

Prospectus

COMMERCIAL BANK OF CEYLON PLC
Debenture Issue 2022

COMMERCIAL BANK OF CEYLON PLC

PROSPECTUS

AN INITIAL ISSUE OF FIFTY MILLION (50,000,000) BASEL III COMPLIANT - TIER 2 LISTED RATED UNSECURED SUBORDINATED REDEEMABLE DEBENTURES WITH A NON-VIABILITY CONVERSION FEATURE ("DEBENTURES"), AT THE PAR VALUE OF LKR100/- EACH TO RAISE SRI LANKAN RUPEES FIVE BILLION (LKR5,000,000,000/-) WITH AN OPTION TO ISSUE UPTO A FURTHER FIFTY MILLION (50,000,000) OF SAID DEBENTURES TO RAISE UP TO SRI LANKAN RUPEES FIVE BILLION (LKR5,000,000,000/-), AT THE DISCRETION OF THE BANK IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL ISSUE.

MAXIMUM ISSUE OF DEBENTURES WILL NOT EXCEED ONE HUNDRED MILLION (100,000,000) OF THE SAID DEBENTURES, AT A VALUE NOT EXCEEDING SRI LANKAN RUPEES TEN BILLION (LKR10,000,000,000/-).

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE.

Rated A (lka) on Rating Watch Negative by Fitch Ratings Lanka Limited

Issue opens on
December 01, 2022

ISSUE IS LIMITED TO 'QUALIFIED INVESTORS' AS DEFINED HEREIN.

Managers to the Issue:
Commercial Bank of Ceylon PLC
Investment Banking Unit
"Commercial House"
No. 21, Sir Razik Fareed Mawatha,
P. O. Box 856,
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RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS

The Directors of Commercial Bank of Ceylon PLC (the Bank), collectively and individually, having made all reasonable enquiries confirm that to the best of their knowledge and belief, that this Prospectus contains all information with respect to the Bank, which is material in the context of the Issue; that the information contained herein is true and correct in all material respects and is not misleading; that there are no other material facts, the omission of which would, make any statement contained herein misleading; that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Where representations regarding the future performance of the Bank have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Bank and making assumptions that are considered to be reasonable at the present point in time in their best judgment.

The Bank accepts responsibility for the information contained in this Prospectus. While the Bank has taken reasonable care to ensure full and fair disclosure of pertinent information, it does not assume any responsibility for any investment decisions made by Qualified Investors based on information contained herein. In making an investment decision, prospective Qualified Investors are advised to read the Prospectus and rely on their own examination and assessments of the Bank and the terms of the Debentures issued including the risks involved.

IF YOU ARE IN ANY DOUBT REGARDING THE CONTENTS OF THIS DOCUMENT OR IF YOU REQUIRE ANY ADVICE IN THIS REGARD, YOU SHOULD CONSULT YOUR BANK MANAGER, STOCK BROKER, LAWYER OR ANY OTHER PROFESSIONAL ADVISOR.

THE DELIVERY OF THIS PROSPECTUS SHALL NOT UNDER ANY CIRCUMSTANCES CONSTITUTE A REPRESENTATION OR CREATE ANY IMPLICATION OR SUGGESTION THAT THERE HAS BEEN NO MATERIAL CHANGE IN THE AFFAIRS OF THE BANK SINCE THE DATE OF THIS PROSPECTUS. PLEASE REFER TO THE DISCLOSURES MADE BY THE BANK ON THE CSE WEBSITE IN RESPECT OF ANY MATERIAL CHANGE (IF ANY) IN THE AFFAIRS OF THE BANK SINCE THE DATE OF THIS PROSPECTUS.

THE COLOMBO STOCK EXCHANGE (THE 'CSE') HAS TAKEN REASONABLE CARE TO ENSURE FULL AND FAIR DISCLOSURE OF INFORMATION IN THIS PROSPECTUS. HOWEVER, THE CSE ASSUMES NO RESPONSIBILITY FOR ACCURACY OF THE STATEMENTS MADE, OPINIONS EXPRESSED OR REPORTS INCLUDED IN THIS PROSPECTUS. MOREOVER, THE CSE DOES NOT REGULATE THE PRICING OF THE DEBENTURES WHICH IS DECIDED SOLELY BY THE ISSUER.

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Bank since the date of this Prospectus. If any material change in the affairs of the Bank occurs subsequent to the Prospectus date and before the Issue Opening, it will be disclosed by way of a market announcement.

The Bank is bound by the enforcement Rules set out in the CSE Listing Rules (inter-alia).

IMPORTANT NOTICE

By acquiring any Debenture, each Debentureholder irrevocably consents to the principal amount of the Debenture and any accrued and unpaid interest thereon being deemed to be paid in full by the issuance of ordinary voting shares upon occurrence of a Trigger Event and the resulting Non-Viability Conversion which is required to be effected by the Bank.

Upon a Non-Viability Conversion;

- (i) The Trustees shall not be required to take any further directions from holders/ beneficial owners of the Debentures under the Trust Deed
- (ii) The Trust Deed shall impose no duties upon the Trustees whatsoever with respect to conversion of the Debentures into ordinary voting shares upon a Trigger Event
- (iii) Upon the occurrence of a Trigger Event, each outstanding Debenture of this Issue will be converted as set out in this Prospectus, on a full and permanent basis

We advise you to read the content of the Prospectus carefully prior to investment.

This investment instrument is riskier than a bank deposit.

These Debentures are complex products and have provision for loss absorption in the form of a Non-Viability Conversion as set out in this Prospectus. This means that following the occurrence of a Trigger Event as may be determined by the Central Bank of Sri Lanka, the Bank will convert the Debentures into ordinary voting shares. An investor will be deemed paid in full the principal plus accrued and unpaid interest due on the Debentures, upon such a conversion. The number and value of ordinary voting shares to be received on a Non-Viability Conversion may be worth significantly less than the par value of the Debentures and can be variable.

Please refer to the Risk Factors section of the Prospectus for further details.

Each potential Qualified Investor in these Debentures must determine the suitability of an investment in these Debentures in light of the investors' circumstances. In particular, each potential Qualified Investor may wish to consider, either through an analysis conducted by the Qualified Investor or conducted with the assistance of any relevant financial and/or other professional advisors, whether the Qualified Investor:

- (i) Has sufficient knowledge and experience to make a meaningful evaluation of these Debentures, the merits and the risks of investing in these Debentures and the information contained or incorporated by reference in this Prospectus;
- (ii) Has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the particular financial situation of the investor, an investment in these Debentures and the impact that these Debentures will have on the overall investment portfolio of the investor;
- (iii) Has sufficient financial resources and liquidity to bear all risks of an investment in these Debentures;
- (iv) Understands thoroughly the terms of these Debentures, including the provisions relating to the Non-Viability Conversion of these Debentures, and is familiar with the behaviour of financial markets; and
- (v) Is able to evaluate possible scenarios for economic, interest rate and other factors that may affect the investment and the investor's ability to bear the applicable risks.

A potential Qualified Investor should not invest in these Debentures unless the Qualified Investor has the expertise (either through an analysis conducted by the potential Qualified Investor or conducted with its financial and/or other professional advisors) to evaluate how these Debentures will perform under changing conditions, the resulting effects on the value of these Debentures and the impact this investment will have on the potential Qualified Investor's overall investment portfolio.

REGISTRATION OF THE PROSPECTUS

This Prospectus is dated November 18, 2022.

A copy of this Prospectus has been delivered for registration with the Department of the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (as amended) (the 'Companies Act'). The following documents were attached to the copy of the Prospectus delivered to the Department of the Registrar General of Companies in Sri Lanka:

1. The written consent by the Managers, Auditors and Reporting Accountants, Lawyers, Bankers, Trustee, Rating Agency and Registrars to the Issue and the Company Secretary for the inclusion of their respective names in the Prospectus;
2. A declaration to the effect that the Managers, Auditors and Reporting Accountants, Lawyers, Bankers, Trustee, Rating Agency and Registrars to the Issue and the Company Secretary have not withdrawn their consent referred to above, prior to the delivery of the Prospectus to the Department of the Registrar General of Companies in Sri Lanka;
3. A statutory declaration in terms of the Companies Act, to the effect that each Director has read the provisions of the Companies Act and the Listing Rules of the Colombo Stock Exchange relating to the issue of a Prospectus and that those provisions have been complied with, is endorsed on this Prospectus.

REPRESENTATION

The Debentures are issued solely on the basis of the information and representations contained in this Prospectus. No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the Issue and if given or made, any such information or representation must not be relied upon as having been authorised by the Bank.

This Prospectus has not been registered with any authority outside Sri Lanka. Non-resident Qualified Investors may be affected by the laws of the jurisdiction of their residence. Such Qualified Investors are responsible for compliance with the laws relevant to the country of residence and the laws of Sri Lanka, when making an investment.

For further inquiries, please contact the Managers to the Issue:

Managers to the Issue

Commercial Bank of Ceylon PLC

Investment Banking Unit

"Commercial House"

No. 21, Sir Razik Fareed Mawatha,

P. O. Box 856,

Colombo 01,

Sri Lanka.

Tel: +94 (0) 11 2 486 491-4

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E-mail: Investment_Banking@combank.net

FORWARD LOOKING STATEMENTS

Any statements included in this Prospectus that are not statements of historical facts constitute 'Forward Looking Statements'. These can be identified by the use of forward looking terms such as 'expect', 'anticipate', 'intend', 'may', 'plan to', 'believe', 'could' and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Bank are classified as Forward Looking Statements. Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Bank operates and its ability to respond to them, the Bank's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Bank. Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future.

Given the risk and uncertainties that may cause the Bank's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, Qualified Investors are advised not to place sole reliance on such statements.

PRESENTATION OF CURRENCY INFORMATION AND OTHER NUMERICAL DATA

The financial statements of the Bank and currency values of economic data or industry data in a local context will be expressed in Sri Lankan Rupees. References in the Prospectus to 'LKR', 'Rupees' or 'Rs.' is to the lawful currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

IMPORTANT

All Qualified Investors should indicate in the Application for Debentures, their Central Depository Systems (Private) Ltd. (CDS) account number.

