PRESS RELEASE

Results for the nine months ended 30 September 2021 [Q32021]
National Development Bank PLC – NDB.N0000
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NDB records resilient performance in Q3 2021

12 November 2021, Colombo, Sri Lanka

- NDB Group after tax PAS reaches LKR 6 Bn, up by an impressive 54% YoY
- Bank Profits before all taxes of LKR 8.9 Bn (up by 16%), Post-tax profits of LKR 5.6 Bn (up by 26%)
- Increase in fund and fee income supported by volume growth
- Cost to income ratio of 33%, continually in the low 30% range
- Balance Sheet growth - Total assets of LKR 679 Bn up by 8% YTD
- Loan book growth of 15% YTD – LKR 509 Bn
- Deposits growth of 7% YTD LKR 526 Bn, CASA growth of 15% YTD to LKR 18 Bn

National Development Bank PLC, recorded resilient financial performance for the nine months ended 30 September 2021, a period marked by macro-economic challenges. Sharing his views on the performance, Director/ Group Chief Executive Officer of NDB Mr. Dimantha Seneviratne noted that concerted pursuit of the Bank's clearly defined strategy has enabled sound performance amidst turbulences. Extending expeditious support to our customers in the face of the pandemic, through the course of our own initiatives as well as in congruence with relief measures introduced by the Government of Sri Lanka remains a priority for us in the foreseeable future. Customer-centricity is our strategy's core, hence all our actions ultimately add up to precise solutions to them, at good times and bad, with sustainable growth - he noted.

Income and profitability

At a Group level, NDB managed its profitability despite the challenges, benefiting from a combination of sources such as enhanced banking revenue, effective cost management and profit contribution from NDB capital market cluster companies. Group profit attributable to shareholders after tax (PAS) for the nine months increased to LKR 6 Bn, by 54% over September 2020 (YoY). At the Bank level, operating profit before all taxes for the period was LKR 8.9 Bn, up by 16% YoY. The Bank's PAT after a total tax charge of LKR 3.3 Bn was LKR 5.6 Bn, up by 26%.

Driving profitability, all key income components enhanced, with notable growth in net interest income (NII) to LKR 16 Bn, up by 17% and fee and commission income to LKR 4 Bn, up by 38%. Albeit a tapering off in interest income by 5% to LKR 38.7 Bn, NII benefitted by a larger reduction in interest expenses by 16% to LKR 22.8 Bn. An improved NIM of 3.26% (Q3 2020: 3.23%) driven by the timely re-pricing of assets and liabilities, together with the Bank's continually strengthening CASA base (38% YoY growth – LKR 39 Bn) enabled growth in NII.

Net fee and commission income growth of 38% YoY to LKR 4 Bn was supported by enhanced business volumes reflected in gross loans growth of 15% (over end 2020 position). Trade finance activities was a main contributor towards enhanced fees, whilst accelerated digital banking usage by customers also supported the fee drive. The Bank recently exceeded LKR 100 Bn mark in transactions routed through NDB NEOS for the first 10 months in 2021, with 80% of the Bank's transactions being performed via digital platforms. The total of non-fund based income bases, which accounts for 32% of total operating income enhanced by 25% to LKR 7.4 Bn.

Impairment charges for loans and other losses for Q3 2021 was LKR 6.7 Bn, an increase of 38% YoY. Provision charges increased in line with the growth in the loan book and provisions made at both collective and individual levels in response to elevated risks caused by the third wave of the pandemic and other stresses. The regulatory gross non-performing loan [NPL] ratio for Q3 2021 was 5.46% (2020: 5.35%). The net NPL ratio for the quarter was 3.04% (2020: 3.23%), confirming the increase in the impairment charges. Further to the recent direction issued by the Central Bank of Sri Lanka on Classification, Recognition and of Measurement of Credit Facilities in Licensed Banks - No 13 of 2021, NDB's Impaired Loans (Stage 3) Ratio was 4.49% (2020: 4.47%) whilst Impairment (stage 3) to Stage 3 loans Ratio was 33.55% (2020: 31.68%).

Total operating costs for the period was LKR 7.7 Bn, an increase of 10%, and a quantum of increase of LKR 682 Mn versus significant growth in Bank's operations. Strategic cost management initiatives have benefitted the Bank's profitability when revenue is under pressure. The cost to income ratio for Q3 2021, resulting from cost management initiatives as well as revenue growth was 33.08%, one of the lowest since 2016 (49%).

