

RESPONSIVE BANKING

Investor Update – FY 2022

National Development Bank PLC
NDB.No000

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

16 March 2023
11.30 am (GMT +0:530)
Hosted from Colombo, Sri Lanka



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/ Chief Financial Officer

Niran Mahawatte – Vice President - Treasury

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

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

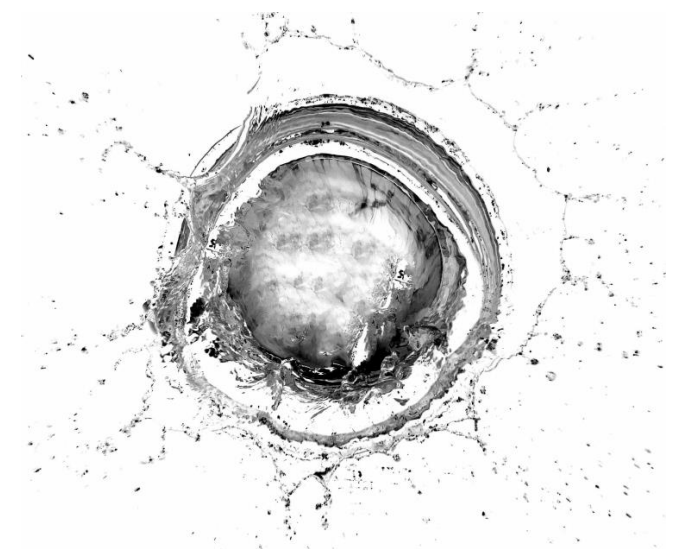
K V Vinoj - Vice President - Wholesale Banking

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 – FY 2022**
- PART IV WAY FORWARD**
- PART V Q & A**



PART I - CORPORATE PROFILE



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 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 Profile

Credit rating affirmed at A- (Ika)



Our Integrity

Strong Corporate and ESG frameworks guiding our actions



Our Wins

Triple top wins from Euromoney, Global Finance USA (2022) & The Banker UK (2018), Most Awarded Corporate in Sri Lanka 2021 (LMD Annual Rankings)



