

National Development Bank PLC

Financial Results for the nine months ended 30 September 2024

Presentation to Investors and Analysts

19 November 2024, 11:00 (+05:30 UTC)

Colombo, Sri Lanka





PRESENTED BY

Kelum Edirisinghe, Director/ Chief Executive Officer

Q&A

Panelists

Kelum Edirisinghe, Director/ Chief Executive Officer

K V Vinoj - Deputy Chief Executive Officer

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

Hasitha Athapattu - Vice President – Finance

Alex Perera – Vice President – Risk/ Chief Risk Officer

Damitha Samaranayake - Assistant Vice President - Treasury

Summary

- 1 4.21% NIM 25 bps increase over 3.96% in FY23

- 2 6.45% Impaired loans (Stage 3) ratio improvement from 8.58% in FY 2023

- 3 Rs. 9.4 Bn in PBT a marginal decline of 2%

- 4 8.02% ROE versus 8.03% in FY23

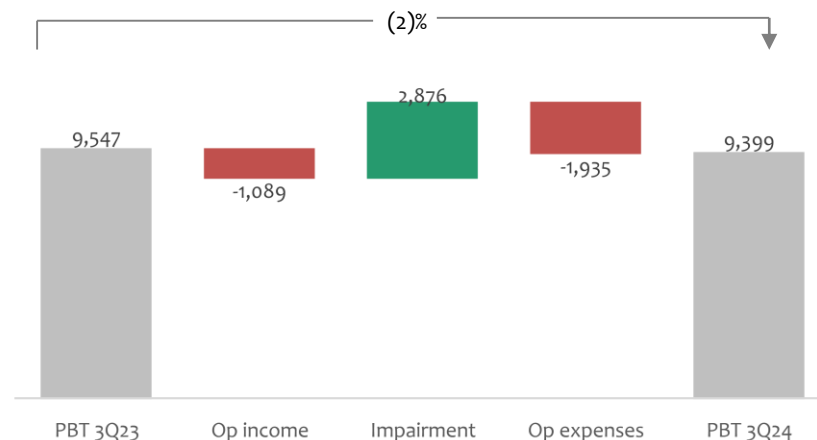
- 5 Rs. 13.69 EPS up from Rs. 12.92 in FY 2023

Financial performance

Rs. Mn – 9 months ended 30 September	2024	2023	Δ Rs.	Δ %
Gross income	74,179	102,875	(28,696)	(28)
NII	24,389	24,404	(15)	(0.1)
Total operating income	32,527	33,616	(1,089)	(3)
Impairment charges	11,050	13,926	(2,876)	(21)
Net operating income	21,477	19,690	1,787	9
Operating expenses	12,078	10,143	1,935	19
PBT	9,399	9,547	(148)	(2)
PAT	4,537	5,213	(676)	(13)
Group PAS	4,918	5,421	(503)	(9)
Rs. Bn – As at end	3Q24	FY23	Δ Rs.	Δ %
Total assets	763	780	(17)	(2)
Customer loans	501	496	5	1
Customer deposits	612	616	(4)	(1)
Total equity	72	70	2	2
Key ratios – As at end	3Q24	FY23		Δ
EPS (Rs.) (Annualised)	13.69	12.92	Rs.	0.77
Tier I CAR (%)	11.07	11.67	bps	(60)
Total CAR (%)	15.70	15.90	bps	(20)
LCR - Rupee (%)	326.87	309.61	pps	17
NSFR (%)	143.77	142.26	bps	151

- 9% increase in net operating income bolstered by reduction in impairment charges
- Decline seen in key income categories
- Balance sheet movements attuned to macro economic performance

