

# NEWS ROUND UP

*Friday, August 30, 2019*

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## ***Recovery from Easter attacks exceeds expectations: Mangala***

Finance Minister Mangala Samaraweera yesterday paid kudos to the resilience displayed by the Sri Lankan economy in the aftermath of the Easter Sunday attacks, describing the recovery as having exceeded expectations.

Samaraweera, together with State Minister of Finance Eran Wickramaratne, emphasised that unlike countries such as Egypt and Tunisia, which took about two years to recover from similar terror attacks, Sri Lanka was able to minimise impact on tourism, as well as manufacturing and services sectors, in a matter of months.

Referring to projections released this week by the Sri Lanka Tourism Development Authority (SLTDA), which said Sri Lanka is likely to only experience a 10% fall in tourists to 2.1 million in 2019, sharply lower than the 30% loss initially estimated, Samaraweera said their growth projections for this year remained largely unchanged.

“The expected impact to tourism has not materialised, and we see this as extremely good news. We expect Sri Lanka to grow by about 3.2% this year on this faster-than-expected recovery. To all those who are saying that the Government has allowed the economy to fall, I would like to point out that we have done the exact opposite. We have reduced the trade deficit, increased exports, improved investment, and also spent a great deal of money on development projects. We have also brought inflation numbers to historic lows of about 2.2%, and we will continue to provide fresh policies and avenues for growth,” he said.

State Minister Eran Wickramaratne stressed that the Government will proceed with plans to impose lending rate caps on loans. As already outlined by the Central Bank, lending interest rates have failed to reduce in line with reductions in deposit interest rates, and Wickramaratne supported calls by the Central Bank to financial institutions to voluntarily work to reduce interest rates and avert imposition of a lending rate cap. Acknowledging a rate cap could result in market distortions, he appealed for banks be proactive in adjusting lending interest rates.

“Monetary policy rates have been reduced twice this year, but even though deposit rates have reduced by 263 basis points, the lending interest rate has only been reduced by 53 basis points. So we need to bridge this gap, and I appeal to banks to do this by themselves and not wait till the Central Bank imposes rate caps.”

Samaraweera went on to highlight the development projects carried out under the Gamperaliya program, which has allocated Rs. 45 billion for 99,882 projects, with work progressing well in all areas of the country. The Finance Minister argued that under this Government, Sri Lanka has seen more infrastructure development at village, district, and national level than was seen under the former administration. He pointed out these funds were allocated for development while implementing a challenging fiscal consolidation program.

“We have done everything from fixing people’s roofs, to plastering their houses, to building toilets, to repairing hundreds of religious institutions, developing community-level organisations, and building highways. In the next seven months, the Government will complete and open three highway projects, the last phase of the Southern Expressway, the final stretch of the Outer Circular Highway, and the second phase of the Central Expressway. None of these projects have been stopped, and we will return to continue this work.”

The Finance Minister also outlined plans for the next Enterprise Sri Lanka exhibition, to be held in Jaffna in the first week of September. He commended efforts to take the Enterprise Sri Lanka program to

unbanked communities in the North, and said the program has been welcomed by many as it offers loans at lower interest rates.

### ***Court instructs Ravi K to provide statement to CID on bond scam***

The Colombo Chief Magistrate's Court yesterday ordered Power and Energy Minister Ravi Karunanayake to provide a statement to the Criminal Investigations Department (CID), regarding his statements on the Bond scam case within the next two weeks.

Power and Energy Minister Ravi Karunanayake

Karunanayake is alleged to have provided false evidence before the Presidential Commission of Inquiry (PCoI) which was appointed to probe the bond scam that took place in February 2015.

The Attorney General had sought a court order from the Colombo Chief Magistrate to this effect, citing that more statements needed to be recorded from Karunanayake over this matter.

Karunanayake had been ordered to be present for the recording of a statement earlier, but had informed Court through his lawyers that he was unable to be present on the designated date.

President Maithripala Sirisena on Wednesday instructed relevant authorities to expedite investigations connected to the Central Bank bond scam, insisting continued delays were hindering the quest for justice, and pledging his fullest support to hold those responsible accountable.

The President advised prompt attention to aspects of the investigation yet to be completed, and to take action against the wrongdoers. Sirisena also said the delays in conducting investigations were a hindrance to delivering justice to the public.

