

# RESPONSIVE BANKING

## Investor Update – Q3 2023

National Development Bank PLC  
NDB.No000

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

29 Nov 2023  
1.30 pm (GMT +0:530)  
Hosted from Colombo, Sri Lanka



## FORWARD LOOKING STATEMENTS

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## PRESENTED BY

### **Dimantha Seneviratne**

Director/ Chief Executive Officer

### **Panelists**

K V Vinoj - Deputy Chief Executive Officer

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

Suvendrini Muthukumarana - Vice President/ Chief Financial Officer

Niran Mahawatte - Vice President - Treasury

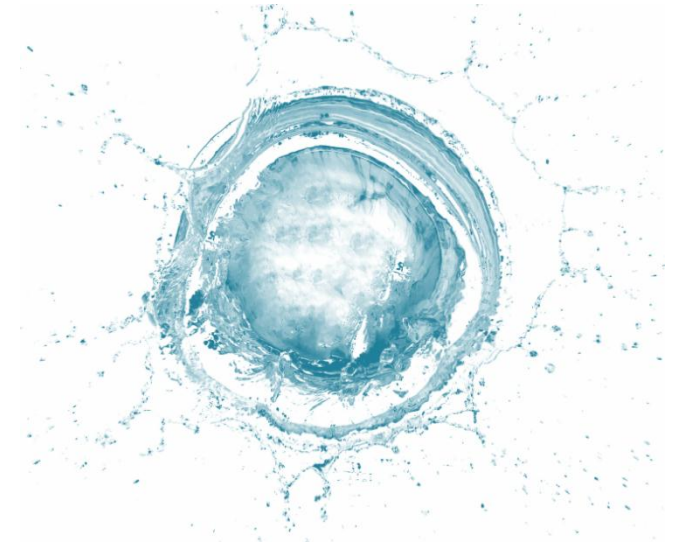
Indika Ranaweera - Vice President - SME, Middle Market & Business Banking

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

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

## AGENDA

- PART I      OPERATING ENVIRONMENT**
- PART II      FINANCIAL PERFORMANCE – Q3 2023**
- PART III     WAY FORWARD**
- PART IV     Q & A**
- ANNEXURE  NDB PROFILE**
- ANALYST SUPPORT**



# PART I - OPERATING ENVIRONMENT

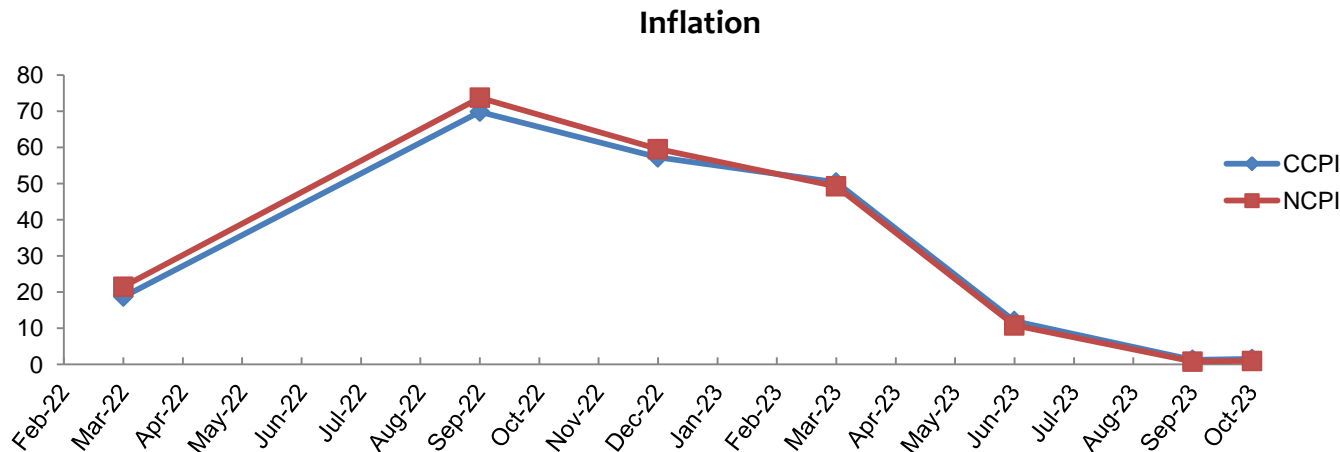
# OPERATING ENVIRONMENT

- Modest recovery in economic activity as denoted by leading economic data
  - Supported by import restrictions relaxation and low inflation
- Second tranche of IMF relief package expected later this year