YoY PBT movement in Rs. Mn



NII & NIM

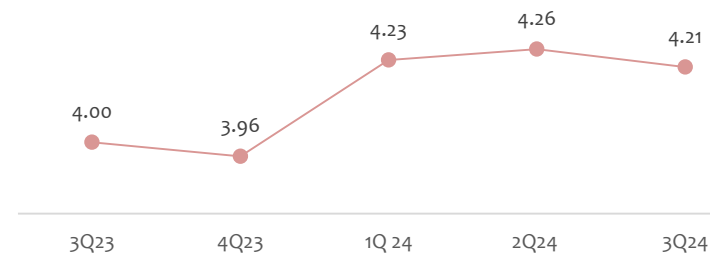
Rs. Mn – 9 months ended 30 September	2024	2023	Δ Rs.	Δ %
Interest income	66,027	93,659	(27,632)	(30)
Interest expenses	41,638	69,255	(27,617)	(40)
NII	24,389	24,404	(15)	(0.1)

- NII broadly static compared to the prior year
- Decline in both interest income and interest expenses, attributable to the tapering interest rate environment in the economy
- The timing of the deposits book repricing resulting in a larger decline in interest rate expenses, benefiting NIM
- Enhancing loan book quality in turn benefiting NIM
- NIM consistently above the 4.00% mark for the third consecutive quarter

YoY NII movement in Rs. Mn



NIM

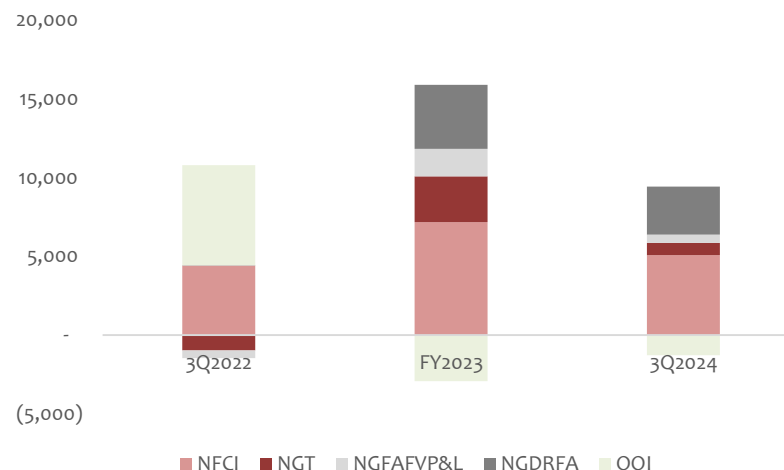


Non-fund based income (NFBI)

Rs. Mn – 9 months ended 30 September	2024	2023	Δ Rs.	Δ %
Net fee and commission income (NFCI)	5,069	5,427	(358)	(7)
Net gain from trading (NGT)	786	2,527	(1,741)	(69)
Net gain from financial assets at fair value through profit or loss (NGFAFVP&L)	524	1,113	(589)	(53)
Net gains from derecognition of financial assets (NGDRFA)	3,043	2,561	482	19
Other operating income (OOI)	(1,284)	(2,415)	1,131	47
Total non-fund based income	8,138	9,212	(1,074)	(12)

- Normalisation of fee and commission income versus a high base in 2023 due to
 - moderation of business volumes
 - thinning spreads on forex related transactions due to better forex liquidity in the market

NFBI performance in Rs. Mn



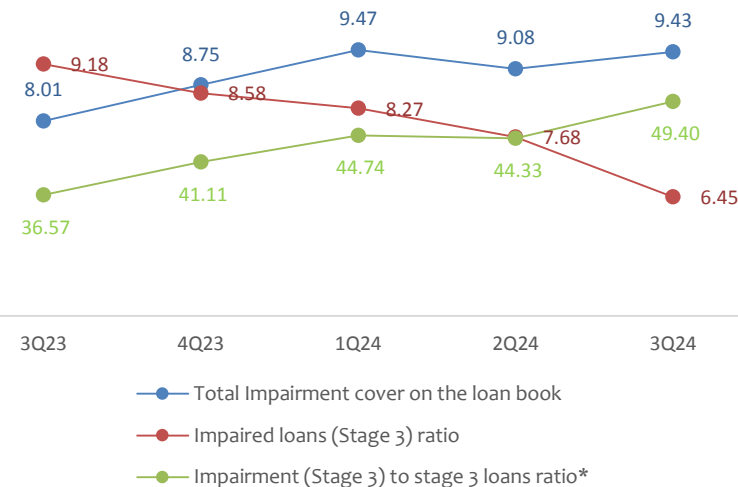
Credit quality and impairment

Rs. Mn – 9 months ended 30 September	2024	2023	Δ Rs.	Δ %
Total impairment – Rs. Mn	11,050	13,926	(2,876)	(21)

