

BOC Concludes 2021 With Unprecedented Value Creation For All Stakeholders



Kanchana Ratwatte, Chairman of Bank of Ceylon.



K E D Sumanasiri, General Manager and CEO of Bank of Ceylon.

As the largest Bank in the country, the contribution of the Bank of Ceylon in functionalizing the initiatives taken by the Central Bank of Sri Lanka in stabilizing the country's macroeconomic fundamentals is commended universally.

Kanchana Ratwatte, Chairman of Bank of Ceylon, stated, "During this difficult situation, the Bank of Ceylon stamped its class by continuing to play the role of being Bankers to the Nation and supported the nation to deliver its mandate of uplifting the COVID-19 hit economy. Banking services were made available even during lockdowns without compromising customer needs. The digital delivery channels were enhanced to cater to the unprecedented demand and the greater customer adoption rates to digital platforms. We continue to stand by our valued customers, and our priority was assisting them in all possible ways in order to recover and support the country's economy with more energy."

Further commenting on the Bank's services on the post-COVID-19 recovery, he stated, "The Bank tirelessly worked on ensuring that maximum benefits of the CBSL announced moratoria were being transferred to customers with least possible time lags. The Bank's own concession schemes were also offered to customers. At the same time, more focus was given on uplifting the SME sector through continuous engagement and giving them the much-needed business acumen and our role of financing. Moreover, as the largest Bank in the country, the Bank's leading role in ensuring a stable supply of essential import commodities such as fuel, food, vaccines, medical supplies are also noteworthy".

K E D Sumanasiri, General Manager and CEO, Bank of Ceylon, stated that the Bank could reiterate its position as the undisputed market leader in Sri Lanka's banking sector. It demonstrates its unparalleled ability to truly support its customers and the overall economy in trying times. Demonstrating its strength, agility, and strategic approach in succeeding amid challenges, the Bank was able to show a notable increase in both its fund-based and fee-based income during the year. It recorded 43.2 billion rupees of Profit Before Tax, regardless of headwinds created by market interest rates fluctuations and stressed portfolio quality emanating from Covid-19 related economic impacts. This is a remarkable achievement for the Bank as it denotes the Bank's strength in converting challenges into opportunities. "Further, the Bank's asset book surpassed 3.0 trillion rupees during the year surpassing another milestone in our journey," he mentioned.

Mainly, due to loan growth and continuous credit monitoring efforts during 2021, the Bank reported 260.5 billion rupees interest income. The benefits of the remarkable loan growth achieved in the previous year materialized this year, generating an interest income of 193.1 billion rupees through loans and advances, which is 74 percent of the total interest income. The main contributive portfolios were overdraft, term loans, and personal loans. The Debt instruments, which mainly comprise Government Treasury Bills, Bonds, and other Foreign Currency Sovereign Bonds, brought the major portion of interest income earned from the investment portfolio, which stood at 65.7 billion rupees. In the meantime, interest expenses declined by two percent to 149.3 billion rupees in line with the improvement in the CASA ratio to 36 percent from 35 percent (2020) and repricing the deposits at lower rates. The inverse movement in interest income and interest expense positively contributed to Net Interest Income (NII) of the Bank, and NII increased by 49 percent to 111.3 billion rupees YoY.

Non-fund-based income grew by 42 percent YoY basis, and the main contributors were fee and commission income and exchange income. Fee and Commission income has shown a sizable growth owing to a flourishing trend reported towards digital banking channels. Suitably, transactional banking-related fee and commission income has formed a significant portion of fee and commission income, reporting 69 percent of the fee and commission income. An exchange gain of 9.2 billion rupees was also reported during the period under review.

Impairment charges for loans and advances for the period amounted to 35.4 billion rupees bringing the loan to impairment provision reserve ratio to six percent. NPA ratio stood at 4.5 percent against 4.8 percent reported by end of 2020. Nevertheless, in calculating the impairment charge, the Bank always follows a prudential approach, given the high degree of uncertainty and extraordinary circumstances in the short-term economic conditions mainly caused by the continuous disruptions to businesses.

The Bank made an additional expected loss provision using management overlays on identified risk elevated industries. The Bank has considerable exposure to investments in foreign currency denominated sovereign instruments by way of Sri Lanka Development Bonds and International Sovereign Bonds. As per the regulatory and Accounting Standards requirements, a significant provision amounting to 8.3 billion rupees was made for investments in instruments mentioned above, accounting for the impact of a sovereign downgrade.

The operating expenses of 41.7 billion rupees consist of personnel costs, assets maintenance, deposit insurance, and other overhead expenses. The increment of 26 percent by 8.6 billion rupees was reported in operating expenses in line with the increase in personnel expenses. VAT on financial services, which is charged based on the value addition made by the financial services, has a direct relationship to the growth in PBT. That's being the case, the growth of 80 percent reported in operating profits, the VAT on financial services also increased to 9.0 billion rupees with the 65 percent YoY growth.

Although the income tax expenses reported in the Income statement is 5.6 billion rupees after the adjustments made for deferred tax, the total income tax payment that will be paid for the year of assessment accounts for 10.3 billion rupees.

During the period, the Bank's total assets grew by 27 percent and reached 3.8 trillion rupees, preserving its industry leadership. The key contributive factor is growth in loans and the investment book, 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 a 22 percent growth during the period under concern mainly backed by growth in overdrafts, term loans, and personal loans.

The lending to the private sector grew by nine percent during the year, and the Bank continued to extend its support towards business revival. Focusing more on maintaining the portfolio quality and to address nonperforming facilities being transferred to hardcore facilities, the Bank set up a Business Revival unit. The Bank maintains adequate coverage for the expected losses, and the provision reserve built so far covers six percent of the total loan book for expected losses.

During the year, the Bank's deposit base has increased to 2.9 trillion rupees with a 16 percent YoY growth, and 77 percent of the Deposit base comprises local currency deposits. The Balance of 21 percent, which denotes foreign currency deposits, stood at 613.2 billion rupees as of the end of 2021. BoC is the market leader in foreign currency remittances, and during this year, the foreign currency deposit base grew by 10 percent. The current and Saving deposit (CASA) base, which generates funds at low cost, represents 36 percent.