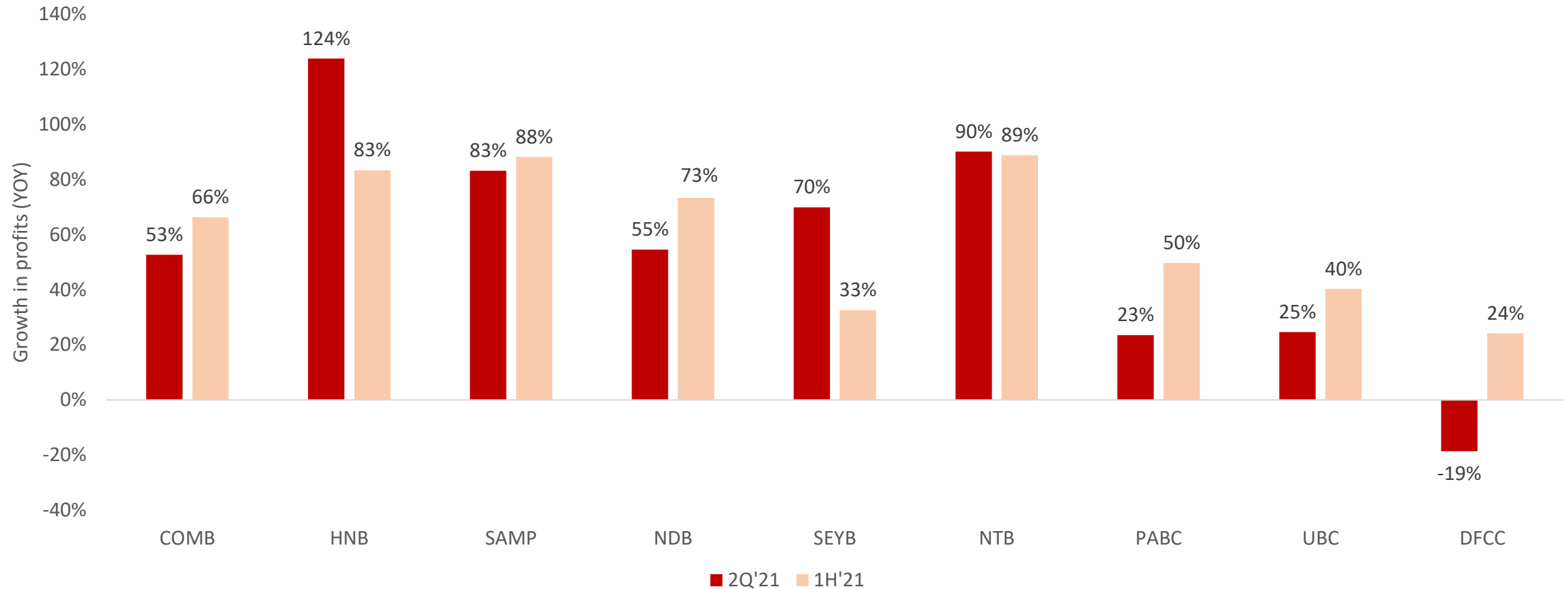


Key Indicators & Valuations

Banking sector

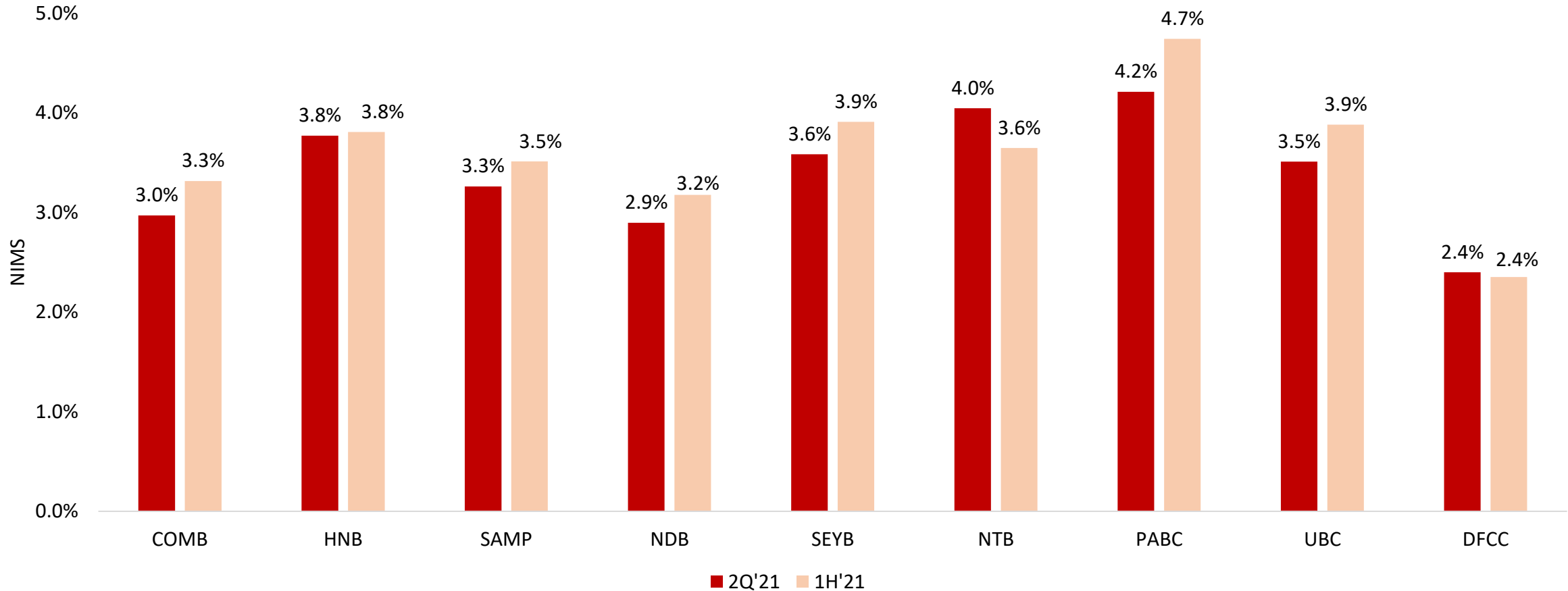
Listed Banking sector counters showcased robust profits despite