In the event the name, address or NIC number/passport number/company registration number of the Qualified Investor mentioned in the Application Form differs from the name, address or NIC number/passport number/company registration number as per the CDS records, the name, address or NIC number/passport number/company registration number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company registration number of such Qualified Investor. Therefore, Qualified Investors are advised to ensure that the name, address or NIC number/passport number/company registration number mentioned in the Application Form tallies with the name, address or NIC number/passport number/company registration number given in the CDS account as mentioned in the Application Form.

As per the directive of the Securities and Exchange Commission of Sri Lanka made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Debentures are required to be directly deposited in to the CDS. To facilitate compliance with this directive, all Applicants are required to indicate their CDS account number in the Application Form.

In line with this directive, THE DEBENTURES ALLOTTED TO A QUALIFIED INVESTOR WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH QUALIFIED INVESTOR, the details of which are indicated in his/her Application Form. If the CDS account number indicated in the Application Form is found to be inaccurate/incorrect or there is no CDS number indicated, the Application will be rejected and no allotments will be made.

The Bank/ CDS/ Members and Trading Members of the CSE may require a Qualified Investor to provide such documentation as is reasonably necessary to satisfy itself that the investor is a Qualified Investor.

PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED

Qualified Investors who wish to open a CDS account, may do so through a Member/ Trading Member of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus.

SALIENT FEATURES OF THE ISSUE

Issuer	: Commercial Bank of Ceylon PLC
Instrument	: Basel III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion feature
Number of Debentures to be Issued	: An initial issue of FIFTY MILLION (50,000,000) Basel III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion feature, with an option to issue up to a further FIFTY MILLION (50,000,000) of the said Debentures (at the discretion of the Bank), in the event of an oversubscription of the initial issue of 50,000,000 Debentures issued
Total Value of the Issue	: Sri Lankan Rupees FIVE BILLION (LKR5,000,000,000/-) with an option to issue up to a further Sri Lankan Rupees FIVE BILLION (LKR5,000,000,000/-) at the discretion of the Bank in the event of an oversubscription of the initial issue
Issue Rating	: A (Ika) on Rating Watch Negative by Fitch Ratings Lanka Limited
Issuer Rating	: AA- (Ika)/ Rating Watch Negative by Fitch Ratings Lanka Limited
Par/Issue Value of a Debenture	: LKR100/- (Sri Lankan Rupees One Hundred)
Tenure	: Type A – 5 years Type B – 7 years Type C – 10 years
Interest Rate	: Type A Fixed interest rate of Twenty Eight per centum (28.00%) p.a. (AER 29.96%) payable semi-annually Type B Fixed interest rate of Twenty Seven per centum (27.00%) p.a. (AER 28.82%) payable semi-annually Type C Fixed interest rate of Twenty Two per centum (22.00%) p.a. (AER 23.21%) payable semi-annually
Issue Opening Date	: December 01, 2022 (However, Applications may be submitted forthwith)
Issue Closing Date	: December 21, 2022 Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30 a.m. on December 01, 2022 and shall remain open for 14 Market Days until closure at 4.30 p.m. on December 21, 2022. However, the subscription list will be closed on an earlier date with notification to the CSE on the occurrence of any of the following events: <ul style="list-style-type: none">– The maximum of 100,000,000 Debentures being fully subscribed; or– The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 50,000,000 Debentures becoming fully subscribed. In the event the Board of Directors of the Bank decides to exercise the option to further issue up to 50,000,000 Debentures (on the initial issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the further issue of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

SALIENT FEATURES OF THE ISSUE

Minimum Subscription	<p>: The minimum subscription for Qualified Investors per Application is Rupees Ten Thousand (LKR10,000/-) or One Hundred (100) Debentures, other than in the case of individual Qualified Investors.</p> <p>The minimum subscription requirement applicable for an individual Qualified Investor applying for Basel III Compliant Debt Securities shall be Rupees Five Million (LKR5,000,000/-). Please refer the definition of individual Qualified Investors in subsection (k) under the Qualified Investors definition in section 2.0: Definitions Related to the Issue.</p> <p>Applications in excess of the minimum subscription shall be in multiples of Rupees Ten Thousand (LKR10,000/-) or One Hundred (100) Debentures.</p>
Interest Payment Dates	<p>: Type A, B & C Debentures</p> <p>At the expiry of Six (6) months from the Date of Allotment and every Six (6) months thereafter in each year from the Date of Allotment up to the Date of Redemption and includes the Date of Redemption. First interest payment date will be Six (6) months from the Date of Allotment.</p> <p>Interest would be paid not later than Three (3) Market Days of the date on which interest becomes due.</p> <p>The final interest payment will be paid together with the Principal sum within Three (3) Market Days from the Date of Redemption.</p>
Method of payment of Principal sum and Interest	<p>: By cheque marked 'Account Payee Only' or through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS. Payments will be made via electronic fund transfer mechanisms in the event accurate bank account details are provided to the CDS by the Qualified Investor. RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR5,000,000/- as of the date of this Prospectus).</p>
Basis of Allotment	<p>: In the event of oversubscription, the basis of allotment will be decided by the Board of Directors of the Bank in a fair manner and will be announced to the CSE.</p> <p>The Board however reserves the right to allocate upto 75% of the Issue value on a preferential basis, to identified institutional Qualified Investors of strategic importance to the Bank.</p> <p>Number of Debentures to be allotted to identified institutional investor/s of strategic importance, on a preferential basis will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an under subscription from other investors (investors that do not fall under preferential category). In the event of such under subscription, the other investor category will be allotted in full and any remaining Debentures will be allotted to identified institutional investor/s.</p> <p>Further, the Bank will allot the remaining number of Debentures (excluding the preferential allotment of 75%), in a fair manner among other investors.</p>
Listing	<p>: The Debentures will be listed on the Colombo Stock Exchange.</p>

SALIENT FEATURES OF THE ISSUE

Non-Viability Conversion	<p>: In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, there would be a conversion of Debentures to ordinary voting shares by the Bank without any requirement of approval by the Debentureholders, in compliance with Basel III requirements.</p> <p>Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total par value of the Debentures and Debenture Interest accrued and unpaid as at that date will be permanently converted to ordinary voting shares at the Conversion Price. In the event of any Debentureholder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Company shall settle such sums in cash, based on the Conversion Price of such share.</p>
Conversion Price	<p>: The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share of the Bank during the three (03) months period, immediately preceding the date of the Trigger Event.</p>
Volume Weighted Average Price (VWAP)	<p>: The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange.</p>
Trigger Event	<p>: A “Trigger Event” is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e. conversion of the said Debentures upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1.(10) (iii) (a and b) as a point/event being the earlier of:</p> <p>(a) “A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board.</p> <p>(b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board”</p>

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1.0 GLOSSARY OF ABBREVIATIONS

AER	: Annual Effective Rate
ATS	: Automated Trading System of the Colombo Stock Exchange
AWPLR	: Average Weighted Prime Lending Rate
Bn	: Billion
CAR	: Capital Adequacy Ratio
CBC/ the Bank/ the Company/ the Issuer	: Commercial Bank of Ceylon PLC
CBSL	: Central Bank of Sri Lanka
CDS	: Central Depository Systems (Private) Limited
CCB	: Capital Conservation Buffer
CEFTS	: Common Electronic Fund Transfer Switch
CSE	: Colombo Stock Exchange
D-SIB	: Domestic Systemically Important Bank
IIA	: Inward Investment Account
Mn	: Million
NIC	: National Identity Card
POA	: Power of Attorney
Rs/ LKR	: Sri Lankan Rupees
RTGS	: Real Time Gross Settlement
SEC	: Securities and Exchange Commission of Sri Lanka
SLIPS	: Sri Lanka Interbank Payment System

2.0 DEFINITIONS RELATED TO THE ISSUE

Applicant/s	: Any person who submits an Application Form under this Prospectus.
Application Form/ Application	: The Application Form that constitutes part of this Prospectus through which an Applicant may apply for Debentures.
Basel III	: A Global Regulatory Framework for More Resilient Banks and Banking System, issued by the Basel Committee on Banking Supervision of the Bank for International Settlements in December 2010 (Revised in June 2011).
Conversion Price	: The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share during the three (03) months period, immediately preceding the date of the Trigger Event.
Date of Allotment	: The date on which the Debentures will be allotted by the Bank to the Applicants subscribing thereto.
Date of Maturity	: On completion of Five (5) years for Type A Debentures, on completion of Seven (7) years for Type B Debentures and on completion of Ten (10) years for Type C Debentures from the Date of Allotment.
Date of Redemption	: The date on which redemption of Debentures will take place as referred to in Section 5.8 of this Prospectus.
Debentureholder	: Any Qualified Investor who is for the time being the holder of the Debentures and includes his/her respective successors in title, executors, administrators or successors in title, as the case may be.
Debentures	: Basel III compliant - Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion, to be issued pursuant to this Prospectus.
Due Date of Interest	: The dates on which the interest payments shall fall due in respect of the Debentures.
Entitlement Date	: The Market Day immediately preceding the Interest Payment Date or Date of Redemption, in the event a Trigger Event does not occur.
Final Interest Period	: The period commencing from the date immediately succeeding the interest payment date before the Date of Redemption and ending on the Date of Redemption (Inclusive of the aforementioned commencement date and end date). Final interest payment date will be Five (5) years for Type A Debentures, Seven (7) years for Type B Debentures and Ten (10) years for Type C Debentures from the Date of Allotment.
First Interest Period	: The period commencing from the Date of Allotment and ending on the First Interest Payment Date (inclusive of the aforementioned commencement date and the end date). First Interest Payment Date will be at the expiry of six (6) months from the Date of Allotment.
Interest Payment Date/s	: Type A, B & C Debentures At the expiry of Six (6) months from the Date of Allotment and every Six (6) months thereafter in each year from the Date of Allotment up to the Date of Redemption and includes the Date of Redemption. First interest payment date will be Six (6) months from the Date of Allotment. Interest would be paid not later than Three (3) Market Days from the date on which interest becomes due.