Credit portfolio quality – As at	3Q24	FY23	Δbps
Total impairment cover on the loan book %	9.43	8.75	68
Impaired loans (Stage 3) ratio %	6.45	8.58	(213)
Impairment (Stage 3) to Stage 3 loans ratio %	49.40	41.11	829

- Improved credit cost as reflected in key ratios
- Steps taken to build-up impairments as a safeguard, ensuring readiness to mitigate any potential downside risks
- Continued adequate provisions on the investment book in line with on-going debt restructuring discussions between the GOSL and IMF – Rs. 1.36 Bn, cover – 52.8%

Credit quality movement



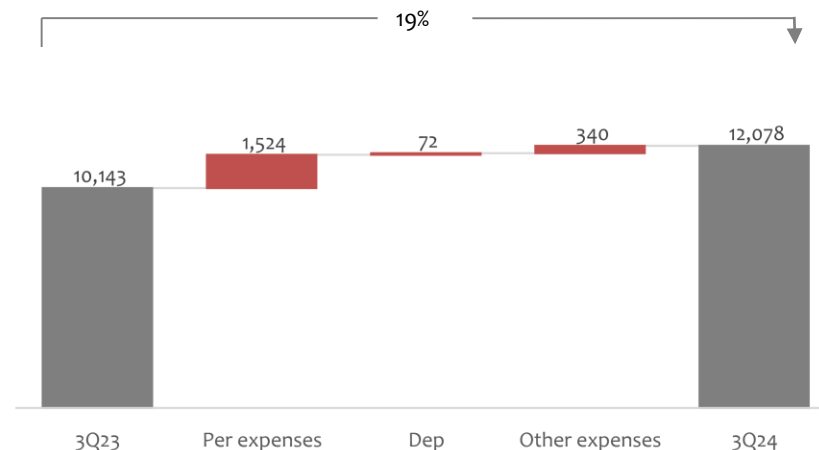
*Secondary axis data

Operating expenses

Rs. Mn – 9 months ended 30 September	2024	2023	Δ Rs.	Δ %
Personnel expenses	6,595	5,071	1,524	30
Depreciation and amortisation	808	736	72	10
Other expenses	4,676	4,336	340	8
Total operating expenses	12,078	10,143	1,935	19
Cost to income ratio (%)	37.13	30.17	-	6.96 pps

- Strong cost discipline across the organisation, driven by a focused governance mechanism
- Discretionary costs increase being curtailed at 8% YoY

