Commercial Bank of Ceylon PLC

9 Months 2024 Financial Results and Investor Update

Presented at the investor call held on the 25th of November 2024 at 3.00 PM IST
by the Chief Financial Officer and the Head of Investment Banking and Research

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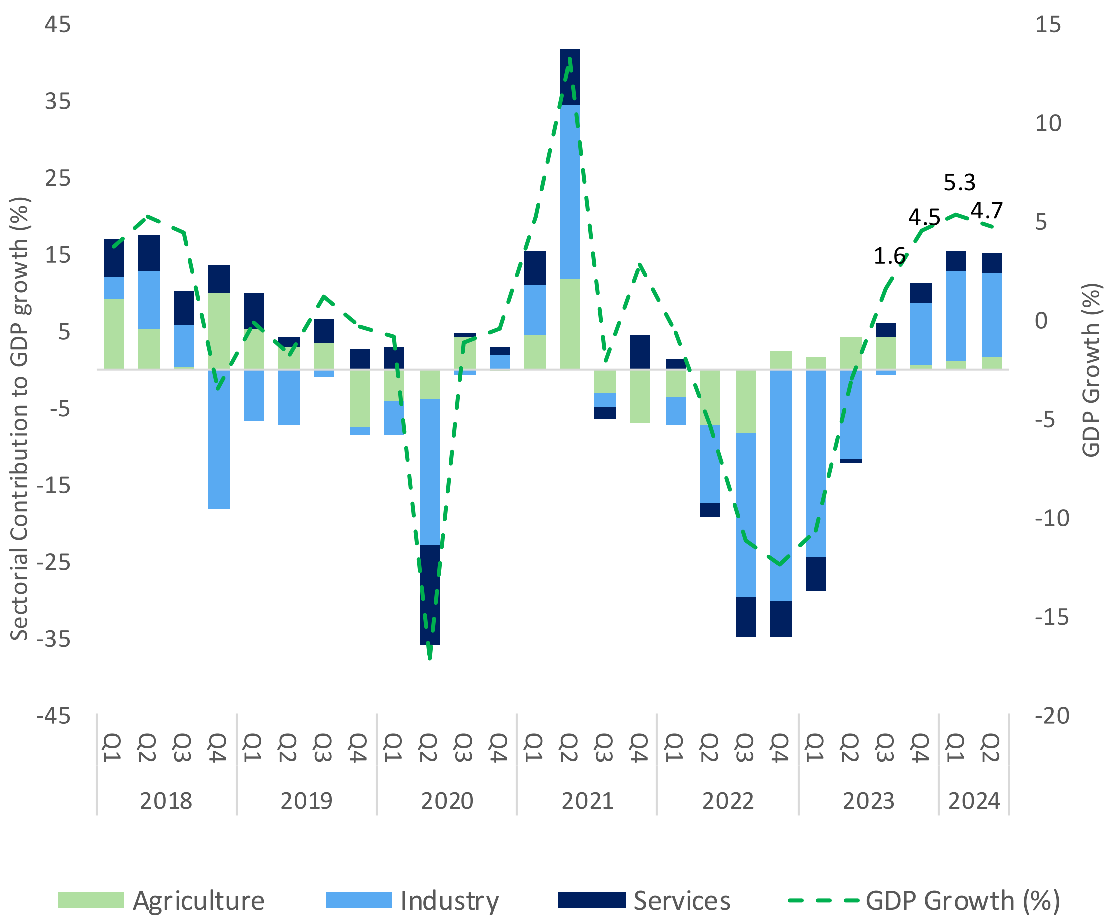
Macro Economic Backdrop

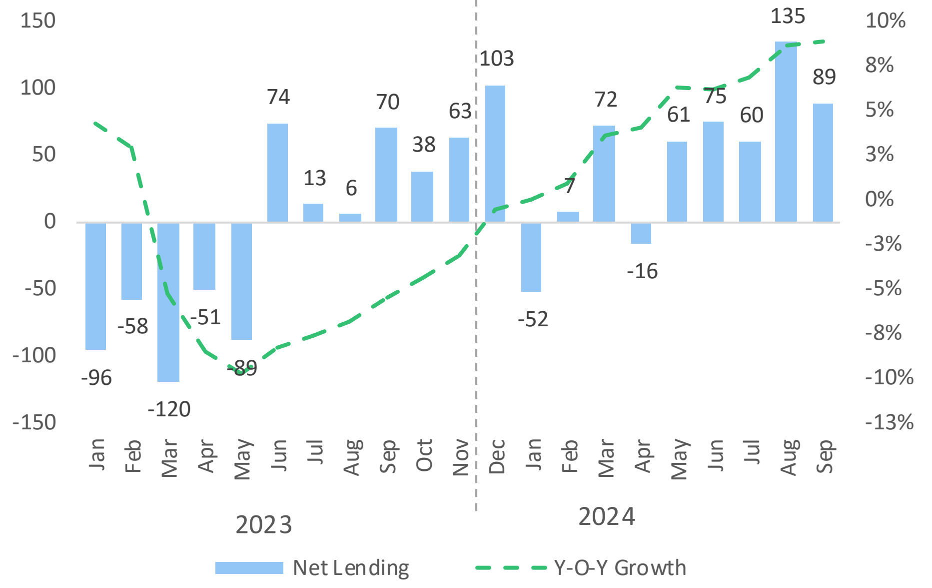
Macro conditions have progressively improved, and trend is expected to continue

GDP growth has picked up, forecasts points to 3+% growth for 2025

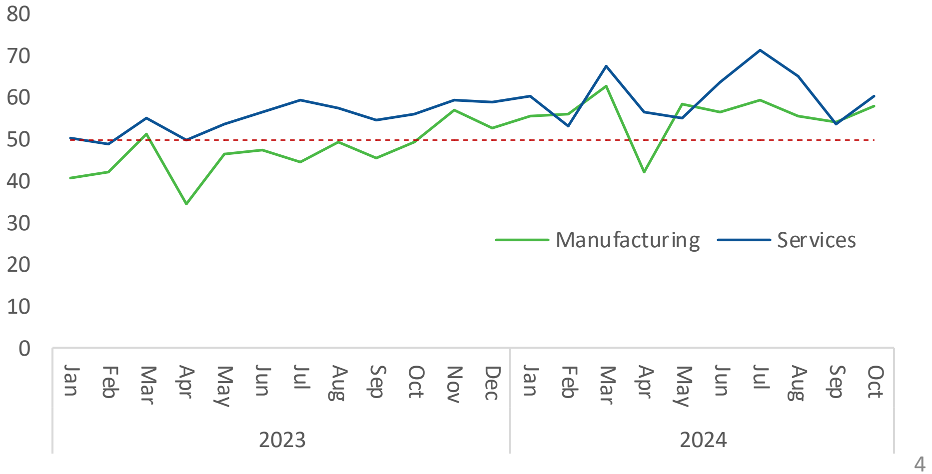


GDP Forecast (%)	2024	2025
World Bank	4.4	3.5
Standard Charted Bank	4.0	3.5
Fitch	3.9	3.6

