NDB Maintains Resilience And Records Sound Returns To All Stakeholders





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National Development Bank, Sri Lanka's fourth-largest listed Bank and most awarded corporate, posted all-around sound performance for 2021, notwithstanding the multiple challenges that marked the year.

The financial statements for the financial year ended December 31, 2021, released to the Colombo Stock Exchange, reported sustained growth in several financial KPIs.

Commenting on the year's performance, Dimantha Seneviratne, Director and Chief Executive Officer of National Development Bank, mentioned that the retrospect of 2021 had many reasons to be grateful for. "We managed one of the largest equity infusions in the history of the Bank, netting 9.5 billion rupees, and onboarded the Norwegian Investment Fund for developing countries (Norfund) as our top shareholder with a 9.99 percent ownership. Our strategy remained well on track with strong delivery across all areas, and we extended support to our pandemic-hit customers via a host of modes. The sustainable growth trend we have maintained over the years continued, with the Bank achieving triple 500 billion rupees in total assets, gross loans, and customer deposits. I am proud of the NDB Team, whose perseverance and relentlessness made another good year possible. At the same time, as a bank, we are deeply grateful for the unstinted loyalty and confidence of our investors and customers," he commented.

Core income sources of the Bank enhanced during the year compared to 2020, attributable to the timely delivery of the Bank's strategy milestones. Despite a marginal decline in interest income, net interest income was enhanced by 22 percent to 21.6 billion rupees, offset by a more significant reduction in interest expenses. Net interest margin recorded a notable improvement to 3.25 percent from 3.07 percent in 2020. Net fee and commission income were also enhanced by 32 percent to 5.6 billion rupees. Exports related trade services were a crucial contributor in this aspect, with digital financial services and other asset products also contributing. Other non-fund-based income on an amalgamated basis increased by 11 percent to 3.8 billion rupees.

The Bank saw a considerable increase in its impairment charges for the year of 10.3 billion rupees, up by 51 percent compared to similar costs in 2020.

In 2021, the Bank continued its strong focus on cost management through process streamlining via the application of Robotic Process Automations, converging transactions to sustainable and less-costly digital modes, resource conservation. These augured well for the Bank, with total operating costs curtailed at 10.4 billion rupees (YoY increase of 11 percent) amidst hiking inflation seen during the latter part of the year. Cost to income ratio preserved the consistent trend of improvements and closed at 33.7 percent.

The resultant operating profit before taxes was 10.3 billion rupees, an increase of 12 percent. Total taxes for the period were 3.9 billion rupees with an effective tax rate of 38 percent. Accordingly, post-tax profitability reached 6.4 billion rupees at a YoY growth of 15 percent, while Profits attributable to shareholders of the Bank reached 6.9 billion rupees, with a YoY increase of 35 percent.

Business growth retained momentum through concerted efforts in balancing the dual aspects of caution and support to the needy segments of the economy. Accordingly, total assets grew at 1 percent over 2020 and reached 703 billion rupees, demonstrating promising potential in getting the one trillion rupees target by 2025, aspired under the Bank’s long-term strategy. During the year, Gross loans grew by 19 percent to cross the 500 billion rupees mark to 526 billion rupees, a quantum of 82.6 billion rupees, and a diversified growth stemming from all business segments. Loan book quality denoted by the Non-performing loan (NPL) ratio broadly improved, improving to 4.65 percent from 5.35 percent in 2020. The net NPL ratio was 2.29 percent.

Regarding funding sources, customer deposits also crossed the 500 billion rupees mark to reach 552 billion rupees, enabled by a YoY growth rate of 13 percent – an equivalent of 62 billion rupees. Deposits composition vastly enhanced, wherein the CASA composition was 27 percent. CASA’s base grew by an impressive 22 percent – equivalent to 27 billion rupees and close at 150 billion rupees.

As previously mentioned, funding improved with the equity infusion of 9.5 billion rupees, made up by a fully subscribed Rights Issue of netting eight billion rupees and a Private Placement by Norfund – The Norwegian Investment Fund for developing countries netting LKR 1.5 Bn. The Bank also raised eight billion rupees in Tier II capital in November 2021 through listed debentures, with the Issue

oversubscribing on the Issue open day in the Colombo Stock Exchange.

Return on average equity and Earnings per share were 12.27 percent and 20.68 rupees, respectively. The increase in profitability was offset by the increase in the capital base enhancement from the equity infusion. Pre-tax Return on Average Assets broadly stabilized at 1.55 percent. Regulatory ratios of Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency), and Net stable Funding Ratio improved compared to 2020 and stood above the minimum regulatory requirement of 100 percent at 193 percent, 171 percent, and 118 percent, respectively. Enhanced capital positions were denoted by Tier I and Total Capital Adequacy ratios of 10.01 percent and 15.42 percent, ahead of the regulatory minimum levels of eight percent and 12.00 percent, respectively.

Net asset value per share as of the end of 2021 was 165.02 rupees, the reduction of which compared to 2020 – despite an enhanced Net Assets base is attributable to the increase in the number of shares post the equity capital infusion in May 2021.

NDB continued to demonstrate its dynamism and versatility through a balanced performance in addition to financial performance. The Bank conducted scores of initiatives ensuring the well-being of its staff, customers, and the community in response to the COVID-19 pandemic under the structured program “NDB Cares.” From a strategic perspective empowering the SMEs and export-oriented businesses took center stage, aligning the Bank’s priorities to the national economic growth agenda. NDB Jayagamu Sri Lanka completed a successful year since its launch in 2020, driving this stance. Support to the women’s market segment also strengthened during the year, under NDB Araliya – NDB’s financial and advisory support proposition and through Sri Lanka Vanithabhimana – the national-level recognition program for high-performing women. The Bank’s digital drive accelerated with several launches. The Bank also strengthened its ESG practices through several flagship events, including the commitment to a greener planet. Such excelling performance was externally endorsed by multiple local and international bodies with over 70 awards and accolades.

NDB has reached a pivotal juncture in its growth journey. Its strong capital position has enabled it to pursue ambitious growth targets. The Bank’s capital market subsidiaries are expected to further enhance synergies amidst the improvements seen in the Sri Lankan capital markets. With a robust strategy guiding the Bank with a strong focus on digitization, NDB is set to explore unchartered courses to bring novel experiences to its customers. NDB will continue its service to the nation as a

responsible financier through close congruence with the national development agenda and attune its actions in response to emerging economic challenges.