



The Power to Simplify

Investor Update – FY 2023

National Development Bank PLC
NDB.N0000

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

20 Mar 2024
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Hosted from Colombo, Sri Lanka

 **NDB bank**
The future is banking on us

FORWARD LOOKING STATEMENTS

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PRESENTED BY



Kelum Edirisinghe, Director/ Chief Executive Officer

Panelists

K V Vinoj - Deputy Chief Executive Officer

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

Hasitha Athapattu - Vice President – Finance

Niran Mahawatte - Vice President – Treasury

Bimal Perera - Vice President - Strategy & Business Intelligence

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

Alex Perera - Vice President - Risk/ Chief Risk Officer

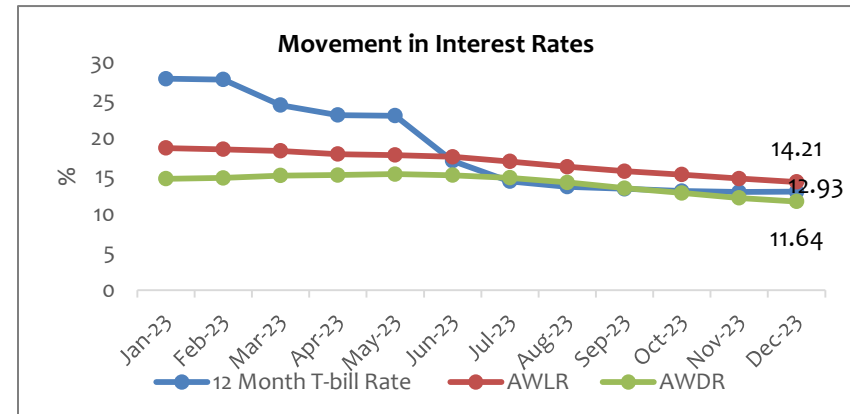
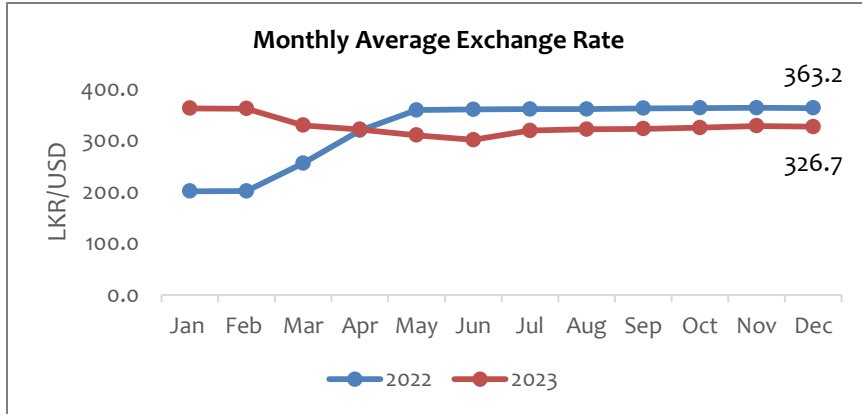
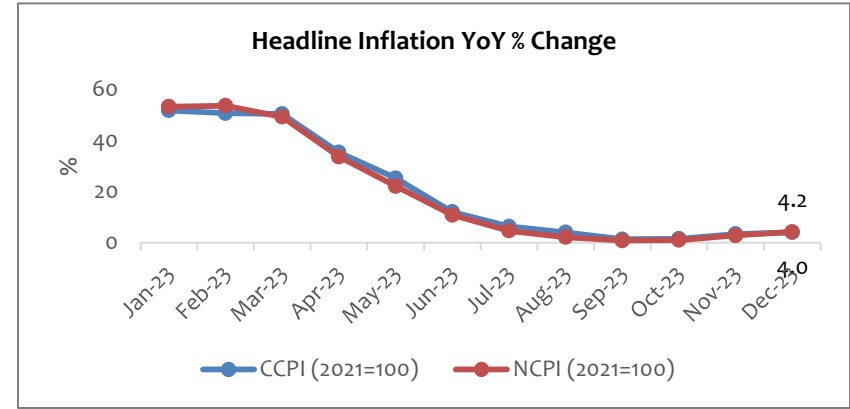
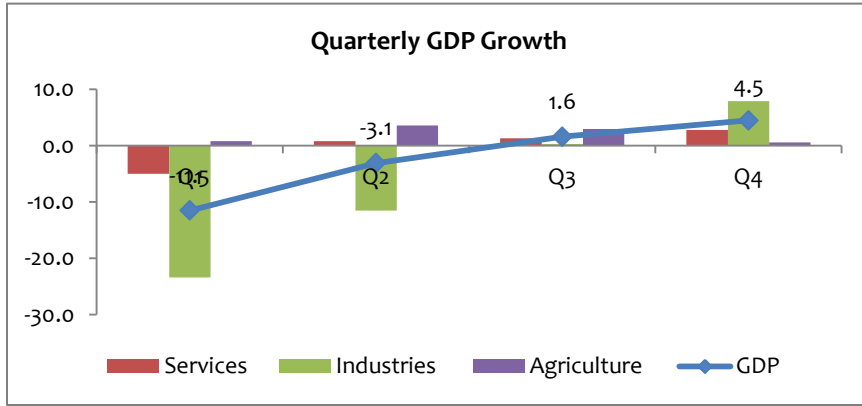
Damitha Silva - Assistant Vice President – Product Lifecycle Management