YoY movement in Rs. Mn

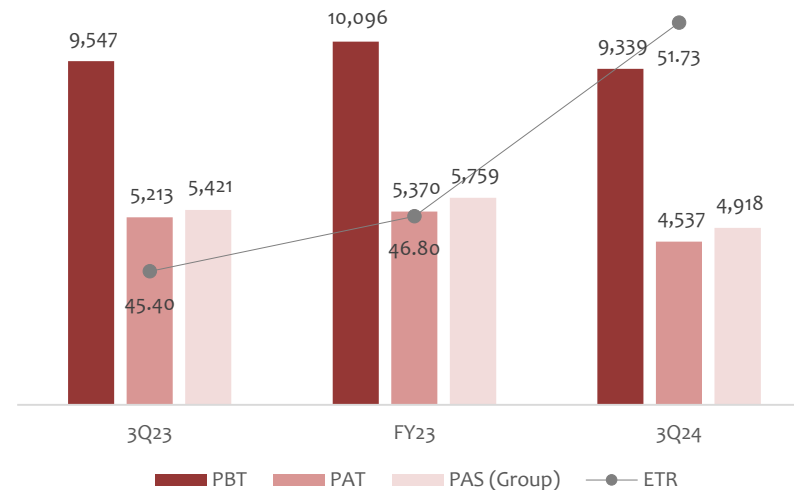


Taxes and profitability

Rs. Mn – 9 months ended 30 September	2024	2023	Δ Rs.	Δ %
PBT	9,339	9,547	(148)	(2)
Tax on financial services	2,632	2,405	226	9
Income tax	2,231	1,929	302	16
PAT	4,537	5,213	(676)	(13)
PAS (Group)	4,918	5,421	(503)	(9)

- Marginal decline of 2% in PBT
- 13% decline in PAT
- Effective tax rate of 51.73% (1H23: 45.40%)

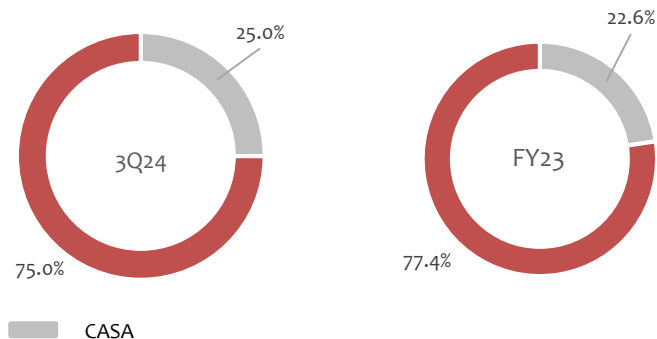
Profitability and Effective tax Rate (ETR)



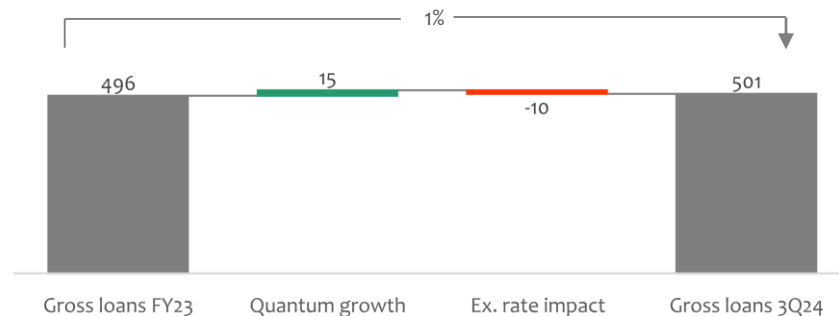
Customer loans and deposits

Rs. Bn – As at end	3Q24	FY 23	Δ Rs.	Δ %
Gross loans	501.1	496.1	5	1
Customer deposits	611.5	615.6	(4.1)	(1)
Other balance sheet items				
Investments	224.1	233.5	(9.4)	(4)
Borrowings	64.7	77.3	(12.6)	(16)
Equity	71.7	70.1	1.6	2

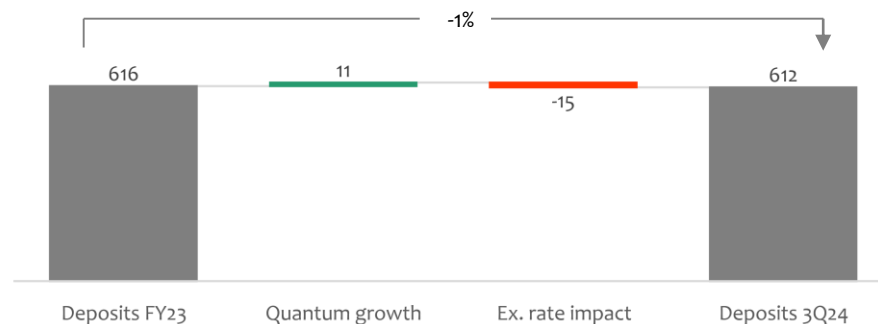
- Dynamism and strength of the balance sheet continue
- Albeit a decline, positive shift seen in deposits with improvement in CASA base by 10% YTD