2.0 DEFINITIONS RELATED TO THE ISSUE

Interest Period	: The six (6) month period commencing from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the Date of Redemption (inclusive of the aforementioned commencement date and end date).
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Issue	: The offer of Debentures pursuant to this Prospectus.
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Issue Closing Date	: Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30 a.m. on December 01, 2022 and shall remain open for 14 Market Days until closure at 4.30 p.m. on December 21, 2022. The subscription list will be closed on an earlier date with notification to the CSE on the occurrence of any of the following events: <ul style="list-style-type: none">– The maximum of 100,000,000 Debentures being fully subscribed; or– The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 50,000,000 Debentures becoming fully subscribed. In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 50,000,000 Debentures (upon the initial issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the further issue of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.
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Issue Opening Date	: December 01, 2022 (However, Applications may be submitted forthwith)
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Issue Price/Par Value	: LKR100/- per Debenture.
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Market Day	: Any day on which the CSE is open for trading.
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Non-Resident/s	: Any person resident outside Sri Lanka, country funds, regional funds, investment funds and mutual funds established outside Sri Lanka and shall include a non-resident institutional investor.
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2.0 DEFINITIONS RELATED TO THE ISSUE

Non-Viability Conversion	<p>: In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, there would be a conversion of Debentures to ordinary voting shares by the Bank without any requirement of approval by the Debentureholders, in compliance with Basel III requirements.</p> <p>Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total par value of the Debentures and Debenture Interest accrued and unpaid as at that date will be permanently converted to ordinary voting shares at the Conversion Price. In the event of any Debentureholder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Bank shall settle such sums in cash, based on the Conversion Price of such share.</p>
Prospectus	<p>: This Prospectus dated November 18, 2022 issued by Commercial Bank of Ceylon PLC.</p>
Qualified Investors	<p>: (a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended).</p> <p>(b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended).</p> <p>(c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.</p> <p>(d) A venture capital fund/ company and private equity company.</p> <p>(e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011 (as amended).</p> <p>(f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended).</p> <p>(g) A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended).</p> <p>(h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 07 of 2007 (as amended).</p> <p>(i) An investment trust or investment company.</p> <p>(j) A non-resident institutional investor.</p> <p>(k) An individual with an initial investment of Rs.5,000,000.</p>
Redemption	<p>: Repayment of the principal amount due on these Debentures (Refer section 5.8).</p>

2.0 DEFINITIONS RELATED TO THE ISSUE

Subordinated	: The claims of the Debentureholders shall, in the event of the winding up of the Bank, rank after all the claims of depositors and holders of senior debt and claims of secured and other unsecured creditors of the Bank and any preferential claims under any statutes governing the Bank but shall rank in priority to and over the claims and rights of the ordinary and preference Shareholders of the Bank unless there has been an issuance of ordinary voting shares to the Debentureholders upon the occurrence of a Trigger Event in which case a Debentureholder would cease to be a Debentureholder and become an ordinary voting shareholder of the Bank to the extent of such issuance.
Tier 2	: Tier 2 Capital includes qualifying Tier 2 capital instruments, revaluation gains approved by CBSL and 100% of the Stage 1 and 50% of the Stage 2 impairment provisions subject to a maximum of 1.25% of the on balance sheet credit risk exposure of the Bank.
Trigger Event	: A “Trigger Event” is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e. conversion of the said Debentures upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1.(10) (iii) (a and b) as a point/event being the earlier of: (a) “A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board. (b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board”
Trust Deed	: Trust Deed executed between the Bank and Bank of Ceylon on November 03, 2022.
Trustee	: Bank of Ceylon
Unsecured	: Repayment of the principal sum and payment of interest on the Debentures are not secured by a charge on any assets of the Bank.
Volume Weighted Average Price (VWAP)	: The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange.
Working Day	: Any day (other than a Saturday or a Sunday or any statutory holiday) on which the banks are open for business in Sri Lanka.

3.0 CORPORATE INFORMATION

Issuer	: Commercial Bank of Ceylon PLC
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Legal Status	: A public limited liability company incorporated in Sri Lanka on June 25, 1969 under the Companies Ordinance No. 51 of 1938 and quoted on the Colombo Stock Exchange in January 1970. The Company was re-registered on January 23, 2008 under the Companies Act No. 07 of 2007. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.
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Company Registration No.	: PQ 116
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Place of Incorporation	: Colombo, Sri Lanka
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Registered Office	: Commercial Bank of Ceylon PLC "Commercial House" No. 21, Sir Razik Fareed Mawatha, P.O. Box 856, Colombo 01, Sri Lanka Tel : +94 (0) 11 2 486 000 - 3 +94 (0) 11 4 486 000 +94 (0) 11 7 486 000 +94 (0) 11 5 486 000 Fax : +94 (0) 11 2 449 889
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Company Secretary	: Mr. R. A. P. Rajapaksha Commercial Bank of Ceylon PLC "Commercial House" No. 21, Sir Razik Fareed Mawatha, P. O. Box 856, Colombo 01, Sri Lanka Tel: +94 (0) 11 2 486 070
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Board of Directors	: Prof. A. K. W. Jayawardane - Chairman Independent/ Non-Executive Director Mr. S. Muhseen - Deputy Chairman Independent/ Non-Executive Director Mr. S. C. U. Manatunge - Managing Director/ Chief Executive Officer Non-Independent/ Executive Director Mr. K. Dharmasiri - Independent/ Non-Executive Director Mr. L. D. Niyangoda - Independent/ Non-Executive Director Ms. N. T. M. S. Cooray - Independent/ Non-Executive Director Ms. J. Lee - Independent/ Non-Executive Director Mr. R. Senanayake - Independent/ Non-Executive Director Ms. D. L. T. S. Wijewardena - Independent/ Non-Executive Director Dr. S. Selliah - Independent/ Non-Executive Director Mr. S. Prabagar - Chief Operating Officer Non-Independent/ Executive Director
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4.0 RELEVANT PARTIES TO THE ISSUE

Managers to the Issue	: Commercial Bank of Ceylon PLC Investment Banking Unit “Commercial House” No. 21, Sir Razik Fareed Mawatha, P. O. Box 856, Colombo 01, Tel : +94 (0) 11 2 486 491/2 +94 (0) 11 2 486 489/99 Fax : +94 (0) 11 2 335 385
Registrars to the Issue	: M/s SSP Corporate Services (Private) Limited No. 101, Inner Flower Road, Colombo 03, Sri Lanka Tel : +94 (0) 11 2 573 894 Fax : +94 (0) 11 2 573 609
Lawyers to the Issue	: M/s Julius and Creasy Julius & Creasy Building No. 371, R.A. de Mel Mawatha, Colombo 03, Sri Lanka Tel : +94 (0) 11 4 335 159 +94 (0) 11 4 335 162 (4 lines) Fax : +94 (0) 11 2 692 677
Bankers to the Issue	: Commercial Bank of Ceylon PLC “Commercial House” No. 21, Sir Razik Fareed Mawatha, P.O. Box 856, Colombo 01, Sri Lanka. Tel : +94 (0) 11 2 486 494/6 Fax : +94 (0) 11 2 335 385
Rating Agency to the Issue	: Fitch Ratings Lanka Limited No. 15-4, East Tower, World Trade Centre Colombo 01, Sri Lanka. Tel : +94 (0) 11 2 541 900 Fax : +94 (0) 11 2 501 903
Trustees to the Issue	: Bank of Ceylon 11th Floor, Head Office, BOC Square, No. 1, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka Tel : +94 (0) 11 2 448 348 +94 (0) 11 2 204 065 Fax : +94 (0)11 2 346 842 +94 (0)11 2 343 336
Auditors and Reporting Accountants	: Ernst & Young Chartered Accountants, No. 201, De Saram Place, P.O. Box 101, Colombo 10, Sri Lanka Tel : +94 (0)11 2 463 500 Fax : +94 (0)11 2 697 369

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.1 INVITATION TO SUBSCRIBE

The Board of Directors of Commercial Bank of Ceylon PLC ('the Board') by the resolutions dated August 24, 2022 resolved to raise a sum of Rupees Five Billion (LKR5,000,000,000/-) from Qualified Investors by an initial issue of up to Fifty Million (50,000,000) Debentures, each with a par value of Rupees One Hundred (LKR100/-) with the option to raise a further sum of Rupees Five Billion (LKR5,000,000,000/-) by issuing a further Fifty Million (50,000,000) Debentures, in the event of an oversubscription of the initial issue.

As such, a maximum amount of Rupees Ten Billion (LKR10,000,000,000/-) will be raised by issuing a maximum of One Hundred Million (100,000,000) Debentures each with the Par Value of Rupees One Hundred (LKR100/-).

The Bank hereby invites Qualified Investors to make Applications for the Debentures (Types A, B and C) which shall rank equal and *pari passu* with each other, apart from interest rate and tenure without any preference or priority of any one over the others (Please refer Sections 5.4 and 5.5 for further details regarding the Debentures).

The rights of the Debentureholders with respect to payment of the principal sum and accrued interest due thereon shall, in the event of the winding up of the Bank rank after all the claims of depositors and holders of senior debt and claims of secured and other unsecured creditors of the Bank and any preferential claims under any statutes governing the Bank but shall rank in priority to and over the claims and rights of the ordinary and preference Shareholders of the Bank. However, in the event of an issuance of ordinary voting shares of the Bank to the Debentureholders upon the occurrence of a Trigger Event, a Debentureholder would cease to be a Debentureholder and would become an ordinary voting shareholder of the Bank, to the extent of such issuance, and will rank equal and *pari passu* with existing ordinary voting shareholders of the Bank.

It is the intention of the Bank to list the Debentures on the CSE. The CSE has given its 'in principle' approval for the listing of the Debentures and any ordinary voting shares which would be issued upon the occurrence of a Trigger Event on the CSE. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

As per CSE Listing Rules Section 2.2.1 (m), only Qualified Investors would be eligible to invest in these Debentures. Further, as per CSE Listing Rules Section 3.3.5 (ii) (a) (ii), the secondary trading in these Debentures shall also be limited to Qualified Investors. Accordingly, the primary and secondary market investments of these Debentures are limited to the Qualified Investors.

5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30 a.m. on December 01, 2022 and shall remain open for 14 Market Days (including the Issue Opening Date) until closure at 4.30 p.m. on December 21, 2022.

The subscription list will be closed prior to December 21, 2022 at 4.30 p.m. with notification to the CSE on the occurrence of the following:

- (a) The maximum of 100,000,000 Debentures being fully subscribed; or
- (b) The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 50,000,000 Debentures becoming fully subscribed.

