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# Edited Transcript

**Webinar with investors and analysts**

**Results for the year ended 31 December 2022**
**National Development Bank PLC**

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## Corporate Participants

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 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

# Investor Presentation

## Opening Remarks - Kumudari Peiris

Ayubowan from NDB Bank, Thank you ladies and gentlemen for connecting with NDB's investor update for the financial year 2022. Today's investor webinar will follow the same format like our prior webinars where the bank's director and Chief Executive Officer Mr.Dimantha Seneviratne will take you through a presentation at the end of which he will open up the forum for questions and answer session. He will be joined by the Senior Management of the bank. Participants are kindly requested to stay on mute throughout the presentation and please use the chat option to pose your questions. Please choose NDB Bank as the recipient in the chat option so that your questions will be directed to us. On that note let me now hand over to Mr. Seneviratne to take the presentation forward thank you.

## Opening Remarks - CEO - Dimantha Seneviratne

Welcome all of you for our quarterly investor webinar and with me I have my leadership team who will join me in answering all your questions later after the presentation.

## PART I – Corporate Profile

## Slide 05 – Corporate Profile

Let me now give you a very brief introduction on our Corporate Profile

NDB has been in business for more than 42 years and comprise of Investment Banking and the Capital Market cluster, Wealth Management stock broking etc. Our performance have been also confirmed by some of the outside accolades such as the global Finance the banker Awards and also the last year for the first time we also won Euro money best bank award

## PART II - Operating Environment

## Slide 06 – Operating Environment

We all know the challenges that we had last year and the priority given to secure the banking sector in managing the challenges. The last year was the worst turbulent time with this foreign currency crisis which we had to face.

If you look at our annual report, the theme is the resilience of water which reflects how the ability of NDB to absorb the external shock senses. We also had to face severe inflationary pressure after announcing significant increase in interest rates from a low of 6.5% standard deposit rate which went up to 14.5% and the treasury bills and bonds were trading around 30 or even above that. Inflation was at the peak around 80% in 2022 December but now it has come down to around 50%.
The foreign currency liquidity was the other challenge after Sri Lanka announced the default situation. Access to foreign currency was a bigger challenge the entire Banking sector was compelled to manage with our own cash flows and there was very little interbank activities. NDB has done well thanks to some of our good exporters that have been continuing banking which helped us to manage the situation by September last year. We completely managed to overcome that challenge and do well thereafter.

Supporting essential Imports was another challenge with the sharp rise in market rates when exchange rate was the other challenge where we faced substantial depreciation of the rupee which suddenly without any breaks went up to 380 which is almost 80% depreciation.

Exposures which were in dollar denominated exposed in the bank book lead into a severe Capital pressure and the entire banking system had that Capital pressure and that's where regulator came in and offered the banks to use the capital conservation buffers that were available to make use of it in times like that. However, for NDB there was no need for us to make use of the capital conservation buffer since the capital ratios were not impacted. Our ability to grow our loan book was done consciously with so many volatility in the interest rates. We also looked at not growing the balance sheet and there were certain attrition in the book without booking new assets we wanted to manage the capital, we wanted to ensure that the loans are granted only to serve more trade related, working capital related exposure. so some of the exposures in the personal banking or the retail banking, project finance and some of the SMEs we curtailed given the credit concerns and our inability to take any long-term commitments in a very volatile environment.

In addition to that you all know that the power crisis, shortage of essential consumables in medicine and with all those challenges we had to run all our branches. With the staff count of more than 3,000 staff getting them to come to office was challenged so many things but the banking sector was managing to provide the customer service as usual.

This is where our digital advantage actually helped us to grow our digital channels so we saw a substantial growth in our digital reach and also the volume growth was substantial more than doubled. This also helped us to bring our cost down while serving the customers.

I would like to touch upon the positive expectation which is the IMF relief program. We now aware that by next week we will have that agreement most likely signed with approval for the USD 2.9 Bn bailout package.