AGENDA

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

PART I - OPERATING ENVIRONMENT

Gradual recovery in the economy through 2023 with considerable improvement in key economic indicators



PART I - OPERATING ENVIRONMENT *contd.*



Banking sector developments

- Relaxing monetary policy adopted the Central Bank of Sri Lanka (CBSL) led to considerable reduction in banking sector rates for loans and deposits
 - 650 bps cut in policy rates during 2023
 - Approximately 16 percentage points drop in banking sector prime lending rates
- Sector total assets - YoY growth of 5.1%
- Credit quality continued to deteriorate reflecting the stresses, however at a moderated pace
- Healthy liquidity maintained across the sector

FINANCIAL PERFORMANCE OVERVIEW



Profitability

Gross income
LKR 132.3 Bn
20%

Group PBT
LKR 10.9 Bn
308%

Group PAS
LKR 5.8 Bn
91%

Financial position

Total assets
LKR 780 Bn
(6%)

Gross loans
LKR 496 Bn
(14%)

Total equity
LKR 70 Bn
10%

Key ratios

EPS - LKR 13.44
ROE - 8.03%

CET I - 11.67%
Total CAR - 15.90%

SLAR - 39.02%
NSFR - 142.26%

FINANCIAL PERFORMANCE - INCOME



LKR Mn	FY 2023	FY 2022	Variance	%
Fund based income				
Gross Income	132,326	109,902	22,424	20
Interest Income	119,373	97,918	21,455	22
Interest Expenses	87,425	67,174	20,251	30
Net Interest Income	31,947	30,744	1,203	4
Non-fund based income				
Net Fee & Commission Income	7,158	6,258	900	14
Other Non-fund Based Income	5,789	5,710	79	1
Total Non-fund Based Income	12,946	11,968	978	8
Total Operating Income	44,893	42,711	2,182	5

- Satisfactory growth in NII amidst a low interest rate environment, supported by timely re-pricing of the book
- NIM of 3.96% via concerted efforts in managing cost of funds
- Net fee and commission income on a consistently improving trend over the year benefiting from the transaction banking drive, trade services and remittances
- Revenue composition - Marginal improvement in non-fund based income base, denoting dynamism of key revenue streams

FINANCIAL PERFORMANCE – IMPAIRMENT CHARGES

LKR Mn	FY 2023	FY 2022	Variance	%
Impairment Charges on				
Loans and receivables to other customers and contingent liabilities and commitments	15,959	11,846	4,113	35
Financial assets	5,178	17,431	-12,253	-70
Other	7	15	-8	-53
Total	21,144	29,292	-8,148	-28

Movement in impairment charges explained

- The overall reduction in impairment charges due to significant impairment provisions built for investments during 2022
- On a prudent basis, impairment charge for loans and advances increased over 2022, 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

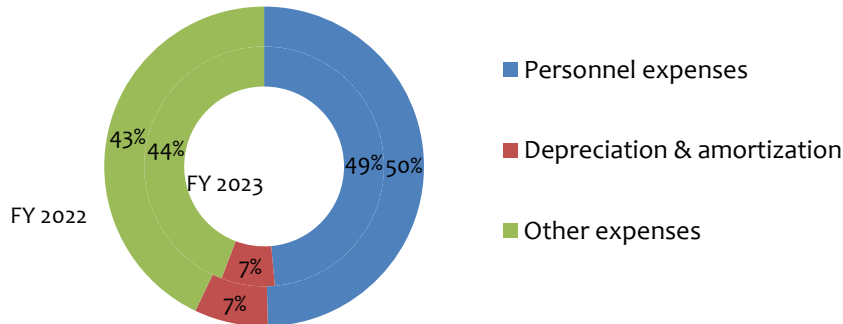
KPIs Denoting Asset Quality of the loan book

