

ComBank Group income grows 71% to Rs 280.4 Bn. for the year and 94% to Rs 84.8 Bn. in Q4

Tuesday, February 28, 2023



Chairman Prof. Ananda Jayawardane and Managing Director and CEO Sanath Manatunge.

The Commercial Bank of Ceylon Group ended 2022 with a solid operational performance, having navigated the perfect storm with a series of forward-looking strategies that included making the highest-ever impairment provision in a year in the history of the institution.

In a period of unprecedented macroeconomic variables, the Group comprising of Sri Lanka's biggest private sector bank, its subsidiaries and an associate, saw its assets grow by Rs 516.063 billion or 26.02% to approach Rs 2.5 trillion, gross income grow by 71.31% to Rs 280.387 billion and interest income improve 67.44% to Rs 222.393 billion.

In a filing with the Colombo Stock Exchange (CSE), the Group reported that the value of its loan book had grown by Rs 151.239 billion or 13.81% over the 12 months ending 31st December 2022, assisted by the impact of the sharp depreciation of the Rupee on foreign currency loans and advances. Deposits had increased by Rs 505.103 billion or 34.30%, with the depreciation of the Rupee also accounting for part of the growth.

The Group made a provision of Rs 71.924 billion for impairment charges and other losses, an increase of Rs 46.784 billion or 186.10% over the Rs 25.140 billion provided in respect of 2021.

This resulted in net operating income reducing by 5.47% to Rs 64.712 billion for the 12 months and by 24.90% to Rs 13.147 billion for the fourth quarter, despite the fact that total operating income for the year had improved by a robust Rs 43.038 billion or 45.98% to Rs 136.637 billion. Commercial Bank Chairman Prof. Ananda Jayawardane said the domestic macroeconomic pressures emanating from the country's deteriorating external financing position exerted severe stresses on the foreign currency liquidity and the capital adequacy of banks, making it necessary for managing liquidity to be given priority in the year under review.

Although an increase in the cost of funds is inevitable, all possible steps have been taken to reprice and rebalance financial assets, increase fee-based income and to maintain non-interest costs at acceptable levels, he said.

Commercial Bank Managing Director and CEO Sanath Manatunge disclosed that a substantial portion of the impairment charge is on account of Government Securities denominated in Foreign Currency, in view of Sri Lanka's Sovereign rating downgrade and the debt restructuring programme currently being negotiated by the Government.

In this context, he said the Bank is determined to address issues relating to rebalancing the balance sheet, creating a culture of capital-based decision-making, divisional capital allocation, and aligning systems and processes to ensure a higher level of governance, and cost-effective growth on a priority basis.

According to the Group's financial statements for 2022, despite the heightened challenges of the fourth quarter of the year, gross income for the three months grew by 94.41% to Rs 84.814 billion while interest income improved by 97.14% to Rs 72.136 billion.

Consequently, while net interest income for the full year improved by 27.48% to Rs 84.665 billion, the figure of Rs 21.851 billion for the fourth quarter reflected lower growth of 15.72%, as the full impact of the increased interest rates and the shift from low cost to high cost funds was felt in the final quarter of the year. The Group posted a loss of Rs 3.772 billion in net other operating income due to a net loss of Rs 5.133 billion on revaluation of assets and liabilities in the year under review. The Group's profit before tax of Rs 24.505 billion for the year reflected a drop of 25.65% over 2021. Although the

income tax rate increased to 30% for the second half of 2022, the impact of income tax on the Group's results reduced due to a reversal of the deferred tax computed at 24% for the previous year.

In other key indicators, the Bank's net assets value per share increased by 18.99% to Rs 164.30 from Rs 138.08 as at end 2021.