

NSB Continued The Momentum During First Quarter Of 2021

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Gross Income of the Bank grew by 5.9 percent to 33 billion during the first quarter of the year from 31.2 billion recorded in the corresponding period last year.

During the period under review, the interest income increased only by 2.9 percent to reach 32 billion, while the interest expense has decreased by 20.6 percent to 18.6 billion due to the reduction in deposit interest rates induced by a policy decision of the regulator.

The increase in interest income, together with the considerable reduction in interest expense, supported Net Interest Income to surge by 75 percent to 13.4 billion rupees against 7.7 billion stood during the same period last year.

Consequently, Net Interest Margin clocked in 3.87 percent at the end of the first three months of 2021, higher against the 2.63 percent as of last year.

Net Fee and commission income grew by 191 percent to 798 million from 274 million rupees. This growth was mainly driven by the increase in fee and commission income due to conversion/renewal of existing loans at reduced interest rates coupled with fees generated through digital platforms to which the customers

shifted under social distancing and health guidelines and increased foreign remittances.

Net gains/ losses from trading witnessed a profit of 31.4 million rupees during the first three months of 2021, rising by 107.6 percent, against the loss of 411.4 million rupees reported in the same period last year.

An increase in both Net Interest Income and Non-Interest Income led the operating income to record a rise of 86.2 percent to 14.4 billion rupees during the first quarter of the year.

Operating expenses during the first three months of 2021 rose by 23.2 percent to 4.8 billion rupees compared with the corresponding period of the previous year. The same is mainly attributable to the increased personnel expenses owing to provisions made for the collective agreement due in 2021 and overhead payments following the operating activities returning to normalcy during the first three months in 2021.

Meanwhile, National Saving Bank's cost to income ratio excluding taxes decreased to 33.3 percent at the end of March 2021 compared to 50.2 percent recorded in the corresponding period the previous year due to the substantial increase in income compared to the expenses.

However, the impairment charges for the period stood at a reversal of 455.3 million rupees at the end of the first quarter of 2021 compared to the higher impairment provision of 274.7 million rupees during the corresponding period in 2020.

The higher provision made during 2020 as an adverse impact was expected on the credit quality triggered by the uncertainty arising from Covid-19. However, improvement in the Non-Performing Loan Portfolio observed from the latter part from 2020 contributed to the reversal of impairment provision.

During the period under review, profit before Taxes witnessed a growth of 198.2 percent to 8.3 billion rupees owing to the increase in Net Interest Income. Consequently, Profit after Tax has also recorded a growth of 276.8 percent to reach 6.7 billion rupees compared to the 1.8 billion rupees reported in the corresponding period of the last year.

The Bank generated a Return on Equity (ROE) of 49.41 percent and a Return on

Assets (ROA) of 2.41 percent at the end of March 2021.

The total asset base of the Bank grew at 5.8 percent to 1.44 trillion rupees against the 1.36 trillion rupees reported as at the end of December 2020. This increase was mainly contributed by the growth in customers' deposits (81.5 percent of the total assets), which increased by 5.2 percent to 1.3 trillion rupees compared to the deposit base reported at the end of December 2020.

During the first quarter of the year, the Bank has mobilized 65.4 billion rupees worth of deposits which recorded a 57 percent growth compared to the same period last year. The total borrowings increased by 20.9 percent to 25.4 billion rupees at the end of the first quarter of 2021. The Bank has borrowed USD 35 million from foreign financial institutions, contributing to the increase in the asset base.

The total loans and advances demonstrated a growth of 8.3 percent, triggered by personal loans and loans to State Owned Enterprises (SOEs) without considering the reclassification of 59.4 billion rupees loans and advances under the "Debt Instruments".

Total Investment portfolio grew by 12 percent to 894.3 billion rupees as of the end of March 2021 and the reclassification of loans and advances as "Debt Instruments".

The Bank's Gross Non Performing Loan (NPL) ratio clocked in at 2.56 percent at the end of the first three months of 2021 as one of the lowest in the industry, which stood at 2.79 percent as of December 2020.

In compliance with the direction of the Central Bank of Sri Lanka (CBSL), the capital position of the Bank remained strong. It stood well above the revised minimum statutory requirements imposed by the regulator consequent to the COVID-19 pandemic.

The Tier 1 Capital and Total Capital ratios stood at 13.22 percent and 15.88 percent, at the end of March 2021, well above the statutory requirements of eight percent and 12 percent, respectively. The leverage ratio of 6.23 percent too was well more than the minimum requirement of three percent.