## Inflation

- Significant deceleration
- Expected stabilisation around 5% target in the medium term
- One-off increase in inflation expected with the proposed increase to VAT to 18%

| Headline inflation | Oct 2023 | Sep 2023 | Jun 2023 | Mar 2023 | Dec 2022 | Sep 2022 | Mar 2022 |
|--------------------|----------|----------|----------|----------|----------|----------|----------|
| CCPI               | 1.50%    | 1.30%    | 12.0%    | 50.3%    | 57.2%    | 69.8%    | 18.7%    |
| NCPI               | 1.00%    | 0.80%    | 10.8%    | 49.2%    | 59.2%    | 73.7%    | 21.5%    |



## External sector performance

- Steady improvement in worker remittances - USD 4.9 Bn 2023 YTD Oct
- Significant performance in the tourism industry - Earnings of USD 1.6 Bn YTD Oct
- Gross official reserves at healthy levels
- Exchange rate stable in the range of USD/ LKR Rs. 325 – Rs. 330
- Appreciation of 11% since beginning of 2023

## Policy rates

- Monetary policy further relaxed - Latest policy rate reduction on 23 Nov 2023 by 100 bps

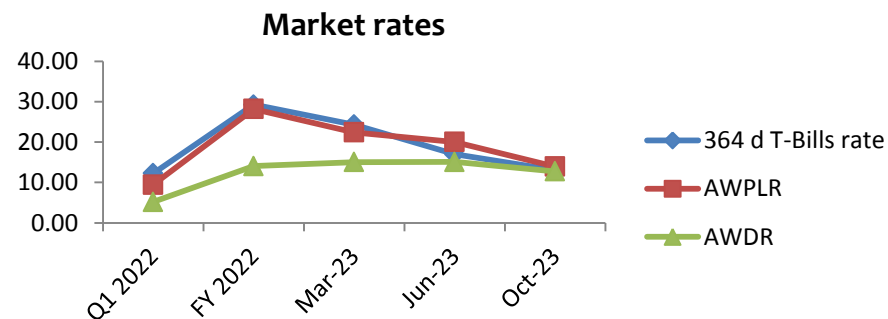
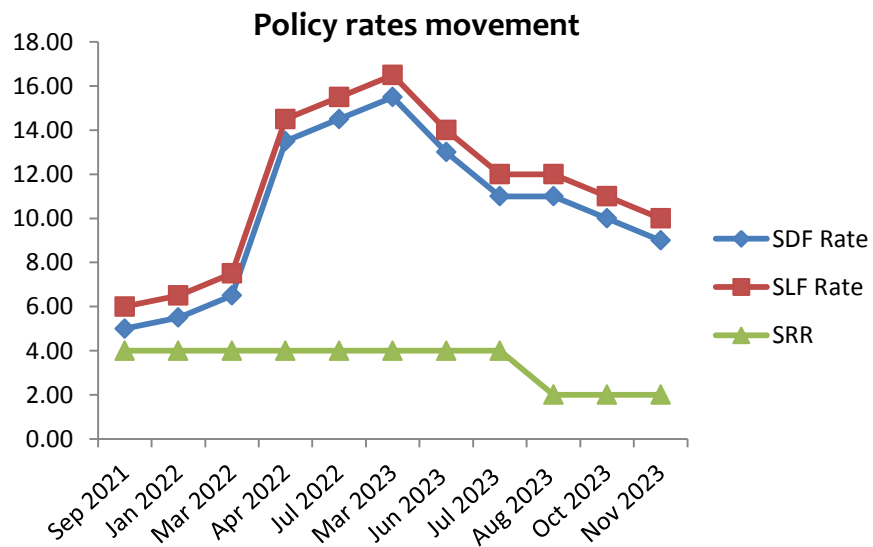
| Policy rates – As of date (29 Nov 2023) |       |
|---|-------|
| SDFR                                    | 9.00  |
| SLFR                                    | 10.00 |
| SRR                                     | 2.0%  |

