NDB Group Posts 11 billion rupees in Pre-tax profits, benefiting from a Resilient and Agile Strategy

Sriyan Cooray, Chairman, NDB.

Kelum Edirisinghe, Director/CEO, NDB.

National Development Bank demonstrated its resilience and agility in withstanding external challenges through the financial year 2023. The Bank's concerted efforts in operationalizing its strategy, duly adapted in response to evolving macro-economic dynamics, resulted in the Bank generating sound returns to its shareholders. NDB's newly appointed Director/ CEO Kelum Edirisinghe attributed such performance to the team's commitment, hard work, perseverance and the innate acumen the Bank has gathered over four decades of service to the nation through many socio-economic cycles. We draw deep comfort from an articulated strategy that guides us in the near to mid-term, the robust governance frameworks within which we function and the versatility of our stakeholders well aligned in our mutual growth, prerequisites in navigating through challenging times. He further commented that our immediate priorities would be improving asset quality, enhancing NIMs, driving transaction banking and pursuing growth centered around products offering higher risk-adjusted returns.

The NDB Group, comprising the NDB Bank as the parent and its subsidiary companies, posted a pre-tax profit of 10.9 billion rupees whilst at the Bank level, the pre-tax profit was 10.1 billion rupees. Profitability mirrored solid core banking performance, leading to healthy improvement across key income categories. Gross income saw a 20 per cent increase over the financial year 2022 (YoY growth) to 132.3 billion rupees. Interest income increased by 22 per cent to 119.4 billion rupees, with interest expenses rising by 30 per cent to 87.4 billion rupees, leading to a net interest income of 31.9 billion rupees, a YoY four per cent growth. The resultant net interest margin of the Bank was 3.96 per cent. Market-wide interest rates came down from their historic highs following policy rate cuts, netting 650 bps by the CBSL, whilst the average prime lending rate dipped by approximately 16 percentage points during the year. Net fee and commission income increased by 14 per cent to 7.2 billion, enhancing the dynamism of the Bank’s revenue mix. Transaction banking drive across all business segments, mainly trade-related services and greater uptake of the Bank’s digital platforms bolstered fee income amidst loan book contraction. The total net gains from trading, net gains from financial assets at fair value through profit or loss and net gains from the derecognition of financial assets amounted to 8.7 billion rupees, a notable improvement over 2022 due to variation in the exchange rate and interest rates compared to the prior year.

Total operating costs for the period were 13.7 billion rupees, a YoY increase of 20 per cent. A general rise in price levels, particularly energy and foreign currency-denominated expenses, drove costs up. The resultant cost-to-income ratio was 30.4 per cent and compared well within the industry. Process automation leading to lesser resource usage and greater efficiencies, increasing shift of client transactions to digital platforms and conscious assessment and rationalization of discretionary expenses, particularly as per directions issued by the CBSL, were key contributors in curtailing cost increases. Taxes netted 4.7 billion rupees, comprising taxes on financial services of 2.7 billion rupees and income tax of two billion rupees.

NDB’s total assets stood at 780 billion rupees at the closure of the year, whilst Group total assets were 787 billion rupees and translated to a six per cent reduction over 2022, predominantly attributable to the appreciation of the Sri Lankan Rupee over 2023 compared to the severe depreciation seen in 2022. The loan book followed a similar trend, closing in at 496 billion rupees, a YoY contraction of 14 per cent. The dual factors of appreciating currency and subdued demand for loans affected the loan book because of the country’s high-interest rates and low economic activity.