

# Seylan Records Growth



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In the backdrop of an extremely challenging environment, Seylan Bank recorded a Profit After Tax (PAT) of three billion rupees for the year ended December 31, 2020.

Interest Income of the Bank stood at 52.3 billion rupees while interest expenses stood at 32.8 billion rupees reflecting a Net Interest Income (NII) of 19.5 billion rupees with an annual growth of 4.6 percent in the year under review. The main contributor for NII was the loans and advances portfolio that generated interest income of 41.7 billion rupees during the year whilst the treasury operations generated 8.5 billion rupees in interest income.

Interest expenses on deposits stood at 27.8 billion rupees recording a decline from 30.7 billion rupees from the previous year. Deposits that were repriced during the year helped the Bank to reduce its funding cost. Net Interest Margin (NIM) of the Bank declined to 3.95 percent against 4.20 percent reported in FY2019, as the loan book repriced at a faster rate than the deposits. This also offset the positive impact from the growth in low cost deposits. Net Fee and Commission Income reduced to 3.7 billion rupees from 4.2 billion rupees, recording a YoY contraction of 11.89 percent. The reduction was mainly due to the lower volume of foreign trade related

activities and banking operations by businesses retailers. Total Operating Income growth of 4.36 percent predominantly aided by treasury trading activities, which improved from a loss of 497 million rupees in 2019 to a gain of 348 million rupees in FY 2020. Further, net gains reported from de-recognition of financial assets increased to 782 million rupees from 320 million rupees from FY2019 sustained the operating income growth and other operating income reduced by 600 million mainly due to contraction of trade-related activities during the year. Bank recorded an impairment charge of 6.9 billion rupees against 3.9 billion rupees reported in 2019 with a growth of 80 percent. Impairment charges for Stage III advances increased from 3.9 billion rupees to 5.7 billion rupees during the year due to the impact of COVID-19 pandemic on businesses. Further, businesses that were identified as risk elevated industries too contributed to the increase in impairment. Impairment on Stage I and II also grew from 103 million rupees to 628 million rupees and reversal of 246 million rupees to charge of 359 billion rupees respectively. Simultaneously, Impairment on other financial instruments and assets also went up by 290 million, mainly due to downgrading of the credit rating attributed to foreign currency bond holdings. The overall impairment improved the provision cover ratio to 43.68 percent as of December 31, 2020. Total Operating Expenses of the Bank slightly increased by 1.40 percent compared to FY2019. Establishment expenses reduced marginally from six billion rupees recorded in FY2019 to 5.9 billion rupees in FY2020. This was mainly driven by selective investments made on prioritized projects and cost containment initiatives adopted during the year. The Bank continuous commitment to improve processes and workflows via business process reengineering, automating repetitive tasks, and improving digitizing systems and channels together with ongoing cost-saving initiatives contributed to this reduction.

The Bank's Cost to Income ratio, which stood at 50.3 percent as at the end of 2020 has decreased when compared to FY2019. VAT on Financial Services reduced by 5.73 percent in align to the Bank's performance despite the increase in personnel cost by 4.82 percent. The Nation Building Tax (NBT) and the Debt Repayment Levy (DRL) that were in 2019 were abolished during 2019, reflecting a positive change to the income statement. Income tax expenses stood at 1.3 billion rupees, which reduced to 1.1 billion rupees due to subsequent elimination of temporary differences in Deferred Tax.

Overall, the Bank recorded a Profit Before Tax of 4.1 billion rupees against 5.10 billion rupees in FY2019 demonstrating a 19.37 percent decline. Similarly, Profit

After Tax was three billion rupees against 3.6 billion rupees reported in FY2019. This reflected a YoY reduction of 18.19 percent. Bank achieved 557 billion rupees total assets as of December 31, 2020, a 8.02 percent growth compared to the December 31, 2019. Overall, the Bank's gross loans grew by 19.3 billion rupees, recording a five percent growth compared to December 2019 to stand at 409.3 billion rupees as at December 2020. Disbursement of loans under the Saubagya Scheme to help the pandemic affected businesses was a key focus and accounted for a significant component of the new loans disbursed. Managing asset quality in the prevailing economic climate was a key challenge, as this had to be accomplished while assisting customers to sustain their businesses amidst the unprecedented negative impact of the pandemic on businesses.

The difficult external factors contributed to a deterioration of the portfolio quality with the Gross NPL ratio increasing to 6.43 percent from 5.76 percent in 2019.

Total deposit base grew by 39.6 billion rupees to 440.3 billion, a 9.87 percent increase compared to the previous year mainly delivered by the internal campaign "Heroes of Heart" launched in 2020. The Bank's CASA base grew to 145.4 billion rupees, achieving a notable growth of 28 percent, which improved the CASA ratio to 33 percent as of December 2020.

The Bank maintains a sound capital adequacy ratio despite the growth of the risk weighted assets. Bank's Common Equity Tier 1 (CET 1) Capital Ratio & Total Tier 1 Capital Ratio recorded as 11.46 percent and Total Capital Ratio recorded 14.30 percent as at December 2020. Bank maintained its liquidity position above the required minimum ratios, during year under review. The Statutory Liquid Asset Ratio for the Domestic Banking Unit and the Foreign Banking Unit were maintained at 31.31 percent and 22.47 percent respectively as of December 2020. The Return on Equity stood at 6.43 percent for the year under review, compared to 9.29 percent recorded in 2019. Return on Average Assets recorded as 0.56 percent in 2020. Earnings per Share in 2020 stood at 5.82 billion rupees, a reduction compared to the 8.70 rupees recorded in the previous financial year, and net assets value of share recorded at 94.71 (Group 98.20 rupees).