

15<sup>th</sup> May 2008

**Commercial Bank  
of Ceylon Ltd**

***Results Update -1Q2008***

**Recommendation**  
Voting -Sell  
Non-Voting -Hold

**Ticker**  
Voting -COMB.N  
Non-Voting-COMB.X

**Share Price\***  
Voting-Rs.135.50  
Non-Voting-Rs.84.50

**Market Cap\***  
Voting-Rs.31.60Bn  
Non-Voting-Rs.1.36Bn

**52 Week High\***  
Voting-Rs.228.75  
Non-Voting-Rs.128.75

**52 Week Low\***  
Voting-Rs.131.25  
Non-Voting-Rs.64.50

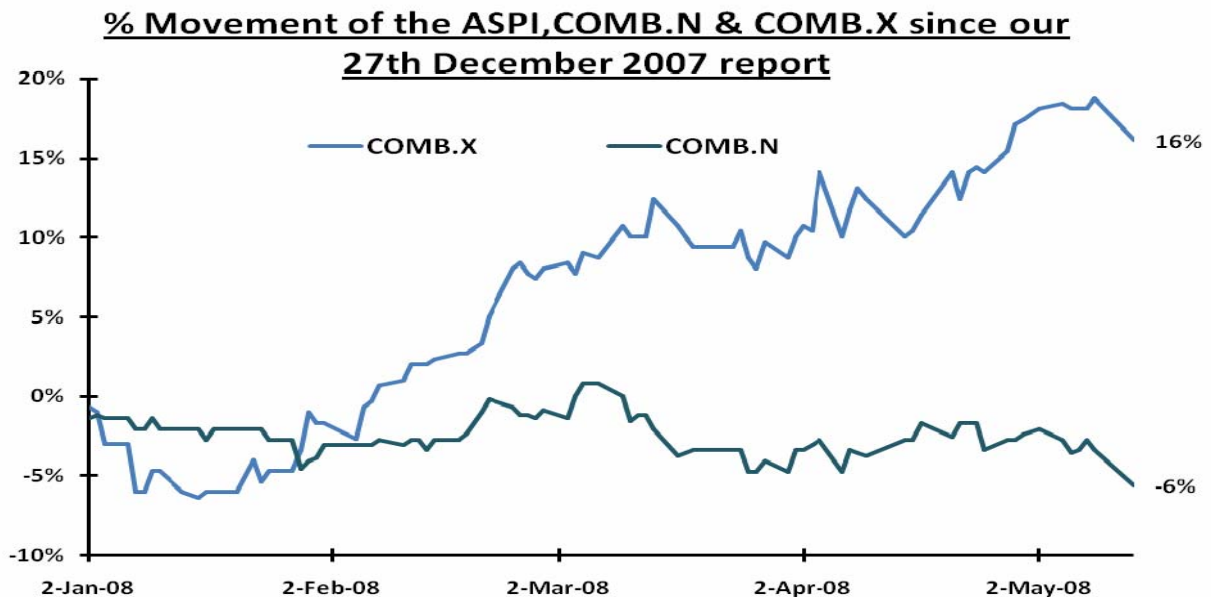
**ASPI\***  
2,609  
**MPI\***  
3,169

\*CSE DATA as at 15<sup>th</sup> May  
2008

- ◆ On 14<sup>th</sup> May 2008 - in the report “Some key recommendation changes” we downgraded Commercial Bank Non Voting to a Hold from the long term Buy recommendation we had earlier as the continued appreciation of the counter’s share price has seen it come close to our 12 month forward target price of Rs.90.
- ◆ Our Sell recommendation on the voting counter remains, even though it has fallen in price to Rs.135.50, and investors who have to have exposure to the counter are advised to continue to switch from the voting counter to the nonvoting counter.
- ◆ Investors who do not have exposure to the counter should however note that we do not anymore have a Buy or LT Buy on the Non Voting Shares and feel out performance relative to the index or fixed income might be challenging even for the Non Voting Shares.

In our report released on 27<sup>th</sup> December 2007 we recommended a long term buy on COMB nonvoting and a Sell recommendation on COMB voting. Since then the COMB voting share price has decreased by 6% whilst COMB nonvoting share price has increased by 16%. During this period the ASPI gained 3%.

Our last report on Commercial Bank was released on 27<sup>th</sup> March 2008, In this report also we reiterated the Sell recommendation on COMB voting share Long term buy recommendation on COMB nonvoting share with a target price of Rs.90. Since then the COMB voting share price has decreased by 1% whilst COMB nonvoting share price has increased by 7%. During this period the ASPI gained 2%.





### 1Q2008 Results Review

For the three months ended 31<sup>st</sup> March 2008, the Bank's interest income increased by 4% QOQ to Rs.8,883 million while interest expenses increased by 8% QOQ to Rs.5,901 million. The net interest income recorded for the quarter was Rs.2,982 million, a decrease of 2% QOQ basis. This was the second consecutive negative net interest income growth quarter for the bank.

