

# ComBank Improves Q2 Earnings

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Dharma Dheerasinghe, Chairman,  
Commercial Bank

S Renganathan, Managing Director/CEO,  
Commercial Bank

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The Commercial Bank Group reported operating profit before impairment charges and taxes of 19.476 billion rupees for the first half of 2019, a 9.45 percent increase over same period in 2018. Commercial Bank's subsidiaries and associates recorded a gross income of 73.587 billion rupees for the six months ending June 30, 2019, an increase of 13.31 percent over the corresponding period of 2018, restated as 64.944 billion rupees in line with the requirements of SLFRS 9 which was implemented from the fourth quarter of that year. Interest income grew by 12.90 percent to 64.622 billion rupees. Net interest income improved by 7.95 percent to 24.146 billion rupees. Meanwhile, the total operating income for the period was 32.118 billion rupees, a growth of 10.05 percent. The total operating expenses of the Group for the period was 12.642 billion rupees, an increase of 10.98 percent. Consequently, the operating profit before taxes on financial services was 13.949 billion rupees, a negative growth of 3.31 percent over H1 of 2018. However, with the taxes on financial services increasing by 39.52 percent to 3.604 billion rupees, group profit after tax reduced by 16.85 percent to 6.673 billion rupees for the six months compared to H1 of 2018. Total taxes for the period reviewed exceeded 7.282 billion rupees, reflecting an effective tax rate of 52 percent. "Our six-month results mirror the challenges faced by key sectors of the economy. A combination of factors beyond our control continues to impact on some indicators, but the Bank has the acumen and the resilience to weather these difficulties and will emerge stronger," stated Dharma Dheerasinghe, Chairman of the Commercial Bank. S Renganathan, Managing Director/CEO added: "Our second quarter witnessed an improvement over the first quarter of 2019, which is encouraging. While we remain concerned at the need for higher provisioning every quarter for sectors that are under the pressure of debt servicing, we are confident that our strategic responses to the needs of the period will minimize the adverse impact on our performance." The Group's

total operating income increased by 12.43 percent to 16.999 billion rupees in the second quarter compared to 15.119 billion rupees in the first quarter, despite the impairment charges almost doubling during this period. Deposits grew by 42.780 billion rupees since December 31, 2018, to 1.037 trillion rupees as at June 30, 2019. At the Bank level, Commercial Bank reported a profit before tax of 10.046 billion rupees, down 15.49 percent, and net profit of 6.466 billion rupees, a reduction of 19.83 percent compared to H1 of 2018. The Bank's gross NPL ratio increased to 4.86 percent as at June 30, 2019 from 4.14 percent at end March 31, 2019, while its net NPL ratio increased from 2.47 percent to 2.96 percent for the same period.