In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 50,000,000 Debentures (having fully subscribed the initial issue of 50,000,000 Debentures) but subsequently decides to close the subscription list upon part of the further issue of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.3 OBJECTIVES OF THE ISSUE

- (a) Subordinated funds raised through the Debenture Issue in compliance with requirements under Basel III, are expected to further improve the Capital Adequacy Ratio of the Bank by increasing its Tier 2 Capital base.

Capital Adequacy Ratio (CAR) of the Bank and effect of the proposed Debenture Issue on the CAR

Current CAR position of the Bank as at September 30, 2022		14.355%
Minimum CAR requirement to be maintained as at September 30, 2022 as per the Banking Act Direction No. 01 of 2016*		14.000%
Expected CAR position, subsequent to the Basel III compliant Debenture Issue	As at September 30, 2022 with Rs. 5Bn	14.722%
	As at September 30, 2022 with Rs. 10Bn	15.089%

*As per the Banking Act Direction No. 04 of 2022, dated May 23, 2022, licensed banks were allowed to drawdown the Capital Conservation Buffer (CCB) up to 2.5% subject to the conditions stipulated in the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for licensed commercial banks and licensed specialised banks. The Bank expects to maintain the Minimum Earnings Retention Ratio at 60%, for which the CCB requirement as per the said Direction No. 04 of 2022 is between 1.250% and 1.875%. Accordingly, the minimum Total Capital Ratio required to be maintained by the Bank is between 12.750% and 13.375%. The Bank has in place a capital augmentation plan towards rebuilding the CCB to 2.5% within three years as required by the said Direction. However, the Bank's Tier I and Total Capital Ratios as at September 30, 2022 stood at 11.571% and 14.355% respectively.

The minimum Capital Adequacy requirements under Basel III are as follows:

Components of Capital	Banking Act Direction No. 01 of 2016
Common Equity Tier I Capital with Buffers (CCB & Surcharge on D-SIB)	8.500%
Total Tier I Capital with Buffers (CCB & Surcharge on D-SIB)	10.000%
Total Capital Ratio (Tier I + Tier II) with Buffers (CCB & Surcharge on D-SIB)	14.000%

- (b) The Debenture Issue will reduce maturity gaps in the Bank's Balance Sheet by matching medium to long term liabilities with medium to long term assets subsequent to the allotment of Debentures.
- (c) The Bank expects to use the funds raised through the Debentures to grow the lending portfolio of the Bank, especially in segments such as Small and Medium Enterprises (SME) and Export oriented industries in the interest of supporting the national economy within 12 months from the Date of Allotment. The Bank will obtain Board Investment Committee approval to invest the Debenture Issue funds in Short Term Securities until the funds are utilised for the said objective. Such investments in Short Term Securities are expected to generate a return over 20% p.a. at current rates.

The Bank will disclose the progress of the utilisation of funds raised through this Debenture Issue in future interim and annual financial statements, in the format presented below, until these funds are fully utilised for the objectives stated in the Prospectus. If due to some unforeseen reason, these funds are not utilised as proposed, the Bank will seek relevant approvals (as applicable) regarding the course of action to be taken. In such an instance the Bank will make a prior market announcement through the CSE in this regard.

5.0 PRINCIPAL FEATURES OF THE ISSUE

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilisation as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested (eg: whether lent to related party/s etc.)
1.	Improve the Tier II capital base thus, increasing the Capital Adequacy Ratio (CAR)	10.0Bn	Subsequent to the allotment of Debentures	10.0 Bn	100%			To be disclosed in the Annual Report and the Interim Financial Statements
2.	Reduce Maturity gaps in the Assets and Liabilities of the Bank		Subsequent to the allotment of Debentures	10.0 Bn	100%			
3.	Grow the lending portfolio, especially in segments such as Small and Medium Enterprises (SME) and Export oriented industries		Within 12 months from date of receipt of cash flows	10.0 Bn	100%			

In the event the proceeds raised are fully utilized in terms of the objectives disclosed in the Prospectus prior to submission of the Bank's next immediate financial statements (i.e. either interim financial statements or annual report), the Bank is required to disclose the fact that proceeds have been utilized in its entirety as per the above template in the immediate succeeding Annual Report or the Interim Financial Statements, whichever is published first.

If amounts differ due to under subscription, the Bank may reflect changes as warranted.

Bank has utilized the proceeds of all previous Debenture Issues towards achieving the objectives of the respective Issues.

No shareholder approval will be required for financing the expansion of the lending portfolio and/or the investment in Short Term Securities as described below in 'Risks related to achieving the objectives of the Issue'. The funds will not be used for Related Party Transactions. However, in the event the Bank lends funds raised through the Debenture Issue to related parties, such disbursement will be done in accordance with Section 9 of the CSE Listing Rules.

As per the CSE Listing Rules Section 2.2.1 (I), the Bank has obtained shareholder approval on October 31, 2022 by way of a special resolution, for the issuance of the Debentures.

Further, the Bank has obtained shareholder approval, by way of a special resolution, for the issuance of any ordinary voting shares resulting from a conversion of these Debentures following occurrence of a 'Trigger Event' as per the Banking Act Direction No. 01 of 2016.

CBSL approval is required to include the value of Debentures under Tier 2 capital. The Bank has obtained approval from the Central Bank of Sri Lanka (CBSL) to include the value of the Debentures under Tier 2 Capital.

5.0 PRINCIPAL FEATURES OF THE ISSUE

RISKS RELATED TO ACHIEVING THE OBJECTIVES OF THE ISSUE

The funds raised through the Debenture Issue will be utilised to finance expansion by increasing the lending book of the Bank especially in segments such as Small and Medium Enterprises (SME) and Export oriented industries. In case the funds raised through the Debenture Issue are not utilised to meet the above stated objective, due to any unforeseen change in the business environment, the Bank will continue to hold the funds in Short Term Securities as the case may be.

The Bank has a pool of funds, mainly raised through deposits, to finance loan disbursements. The Bank has achieved a deposit growth of Rs. 177 Bn in 2021 and Rs. 349Bn for the nine (09) months ended September 30, 2022, mainly due to the depreciation of the Sri Lankan Rupee. Therefore, dependency on Debenture proceeds to grow the lending portfolio of the Bank is relatively marginal.

As in the normal course of business, the Bank expects to use the funds raised through the Debentures to grow the lending portfolio of the Bank, especially in segments such as SME and Export oriented industries in the next twelve (12) months in the interest of supporting the national economy.

The Bank has recorded gross loans and advances growth of Rs. 139Bn during the nine (09) months ended September 30, 2022, primarily due to sharp depreciation of the Sri Lankan Rupee. The Bank's average monthly disbursement for the Quarter ended September 30, 2022 was Rs. 54Bn. Therefore, despite the subdued credit demand expected in 2022 as well as in 2023 it is unlikely that a situation will arise of the Bank not lending the Debenture proceeds within a period of twelve (12) months.

5.4 DEBENTURE TYPES

TYPE A

Fixed interest rate of Twenty Eight per centum (28.00%) p.a. (AER 29.96%) payable semi-annually from the Date of Allotment until the expiry of Five (5) years from the Date of Allotment on the principal sum of Debentures.

The tenure of the Debentures will be Five (5) years.

TYPE B

Fixed interest rate of Twenty Seven per centum (27.00%) p.a. (AER 28.82%) payable semi-annually from the Date of Allotment until the expiry of Seven (7) years from the Date of Allotment on the principal sum of Debentures.

The tenure of the Debentures will be Seven (7) years.

TYPE C

Fixed interest rate of Twenty Two per centum (22.00%) p.a. (AER 23.21%) payable semi-annually from the Date of Allotment until the expiry of Ten (10) years from the Date of Allotment on the principal sum of Debentures.

The tenure of the Debentures will be Ten (10) years.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.5 INTEREST

Holders of Debentures specified in Section 5.4 above of this Prospectus are entitled to receive interest in the following manner;

Type 'A'	Interest on Debentures will be paid at a fixed rate of 28.00% per annum (AER 29.96%) on the principal sum semi-annually from the Date of Allotment until the redemption/maturity of the principal sum. The final interest payment will be made together with the principal sum within Three (03) Market Days from the Date of Redemption/Maturity.
Type 'B'	Interest on Debentures will be paid at a fixed rate of 27.00% per annum (AER 28.82%) on the principal sum semi-annually from the Date of Allotment until the redemption/maturity of the principal sum. The final interest payment will be made together with the principal sum within Three (03) Market Days from the Date of Redemption/ Maturity.
Type 'C'	Interest on Debentures will be paid at a fixed rate of 22.00% per annum (AER 23.21%) on the principal sum semi-annually from the Date of Allotment until the redemption/maturity of the principal sum. The final interest payment will be made together with the principal sum within Three (03) Market Days from the Date of Redemption/ Maturity.

Interest calculation on the Debentures for a particular Interest Period shall be based upon the actual number of days in such Interest Period (actual/actual). Interest payment will be made not later than Three (03) Working Days from the date on which interest becomes due.

Qualified Investors who wish to receive their interest payments using an Electronic Fund Transfer mechanism should disclose their bank account details in the Application Form while ensuring that identical bank account details are provided to the CDS, since the relevant payments will be made based on the Bank Account details provided to the CDS.

Non-resident Applicants should ensure that their IIA accounts through which they make payment to purchase the Debentures is recorded in the CDS as the relevant IIA account to which interest payments and redemption proceeds are to be sent, in order for the interest payments and redemption proceeds to be sent to the aforementioned IIA accounts.

In order to accommodate the Debenture interest cycles in the CDS, the payment of interest for a particular Interest Payment Date will include the Debentureholders holding Debentures in the CDS as at the Entitlement Date. However, the interest for a particular Interest Payment Date will be calculated including the due date of the interest payment. If the Entitlement Date is a holiday, interest shall be calculated including the Entitlement Date.

In the event of an occurrence of a Trigger Event, as determined by the Monetary Board of the Central Bank of Sri Lanka, the Bank shall be required and entitled to issue and allot within twenty (20) days, ordinary voting shares of the Bank ranking equal and *pari passu* with the existing ordinary voting shares, to the Debentureholders up to the outstanding balance of such Debentures, including the total par value of the Debentures and the Debenture interest. As such, upon the issuance of ordinary voting shares to the Debentureholders, as stated above, no interest will be accrued on Debentures thereafter, as the Debentures will cease to exist.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.6 PAYMENT OF PRINCIPAL SUM AND INTEREST

The Bank will redeem the Debentures on the respective Date of Redemption/Maturity as specified in Section 5.8 and the interest payments will be made as specified in Section 5.5.