Credit growth is picking up



PMI points to improving activity

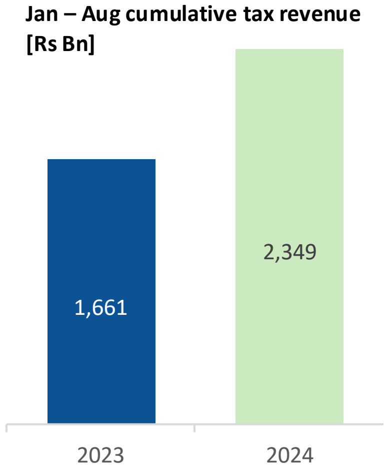


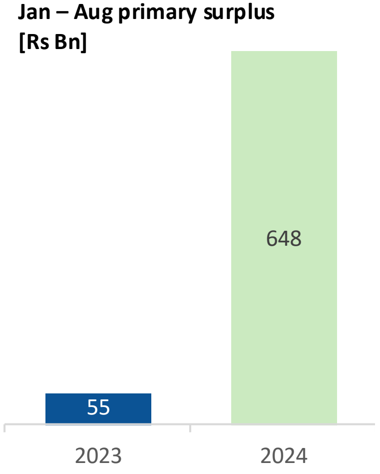
Macro conditions have progressively improved, and trend is expected to continue

Macro

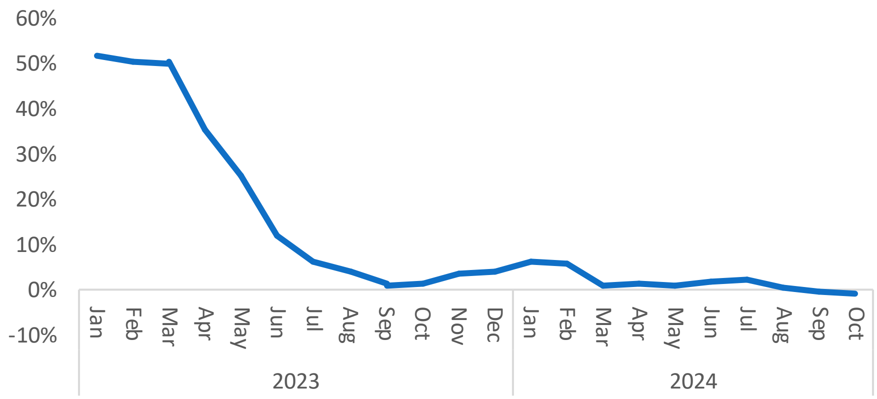
9M Results
Overview
Income
Expenses
Impairments
Balance sheet
Capital
Bangladesh
ROE

