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■ Rate of loan growth continues its positive trend

Loan growth during the FY17 was seen to grow at a slower pace of 17% YoY (FY16: 26% & FY15: 20% YoY), a growth of Rs. 98.5 bn in absolute terms (FY16: +Rs. 118.5 bn). Loan growth during the 4Q17 was seen at a slower pace as well growing at 2.3% QoQ (3Q17: 4.6% QoQ). On the other hand, the Private banks managed to grow their Net loans and advances portfolio at a rate of 4.9% QoQ during the Mar17 quarter, slower than the previous quarter's 6.5% QoQ growth rate. QoQ Loan growth recorded a decline among Group A1 and A2 categories ([Figure 2](#)).

Under Group A1, PLC saw its loan portfolio growing at a rate of 22% YoY; a continued improvement from the previous years' growth rates (FY16: 11.6% & FY15: 9% YoY). All other Group A1 companies saw their FY17 loan growth rate improving at a slower rate compared to FY16. LOFC saw a notable slow down in its YoY loan growth rate to 7.4% in FY17 (from 50% YoY growth in FY16). See ([Figure 3](#)) for company wise QoQ loan growth trend.

Under Group A2, SFCL recorded a higher YoY loan growth rate of 40.5% during FY17 (FY16: 24.5% YoY) and CRL reversed the contractionary growth seen in FY16 (-2.4% YoY) and achieved a 13.4% YoY loan growth in FY17. All other firms in Group A2 saw their loan portfolio growing positively but at a lower rate compared to FY16. See ([Figure 4](#)) for company wise QoQ loan growth trend.

■ Deposit growth rate witnesses mixed performance

During 4Q17, the deposit base of Group A continued to improve at a higher rate of 6.0% QoQ compared to the 4.9% QoQ growth recorded in the previous quarter (2Q17: 2.9% QoQ & 4Q16: 2% QoQ). The deposit base grew marginally higher in FY17 at 16.5% YoY (FY16: 16% YoY). Group A1 saw a continued improvement in QoQ deposit rate growth and Group A2 recorded an improved QoQ deposit growth rate compared to the previous quarter See ([Figure 1](#)).

PLC and SFIN (from Group A2) recorded a positive growth in deposit base during the FY17, compared to the contractions recorded in the previous 2 years. ALLI recorded QoQ contraction in deposit base throughout FY17 (except during 2Q17), which led to a contraction in deposit base for the full FY17 compared to the previous year. SFCL recorded a positive 11% YoY growth in deposit base during the FY17 compared to the contraction in the previous year.

■ Net Interest Income continues to grows while NIMs decline

The finance companies as a whole in Group A saw a positive growth in the NII in absolute terms over the previous year but at slower pace (FY17: 7% & FY16: 10% YoY). Most Group A1 and A2 companies recorded an increase in their NIM during the Mar17 quarter ([Figure 9](#)). A YoY decline in NIMs was seen in most companies which resulted in Group A companies as a whole recording a 132 bps decline in NIM from FY16 to FY17.

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Categories A and B are based on the CBSL definitions utilized for the consolidation framework (see Index for further details).

Group A1: Asset Base > LKR 30Bn
Group A2: LKR 8bn< Asset Base < LKR 30Bn

CFIN managed to maintain its NIM at 9% level over the last four quarters which resulted in a slight improvement in the ratio for FY17 to 14.6% (FY16: 14.5%). Meanwhile, COCR continued to witness a decline over the recent quarters from its relatively high NIM.

During the final quarter of FY17, LFIN, CLC and COCR are the only companies from Group A₁ to witness a decline in NIMs while only CRL from the Group A₂ companies saw a decline in NIMs during the quarter.

■ Impairment costs continue to rise on a QoQ basis but stands at a lower level for the full FY

Impairments over Av Loans for finance companies under Group A as a whole, continued to increase to 1.2% on a QoQ basis (from 1.1% in 3Q17 and 0.7% in 2Q17) ([Figure 13](#)). However, the full FY17 managed to record a lower impairments over Avg. loans ratio at 1.0% (FY16: 1.5% & FY15: 2.7%).

All Group A₁ companies recorded an improvement in Impairment over Avg loans ratio during the FY17 compared to FY16 with LFIN recording an impairment reversal for the year. COCR continued to record the highest Impairments over Av Loans ratio in Group A₁ category, with the FY17 ratio decreasing to 4.5% from 5.3% in the previous year.

In Group A₂, better Impairments over Av Loans ratio were noted for ALLI, MERC, SFCL, CRL, VFIN over the previous year.

■ PAT of Group A companies records positive growth during FY17

During the FY17, Group A companies as a whole recorded a 17% YoY increase in PBT (FY16: 25% YoY). NII (FY17: 7% & FY16: 10% YoY) and fee and commission income continued to record positive growth over the previous year (even though at a slower pace). The surge in 'other operating income' raised Total Income for the year. Non-interest expenses increased by 20% YoY (FY16: 18% YoY) mainly driven by higher Other expenses category while Impairment charges in total was recorded at a lower level compared to previous financial year. The bottom line of Group A companies as a whole, saw a growth of 12.4% YoY in FY17 (FY16: 18.4% YoY).

The ROA and ROE ratios for Group A companies declined to 2.9% and 18.9% in FY17 respectively during FY17 (FY16: 3.1% and 19.5%).

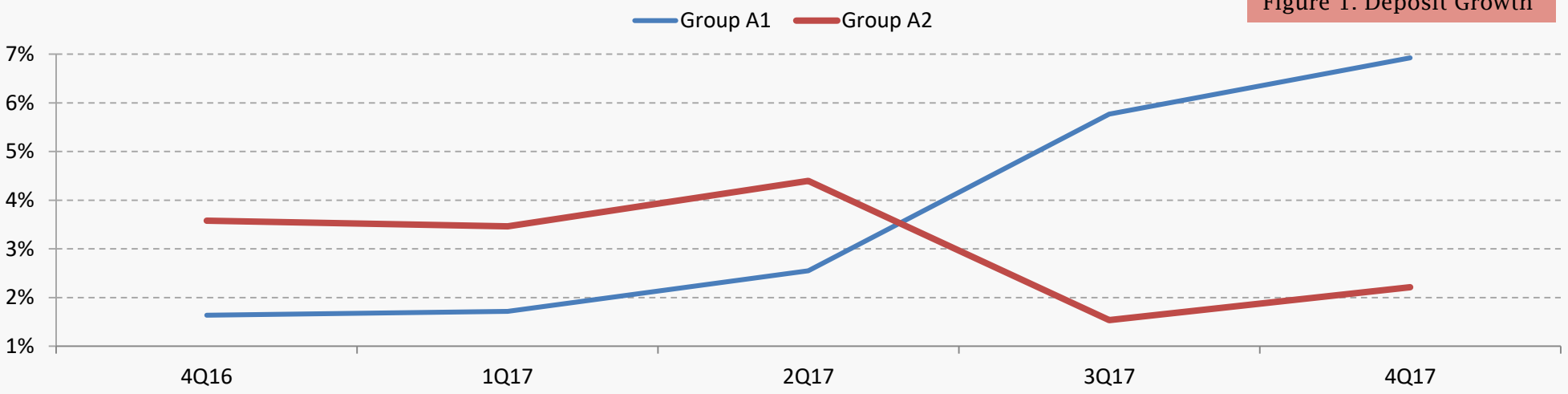
Firms under Group A₁ as a whole recorded a bottom line growth of 9.2% in FY17 (FY16: 19.8%). See ([Figure 11](#)) for details on QoQ bottom line performance of all Group A₁ companies.

Group A₂ as a whole recorded a growth of 34.7% YoY in PAT during FT17 (FY16: 9.4% YoY). See ([Figure 12](#)) for more details on QoQ bottom line performance.