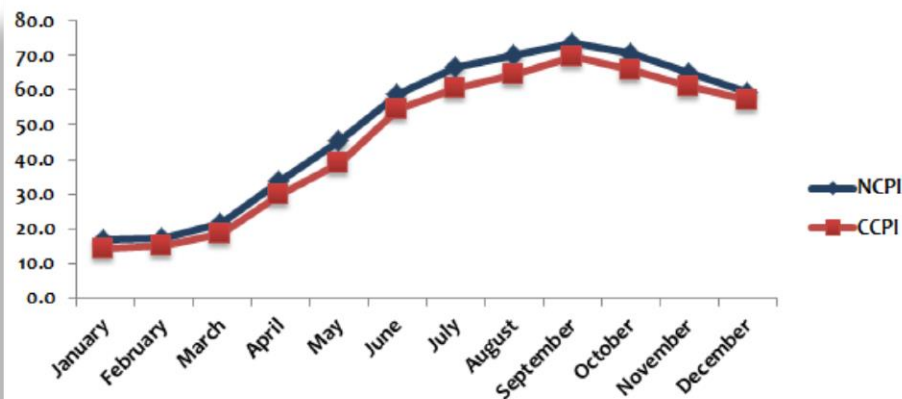


PART II - OPERATING ENVIRONMENT
Navigating Turbulences

Context to Operating Landscape in 2022

- Severe inflationary pressures continued over the year, Takes a downward turn in October 2022
Dec 2022 CCPI YoY – 57.2% (Dec 2021 – 12.1%)
Dec 2022 NCPI YoY – 59.2% (Dec 2021- 14.0%)
- Acute foreign currency liquidity deficit
- Over 80% Rupee depreciation against USD for 2022
- Sharp rise in market rates driven by tightening monetary policy adopted by the CBSL – 950 bps increase in SDFR and SLFR during 2022 (1 yr T Bill rate FY 2022 29.27% vs FY 2021 8.24% / AWPR FY 2022 27.24% vs FY 2021 8.61%)
- Policy rates remain unchanged since 07 July 2022 for remainder of 2022 (SDF & SLF subsequently raised by 100 basis points on 03 March 2023)
- Power crisis , shortage of fuel, import inputs, other essential consumables, medicines, etc., severely dampening economic performance and living conditions
- IMF Relief programme – Sri Lanka received assurances from all its major bilateral creditors and is looking set to get a sign-off on a long-awaited \$2.9 billion four-year bailout from the IMF in near future

Headline Inflation 2022



Source: CBSL

A scenic view of a river flowing through a forest. The river is the central focus, with water cascading over rocks, creating a small waterfall. The surrounding forest is lush and green, with trees of various heights and densities. The sky is a mix of soft pinks and blues, suggesting a sunrise or sunset. The overall mood is peaceful and natural.

PART III - FINANCIAL PERFORMANCE REVIEW

A Transformative Journey

Income/ Profitability

Gross income – LKR 109.9 Bn - YoY 77%
Total operating income LKR 42.7 Bn - YoY 38%
Impairment charges LKR 29.3 Bn - YoY 185%
Pre-tax profitability LKR 2.03 Bn - YoY (80%)
Post-tax profitability LKR 2.90 Bn - YoY (54%)

Balance Sheet

Total assets - LKR 832.7Bn - YoY 18%
Gross loans and receivables – LKR 579.6Bn - YoY 10%
Total deposits – LKR 672.3Bn - YoY 22%
(Inclusive of inflationary effect from the exchange rate depreciation)

Group Performance

Group PAS LKR 3.01 Bn - YoY (56%)
Group Total Assets LKR 839.2 Bn - YoY 18%

KPIs

NIM 4.00% (2021: 3.25%)
Impaired Loans (Stage 3) Ratio 6.24%
(2021: 4.55%)

Capital

Tier I CAR of 9.34% (Reg. minimum – 8.5%)
Total CAR of 13.35% (Reg. minimum – 12.5%)

FINANCIAL PERFORMANCE - INCOME

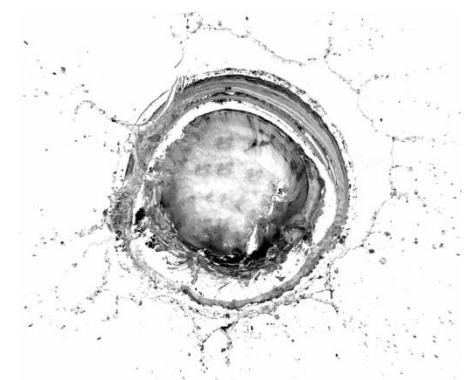
| LKR Mn | FY 2022 | FY 2021 | Variance | % |
|-------------------------------|----------------|----------------|-----------------|------------|
| Gross Income | 109,902 | 62,111 | 47,792 | 77% |
| Interest Income | 97,918 | 52,693 | 45,225 | 86% |
| Interest Expense | 67,174 | 31,070 | 36,104 | 116% |
| Net Interest Income | 30,744 | 21,623 | 9,121 | 42% |
| LKR Mn | FY 2022 | FY 2021 | Variance | % |
| Net Fee & Commission Income | 6,258 | 5,602 | 656 | 12% |
| Other Non-fund Based Income | 6,425 | 1,067 | 5,358 | 502% |
| Total Non-fund Based Income | 5,710 | 3,783 | 1,927 | 51% |
| Total Operating Income | 42,711 | 31,007 | 11,704 | 38% |

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 – 4.00% (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



