

# Nations Trust Bank Continues Its Resilient Performance



*Gihan Cooray, Chairman, NTB.*



*Priyantha Talwatte, Director/CEO, NTB.*

Despite the challenging business environment, NTB continued its planned “K shaped” recovery strategy by increasing the loan portfolio by 20 billion rupees, recording 10 percent during the quarter. Nations Trust Bank continued to provide working capital loans under the “Saubhagya” scheme introduced by the Government to assist customers across all segments. The Bank focused on helping the adversely impacted businesses for their revival and rebuilding businesses and livelihoods by contributing over 19 billion rupees’ new credit facilities under its revival fund “Nations Diriya” scheme. This extends financial support to key industries, enabling such businesses to recommence and rebuild their business operations. Further more, the Bank also offered special payment relief schemes and repayment plans for the existing borrowers.

The Central Bank mandated moratorium schemes with low interest rates and restructured repayment plans for some identified industries and business segments.

NTB raised USD 25 million from IFC during the quarter to support Sri Lankan SME businesses with improved access to critical working capital to continue operations and preserve lives and livelihoods. Over the years, the IFC-NTB partnership has helped create a promising future for many small businesses across the country, opening new markets and opportunities and creating new vistas. Despite subdued economic conditions due to the pandemic, the group recorded a Profit Before Tax growth of 39 percent for the three months ended March 31st 2021, compared to previous year. Net Interest Income continued to decline primarily due to the reduction in the market interest rates, while interest

rate ceilings introduced by the regulator impacted some business portfolios. Yields on loans reduced by 370bps in line with the falling AWPLR by 350 bps supporting the loan growth and the economic recovery efforts. A reduction in yields in the FIS portfolio, after the profits are taken on the high yielding securities, further aggravated the net interest income decline.

However, the improvement of the CASA ratio to 35 percent at the end of March 2021 from 29 percent as of March 2020 helped partially offset the decline in interest margins during the period. Gains on trading FX increased due to FX funding swaps with a higher depreciation of the rupee during the current period in contrast to the depreciation during the same period last year. The Bank also benefited from trading profits on its' fixed income securities portfolio with the falling market rates. Suspension or refund of certain charges by the Bank, considering the current difficulties faced by customers due to the COVID-19 pandemic, negatively impacted the Bank's fee based income. Cards income declined because of decreased card spending due to changes in customer behavior patterns due to mobility and overseas travel restrictions. A drop in discretionary spend was visible due to these phenomena. However, there's a positive trend in Trade Finance related income with the increase in some of the Trade Finance associated activities.

The cost management culture entrenched across the organization helped to curtail the cost by 186 million rupees, seven percent saving over the previous year. Continuation of some of the cost saving strategies and initiatives executed last year and productivity, efficiency drives, and focus on some of the enormous cost pools were the main reasons for the favorable variance. The Bank's ability to considerably enhance efficiency and productivity through digitalization and new ways of working improved the cost to income ratio to 44.6 percent as of March compared to 51.4 per- cent in the same period last year.

Enhancing the digital initiatives, the Bank signed a Memorandum of Understanding with the Department for Registration of Persons (DRP) recently enabling the Bank to digitally verify the customers' identity through the information held by the DRP upon obtaining the consent of the customer. The progressive digital customer verification process will take away the cumbersome traditional Know Your Customer (KYC) process, including ID card verification, facial verification, and document verification for proof of address.

The Return on Equity before the exceptional tax adjustment stands at 16.3 for the period under review, compared to 12.8 percent recorded in 2020. The Bank declared a final cash dividend of two rupees per share for the year ended December 31, 2020, giving adequate consideration to the capital required to support the Bank's growth. The financial position of the Group remained strong as its Tier I Capital and Total Capital Adequacy ratios as of March 31, 2021 stood well above the regulatory levels at 13.64 percent and 16.75 percent, respectively. The Statutory Liquid Asset Ratio (SLAR) for the Domestic Banking Unit and the Off- Shore Banking Unit was at 35.72 percent and 30.99 percent, respectively, as at the reporting date. Priyantha Talwatte, Chief Executive Office and Director, NTB stated, "While we are still operating in a pandemic related subdued environment with strong headwinds, specially with a probable outbreak of a third wave, the team will continue to adjust well and support the implementation of our revival strategy. We will do while assisting the Sri Lankan Government initiatives and supporting customers and the economy for a speedy recovery".

He also further reiterated that the Bank is geared to steer ahead more responsively to the external environment, prioritizing customer requirements, with an extraordinarily focused and involved Nations team who has demonstrated their agility to deliver value given the challenging environment. The Bank is committed to growing a healthy asset book and remain committed to delivering its strategic agenda set for the year to strengthen our balance sheet and enhance digital capabilities with the ultimate intention of achieving customer convenience, cost and process efficiencies, pioneering innovation and thereby challenging the norm to deliver an unparalleled banking experience to our customers in a new reality.