pandemic related disruptions



Source: Company reports, NLE Research

Banking sector

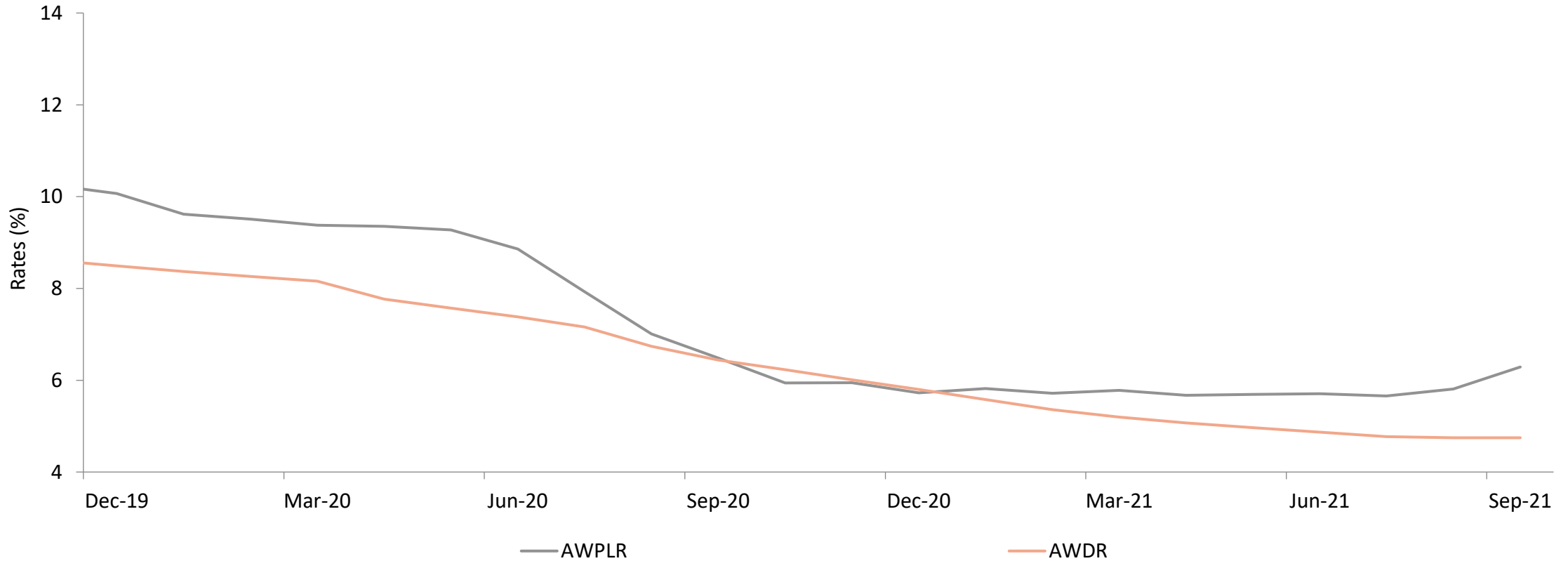
NIMS on a rising trend and set to improve with rates edging up