Ratio - %	FY 2023	FY 2022
Total Impairment Cover on the Loan Book	8.75	5.81
Impaired Loans (Stage 3) Ratio	8.58	6.24
Impairment Cover (Stage 3) to Stage 3 Loans Ratio	41.11	37.44

FINANCIAL PERFORMANCE – OPERATING EXPENSES

LKR Mn	FY 2023	FY 2022	%
Personnel expenses	6,633	5,650	17
Depreciation & amortization	985	847	16
Other expenses	6,036	4,887	24
Total operating expenses	13,654	11,384	20

Composition of Operating Expenses



- Cost rationalization and process efficiency enhancement initiatives enabled cost escalations capped at 20% amidst general inflation, fuel/ utility price hikes, etc.
- CIR of 30.4%, one of the lowest within the banking sector

FINANCIAL PERFORMANCE – PROFITABILITY AND TAXES

LKR Mn - Bank	FY 2023	FY 2022	%
Operating Profit Before Tax on Financial Services	10,096	2,036	396
Taxes on Financial services	2,750	1,203	129
Profit Before Taxation	7,346	833	782
Income tax expenses	1,976	(2,076)	(195)
Profit for the year	5,370	2,909	85
Total tax charge	4,725	(873)	(641)
LKR Mn - Group	FY 2023	FY 2022	%
Profit before all taxes	10,904	2,672	308
Profit for the year	5,858	3,076	90

Movement in regulatory tax rates

Tax	As of FY 2023	As of FY 2022
FSVAT	18%	18%
Income tax	30%	24% & 30%*
SSCL	2.5%	-

* 1st Half 24% & 2nd Half 30%

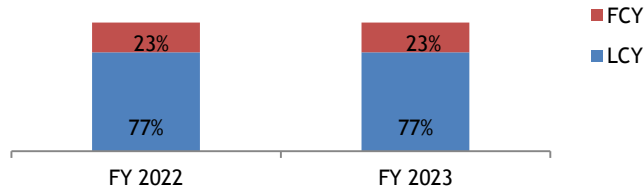
FINANCIAL PERFORMANCE – BALANCE SHEET



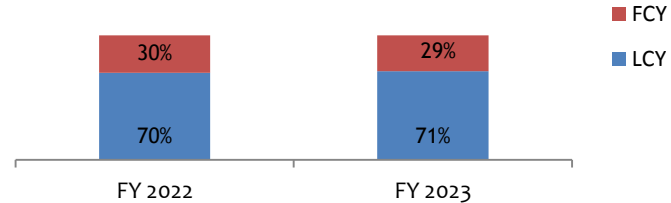
LKR Bn	FY 2023	FY 2022	Variance	
			LKR	%
Total assets	780	833	(44)	(5)
Investments	233	199	34	17
Gross loans	496	580	(83)	(14)
Total deposits	616	672	(56)	(8)
Borrowings	77	81	(4)	(5)
Total equity	70	64	6	9

- Total assets reduction on account of deflation of the foreign currency denominated asset book with the appreciation of the Sri Lankan Rupee and subdued demand for loans
- Reduction in deposits due to appreciation of the Sri Lankan Rupee
- Group Total assets – Rs. 787 Bn, 6% decline

Currency-wise composition of loans



Currency-wise composition of deposits



FINANCIAL PERFORMANCE – INVESTOR RATIOS



	Bank		Group	
	FY 2023	FY 2022	FY 2023	FY 2022
Closing Price per Share [LKR]*	64.90	32.00	N/A	N/A
EPS [LKR]	13.44	7.28	14.42	7.92
ROE [%]	8.03	4.75	8.11	4.62
ROA [%] [Pre-tax]	1.25	0.26	1.34	0.34
Book Value per Share [LKR]	175.60	167.16	186.43	177.60
P/E [times]	4.8	4.18	N/A	N/A
Price to Book Value [PBV] [times]	0.4	0.19	N/A	N/A