The President made these remarks during a meeting held with the members of the Presidential Commission of Inquiry appointed to investigate the controversial bond deals conducted in February 2015, and other officials of different State institutions, including the Finance Ministry and Central Bank. The meeting was held at the President's Office, the President's Media Unit said in a statement. (Daily FT)

### ***NSB records higher performance in 1H 2019***

National Savings Bank said yesterday it has demonstrated robust performance during the first half of 2019 amidst subdued macroeconomic and market conditions, and witnessed Profit before Tax (PBT) of Rs. 4.3 billion, a growth of 15.5% compared to corresponding period of 2018.

NSB recorded a Profit After Tax (PAT) of Rs. 2.3 billion, an increase of 15.2% over the same period last year, despite the loss of Withholding Tax (WHT) on Government securities amounting to Rs. 1.3 billion during the first six months of 2019 over the same period 2018 due to removal of WHT benefit with effect from 1 April 2018.

Furthermore, additional tax of Rs. 832.7 million had a negative impact on the profit during 1H 2019 compared to the same period last year resulted from the implementation of Debt Repayment Levy (DRL) which came into effect from 1 October 2018 onwards. The bank has contributed Rs. 4.8 billion to the Government in way of taxes and levies during the period under review.

Total income grew by 6.2% to Rs. 59.1 billion whilst total operating income observed a growth of 15.3% to reach at Rs. 15.1b. Net Interest Income (NII) which contributed to 90.9% to the total operating income grew by 10.9% to reach Rs. 13.8 billion over the same period last year.

Net Interest Margin (NIM) improved to 2.61% during six months ended at June 2019 against 2.39% reported in the same period last year owing to growth in interest income outsets the growth of interest expenses.

Further, net fee income grew by 30.7% to Rs. 499.2 million benefitted from increase in business volumes. Net gain on trading amounted to Rs. 663.9 million during the period under review, growing significantly against the loss of Rs. 45.2 million reported in the same period last year.

Administrative and overhead expenses during the first six months of 2019 rose in line with the enhancement of business activities. Depreciation and amortisation on tangible and intangible assets increased by 65.8% due to investment made in branch network and digital infrastructure. However, the impairment charge for the six months ended 30 June 2019 was declined by 36.7% over the same period last year fuelled by redemption of Sri Lanka Development Bonds (SLDB) which was matured in 3Q2018. The resultant cost to income ratio improved to 51.3% for the period under review from 54.5% in 1H 2018.

The total assets of the bank grew by 5.2% over 31 December 2018 to reach Rs. 1.1 trillion supported by growth in customer deposits. Customer deposits reached Rs. 907.8 billion, increased by 8.1% over the end of December 2018. Net loans and advances also rose by 5.7% to Rs. 447.8b against as at the end of December 2018.

At the end of first half of 2019, the bank has managed to maintain the gross non-performing loan (NPL) ratio at 1.69% which is one of the lowest in the banking industry, demonstrating higher asset quality of the bank.

The bank has successfully implemented and complied with the new accounting standard on leases - SLFRS 16 which came into effect from 1 January 2019. Thereby, a sum of Rs. 895.8 million of new assets was recognised and disclosed under 'Right of used assets' in the financial position for the period ended 30.06.2019.

Complying with the Central Bank of Sri Lanka (CBSL)'s directions on capital requirements under Basel III, the Tier 1 and total capital adequacy ratios of the bank as of 30 June were 12.647% and 15.197% respectively, well above the statutory minimum requirements (10% and 14% respectively).

As another milestone in NSB's journey, the bank has received the 'Payment Card Industry Data Security Standard' (PCI-DSS) certification, the cardholder data security standard accepted worldwide and became the first State bank to achieve the PCI-DSS Certification.

The bank received the certificate of compliance for PCI-DSS Version 3.2.1 from Qualified Security Assessor (QSA), SISA. The PCI Security Standards Council (PCISSC), the governing body of PCI-DSS, is a global organisation for promoting Payment Card Industry Standards for the safety of cardholder data across the globe.

NSB is the only Sri Lankan bank with a 100% Government guarantee for its depositors' money and interest therein, hence embraced the safest place for saving. The bank has been awarded the fifth most valuable brand in Sri Lanka by the Brand Finance Lanka Ltd. and Global Finance Magazine has affirmed NSB as the safest bank in Sri Lanka for the third consecutive year in 2018.