Source: Company reports, NLE Research
 Note: NIMS are annualized

Banking sector

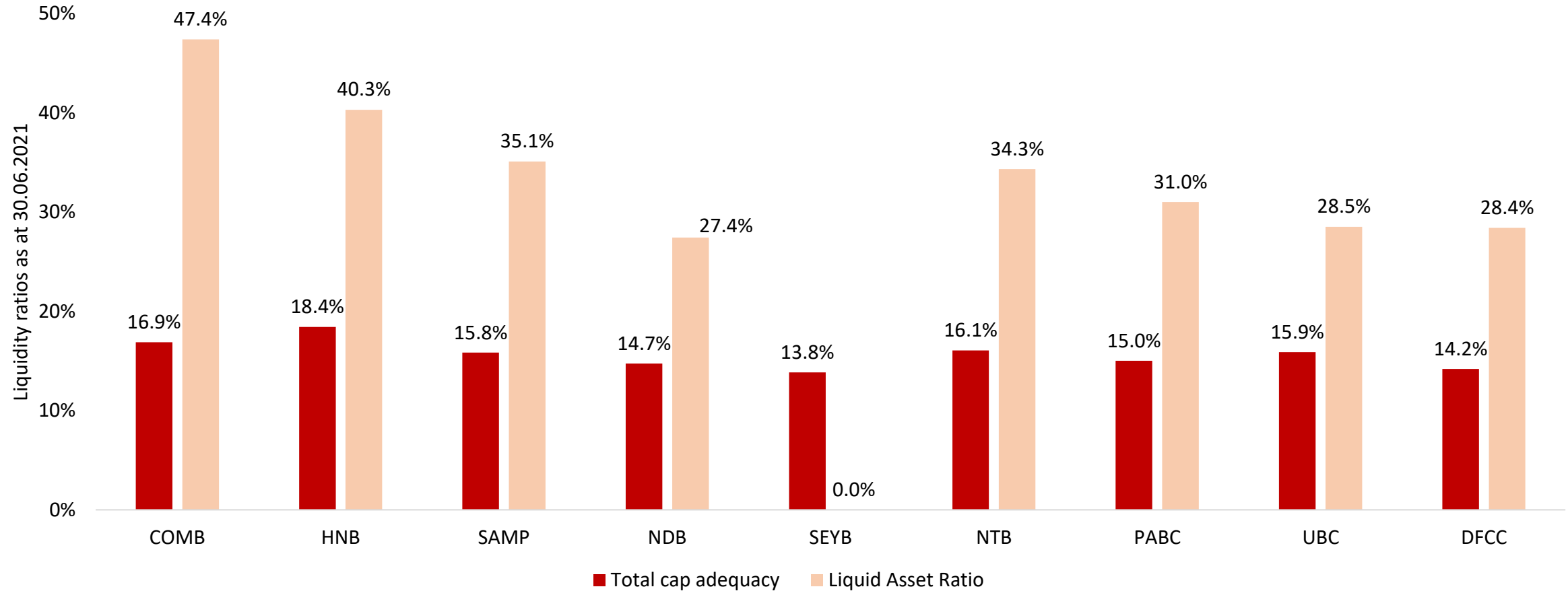
The gap between AWPLR and AWDR is widening, indicating stronger NIMS, buttressing sector profits