Fiscal performance has improved significantly….driven by higher tax revenues



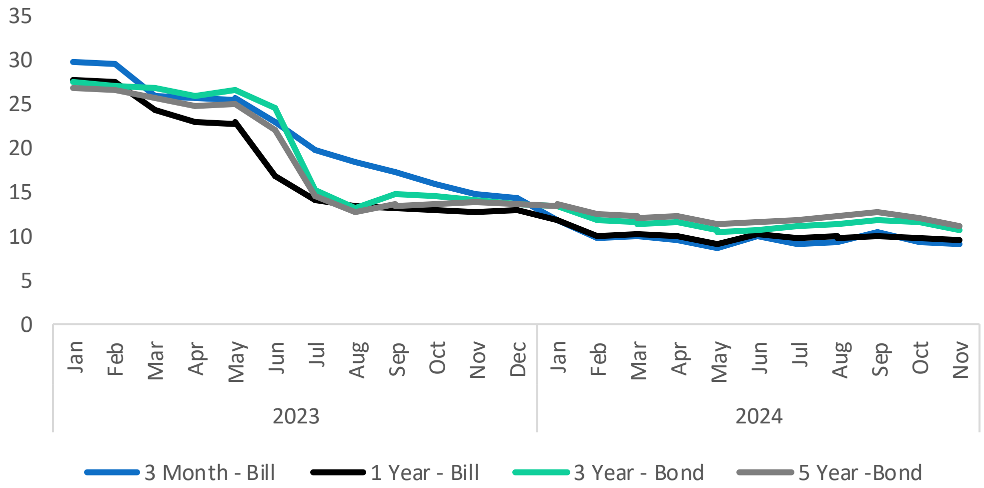


Inflation has been tamed

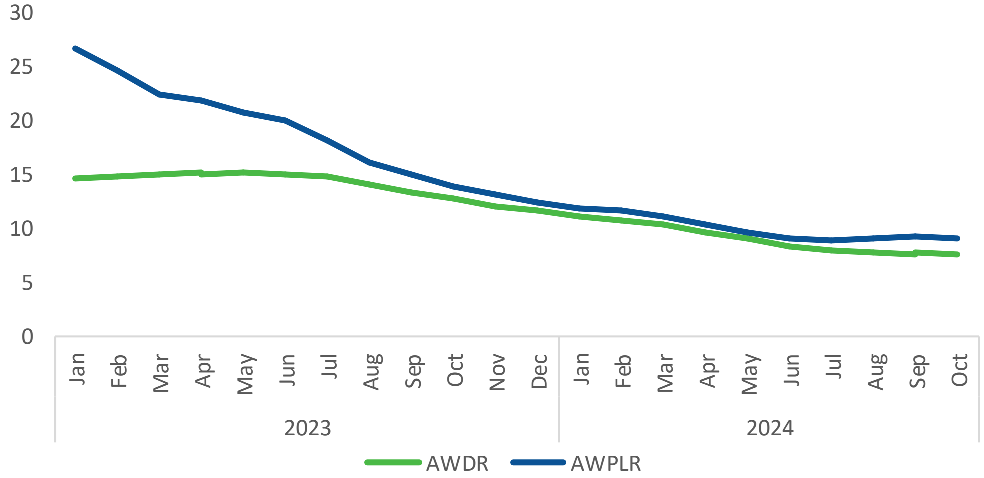


Interest rates have decreased significantly

Yields on government securities



Lending and deposit rates



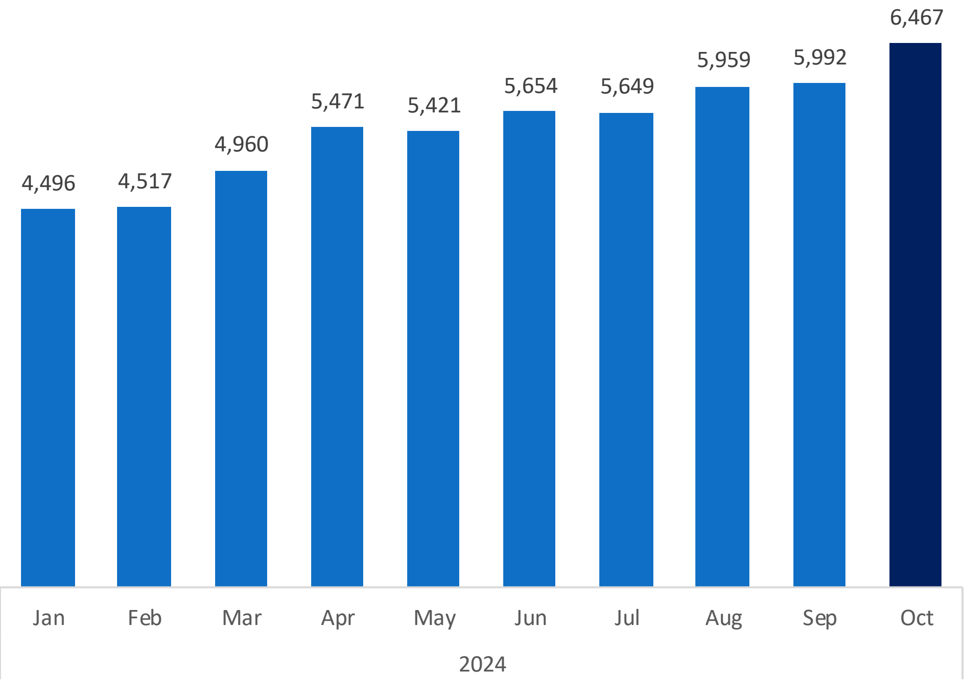
Macro conditions have progressively improved, and trend is expected to continue

External sector performance has improved

BOP [USD Mn]	Jan - September		Δ
Assets	**2023**	**2024**	
Goods exports	8,982.0	9,518.1	6.0%
Goods imports	12,323.4	13,718.3	11.3%
Trade balance	**-3,341.4**	**-4,200.2**	**25.7%**
Service inflows	3,953.6	5,105.3	29.1%
Of which tourism flows	1,456.7	2,348.0	61.2%
Net services	**2,496.9**	**2,757.3**	**10.4%**
Remittances	4,345.1	4,843.8	11.5%
Overall balance	**1,862.9**	**2,284.9**	**22.7%**

Gross external reserves has improved to USD 6.5 Bn

[USD Mn]



Financial Performance – Bank

9 Months Ending 30th September 2024

Performance improvement continued into Q3 driving sharp increase in performance for the 9 months

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Financial Performance [LKR Bn]	Q3		9M		YoY Δ	
Bank	**2023**	**2024**	**2023**	**2024**	**Q3**	**9M**
NII	22.5	29.4	58.5	86.4	30.4%	47.7%
Other income	12.3	7.8	25.0	25.8	-37.1%	2.8%
Total operating income	**34.9**	**37.2**	**83.5**	**112.1**	**6.5%**	**34.2%**
Opex	-10.4	-11.6	-31.1	-35.3	11.3%	13.6%
Pre-impairment Pre-Tax profit	**24.5**	**25.6**	**52.5**	**76.8**	**4.5%**	**46.4%**
Impairments	-12.8	-0.7	-25.9	-19.3	-94.7%	-25.7%
Net operating income	**11.6**	**24.9**	**26.5**	**57.5**	**113.8%**	**116.9%**
Taxes	-5.8	-12.6	-13.2	-27.2	115.5%	105.4%
Profit for the period	**5.8**	**12.3**	**13.3**	**30.4**	**112.1%**	**128.3%**
EPS	**4.29**	**8.94**	**9.86**	**22.12**	**108.4%**	**124.3%**
Group						
Profit for the period	**6.2**	**12.5**	**14.2**	**31.1**	**100.8%**	**118.8%**
EPS	**4.62**	**9.12**	**10.53**	**22.63**	**97.4%**	**114.9%**

Balance sheet highlights – YTD Growth

Asset 4.2%	Loans 9.5%	Deposit 4.0%

Key Ratios [%]	9 Months	
	2023	**2024**
NIM	3.32	4.38
CASA	39.23	39.60
Stage 3 ratio	5.85	4.08
Stage 3 impairment cover	43.22	53.54
ROA	1.27	2.47
ROE	9.78	17.42
Tier 1	11.44	12.55
Total Capital	15.15	17.23

- Profits more than doubled for Q3 and the 9 months. Q3 profit growth was primarily driven by a sharp drop in impairments, whilst 9 months profit growth was also aided by an improvement in net interest income
- NII growth was supported by a 106 bps expansion in net interest margin (NIM), resulting from a decrease in funding costs through faster deposit repricing
- Operating expenses increased by 11% in Q3 and 14% YoY for the 9 months, primarily driven by personnel expenses. Sharp rise in operating income reduced the cost-to-income ratio to 31%, compared to 38% in the previous year.
- Reduction in Stage 3 loan ratio and healthy provision levels resulted in a sharp drop in the impairment charge
- Loan growth for the bank accelerated with LKR 117 Bn disbursed for the period
- Bank deposits grew by LKR 82.5 billion, driven by an increase in domestic savings and time deposits. Foreign deposit growth was impacted by the LKR appreciation
- Enhanced profitability led to a sharp increase in return on equity (ROE) for the period
- Successful conclusion of the Tier 2 debenture raise in July and the Rights Issue in August resulted in improved CAR