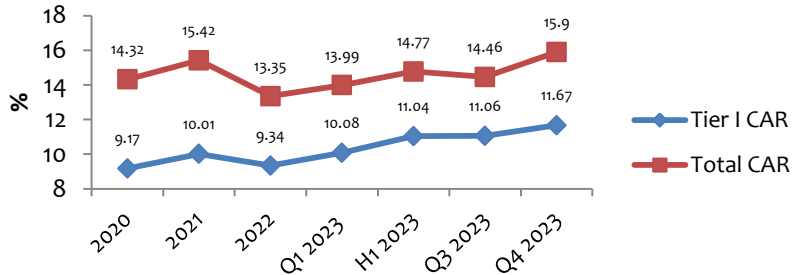
*Share price as of 19 Mar 2024 - LKR 66.00

FINANCIAL PERFORMANCE – CAPITAL & LIQUIDITY POSITION

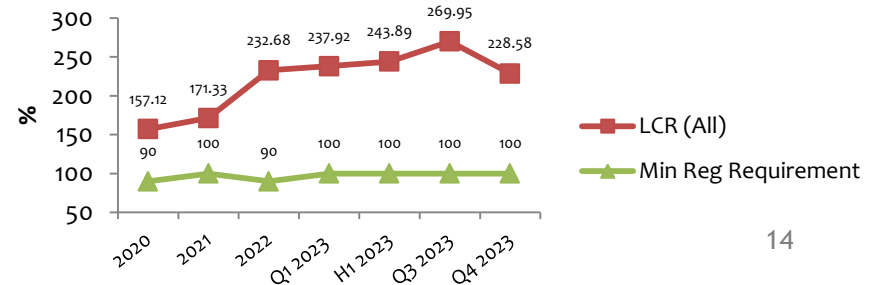
Ratio
Common Equity Tier 1 Capital Ratio % [Minimum Requirement -7%]
Tier 1 Capital Ratio % [Minimum Requirement – 8.5%]
Total Capital Ratio % [Minimum Requirement – 12.5%]
Statutory Liquid Assets Ratio - Bank (Minimum Requirement - 20%)
Liquidity Coverage Ratio [%] – Rupee [Minimum Requirement – 2023-100%, 2022-90%]
Liquidity Coverage Ratio [%] – All Currency [Minimum Requirement - 2023-100%, 2022-90%]
Net Stable Funding Ratio [Minimum Requirement - 2023-100%, 2022-90%]

Bank	Group			
	FY 2023	FY 2022	FY 2023	FY 2022
Common Equity Tier 1 Capital Ratio %	11.67	9.34	12.22	9.87
Tier 1 Capital Ratio %	11.67	9.34	12.22	9.87
Total Capital Ratio %	15.90	13.35	16.35	13.81
Statutory Liquid Assets Ratio - Bank	39.02	27.24	39.02	27.24
Liquidity Coverage Ratio [%] – Rupee	309.61	297.08	309.61	297.08
Liquidity Coverage Ratio [%] – All Currency	228.58	232.68	228.58	232.68
Net Stable Funding Ratio	142.26	130.87	142.26	130.87

CAR



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WAY FORWARD

Our strategic priorities in 2024

- Driving loan book growth aligned to national economic revival
- Managing NIM in a declining/ low interest rate environment
- Preserving asset quality and continuous improvement to Stage III position, through remedial and recovery efforts
- Maximizing fee based income and enhancing revenue mix
- Preserving capital in current conditions and augmentation of capital when market conditions improve
- Digital drive to enhance customer experience and process efficiencies
- Continued support to empower the women's market segment and drive contribution to GDP

Q & A



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

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Panelists

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Damitha Silva - Assistant Vice President – Product Lifecycle Management

ANNEX



CORPORATE PROFILE



Inception in 1979 as a DFI, conversion to a fully-fledged commercial banking entity in 2005

Vision - The driving force for a financially empowered Sri Lanka

Values - Integrity, Creativity, Excellence, Sincerity, Accountability, Dependability

Credit profile - Credit rating of A- (Ika)/ Stable Outlook

Staff strength - Over 2,700

Accessibility - 113 branches, 170 CRM cum ATMs , Global access through NDB NEOS

Dynamism - NDB Group engaged in universal banking and full-spectrum capital market services

ESG PERFORMANCE

Environmental	Social	Governance
GHG emissions 2023 - 5,510 tCO ₂ e	40% female representation at Board level	4.9/5.0 customer satisfaction rating
27.85% YoY reduction in Scope 1 emissions in 2023	24% female representation at Senior Management level	453 employee trained on ESG related matters
LKR 1.68 Mn investment in ecosystem preservation	255 hours of employee volunteerism	

ANALYSTS SUPPORT



- 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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