



NDB Delivers Solid Profits Amidst Gradually Reviving Economic Conditions



Sriyan Cooray, Chairman, NDB.



Kelum Edirisinghe, Director/CEO, NDB.

National Development Bank (NDB) reported resilient performance for the nine months ended September 30, 2024, navigating challenges and optimizing emerging opportunities in a reviving economy. Kelum Edirisinghe, Director/CEO stated, “We are encouraged by the positive trajectory of Net Interest Margins (NIMs), strong cost discipline, and improved credit cost. These result from our focus on delivering sustainable returns and enhancing shareholder value in a rapidly shifting economic landscape. In line with the Bank’s commitment to sustainable growth, we are confident in delivering on our strategic mandate, with strong support from the Board, senior management, and the entire NDB team, reinforcing our contribution to the broader national economic agenda and advancing ESG objectives.”

NDB recorded a net operating income of 21.5 billion rupees for the period under review, covering the nine months ended September 30, 2024, a nine percent increase over the comparative period of 2023 (YoY). The notable reduction in impairment charges by 21 percent YoY augured well in maintaining the healthy growth in net operating income against de-growth seen in some key revenue lines.

Net interest income remained largely static over the comparative period at 24.4 billion rupees, within which both interest income and interest expenses declined, attributable to the tapering interest rate environment in the economy.

The timing of the deposit book repricing led to a more significant decline in interest rate expenses, benefiting NIM. Driven by the strong strategic focus in this aspect, the Bank posted a NIM of 4.21 percent, consistently above the four percent mark for the third consecutive quarter.

Net fee and commission income for the period was 5.1 billion rupees, which continued to normalize over a relatively high base in 2023 alongside moderate balance sheet expansion, with a YoY decline of seven percent.

Impairment charges for the period were 11 billion rupees, comprising charges on the loan book and investment portfolio. Enhancing loan book quality, another key cog of NDB’s mid-term strategy, remained well on track, as demonstrated by continually enhancing related ratios.

The impaired Loans (Stage 3) Ratio improved by 213 bps to 6.45 percent, whilst the Impairment (Stage 3) to Stage 3 Loans Ratio increased to 49.40 percent by 829 bps over the end of 2023 position. Strengthening asset book quality, in turn, bolstered the Bank’s NIMs in the low interest rate climate. On the investment book, the Bank

continued providing adequate provisions per prescribed industry norms.

Strong cost discipline across the organization, driven by a focused governance mechanism, curtailed discretionary costs' increase at 8% YoY. Total operating costs, including discretionary costs, personnel expenses, depreciation, and amortization, netted 12.1 billion rupees, a 19 percent YoY increase. The resultant cost-to-income Ratio was 37.1 percent.

Bank-level pre-tax profitability for the year was 9.4 billion rupees, a marginal decline of two percent YoY, while post-tax profitability was 4.5 billion rupees. Profit attributable to shareholders at the NDB Group level was 4.9 billion rupees.

NDB's strength and stature are demonstrated in its dynamic balance sheet, which stood at 763.2 billion rupees as of the end of September 2024. Gross loans to customers were 501.1 billion rupees, while customer deposits were 611.5 billion rupees at the end of the period, leading to a loan-to-deposit ratio of 82 percent.

Deposit composition shifted favorably despite an overall marginal decline of one percent over the end 2023 position (YTD). CASA deposits grew by ten percent, enhancing the CASA ratio by 244 bps to 25.04 percent. The total equity base stood at 71.7 billion rupees, demonstrating the dynamism of the funding base.