Balance Sheet Performance

Total assets reached LKR 679 Bn by end Q3 2021, up by 8% over 2020 (YTD), demonstrating the sustained growth the Bank has been managing over the years. On YoY terms this was a growth of 13%. Loans and advances to customers also grew at a satisfactory 15%, both on a YTD and YoY basis, translating to quantum of LKR 66 Bn and LKR 67 Bn respectively. The quarter saw equitable growth stemming from all segments, and continued healthy diversification across multiple sectors.

In terms of funding, customer deposits closed in at LKR 526 Bn, up by 7% YTD (quantum of LKR 36 Bn) and 13% YoY (quantum of LKR 62 Bn). Deposits composition improved during Q3 with a CASA ratio 27%, one of the highest recorded by the Bank since its conversion to a fully-fledged commercial banking entity in 2005, from the previous DFI model. CASA deposits totaled to LK 141 Bn, a YTD growth of 15%, translating to a quantum of LKR 18 Bn. The Bank's dynamic deposits solutions, convenience of account opening from the safety of homes through digital platforms and round the clock customer service have enabled the Bank to grow deposits on an overall basis in a low interest rate climate.

The period under review booked a total equity capital infusion of LKR 9.46 Bn, comprising of LKR 8 Bn raised through the Rights Issue and LKR 1.46 Bn, raised through the Private Placement with Norfund – the Norwegian Investment Fund for developing countries. The Bank also entered in to an agreement with the Development Finance Corporation of the USA for USD 75 Mn as a long term funding line, towards lending to SMEs including women led businesses. The Bank has also announced plans to raise LKR 6 Bn in Basel III complaint Tier II Listed, Rated, Unsecured, Subordinated, Redeemable debentures, with the option of raising a a further LKR 2 Bn in the event of an oversubscription.

Key performance ratios

Return on equity of the Bank for Q3 2021 increased to 14.07% (2020: 13.13%) whilst the same at the Group level was 14.13% (2020: 11.20%). Pre-tax ROA of the Bank was 1.75% (2020: 1.59%) and of the Group was 1.86% (2020: 1.58%). Earnings per share of the Bank was LKR 26.26 (2020: LKR 23.77), whilst the same for the Group was LKR 28.08 (2020: LKR 21.99).

The net asset value per share of the Bank and the Group were LKR 163.40 and LKR 173.29. On capital adequacy, Tier I capital adequacy ratio and Total capital adequacy ratio of the Bank were 9.63% and 13.63% respectively. The same ratios for the Group were 10.03% and 13.93%. Liquidity coverage ratio – Rupee, Liquidity coverage ratio – All currency and Net Stable Funding Ratio were 140.16%, 135.93% and 114.55% respectively. All these ratios continued to be well above the regulator stipulated minimum requirement levels, with capital adequacy ratios having enhanced post Tier I capital infusion as explained above - reflecting the strength, stability and sufficient liquidity of the Bank.

Support extended to COVID-19 affected customers and other aspects of performance

NDB continues its focused support towards customers affected by the pandemic. As a responsible lender, the Bank's financial support has been augmented with advisory and close monitoring of customer performance in their recovery process. The Bank carefully curates restructured plans and other payment solutions that are apt in the customer's industry climate and address their unique challenges.

NDB continued its digital drive unabated by the pandemic. Newest tech- enabled capabilities introduced were ability to open accounts virtually with the use of *virtual KYC, NEOSBIZ* a dedicated mobile app for SMEs and implementation of digital signatures for both internal and external use.

"NDB Cares", NDB's structured program to support the Bank's employees, customers and the community at large in the face of the adversities brought by the pandemic continued, with various initiatives, including donations made to the healthcare sector.

Way forward

The infusion of Tier I capital earlier this year has provided NDB with much needed impetus for its growth aspirations. With further funding plans to support businesses and strengthen capital base as explained above, the Bank will pursue its targets set under Voyage 2025 – the mid-term strategy leading up to 2025. Support to customers in post-COVID recovery remains key in NDB's mandate. With its redefined manifesto of "The Future is Banking on Us" NDB is set to deliver new dimensions of banking to its customers whilst propelling national economic growth as a responsible financier.