NII grew by 47.7% and 30.4% YoY for 9M and Q3 respectively

Macro

9M Results

Overview

Income

Expenses

Impairments

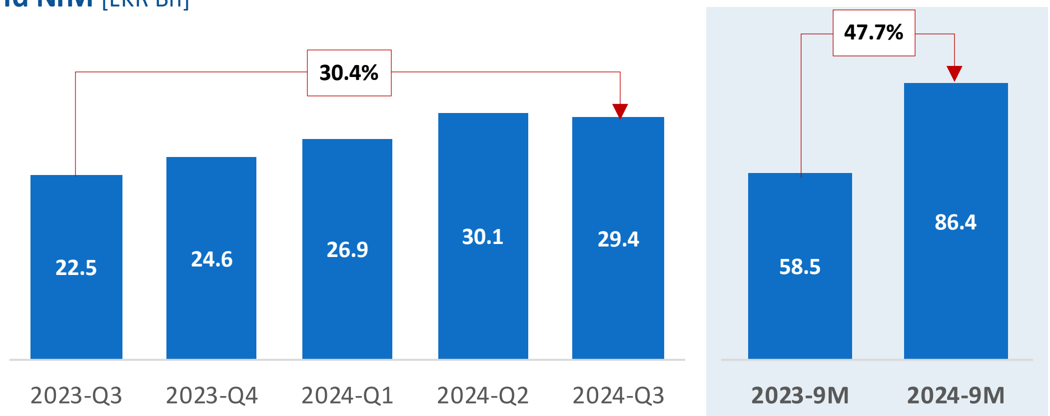
Balance sheet

Capital

Bangladesh

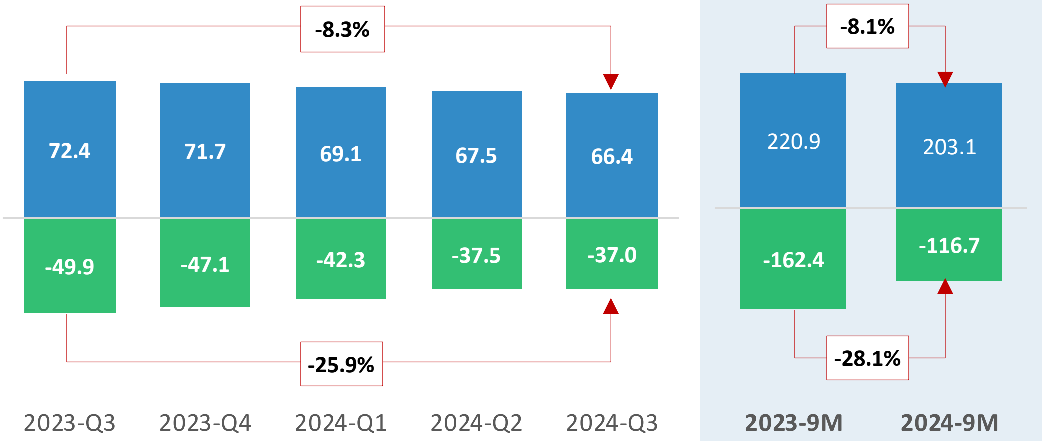
ROE

NII and NIM [LKR Bn]



	2023-Q3	2023-Q4	2024-Q1	2024-Q2	2024-Q3	2023-9M	2024-9M
NIM	3.72%	3.92%	4.20%	4.66%	4.43%	3.32%	4.38%

Interest income and costs [LKR Bn]

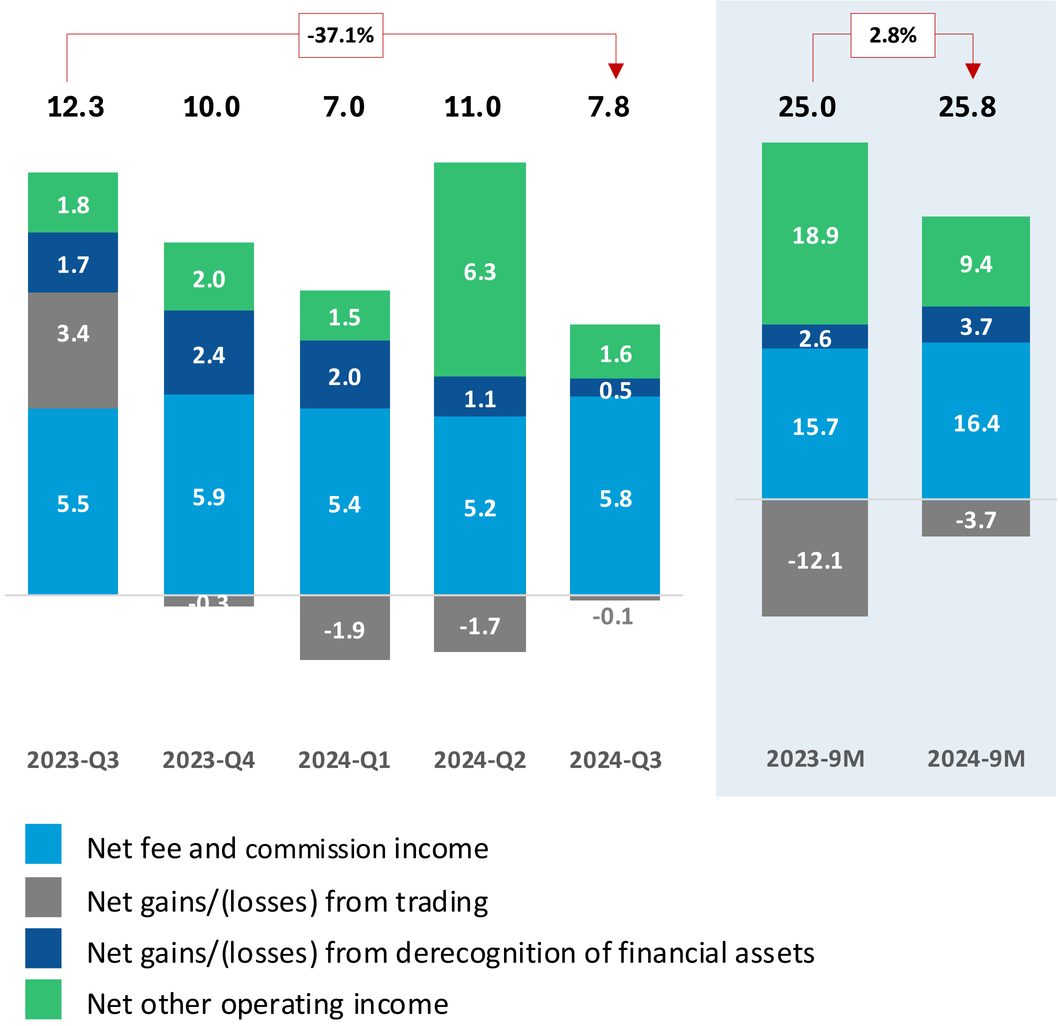


	2023-Q3	2023-Q4	2024-Q1	2024-Q2	2024-Q3	2023-9M	2024-9M
Yield	11.96%	11.40%	10.79%	10.46%	10.01%	12.08%	10.28%
Cost	8.24%	7.49%	6.59%	5.80%	5.58%	8.76%	5.90%

- NII growth was driven by sharper decline in funding costs, far outweighing the decrease in interest income
- Yield on loans and fixed income securities have been on the decline in line with the overall decrease in interest rates
- As a result, interest income yields declined by 180 bps during 9M 2024 compared to 2023. Yield decline was cushioned to an extent via Government Security maturities being rolled over at higher yields
- Cost of funds followed the same trend, however witnessed a sharper decline. Compared to last year, cost of funds for 9M declined by 286 bps. This was driven by both deposits being repriced at lower rates and an improvement in the CASA, with the average CASA ratio for the 9 months improving to 40% vs 38% for last year
- The sharper decrease in cost of funds vs interest income yields resulted in NIMs improving significantly for the 9 months by 106 bps, whilst from Q3 NIMs improved by 71 bps

Non-NII income declined due to drop in trading profits

Other operating income [LKR Bn]