Growth - Deposits and Loans

Figure 1. Deposit Growth



Click for the deposit rate movements of each individual [Group A1](#) & [Group A2](#) company

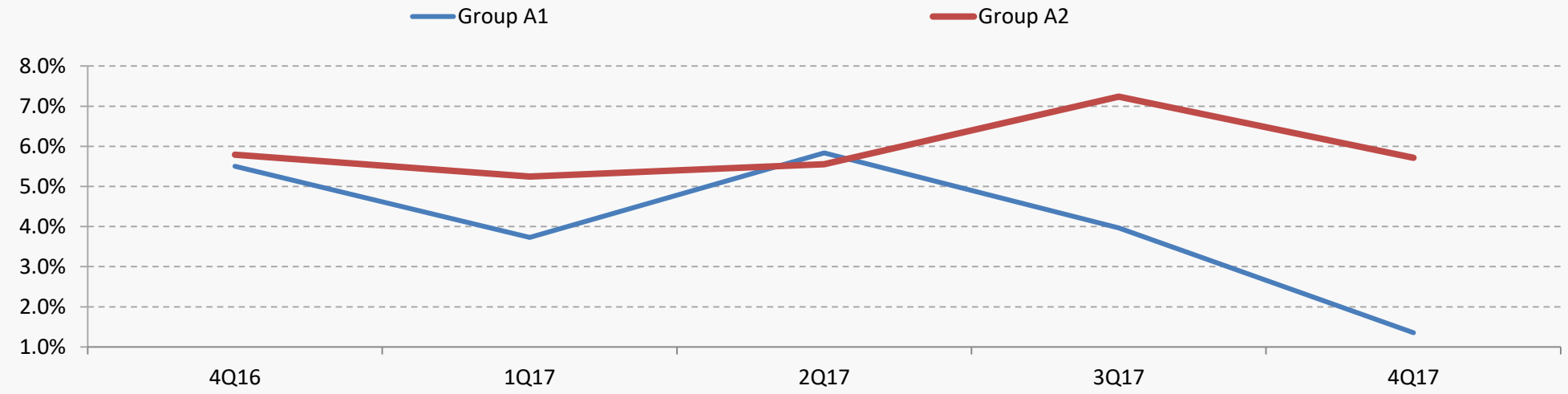


Figure 2. Loan Growth



Loan growth - Group A1

Figure 3. Total Loan growth - Group A1

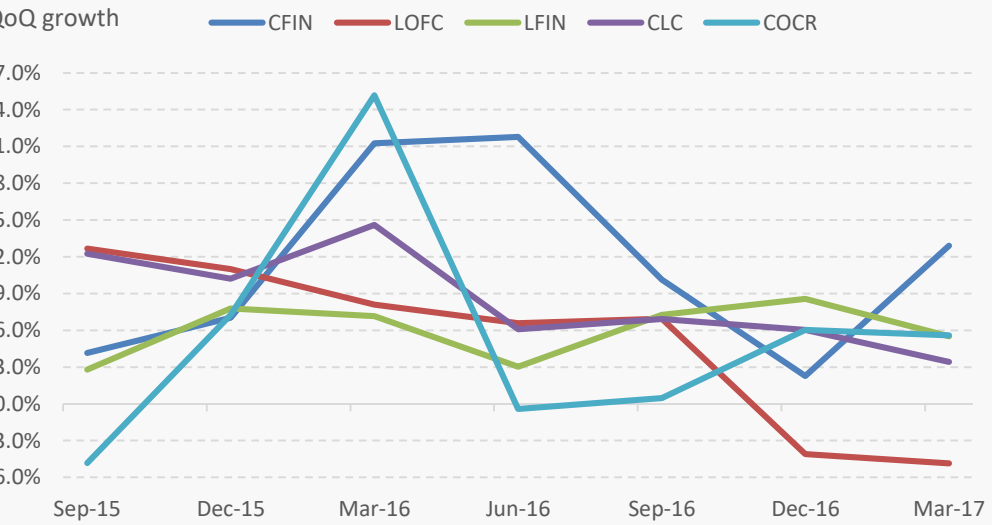
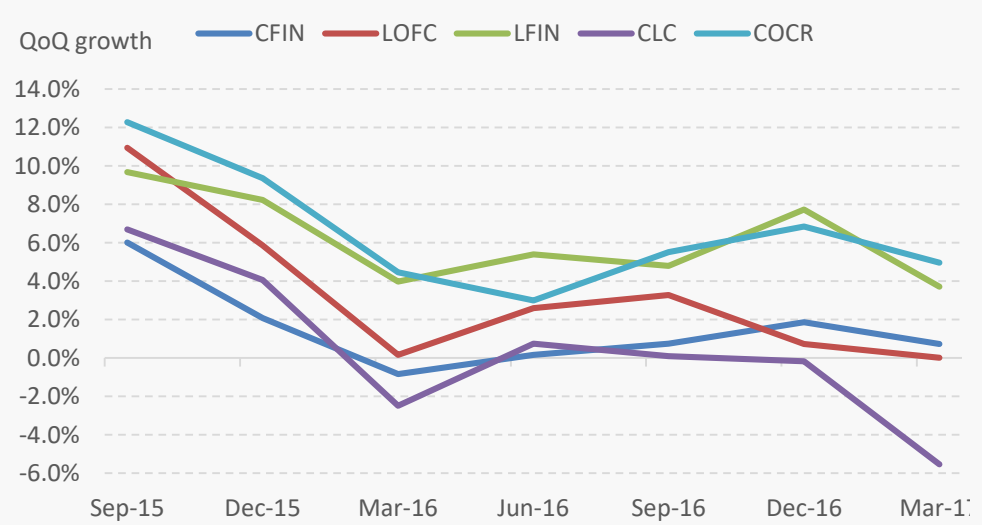
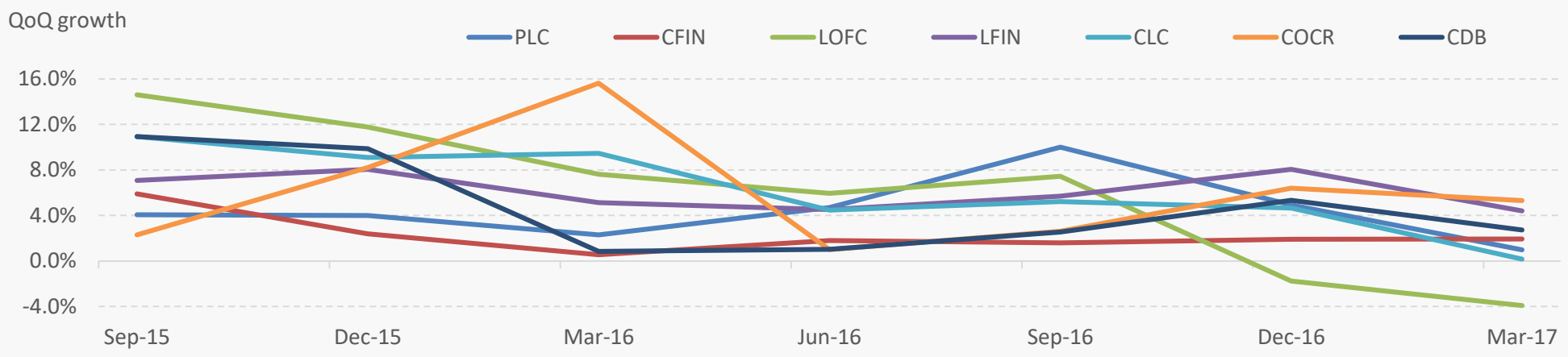