I would say that I am very thankful to the leadership team and the staff with us and also the customers who understood the position and supported in these challenging times so we did relatively well despite all these challenges.

## PART III - Financial Performance FY 2022

### Slide 07 - Overview

In terms of income and profitability growth we saw 77% YoY growth reaching the gross income to LKR 110 Bn. Total operating income reached LKR 42 Bn with YoY growth of 38%.

Our biggest expense was the impairment charges which reflects 185% increase to the total impairments which went up to LKR 29.3 Bn mainly both on a loan book as well as in the government investments. As a result though the top line was quite healthy the impairments had a big hit leading to reduction in pre-tax profitability resulting 80% reduction to LKR 2 Bn. However, there was a tax element that got released so the post-tax profitability recorded at LKR 2.9 Bn which again shows 54% YoY drop.

We crossed LKR 800 Bn recording 18% YoY growth to reach LKR 832 Bn at the end of the year. The rupee depreciation was the main reason since we didn't want to grow our loan book consciously in a volatile environment with high interest rates. Only the essentials were supported.

An area that we drove consciously was the deposit side to ensure like in any volatile situation any banks key concentration is to have the liquid situation improved so we were consciously building up our liquidity. As a result our advanced to deposit ratio also improved below 90% which is a very healthy positions to be in a volatile situation. Deposit growth was 22% and we ended up with LKR 672 Bn.

In terms of group performance with the Capital Market cluster contributing to group PAS was LKR 3 Bn YoY which again is a 56% drop with the total group assets at LKR 840 Bn.

The key performance indicators net interest margin (NIM) grew by quite a good 3.25% to 4% whereas the impairment charges impact impaired loan ratio (stage 3) increase from 4.5% to 6.2% mainly due to the significant credit challenges that we all face.

In terms of capital ratios since we consciously manage the capital ratios by certain asset reductions the capital ratios stood at 9.34% and total Capital at 13.35% whereas the minimum was 8.5% and 12.5% respectively.

## Slide 08 - Financial Performance – Income

77% growth from LKR 62 Bn last year to almost LKR 110 Bn was recorded in Gross Income which recorded almost LKR 47 Bn growth which is mainly coming from the interest income from LKR 52 Bn last year to LKR 98 Bn interest income. There was 116% growth was recorded in interest expense with the quantum from LKR 31 Bn to LKR 67 Bn. As a result the net interest income recorded 42% growth from LKR 21 Bn to LKR 30 Bn.

In terms of fee based income we can see 12% growth in net fee and commission income from LKR 5.6 Bn to LKR 6.2 Bn. Due to the currency challenges some of the trade businesses were drop with import restrictions. Despite all that trade business improved in the last quarter so we had to do a lot of catch-up work but with all that Fee base income recorded LKR 656 Mn increase from LKR 5.6 Bn to LKR 6.2 Bn. Our digital based income also supported in getting this fee income. The other non-fund-based income grew from one LKR 1 Bn to LKR 6 Bn mostly from the balance sheet management on the exchange side and then on the non-fund based income from LKR 3.7 Bn to LKR 5.7 Bn.

Total operating income recorded 38% growth from LKR 31 Bn to LKR 42 Bn which is LKR 11 Bn growth.

## Slide 09 – Financial Performance – Impairment Charges

From a LKR 10 Bn impairment charged last year for 2021 the current year charged almost tripled to almost 30 Bn. This is where the biggest hit which came in from two main things. One was impairment charges on the investment book for especially for the foreign currency denominated government securities and the SLDBs and the international Sovereign Bond holdings that we are having.

Then the loan book with the stresses coming in with countries economy which had a negative growth rate of this year and in previous year. So negative growth recorded naturally with high inflation and high interest rates what next to expect is the impact on the credit quality and so as a result we were compelled to take high impairment charges on precautionary basis and on need basis.

In terms of provisions made for the investment book especially the foreign currency holdings, the impairment covers are in line with the anticipated government foreign currency debt structuring that is expected this year soon after the IMF announcement.
Government would enter into the negotiation discussion with the bilateral and the private creditors so in anticipation of that based on the gross financial needs and the domestic debt to GDP ratios etc.