YTD movement in gross loan book in Rs. Bn



YTD movement in deposits in Rs. Bn



Capital

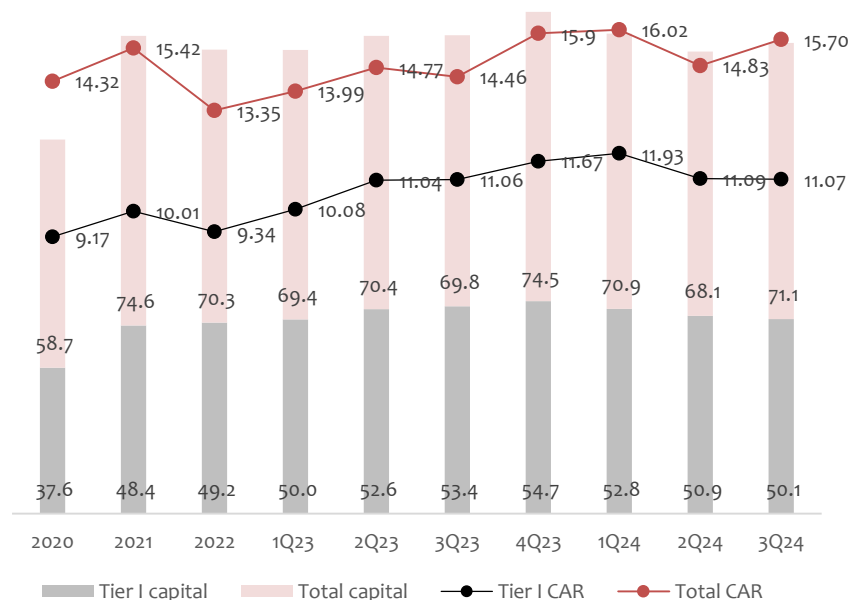
Rs. Bn – As at end	3Q24	FY23	Δ Rs.	Δ %
Common Equity Tier 1 (CET1) capital	50.1	54.7	(4.6)	(8)
Tier 1 capital	50.1	54.7	(4.6)	(8)
Total capital	71.0	74.5	(3.5)	(5)
RWA	452.9	468.6	(15.7)	(3)

- Stable capital base with capital adequacy ratios (CAR) well above regulatory minimum requirements
 - Tier 1 CAR + 257 bps vs. 8.50%
 - Total CAR + 320 bps vs. 12.50%
- Potential enhancements to CARs with 3Q24 PAT of Rs. 4.5 Bn included

%	Ratio reported as at end September 2024	Ratio (including 3Q24 profits) as at end September 2024
Total CAR	15.70	16.71
Tier 1 CAR	11.07	12.09
Common Equity Tier 1 (CET1) Ratio	11.07	12.09

- Basel III compliant Tier II capital of Rs. 5.0 Bn raised in September
- A further Rs. 5.0 Bn of similar debentures to be raised with regulatory approvals

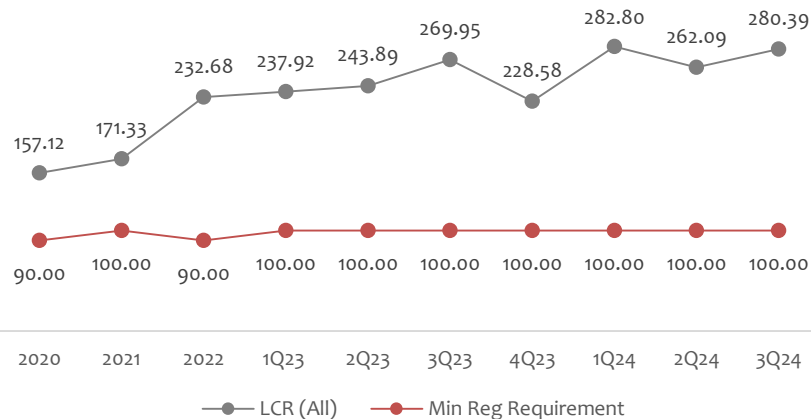
Capital progression – Capital in Rs. Bn, ratios in %