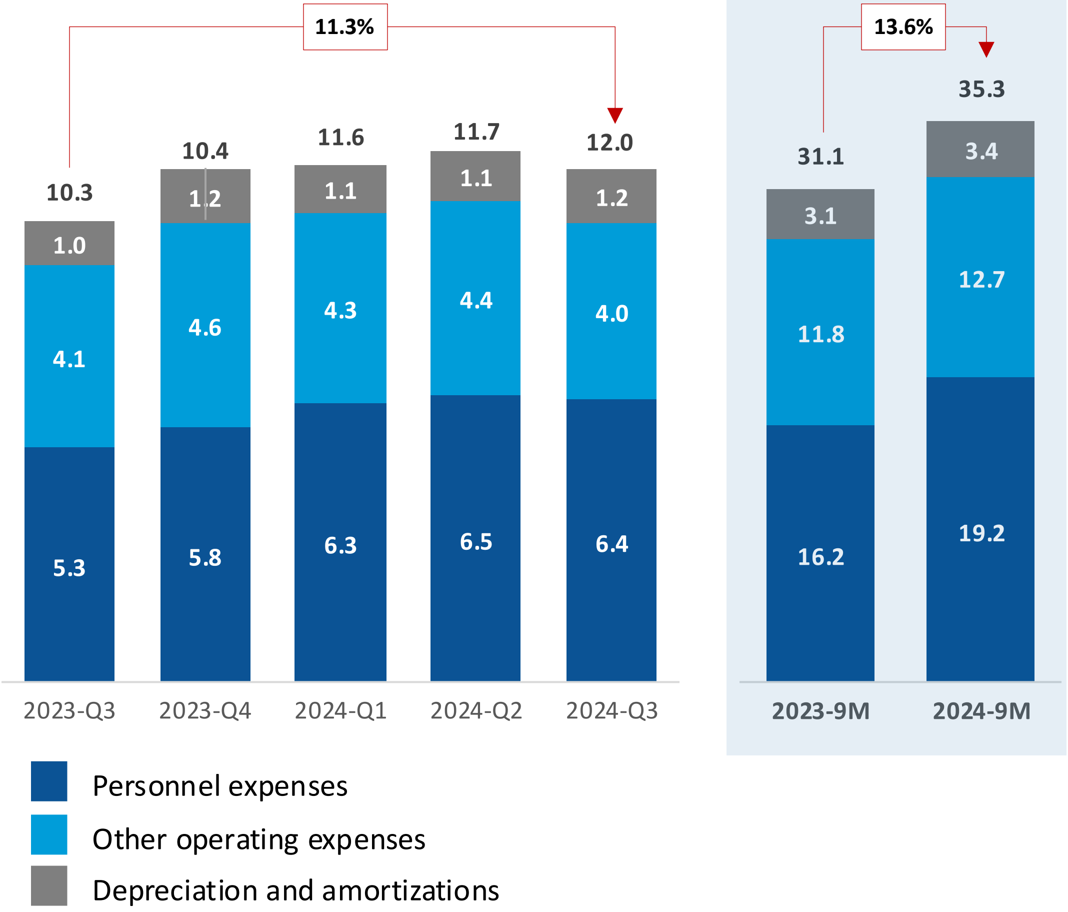


- Non NII income dropped sharply, due to drop in gains linked to trading activities surrounding forex positions
- **Net fee and commission income**
  - Net fee and commission income, primarily composed of card, trade and remittance linked revenues grew marginally in Q3 and 9M
- **Net gains/losses from trading and derecognition of financial assets**
  - Gains linked to Government Securities declined in Q3 as yields were flat/recorded a marginal increase vs the decline recorded in the same period last year. For the 9 months however, gains on Government securities recorded a marginal improvement
  - Gains linked to derivative instruments declined sharply for Q3 and the 9 months
- **Net other operating income**
  - Net other operating income, primarily composed of FX revaluation gains/losses arising due to the revaluation of the FX positions in the balance sheet declined due to the lower appreciation of the currency

Expense growth contained, largely driven by base effects

Operating expenses [LKR Bn]

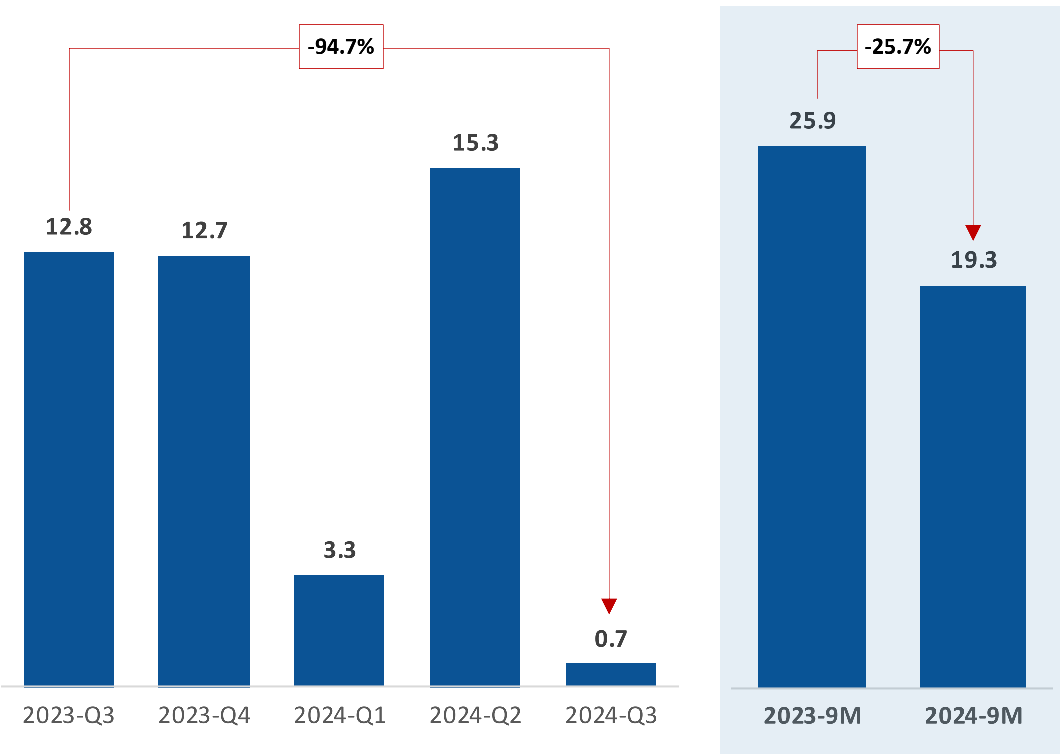
	2023-Q3	2023-Q4	2024-Q1	2024-Q2	2024-Q3	2023-9M	2024-9M
Cost to Income	32.1%	31.3%	34.5%	29.2%	31.2%	38.3%	31.5%
Cost to TA	1.7%	1.8%	1.8%	1.8%	1.7%	1.7%	1.8%