As at December our impairments are in line with the auditors and the entire industry for the government Investments and the loan provisioning which is basically due to the escalated credit risks in the current challenging operating environment.

In terms of the KPIs denoting asset quality of course impaired loan ratio (Stage 3) increase from 4.55% to 6.2% and impairment cover the impairment for the stage three versus the total stage 3 were consciously building up from 32.8% it has improved to 37%.

Almost all our retail exposure are under the collective impairment models, however we took consious in individual impairment of the lower thresholds to ensure that a large exposure is individually assessed through multi-factor authentication, to have a more calculated, more refined assessment and in that bulk of our SME banking portfolios are very well secured, there are tangible security. So therefore may be relatively the impairment cover you would see it's lower than the industry but it's all after critical assessment it has been vetted by the external auditors as well but thanks to some of the strong securities that we are holding on especially on the business banking or the SME portfolio. That is why relatively it is lower than the industry.

## Slide 10 – Financial Performance – Operating Expenses

NDB has done relatively well in managing operating expenses and I think it’s the best in class in terms of Industry since our total operating expenses increase is only 9% at a time that the inflation has gone up to 80% at a time where the exchange rate has depreciated significantly. I give lot of commendation for the team and staff and also the digitalization initiatives that we did to ensure that we cater to the increased workload which was tremendous resulting from Central Bank amendments the customer queries customer complaints in terms of loan restructuring plus all the normal transactions that we had to manage. All those were handled with only a 9% expenses increase when the personal expenses were only 1% increase from last year despite providing about 10 % increment to the staff. We had some one-off payments towards the latter part of the year especially the senior manager and below designations to support the staffs who are really impacted by the inflation and the change of the tax regime, but despite all that we manage the personal expenses quite well.

Depreciation and amortization it remains the same, however it can be higher this year with the co-banking upgrade expenses also coming in but mainly the other expenses grew only from LKR 3.9 Bn to LKR 4.8 Bn which is 22% increase.

As a result our total cost to income ratio was still below 30% it actually is 26.6 % reflecting both the cost efficiencies and also the revenue enhancement that we had.

## Slide 11 – Financial Performance – Balance Sheet

In terms of balance sheet as I mentioned earlier the 18% growth in total assets, you would see a quite a sizeable increase in investments from LKR 146 to LKR199 Bn. 36% of the total assets where the composition mix is more towards the investment side rather than the loan side because consciously we didn't grew due to the credit concerns in the environment where there was less appetite also for the borrowing due to very high rates. However with the deposits coming in we deploy those assets in the investment mainly the government builds bonds but there again we were consciously booking most of them in bills. So that's where relatively higher growth compared to other years in the investment side.

Total deposits growth was 22% when borrowings growth was very negligible since we settled all foreign currency obligations during the last year itself despite all the challenges we settle all that and whatever the increase is probably the dollar appreciation. Totally Equity improved from LKR 59 Bn to LKR 64 Bn.

## Slide 12 – Financial Performance – Investor Ratios

Usual to our stock market behaviour the closing price of the share came down. It's at 32 rupees but however it has subsequently improved as of now it's around 52 rupees and hopefully this should pick up with the IMF program announced. EPS had a big hit from 19 rupees to 7.6 rupees. ROE again substantial reduction from 12.27% to 4.75% and ROA, book value per share remains same to almost 165-167 range.  Price earnings increased from 3.5 to 4.18 when the Price to Book value is the biggest drop but this has slightly improved.

## Slide 13 – Financial Performance – Capital & Liquidity Position

In terms of capital and liquidity position as I mentioned earlier common tier one Capital ratio 9.34 Bank level about 70 basis point reduction from the last year mainly due to the exchange impact and the total Capital ratios from 15.4 to 13.35. There were some debenture payments also during the year that was the one key reason for the tier 2 level reduction and you'd have noted that we have already announced Tier two level capital racing of LKR 10 Bn that where we have provided room to take the option during this year rather than limiting it to a particular time frame and we are waiting for the interest rates to come down further. There is no major pressure on the capital raising at tier two level for us so I think it is into our advantage to wait till the rates further improve and then go for that.