Key ratios

Investor ratios	3Q24	FY23	Δ
Closing Price per Share - Rs.	78.30	64.90	13.4
EPS - Rs. (Annualised)	13.69	12.92	0.77
ROE (%)	8.02	8.03	(1)bps
ROA (%)Pre-tax	1.53	1.25	28bps
Book Value per Share - Rs.	172.64	175.60	(2.96)
P/E (times)	5.72	5.02	-
Price to Book Value (PBV) (times)	0.45	0.37	-
Regulatory ratios - %	3Q24	FY23	Δ
Liquidity Coverage Ratio – Rupee (Minimum Requirement – 100%)	326.87	309.61	17pps
Liquidity Coverage Ratio – All Currency (Minimum Requirement - 100%)	280.39	228.58	52pps
Net stable funding ratio	143.77	142.26	151bps

Liquidity trend



Awards

Euromoney Awards for Excellence 2024

- Sri Lanka's Best Bank for Corporates
- Sri Lanka's Best Bank for Diversity and Inclusion

Asian Banking and Finance Magazine (Singapore) Awards 2024

Corporate & Investment Banking Awards

- Syndicated Loan of the Year - Sri Lanka

Retail Banking Awards 2024

- Domestic Retail Bank of the Year - Sri Lanka
- Banking for Women Initiative of the Year - Sri Lanka

Wholesale Banking Awards 2024

- Sri Lanka Domestic Project Finance Bank of the Year

Independent external endorsements affirming NDB's prowess in respective performance scopes

Way forward

- 1 Optimising cost of funds
- 2 Enhancing fee based income through transaction banking
- 3 Enhancing portfolio quality



Q&A



APPENDIX

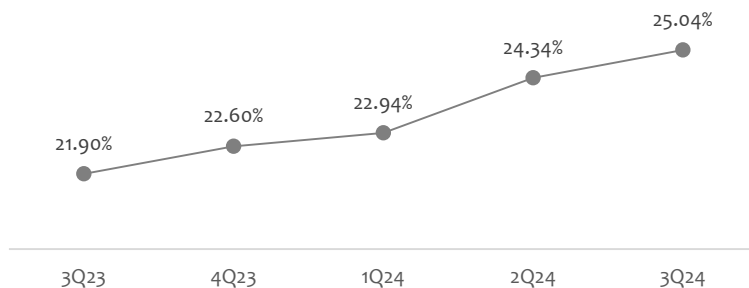
Financial performance summary

Income and profitability - Rs. Mn - for the quarter of	3Q23	4Q23	1Q24	2Q24	3Q24	Δ% vs 3Q23
Gross income	36,156	29,451	26,074	26,356	21,750	(40)
NII	9,376	7,543	8,076	8,420	7,892	(16)
NFBI	5,699	3,734	2,005	4,438	1,695	(70)
Total operating income	15,075	11,277	10,081	12,858	9,587	(36)
Impairment	6,055	7,218	4,356	4,041	2,652	(56)
Operating expenses	3,627	3,510	3,896	4,100	4,082	13
PBT	5,394	549	1,829	4,717	2,853	(47)
Taxes	2,518	391	1,110	2,228	1,524	(39)
PAT	2,876	158	719	2,489	1,329	(54)
Group PAS	3,030	339	838	2,608	1,472	(51)
Financial position - Rs. Bn - As at end	3Q23	4Q23	1Q24	2Q24	3Q24	Δ% vs 3Q23
Total assets	789	780	757	764	763	(3)
Customer loans	514	496	486	505	501	(3)
Customer deposits	628	616	614	619	612	(3)
Total equity	72	70	70	71	72	-
RWA	483	469	442	459	453	(6)
Shareholder ratios	3Q23	4Q23	1Q24	2Q24	3Q24	Δ vs 3Q23
EPS (Rs.)	6.92	0.39	1.80	5.99	3.20	(3.72)
NAVPS (Rs.)	179.95	175.60	175.69	170.55	172.64	(7.31)
ROE (%)	9.75	8.03	4.51	7.38	8.02	(173)bps
Share price (At end of period) (Rs.)	68.70	64.90	68.00	80.20	78.30	9.60
PE ratio (Times) (Based on annualized EPS)	4.16	4.83	8.58	6.41	5.72	-
PBV ratio (Times)	0.38	0.37	0.39	0.47	0.45	-

