



# SRI LANKA BANKING REPORT

Year ended 31<sup>st</sup> December 2019  
Issue 01 | July 2020



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# Executive summary

During challenging times caused by low economic growth and political turmoil in Sri Lanka, it becomes an utmost important matter to monitor the health and status of the financial institutions that retail investors look up to in safeguarding their hard earned capital. Institutional investors too seek for readily available information in order to carry out relevant research on the respective financial institutions for investment purposes.

At K Seeds Investments (Pvt) Ltd, we present this report which evaluates the Banking Sector of Sri Lanka. In the chosen sample are both Licensed commercial banks and specialized banks which are evaluated based on the latest annual financial statements presented by each Bank.

The Banks are split into two main categories, based on the significance of influence they have on the Sri Lankan economy. At the second stage, they are ranked based on a number of Key Performance Indicators (KPIs) which we consider to be most relevant for evaluating the financial performance of financial institutions.

We expect the reader would gain valuable insights on the banking sector of Sri Lanka through this report and would facilitate better decision making for investment purposes.

# Basis of Categorization

Licensed Commercial and Specialized Banks in the sample has been categorized based on the latest directions issued by Central Bank which replaces the previous directions where the Banks were categorized only based on the size of the asset base.

The new rule requires the banks be categorized based on a number of criterion including,

- ☐ Size
- ☐ Interconnectedness
- ☐ Substitutability/financial institution infrastructure
- ☐ Complexity

These quantitative and qualitative criteria lead to a more sophisticated categorization which splits the Banks into two main categories, namely “Domestic systematically important Banks” and “Non Domestic systematically important Banks”.

For the purpose of this report, we have allocated them to Category 1 and Category 2 respectively.

# Categorized List of Banks

## Category 1

1. Bank of Ceylon (BOC)
2. Commercial Bank (COMB)
3. Hatton National Bank (HNB)
4. People's Bank (PB)

## Category 2

1. DFCC Bank (DFCC)
2. National Development Bank (NDB)
3. Nations trust Bank (NTB)
4. Seylan Bank (SEYB)
5. Sampath Bank (SAMP)
6. Pan Asia Bank (PABC)
7. Union Bank (UBC)
8. Amana Bank (ABL)
9. HDFC Bank (HDFC)
10. Sanasa Development Bank (SDB)

# Basis of Ranking

Ranking has been arrived at based on the following KPIs.

▪ Cost to Income Ratio (Excluding Impairment)	$\frac{\text{Operating Cost}}{\text{Operating Income (Net of Interest Expense)}}$
▪ Return on Equity	$\frac{\text{Profit to Equity Holders}}{\text{Average Equity}}$
▪ Return on Assets	$\frac{\text{Profit to Equity Holders}}{\text{Average Assets}}$
▪ Credit to Deposits	$\frac{\text{Loans and Advances to customers}}{\text{Deposits to customers}}$
▪ Net Interest Margin	$\frac{\text{Net Interest income}}{\text{Average Interest Earning Assets}}$
▪ Gross Non-Performing Loans	$\frac{\text{Gross Non-Performing Loans}}{\text{Loans and Advances}}$
▪ Impairment to Interest Earning Assets	$\frac{\text{Impairment}}{\text{Average Interest Earning Assets}}$
▪ CASA	$\frac{\text{Current and Savings Account Balances}}{\text{Deposits to Customers}}$
▪ Loan Growth	$\frac{\text{Loans and Advances to Customers FY2019}}{\text{Loans and Advances to Customers FY2018}} - 1$



# Category I

## Overall Ranking

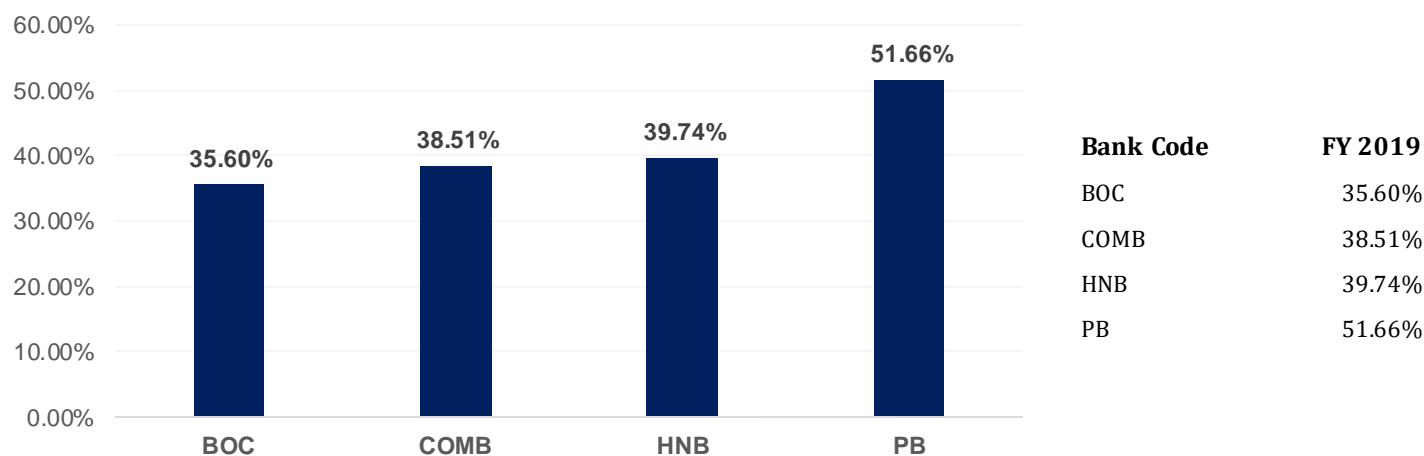
Rank	Bank	Code
1	People's Bank	PB
2	Bank of Ceylon	BOC
3	Commercial & Hatton National <sup>(1)</sup>	
	Bank	COMB, HNB