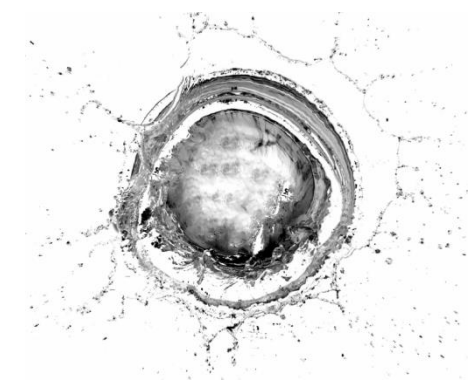
FINANCIAL PERFORMANCE – IMPAIRMENT CHARGES

| LKR Mn | FY 2022 | FY 2021 | Variance | % |
|--------------------|---------|---------|----------|------|
| Impairment Charges | 29,292 | 10,265 | 19,027 | 185% |

- Impairment charges inclusive of provisions made on Investment Book for foreign currency denominated Government Securities and Loans to customers: *former comprising the greater portion – LKR 17.4 Bn/ 59%*
- Provisioning made on the Investment Book in line with impairment covers anticipating the GoSL FCY debt restructuring during the year
- Prudent loan provisioning made on the Loan Book given the escalated credit risks in the current operating environment

KPIs Denoting Asset Quality

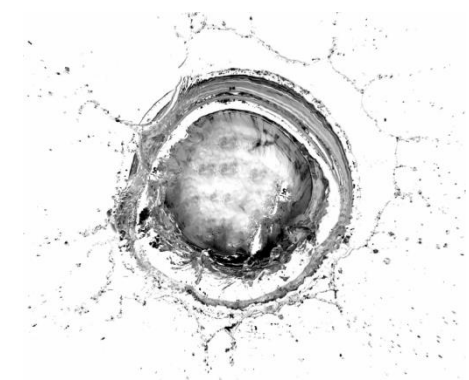
| Ratio | FY 2022 | FY2021 |
|---|---------|--------|
| Impaired Loans (Stage 3) Ratio | 6.24% | 4.55% |
| Impairment (Stage 3) to Stage 3 loans Ratio | 37.44% | 32.81% |
| Total Impairment Cover | 5.81% | 4.11% |



FINANCIAL PERFORMANCE – OPERATING EXPENSES

| LKR Mn | FY 2022 | FY 2021 | % | Cost Composition % | |
|---------------------------------|---------------|---------------|-----------|--------------------|-------------|
| | | | | FY 2022 | FY 2021 |
| Personnel expenses | 5,737 | 5,672 | 1% | 50% | 54% |
| Depreciation & amortization | 847 | 832 | 2% | 8% | 8% |
| Other expenses | 4,800 | 3,931 | 22% | 42% | 38% |
| Total operating expenses | 11,384 | 10,435 | 9% | 100% | 100% |

- Controllable costs denoted in total operating expenses - only a 9% YoY increase amidst high inflation , steep depreciation of the Rupee and revisions to taxes - all of which collectively drove expenditure up
- Staff redeployments, process automations, productivity enhancements, etc., have helped optimize staff cost
- CIR at <30% (26.65%), reflecting both cost efficiencies and revenue enhancements