Despite the minimum is 20% of Statutory liquid asset ratio as I mentioned we were consciously building up our liquidity level so as at the end of the year it was 27.2% and liquid coverage ratio was very much above the regulatory minimum requirement of 90% when we are at 297%. Liquidity coverage all currency is at 232 versus minimum of 90% and the net stable funding ratio when the minimum requirement is 90% we are at 130%. So we have been basically improving on our liquidity and if you look at YoY growth from 118% recorded to 130% year.

I think the most of the volatile situation prevailed in last year has stabilized but it's still volatile and we are still not out of danger. There are certain questions on the IMF restructuring and how Sri Lanka would enter into the next phase of debt negotiations with the bilateral creditors and private creditors. That will be intense level of discussions and since NDB is responsive and agile entity we are going to move forward in this dynamic environment. Couple of key thoughts I just want to leave with you before moving on to the question and answer session is on the IMF relief package that has been now announced and looking forward to the board level approval next week that would release USD 2.9 Bn over eight tranches.

Hopefully the first tranch is something higher but more importantly that would also put the country into a certain framework along-awaited economic revival policy decisions, SOE restructuring improving on the government revenue side and tax changes that we have seen. Also the utility prices that we have seen the removal of subsidizing the fuel etc.

All those are the right directions and unfortunately Sri Lanka due to a lot of political pressure never took that firm decisions, so we had to had that struggle last year people had to go through all those challenges for people to realize the need. So hopefully that trend should continue if you have to come out from this current economy crisis and get our country back to our growth momentum. This year the expectation is the domestic GDP to have a contraction again maybe around less than 3% or a bit lesser.

Central Bank expectation is at least by the end of this year things to revise. So we are also hopeful of that and in that context the interest rate reduction have seen in the last two months are almost closer to 500 basis point reduction in the AWPLR and we noted substantial reduction in the treasury bills and bonds. All of that would help to have some acceptable level of interest rates so our customers can basically continue their operations not as paying higher close to 30%. In that context the recent appreciation of the Sri Lankan rupee from a high level of 365 it came down to 325 but yesterday again it has increase up to about 335 range maybe due to smaller transactions but based on the demand for the importers hopefully now today if that is managed at the same level. We are hopeful that the exchange rate would also come to something reasonable for country to have overall benefit as well.

We saw during the last two weeks where the exchange rate came down substantially Central Bank also picking up dollars to build up their reserves which is a good sign that has helped the country to get some usable reserves going up and hopefully with the IMF program getting announced they'll be unlocking of some other funding that is lined up for budgetary purposes especially the World Bank fund the ADB funds that are expected to come. These inflows would also help to get the exchange stabilized to an acceptable level so that we can continue and we are looking forward to that. In the meantime how we manage the Bank is basically by looking at our customers who were impacted due to two three years of challenges. Some customers came out from the moratoriums in a very challenging time so we have to support them and this is where we set up our remedial unit to support in guiding and helping them because it's all to do with sustainable banking.

Preserving the asset quality is another priority of the Bank and we will continue to be more focused on digital channels to have a cost rationalization so that we can provide recent profitability to enhance shareholder returns and will also continue to have our liquidly levels at a very strong level.

There is lot of pressure in terms of high taxes but on the other hand people also have to understand and support these initiatives to ensure that we need to come out from these challenges in a much more stronger way as there is no way that we can turn back and default another IMF bailout package. It’s good to see the bilateral creditors especially China India and the Paris Club supporting their but importantly for banking sector the International Sovereign exposures etc.