Figure 3.1 Growth in Leasing & Hire purchase - Group A1

Figure 3.2 Growth in Loans and advances- Group A1



Loan growth - Group A2

Figure 4. Total Loan growth - Group A2

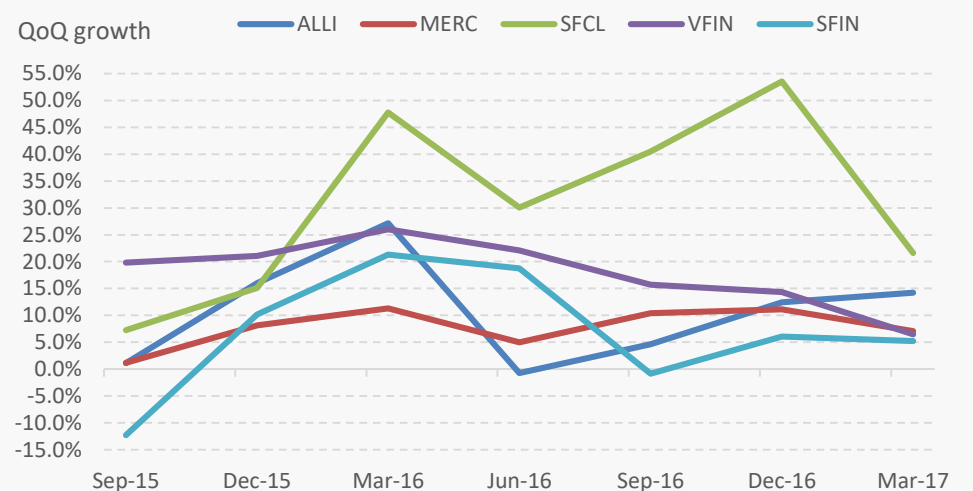
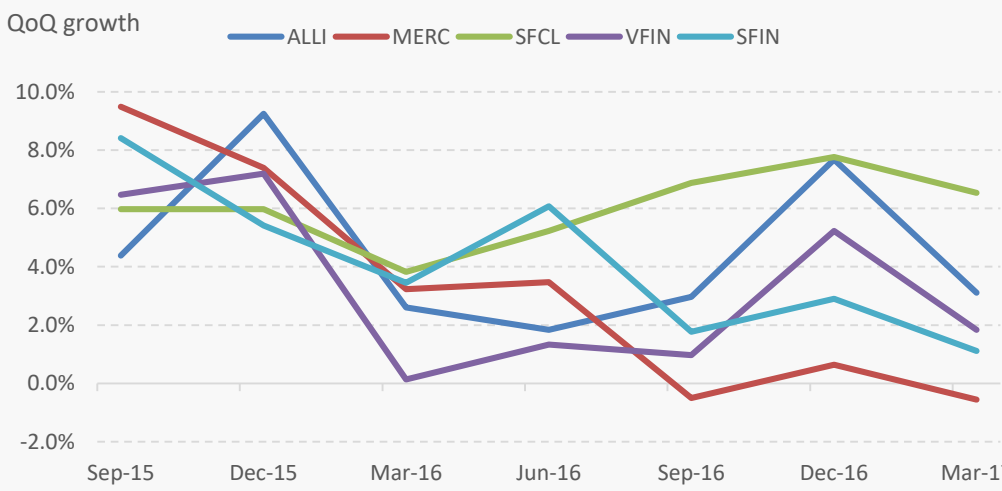
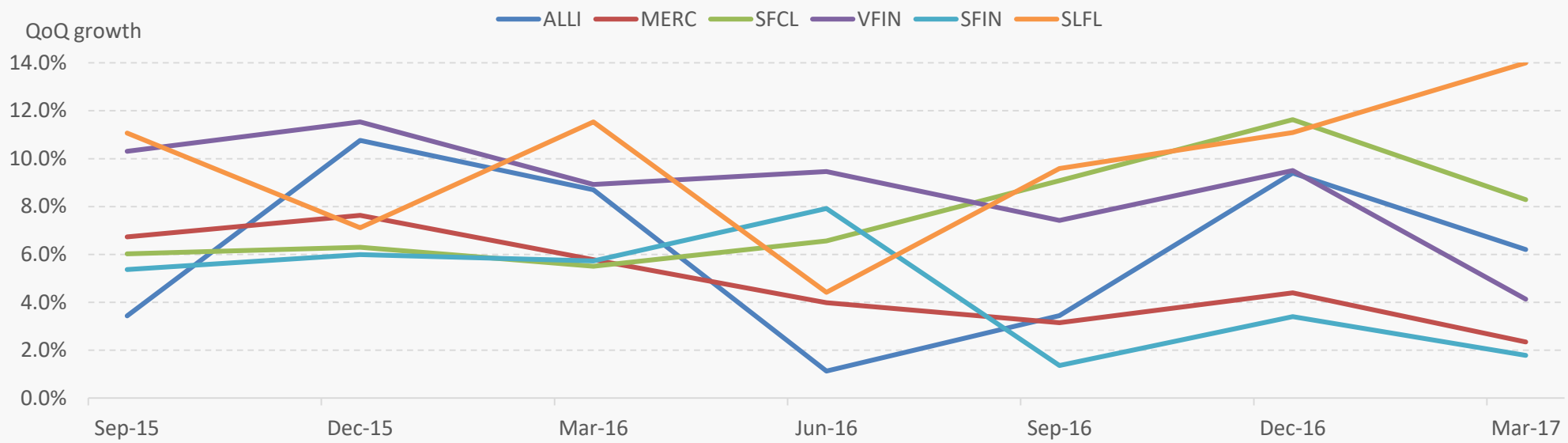


Figure 4.1 Growth in Leasing & Hire purchase - Group A2

Figure 4.2 Growth in Loans and advances- Group A2

Capital

Figure 5. Equity to Assets

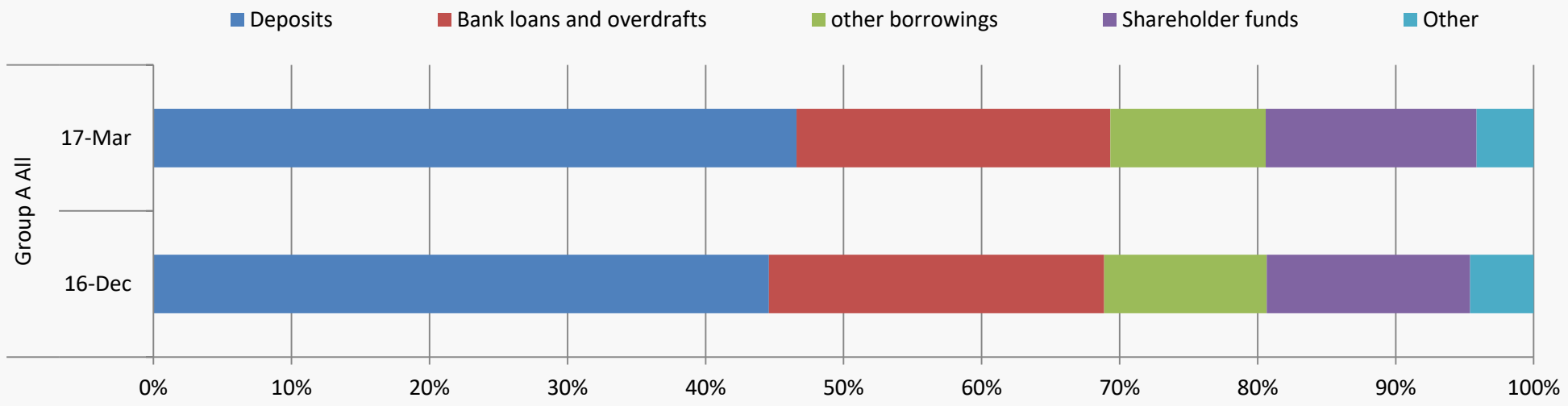
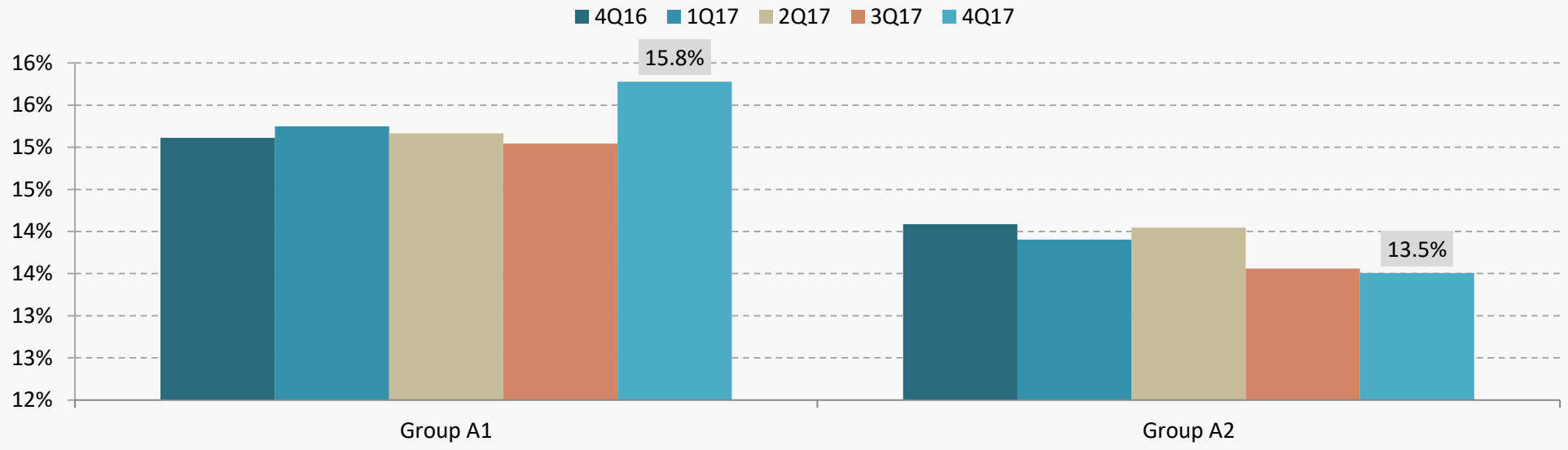


