

Press Release

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Bank of Ceylon is the strongest bank by balance sheet in Sri Lanka

- **Bank of Ceylon tops strongest bank by balance sheet ranking in Sri Lanka**
- **Asia Pacific banks focus on maintaining momentum**
- **Banks face profit threat from increased non-bank competition**

Singapore, October 13th 2015—Bank of Ceylon has been named the Strongest Bank in Sri Lanka in the Asian Banker 500 (AB 500) Strongest Bank by Balance Sheet Ranking 2015. The announcement was made at a recognition ceremony held in conjunction with SWIFT's SIBOS convention at Sands Expo and Convention Centre, Marina Bay Sands, Singapore, from October 12th to 15th, 2015.

AB 500 is an evaluation of the 500 largest banks in the Asia Pacific region for the financial year 2014. The AB 500 Strongest Banks by Balance Sheet Ranking is the most comprehensive annual evaluation that captures the quality and sustainability of the balance sheets of banks in the region. It tracks the relative financial strengths of banks in response to their respective market conditions, based on a common scorecard.

Bank of Ceylon tops strongest bank by balance sheet ranking in Sri Lanka

Bank of Ceylon is the strongest bank in Sri Lanka, based on its financial results in FY2014. The bank experienced an increase in its overall balance sheet strength due to strong improvements in profitability, capitalisation and liquidity.

Asia Pacific banks focus on maintaining momentum

2014 has proved a challenging year as banks across the region faced falling profit margins and weakening asset quality amid strong competition.

In general, weakening asset quality was a major challenge for the Asia Pacific banking sector. Banks had to drive top-line growth to sustain profitability. Due to the macroeconomic slowdown, asset quality of banks in China and India dipped in FY2014, with average gross NPL ratio increasing from 3.8% to 4.3% for India and from 0.9% to 1.2% for China. In India, loan loss reserve to gross NPL ratio went down to 46% from 51% the year before. The average provision coverage ratio of Chinese banks fell from 287% to 238% in 2014, largely due to a jump in NPL balance. Weakening asset quality has caused profitability to come under pressure, as banks set aside more provisions for potential bad debt. The average ROE of banks in both China and India declined slightly.

2015 has been a challenging year so far. The decline in Asia Pacific banks' asset quality has continued to impact profitability. Competition from non-banks and relatively low interest rates also affected bank profit margins, which underscored the need for commercial banks to improve the structure of their revenue.

China has cut interest rates five times since November 2014, putting pressure on banks' interest income. Meanwhile, the amount of bad loans has risen, further squeezing bank incomes. China's stock market slump since July 2015 and the devaluation of the Rmb are expected to drag performance down. The growth in banks' fee income is also expected to slow. There is little doubt that the financial performance of China banking sector will become more challenging as 2015 comes to an end.

Banks face profit threat from increased non-bank competition

The financial performance of Asia Pacific banks is affected by the rising competition from non-banks, putting pressure on banks to respond quickly to changing market conditions in order to remain competitive.

In China, due to guidelines issued by the authorities to encourage innovation in internet finance and protect investor rights, Chinese banks have faced competition from internet finance companies and private online banks.

Technology firms such as Alibaba Group Holding and Tencent Holdings have large customer bases and vast amounts of customer and transaction data. Their services include deposits, lending and online transfers, and they have also obtained licenses in 2014 to open China's first private banks. WeBank, China's first internet-based bank was launched by Tencent, targeting small and medium enterprises.

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For more information please contact:

Mr. Foo Boon Ping
Managing editor
Tel: (65) 6236 6523
bpfoo@theasianbanker.com

Ms. Janice Chua
Business development, marketing, & sales support
Tel: (65) 6236 6532
jchua@theasianbanker.com