Payment of the principal sum and interest will be made after deducting taxes at source (if applicable) in Sri Lankan Rupees to the registered Debentureholders only as of the Entitlement Date.

The interest as at the Interest Payment Dates and the principal as at respective Maturity dates will be sent by post to the registered address of the Debentureholders (and in the case of joint Debentureholders to the one whose name stands first in the respective CDS account on the date of payment) not later than Three (03) Market Days thereon. Payments of the principal sum and interest will be made through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka to a bank account details of which have been provided to the CDS by the Applicants, such as SLIPS and RTGS if accurate bank details have been provided to the CDS, or in the event accurate bank details have not been provided by crossed cheque marked 'Account Payee Only' posted under registered cover to the addresses provided by the Debentureholders to the CDS at the risk of the Debentureholders.

However, in the event such payment is over the maximum amount that can be accommodated through an electronic fund transfer mechanism such as SLIPS recognised by the banking system of Sri Lanka such payments will be made via RTGS mechanism or if the Debentureholder has not provided to the CDS accurate and correct details of his/her bank account for the payment of principal sum and interest, such payment to the Debentureholder will be made by way of a crossed cheque marked 'Account Payee Only' posted under registered cover to the addresses provided by the Debentureholders to the CDS at the risk of the Debentureholders.

The payment of interest will be made in Sri Lankan Rupees in favour of the Debentureholders as of the Entitlement Date (in the case of joint Debentureholders to the one whose name stands first in the respective CDS account). The payments of principal sum and accrued interest payable on the redemption of Debentures will be made in Sri Lankan Rupees in favour of the Debentureholders as at end of trading on the Date of Redemption/ Maturity (in the case of joint Debentureholders to the one whose name stands first in the respective CDS account).

It is the responsibility of Non-Resident and foreign investors to ensure that their IIA details through which they invest in Debentures are recorded correctly against the records in CDS to dispatch their Debenture interest payments and principal on redemption.

5.7 TAXES WITH REGARD TO INTEREST PAYMENT ON LISTED DEBENTURES

Interest on the Debentures will be paid after deducting any taxes and charges thereon (if any) as per the applicable law prevalent at the time of the interest payment to the Debentureholders.

Qualified Investors are advised to obtain clarifications in this regard from their tax advisors.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.8 REDEMPTION

The Bank shall redeem the Debentures on the expiry of its tenure from the Date of Allotment. The Bank, within Three (3) Market Days of the respective dates of maturity shall in accordance with the provisions contained in the Trust Deed pay to the Debentureholders the principal amount (redeemed at par) of the Debentures which are to be redeemed (if any) and accrued interest (if any) payable on the redemption of Debentures remaining unpaid through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka to a bank account provided to the CDS by the Applicants, such as SLIPS and RTGS if accurate bank details have been provided or in the event accurate bank details have not been provided, such payment shall be made by crossed cheque marked "Account Payee Only" posted in a registered cover to the addresses provided by the Debentureholders to the CDS at the risk of the Debentureholders.

The Debentureholders shall not have any right or option to call for redemption of the Debentures before the Date of Redemption of such Debentures, except in the circumstances specified in the Trust Deed.

These Debentures will not be redeemed by the Bank prior to maturity for any reason whatsoever except due to unforeseen circumstances beyond the control of the Bank. Repayment before maturity of the principal sum on a Debenture in any circumstance shall be subject to the prior written approval of the Director, Bank Supervision of the CBSL and the approval of 3/4th of the Debentureholders of each Type in nominal value of the Debentures outstanding when the principal sum is repaid before maturity.

If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid for each calendar day up to the date immediately preceding such Market Day.

Trigger Event

A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e. conversion of the said Debentures upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Direction No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1.(10) (iii) (a and b) as a point/event being the earlier of:

- (a) "A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board.
- (b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board".

Conversion Ratio

Upon the occurrence of the Trigger Event, the Bank shall be required and entitled to issue and allot within twenty (20) days, Ordinary Voting Shares of the Bank ranking equal and *pari passu* with the existing Ordinary Voting Shares, to the Debentureholders up to the outstanding balance of such Debentures, including the total par value of the Debentures and the accrued and unpaid interest due on the Debentures. This will be at a conversion price which will be based on the simple average of Volume Weighted Average Price of ordinary voting shares of the Bank as published by the Colombo Stock Exchange, during the three (3) month period, immediately preceding the date of the Trigger Event. In the event of any Debentureholder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Bank shall settle the resulting sums in cash, based on the Conversion Price within fourteen (14) Market Days from the date of allotment of the said ordinary voting shares.

5.0 PRINCIPAL FEATURES OF THE ISSUE

Conversion and Trigger

The Bank has decided to use the simple average of the Volume Weighted Average Price (VWAP) as indicated above due to its practicality and equitability as a pricing formula for conversion. This formula takes into account the market price over a three (3) month period immediately preceding the date of the Trigger Event thereby lessening the impact of short term price volatility and the volume impact in pricing. Due to the formula being applied using publicly available data published by the Colombo Stock Exchange, there is a high degree of transparency that results from the adoption of this method.

Shares arising from a conversion to ordinary voting shares will rank *pari passu* with existing ordinary voting shareholder rights and will be superior to the non-voting ordinary shareholders in respect of the voting rights attaching to the shares issued upon conversion.

If there is an issuance of ordinary voting shares to the Debentureholders upon the occurrence of the Trigger Event, a Debentureholder would cease to be a Debentureholder and would become an ordinary voting shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with existing ordinary voting shareholders with voting rights after the allotment of new shares to such shareholders (being the previous Debentureholders) and will rank superior to the non-voting ordinary shareholders in respect of the voting rights attaching to the shares issued upon conversion.

Subsequent to the Debentureholders becoming ordinary voting shareholders of the Bank, due to the occurrence of the Trigger Event and the resultant conversion, they would be entitled to exercise such rights as are exercisable by the other shareholders of the Bank holding ordinary voting shares. Once the conversion of Debentures is concluded, the convertible Debentures will cease to exist.

DILUTION OF SHAREHOLDING UPON A CONVERSION OF DEBENTURES

In the event of conversion of Debentures to ordinary voting shares, there would be a dilution of the existing shareholding percentage held by the existing shareholders. However, the extent of the dilution will be dependent on several factors that cannot be determined at this point, due to the following:

- The number of shares to be issued resulting from such a conversion will be determined by the “Conversion Price” at the “Trigger Point” as detailed below.

There will be a dilution impact on the shareholding percentages of the existing voting shareholders.

If the simple average of the Volume Weighted Average Price (VWAP) at the point of conversion is low compared to the prevailing share price, it would result in the allocation of a comparatively higher number of ordinary voting shares by the Bank to the Debentureholders, which will dilute the shareholding percentages of existing voting shareholders.

If the simple average of the Volume Weighted Average Price (VWAP) at the point of conversion is high compared to the prevailing share price, it would result in the allocation of a comparatively lower number of ordinary voting shares by the Bank, which will dilute the shareholding percentages of existing voting shareholders to a lesser extent than in the former instance described above.

- The extent of dilution of existing voting shareholders will have to be determined by reference to the number of shares that are in issue at the time of such a conversion. The number of shares that are in issue at the time of a conversion can vary during the tenure of the Debentures due to the issuance of new shares by way of scrip dividends, rights issues, capitalization of reserves, exercising of entitlements in Employee Share Option Plans, and/or any other relevant corporate action.

In order to avoid dilution of the shareholding percentages of the existing voting shareholders due to a conversion, in the event of there being a likelihood of the occurrence of the Trigger Event, prior to conversion of the said Debentures into ordinary voting shares, the then existing shareholders will be first called upon to infuse additional share capital and if such infusion is not forthcoming the proposed Debenture (i.e. Tier 2 Capital) will get converted in to Ordinary Voting Shares of the Company upon the determination of the “Non-Viability” point by the Monetary Board of the Central Bank of Sri Lanka and upon instructions being issued to the Bank in this regard.

5.0 PRINCIPAL FEATURES OF THE ISSUE

MARKET ANNOUNCEMENT

The Bank, upon receiving a Trigger Event notification from the Monetary Board of the Central Bank of Sri Lanka, will immediately make a market announcement of the same and further announce the “price” and “dates” (i.e. Trigger Event date, date of allotment and CDS upload date) pertaining to such conversion of Debentures to ordinary voting shares. Further, the Bank shall disclose any other information as required by the CSE at such point of time regarding the conversion of Debentures to ordinary voting shares.

5.9 RATING OF THE DEBENTURES

Fitch Ratings Lanka Limited has assigned a Rating of A (lka) on Rating Watch Negative to the Debentures.

The Bank’s rating was maintained at AA- (lka) / Rating Watch Negative by Fitch Ratings Lanka Limited.

A copy of the rating certificate is given in “Annexure A” of this Prospectus.

The Board of Directors of the Bank undertakes to publish and inform the CSE and the Trustees to the Issue in the event there is a revision to the credit rating of the Debentures.

5.10 BENEFITS OF INVESTING IN DEBENTURES TO AN INVESTOR

- Provides an opportunity to receive interest income while diversifying the existing investment portfolio.
- Provides an opportunity to earn a regular cash flow of interest payments on a semi-annual basis up to a fixed period of Five (05) years in the case of Type A or Seven (7) years in the case of Type B or Ten (10) years in the case of Type C.
- Provides an opportunity to earn a fixed rate of interest in the case of Type A, Type B and Type C.
- Provides an opportunity to invest in Debentures issued by a leading bank in Sri Lanka.
- Opportunity to realise capital gains according to interest rate fluctuations in the financial market. Further if the investment is held to maturity, there will be no capital loss incurred.
- Listed Debentures have a secondary market, limited to ‘Qualified Investors’ as defined in the Prospectus, thus provide the investor with an exit option through the CSE thereby bringing liquidity to these Debentures.