How to manage and how to negotiate is still a key challenge whether there would be domestic debt reprofiling and if there is a case how would that have an impact to the entire industry are the uncertainties that we had to tackle within this year so that's why we are preserving the capital where possible. We are maintaining liquidity level as much as we can, however we can't have high liquidity since there is a cost of keeping liquidity as well.

We have to have a fine balance in managing to ensure that shareholders are also provided with good returns while it's also important in keeping our customers also to help them to handle their transactions especially in terms of foreign currency we had seen quite a good growth good Improvement we have been working on improving those especially the export oriented organization where we have been on boarding, supporting our remittance business.

We just concluded our banking upgrade to the latest system in January this year so that also gives lot of mileage out of opportunities to do more on the digital side so those are the things that we are working on while managing the current challenges.

So with this I open up the session for question and answers, please feel free to raise your questions. With me my fellow panellists the leadership team members that I mentioned earlier are here to take such questions with me. Thank you

## PART IV – Way Forward

PART V – Q & A

(Answered by the CEO, unless specifically mentioned)

### Q 01:At what rate are you hoping to issue the coming corporate debt securities given the volatility, wouldn't it make sense to let an auction check the rates

In terms of corporate securities we are waiting till the interest rates stabilize further we see rates coming down since we don't have that much pressure at the moment in terms of tier 2 level so the luxury of waiting is also with us. This will come up in our EGM on 31st March and thereafter we can go for the pricing. We would wait for the right time and raise it

### Q2: What's the likelihood of domestic debt restructuring

I think it will depend on gross financial needs calculation that the government is coming up. Central bank would also make certain announcement of those details after the IMF program. So we'd like to wait and watch that but our stance is very unlikely that it's actually a re-profiling and it's too early for us to comment openly in a forum like this, so we are waiting and we are getting ready.

### Q3: The current rates are very high and is there any risk of sudden price for the lending deposit side on the business

Niran Mahawatte : I think NIMs improved among the industries mainly driven by the excess funds plus funds being invested in the domestic fixed income markets like government bills and bonds because currently if you look at it still there is a huge difference between a AWPLR and the Treasury Bill and Bond rate which we expect to converge in time to come, once DDR and other restructuring uncertainties taken off with increasing in the credit appetite, we feel that these margins may remain for a while during this year.

### Q4: Can you comment a bit on the interbank market and how it has been operating as of reason

Niran Mahawatte : Interbank started to operate after quite a long time. Also the credit should go to the Central Bank and the Governor for managing it that way because they didn't take the band off immediately but gave ample room for the market to adjust, timing was also quite correct because at that time where the import demand was also much less. Even we saw the demands side was really coming down with the interest rates are at high levels and also with the credit demand being not very high the timing wise it has been quite good.

We saw a little bit of panic from the exporter side, who has brought in dollars well before the mandatory conversion was effective where they had to start converting somewhat of their balances which also had an impact to the exchange rate. So it's more or less lack of demand that the exchange rate really came down.

Liquidity has also improved in the markets because we have seen the worker remittances and the improvement in tourism sector. So, I feel the sudden upward move over the last two or three days will be temporary and we think in the medium term the exchange rate should come down a little bit more and settle at a reasonable level.

### Q5: Out of the non-performing loans how much has been foreclosed. Is there a risk of the market value being much lower than the collateralized value and how many months arrears are they on average

The entire banking industry was requested to have these moratoriums in place till end of last year and in terms of foreclosure there were certain regulated directions in terms of minimizing it so the market opened up only in December and thereafter.

We also had quite a high number of loans that have been for foreclosure but in terms of the market price I must say that we have not seen that much of reduction in the collateralized value compared to the valuation in some cases some prices have gone up because the cost of construction especially the buildings and all that have gone up with the exchange rate. So we are not seeing a drastic drop or in some case actually a certain appreciation as well in terms of the collateral that is offered.