Figure 6. Funding Mix*



Profitability

Figure 7. ROA

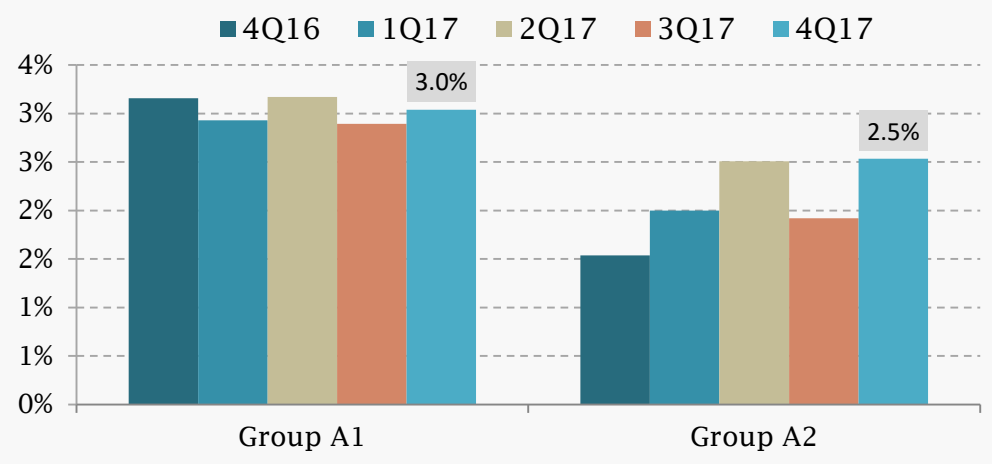


Figure 8. Pre tax and Pre-Impairment ROA

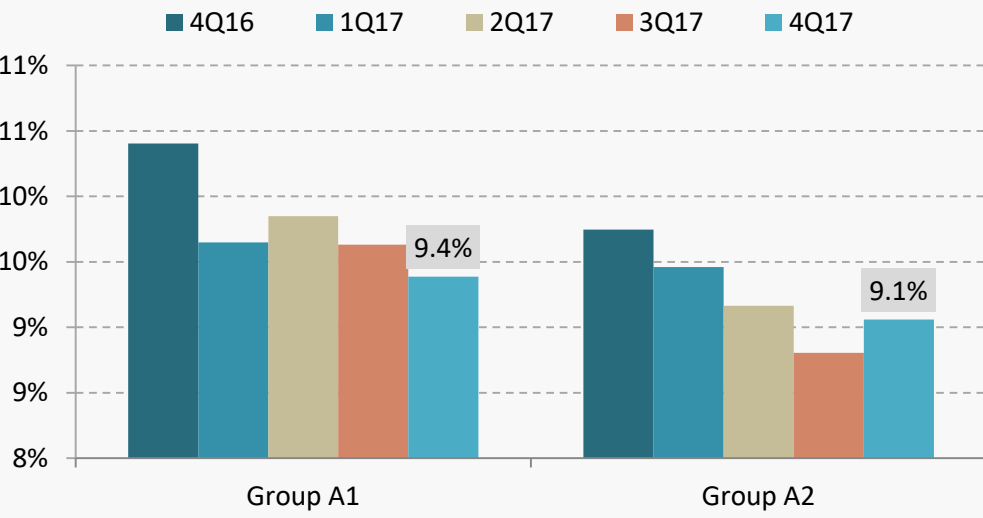
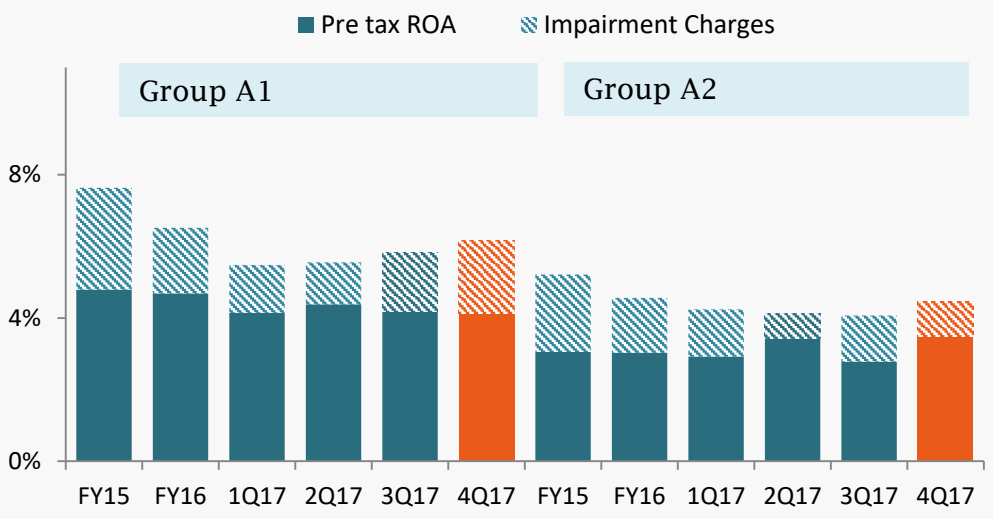


Figure 10. Operating cost to Average assets

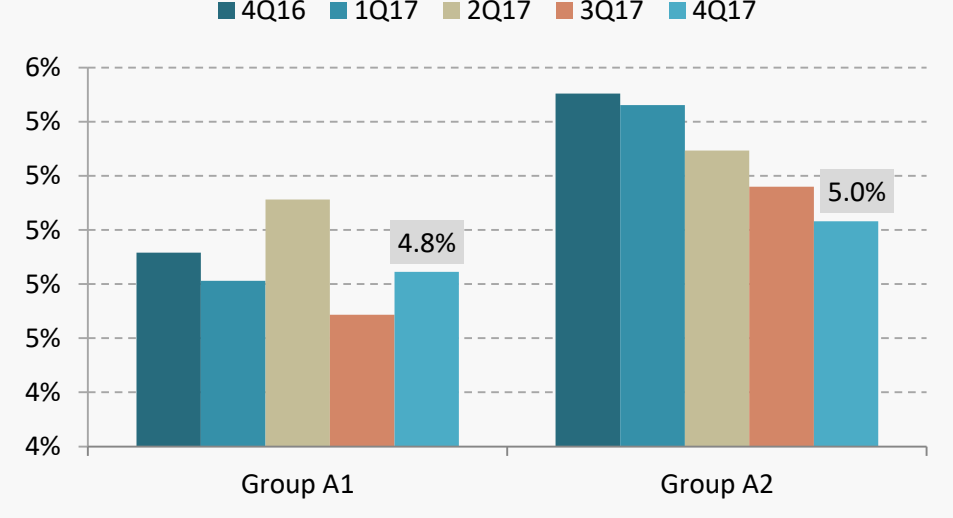


Figure 9. NIM



Figure 11.

