Strong Strategic Alignment Enables Resilient Performance for NDB in Q1 2024



Kelum Edirisinghe, Director/CEO, NDB.



Sriyan Cooray, Chairman, NDB.

National Development Bank commenced the financial year on a positive note, with resilient performance for the first quarter of the year ended March 31, 2024.

Kelum Edirisinghe, Director/ CEO, NDB, commented that the Bank continued to face challenges to relatively low credit demand due to subdued economic activity. Strong alignment to our strategic blueprint built on three core focus areas, namely optimizing the cost of funds, enhancing fee-based income through transaction

banking, and enhancing portfolio quality, enabled us to withstand the challenges and deliver consistent value to our shareholders. He reiterated that we remain committed to driving bottom-line growth and improving shareholder value through customer- centric, innovative, and sustainable banking practices.

NDB recorded a pre-tax profitability of 1.8 billion rupees for the three months ended March 31, 2024 (period under review), an impressive increase of 31 percent over the same period in 2023 (YoY). Total operating income for the period was 10.1 billion rupees, a YoY increase of eight percent, driven by net interest income of 8.1 billion rupees, net fee and commission income of 1.8 billion rupees in tandem with declining anchor interest rates as a part of the relaxing monetary policy of Central Bank of Sri Lanka led to a YoY reduction in net interest income.

The Bank’s concerted efforts in managing the cost of funds led to an improvement in the net interest margin to 4.23 from 3.96 percent in 2023, thereby easing the pressure from reduced interest income. Other non-fund-based income posted a notable increase of 118 percent, which was mainly driven by income categories of net gains from financial assets at fair value through profit or loss and net gains from the derecognition of financial assets. With the appreciation of the Sri Lankan Rupee, Bank’s foreign exchange reserves of the FCBU book recorded a revaluation loss amounting to 1.3 billion rupees, accounted for under the Other Income category.

Total operating costs for the quarter was 3.9 billion rupees, within which the increase in other expenses category comprising administration, marketing, susceptible to general price level increases was contained at 11 percent – a direct outcome of strong cost discipline maintained across the Bank.

NDB’s total assets stood at 757 billion rupees at the end of March 31, 2024, a three percent de-growth compared to the total asset base as of December 31, 2023 (YTD). Total assets behaved closely to the overall market direction, where negative growth continued but at a slower pace. Gross loans to customers also decelerated slower, at two percent YTD, and closed in at 486 billion rupees. Customer deposits stood at 614 billion rupees, with a marginal decline of 0.2 percent. Within total deposits, rupee deposits grew by four percent, whilst foreign currency-denominated deposits declined by 12 percent, attributable to the appreciation in the exchange rate, which, if excluded, would have led to growth. Total assets at the Group level stood at 765 billion rupees.

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 336.22 percent, 282.80 percent, and 152.15 percent, respectively. The Statutory Liquid Assets Ratio of 41.67 percent was also well above the regulatory minimum requirement of 20 percent, which is continually increasing. Tier I and Total Capital Adequacy ratios by the end of Q1 2024 stood at 11.93 percent (Group: 12.49 percent) and 16.02 percent (Group: 16.48 percent), ahead of the regulatory minimum levels of 8.5 and 12.5 percent.

Return on average equity and Earnings per share for Q1 2024 was 4.51 percent (Group: 4.88 percent) and 7.92 rupees (Group: 9.11 rupees), respectively. Pre-tax Return on Average Assets was 1.03 percent (Group: 1.13 percent), and Net asset value per share was 175.69 rupees (Group: 186.86 rupees).