## Market rates

Market rates continue to decline with reduction in policy rates

| Market rates       | End Oct 2023 | End Jun 2023 | End Mar 2023 | FY 2022 | Q1 2022 |
|--------------------|--------------|--------------|--------------|---------|---------|
| 364 d T-Bills rate | 13.02%       | 16.99%       | 24.31%       | 29.27%  | 12.28%  |
| AWPLR              | 13.94%       | 20.04%       | 22.42%       | 28.19%  | 9.47%   |
| AWDR               | 12.75%       | 15.09%       | 15.06%       | 14.06%  | 5.17%   |

364 d T-Bills rate – 12.94% - Week ending 23 Nov 2023  
Weekly AWPLR – 13.14% as of 17 Nov 2023



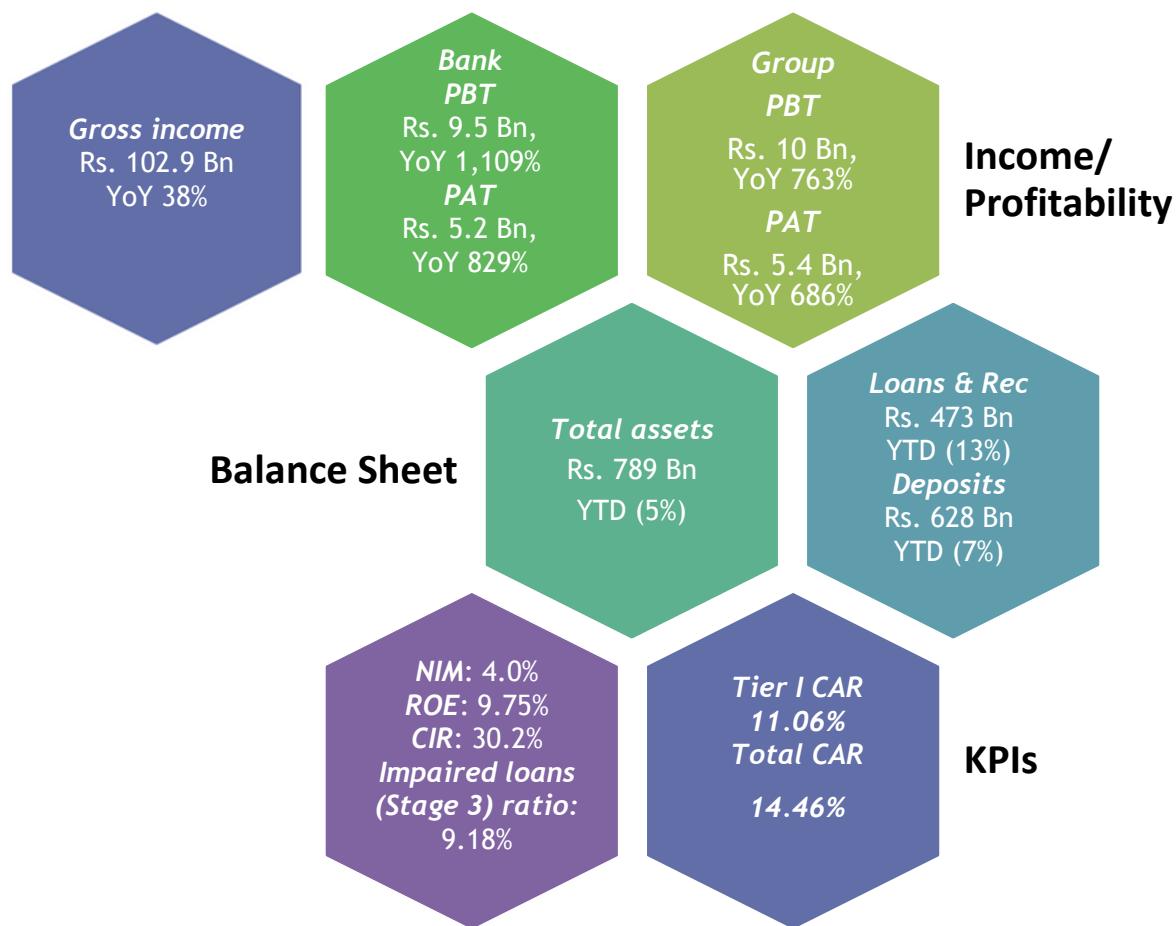
# PART II - FINANCIAL PERFORMANCE REVIEW