Banking NII

NII & NIM	3Q23	4Q23	1Q 24	2Q24	3Q24	Δ% vs 3Q23
NII - Rs. Mn (for the quarters)	9,376	7,543	8,076	8,420	7,892	(15.8)
NIM - % (as at end of the quarters)	4.00	3.96	4.23	4.26	4.21	21bps
Average interest earning assets - Rs. Bn (as at end of the quarters)	780	795	786	783	776	(0.5)

NDB CASA trend



Key market interest rates



Impairment

Impairment and related ratios - As at end	3Q23	4Q23	1Q24	2Q24	3Q24	Δ% vs 3Q23
Impairment on loans (Rs. Mn)	2,187	2,398	3,107	4,009	2,572	18
Impairment on investments (Rs. Mn)	3,868	4,820	1,250	32	80	(98)
Impaired Loans (Stage 3) Ratio (%)	9.18	8.58	8.27	7.68	6.45	(271)bps
Impairment (stage 3) to Stage 3 loans Ratio (%)	36.57	41.11	44.74	44.33	49.40	1,266bps
Impairment staging (including commitments and contingencies) - Rs. Bn As at end	3Q23	4Q23	1Q24	2Q24	3Q24	Δ% vs 3Q23
Stage 1 - Closing balance	4.9	4.8	5.0	6.0	6.2	29
Stage 2 - Closing balance	6.8	6.3	5.6	6.7	5.4	(20)
Stage 3 - Closing balance	31.2	34.7	36.8	34.8	37.5	20
Total	42.9	45.1	47.4	47.6	49.1	15

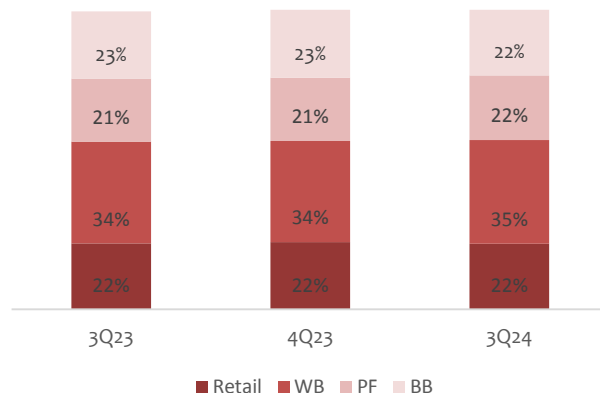
Expenses

Expenses - Rs. Mn - for the quarter of	3Q23	4Q23	1Q24	2Q24	3Q24	Δ% vs 3Q23
Personnel Expenses	1,944	1,548	2,078	2,251	2,251	16
Depreciation and amortization	229	248	258	265	284	24
Other Expenses	1,453	1,715	1,560	1,584	1,547	6
Total operating expenses	3,627	3,510	3,896	4,100	4,082	13
Cost to income ratio (%)	30.17	30.41	38.64	34.86	37.13	696bps

