NDB Commences 2021 On A Positive Note



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National Development Bank, the reigning winner of The Best Bank in Sri Lanka 2021 of Global Finance USA and The Bank of the Year 2020 of The Banker UK, achieved sustained results for the first quarter ended March 31, 2021, amidst challenging conditions.

Dimantha Seneviratne, Director/Group Chief Executive Of- ficer of NDB, commented on this performance, noted that the period was marked by two fundamental changes: the prospect of prolonged low-interest rates other greater inclination to- wards digital engagements from our customers. “NDB strategized in response to these changes well, which ensured continued support to our customers as well as preserved returns to our shareholders. The NDB Group’s new strategic plan, launched in October 2020, has placed us on a steadfast growth trajectory amidst the turbulences. We carry good momentum to the second half of the year, which seems steeper in terms of challenges, with the outbreak of the third wave of the pandemic in Sri Lanka and worsening situations across Asia, which will have a cascading impact on the local economy. The Bank will fully deploy prudent and timely strategic initiatives in response to the pandemic, the development and impact of which is yet to be fully gauged,” he noted.

The Bank’s total operating income posted a growth of 23 percent to 8.2 billion rupees, supported by enhanced net interest income (NII), fee income, and other

non-fund income bases. Although interest income dipped by eight percent due to lower interest rates, this was more than offset by a more significant dip in interest expenses of 20 percent, leading to an NII growth of 18 percent to 5.1 billion rupees. This also led to a broadly stabilized net interest margin of 3.29 percent compared to 3.07 percent of 2020.

Driving NIMs was the CASA base of 129 billion rupees in Q1 2021, growing impressively by 58 percent over Q1 2020 (quantum of growth – 47 billion rupees), which also raised the CASA ratio from 20 percent to 26 percent. Fee and commission income recorded a healthy growth of 29 percent to 1.3 billion rupees due to larger credit volumes across all segments and increased transactions routed through NDB NEOS digital platforms. Net gains and trading also posted a record increase of 116 percent over Q1 2020 to 460 million rupees, reflecting the forex income gained during the quarter.

The same was 2.5 billion rupees for Q1 2021, a four percent increase over Q1 2020. The Bank continued to manage a reduction in controllable expenses com- pared to Q1 2020 amidst consid- erable business growth and various initiatives carried out. The resultant cost to income ratio for the quarter was 30.9 percent one of the best in the industry and other corporates. This ratio has significantly improved from a high of 49 percent in 2016, thanks to the increase in banking revenue in line with the Bank’s strategic plans, coupled with conscious and concerted cost management initiatives and productivity enhancement measures, including digitization and automation. Accordingly, operating profit before all taxes for the period was 3.5 billion rupees, an increase of 19 percent. Total taxes for the period was 1.1 billion rupees, comprising VAT on financial services and income tax, with the income tax rate reducing to 24 percent from 28 percent. The resultant effective tax rate for Q1 2021 was 33 percent. Post- tax profitability enhanced to 2.3 billion rupees, with solid growth of 34 percent. While profit attributable to shareholders was 2.4 billion rupees, up by an impressive 90 percent, complmented by improved perfor- mance of the NDB Group’s capital market cluster, making up the unique financial service powerhouse in Sri Lanka.

NDB sustained its thus far healthy balance sheet growth well into Q1 2021, wherein the total asset base grew by two percent to 636 billion rupees over December 2020 (YTD). Though moderated, this is a YoY growth (i.e., over Q1 2020) of 15 percent and commendable in the prevailing subdued economic conditions. Balance sheet growth propelled by the increase in the gross loan book to 462 billion rupees, a YTD growth of four percent and a YoY growth of nine percent, and a quantum of 18.6

billion rupees and 37.5 billion rupees, respectively. Loan growth reflected both lendings under the Saubagya COVID-19 Renaissance Facility of the Central Bank of Sri Lanka. NDB was the fourth highest Bank to approve funds and lending through the Bank's funds to revive the country's economy. Loan book growth stemmed from multiple segments, including SMEs and consumers, and across numerous sectors, preserving the dynamism of the Bank's loan book, which has enabled it to withstand external shocks.

The Bank's deposits base neared the 500 billion rupees mark with deposits closing at 499.5 billion on funding. This is a YTD growth of two percent and an impressive YoY growth of 21 percent, which translates to a quantum of 9.2 billion rupees and 85.3 billion rupees, respectively. This considerable growth considers the contraction in commercial bank deposit rates by about three percent from March 2020 to March 2021, rendering them less attractive to surplus units. Within overall deposits, CASA deposits comprised 26 percent, up from 25 percent as of December 31, 2020. NDB's long standing relationships with customers and customer centric excellence in service have supported garnering deposits across all segments. The Bank continues to offer its customers close financial and advisory support to expeditiously recover and remain resilient in the challenging conditions brought in by the pandemic. All CBSL mandated relief measures are also duly extended to customers. NDB Jayagamu Sri Lanka, the dedicated proposition, supports SMEs, inventors, and exporters through customized financial solutions and professional support through a large number of partnerships the Bank has entered into for the benefit of customers. Commenting on this, the GCEO stated that the Bank placed the interests of our customers affected by the pandemic at the center of our efforts, and our teams invested considerable time and effort in supporting them emerge resilient from its effects. This is reflected in the percentage of customers under moratoria out of the total loan book reducing significantly to 17 percent by March 2021 from 40 percent. It was first introduced in 2020. We are encouraged because most of our moratoria customers have regained financial health and stability through the Bank's support and their efforts and discipline in revival. NDB continues to flex and reinvest its solutions in response to the unique needs of its customers. The Bank's digital solid platform NDB NEOS comprising online banking and inter operable QR payments enabled NEOS App have allowed customers to carry out their banking with the safety of their own space, he further stated.