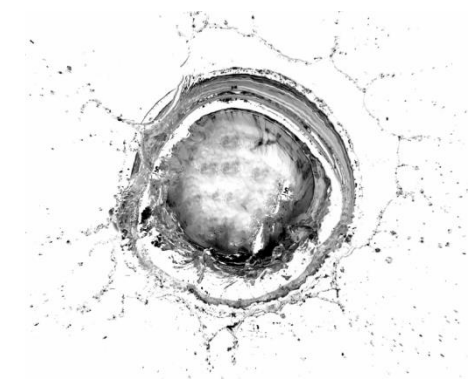


FINANCIAL PERFORMANCE – BALANCE SHEET

Variance

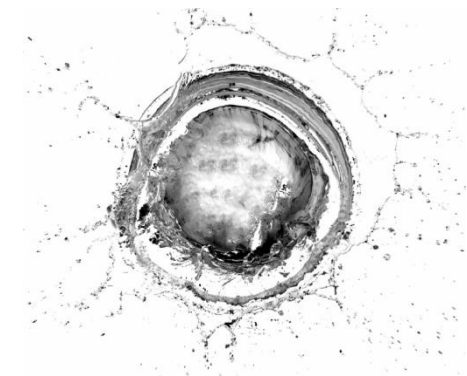
| LKR Bn | FY 2022 | FY 2021 | LKR | % |
|----------------|---------|---------|-----|-----|
| Total assets | 833 | 705 | 128 | 18% |
| Investments | 199 | 146 | 53 | 36% |
| Gross loans | 580 | 526 | 54 | 10% |
| Total deposits | 672 | 552 | 120 | 22% |
| Borrowings | 81 | 79 | 2 | 3% |
| Total equity | 64 | 59 | 5 | 8% |

- Balance sheet growth primarily driven by inflationary pressure from LKR depreciation
- Besides that, loan book increase comprised loans granted in risk efficient products to ensure capital preservation
- Deposits growth due to strong focus during the year, which also largely supported the Bank to maintain sound liquidity positions



FINANCIAL PERFORMANCE – INVESTOR RATIOS

| | Bank | | Group | |
|-----------------------------------|---------|---------|---------|---------|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| Closing Price per Share [LKR] | 32.00 | 68.90 | N/A | N/A |
| EPS [LKR] | 7.65 | 19.24 | 7.92 | 20.88 |
| ROE [%] | 4.75 | 12.27 | 4.62 | 12.47 |
| ROA [%] [Pre-tax] | 0.26 | 1.55 | 0.34 | 1.67 |
| Book Value per Share [LKR] | 167.16 | 165.02 | 177.60 | 175.65 |
| P/E [times] Investor | 4.18 | 3.58 | N/A | N/A |
| Price to Book Value [PBV] [times] | 0.19 | 0.42 | N/A | N/A |



FINANCIAL PERFORMANCE – CAPITAL & LIQUIDITY POSITION



| Ratio | Bank | | Group | |
|---|---------|---------|---------|---------|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| Common Equity Tier 1 Capital Ratio % [Minimum Requirement -7% - 2021-6.5%] | 9.34 | 10.01 | 9.87 | 10.53 |
| Tier 1 Capital Ratio % [Minimum Requirement – 2022-8.5% - 2021-8.0%] | 9.34 | 10.01 | 9.87 | 10.53 |
| Total Capital Ratio % [Minimum Requirement – 2022-12.5%, 2021 -12.0%] | 13.35 | 15.42 | 13.81 | 15.82 |
| Statutory Liquid Assets Ratio - Bank (Minimum Requirement - 20%) | 27.24 | N/A | N/A | N/A |
| Statutory Liquid Assets Ratio (Minimum Requirement -20%) - DBU | N/A | 23.14 | N/A | N/A |
| Statutory Liquid Assets Ratio (Minimum Requirement -20%) – Off-shore | N/A | 25.31 | N/A | N/A |
| Liquidity Coverage Ratio [%] – Rupee [Minimum Requirement – 2022-90%, 2021-100%] | 297.08 | 193.03 | N/A | N/A |
| Liquidity Coverage Ratio [%] – All Currency [Minimum Requirement – 2022-90%, 2021-100%] | 232.68 | 171.33 | N/A | N/A |
| Net Stable Funding Ratio [Minimum Requirement – 2022-90%, 2021-100%] | 130.87 | 118.27 | N/A | N/A |

- Well maintained liquidity levels as denoted in related ratios
- All regulatory/mandated minimum levels are met

PART IV - WAY FORWARD

Responsive and Agile



WAY FORWARD

- IMF Relief Package expected to be finalized in near future
- Greater clarity on policy reforms expected following same
- Priorities will remain to be
 - maximizing fee based income and enhancing revenue mix
 - driving cost rationalizations to preserve profitability and enhance shareholder returns
 - 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

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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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