

Justice K Sripavan, Chairman, Com-



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ComBank Notches Third One Trillion Rupees Mark In Balance Sheet In Dynamic Q2



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A strong second quarter, during which its loan book crossed the milestone of one trillion rupees, another first by a local private bank, has generated impressive growth in key indicators for the Commercial Bank of Ceylon Group for the six months ended June 30, 2021.

Comprising of Sri Lanka's largest private sector bank, its subsidiaries, and an associate, the Group reported gross income of 79.931 billion rupees for the period, reflecting a growth of 6.34 percent over the corresponding six months of 2020 and an improvement of 11.23 percent in the second quarter of 2021.

The Group converted the first quarter's negative growth of two percent in interest income to an improvement of nine percent in the second quarter, to end the first half of 2021 with interest income of 63.355 billion rupees, which was an increase of 3.2 percent over the first half of last year. With interest expenses for the six months down 16.65 percent to 32.197 billion rupees, the Group posted a net interest income of 31.158 billion rupees for the period under review, achieving a growth of 36.86 percent and 57.06 percent respectively for the six months and the second quarter.

"An increase in operating income from the growth in lending, an improvement in net fees and commission income and significant gains in some of the components of other income was partly offset by a substantial growth in impairment charges in the six months reviewed, but we are pleased with the overall results because we have built on the momentum of the first quarter and improved many of the core ratios and key performance indicators," Justice K. Sripavan, Chairman, Commercial Bank commented.

S Renganathan, Managing Director, Commercial Bank elaborated that the Bank's CASA ratio had improved to 45.37 percent from 42.72 percent at the end of 2020 and 40.79 percent at June 2020. "We have also sustained steady improvements in capital adequacy ratios, nonperforming loan ratios, provision cover, and interest margins while grappling with the challenges posed by the global pandemic. We extended our fullest support for implementing Government initiatives to minimize the impact of COVID-19 on businesses and the community and stabilize the economy. This included providing relief to borrowers and participating in the 'Saubhagya' loan scheme in addition to implementing the Bank's concessionary lending schemes," he said. "We believe we now have a blueprint for achieving well-balanced growth in adverse conditions that will be of value in the years ahead."

“We are particularly encouraged to see our loan book surpass one trillion rupees, making Commercial Bank the first private sector bank in Sri Lanka to have three key balance sheet indicators that exceed one trillion rupees. Our assets crossed this threshold in 2016 while deposits achieved it in 2019,” Renganathan added.

Total operating income of the Group for the six months grew by 30.78 percent to 46.344 billion rupees, while impairment charges and provisions for other losses rose by 47.44 percent to 13.654 billion rupees consequent to a management decision to make provisions on a prudent basis, for exposures to identified riskelevated industries.

As a result, net operating income grew by 24.88 percent to 32.690 billion rupees. Still, with operating expenses being restricted to 14.079 billion rupees, an increase of 8.42 percent, the Group posted an operating profit of 18.611 billion rupees before VAT on financial services for the six months, reflecting robust growth of 41.09 percent over the corresponding six months of the previous year. VAT on financial services increased by 37.82 percent to 2.857 billion rupees resulting in the Group achieving profit before income tax of 15.754 billion rupees for the first half of 2021, an improvement of 41.71 percent over the corresponding six months of 2020.

Income tax for the period under review amounted to 3.400 billion rupees, down 7.33 percent due to a reversal of excess in provisions for income tax made in 2020. This was due to the Bank’s provisions for income tax being computed at 28 percent on the basis that the 24 percent rate proposed in the last government budget to be effective from January 1, 2020, had not been enacted. The excess provision was reversed during the first quarter of 2021 as advised by the CA Sri Lanka.

Consequently, the Commercial Bank Group posted a profit after tax of 12.354 billion rupees for the six months, recording a 65.87 percent growth in the second quarter alone, amounting to 52.93 percent. Taken separately, the Commercial Bank of Ceylon reported profit before tax of 15.420 billion rupees for the period, a growth of 47.61 percent, and profit after tax of 12.134 billion rupees, an improvement of 74.31 percent. Total assets of the Group grew by 172 billion rupees or 9.77 percent over the six months to 1.935 trillion rupees as of June 30, 2021. Asset growth over the preceding 12 months was 368 billion rupees or 23.49 percent YoY.

Gross loans and advances increased by 72.164 billion rupees or 7.50 percent to 1.034 trillion rupees, recording a monthly average growth of 12 billion rupees over the six months. The growth of the loan book over the preceding year was 9.82

percent.

Total deposits of the Group recorded an impressive growth of 118 billion or 9.20 percent in the six months reviewed at a monthly average of 19.7 billion rupees to 1.405 trillion rupees as of June 30, 2021. Over the preceding 12 months, deposit growth was 250 billion rupees or 21.63 percent at a monthly average of 20.8 billion rupees.

Elaborating on the highlights of its income performance for the six months, the Bank said net fee and commission income grew by 39.74 percent to 5.712 billion rupees. The second quarter alone achieved a growth of 63.90 percent. Other income (comprising net gains/ losses from trading, net gains/ losses from de-recognition of financial assets, and net other operating income) grew by 10.39 percent to 9.474 billion rupees, with the comparatively lower percentage attributed to the higher gains of 2020 from the sale of bonds.

In other key indicators, the Bank's Tier 1 Capital Adequacy Ratio (CAR) stood at 13.519 percent as of June 30, 2021, and its Total Capital Ratio at 16.880 percent, both comfortably above the revised minimum requirements of 9 percent and 13 percent, respectively imposed by the regulator consequent to the COVID-19 pandemic.

The Bank's gross non-performing loans (NPL) ratio improved to 4.97 percent from 5.11 percent at the end of 2020 and 5.37 percent a year previously, while its net NPL ratio improved to 1.97 percent from 2.18 percent as of December 31, 2020, and 3.19 percent as at June 30, 2020. As a result, provision cover based on regulatory requirements improved to 60.37 percent at the end of the reviewed six months, from 57.42 percent at the end of 2020 and 40.63 percent a year previously.

The Bank's interest margin also improved to 3.36 percent from 3.17 percent from 2020 to 3.04 percent for the first half of the previous year. Return on assets (before taxes) and return on equity stood at 1.71 percent and 15.16 percent respectively for the six months ended June 30, 2021, compared to 1.51 percent and 11.28 percent for 2020 and 1.43 percent and 10.21 percent for the first half of 2020.

The Bank improved its cost to income ratio, including VAT on financial services, to 36.38 percent from 39.96 percent at the end of 2020 and 42.51 percent a year. The cost to income ratio excluding VAT on financial services improved similarly, from

36.54 percent a year ago to 33.95 percent on December 31, 2020, and 30.09 percent at the end of the six months under review.

Comprising of Sri Lanka’s largest private sector bank, its subsidiaries, and an associate, the Group reported gross income of 79.931 billion rupees for the period, reflecting a growth of 6.34 percent over the corresponding six months of 2020 and an improvement of 11.23 percent in the second quarter of 2021.