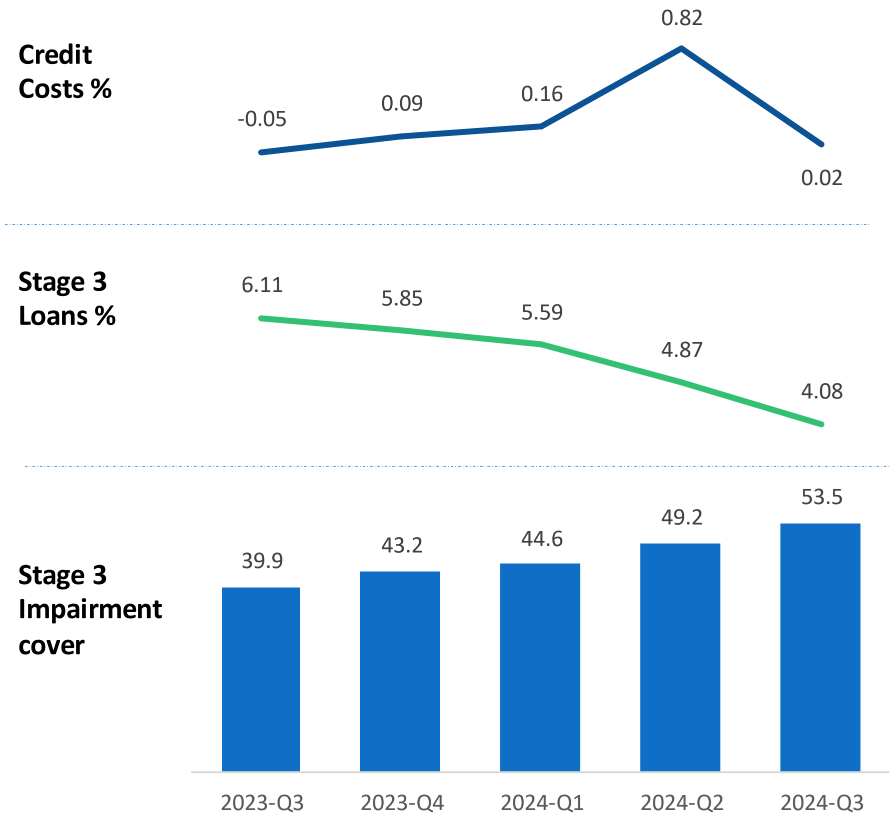
- Expenses increased 11% YoY in Q3 and 14% for 9M, primarily driven driven by increase in personnel expenses and other operating expenses
- YoY increase in personnel expenses largely driven by base effects of salary revisions done in Q4-2023 and Q1-2024
- Increase in other operating expenses were driven by rise in marketing costs, professional fees, deposit insurance etc.
- Cost to Total Assets maintained at the 1.7-1.8% levels
- Significant widening of positive income-to-cost jaws in Q3 and 9M due to growth in NII and other operating income resulted in the Cost to Income ratio improving to 31-32% levels

Credit quality of portfolio continued improving trend, credit costs declined sharply

Impairment charge [LKR Bn]



Credit Quality Metrics



- Credit quality continued to improve, driven by favorable macro economic conditions and strengthening of credit controls
- Impairment charge in 2023 included significant provisions made against SLSBs, hence impairment charge for 2024 Q3 and 9Ms came in lower
- Improvement in the gross Stage 3 ratio and higher impairments for the period led to a 177bps improvement in the Net Stage 3 loan ratio for 2024

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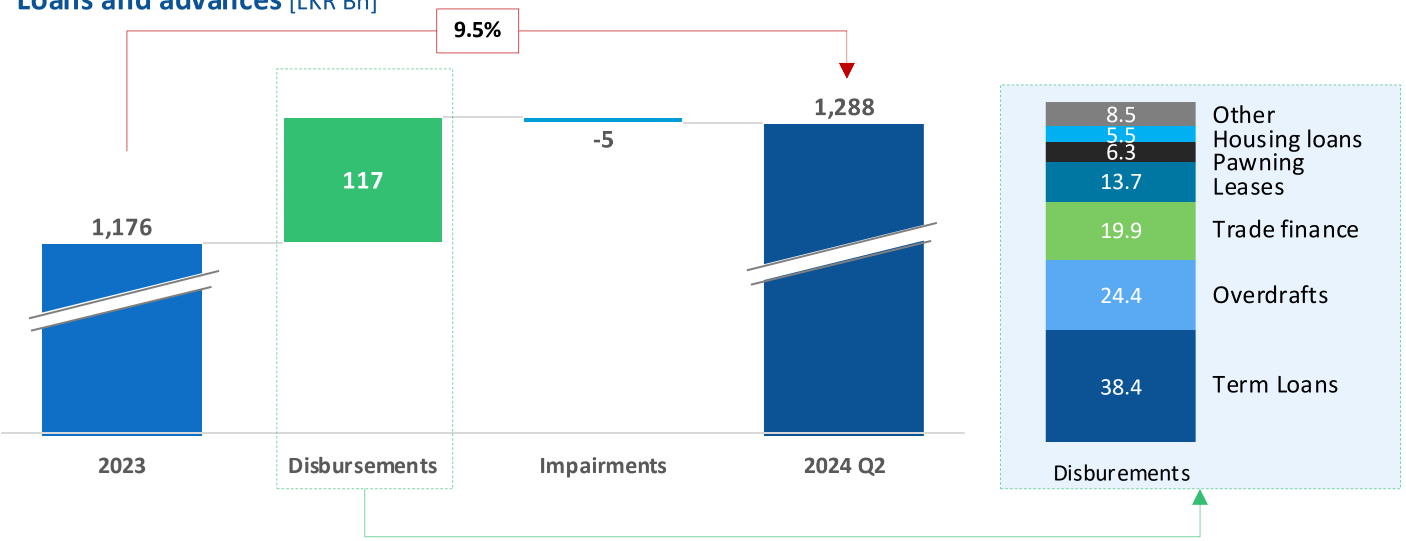
Total assets grew 4%, lead by loan growth of 9.5%

Financial Position [LKR Bn]	30th September		Δ
Assets	**2023**	**2024**	
Loans and advances	1,176.4	1,287.7	9.5%
Other financial assets	966.2	1,054.8	9.2%
Cash and placements with banks	239.2	154.1	-35.6%
Balances with Central Banks	52.8	47.5	-10.0%
Investments in subsidiaries and associates	5.9	5.9	0.0%
Other assets	139.9	138.6	-0.9%
Total assets	**2,580.3**	**2,688.6**	**4.2%**
Liabilities			
Deposits	2,085.0	2,167.5	4.0%
Other borrowings	171.2	137.4	-19.7%
Other liabilities	109.1	132.8	21.7%
	2,365.4	**2,437.8**	**3.1%**
Equity			
Stated capital	62.9	88.0	39.8%
Retained earnings and other reserves	152.0	162.8	7.1%
	214.9	**250.8**	**16.7%**
Liabilities and equity	**2,580.3**	**2,688.6**	**4.2%**
NAV	**163.6**	**155.8**	**-4.7%**
Tier 1	**11.44**	**12.55**	
Total Capital	**15.15**	**17.23**	