## Other Information

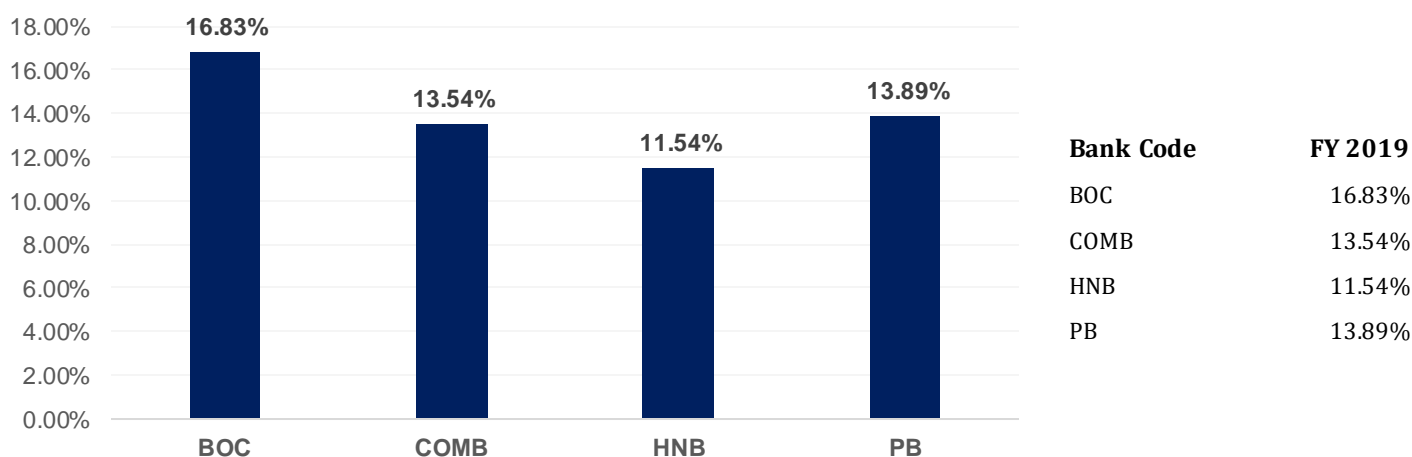
Bank Code	Revenue ('000)	Growth (%)	Profit ('000)	Growth (%)	Assets ('000)	Market Capitalization ('000)	No. of Employees
PB	197,039,605	8.69%	12,925,683	-24.4%	1,873,406,218	N/A	7,836
BOC	239,116,469	8.19%	23,098,035	9.98%	2,415,116,629	N/A	8,503
COMB	148,706,284	7.72%	17,024,967	-2.96%	1,387,345,406	97,610,589	5,062
HNB	125,998,086	3.83%	14,032,252	-9.58%	1,125,008,565	86,170,085	4,912

