NSB Continued to Prove its Resilience within an Economic Shudder

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NSB demonstrated its mettle by recording a Profit after Tax (PAT) of 7.2 billion rupees for the fiscal year ended December 31, 2023. This achievement is a testament to the adept management and highly skilled workforce of NSB.

The Banks' impressive achievement of 7.2 billion rupees in Profit After Tax (PAT) was mainly attributed to a 31 percent surge in Interest Income. The Bank strategically allocated more than 60 percent of its customer deposits towards investing in Government Debt Securities, capitalizing on the higher interest rates that were prevalent in 2022. This prudent investment strategy yielded a substantial interest income of 137.7 billion rupees, which was an upswing of 36 percent. Interest received through Loans and Advances also grew by 36.3 percent, resulting in an increment of 23.4 billion rupees.

At the group level, the net gain from trading has increased significantly to 3.7 billion rupees, marking a 206 percent rise from the previous year's trading loss.

The credit for this remarkable turnaround goes to NSB, which has exhibited exceptional professionalism, due care, and commitment in identifying and capitalizing on market opportunities. This achievement underscores NSB's ability to steer its operations with agility and astuteness, even in the face of a challenging market environment.

The Bank has faced challenges in its net fee and commission income, which experienced a 34 percent decline. The decline was attributed to low demand for loans and advances, as a result of the high interest rates that prevailed at that time. The Fee and Commission Income was primarily contributed by Retail Loans and Corporate Banking. However, both lines of business were hindered by unfavorable micro-financial conditions.

The National Savings Bank (NSB) experienced a year-over-year (YoY) increase of 41 percent in its Interest Expense, surpassing the growth rate of Interest Income. This rise in the cost of funds, primarily from Fixed Deposits, which constitute the largest portion (81 percent) of NSB's deposit base, contributed to a congestion in the positive growth of Net Interest Income due to the lag effect of liability repricing.

In terms of Asset Quality, despite the obstacles, NSB has one of the lowest Impaired Loans (Stage 3) Ratio of 2.41 percent (net of stage 3 impairment) compared to the industry rate of seven percent at the end of year fiscal year 2023. Additionally, the Bank maintains an impairment coverage ratio above the industry average of 53.3 percent.

The Bank recorded a PBT of 4.3 billion rupees, a five percent decrease from the previous year. Nevertheless, despite the challenges posed by micro financial conditions and moving to a low-interest-rate set-up, the Bank was able to grow its deposit base by 5.8 billion rupees.

Furthermore, the Bank's 100 percent ownership by the Government of Sri Lanka (GoSL) and the 100 percent explicit guarantee provided by the GoSL for the money deposited with the Bank and the interest thereof through the National Savings Bank Act, NSB continued to ensure customer confidence in their deposits. The Bank's investment portfolio witnessed an impressive growth of 62.4 billion rupees, driven by the low demand for loans and receivables. The Bank strategically directed its interest-earning assets towards the most profitable alternative available, which primarily comprised of investments in Government Securities. As a result, the Bank earned an impressive interest income of 137.7 billion rupees, surpassing the industry average of Investment to Total Asset Ratio of 35.8 percent. Notably, NSB recorded a massive 62.4 percent in 2023.

In 2023, the Bank's total asset base increased to 1.7 trillion rupees, indicating a markup of four percent compared to the previous year. The Bank generated a return on equity (ROE) of 9.36 percent and a return on assets (ROA) of 0.26 percent (Before Tax). These results are a testament to the Bank's robust investment strategy and its ability to deliver profitable outcomes for its stakeholders.