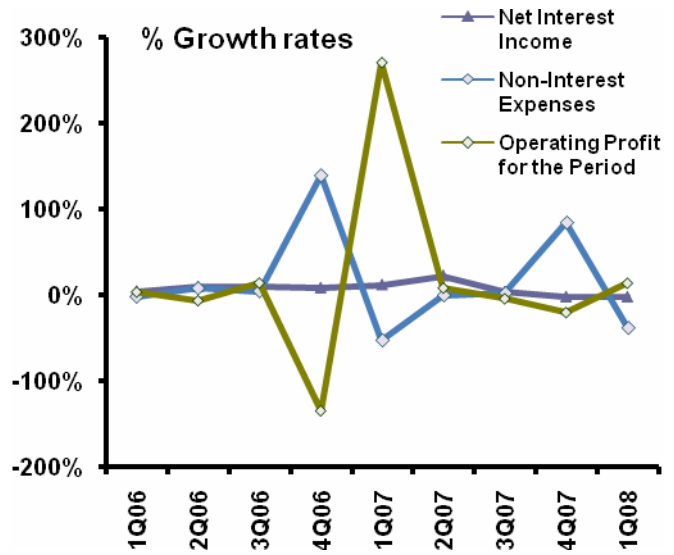
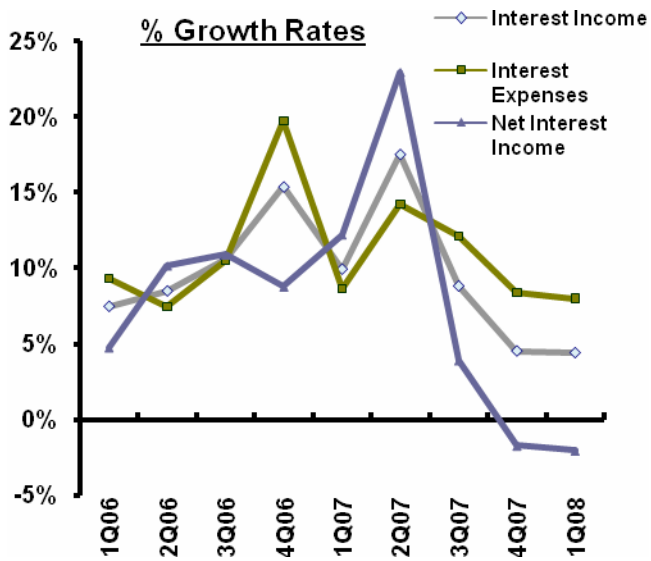
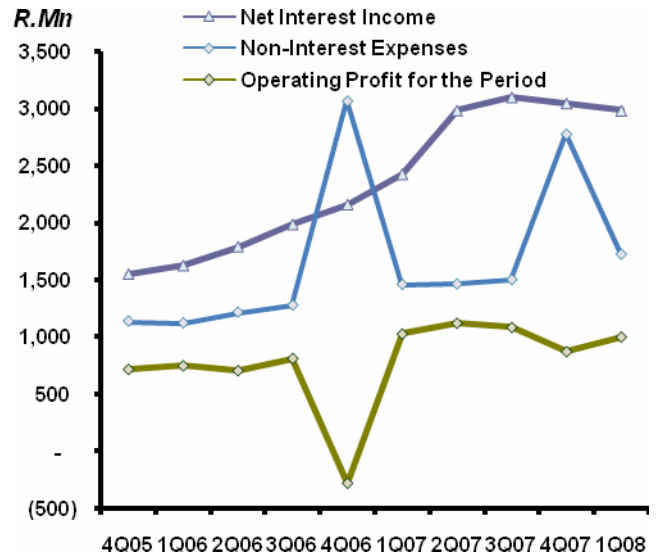
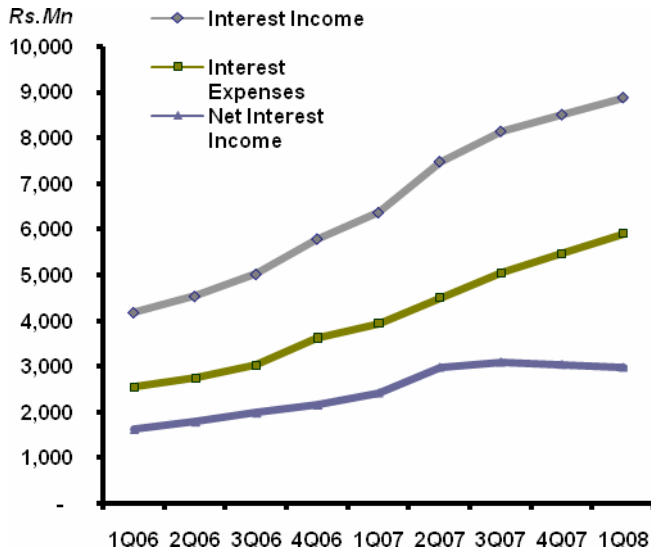
Non interest income of the bank increased by 9% on QOQ basis which helped the bank to increase its net income for the period marginally by 1% QOQ to Rs. 4,277 million.

The non interest expenses of the bank decreased by 38% QOQ. However examining the historical data of the past two years, the decline in noninterest expenses in the 1<sup>st</sup> quarter of the year on a QOQ basis appears to be a seasonal effect rather than an impact due to increased operational efficiency.

Due to the negative growth in the bank's operating expenses, the operating profit for the period after taxes increased by 15% on QOQ basis to Rs 1,000 million.

The banks deposit base increased by 1.6% to Rs. 189,104 million during the 3 months period under review and total performing loans and advances increased by 1.8% to Rs.175,637 million.

The bank witnessed a slight increase in its non-performing loans and the gross non-performing advances ratio increased to 3.44% from 3.02%.





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