## *A Transformative Journey*





# FINANCIAL PERFORMANCE OVERVIEW



## FINANCIAL PERFORMANCE - INCOME

| LKR Mn                        |               |               |              |          |
|-------------------------------|---------------|---------------|--------------|----------|
|                               | Q3 2023       | Q3 2022       | Variance     | %        |
| <b>Fund based income</b>      |               |               |              |          |
| Gross Income                  | 102,875       | 74,503        | 28,372       | 38       |
| Interest Income               | 93,659        | 65,172        | 28,487       | 44       |
| Interest Expenses             | 69,255        | 42,985        | 26,270       | 61       |
| Net Interest Income           | 24,404        | 22,187        | 2,217        | 10       |
| <b>Non-fund based income</b>  |               |               |              |          |
| Net Fee & Commission Income   | 5,427         | 4,395         | 1,033        | 24       |
| Other Non-fund Based Income   | 3,785         | 4,920         | (1,135)      | (23)     |
| Total Non-fund Based Income   | 9,212         | 9,314         | (102)        | (1)      |
| <b>Total Operating Income</b> | <b>33,616</b> | <b>31,501</b> | <b>2,115</b> | <b>7</b> |

- Healthy growth in NII in a low interest rate environment with greater focus on managing cost of funds
- NIM of 4.00%
- Net fee and commission income also on a marked improvement trend - predominantly attributable to transaction banking drive in a low credit growth scenario

## FINANCIAL PERFORMANCE – IMPAIRMENT CHARGES

| LKR Mn             | Q3 2023 | Q3 2022 | Variance | %    |
|--------------------|---------|---------|----------|------|
| Impairment Charges | 13,926  | 22,225  | (8,299)  | (37) |

The overall reduction in impairment charges over the comparative period is due to significant impairment provisions built for investments during the comparative period. However,

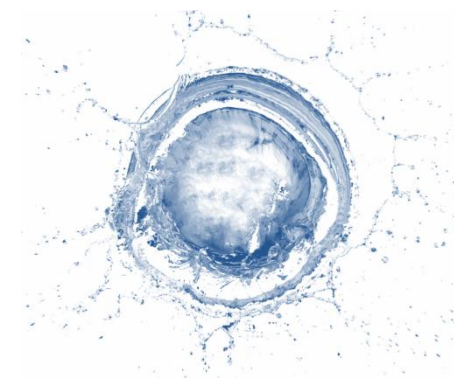
- On a prudent basis, impairment charge for loans and advances increased over the corresponding period, given the economic conditions
- Bank continued to make additional provisions on ISB investments to date to absorb the potential impact of debt restructuring in line with industry practice

### KPIs Denoting Asset Quality of the loan book

| Ratio - %   | Q3 2023 | FY 2022 |
|---|---------|---------|
| Impaired Loans (Stage 3) Ratio                    | 9.18    | 6.24    |
| Impairment Cover (Stage 3) to Stage 3 Loans Ratio | 36.57   | 37.44   |
| Total Impairment Cover on the Loan Book           | 8.01    | 5.81    |

## NET OPERATING INCOME

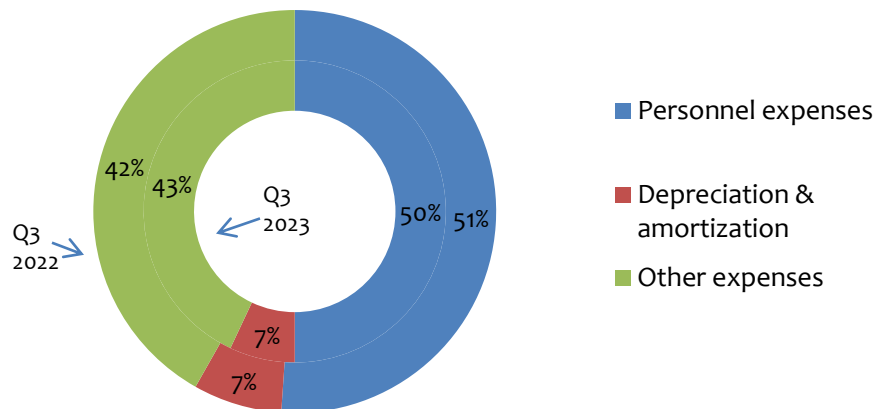
Resultant Net Operating Income – LKR 19.7 Bn up by 112%