(1) Both COMB and HNB Scored Equally for the cumulative ranking

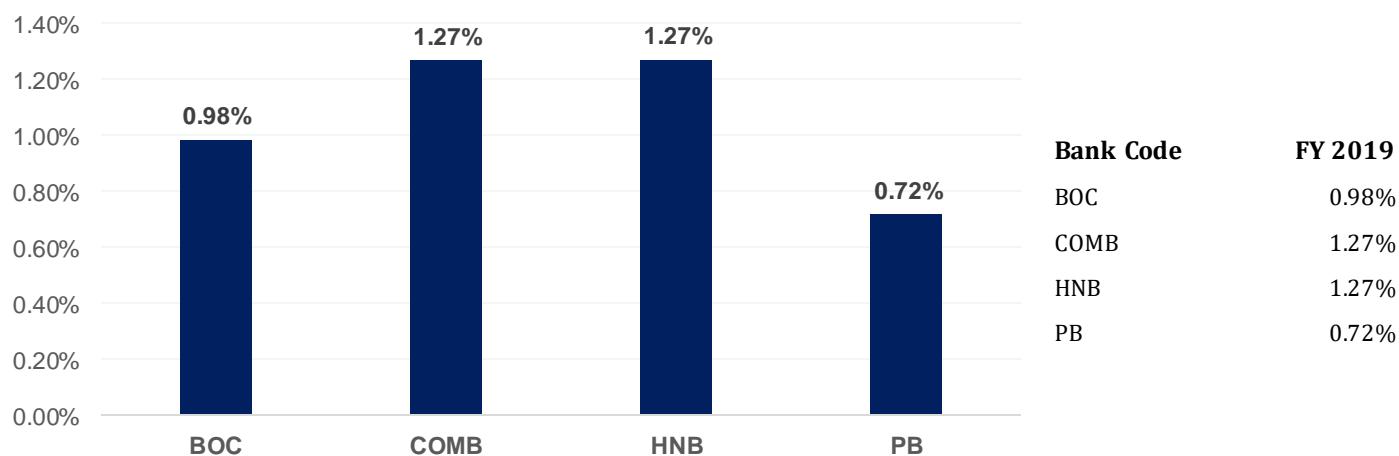
## Cost to Income



## Return on Equity

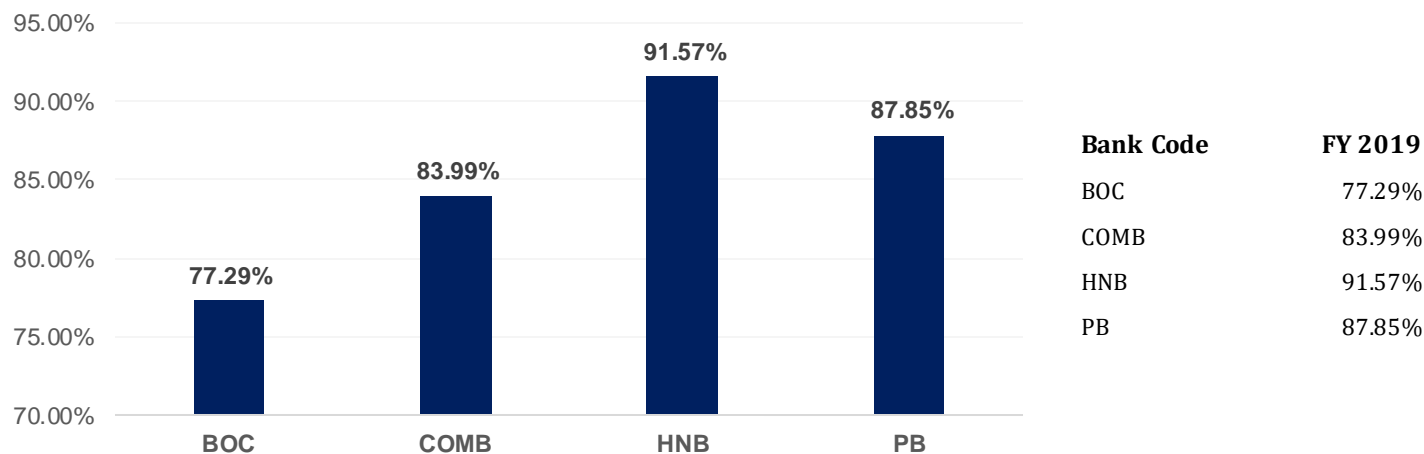


## Return on Assets

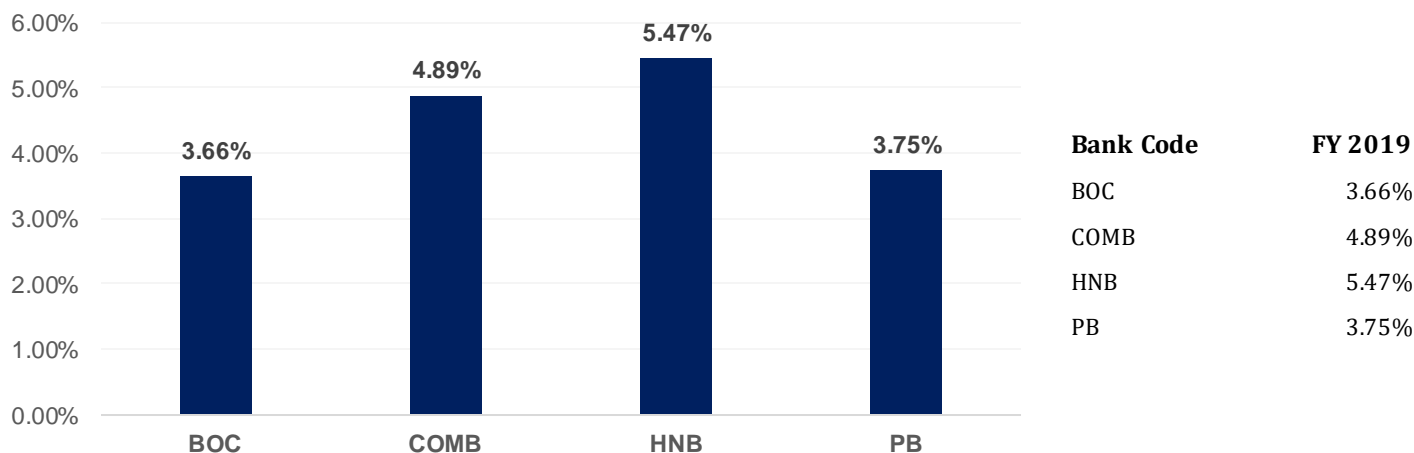




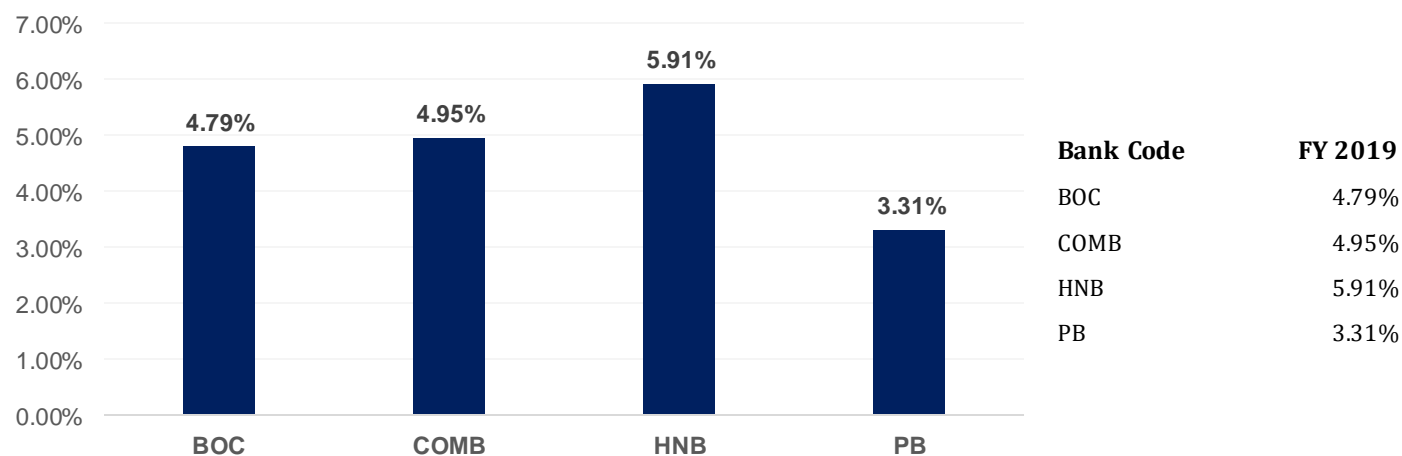
## Credit to Deposits



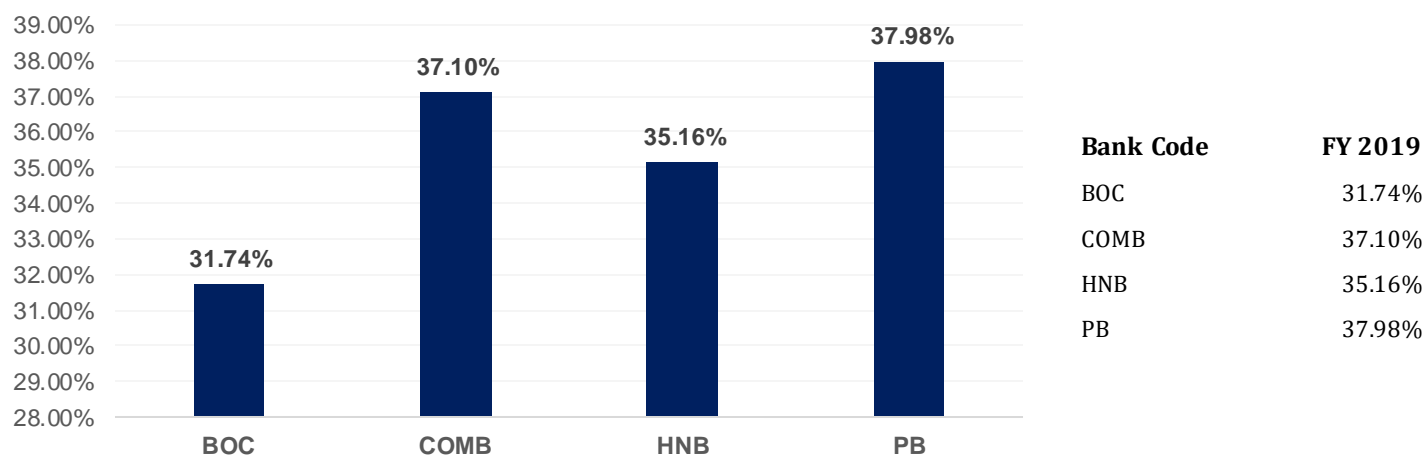
## Net Interest Margin



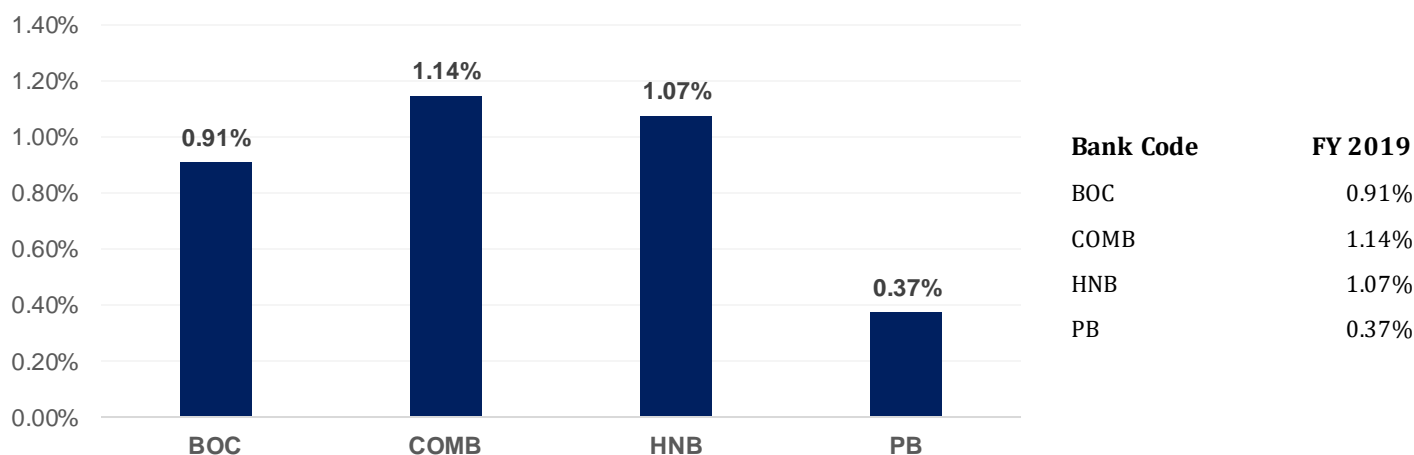
## Gross Non-Performing Loans



## CASA

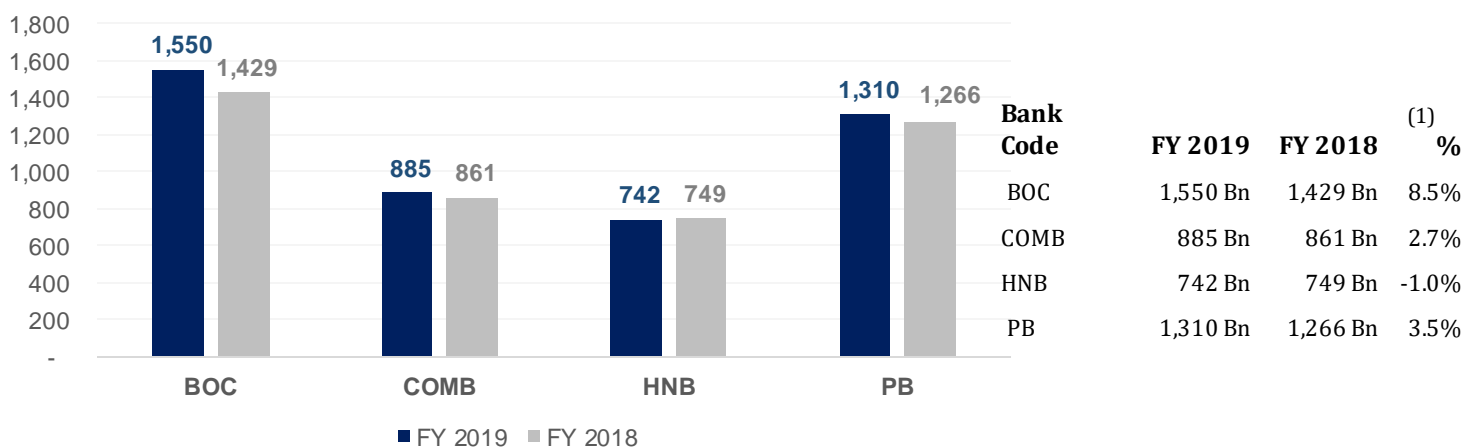


## Impairment to Interest Earning Assets



## Loan Growth

R.S In Billions