The bank has received the AAA Ika rating from Fitch Ratings Lanka Ltd. for the 16th consecutive year in 2018. (Daily FT)

### ***Finance Minister says Govt. committed to MCC project***

Finance Minister Mangala Samaraweera yesterday said the Government remained committed to the Millennium Challenge Corporation (MCC) project, and said they hope to take it forward despite objections from President Maithripala Sirisena.

Responding to questions, Samaraweera recalled that he had been involved in the MCC \$480 million grant since its initial offer, and will attempt to get the necessary approvals before September, which is the timeline provided by the MCC to get the plans approved by Cabinet.

“We are grateful for the grant and committed to implementing the projects under agreement. We will do our best to get the proposals passed before September, but even if that is not possible we are committed to continuing our engagement with the MCC.”

The Finance Minister said that if all other options fail, the project will be implemented by the next Government, which he insisted would be formed by the United National Party (UNP). (Daily FT)

### ***US hopes SL will eventually approve \$ 480 m grant-inclusive MCC Compact***

A top US official yesterday expressed the hope that Sri Lanka will eventually approve the \$ 480 million grant-led Millennium Challenge Corporation (MCC) Compact program, and the American aid agency will also consider extended time for finalisation as a special case. “Our Board meets quarterly and the next meeting is on 18 September. They will talk about Sri Lanka and try to understand why we have has some challenges in getting the program approved by the Cabinet in a timely manner.

We hope that our Board will give us some additional time recognizing the current pre-election environment that we have here and that politics that play. But we just don’t know how they will respond,” MCC Sri Lanka Resident Country Director Jenner Edelman told a forum yesterday.

Speaking at the ‘Understanding the MCC Compact’ forum organised by the Sri Lanka-US Business Council of the Ceylon Chamber of Commerce, she pointed out that the window to get off the compact was narrowing down, as Sri Lanka graduated to an upper-middle income status in July.

“This grant was agreed a long time ago. We very much want to honour this partnership with Sri Lanka and move ahead,” she added.

It was noted that MCC generally partners with low and lower-middle income countries. MCC Sri Lanka Compact is the largest grant funding ever committed to Sri Lanka. The Government and MCC together identified weak transport infrastructure and weak land administration practices as two binding constraints to economic growth in Sri Lanka.

President Maithripala Sirisena this week deferred Cabinet approval for the MCC Compact, given some concerns over some of the areas covered in the program, and urged not to hasten signing as the country is in the midst of an election cycle.

Considering the misconceptions around the program, Edelman said they were now trying to engage with the public to explain the Compact, while categorically stressing that they are not forcing it on Sri Lanka.

“We want to see this program go forward for the people of Sri Lanka. It is your program. It is up to the Sri Lankan people and the Government of Sri Lanka whether to accept this grant or not,” Edelman pointed out.

Of the total \$480 million grant, \$350 million is for the transport infrastructure project while \$67 million is dedicated to the land administration project. Together, the two projects are expected to benefit 11.3 million people, which accounts for 54% of Sri Lanka’s population.

The transport infrastructure project receiving a \$ 350 million grant has three components:

An advanced traffic management system (\$160 million) which will: optimise efficiency of 205 km of urban road networks; offer technology for vehicle detection and real time analysis of traffic flow data; set up an interconnected traffic signal system; establish bus priority systems across the network; carry out civil works improvements to 132 junctions in Greater Colombo; expand pedestrian crossings; and improve sidewalks

Bus service modernisation (\$50 million) will: introduce automated fare collection systems (smart cards); single schedules for bus operators on given route; enable schedule efficiency through GPS bus tracking; establish improved accessibility and safety for women, seniors, disabled people; provide assistance to SLTB and private bus operators to develop financing arrangements to purchase state-of-the-art buses

Rural transport activity (\$140 million) will upgrade 131 km inter-provincial road network in Uva, Sabaragamuwa, and Central Provinces; connect economically-lagging central region with ports and markets in the Western Province; strengthen capacity for road maintenance; develop new financing mechanisms for road maintenance fund and introduce road safety measures

The land administration project (\$67 million) covers 8 districts in Sri Lanka and will: assist the Government to map and survey State lands and enter data in the Government’s e-State Lands Information Management System; strengthen the Government’s capacity to accurately assess State and private lands; carry out research in support of measures to improve land administration policies; improve tenure security for all land holders by assisting the Government to move properties from the Deeds system to the Title Registration system through the Government’s BimSaviya program. (Daily FT)