5.11 RIGHTS OF DEBENTUREHOLDERS

(a) Debentureholders are entitled to the following rights:

- Receiving principal at maturity and semi-annual interest at rates set out in Section 5.5 of this Prospectus, subject to the provisions contained in this Prospectus regarding the occurrence of a Trigger Event.
- Ranking above the ordinary voting and non-voting shareholders and preference shareholders in the event of liquidation, unless a Trigger Event as described in this Prospectus had occurred prior to this event.
- Calling and attending meetings of Debentureholders as set out in the Trust Deed.
- Receiving a copy of the Annual Report within 5 months from the financial year end.

In the event of the winding up of the Bank, the claims of the Debentureholders will rank after all the claims of depositors and holders of senior debt and the secured and unsecured creditors of the Bank and the preferential claims under the statutes governing the Bank but in priority and over the claims and rights of ordinary and preference shareholders of the Bank, unless there has been an issuance of Ordinary Voting Shares to the Debentureholders upon the occurrence of a Trigger Event in which case a Debentureholder would cease to be a Debentureholder and would become an Ordinary Voting Shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with existing Ordinary Voting Shareholders.

5.0 PRINCIPAL FEATURES OF THE ISSUE

(b) Debentureholders are not entitled to the following rights:

- Attending and voting at meetings of holders of Shares and other Debentures.
- Sharing in the profits of the Bank;
- Participating in any surplus in the event of liquidation;
- Calling for redemption of Debenture before maturity, subject to provisions stated in the Trust Deed.
- Converting the Debentures into ordinary voting shares at their option.

However, in the event the Debentureholders become ordinary voting shareholders of the Bank, due to the occurrence of a Trigger Event, there would be an entitlement to exercise such rights as are exercisable by the shareholders of the Bank.

5.12 OBLIGATIONS OF DEBENTUREHOLDERS

Each Debentureholder must ensure that the information in respect of the securities account maintained with the CDS is up-to-date and accurate. Each Debentureholder shall absolve the Bank from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS. Provided further that the Debentureholder(s) shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debentureholder(s).

5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES

Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion do not carry a charge on a specific asset of the Bank and are redeemable only at the expiry of the maturity period.

SUBSCRIBERS TO THE DEBENTURES COULD BE EXPOSED TO THE FOLLOWING RISKS:

Interest Rate Risk

Provided all other factors are equal, the market price of fixed rate Debentures will generally fluctuate if there is a change in 'market interest rates'. Thus as 'market interest rates' rise, the market price of Debentures may drop; and as 'market interest rates' drop, the price of Debentures may rise. 'Market interest rate' means the interest rates, which prevail at a given time for similar investments with a similar maturity and risk profile.

Price Risk

Price Risk is the risk arising from a change in the price/value of a Debenture from a movement in the interest rate environment. Price Risk could result in capital gains or losses to Debentureholders depending on the direction of interest rate movement. In general, Price Risk will be more pronounced in fixed rate Debentures than in their floating rate counterparts.

Re-investment Risk

The Commercial Bank Debentures will pay interest on a semi-annual basis. The investor may decide to re-invest this interest payment and earn interest thereon. Depending on the prevailing interest rates in the market, the interest rates at which Debentureholders could reinvest such interest may be higher or lower than the return the Bank offers on the Debentures. This uncertainty is known as re-investment risk.

5.0 PRINCIPAL FEATURES OF THE ISSUE

Default Risk

Default risk, also referred to as credit risk, means the risk that the Issuer of Debentures may default, i.e., the Issuer will not be able to pay interest and principal payments on a timely basis. Default risk is evaluated by Rating Agencies. Commercial Bank has been assigned a Rating of AA-(Ika)/ Rating Watch Negative (Issuer Rating) by Fitch Ratings Lanka Ltd.

The proposed Debenture Issue has been rated by Fitch Ratings Lanka Ltd. (the Rating Company to the Issue) which has assigned a Rating of A (Ika) on Rating Watch Negative to the proposed Debenture Issue. The Rating Certificate is given in Annexure A in this Prospectus.

Liquidity Risk

Liquidity risk depends on the ease with which the Debentures can be sold after the initial placement. In order to reduce the liquidity risk, the Company has applied and obtained in principle approval by the CSE for a listing of these Debentures on the CSE.

Duration Risk

The term duration has a special meaning in the context of Debentures. It is a measurement of how long, in years, it takes for the price of a Debenture to be repaid by its internal cash flows. It is an important measure for investors to consider, as Debentures with higher durations carry more risk and have higher price volatility than Debentures with lower durations.

Winding Up

The claims of the Debentureholders shall, in the event of the winding up of the Bank, rank after all the claims of depositors and holders of senior debt and claims of secured and other unsecured creditors of the Bank and any preferential claims under any statutes governing the Bank but shall rank in priority to and over the claims and rights of the ordinary and preference Shareholders of the Bank.

However, upon the occurrence of a Trigger Event, the Debentureholder would cease to be a Debentureholder and would become a shareholder of the Bank and will rank equal and *pari passu* with existing Ordinary Voting shareholders.

ADDITIONAL RISKS OF DEBENTURES DUE TO NON VIABILITY CONVERSION FEATURE

These Debentures are complex financial instruments and may not be suitable or an appropriate investment for all Qualified Investors. Potential Qualified Investors in Basel III compliant Tier 2 Debentures should determine the suitability or appropriateness of such investments, given their investment objectives and experience and other relevant factors with the help of legal, tax or financial advisors.

Potential Qualified Investors in these Debentures should have:

- (i) Sufficient knowledge and experience to understand the risks and benefits associated with these Debentures.
- (ii) Necessary skills and tools to evaluate the impact on the investor's portfolio through investment in these Debentures given various economic and company specific scenarios.
- (iii) Sufficient financial resources and liquidity to bear the risks involved in these Debentures.
- (iv) Thorough understanding of the terms and conditions associated with these Debentures and the behaviour of financial markets and variables that could have an impact on the return on these Debentures.
- (v) Evaluation of the possible scenarios of variables that could have an impact on these Debentures.

5.0 PRINCIPAL FEATURES OF THE ISSUE

1. Subordination risk

The Debentures will be the Bank's direct unsecured obligations which, if the Bank becomes insolvent or is wound-up (prior to the occurrence of a Trigger Event), will rank equally with the Bank's other subordinated indebtedness and will be subordinate in right of payment to the claims of the Bank's depositors and other unsubordinated creditors. Therefore, if, prior to the occurrence of a Trigger Event, the Bank becomes insolvent or is wound-up, the assets of the Bank would first be applied to satisfy all rights and claims of holders of senior indebtedness. If the Bank does not have sufficient assets to settle claims of such senior indebtedness holders in full, the claims of the holders of the Debentures will not be settled and, as a result, the holders will lose the entire amount of their investment in the Debentures. The Debentures will share equally in payment with claims under other subordinated indebtedness if the Bank does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, holders could lose all or part of their investment.

In addition, holders should be aware that, upon the occurrence of a Trigger Event, all of the Bank's obligations under the Debentures shall be deemed paid in full by the issuance of Ordinary Shares upon a Non-Viability Conversion, and each holder will be effectively further subordinated due to the change in their status following such a conversion from being the holder of a debt instrument ranking ahead of holders of Ordinary Shares to being the holder of Ordinary Shares. As a result, upon Non-Viability Conversion, the holders could lose all or part of their investment in the Debentures irrespective of whether the Bank has sufficient assets available to settle what would have been the claims of the holders of the Debentures or other securities subordinated to the same extent as the Debentures, in proceedings relating to an insolvency or winding-up.

2. Loss-absorption related risks-for Non-Viability Conversion

(a) Conversion risk

Upon the occurrence of a Trigger Event, the Bank shall convert the Debentures into Ordinary Shares and any accrued but unpaid interest will be added to the par value of the Debentures and such accrued but unpaid interest, together with the principal amount of the Debentures will be deemed paid in full by the issuance of Ordinary Shares. Upon conversion, the Debentureholders shall have no further rights and the Bank shall have no further obligations to holders of the Debentures under the Trust Deed. Moreover, a Non-Viability Conversion upon the occurrence of a Trigger Event is not an event of default under the terms of the Debenture or the Trust Deed.

Potential investors in Debentures should understand that, if a Trigger Event occurs and Debentures are converted into Ordinary Shares, investors are obliged to accept the Ordinary Shares even if they do not at the time consider such Ordinary Shares to be an appropriate investment for them and despite any change in the financial position of the Bank since the issue of the Debentures or any disruption to the market for those Ordinary Shares or to capital markets generally.

(b) **The number and value of Ordinary Shares to be received on a Non-Viability Conversion may be worth significantly less than the par value of the Debentures and can be variable**

Upon the occurrence of a Non-Viability Conversion, there is no certainty of the value of the Ordinary Shares to be received by the holders of the Debentures and the value of such Ordinary Shares could be significantly less than the par value of the Debentures.

Moreover, there may be an illiquid market, or no market at all, for Ordinary Shares received upon the occurrence of a Non-Viability Trigger Event, and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment and as a result may suffer significant loss.

5.0 PRINCIPAL FEATURES OF THE ISSUE

(c) The Debentures are loss-absorption instruments that involve risk and may not be a suitable investment for all investors

The Debentures are loss-absorption financial instruments designed to comply with applicable banking regulations and involve certain risks. Each potential investor of the Debentures must determine the suitability (either alone or with the help of a financial advisor) of that investment in light of its own circumstances. In particular, each potential investor should understand thoroughly the terms of the Debentures, such as the provisions governing the Non-Viability Conversion, including under what circumstances a Trigger Event could occur.

A potential investor should not invest in the Debentures unless he/ she has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Debentures will perform under changing conditions, the resulting effects on the likelihood of the Non-Viability Conversion into Ordinary Shares and the value of the Debentures, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus.

(d) Uncertainty regarding the Trigger Event

Because of the inherent uncertainty regarding the determination of when a Trigger Event may occur, it will be difficult to predict when, if at all, the Debentures will be converted into Ordinary Shares. In addition, investors in the Debentures are likely not to receive any advance notice of the occurrence of a Non-Viability Trigger Event. As a result of this uncertainty, trading behaviour in respect of the Debentures is not necessarily expected to follow trading behaviour associated with other types of convertible or exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Debentures and the Ordinary Shares, whether or not such Trigger Event actually occurs. Therefore, in such circumstances, investors may not be able to sell their Debentures easily or at prices that will provide them with a yield comparable to other types of subordinated Debentures, including the Bank's other subordinated debt securities. In addition, the risk of Non-Viability Conversion could drive down the price of Ordinary Shares and have a material adverse effect on the market value of Ordinary Shares received upon Non-Viability Conversion.