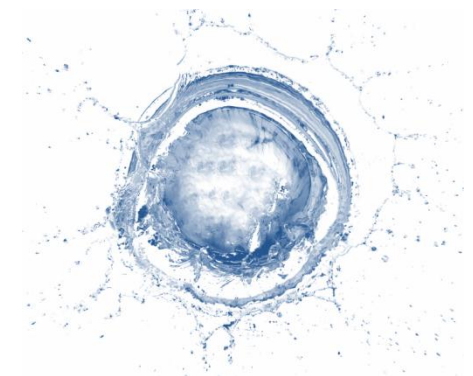
## FINANCIAL PERFORMANCE – OPERATING EXPENSES

| LKR Mn                          | Q3 2023       | Q3 2022      | %         |
|---------------------------------|---------------|--------------|-----------|
| Personnel expenses              | 5,071         | 4,335        | 17        |
| Depreciation & amortization     | 736           | 624          | 18        |
| Other expenses                  | 4,336         | 3,528        | 23        |
| <b>Total operating expenses</b> | <b>10,143</b> | <b>8,487</b> | <b>20</b> |

### Composition of Operating Expenses



- Total operating expenses increase of 20% due to general increase in prices including fuel and energy
- CIR of 30.2% - compares well with peers



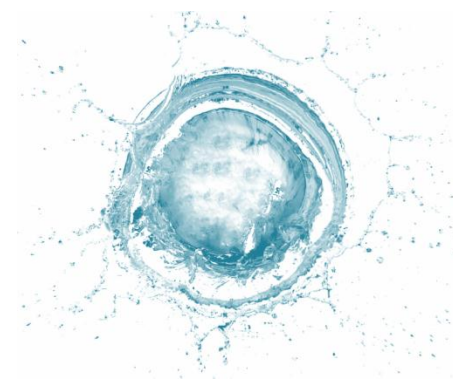
## FINANCIAL PERFORMANCE – PROFITABILITY AND TAXES

| <b>LKR Mn - Bank</b>                              | <b>Q3 2023</b> | <b>Q3 2022</b> | <b>%</b>     |
|---|----------------|----------------|--------------|
| Operating Profit Before Tax on Financial Services | 9,547          | 790            | 1,109        |
| Taxes on Financial services                       | 2,405          | 763            | 215          |
| Profit Before Taxation                            | 7,142          | 27             | 26,570       |
| Income tax expenses                               | 1,929          | (534)          | 461          |
| <b>Profit for the period</b>                      | <b>5,213</b>   | <b>561</b>     | <b>829</b>   |
| <b>Total tax charge</b>                           | <b>4,334</b>   | <b>228</b>     | <b>1,800</b> |

| <b>LKR Mn - Group</b>        | <b>Q3 2023</b> | <b>Q3 2022</b> | <b>%</b>   |
|------------------------------|----------------|----------------|------------|
| Profit before all taxes      | 9,982          | 1,157          | 763        |
| <b>Profit for the period</b> | <b>5,435</b>   | <b>691</b>     | <b>686</b> |

### Movement in regulatory tax rates

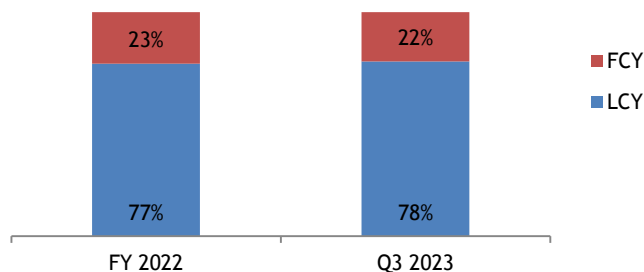
| <b>Tax</b> | <b>As of Q3 2023</b> | <b>As of Q3 2022</b> |
|------------|----------------------|----------------------|
| FSVAT      | 18%                  | 18%                  |
| Income tax | 30%                  | 24%                  |
| SSCL       | 2.5%                 | -                    |



