

# Com Bank Posts Steady Results

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Dharma Dheerasinghe Chairman,  
Commercial Bank.



S Renganathan, Managing Director,  
Commercial Bank.

Gains from government securities, foreign exchange swap trading and FX trading activities have enabled the Commercial Bank of Ceylon Group to mitigate to some extent the severity of the impacts of the COVID-19 pandemic on profits in a period of reduced interest income and substantially higher impairment provisioning compared to the corresponding quarter of the last year. The Group has reported total operating income of 55.818 billion rupees for the nine months ending September 30, 2020, achieving a growth of 11.84 percent mainly by more than doubling other income for the period from 5.804 billion rupees to 12.262 billion rupees, even though net interest income, the largest component, only improved by a marginal 1.02 percent to 36.796 billion rupees. With interest rates coming down, the Group was able to reduce interest expenses by 7.70 percent to 56.240 billion rupees in a period when interest income declined by 4.44 percent to 93.035 billion rupees, mainly due to modification losses on interest concessions granted as pandemic relief to borrowers. Consequently, the achievement of a 1.02 percent improvement in net interest income at the end of nine months is noteworthy, considering that net interest income had declined by 5.71 percent at the end of the first half of the year. The turnaround was made possible by a 14.26 percent increase in net interest income in the third quarter alone. "Banks, like all other businesses, have to roll with the punches dealt by the global pandemic, and our nine months reflect just that," stated Dharma Dheerasinghe Chairman, Commercial Bank. "While the core banking dynamic of lending versus deposits is directly impacted, astute management of

investments, trading, services and other revenue generating activities ensures that although profits are affected, the Bank remains financially strong and stable and able to navigate the external adversities.” S Renganathan, Managing Director, Commercial Bank disclosed that the Group’s efforts to manage costs had resulted in total operating expenses for the nine months growing by just 2.52 percent to 19.633 billion rupees. Net operating income had declined by 5.50 percent to 39.085 billion rupees largely due to provisions for impairment and other losses being increased by 95.83 percent YoY to 16.733 billion rupees for the nine months reviewed, he said. “We have made additional provisions for tourism sector exposures, which were identified as more vulnerable to the effects of the COVID-19 pandemic,” Renganathan said, adding that “We believe however, that Commercial Bank is better positioned than most to take the challenges of the times in its stride due to its diversified assets structure.” Renganathan pointed out that the Central Bank of Sri Lanka had announced another pandemic-linked moratorium for borrowers after the Bank’s nine-month accounts were finalised. As the impact of these additional concessions is yet to be known, it would be brought to the financial statements of the final quarter. The impact of higher impairment charges and pandemic-linked concessions already granted to borrowers resulted in the Group’s operating profit before taxes on financial services for the nine months reducing by 12.42 percent to 19.452 billion rupees. Profit before income tax recorded a decline of 2.10 percent over the corresponding period to total 16.394 billion rupees. The Group’s income tax charge for the period, at 5.219 billion rupees, was marginally down by 0.15 percent while net profit at 11.175 billion rupees for the nine months reviewed, reflected a reduction of 2.98 percent. Taken separately, Commercial Bank of Ceylon reported a profit before tax of 15.566 billion rupees for the nine months, a decline of 4.43 percent and profit after tax of 10.595 billion rupees, a reduction of 5.60 percent. Total assets grew by 254.143 billion rupees or 18.04 percent since December 31, 2019 to 1.663 trillion rupees as at September 30, 2020. Asset growth over the preceding 12 months was 292.730 billion rupees or 21.36 percent YoY. Total deposits of the Group recorded a noteworthy growth of 152.774 billion rupees or 14.29 percent over the nine months at a monthly average of 16.975 billion rupees to stand at 1.222 trillion rupees as at September 30, 2020. Deposit growth of the Group since September 30, 2019 was 174.619 billion rupees or 16.68 percent at a monthly average of 14.551 billion rupees.