%]	158.02	171.33	158.02	171.33
Net Stable Funding Ratio [Minimum Requirement - Q3 2022-90%, 2021-100%]	123.19	118.27	123.19	118.27

- Well maintained liquidity levels as denoted in related ratios
- All regulatory mandate minimum levels met

## PART IV - WAY FORWARD

- The industry awaits direction on debt restructuring alongside IMF Relief Package
- Impairment provision building critical at this stage to brace for potential loss scenario on exposure to ISBs
- Cost rationalizations and revenue management pursued to preserve profitability from potential losses arising from impairment, higher taxes, etc.
- Cautious growth in the loan book prioritizing on capital efficient products given weaker credit sentiments
- Priorities will be on
  - preserving asset quality
  - supporting customers maintain resilience
  - managing a strong liquidity position
  - preserving capital in current conditions and augmentation of capital when market conditions improve
  - generating best possible returns to shareholders in the context of current challenged market conditions

## **PART V - Q&A**

Please use the chat option 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

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

## 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