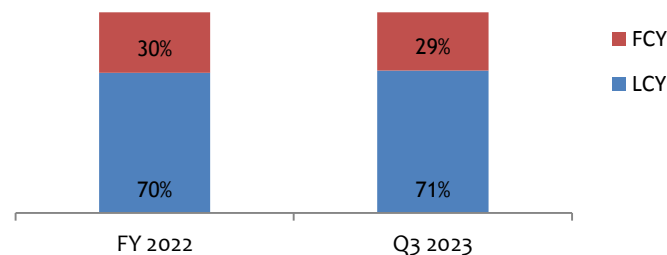
# FINANCIAL PERFORMANCE – BALANCE SHEET

| LKR Bn         | Q3 2023 | FY 2022 | Variance |      |  |
|----------------|---------|---------|----------|------|--|
|                |         |         | LKR      | %    |  |
| Total assets   | 789     | 833     | (44)     | (5)  | <ul style="list-style-type: none"> <li>• Balance sheet movement largely in line with industry-wide trends</li> <li>• Total assets reduction – due to deflation of the foreign currency denominated asset book with the appreciation of the Sri Lankan Rupee</li> <li>• Reduction in deposits due to appreciation of the Sri Lankan Rupee</li> <li>• Group Total assets – Rs. 796 Bn, 5% decline</li> </ul> |
| Investments    | 221     | 199     | 22       | 11   |  |
| Gross loans    | 514     | 580     | (66)     | (11) |  |
| Total deposits | 628     | 672     | (45)     | (7)  |  |
| Borrowings     | 73      | 81      | (8)      | (10) |  |
| Total equity   | 72      | 64      | 8        | 13   |  |

Currency-wise composition of loans

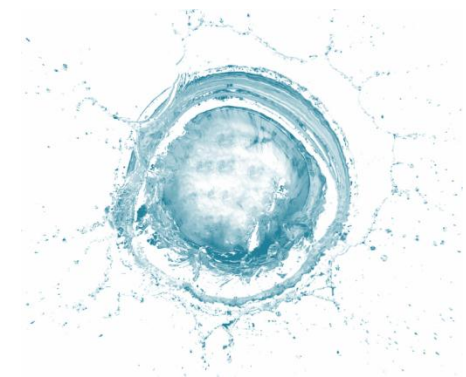


Currency-wise composition of deposits



# FINANCIAL PERFORMANCE – INVESTOR RATIOS

|                                   | Bank    |         | Group   |         |
|-----------------------------------|---------|---------|---------|---------|
|                                   | Q3 2023 | FY 2022 | Q3 2023 | FY 2022 |
| Closing Price per Share [LKR]     | 68.70   | 32.00   | N/A     | N/A     |
| EPS [LKR]                         | 16.52   | 7.65    | 17.22   | 7.92    |
| ROE [%]                           | 9.75    | 4.75    | 9.58    | 4.62    |
| ROA [%] [Pre-tax]                 | 1.49    | 0.26    | 1.64    | 0.34    |
| Book Value per Share [LKR]        | 179.95  | 167.16  | 190.44  | 177.60  |
| P/E [times]                       | 4.2     | 4.18    | N/A     | N/A     |
| Price to Book Value [PBV] [times] | 0.4     | 0.19    | N/A     | N/A     |



# FINANCIAL PERFORMANCE – CAPITAL & LIQUIDITY POSITION

## Ratio

Common Equity Tier 1 Capital Ratio % [Minimum Requirement -7%]

Tier 1 Capital Ratio % [Minimum Requirement – 8.5%]

Total Capital Ratio % [Minimum Requirement – 12.5%]

Statutory Liquid Assets Ratio - Bank (Minimum Requirement - 20%)

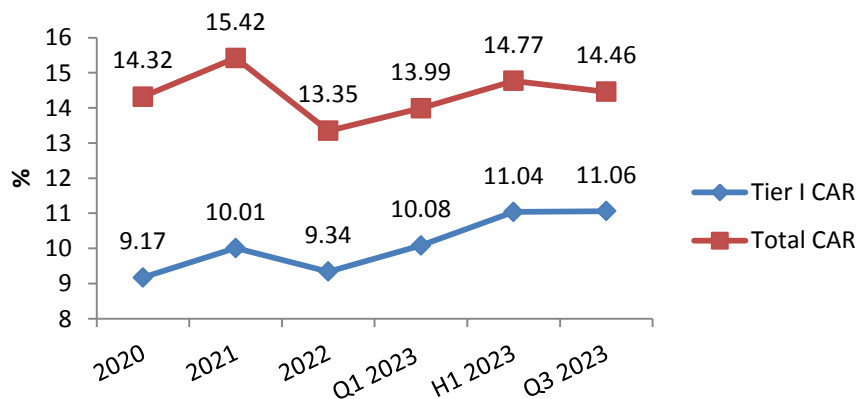
Liquidity Coverage Ratio [%] – Rupee [Minimum Requirement – 2023-100%, 2022-90%]

