NSB Moving Forward Strong And Resilient Amidst A Global Pandemic



Keasila Jayawardena, Chairperson, NSB.



Ajith Peiris, GM/CEO, NSB.

Recording its highest ever profit for a period of six months with a Profit Before Tax (PBT) of 13.9 billion rupees and a Profit After Tax (PAT) of 11 billion rupees, National Savings Bank (NSB) shows strength and financial resilience in performance amidst the COVID-19 pandemic.

Against the backdrop of the COVID-19 impact on the economic activities, the PBT for the first six months of 2021 was 13.9 billion rupees, which marks an increase of 492.1 percent from 2.3 billion rupees recorded in the same period last year, while the PAT was 11 billion rupees, with a rise of 942.7 percent from 1.1 billion rupees in 2020. Gross Income of the Bank grew by 9.3 percent to 65.8 billion rupees during the first six months of the year from 60.2 billion rupees recorded in the corresponding period last year. During the period under review, the interest income has increased by 8.5 percent to reach 64.1 billion rupees. At the same time, the interest expense has decreased by 18.8 percent to 37.9 billion rupees due to the prevailing lower interest rate regime, which leads to lower interest expenses for the deposits and borrowings despite the substantial growth in the deposit base during the first half of the year. The increase in interest income and the considerable

reduction in interest expenses supported Net Interest Income (NII) to surge by 111.7 percent to 26.2 billion rupees against 12.4 billion rupees during the same period last year. Consequently, Net Interest Margin (NIM) clocked in 3.70 percent at the end of the first six months of 2021, higher against the 2.08 percent as last year's same period.

Net Fee and commission income grew by 175.4 percent to 1.3 billion rupees from 467 million rupees, mainly driven by the increase in fee and commission income due to conversion/renewal of the existing loans to reduced interest rates and increased foreign remittances. This was coupled with fees generated through digital platforms where the customers shifted under social distancing and health guidelines. The increase in NII and Non-Interest Income led the total Operating Income to record a rise of 107.4 percent to 27.8 billion rupees during the first six months of the year. Operating expenses during the first six months of 2021 rose by 22.7 percent to 9.5 billion rupees compared to the corresponding period of the previous year, which is mainly attributable to the increased personnel expenses owing to the provisions made for the Collective Agreement due in 2021. Meanwhile, the Bank's cost to income ratio decreased to 34.3 percent at the end of 1H 2021 compared to 57.8 percent reported in the 1H 2020.

The Bank generated a Return on Equity (RoE) of 37.6 percent and a Return on Assets (RoA) of 1.96 percent at the end of June 2021. The total asset base of the Bank grew at 9.2 percent to reach 1.49 trillion rupees against the 1.36 trillion rupees reported as at the end of December 2020, mainly contributed by the growth in customers' deposits, which increased by 9.3 percent to 1.35 trillion rupees compared to the deposit base reported at the end of December 2020. There is an increase in the pattern of saving of the customers amidst the impact of COVID-19. During the first six months of the year, the Bank has mobilized 118.1 billion rupees worth of deposits which recorded an increase of 23.8 percent compared to the same period last year. The Bank continued mobilizing low-cost funds during the period under review by mobilizing 30.4 billion rupees Savings deposits, which improved the deposit mix by 22bps compared to December 2020.

Loans and advances witnessed a decline of 2.5 percent to 504.1 billion rupees over the last year's December figure of 516.8 billion rupees underpinned by the conversion of 59.4 billion rupees loans and advances under the "Debt Instruments". However, without considering the converted loans, the total loans and advances demonstrated growth of 10.2 percent, triggered by personal loans and loans to State-Owned Enterprises (SOEs).

Complying 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 12.28 percent and 14.80 percent, at the end of June 2021, well above the statutory requirements of eight percent and 12 percent, respectively. The leverage ratio of 5.85 percent too was well above the minimum requirement of three percent.

To foster a saving culture among all Sri Lankans that comes from all segments of the society and work towards financial and digital inclusion, we focus on strengthening our digital and physical footprint. The Bank has introduced a mobile payment system under the “NSB Pay” App brand to encourage customers to safely and efficiently accomplish their daily banking needs, providing uninterrupted service to the customers during these difficult times.

The ICRA Lanka has assigned the Bank with the issuer rating of [SL] AAA with Stable Outlook, on the back of 100 percent ownership of 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.