Source: CBSL, NLE Research

Banking sector

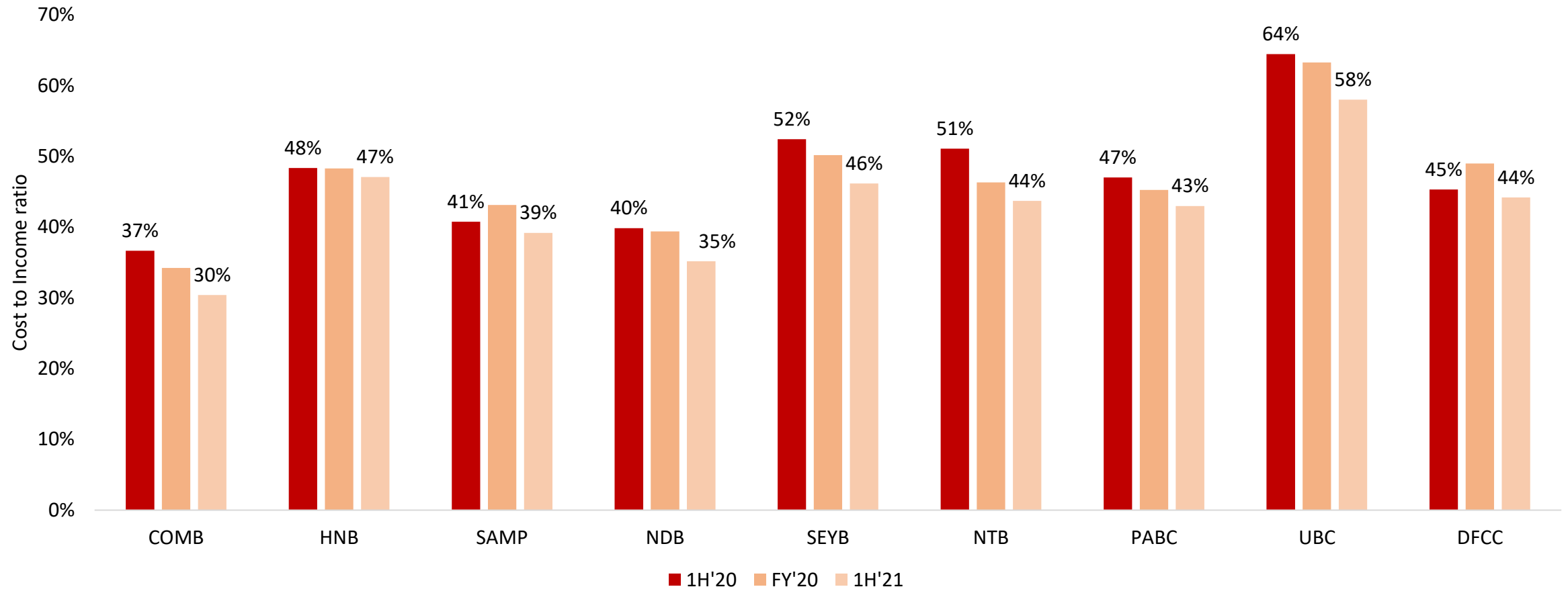
Banking sector liquidity and capitalization levels are now much stronger.. Deposit rates could rise slowly, giving enough levy for improved NIMS.