(e) Following a Non-Viability Conversion, investor will no longer have rights as a creditor and will only have rights as a holder of Ordinary Shares

Upon a Non-Viability Conversion, the rights, terms and conditions of the Debentures, including with respect to priority and rights on liquidation, will no longer be relevant as all such Debentures will have been converted on a full and permanent basis into Ordinary Shares ranking *pari passu* with all other outstanding Ordinary Shares. If a Non-Viability Conversion occurs, then the interest of depositors, other creditors of the Bank, and holders of Bank securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Debentures.

Given the nature of the Non-Viability Trigger Event, a holder of Debentures will become a holder of Ordinary Shares at a time when the Bank's financial condition has deteriorated. If the Bank were to become insolvent or wound-up after the occurrence of a Non-Viability Trigger Event, as holders of Ordinary Shares investors may receive substantially less than they might have received had the Debentures not been converted into Ordinary Shares.

5.0 PRINCIPAL FEATURES OF THE ISSUE

(f) An investor's remedies for the Bank's breach of its obligations under the Debenture are limited

Absent an Event of Default (which shall occur if the Bank becomes insolvent or bankrupt, the Bank goes into liquidation either voluntarily or under an order of a court of competent jurisdiction, or the Bank otherwise acknowledges its insolvency), the trustees and holders of the Debentures shall not be entitled to declare the principal amount of the Debentures due and payable under any circumstance. As a result, the investor will have no right of acceleration in the event of a non-payment of interest or a failure or breach in the performance of any other covenant of the Bank, although legal action could be brought to enforce any covenant of the Bank.

3. Acknowledgement of the CBSL Resolution Powers

The CBSL retains full discretion regarding the determination that a Trigger Event has occurred; As the resolution authority of banks in Sri Lanka, the CBSL has resolution powers through statute.

The Monetary Board determines the Trigger Event and effects a conversion after considering the other bail-in alternatives available to the Bank. Further, Section 30 and 30(9) of the Monetary Law Act No. 58 of 1949 (as amended) and Part VII (A) and Part VIII of the Banking Act No. 30 of 1988 (as amended) specify certain events upon which Monetary Board can exercise its resolution mechanism. In view of the above, based on the statutory authority of the Monetary Board, CBSL retains full discretion to choose or not to choose to trigger for Non-Viability as has been provided for in the Banking Act Direction No. 1 of 2016 on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks.

As the CBSL retains full discretion to choose not to trigger Non-Viability Conversion/ Write-Off notwithstanding a determination that the Bank has ceased, or is about to cease to be viable, under such circumstances, the holders of the Debentures may be exposed to losses through the use of other resolution tools under applicable statutes.

4. Generic Risks

(a) The ability to transfer the Debentures may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Debentures

In Sri Lanka the secondary trading activity in the corporate debt market is limited. The Debentures are a new issue of securities and have no established secondary trading market. There can be no assurance that an active secondary trading market will develop. If the Debentures are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Bank.

Even if an active secondary trading market does develop; it may not be liquid and may not continue. Therefore, investors may not be able to sell their Debentures easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the secondary market for the Debentures is limited, there may be few buyers for the Debentures and this may significantly reduce the relevant market price of the Debentures.

(b) Credit ratings may not reflect all risks associated with an investment in the Debentures

A credit rating reflects a relative ranking of credit risk and does not reflect the potential impact of all risks related to the structure, market, additional factors discussed herein, and other factors that may affect the value of the Debentures.

5.0 PRINCIPAL FEATURES OF THE ISSUE

(c) A downgrade, suspension or withdrawal of the rating assigned by any rating agency to the Debentures could cause the liquidity or market value of the Debentures to decline

Rating initially assigned to the Debentures may be lowered or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes to the Bank's business, so warrant. If the rating agency lowers or withdraws its rating, such event could reduce the liquidity or market value of the Debentures. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

(d) Changes in law, or changes in regulatory classification may affect the rights of holders as well as the market value of the Debentures

The regulatory regime in connection to these instruments is evolving. Changes in law may include change in statutory, tax and regulatory regimes during the life of the Debentures, which may have an adverse effect on the investment in the Debentures.

IMPACT OF COVID-19 PANDEMIC AND UNPRECEDENTED CHANGES IN THE MACRO-ECONOMIC CONDITIONS

Disruption to business and economic activities as well as continued uncertainty in the global and local economy remains with the continuance of the COVID-19 Pandemic. Subsequent to the outbreak of COVID-19 Pandemic in Sri Lanka, the Bank has strictly adhered to the guidelines and directions issued by the Government and the Central Bank of Sri Lanka (CBSL) when conducting its business operations.

The economic downturn currently prevailing has had an impact on business and economic activities, and therefore has resulted in an increase in credit risk. Macro-economic variables such as gross domestic product, inflation, interest rates and exchange rates have experienced substantial levels of adjustment due to the economic downturn and ensuing policy measures.

Taking into account the increase in credit risk in advances, the Bank has recognized impairment on the advances portfolio by performing a comprehensive assessment of individually significant customers, and reviewing the key assumptions used in the impairment computation against individually significant customers. Key assumptions such as security realisation period, and factors used to determine the security valuation were continuously monitored and additional provisions were recognized accordingly.

There was a substantial increase in collective impairment, owing to the collective impairment model being updated to reflect the most recent macro-economic indicators. Further the Bank continues to apply all other prudent assumptions used in 2021. In addition, the Bank continued to recognize additional impairment provisions by way of management overlays on account of moratorium loans and for facilities in the risk elevated industries during the period.

The Bank has provided reliefs for the affected businesses and individuals in line with the directions issued by the CBSL in addition to its own relief schemes. These relief measures include deferment of repayment terms of credit facilities, offering concessionary rates of interest on eligible loan products (debt moratorium) and waiving off certain fees and charges. The Bank continuously monitors the impact of the pandemic and the economic downturn and is taking necessary action to manage its impact on the operations and performance of the Bank.

The Bank has recognized substantial impairment provisions on the foreign currency denominated government securities, owing to the recent downgrading of Sri Lanka's sovereign by rating agencies and the announcement by the Government of Sri Lanka that it is considering a consensual restructuring of the Country's external debts through an economic adjustment program supported by the International Monetary Fund (IMF). Accordingly, the Bank has recognized substantial impairment on account of foreign currency denominated government securities held.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.14 TRANSFER OF THE DEBENTURES

- (a) These Debentures shall be freely transferable amongst Qualified Investors and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable amongst Qualified Investors through the CDS as long as the Debentures are listed on the CSE. Subject to the provisions contained herein, the Issuer may register without assuming any liability any transfer of debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, the SEC and the CDS.
- (c) In the case of death of a Debentureholder
- The survivor where the deceased was a joint holder; and
 - The executors or administrators of the deceased or where the administration of the Estate of the deceased is in law not compulsory, the heirs of the deceased where such Debentureholder was the sole or only surviving holder; shall be the only persons recognised by the Issuer as having any title to his/her Debentures.
- (d) Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debentureholder, upon producing proper evidence that he/she /it sustains the character in respect of which he/she/it proposes to act or his/her title as the Board of Directors of the Issuer thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debentureholder in respect of such Debentures subject to the applicable laws, rules and regulations of the Issuer, CDS, CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognised by the Issuer.
- (f) Neither the Bank nor a banking group over which the Bank exercises control or significant influence can have purchased the Debentures and the Bank cannot directly or indirectly have funded the purchase of the Debentures.

5.15 LISTING

An application has been made to the CSE and approved 'in principle' by the CSE to deal in and obtain listing for these Debentures and any shares which may be issued upon the occurrence of a Trigger Event set out in this Prospectus. It is the intention of the Bank to list the debentures on the CSE upon the allotment thereof. However, the CSE assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Bank or of the Debentures issued.

5.16 BROKERAGE

Brokerage at the rate of zero point one five per centum (0.15%) of the nominal value of the Debentures allotted will be paid to the Member/ Trading Member in respect of the number of Debentures allotted on Applications bearing the stamp of such Member/ Trading Member.

5.17 COST OF THE ISSUE

The Board of Directors estimates that the total Cost of the Issue including brokerage, printing, advertising, and other costs connected with the Issue will be approximately LKR60Mn. Such Issue costs will be funded by the internal funds of the Bank.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.18 UNDERWRITING ARRANGEMENTS

The Bank has decided that the Issue will not be underwritten. In the event of the Issue being undersubscribed, the subscribers will be allotted in full and the quantum of the funds generated from the Issue will be utilized for purposes detailed in Section 5.3 of this Prospectus. In the event the Issue is undersubscribed, the Bank will use its other sources of funds including the internally generated funds, to achieve the specified objectives.

5.19 PROSPECTUS AND APPLICATION FORMS

Copies of the Prospectus and the Application Forms may be obtained free of charge from the collection points listed in Annexure B from Nine (09) Market Days prior to the date of opening of the subscription list. The Prospectus and the Application Forms may also be downloaded from the websites of the CSE and the Bank, viz. www.cse.lk and www.combank.lk respectively.

5.20 TRUSTEE TO DEBENTUREHOLDERS

Bank of Ceylon has agreed to act as the Trustee for the Debentureholders and Bank of Ceylon has certified/confirmed its compliance and fulfilment of the requirements specified under Section 2.2.1.(k) 'Appointment of Trustee' of the Listing Rules of the CSE. The Bank has entered into an agreement with the Trustee hereinafter called the 'Trust Deed'. Debentureholders in their Application for subscription will be required to authorise the Trustee to act as their agent in entering into such deeds, writings and instruments with the Bank and to act as the agent and Trustee for the Debentureholders.

The rights and obligations of the Trustee are set out in the Trust Deed. The Debentures shall be subject to the terms and conditions and confer such rights as are incorporated in the said Trust Deed. The Trustee has no conflict of interest with the Bank except that the Trustee is one of the banks rendering banking related services to the Bank.