Profit After Tax - Group A1

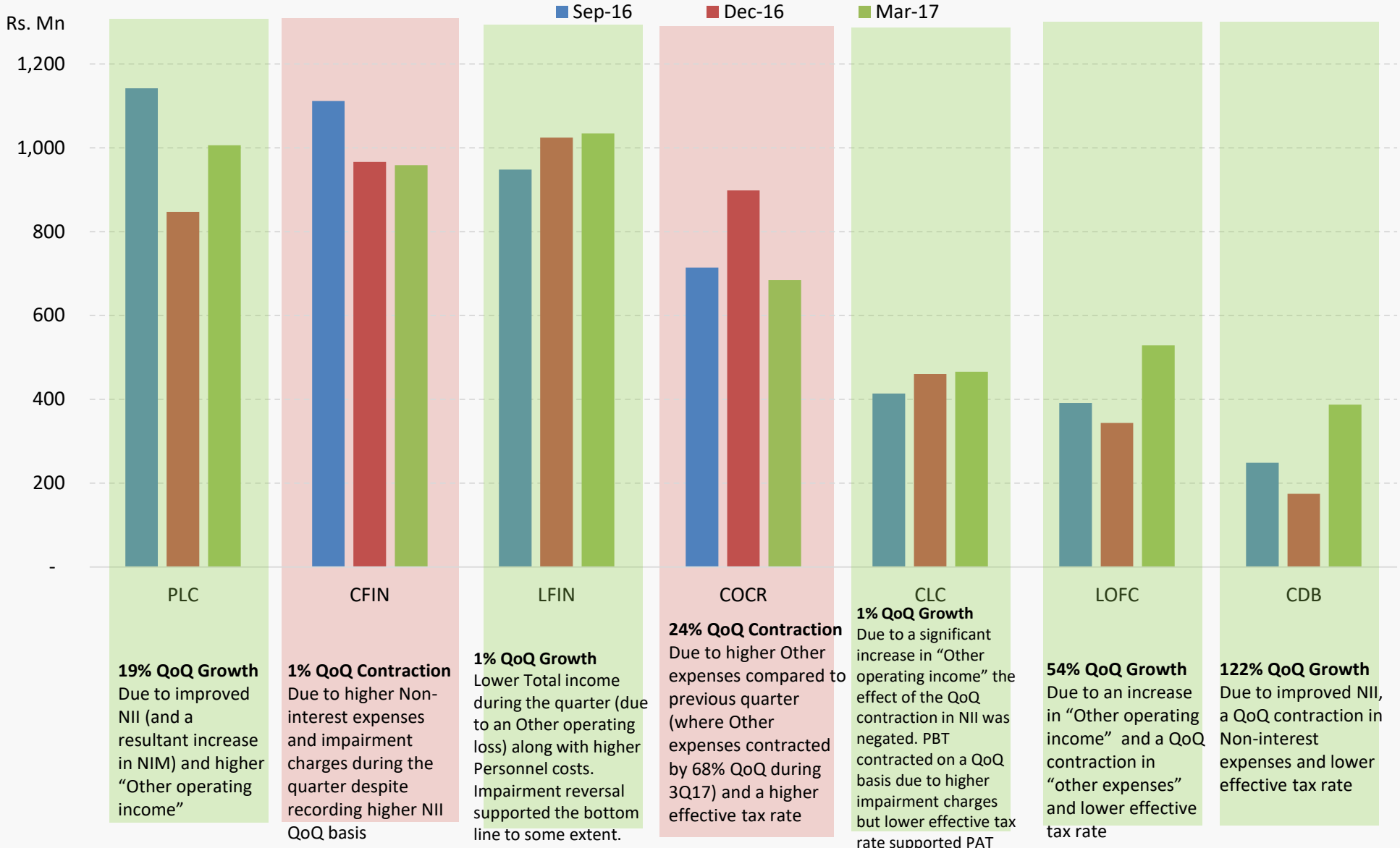
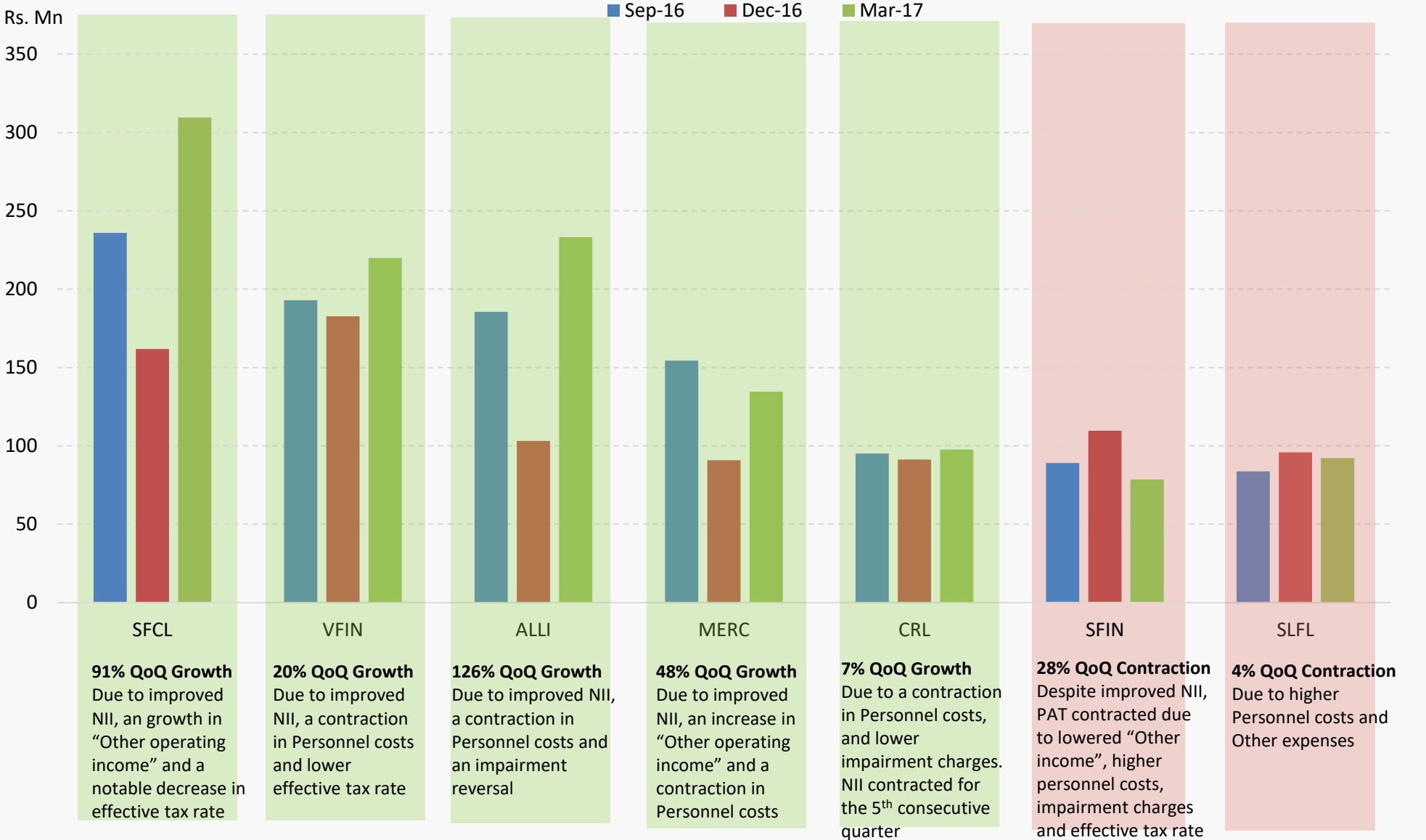




Figure 12.

