BOC Closes The Quarter As The Industry Leader



Kanchana Ratwatte, Chairman, BOC.



K E D. Sumanasiri, General Manager, BOC.

“In a year marked by challenging operating conditions, Bank of Ceylon reiterated its position as the undisputed market leader in Sri Lanka’s banking sector, demonstrating its unparalleled ability to truly support its customers and the overall economy in trying times. Preserving its market leadership, Bank of Ceylon has delivered unrivaled performance during the nine months ended 30 September 2021 while surpassing 3.5 trillion rupees in its assets base.

According to the published financials for the nine months ended 30 September 2021, the Bank has reported 35.6 billion rupees Profit Before Tax (PBT). It is two times that of the corresponding period of the previous year, demonstrating its strength, agility, and strategic approach to survive amid unforeseen headwinds created by the pandemic hit economy. Profit is mostly attributed to loan growth, continuous credit monitoring efforts, and prudent cost management practices adopted during 2021, as commented by the BOC officials. The banking sector was equally reaping the benefits of the low-interest rate regime as customers. Despite the continuous weakening of the portfolio quality stemmed as a drill-down effect of the underperforming economy resulting from the pandemic, the Bank’s Statement

of Profit and Loss shows an increase in its fund-based and fee-based income during the year.

Loan book growth emerged due to demand created by the low-interest rate regime. The Bank's effort in continuously fueling the affected and priority sectors in the economy, despite their temporary setbacks, resulted in a 13 percent surge in interest income, reaching 189.4 billion rupees as of the end of September 2021. Significant growth has been reported from overdrafts, term loans, and personal loans. Further, interest expenses have declined by six percent to 107.7 billion rupees, in line with the increase in CASA ratio to 35 percent from 33 percent (3Q-2020) and repricing the deposits at lower rates. The two-way movement in interest income and interest expenses has positively contributed to the Net Interest Income (NII) of the Bank. NII has reported a growth of 56% up to 81.7 billion rupees over that of 3Q-2020. Impressive 53% growth, reported in Non-fund-based income, was mainly supported by commission income and exchange income. Business activities returning to normalcy under the new post-Covid-19 norms have positively contributed to the Bank's fee and commission income growth. The transaction-related fee and commission income constituting 65% of the fee and commission income has been the key driver for an increased fee and commission income.

Despite the drop reported in NPA ratio to 4.5 percent against 5.0 percent reported at the corresponding period of the year 2020, impairment charge for loans and advances for the period amounted to 28.3 billion rupees, increasing the loan to impairment provision reserve ratio up to six percent according to BOC's published financials for the 3Q-2021. Given the high degree of uncertainty and extraordinary circumstances in the short-term economic environment mainly caused by the continuous disruptions to businesses, the Bank's continuous adoption of prudential approach in provisioning became the major contributive factor to the increase in impairment, said Russel Fonseka, Additional General Manager/CFO, BOC. "The Bank made additional expected loss provision using management overlays on identified risk elevated industries by adjusting the economic factor reasonably and adequately enough to cover unseen risk factors in the uncertain and highly volatile environment that the pandemic has created", he further stated.

The operating expenses of 28.7 billion rupees consist of personnel costs, assets maintenance, deposit insurance, and other overhead expenses. The Bank's cost to income ratio of 30 percent signifies the prudent and effective cost management mechanism adopted by the Bank.

During the period, the Bank’s total assets show a growth of 20 percent, reaching up to 3.6 trillion rupees preserving its industry leadership. Asset growth was mainly supported by loans and investment books, which denotes about 93 percent of the assets of the Bank. The Bank’s gross loan book surpassed the 2.0 trillion rupees mark during 2020 and now stands at 2.6 trillion rupees reporting 23 percent growth under concern mainly backed by growth in overdrafts, term loans, and personal loans.

The Bank’s deposit base during the year has increased up to 2.8 trillion rupees. The current and Saving deposit (CASA) base, which generates low-cost funds, represents 35% of the deposit base. The Bank’s Tier I Capital and Total Capital ratio stood at 11.7 percent and 15.0 percent, respectively, as of the end of September 2021, which were above the regulatory norms. Although cash flow deferments in loan installments are experienced widely across the industry, the Bank has maintained a better trade-off between the liquid assets and its liabilities. All liquidity ratios were kept well up.

Though having to operate in the face of many headwinds, the Bank of Ceylon continues to be recognized locally and internationally by being a highly awarded local bank and being placed in the Top 1000 Banks listed by the Banker Magazine UK consecutively for many years now, including 2021.

Furthermore, the Ceylon Chamber of Commerce recognized the Bank of Ceylon’s approach for sustainable business by adjudging the Bank for the top 10 Corporates at the “Best Corporate Citizen Sustainability Awards 2020” once again for the 3rd consecutive year. Also, the Bank continued to be ranked as the most valuable Banking Brand for many consecutive years by Brand Finance Lanka, increasing its Brand Value up to 53.9 billion rupees, which is a 13 percent growth over the previous year. Fitch Ratings (SL) has assigned the credit rating of AA- (lka) to the Bank of Ceylon and reaffirmed the same in July 2021.

“The Bank continues to support the entire nation with more than 2,000 touchpoints across the island. Our service is extended to all segments of society irrespective of their economic standing. During the pandemic, the Bank committed to ensuring the business continuity and revival through various means such as granting moratoriums and working capital loans to affected businesses and focusing more on business revival instead of hard recovery actions,” stated Ratwatte, the Chairman of the Bank of Ceylon.

“The Bank’s approach on service delivery has now reached more towards digital and virtual delivery channels. A greater surge was experienced in the customer adoption of those channels during the pandemic. The Bank was ready with the required infrastructure to cater to this growing demand, increasing the Bank’s digital and virtual transactions. During the period, the Bank’s ATM, CDM, and CRM network have expanded by 43 more machines facilitating the growing demand for digital channels,” stated K E D Sumanasiri, General Manager, Bank of Ceylon.

“Albeit, subdued economic conditions getting advantages from the new trends emerging by the post-Covid-19 environment, the Bank will focus more on expanding its digital and virtual delivery services and will continue to thrive the country’s economic landscape into a new era with more strength and efficiency. The Bank is optimistic and is looking for economic revival and stability in future, provided successful vaccination drive coupled with strict adherence to health guidelines implemented”, further stated Ratwatte, speaking about the way forward and expectations of the Bank.