



NDB Posts Strong Profitability in the first half of 2024



Sriyan Cooray, Chairman, NDB.



Kelum Edirisinghe, CEO, NDB.

National Development Bank continued to demonstrate strategic agility and resilience despite less-than-conducive operating conditions, as was reflected in its financial performance for the six months ended June 30, 2024. The Bank posted a pre-tax profit of 6.5 billion rupees for the period under review, an impressive growth of 58 percent, predominantly driven by healthy net interest income.

Kelum Edirisinghe, CEO, NDB, attributed such performance to alignment with the Bank’s current mid- term strategy, delivered by the passionate and dedicated NDB team. “Our strategy has been curated and pivoted around three core focus areas: optimizing the cost of funds, enhancing fee-based income through transaction banking, and enhancing portfolio quality. This strategy will enable us to drive profitability and improve shareholder values, helping the Bank reach its true potential. We are encouraged by the recent affirmation of the Bank’s credit rating at A-(lka) by Fitch Ratings Lanka Limited. As the operating environment stabilizes, he further commented that we remain well-disposed in supporting our clientele and the

broader economy with our full suite of financial and advisory solutions.”

The Bank recorded a total banking revenue of 22.9 billion rupees for the period under review, a solid growth of 24 percent over the comparative period in 2023 (YoY). Net interest income posted a healthy ten percent growth to 16.5 billion rupees, commendable in the low interest rate environment that prevailed through the period. The bank’s interest income was more than offset by the reduction in interest expenses due to faster repricing of the deposit book. The net interest margin (NIM) reached an all-time high of 4.26 percent, a growth of 29 bps over the end of 2023, affirming the effectiveness of the Bank’s strategy.

Net fee and commission income for the period was 3.4 billion rupees, which normalized over a relatively high base in 2023, reflected in an eight percent YoY decline. Other non-fund-based income categories all performed well, netting a gain of 3.9 billion rupees, save and except for those classified as Other Operating Income, which recorded a loss of 779 million rupees on foreign revaluation reserves—attributable to the appreciation of the Sri Lankan Rupee.

Strong cost disciplines and enhancements in income enabled a cost- to-income ratio of 34.9 percent for the period under review, well within the target level of 35.0 percent. Total operating expenses were eight billion rupees, a YoY increase of 23 percent, mainly driven by the rise in personnel expenses due to annual revisions to staff emoluments. The Bank’s Balance Sheet, resilient and well-diversified, closed in at 764 billion rupees as of the end of June 2024. Within total assets, gross loans to customers grew by two percent over the end of 2023 (YTD) to 505 billion rupees, reversing the negative growth trend experienced over the last five quarters. Customer deposits followed a similar trend, growing at a marginal one to 619 billion rupees. The rupee deposit base grew by four percent YTD with marked improvement in current and savings deposits, benefitting CASA.

Return on average equity and annualized Earnings per share for 1H 2024 were 7.38 percent (Group: 7.58 percent) and 12.52 rupees (Group: 13.67 rupees), respectively. Regulatory Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency), and Net Stable Funding Ratio stood well above the regulatory minimum requirement of 100 percent at 284.31 percent, 262.09 percent, and

143.28 percent, respectively. Tier I and Total Capital Adequacy ratios by the end of 1H 2024 stood at 11.09 percent (Group: 11.64 percent) and 14.83 percent (Group: 15.28 percent), above the regulatory minimum levels of 8.5 percent and 12.5 percent, respectively.

Prudent measures adopted in balance sheet management enabled the Bank to maintain sound liquidity and capital adequacy. The Bank will raise to ten billion rupees in Tier II capital via Basel III compliant listed, rated, unsecured, subordinated, redeemable debentures during the year with requisite regulatory approval, towards which shareholder approval was obtained in early August 2024.