Liquidity Coverage Ratio [%] – All Currency [Minimum Requirement - 2023-100%, 2022-90%]

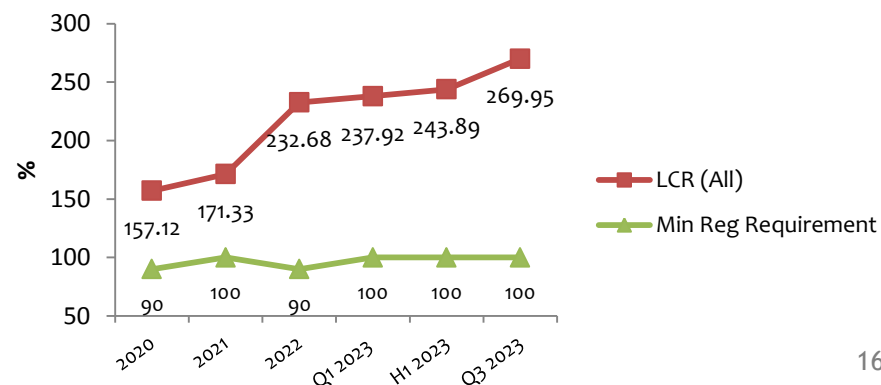
Net Stable Funding Ratio [Minimum Requirement - 2023-100%, 2022-90%]

| Ratio   | Bank    |         | Group   |         |
|---|---------|---------|---------|---------|
|   | Q3 2023 | FY 2022 | Q3 2023 | FY 2022 |
| Common Equity Tier 1 Capital Ratio % [Minimum Requirement -7%]                          | 11.06   | 9.34    | 11.54   | 9.87    |
| Tier 1 Capital Ratio % [Minimum Requirement – 8.5%]                                     | 11.06   | 9.34    | 11.54   | 9.87    |
| Total Capital Ratio % [Minimum Requirement – 12.5%]                                     | 14.46   | 13.35   | 14.87   | 13.81   |
| Statutory Liquid Assets Ratio - Bank (Minimum Requirement - 20%)                        | 37.9    | 27.24   | 37.9    | 27.24   |
| Liquidity Coverage Ratio [%] – Rupee [Minimum Requirement – 2023-100%, 2022-90%]        | 333.73  | 297.08  | 333.73  | 297.08  |
| Liquidity Coverage Ratio [%] – All Currency [Minimum Requirement - 2023-100%, 2022-90%] | 269.95  | 232.68  | 269.95  | 232.68  |
| Net Stable Funding Ratio [Minimum Requirement - 2023-100%, 2022-90%]                    | 141.66  | 130.87  | 141.66  | 130.87  |

### CAR



### LCR





# PART III - WAY FORWARD

*Responsive and Agile*



## WAY FORWARD

- Our strategic priorities
  - Managing NIM in a declining low interest rate environment
  - Maximizing fee based income and enhancing revenue mix
  - Preserving asset quality and continuous improvement to Stage III position
  - Cautious loan book growth with risk efficient lending
  - Driving cost rationalizations to further enhance profitability and enhance shareholder returns
  - Digital drive, empowering the women’s market segment, ESG related initiatives to continue unabated
  - Preserving capital in current conditions and augmentation of capital when market conditions improve
    - Basel III compliant Tier II Listed Rated Unsecured Subordinated Redeemable debenture issue of LKR 5.0 Bn announced - Issue Open Date – 05 Dec 2023
      - Salient features

| Type | Tenure  | Interest Rate | Frequency of Interest Payment | AER        |
|------|---------|---------------|-------------------------------|------------|
| A    | 5 Years | 15.00% p.a    | Annually                      | 15.00% p.a |
| B    | 5 Years | 14.22% p.a    | Quarterly                     | 15.00% p.a |

**PART IV - Q & A**

*Please use the [Chat Option](#) to pose your questions to the CEO and Panel*

## **Dimantha Seneviratne**

Director/ Chief Executive Officer

### **Panelists**

K V Vinoj - Deputy Chief Executive Officer

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

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

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

ANNEX



# 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 2,700 NDBers across the NDB Group



### Our Presence

113 branches, 170 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) / Stable Outlook



## Our Integrity

Strong Corporate and ESG frameworks guiding our actions



## Our Wins

Multiple awards across many performance areas – over 80 awards YTD  
Most Awarded Corporate in Sri Lanka 2022 (LMD Annual Rankings)



## 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)

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