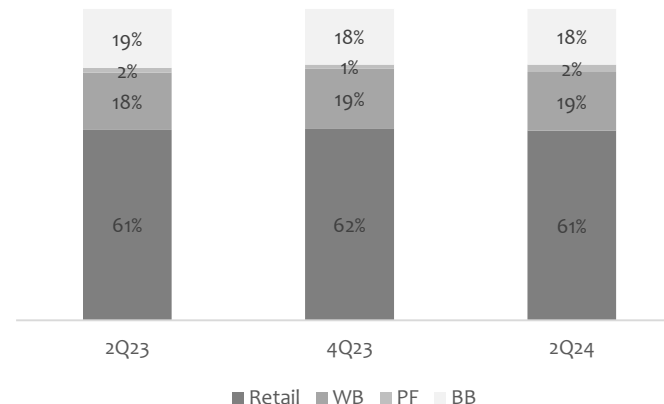
Balance Sheet

Rs. Bn - As at end	3Q23	4Q23	1Q24	2Q24	3Q24	Δ% vs 3Q23
Total assets	789.2	779.9	757.4	764.5	763.2	(3.3)
Gross loans	514.4	496.1	485.6	504.9	501.1	(2.6)
Net loans	473.2	452.7	439.6	459.0	453.9	(4.1)
Customer deposits	627.7	615.6	614.4	619.2	611.5	(2.6)
Return on assets (before taxes) (%)	1.49	1.25	1.03	1.39	1.53	4bps
Loans to deposits ratio (%)	81.95	80.58	79.04	81.54	81.95	-

Business line-wise loan book composition - %



Business line-wise deposit book composition - %



Capital

Rs. Bn - As at end	3Q23	4Q23	1Q24	2Q24	3Q24	Δ% vs 3Q23
Common Equity Tier 1 (CET1) Capital	53.4	54.7	52.8	50.9	50.1	(6)
Tier 1 Capital	53.4	54.7	52.8	50.9	50.1	(6)
Total Capital	69.8	74.5	70.9	68.1	71.1	2

Liquidity

% - As at end	3Q23	4Q23	1Q24	2Q24	3Q24	Δ3Q23 bps
Liquidity Coverage Ratio (%) - All Currency	269.95	228.58	282.80	262.09	280.39	1044
Liquidity Coverage Ratio (%) - Rupee	333.73	309.61	336.22	284.31	326.87	(686)
Net stable funding ratio	141.66	142.26	152.15	143.28	143.77	211

ESG performance

Environmental	Social	Governance
GHG emissions 2023 - 5,510 tCO ₂ e	40% female representation at Board level	Comprehensive ESMS system embedding social and environmental consciousness to lending decisions
27.85% YoY reduction in Scope 1 emissions in 2023	24% female representation at Senior Management level	100% loans screened on ESMS criteria
Rs. 1.68 Mn investment in ecosystem preservation	43% female representation across the team	1,043 hours/ 453 employees trained on ESMS
	255 hours of employee volunteerism in corporate sustainability initiatives	SASB Indices Commercial Banks and Investment Banking & Brokerage – Please refer NDB Annual Report 2023 https://www.ndbbank.com/investor-relations/reports
	4.9/5.0 customer satisfaction rating	

Glossary

AWDR	Average weighted deposits rate
AWPR	Average weighted prime lending rate
bps	Basis points
CAR	Capital adequacy ratio
CASA	Current accounts and savings accounts
ECL	Expected credit losses
EPS	Earnings per share
ESMS	Environmental and social management systems
FX	Foreign exchange
FY	Financial year
GHG	Green house gases
GOSL	Government of Sri Lanka
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
NAVPS	Net assets value per share
NFBI	Non-fund based income
NFCI	Net fee and commission income
NGDRFA	Net gains/(losses) from derecognition of financial assets

NGFAFVP&L	Net gain/(loss) from financial assets at fair value through profit or loss
NGT	Net gains from trading
NII	Net interest income
NIM	Net interest margin
NSFR	Net stable funding ratio
OOI	Other operating income
P/E	Price/ Earnings
PAS	Profit attributable to shareholders
PAT	Profit after tax
PBT	Profit before all taxes (including FSVAT)
PBV	Price to book value
ROA	Return on average assets
ROE	Return on equity
RWA	Risk weighted assets
SASB	Sustainability Accounting Standards Board
SLAR	Statutory liquid assets ratio
T Bill	Treasury bills
tCO ₂ e	Carbon dioxide equivalents in tones

Analyst support

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Forward looking statements

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