Profit After Tax - Group A2



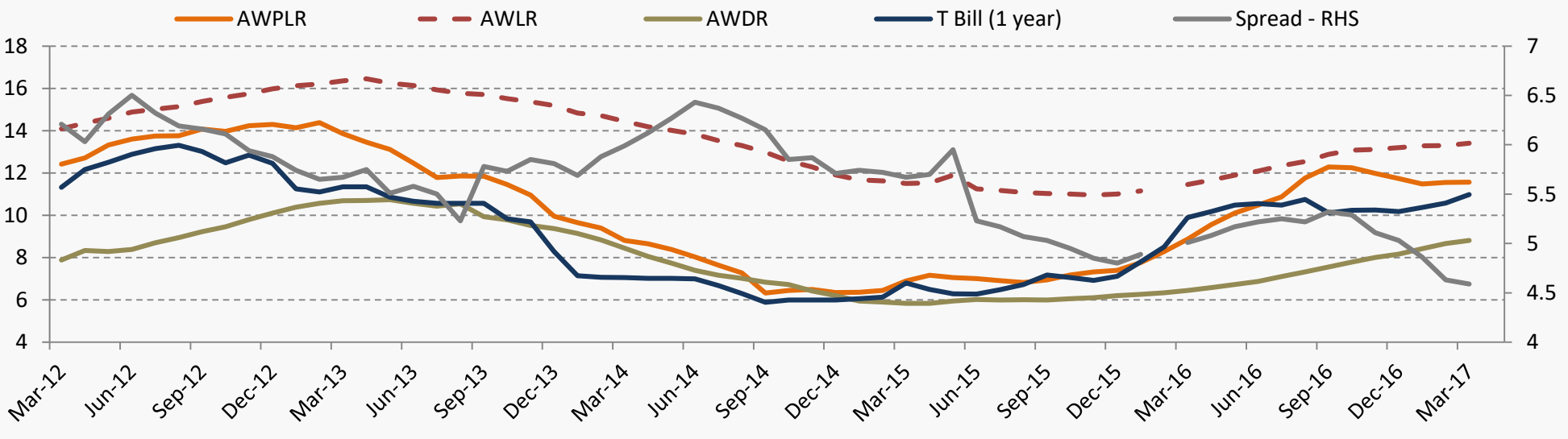
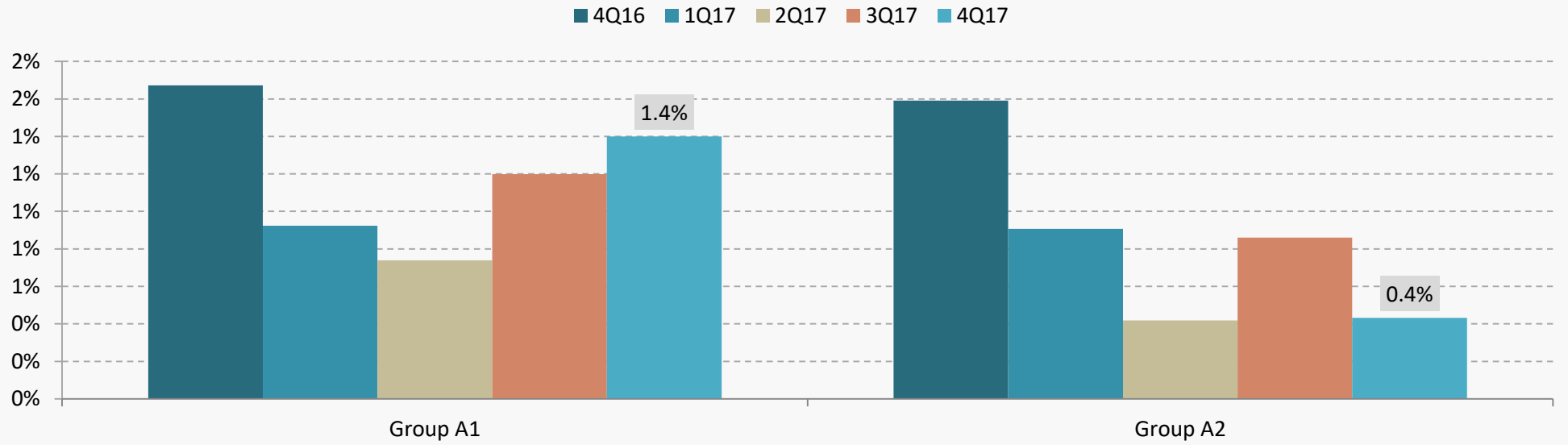


Figure 14. Interest Rates and Spread



Date	Company & Type of Fund Raising	Rating	Interest Rate	Value (Mns)
2017 March	Senkadagala Finance PLC-Rights Issue		One (01) new ordinary share for every nine (9) existing ordinary shares Issue Price: - Rs. 80.00 Qty Offered: - 7,247,506	LKR 579.8

Supplementary slides

Key Performance Indicators-Group A1

Table 2	PLC		LFIN		LOFC		CFIN		CLC		CDB		COCR		Group A1		
	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	2Q17	3Q17	4Q17
Assets (Rs.Mn)	150,804	150,457	95,683	102,763	124,176	122,613	76,451	78,041	87,047	77,761	51,420	53,934	79,318	82,855	639,044	664,899	668,423
Total Advances (Rs.Mn)	132,755	134,055	85,402	89,150	94,107	90,417	63,859	65,085	53,822	53,904	42,043	43,189	64,798	68,242	516,293	536,787	544,042
Deposits (Rs. Mn)	42,637	44,723	55,618	60,402	74,224	80,607	35,479	35,707	13,010	15,936	29,986	32,602	51,802	53,737	286,251	302,755	323,714
PAT (Rs Mn.)	847	1006	1024	1034	344	529	966	958	460	466	175	387	898	684	4970	4714	5065
Credit Growth (%)	4.9%	1.0%	8.0%	4.4%	-1.8%	-3.9%	1.9%	1.9%	4.6%	0.2%	5.3%	2.7%	6.4%	5.3%	6%	4%	1%
Deposit Growth (%)	9%	5%	5%	9%	7%	9%	1%	1%	30%	22%	2%	9%	3%	4%	3%	6%	7%
ROE (%)	14%	17%	35%	33%	14%	20%	15%	15%	14%	14%	13%	26%	39%	27%	21%	19%	20%
ROA (%)	2%	3%	4%	4%	1%	2%	5%	5%	2%	2%	1%	3%	5%	3%	3%	3%	3%
NIM (%)	7.9%	8.3%	11.5%	11.1%	6.6%	6.7%	14.6%	14.8%	7.1%	4.5%	6.0%	6.2%	16.4%	15.7%	9.8%	9.6%	9.4%
Op Cost/ Av Assets (%)	4%	4%	5%	5%	5%	4%	6%	6%	4%	4%	5%	4%	5%	8%	5%	5%	5%
Imp. Charges/ Av Loans (%)	0%	0%	0%	0%	1%	2%	0%	0%	1%	3%	0%	1%	6%	5%	1%	1%	1%
Gross NPL Ratio (%)	N/A	N/A	N/A	N/A	4.53%	4.41%	N/A	N/A	N/A	N/A	4%	3%	N/A	N/A	N/A	N/A	N/A
Equity/ Assets	16%	16%	13%	12%	8%	9%	33%	34%	15%	18%	11%	12%	12%	12%	15%	15%	16%
(Cash+near cash)/Deposits (%)	17%	17%	7%	5%	18%	14%	4%	4%	12%	9%	7%	7%	6%	6%	10%	11%	9%

Key Performance Indicators-Group A2

Table 3	MERC		SFCL		CRL		ALLI		VFIN		SFIN		SLFL		Group A2		
	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17	2Q17	3Q17	4Q17
Assets (Rs.Mn)	37,126	37,902	28,567	30,919	22,564	22,126	28,252	30,054	29,629	30,685	12,727	12,698	20,791	23,920	168,704	179,655	188,304
Total Advances (Rs.Mn)	28,050	28,707	21,940	23,758	17,980	18,509	22,352	23,739	23,815	24,799	11,351	11,552	19,181	21,866	134,907	144,669	152,931
Deposits (Rs. Mn)	16,542	17,018	7,216	7,231	15,988	16,048	10,094	10,088	17,399	17,864	3,152	3,211	3,363	3,924	72,635	73,753	75,384
PAT (Rs Mn.)	91	135	162	310	91	98	103	233	183	220	110	78	96	92	1036	835	1165
Credit Growth (%)	4.4%	2.3%	11.6%	8.3%	0.1%	2.9%	9.4%	6.2%	9.5%	4.1%	3.4%	1.8%	11.1%	14.0%	5.6%	7.2%	5.7%
Deposit Growth (%)	2.6%	2.9%	5%	0%	-4%	0%	-4%	0%	4%	3%	4%	2%	27.0%	16.7%	4%	2%	2%
ROE (%)	4%	7%	19%	35%	14%	16%	13%	26%	33%	36%	17%	12%	20%	19%	18%	14%	19%
ROA (%)	1%	1%	2%	4%	2%	2%	1%	3%	3%	3%	4%	2%	2%	2%	3%	2%	3%
NIM (%)	8.0%	8.1%	10.2%	10.8%	7.6%	6.7%	10.5%	11.1%	7.8%	7.9%	11.8%	13.0%	6.8%	7.1%	9.2%	8.8%	9.1%
Op Cost/ Av Assets (%)	4%	4%	6%	6%	5%	5%	7%	5%	4%	4%	7%	7%	4%	5%	5%	5%	5%
Imp. Charges/ Av Loans (%)	1%	1%	0.5%	0.2%	3.0%	1.4%	1%	-1%	0%	0%	0%	1%	1%	1%	0%	1%	0%
Gross NPL Ratio (%)	N/A	N/A	194%	164%	0%	0%	N/A	N/A	2.75%	2.55%	N/A	N/A	N/A	N/A	-	-	-
Equity/ Assets	22%	22%	12%	12%	12%	10%	11%	14%	8%	8%	21%	21%	9%	8%	14%	14%	14%
(Cash+near cash)/Deposits (%)	7%	8%	42%	42%	22%	16%	16%	15%	20%	17%	10%	8%	5%	5%	14%	18%	16%

