

# Commercial Bank Ends 2018 With A Solid Performance



*Dharma Dheerasinghe, Chairman, Commercial Bank and S Renganathan, Managing Director/CEO, Commercial Bank.*

Commercial Bank of Ceylon reported an operating profit of 31.6 billion rupees for the year ended December 31, 2018, reflecting a growth of 12.8 per cent before taxes, in a financial performance the Bank describes as a “perfect example of progress under duress.”

Profit before income tax improved by 10.4 per cent to 25.6 billion rupees. Profit after tax at 17.5 billion rupees represented an increase of 5.8 per cent.

Commenting on these results, Dharma Dheerasinghe, Chairman, Commercial Bank said: “The Bank turned in a robust performance in all key sectors while staying on plan and within budget in spite of an environment that was continually in flux.”

He pointed out that higher impairment provisioning on account of non-performing advances, volatile and escalating interest rates and depreciating domestic currency had worked against growth in 2018.

S Renganathan, Managing Director/CEO stated, “Profit retention remains paramount for banks, given the ever-increasing capital requirements arising from Basel III implementation as well as higher impairment provisioning due to SLFRS 9 adoption. Yet the regime of taxes imposed on banks has a significant impact thereon.”

SLFRS 9 ‘Financial Instruments’ became effective from January 1, 2018 for annual financial results. The permitted adjustment on account of the “Day 1”

impact of the migration to SLFRS 9 was adjusted against the Bank's retained earnings brought forward to 2018, resulting in net assets reducing by 5.3 billion rupees. Net loans and advances to customers increased by 123.7 billion rupees during the period to stand at 861.1 billion rupees. This was the fourth successive time Commercial Bank increased its loan book by more than 100 billion rupees in a year. The Bank's deposits portfolio recorded a growth of 15.6 per cent or 132.9 billion rupees to 983.0 billion rupees, reflecting average monthly growth of over 11 billion rupees.

Commercial Bank's gross income for the year grew by 20.7 per cent to 138.0 billion rupees, with total interest income improving by 14 per cent to 117.5 billion rupees mainly due to the growth in the Bank's loan book.

The increased impairment charges necessitated by SLFRS 9 resulted in net operating income improving by a more modest 14.6 per cent to 55.1 billion rupees.

At Group level, Commercial Bank, its subsidiaries and associates reported profit before income tax of 26.1 billion rupees for the year ended December 31st 2018, an improvement of 12.1 per cent. Profit after tax for the year grew by 7.4 per cent to 17.9 billion rupees.