



## **PRESS RELEASE**

**Results for the first half ended 30 June 2021 [H12021]  
National Development Bank PLC - NDB.N0000  
Released to the Colombo Stock Exchange on: 28 July 2021**

# **EVERYONE. EVERYWHERE.**

**NATIONAL DEVELOPMENT BANK PLC**

## **NDB posts solid performance in H1 2021 amidst the pandemic**

28 July 2021, Colombo, Sri Lanka

- Pre-tax profits crosses LKR 6 Bn (up by 21%), Post-tax profits of LKR 3.9 Bn (up by 32%)
- Robust growth in fund and fee income bases
- Cost to income ratio of 33%, continually in the low 30% range
- Balance Sheet growth - Total assets of LKR 664 Bn up by 6% YTD, 18% YoY
- Broad-based Loan book growth of 10% YTD and 14% YoY – LKR 487 Bn
- Deposits crosses LKR 500 Bn, growth of 5% YTD and 21% YoY - LKR 515 Bn
- Enhanced capital adequacy ratios Tier I – 10.43% Total – 14.73% post equity capital infusion of LKR 9.5 Bn

National Development Bank PLC, Sri Lanka's fourth largest listed bank continued to demonstrate its resilience to external shocks and ability to deliver consistent results, as reflected in financial statements released to the Colombo Stock Exchange for the six months ended 30 June 2021. The review period was marked by month long travel restrictions imposed to curb the spread of the third wave of the pandemic in Sri Lanka, which affected business momentum. NDB's Director and Group CEO Mr. Dimantha Seneviratne commented that notwithstanding these deepening challenges, the Bank stayed in top form in delivering uncompromised value to all our stakeholders, thanks to its agile strategies and committed team. Banking sector has always played a crucial role in national economic development, and its importance is more pronounced in a situation like this. With the nation-wide vaccination program successfully rolling out there is expectancy of expedited return to economic normalcy. In such a backdrop, NDB has affirmed its focus in safeguarding the interest of three critical stakeholders, i.e. the customers, the employees and the society at large, he stated. This focus has enabled us to maintain a sound equilibrium in our performance, for the benefits of all our stakeholders together with a sense of achievement for the Team, he further stated.

### **Income and profitability**

NDB recorded a total operating income of LKR 15.4 Bn which grew by 19% over six months ended June 2020 (YoY). Operating income was strengthened by net interest income (NII), net fee & commission income and consolidated other non-fund based income, all of which recorded a growth over the comparative period.

NII, the majority contributor in operating income (67%), grew by 17% to LKR 10 Bn. Reflecting the reduced interest rate environment, both interest income and interest expenses declined YoY with the latter posting a larger decline at 18%. Deposit portfolio's improving skewness towards CASA base, with over 50% of the fresh deposits growth for H1 2021 over H1 2020 coming from CASA deposits and a significantly improved CASA ratio of 26% (H1 2020: 21%) contributed to reduce interest expenses. CASA base also improved by 54% YoY (LKR 48 Bn). Resultant annualized net interest margin (NIM) for the period was 3.23% (H1 2020 – 3.25%). NIM continues to be under pressure with possible further relief to be granted to customers in loan repayments, due to the cascading effects of the pandemic.

Net fee and commission income grew by an impressive 48% to LKR 2.6 Bn supported by growth in the loan book (YoY 14%), trade business and digital banking transactions conducted through *NDB NEOS* platforms. All other non-fund based income, including net gains from trading and de-recognition of financial assets collectively grew by 6% to LKR 2.4 Bn.

Impairment charges for loans and other losses for H1 2021 was LKR 4.2 Bn, an increase of 31% YoY. Provision charges increased in line with the growth in the loan book and provisions made at both collective and individual levels in response to elevated risks caused by the third wave of the pandemic and other stresses. The regulatory gross non-performing loan [NPL] ratio for H1 2021 was 5.63% (2020: 5.35%) reflecting the wider industry NPL behavior. The net NPL ratio for the quarter was 3.37% (2020: 3.23%).

Costs continued to be well managed, benefiting from the Bank's organization-wide Operational Efficiency and Effectiveness improvement programme (OEE) and strong digital drive. Total operating expenses for H1 2021 was LKR 5.1 Bn, with the YoY increase managed at 10%, amidst business volume growth and a host of other customer-centric initiatives. Gradual increase in deployment of Robotic Process Automations and workflow solutions in internal processes are delivering their investment dividends, with the increase in controllable costs managed at reasonable levels. *NDB NEOS* digitized platforms undergo continuous upgrades, propelling the uptake of these digital channels over physical banking for our customers. The resultant cost to income ratio for the period was 33%, remaining at the low 30% range.