Source: Company reports, NLE Research

Banking sector

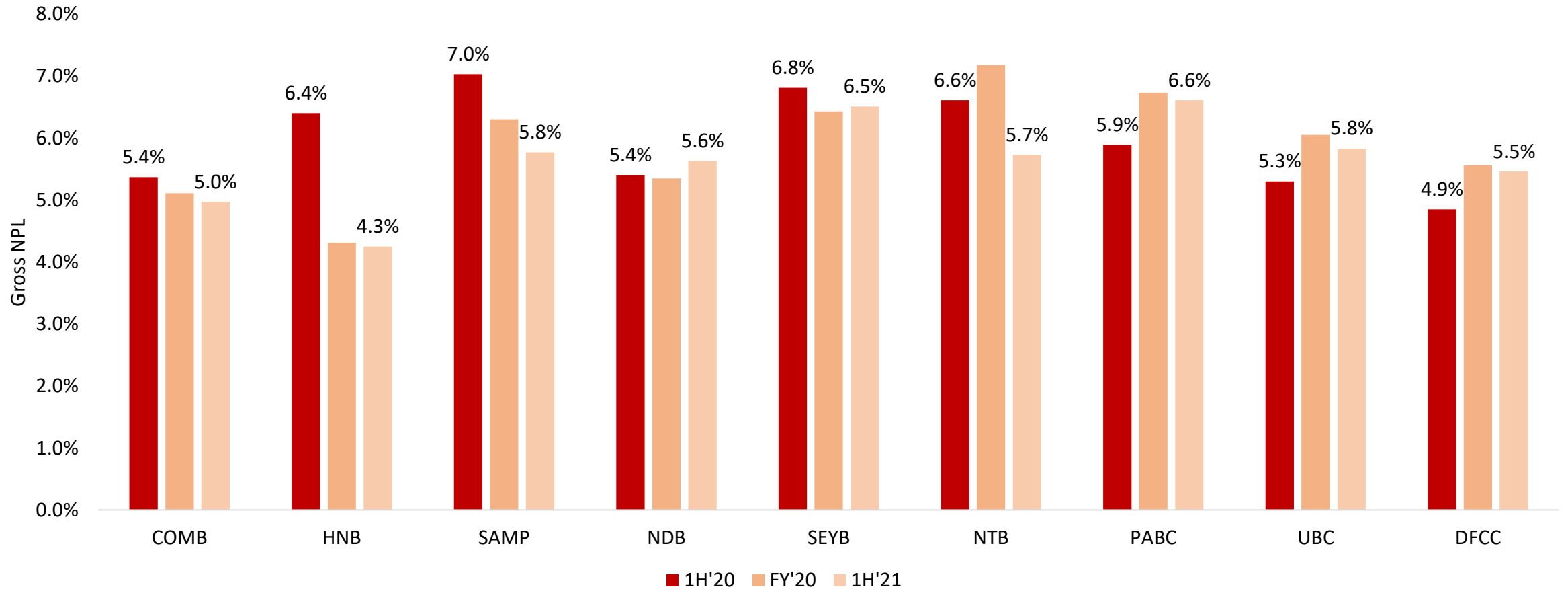
Stringent cost measures and digitalization efforts have push down cost to income ratios