- Balance sheet grew by 4.2%, driven by a 9.5% loans and advances growth
- Deposits grew by 4%, lead by growth in CASA
- New equity of LKR 22.5 Bn and Tier 2 capital of LKR 20 Bn was raised during the quarter to strengthen capital base

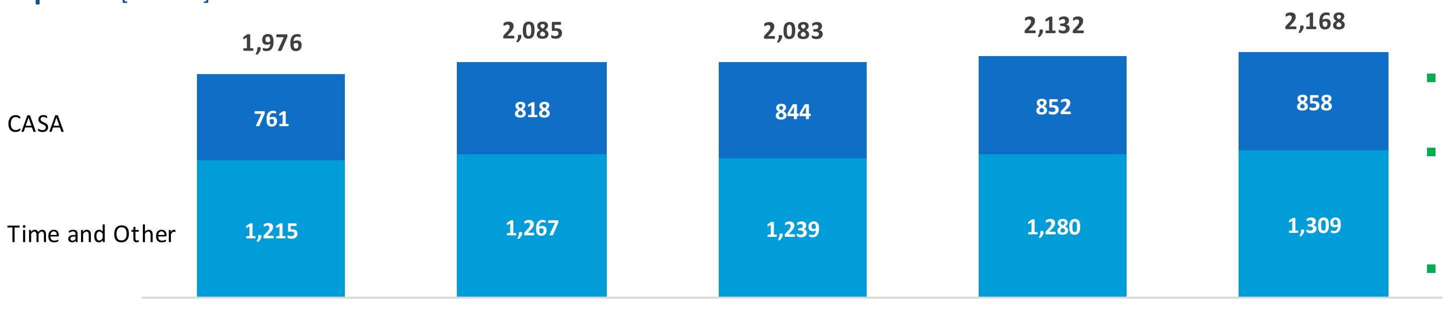
Momentum in loan growth continued along with CASA growth

Loans and advances [LKR Bn]



- Lead loan growth in the industry
- Disbursed LKR 117 Bn for the period
- Disbursements during period driven by term loans, overdrafts and trade finance linked loans

Deposits [LKR Bn]



	2023-Q3	2023-Q4	2024-Q1	2024-Q2	2024-Q3
CASA %	38.5	39.2	40.5	40.0	39.6
LCR %	518.3	516.3	433.6	471.0	381.7
NSFR %	193.1	193.7	185.9	187.3	191.8

- Deposits recorded a 4% growth for the year
- Strong domestic franchise driving CASA growth, contributed to ~50% to deposit growth
- Continued to maintain strong liquidity

COMMERCIAL BANK

Momentum in loan growth – Strong SME focus to continue

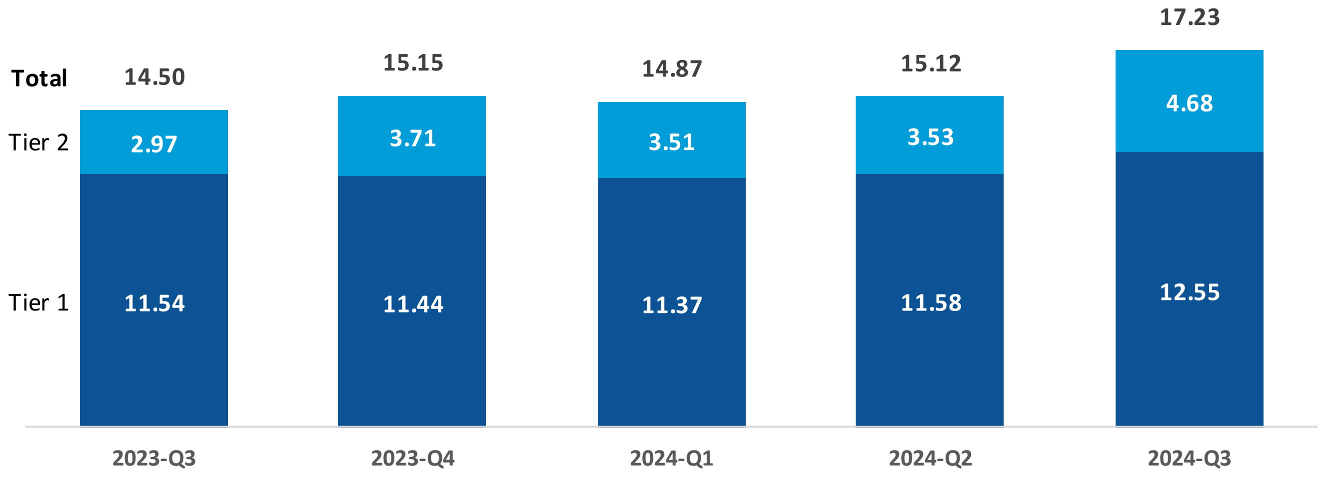
Loans disbursed by Commercial and Specialized bank to SMEs - 2023

PFI	Agriculture		Services		Industries		Other		Total	
	Number	Amount (Rs. Million)	Number	Amount (Rs. Million)	Number	Amount (Rs. Million)	Number	Amount (Rs. Million)	Number	Amount (Rs. Million)
Bank of Ceylon (BOC)	1,650	26,262	2,435	13,898	1,116	10,212	1,040	1,326	6,241	51,698
People's Bank (PB)	674	1,651	180	938	202	1,388	3,794	16,297	4,850	20,275
Regional Development Bank (RDB)	6,179	6,972	2,008	3,223	3,231	5,386	1,770	2,306	13,188	17,887
Sanasa Development Bank Ltd. (SDB)	6	13	4	8	14	41	7	18	31	81
State Mortgage and Investment Bank (SMIB)	-	-	-	-	1	30	1	62	2	92
National Development Bank PLC (NDB)	632	3,218	780	8,280	2,275	15,979	1,819	7,566	5,506	35,043
DFCC Bank Ltd.	211	3,842	98	2,031	641	6,071	988	10,914	1,938	22,858
Commercial Bank of Ceylon PLC	2,628	7,400	7,560	58,809	42,003	144,322	3,378	21,123	55,569	231,655
Sampath Bank Ltd.	344	2,716	588	9,676	2,826	45,636	2,516	37,075	6,274	95,103
Seylan Bank PLC	109	1,660	47	322	91	1,793	504	5,159	751	8,934
Hatton National Bank PLC (HNB)	689	6,117	1,107	9,275	1,589	22,437	3,492	22,952	6,877	60,781
Nations Trust Bank PLC (NTB)	153	2,291	838	17,716	733	7,792	14	92	1,738	27,892
Standard Chartered Bank	-	-	6,485	70,117	-	-	-	-	6,485	70,117
Pan Asia Banking Corporation PLC	379	708	31	2,448	1,233	6,214	2,637	10,382	4,280	19,752
Union Bank of Colombo Ltd.	89	704	343	4,227	72	265	1,811	6,637	2,315	11,833
Cargills Bank	36	700	105	2,622	333	7,129	4	21	478	10,472
Amana Bank	532	3,153	1,960	9,358	431	2,602	839	4,557	3,762	19,670
Total	**14,311**	**67,410**	**24,569**	**212,949**	**56,791**	**277,295**	**24,614**	**146,487**	**120,285**	**704,142**

Commercial Bank has been recognised as the leading SME Lender since 2020 in the Annual Report of the Ministry of Finance.