### Q6: What is your loan book growth assumption for 2023 and from which sectors you expect the growth to come in

Areas that we would concentrate mainly on the corporate banking or the business banking which are trade related and export oriented firms. We would like in fact to come up with a RORAC model as well for minimum return

### Q7: Is NDB targeting a higher loan provision cover going forward

We would consciously improve this cover certainly but as I mentioned the key differentiation is that most of our SMEs are secured. So a value assigned applying the impairment assessment through multi-factor model. Consciously we would also build up because still the credit concerns are remained specifically the ones we would be certainly increasing. In fact in some of the older larger corporates and all the NPLs provision cover is much higher; some closer to 70%-80% but in overall context the average is 37%.

### Q8: Do you foresee a provision reversal on account of SLDBs

For SLDBs definitely yes, since there is a settlement process. When Central Bank is providing rupees instead of the Dollars and whenever a rupee settlement takes place there is a reversal from the amount whatever we have provided and also exchange rate can also bring some kind of impact. If the dollar rupee exchange rate appreciates it comes down further and then there can be technically some reversals but overall it's mainly because of settlements.

### Q9: What are your fixed rate borrowing costs for an average borrow on five year facility

Niran Mahawatte : The bank has an internal pricing which is driven from the market rates so effectively what we have seen is that the demand is also very much less and we are also very concerned that even at these high rates whether to lend currently so it's clearly driven by the internal pricing model and the risk appetite of the of the bank.

CEO :We are slowing growing that consciously because as Niran mentioned the customers who are getting into fixed rate borrowings at these high rates also are very conscious due to repayment capacity.

### Q10: Has there been an up in hotel sector servicing of loans in recent months

Yes certainly there is. We see with the tourist arrivals picking up and with the availability fuel and moving out from power crisis hotel sector is getting back gradually to normal operations. So most of them who were holding on to their negotiations taking the cover under the moratorium are now coming in working on the restructuring that we have been proposing.

When the tourism sector picks up they also want to ensure that the bank debts are also address otherwise they can't borrow more for expansions.

### Q11: Has Bank got anything lined up in terms of capital infusion on the tier one

Yes certainly there is an area because for us to grow we need to work on the capital side. There are couple of interested parties who have raised their hand but we are also looking at the options at the moment which would come in after the IMF correction is in place. So we are keeping the timelines probably towards the latter part of this year. Once the situation is okey and all the uncertainties on the debt restructuring are cleared I think that's the time otherwise with the uncertainties we may not be able to justify a right price for us to get the new capital infusion. So we are waiting for the right time to go for that Capital inclusion

### Q 12: How much of SLDBs are maturing in March 2023 and will it be settled in LKR

Of course they have been paying SLDBs all this time in LKR so I think this time also it would be in LKR

### Q 13:What regions were the most hit in the country during the period

When we were visiting our north and east branches last two months we clearly saw their economy is doing well. I would say north and east areas were not impacted by the foreign currency crises or the power crises and even during the height of the war they were used to this pressure and they are very hard working

Indika Ranaweera : We see stress in all regions but same time we see in some areas like North and East that we are doing relatively well. In some other areas now the cash flows have started to come in which is a good sign and if this continues we hope that even small level SMEs also will pick up

### Q 14: Stage two and three increase has been around 50% YoY and stage two as a percentage of gross loans are around 31% which are one of the highest in the industry and also three is around 11%. Why has this been higher compared to other Banks

Suvendrini Muthukumarana: Our stage three composition is in line with the other Banks but if you take the stage two and three together, yes it's high because our stage two composition is high because we actually evaluate the potential loss and also we have identified certain risk elevated Industries and on a conservative basis we have classified.

At the same time when it comes to impairment as CEO also mentioned we consider collateral and the expectation of cash flows because we have evaluated these customers on a specific basis identifying the business viability. So with that the provisioning may be less but for evaluation we cover stage two and three which is a higher composition.

### Q 15: What is the exposure related to leisure and construction sector?

Around 4.5% for leisure & tourism and construction about 5%. For construction our exposures are very specific and we are very much in control of those projects because we don't have bulk OD facilities to fund.