Operating profit before all taxes for the period was LKR 6.1 Bn, up by 21% YoY. Total taxes for the period was LKR 2.2 Bn, comprising VAT on financial services – which recorded an increase of 16% due to increase in business volumes, and income tax - which reduced by 4% amidst an increase in profits due to the income tax rate reducing to 24% (effective from the prior year) from 28% in the prior year. The effective tax rate for H1 2021 was 36%.

Accordingly, post-tax profitability enhanced to LKR 3.9 Bn, up by 32% whilst profit attributable to shareholders increased to LKR 4.1 Bn, up by a notable 73%. NDB Group's capital market cluster continued to make valid contribution to the overall Group profitability, benefitted by greater opportunities available in the Sri Lankan capital markets.

### **Balance Sheet Performance**

Total assets for H1 2021 was LKR 664 Bn, up by 6% over 2020. On YoY terms this was a growth of 18%. Loan book growth was broad-based, to LKR 487 Bn, a YTD growth of 10% and YoY growth of 14% (quantum of growth – LKR 43.5 Bn and LKR 58.2 Bn respectively), with lending increasing to all segments.

On aspects of funding, the Bank's deposits base crossed the LKR 500 Bn mark for the first time with deposits closing in at LKR 515 Bn. This was a YTD growth of 5% and YoY growth of 21%, which translated to quantum of LKR 25.0 Bn and LKR 87.7 Bn respectively. CASA deposits grew by 11% YTD (LKR 13 Bn) to LKR 136 Bn.

The period under review booked a total capital infusion of LKR 9.46 Bn, comprising of LKR 8 Bn raised through the Rights Issue and LKR 1.46 Bn, raised through the Private Placement with Norfund – the Norwegian Investment Fund for developing countries, strengthening Tier I equity capital of the Bank. NDB also secured USD 75 Mn from the Development Finance Corporation of the USA as a long term funding line towards lending to SMEs and infrastructure development of the country.

### **Key performance ratios**

Return on equity of the Bank for H1 2021 increased to 13.81% (2020: 13.13%) whilst the same at the Group level was 13.91% (2020: 11.20%). Pre-tax ROA of the Bank was 1.68% (2020: 1.59%) and of the Group was 1.79% (2020: 1.58%). Earnings per share of the Bank was LKR 28.89 (2020: LKR 23.77), whilst the same for the Group was LKR 30.96 (2020: LKR 21.99).

The net asset value per share of the Bank and the Group were LKR 161.48 and LKR 170.94. On capital adequacy, Tier I capital adequacy ratio and Total capital adequacy ratio of the Bank were 10.43% and 14.73% respectively. The same ratios for the Group were 10.83% and 15.03%. Liquidity coverage ratio – Rupee, Liquidity coverage ratio – All currency and Net Stable Funding Ratio were 204.01%, 184.31% and 116.81% respectively. All these ratios were well above the regulator stipulated minimum requirement levels, with capital adequacy ratios having enhanced post Tier I capital infusion as explained above - reflecting the strength, stability and sufficient liquidity of the Bank.

### **Support extended to COVID-19 affected customers and other aspects of performance**

The Bank's support to its pandemic hit customers to emerge strong continues, with various moratoria and concessions, together with strong advisory support from our relationship managers, including the "NDB Jayagamu Sri Lanka" proposition. NDB continued its digital drive unabated by the pandemic. Enabling CRIB report and CRIB score downloads in the *NEOS* mobile app and commencing the development of video -Know-Your-Customer (vKYC) which will take virtual banking to a new level using AI, are two of the "first in the industry" launches by NDB. "NDB Cares", NDB's structured response in support of employees and the society at large under the theme "Together with Humanity...Stronger with Positivity" continued its mission, which included donations to the healthcare sector and communities in need, amongst other initiatives.

### **Way forward**

With the completion of Tier I capital infusion netting LKR 9.5 Bn, and further funds secured through credit lines, NDB is poised for accelerated growth as market opportunities warrant. This growth will be in alignment with the Bank's own strategic aspirations as well as the country's broader needs to propel economic prosperity, which include the SME sector, thereby fortifying NDB's role as a key contributor in the nation's development journey.