# Category 2

## Overall Ranking

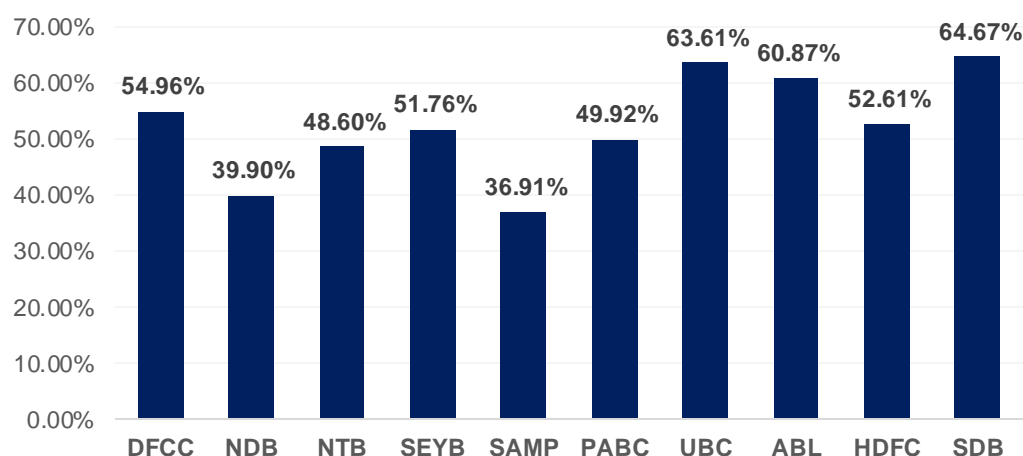
Rank	Bank	Code
1	National Development Bank	NDB
2	Nations Trust Bank	NTB
3	Sampath Bank	SAMP
4	Seylan Bank	SEYB
5	Amana Bank	ABL
6	DFCC Bank	DFCC
7	Union Bank	UBC
8	HDFC Bank	HDFC
9	Sanasa Development Bank	SDB
10	Pan Asia Bank	PABC

## Other Information

Bank Code	Revenue ('000)	Growth (%)	Profit ('000)	Growth (%)	Assets ('000)	Market Capitalization ('000)	No. of Employees
NDB	59,113,537	15.7%	5,111,600	-7.9%	529,594,428	23,263,723	2,936
NTB	46,026,494	5.9%	3,454,465	-8.3%	325,040,078	22,708,150	3,122
SAMP	118,854,549	3.1%	11,150,887	-8.2%	962,350,498	55,141,480	4,134
SEYB	61,369,654	11.8%	3,680,262	15.4%	516,294,187	21,495,653	3,360
ABL	8,471,948	15.6%	460,931	-17.2%	86,579,570	5,753,198	901
DFCC	43,297,015	10.6%	2,073,868	-25.1%	404,897,280	26,685,280	2,076
UBC	14,712,069	5.8%	710,347	50.3%	121,753,659	14,480,907	1,344
HDFC	8,090,465	13.6%	475,712	-15.7%	55,954,646	2,070,737	558
SDB	15,524,103	13.8%	253,405	-29.0%	107,783,624	3,598,097	1,475
PABC	21,907,662	1.1%	1,750,569	13.6%	152,979,695	5,664,789	1,629