Source: Company reports, NLE Research

Banking sector

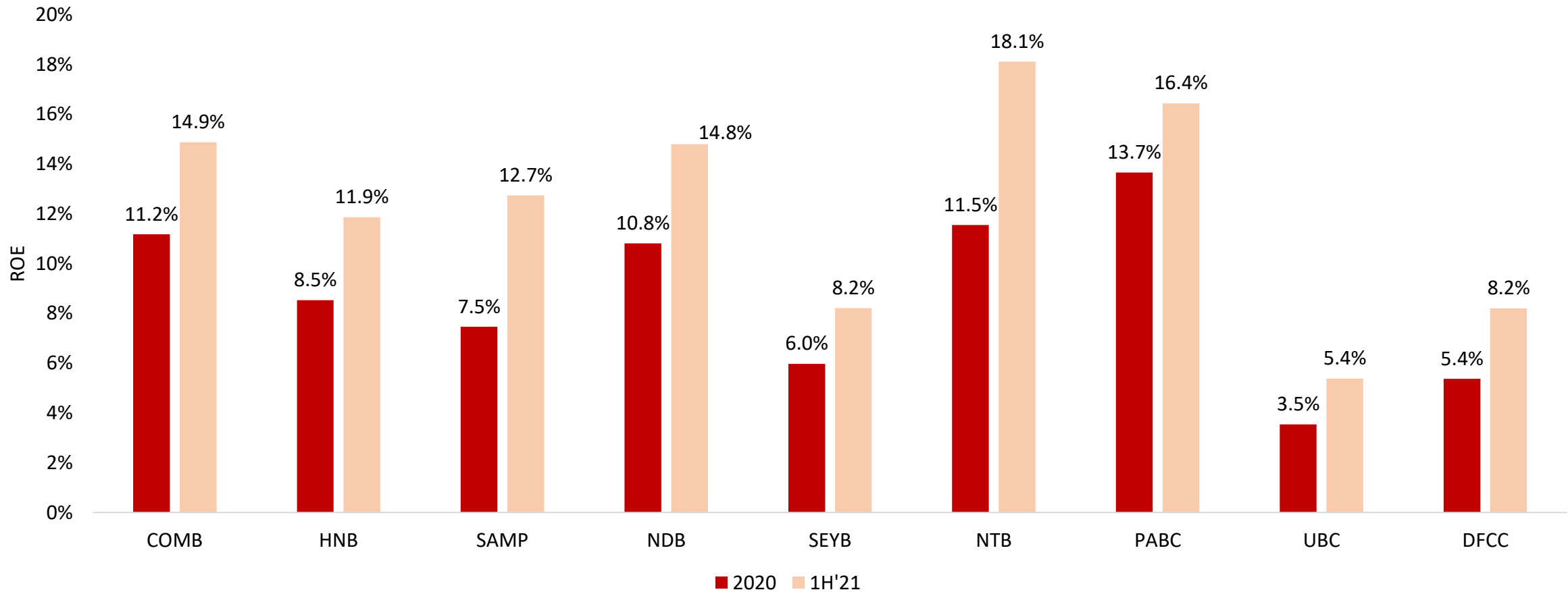
Non performing ratio too improved on the back of moratoriums and steady recoveries. CBSL also pledged to unwind moratoria gradually leaving less burden on asset quality in the future.



Source: Company reports, NLE Research

Banking sector

Sector ROE has also increased steadily. Returns are set to improve further on the back of steady capital base and stronger profits



Note: ROE is annualized

Banking sector - Valuations

Banking sector trades at >2.5x discount to the market, remains an attractive entry point for steady returns.

Counter	Price	PE (X)	TTM Sector PE (X)	TTM Market PE (X)	PBV (X)	Sector PBV (X)	Market PBV (X)
Amana Bank	4.00	17.9			0.72		
Commercial Bank	89.80	4.9			0.64		
Commercial Bank [NV]	79.30	4.3			0.54		
DFCC Bank	63.50	6.4			0.39		
Hatton National Bank	150.75	4.6			0.38		
Hatton National Bank [NV]	143.50	4.3			0.31		
HDFC	34.80	4.4			0.39		
National Development Bank	79.00	4.1	5.05	11.67	0.37	0.54	1.35
Nations Trust Bank	60.40	3.1			0.49		
Nations Trust Bank [NV]	65.70	3.3			0.38		
Pan Asia Bank	17.90	3.2			0.42		
Sampath Bank	57.30	5.5			0.40		
Sanasa Development Bank	53.50	9.0			0.45		
Seylan Bank	48.50	7.3			0.31		
Seylan Bank [NV]	39.00	5.9			0.68		
Union Bank	12.50	17.6					

Source: CSE, NLE Research, Prices as at 06.10.2021

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