

PRESS RELEASE

Results for the financial year ended 31 December 2024

National Development Bank PLC

CSE stock code: NDB.N0000 | Bloomberg: NDB SL | Reuter's: NDB.CM

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"Fitch Ratings Lanka Ltd: A(Lka)/Stable Outlook"



NDB reports highest-ever Group PBT, surpassing Rs. 24.0 Bn

20 February 2025, Colombo, Sri Lanka

- Solid pre-tax profit growth of 141% to Rs. 24.3 Bn
- NIM of 4.34%, highest recorded thus far
- Positive impact stemming from the finalization of ISB restructuring by the GoSL leading to reversal of impairments
- Notable growth in profitability even excluding one-off gains
- 13% reduction in Stage 3 loans portfolio

National Development Bank PLC (NDB) is pleased to announce a record-breaking profit for the financial year 2024, marking a significant milestone in the Bank's growth trajectory. All key performance indicators (KPIs) and shareholder metrics showed substantial improvements, reflecting the Bank's resilience and commitment to delivering value.

NDB's Director/ Chief Executive Officer Mr. Kelum Edirisinghe commented on the performance. "We are proud of our performance in FY 2024, which demonstrates our financial strength and our ability to adapt in a reviving and evolving economic landscape.

Our FY 2024 results were driven by a focused strategy that improved operational efficiency and enhanced customer engagements. As highlighted in prior press communications, we centered our efforts on three key pillars: driving transactions, enhancing portfolio quality and increasing net interest margins. Our efforts came in to fruition with the Bank delivering healthy growth in the respective areas which translated to enhanced profitability.

For the period under review the Bank reported a pre-tax profit of Rs. 24.3 Bn up 141% over 2023 inclusive of the one-off gain of Rs. 12.8 Bn stemming from the ISB restructure. Excluding this gain, our pre-tax profit from the underlying business grew 31% year on year, affirming the resilience of our business model.

As we reflect on the year gone by, it is clear that 2024 has been a year of tremendous collaboration, where all our key stakeholders - our shareholders, employees, customers, business partners, - have made significant contribution to our shared value journey. I remain deeply thankful to each one of them for their unwavering support and dedication.

As we look to the future, NDB remains committed to driving sustainable growth, aligned with national priorities whilst empowering all our stakeholders to unlock lasting prosperity. Our focus on environmental, social, and governance (ESG) principles continues to be at the heart of our efforts, ensuring we make a positive impact on the wider ecosystem", he concluded.

Analysis of financial performance

Income and Profitability

NDB recorded a post-tax profit of Rs. 9.0 Bn for the financial year ended 31 December 2024, a 68% increase over the prior year 2023 (YoY). Group profit attributable to shareholders was Rs. 9.8 Bn, again an impressive growth of 70% YoY. Profit before tax at Bank and Group level were Rs. 24.3 Bn and 25.7

Bn respectively, making them the highest-ever profitability figures the Bank and the Group have posted in its 45 years plus history.

The Bank's core business activities saw robust performance, with notable increases in net interest income and fee and commission income. Net interest income (NII), which comprises 75% of the Bank's total operating income grew by 7% YoY to Rs. 34.2 Bn, a commendable performance in a low interest rate environment, and in a year in which loan book growth was moderate. NDB's prudent assets and liability management and timely pricing of the book resulted in Net Interest Margin (NIM) settling at a 4.34%.

Net fee and commission income, another integral component within the Bank's total revenue increased by 9% YoY to Rs. 7.8 Bn. Though moderate, the gradual increase in loan volumes, trade financing operations and digital banking transactions together with concerted transactions drive under the strategy drove fee income up. Total other non-fund based income netted Rs. 3.5 Bn, with a resultant total operating income of Rs. 45.5 Bn.

The impact of the debt restructuring, comprising the Day 01 loss and hair-cut loss, was Rs. 14.3 Bn. The Bank posted a net impairment reversal of Rs. 10.0 Bn comprising an impairment charge on the loan book and aforementioned impairment reversal on the investment portfolio. Loan portfolio quality improvement, another element of the strategy made considerable advancements during the year. The impairment charge on the loan book in 2024 was down by Rs. 2.7 Bn (17%) compared to 2023. Resultantly, Impaired Loans (Stage 3) to Total Loans Ratio improved by 340 bps to 5.18% whilst Impairment (Stage 3) to Stage 3 loans Ratio increased by 13.37 percentage points to 54.48% over the end 2023 position, continuing the progress maintained since 3Q 2023. Equal focus on cost management continued through the year. Total operating costs for the year was Rs. 16.8 Bn, a YoY increase of 23% with a cost to income ratio of 36.9%.

Balance Sheet Performance, Capital Adequacy and Liquidity

Balance Sheet performance moderated through 2024, a result of the conscious strategic approach taken in the evolving economic dynamics. Accordingly, total assets growth was marginal at 2%, closing in at Rs. 796 Bn. Gross loans and deposits growth was 3% reaching Rs. 510 Bn and Rs. 632 Bn respectively, inclusive of a negative impact stemming from movement in the exchange rate. Balance sheet funding remained healthy, leading to further optimization of cost of capital. The CASA ratio increased to 25.0% by 2 percentage points compared to 2023, tapping in to the upside potential NDB possesses in increasing its CASA ratio towards industry average. Total equity also enhanced by 11% to Rs. 77.7 Bn. Additionally, NDB raised a total of Rs. 10.0 Bn in Basel III compliant Tier II capital via two tranches of Rs. 5.0 Bn each during the year. Enhancements in capital was reflected in the regulatory capital ratios of Tier I and Total Capital Adequacy which stood at 13.68% and 19.09%, 518bps and 659 bps above the minimum requirement respectively.

Regulatory Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency) and Net Stable Funding Ratio stood well above the regulatory minimum requirement of 100% at 358.12%, 308.26% and 152.43% respectively.

Investor KPIs

Investor KPIs reported record highs in 2024. Return on Average Equity was 12.22% up from 8.03% in 2023. Earnings per share reached Rs. 21.73 from Rs. 12.92 in 2023. Respective ratios at the Group level was 12.46% and Rs. 23.57. Bank Pre-tax Return on Average Assets was 3.09% an, exceptional improvement from the 1.25% of the prior year. Net Asset Value per Share was Rs. 186.91 and compared with a closing share price of Rs. 113.25. The comparatives of these indicators in 2023 were Rs. 175.60 and Rs. 64.90 respectively. Group Net Asset Value per share was Rs. 199.13 (2023: Rs. 186.43)

Outlook

It is encouraging to see the country moving in the right direction of growth and development. The recent upgrade of Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) to CCC+ from *Restricted Default* is a clear affirmation of the nation's recovery path. This positive development is a welcoming sign that is expected to further strengthen global investor confidence, which in turn has benefited the banking sector, with the majority of banks, including NDB, receiving upgraded ratings. Over the years, we have remained committed to streamlining our processes, strengthening our digital capabilities and continuously upskilling our staff, ensuring that NDB is future-ready to capitalize on emerging opportunities. This dedication has positioned us on a solid growth platform as the country gradually emerges from its recent hardships. In this context, we are confident in the significant role we can play in supporting the nation's economic growth and in helping our stakeholders grow smart towards prosperity.