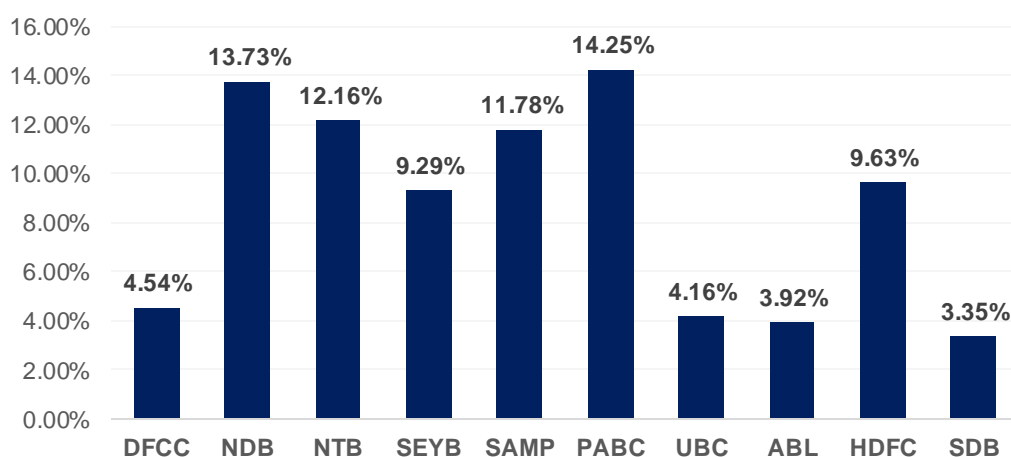


## Cost to Income



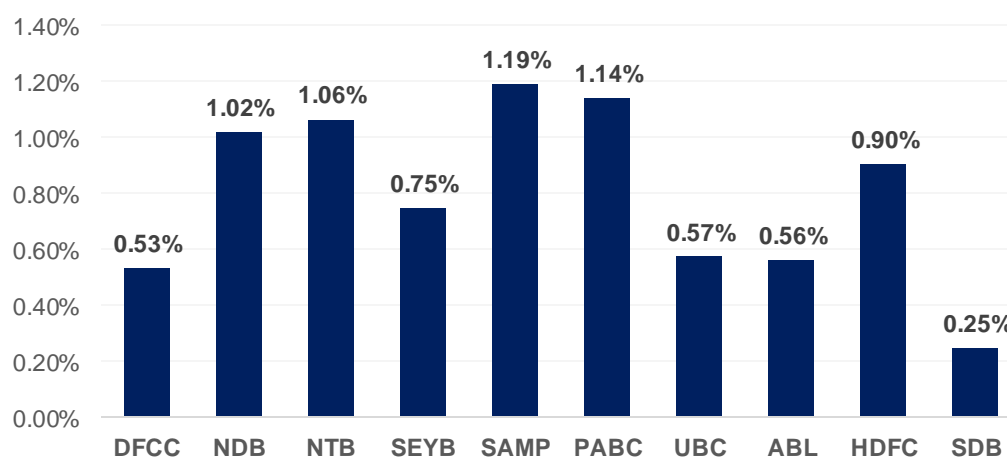
Bank Code	FY 2019
DFCC	54.96%
NDB	39.9%
NTB	48.6%
SEYB	51.76%
SAMP	36.91%
PABC	49.92%
UBC	63.61%
ABL	60.87%
HDFC	52.61%
SDB	64.67%

## Return on Equity



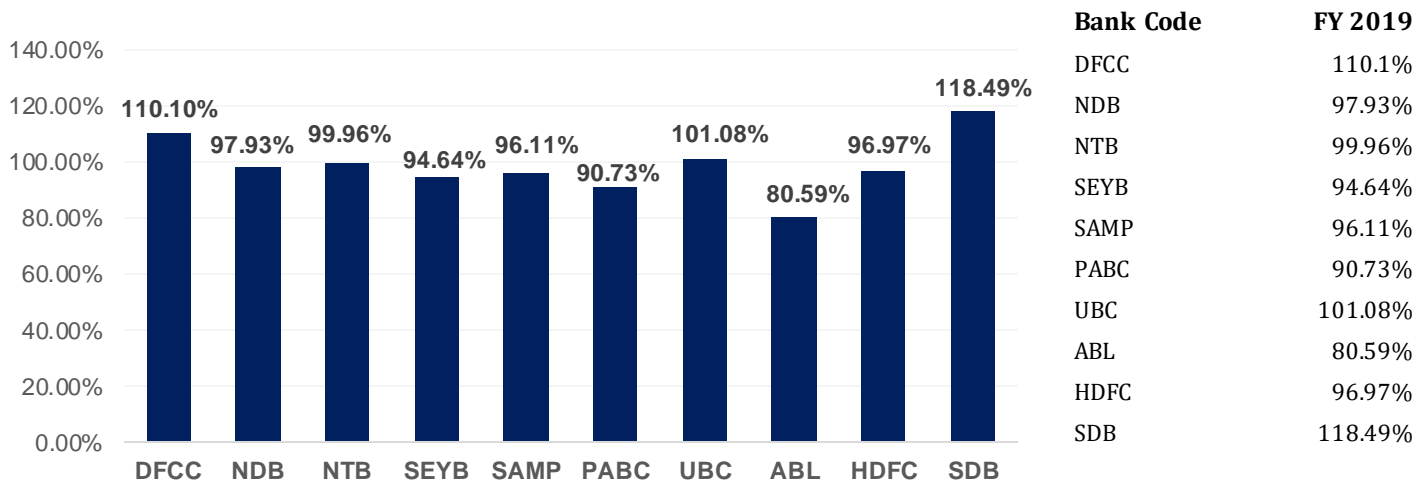
Bank Code	FY 2019
DFCC	4.54%
NDB	13.73%
NTB	12.16%
SEYB	9.29%
SAMP	11.78%
PABC	14.25%
UBC	4.16%
ABL	3.92%
HDFC	9.63%
SDB	3.35%