Capital Position Bolstered by Q3 Capital Raise and Robust Profit Growth

Capital ratios

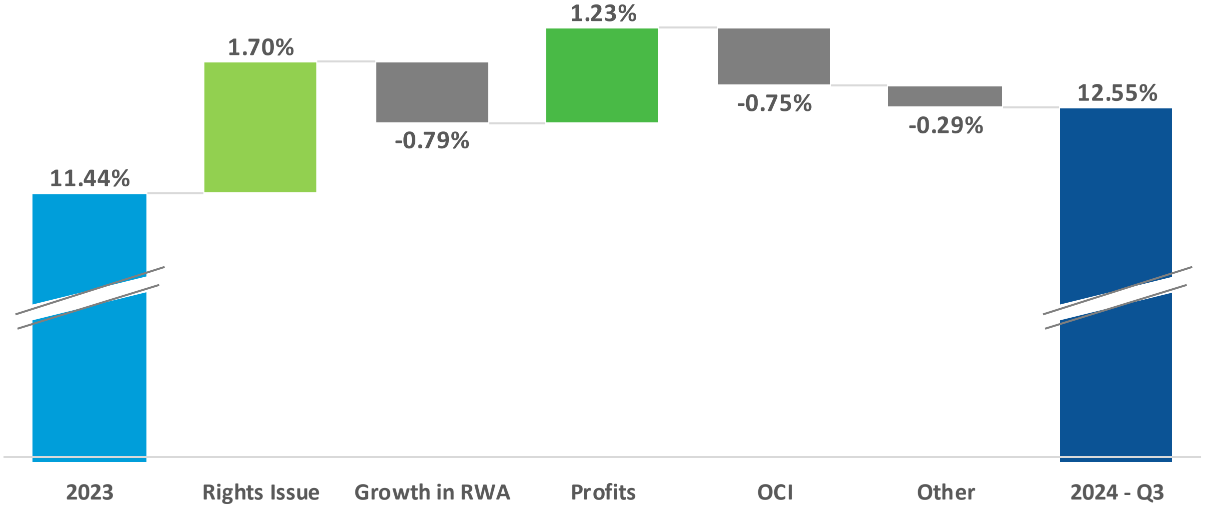


- Tier 1 and Total capital maintained well above regulatory minimums
- A total of LKR 42.54 Bn of new capital was raised during Q3

Instrument	Capital	LKR Bn
Equity - Rights issue	Tier 1	22.54
Tier 2 Debentures	Tier 2	20.00
	Total	**42.54**

- Rights issue and strong profit generation in H1 improved by 111 bps [Q3 profits not included]
- Total capital ratio improved by 208 bps relative to end 2023

Tier 1 movement



Bangladesh

Macro

9M Results

Overview

Income

Expenses

Impairments

Balance sheet

Capital

Bangladesh

ROE

Financial Performance - Highlights [LKR Bn]	9M		YoY Δ
	2023	**2024**	**9M**
Profit before tax	17.4	20.4	17.1%
Net profit	10.0	11.7	16.1%
Key ratios			
NIM	4.4%	6.2%	
ROA	3.7%	4.2%	
ROE	31.6%	28.1%	

Financial Position - Highlights [LKR Bn]	YTD		YTD Δ
	2023 Dec	**2024 Sept**	
Total assets	380.8	359.9	-5.5%
Loans and advances	190.4	168.2	-11.7%
Deposits	289.1	269.3	-6.8%
Loan book metrics			
Impaired Loans (Stage 3) Ratio (%)	3.3%	2.3%	
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	16.1%	32.3%	

- Despite challenging conditions, tighter monetary policy and slower private sector credit growth, the Bangladesh operation posted strong growth bottom line growth
- Growth was primarily driven by a sharp increase in NIMs, which in turn was enabled due to the yield increase on loans and other interest earning assets outpacing costs of funding
- Higher yields were primarily driven by higher policy rates and Government Security yields reaching historical highs
- Strategy of focusing on blue-chip clientele operating in resilient sectors coupled with strong credit risk controls has enabled the bank to maintain substantially lower NPL ratios relative to competition:
    - Despite economic stress stage 3/NPL ratios broadly remained the same
    - As a measure of prudence impairments/provisioning was increased, resulting provision cover and net stage 3/NPLs ratios improving
    - Credit growth during the period was contained and focused on existing clientele with proven track record with the bank
- Strong deposit growth was recorded for the period reflecting the strong positioning of the bank in the market. Growth was driven by improvement in retentions and onboarding of new deposits through introduction of new products to the market.

ROE – Trailing 12 Months 2024 Sept

ROE

2023 T4Q	2024 T4Q
10.8%	**16.4%**

Leverage [m]

2023 T4Q	2024 T4Q
11.8	**11.2**

ROA [l]

2023 T4Q	2024 T4Q
0.9%	**1.5%**

PT ROA [i]

2023 T4Q	2024 T4Q
0.6%	**2.1%**

Non-recurring Income/TA [j]

2023 T4Q	2024 T4Q
0.6%	**0.5%**

Effective Tax Rate [k]

2023 T4Q	2024 T4Q
24.4%	**44.7%**

Credit Costs + Provisions [h]

2023 T4Q	2024 T4Q
1.9%	**1.3%**

PP-PT* Recurring ROA [g]

2023 T4Q	2024 T4Q
2.5%	**3.4%**

Recurring OP Income/TA [e]

2023 T4Q	2024 T4Q
4.2%	**5.2%**

Recurring Costs to TA [f]

2023 T4Q	2024 T4Q
1.7%	**1.8%**

Cost to Income

2014-2018	2019-2023
40.2%	35.2%

NIM [c]

2023 T4Q	2024 T4Q
3.3%	**4.3%**

Fee Income [d]

2023 T4Q	2024 T4Q
0.9%	**0.9%**

Yield [a]

2023 T4Q	2024 T4Q
12.2%	**10.7%**

Cost of Funds [b]

2023 T4Q	2024 T4Q
8.9%	**6.4%**

**PP-PT: Pre-provision pre-tax*