Key Performance Indicators

	CFIN		LFIN		LOFC		PLC	
	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17
Assets (Rs.Mn)	72,132	78,041	84,517	102,763	110,385	122,613	124,335	150,457
Total Advances (Rs.Mn)	60,595	65,085	71,554	89,150	84,178	90,417	109,872	134,055
Deposits (Rs. Mn)	34,484	35,707	53,380	60,402	60,197	80,607	33,836	44,723
PAT (Rs Mn.)	3,334	4054	3,718	3918	1,427	1587	4,348	4.009
Credit Growth (%)	13.1%	7.4%	27.9%	24.6%	50.3%	7.4%	11.6%	22.0%
Deposit Growth (%)	2.2%	4%	17.5%	13%	63.4%	10%	-0.5%	32.2%
ROE (%)	15.2%	16%	40.4%	34%	16.6%	16%	19.8%	16.9%
ROA (%)	4.8%	5%	4.9%	4%	1.6%	1%	3.7%	2.9%
NIM (%)	14.5%	14.6%	12.9%	11.4%	8.0%	6.5%	9.5%	8.3%
Op Cost/ Av Assets (%)	5.5%	6%	4.7%	5%	4.5%	5%	3.5%	3.9%
Imp. Charges/ Av Assets (%)	1.0%	0%	2.2%	0%	2.1%	2%	0.2%	0.2%
Gross NPL Ratio (%)	N/A	N/A	N/A	2.1%	4.15%	4.41%	N/A	N/A
Equity/ Assets (%)	32.1%	34%	12.4%	12%	8.3%	9%	18.3%	16.4%
(Cash+near cash)/Deposits	3.8%	4%	11.3%	5%	22.8%	14%	12.0%	17.2%

Key Performance Indicators

	CDB		COCR		CLC		MERC		ALLI		SFCL		CRL	
	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17
Assets (Rs.Mn)	50,626	53,934	70,990	82,855	84,777	77,761	33,965	37,902	25,798	30,054	22,249	30,919	20,840	22,126
Total Advances (Rs.Mn)	38,539	43,189	58,850	68,242	46,793	53,904	25,054	28,707	19,531	23,739	16,908	23,758	16,841	18,509
Deposits (Rs. Mn)	30,888	32,602	49,383	53,737	12,348	15,936	15,816	17,018	10,464	10,088	6,510	7,231	13,690	16,048
PAT (Rs Mn.)	1,005	1,007	2,152	2,903	1,574	1,687	505	498	412	646	659	859	368	374
Credit Growth (%)	31.2%	12.1%	26.4%	16.1%	41.9%	15.2%	28.7%	14.6%	29.7%	21.5%	24.5%	40.5%	0.6%	13.4%
Deposit Growth (%)	14.1%	6%	17.1%	9%	27.3%	29%	15.3%	7.6%	1.2%	-4%	-0.5%	11%	13.4%	14%
ROE (%)	21.5%	18%	31.6%	32%	14.4%	13%	6.5%	6%	15.9%	19%	23.8%	26%	16.4%	18%
ROA (%)	2.3%	2%	3.3%	4%	2.5%	2%	1.6%	1%	1.8%	2%	3.3%	3%	1.8%	2%
NIM (%)	7.6%	6.0%	17.4%	16.5%	9.0%	6.4%	9.7%	8.2%	11.6%	10.5%	11.6%	10.4%	9.5%	7.8%
Op Cost/ Av Assets (%)	4.7%	4%	7.7%	7%	4.8%	4%	4.2%	4%	7.3%	6%	6.1%	6%	5.7%	5%
Imp. Charges/ Av Assets (%)	1.0%	1%	5.2%	5%	1.1%	1%	0.8%	1%	0.8%	0%	-0.1%	0.1%	2.1%	2.1%
Gross NPL Ratio (%)	3.6%	3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.0%	2%	N/A	N/A
Equity/ Assets (%)	10.0%	12%	10.9%	12%	13.9%	18%	22.5%	22%	10.5%	14%	13.5%	12%	12.2%	10%
(Cash+near cash)/Deposits	7.5%	7%	4.7%	6%	6.8%	9%	5.1%	8%	18.9%	15%	26.0%	42%	18.3%	16%

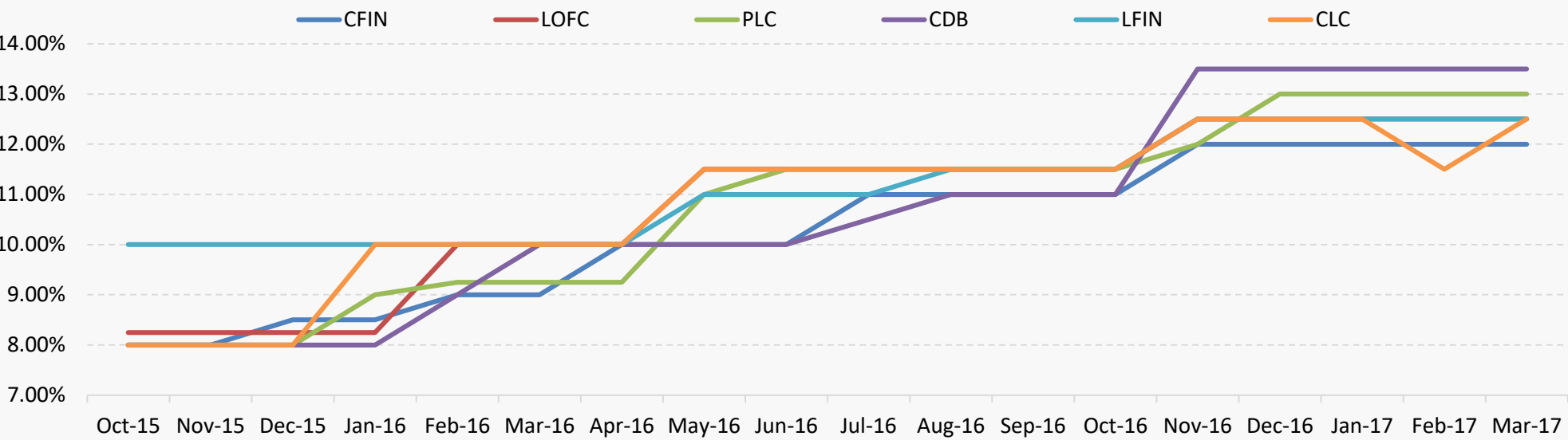
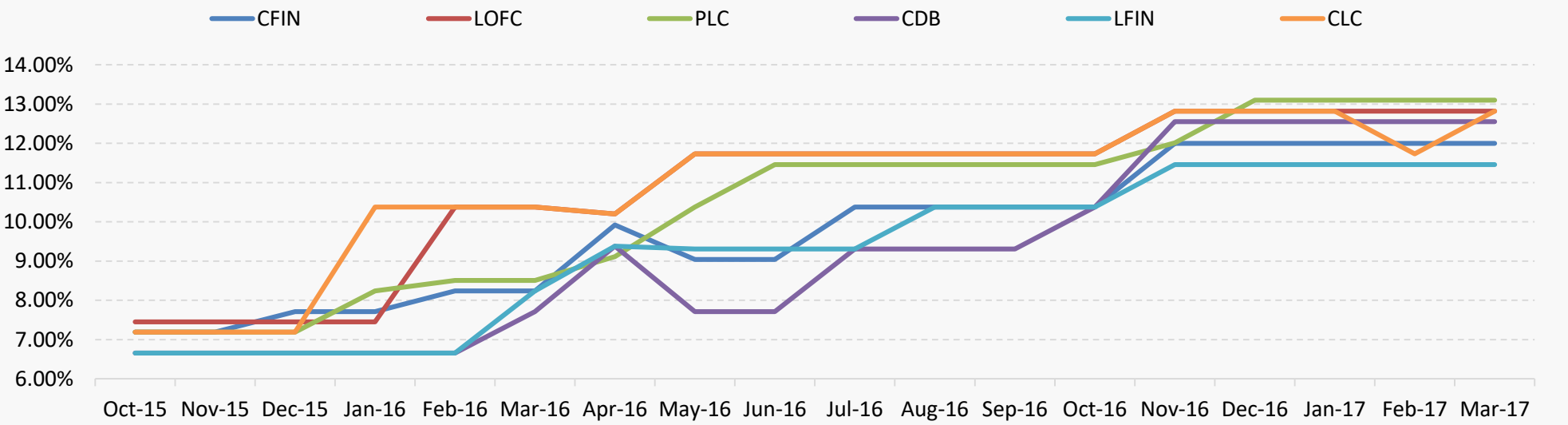
Key Performance Indicators