## Return on Assets

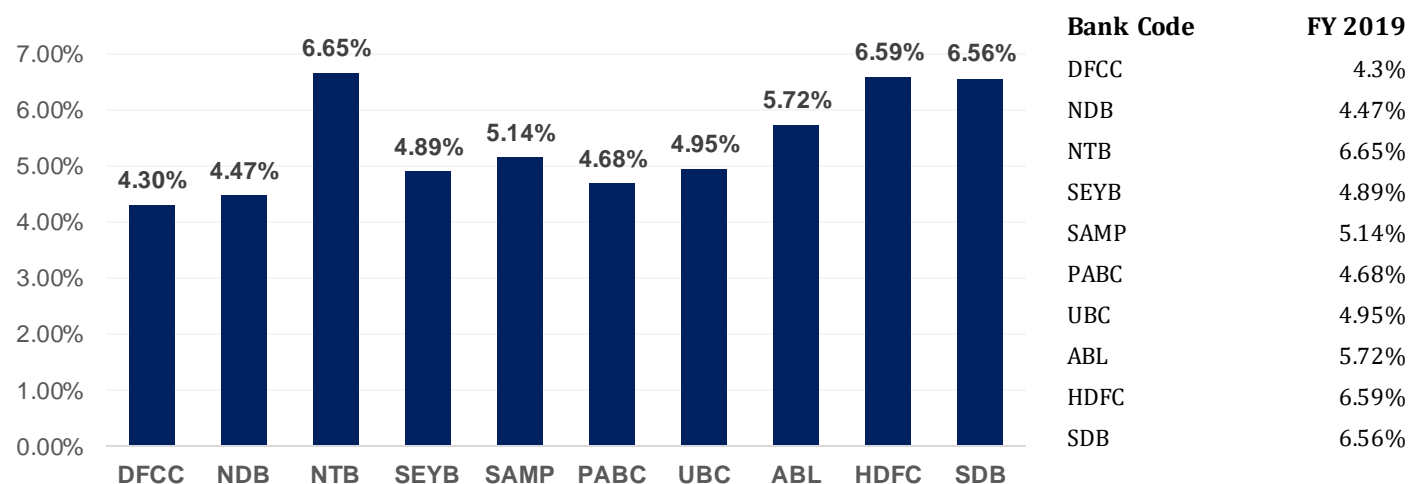


Bank Code	FY 2019
DFCC	0.53%
NDB	1.02%
NTB	1.06%
SEYB	0.75%
SAMP	1.19%
PABC	1.14%
UBC	0.57%
ABL	0.56%
HDFC	0.9%
SDB	0.25%