### Q 16: Any idea if maximum shareholding percentage of banks will be revised for strategic foreign investors for core capital raising issues

I'm unable to comment on that as the regulator also to look at it but we have seen in some cases that the bank has basically being flexible especially when it comes to the foreign strategic investors.

Given the need to attract more Capital all the banks would be going for Capital attraction. I think it makes sense to have some higher percentage holdings because I can't understand why it is restricted especially for foreign investors. It's difficult to give any comments on that other than sharing my opinion

### Q 17: What's the breakdown between variable and fixed loans and the expectation on loan growth?

There is a certain exposure which is under fixed rate especially for housing loans or the leases which are at fixed rates are committed facilities unless there in OD situation which we are not supposed to make any changes on the rate. So apart from that most of the other exposures are on floating basis either AWPLR link or the transfer pricing link. The key areas are the lease portfolio the housing loan portfolio and also some of the personal loan exposures

### Q18:NDB is still growing the deposits at the higher rate. Is this going to continue?

I must say that we are not growing at a higher rate.We are paying actually sometimes below market rates. Our privilege banking one of the best franchise so far and also retail also has done a great job in getting more granular deposits. So we have been doing an awesome work in the deposit base rather than looking at providing a higher rate and getting a larger chunk because the risk is also high moment somebody offers higher rate for deposit to moves to another.

We have been building our liquidity by growing deposits and naturally the tendency in the market last year was the most of the savings got converted to fixed deposits because as the gap was quite significant some customers moved into three months because still the gap was very high compared to what they get in savings.

The Bank consciously didn't offer higher rates but our granular deposit base grew through the branch network and from the privilege customers.

### Q 19 : Is there a possibility of ISBs too will be repaid in LKR just like SLDBs do you think to what external Euro Bond holders will be okay with that

There are about 10 banks holding on to ISBs and I think all in all out of the total ISBs issued the local banks holding is about 12% to 13 % which is a sizable portion. We had the opportunity to meet some of those advices for the private creditors (private ISB holders) they are quite open to option of paying ISBs in rupees for the local holders like the SLDBs. But it's most likely for the government how the treasury, the finance ministry negotiate with these bondholders.

My gut feeling is there is a possibility of some portion of these ISBs being paid in care for the local holders to ensure that the equal treatment principle is applied they might give the same option for the overseas holders but unlikely they would take it. Some banks based on their ISB holding they need to have NOP limits as we need to look at our foreign currency liquidity which is to be considered, but the option is still a possibility.

### Q 20: What is the interest rate on bonds used to settle SLDBs

Niran Mahawatte : There is a standard policy for that. Generally they give the previous options weighted average rate which is the standard that has been practiced over all the maturities. So if they are to give any maturities in the recent ones they will go back for the very recent treasury bond auction and get the average yield of that.

### Q 21: How staff attrition affected your organisation

I think all of us have been affected by high staff attrition. The entire industry is faced with that challenge but that's where we are redeploying our staff offering the flexibility of moving staff is also an advantage that we have. Also thanks to some of the digital process Improvement we have made has helped us to continue our staff attrition to manage the level of services we offer.

### Q 22: If ISBs are given option to accept in LKR does it mean there will be a reversal in provisions which are already made

Yes of course and even the recent rupee appreciation also has increased the provision cover that banks have made based on exchange rate of approximately 365 in December. So if the exchange rate reduce since the provisions are held in rupees provision cover will improve.

### Q 23:Has the staff attrition affected the Credit Control Unit more than the others functions.

Not really, and in fact we are strengthening the Credit Control Function, the remedial unit of the Bank.

These are all the questions that we have received. Thank you very much for all these interesting questions and I hope the presentation was useful for you all to understand more about the bank and we continue to maintain these investor relations through the quarterly webinars. Thank you for taking part and asking these questions and thank you for your participation hopefully next time, I will be able to pronounce some clarity of a better picture about how we are moving forward. Internally the bank is getting ready and I'm sure the investor committee is also looking forward to that.

Thank you so much.

**End of edited transcript.**