	VFIN		SFIN	
	FY16	FY17	FY16	FY17
Assets (Rs.Mn)	22,767	30,685	11,115	12,698
Total Advances (Rs.Mn)	18,496	24,799	10,036	11,552
Deposits (Rs. Mn)	14,804	17,864	3,174	3,211
PAT (Rs Mn.)	513	726	441	370
Credit Growth (%)	47.0%	34.1%	28.0%	15.1%
Deposit Growth (%)	21.7%	21%	-23.5%	1%
ROE (%)	29.8%	32%	17.8%	14%
ROA (%)	2.6%	3%	4.4%	3%
NIM (%)	8.9%	7.9%	13.4%	12.6%
Op Cost/ Av Assets (%)	4.7%	4%	6.9%	7%
Imp. Charges/ Av Assets (%)	0.4%	0%	0.3%	1%
Gross NPL Ratio (%)	3.3%	2.55%	N/A	N/A
Equity/ Assets (%)	8.5%	8%	23.4%	21%
(Cash+near cash)/Deposits	12.4%	17%	4.1%	8%

Deposit Rate movement - Group A1 companies



3 month FD rates (AER)

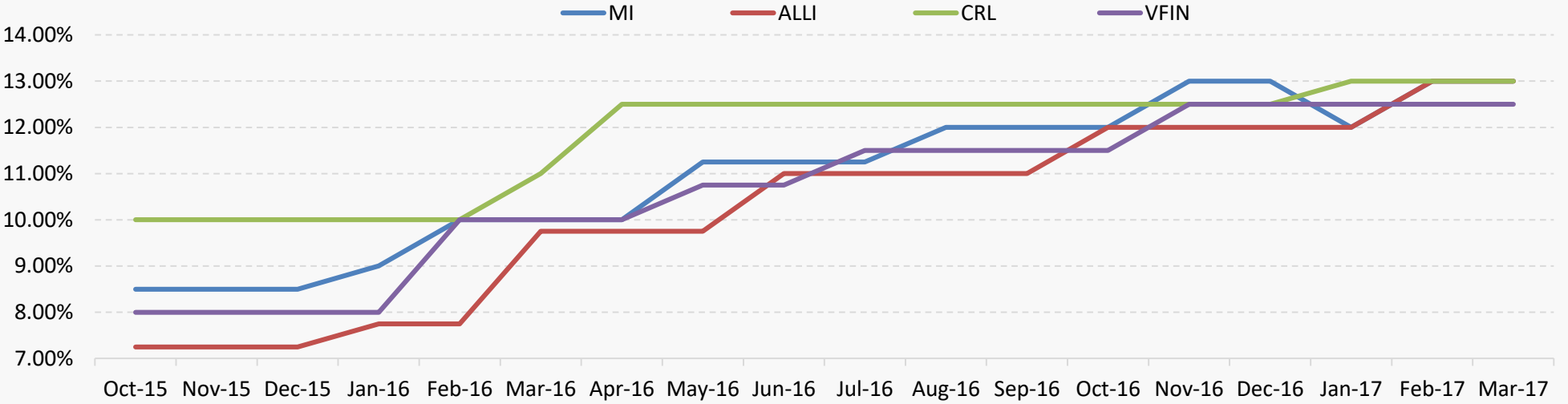
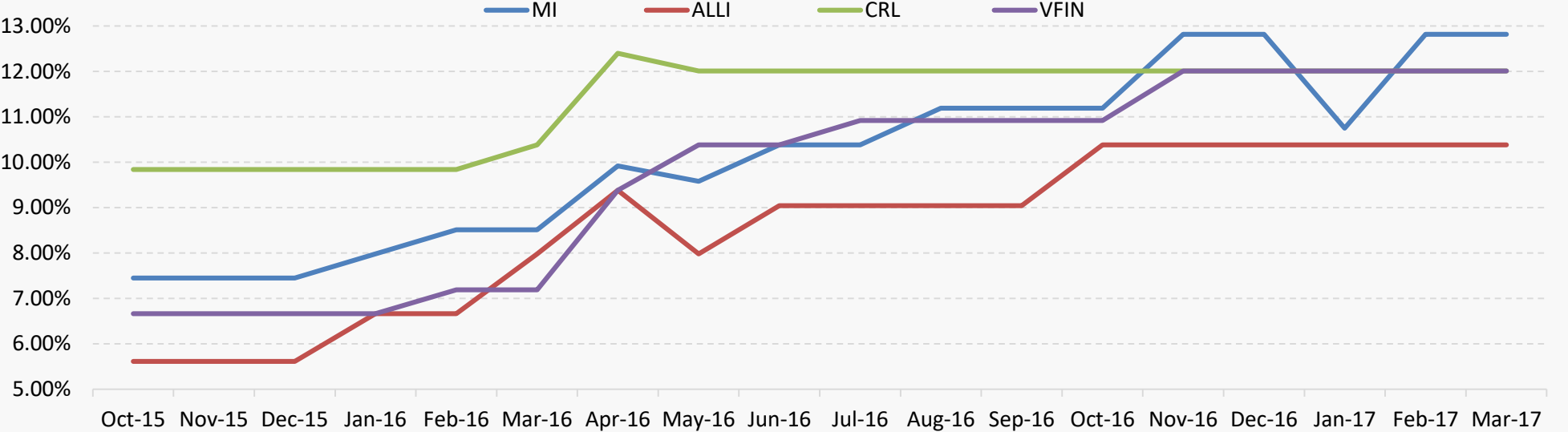


1 Year FD rates (AER)



Deposit Rate movement - Group A2 companies

3 month FD rates (AER)



1 Year FD rates (AER)

ROE - Profit after tax /Average shareholder funds

ROA - Profit after tax /Average assets

Net Interest Margin - Net Interest Income/Average Interest Earning Assets

Equity/Assets - Total shareholder funds/Total assets

FY Financial Year ended 31 March

FY Financial Year ended 31 December for Siyapatha Finance PLC

Information based on company quarterly filings with the Colombo Stock Exchange.

Group A1

(Asset Base > LKR 30Bn)

CFIN - Central Finance PLC

LFIN - LB Finance PLC

PLC - People's leasing & Finance PLC

LOFC - LOLC Finance PLC

CLC - Commercial leasing and Finance PLC

CDB - Citizens Development Business Finance PLC

COCR - Commercial Credit & Finance PLC

Group A2

(LKR 8bn < Asset Base < LKR 30Bn)

MERC - Mercantile investments & Finance PLC

ALLI - Alliance Finance Co. PLC

SFCL - Senkadagala Finance PLC

CRL - Softlogic Finance PLC

VFIN - Vallibel Finance PLC

SFIN - Singer Finance (Lanka) PLC

SLFL - Siyapatha Finance PLC

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