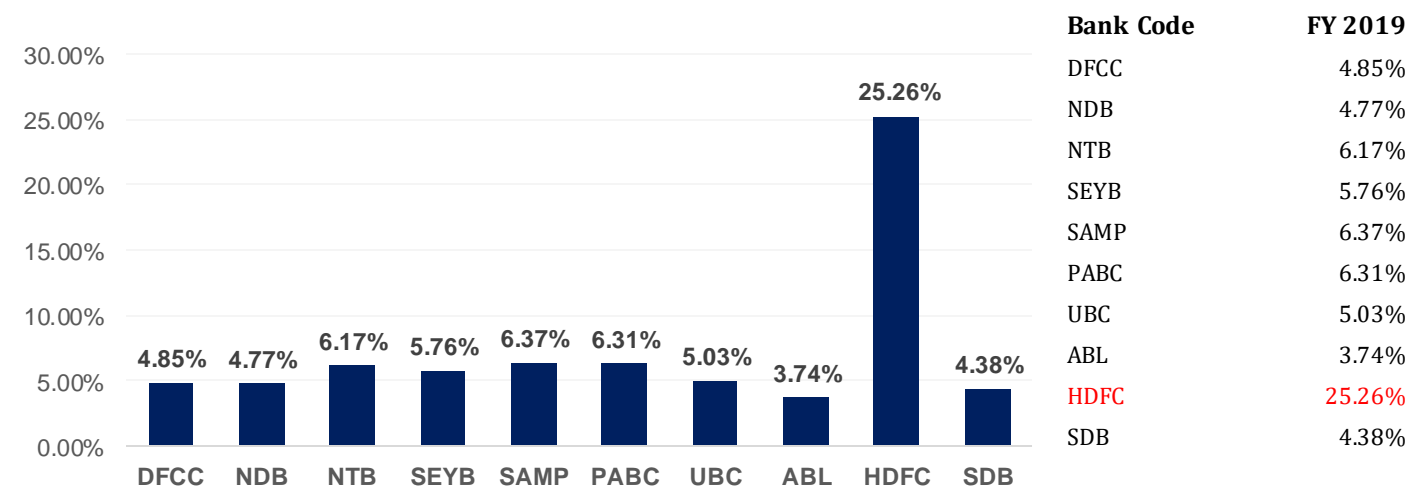
## Credit to Deposits



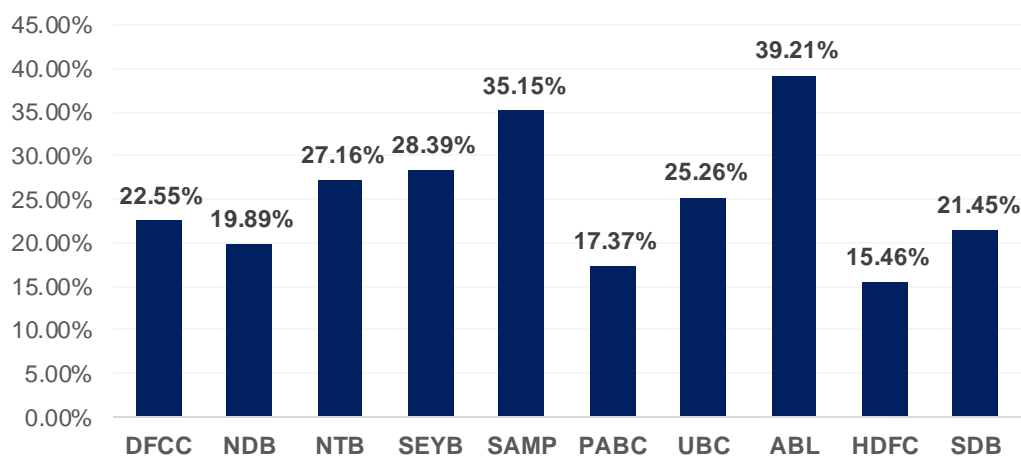
## Net Interest Margin



## Gross Non-Performing Loans

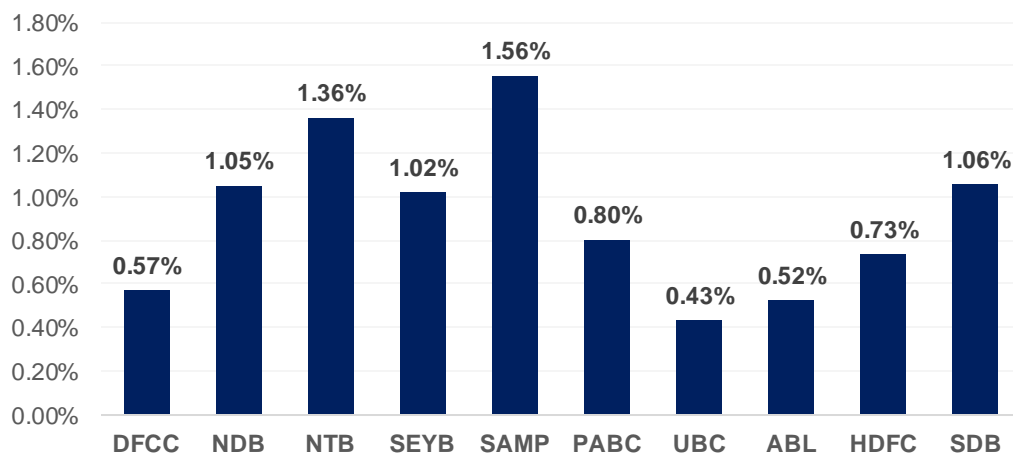


## CASA



Bank Code	FY 2019
DFCC	22.55%
NDB	19.89%
NTB	27.16%
SEYB	28.39%
SAMP	35.15%
PABC	17.37%
UBC	25.26%
ABL	39.21%
HDFC	15.46%
SDB	21.45%

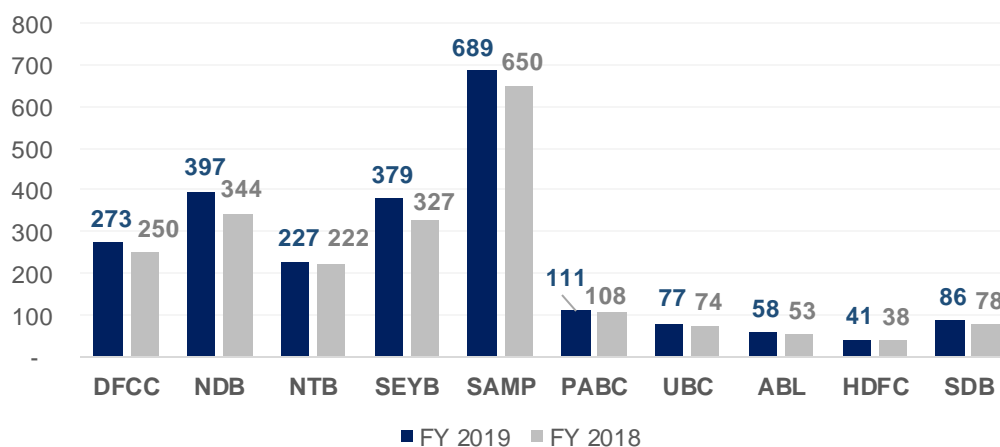
## Impairment to Interest Earning Assets



Bank Code	FY 2019
DFCC	0.57%
NDB	1.05%
NTB	1.36%
SEYB	1.02%
SAMP	1.56%
PABC	0.80%
UBC	0.43%
ABL	0.52%
HDFC	0.73%
SDB	1.06%

## Loan Growth

R.S In Billions



Bank Code	FY 2019	FY 2018	(1)
DFCC	273 Bn	250 Bn	9.2%
NDB	397 Bn	344 Bn	15.2%
NTB	227 Bn	222 Bn	2.4%
SEYB	379 Bn	327 Bn	16.0%
SAMP	689 Bn	650 Bn	6.1%
PABC	111 Bn	108 Bn	2.8%
UBC	77 Bn	74 Bn	4.9%
ABL	58 Bn	53 Bn	9.2%
HDFC	41 Bn	38 Bn	8.6%
SDB	86 Bn	78 Bn	10.7%



# Directions, Circulars and Guidelines issued by the Central Bank of Sri Lanka

- ❑ Banking Act Directions No. 10 of 2019 - [Framework for dealing with Domestic Systemically Important Banks.](#)
- ❑ Banking Act Directions No. 10 of 2019 - [Domestic Systemically Important Banks.](#)

# Share Price Details

	Highest Market Price For the year ended,		Lowest Market Price For the year ended,		Market Price as at,	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
<b>Category 1</b>						
People's Bank			N/A			
Bank of Ceylon			N/A			
Commercial Bank	115.9	142.5	88.6	107.5	95.0	115.0
Hatton National Bank	214.9	257.5	130.5	200.0	172.2	214.0
<b>Category 2</b>						
National Development Bank	119.5	141.4	85.7	98.0	100.0	106.8
Nations Trust Bank	94.8	93.0	76.0	77.0	80	89.2
Sampath Bank	245.0	335.5	136.0	218.0	162.4	235.0
Seylan Bank	79.9	94.8	47.0	64.1	52.5	78.0
Amana Bank	3.1	3.7	2.0	3.0	2.3	3.1
DFCC Bank	101.0	124.7	67.0	87.0	91.9	93.0
Union Bank	14.3	15.8	10.7	10.7	13.3	11.0
HDFC Bank	35.0	36.5	20.0	23.0	32.0	26.0
Sanasa Development Bank	75.0	112.9	58.0	70.0	63.9	75.0
Pan Asia Bank	15.0	17.6	11.7	13.0	12.8	14.8

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For further details or clarifications Email us on **[info@kseedsinvestments.com](mailto:info@kseedsinvestments.com)**

### **Compiled by:**

Lasan Algama – Financial Analyst  
Anjana Muthusayura – Financial Analyst