

# ComBank Records Top Line Growth



*Dharma Dheerasinghe, Chairman,  
ComBank.*



*S Renganathan, MD, ComBank.*

Comprising of Commercial Bank, its subsidiaries and associates, the Group saw its assets grow by 11.19 percent over the six months to cross the milestone 1.5 trillion rupees mark in the second quarter of the year, and gross income improve by 2.15 percent to 75.167 billion rupees in the review period.

Interest income declined by five percent to 61.393 billion rupees for the six months ending as June 30, 2020 and by 11.05 percent in the second quarter. It was mainly due to recognition of a day one /modification loss on interest concessions offered to customers affected by the COVID-19 pandemic under the special concessions mandated by the Central Bank and the bank's own concessionary payment schemes, net interest income for the period reviewed reduced by 5.71 percent to 22.767 billion rupees and by 16.98 percent to 9.984 billion rupees in the second quarter, adding pressure on net interest margins, the bank disclosed in a filing with the Colombo Stock Exchange.

“The ups and downs reflected in our six-month results are symptomatic of the combination of factors that were in play, the pre-pandemic slowing down of business and the consequent rise in impairment charges, and many concessions,

voluntary as well as regulator-mandated, that the bank had to provide in support of customers affected by the impacts of COVID-19,” said Dharma Dheerasinghe, Chairman of Commercial Bank. “There were also other gains in some areas that helped cushion the negative impacts to some extent. We believe this is all par for the course.”

S Renganathan, Managing Director, Commercial Bank elaborated that although total operating income had increased by 10.34 percent to 35.437 billion rupees in the review period, impairment charges and other losses had increased by 67.56 percent to 9.261 billion rupees for the six months. The increase in provisions was due to the higher credit risk on account of facilities under moratorium, additional collective impairment provisions made under stressed scenarios for certain identified industries and a decision to apply increased weightages for the worst case scenario when assessing the probability-weighted forward looking macro-economic indicators and Loss Given Defaults with the objective of capturing the impact of COVID-19 on the Expected Credit Loss computation as at June 30, 2020. This resulted in net operating income reducing by 1.56 percent to 26.176 billion rupees. “Banking has become a balancing act more than ever before, with different indicators contributing to a see-saw effect,” he explained.

Commercial Bank contained operating expenses for the six months to 12.986 billion rupees, a growth of 2.72 percent over the corresponding period of 2019, enabling it to post an operating profit of 13.191 billion rupees before taxes on financial services, which reflected a reduction of 5.44 percent, S Renganathan disclosed. “We believe this is a creditable achievement in the context of the conditions that prevailed.”

Income tax expenses reduced by a marginal 0.24 percent to 3.669 billion rupees due to the tax concessions on the bank’s Sri Lanka Development Bonds portfolio that were not available in the corresponding period of last year, enabling the group to report profit after tax of 7.448 billion rupees, a growth of 11.61 percent.

The bank generated a profit before taxes on financial services of 12.511 billion rupees for the six months under review, a decline of 8.17 percent. Mirroring the group trend the bank achieved profit after tax of 6.961 billion rupees, an improvement of 7.65 percent. Total assets grew by 158 billion or 11.19 percent since December 31, 2019 to 1.567 trillion rupees as at June 30, 2020.

Asset growth over the preceding 12 months was 200.568 billion rupees or 14.68 percent YoY. Gross loans and advances grew by 10.829 billion or 1.16 percent since end 2019 to 941.567 billion rupees at the end of the six months reviewed. The growth of the loan book over the preceding year was 52.644 billion rupees reflecting YoY growth of 5.92 percent. Total deposits recorded a growth of 86.237 billion rupees or 8.07 percent over the six months to reach 1.155 trillion rupees as at June 30, 2020, reflecting an average monthly growth of over 14 billion rupees. Deposit growth since June 30, 2019 was 118.069 billion rupees or 11.38 percent at a monthly average of 9.84 billion rupees. The bank's gross NPL ratio increased to 5.37 percent from 4.95 percent at end 2019 while its net NPL ratio increased to 3.19 percent from three percent.