6.0 PROCEDURE FOR APPLICATION

6.1 WHO CAN APPLY

Applications for the subscription of Debentures are invited from the following categories of Qualified Investors:

- (a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- (b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- (c) A mutual fund, a pension fund, Employee Provident Fund or any other similar pooled fund
- (d) A venture capital fund/company and private equity company
- (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011 (as amended)
- (f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended)
- (g) A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended)
- (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 07 of 2007
- (i) An investment trust or investment company
- (j) A non-resident institutional investor
- (k) An individual with an initial investment of Rs. 5,000,000/-

The Bank will comply with the Foreign Exchange Act No. 12 of 2017 and all regulations published thereunder including those contained in the Government Gazette (Extraordinary) No. 2213/35 on February 03, 2021, Government Gazette (Extraordinary) No. 2235/22 dated July 06, 2021, and all other regulations and directions published thereunder when issuing and transferring Debentures to Non-Residents.

Applications will NOT be accepted from individuals under the age of 18 years or if made in the names of Sole Proprietorships, Partnerships, Unincorporated Trusts or Unincorporated bodies of persons.

6.2 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows:

- (i) Applications should be made on the Application Forms, issued with the Prospectus. Application Forms could also be downloaded from the Bank's website, www.combank.lk and the CSE website, www.cse.lk (Exact size photocopies of Application Forms too would be accepted). Care must be taken to follow the instructions given herein and in the Application Form.

Applications that do not strictly conform to such instructions and the other conditions set out below or which are illegible or incomplete may be rejected.

- (ii) Applicants who wish to apply for all types of Debentures should apply under separate Application Forms for each type of Debentures they wish to apply for.

6.0 PROCEDURE FOR APPLICATION

- (iii) Applicants should apply only for one Type of Debentures under one Application Form.

In the event an Applicant wishes to apply for more than one Type of Debentures, separate Application Forms should be used. Once an Application Form has been submitted for a particular Type of Debentures, it will not be possible for an Applicant to switch between the Types of Debentures. More than one Application submitted by an Applicant under the same Type of Debentures will not be accepted. If more than one Application Form is submitted for one Type of Debentures from a single Applicant, those would be construed as multiple Applications and the Bank reserves the right to reject such multiple Applications or suspected multiple Applications.

- (iv) Applications should be made for a minimum of one hundred (100) Debentures other than in the case of individual Qualified Investors. The minimum subscription requirement applicable for an individual Qualified Investor applying for Basel III Compliant Debt Securities shall be Rupees Five Million (Rs.5,000,000/-). Applications exceeding the minimum subscription requirement should be in multiples of Rupees Ten Thousand (LKR10,000/-) or One Hundred (100) Debentures. Applications for less than 100 Debentures and that are for less than the minimum subscription requirement for individual Qualified Investors will be rejected.
- (v) Multiple Applications for the same type of Debentures will not be entertained. Separate Applications can be made for Debenture Types A, B, and C by the same Applicant. The Issuer reserves the right to reject suspected multiple Applications for any type of Debenture.
- (vi) Joint Applications may be made. An Applicant of a joint Application will not be eligible to send a separate Application individually or jointly applying for the same type of Debentures. Such Applicants are also deemed to have made multiple Applications and will be rejected. Only one (01) Application should be made for the benefit of any person or corporate body. In the case of joint Applications, the refund cheque (if any), interest payment and the redemption cheque will be drawn in favour of the First Applicant identified in the Application Form.

The Bank shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents (as defined herein), falling within the definition of a Qualified Investor in the aggregate.

- (vii) Corporate Applicants registered/incorporated/established in Sri Lanka should have obtained the requisite internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under common seal or in any other manner as provided by the Articles of Association or such other constitutional documents of such Applicant or as per the statutes governing them. Applications by approved provident funds, approved contributory pension schemes registered/incorporated/established in Sri Lanka must be in the name of the trustee/ board of management.
- (viii) In the case of Corporate Applicants, the common seal of the company should be affixed and attested if required by the Articles of Association of such Applicant.
- (ix) Sri Lankan citizens should use their National Identity Card (NIC) Number in the Debenture Application Form. The Passport Number can be stated only when the NIC number is not available. In the case of corporate entities incorporated in Sri Lanka, the Company Registration Number must be given. In the case of corporate Applicants, the common seal of the company should be affixed and attested as required by the Articles of Association of such Applicant.
- (x) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney of the Applicant(s). In the case of Applications made under Powers of Attorney, a copy of the said Power of Attorney, certified by a Notary Public as "True Copy" should be attached with the Application Form. The original of the Power of Attorney should not be attached.

6.0 PROCEDURE FOR APPLICATION

- (xi) Remittance of Funds for the investments in Debentures and the payment for Debentures by Non- Residents should be routed through an Inward Investment Account ('IIA') [formerly known as Securities Investment Accounts] of the Non-Residents opened and maintained in any designated foreign currency or Sri Lanka Rupees in a Licensed Commercial Bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka in that regard to Licensed Commercial Banks. An endorsement by way of a letter by the Licensed Commercial Bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/RTGS has been made out of the funds available in the IIA.
- (xii) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.
- (xiii) As per the Foreign Account Tax Compliance Act ("FATCA") "U.S. Persons" must provide the duly completed declaration as per the specimen given in Annexure D together with the Application Form. Under the provisions of FATCA, "U.S. Persons" include:
- U.S. Citizens (including an individual born in U.S. but resident in another country who has not renounced U.S. citizenship)
 - A lawful citizen of the U.S. (including Green Card holders)
 - A person residing in the U.S.
 - A person who spends certain number of days in the U.S. each year
 - U.S. Corporations, estates and trusts
 - Any entity that has a linkage or ownership to U.S. or U.S. territories
 - Non U.S. entities that have at least one U.S. Person as a "substantial beneficial owner"
- (xiv) Applicants who wish to apply through their margin trading accounts should submit the Application in the name of the "Margin Provider/Applicants name" signed by the margin provider. If the Applicant wishes the Debentures to be deposited in the CDS margin trading account, the relevant CDS account number relating to the margin trading account should be indicated in the space provided in the Application Form. A copy of the margin trading agreement must be submitted along with the Application.

Margin Providers can apply under their own name and such Applications will not be considered as multiple Applications.

ALL APPLICANTS SHOULD INDICATE THEIR CDS ACCOUNT NUMBER IN THE SPACE PROVIDED ON THE APPLICATION FORM

Please note that Applicant information such as full name, address, NIC number/passport number/company registration number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form. Therefore, Applicants are advised to ensure that the full name, address, NIC number/passport number/company registration number and residency status mentioned in the Application Form tallies with the same provided in the CDS account mentioned in the Application Form.

In case of joint Applicants, a joint CDS account in the name of the joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of the Applicant's own CDS account number (except in the case of margin trading), will be rejected.

6.0 PROCEDURE FOR APPLICATION

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible or incomplete may be rejected. The Bank/ CDS/ Members and Trading Members of the CSE reserve the right to ask for additional information to satisfy itself that the Applicant is a Qualified Investor. Please note that Allotment of Debentures will only be made if the Applicant has a valid CDS account at the time of submission of the Application.

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated. Please note that DEBENTURE CERTIFICATES SHALL NOT BE ISSUED.

Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of the closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, will be rejected and no allotment will be made.

You can open a CDS account through any Member/Trading Member of the CSE as set out in Annexure B or through Custodian Banks set out in Annexure C.

Application Forms duly completed filled in accordance with the instructions thereof, together with the remittance (cheque, bank draft, bank guarantees, electronic fund transfer confirmations) for full amount payable on Application should be enclosed in a sealed envelope marked "Commercial Bank of Ceylon PLC - Debenture Issue 2022" on the top left-hand corner and be addressed to the Registrars to the Issue (the address of which is stated below) and dispatched by post or courier or delivered by hand to either the Registrars to the Issue or the collection points set out in Annexure B.

Registrars to the Issue

SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road
Colombo 03, Sri Lanka

Persons who are not certain of the method of remittance should consult Bankers, Brokers, Managers to the Issue and Registrars to the Issue.

All Applications dispatched by post or courier or delivered by hand to any collection point set out in Annexure B should reach the office of the Registrars to the Issue at least by 4.30p.m. on the Issue Closing Date. Applications received after the said period will be rejected even though they have been delivered to any collection point prior to the Issue Closing Date or carry a postmark dated prior to the Issue Closing Date.

If cheques are not realized within two (2) Market Days of the Issue Closing Date, such Applications may be rejected in order to facilitate the completion of the allotment.

Applications delivered by hand after the Issue is closed will be rejected.

Submission of Applications by Resident Sri Lankan Individual Qualified Investors via Email

Resident Sri Lankan individual Qualified Investors may submit scanned copies of the duly filled Application Forms together with the scanned copies /soft copies of payment proof (i.e. electronic fund transfer confirmations) to Debenture2022@combank.net.

Submission of applications through email is only permitted for Resident Sri Lankan individual Qualified Investors only. The investors applying through this method must ensure that their contact details (telephone numbers) are clearly stated on their respective application form.

6.0 PROCEDURE FOR APPLICATION

This option is not permitted for Qualified Investors applying through Margin Trading accounts, under Power of Attorney, or making payments through cheques, bank drafts, bank guarantees, Non-Resident Applicants, Foreign Citizens, Corporate Bodies, and Unit Trusts.

Application Forms and payment proof submitted to Debenture2022@combank.net must be received prior to 4.30 p.m. on the Earliest Issue Closing Date. Applications received through email after the said period shall be rejected.

6.3 MINIMUM APPLICATION

The minimum subscription for Qualified Investors per Application is Rupees Ten Thousand (Rs.10,000/-) or One Hundred (100) Debentures, other than in the case of individual Qualified Investors.

The minimum subscription requirement applicable for an individual Qualified Investor applying for Basel III Compliant Debt Securities shall be Rupees Five Million (LKR5,000,000/-). Please refer the definition of individual Qualified Investors in subsection (k) under the Qualified Investors definition in section 2.0: Definitions Related to the Issue.

Applications in excess of the minimum subscription shall be in multiples of Rupees Ten Thousand (LKR10,000/-) or One Hundred (100) Debentures.

6.4 MODE OF PAYMENT

Subject to 6.2 above, payment should be made separately in respect of each Application either by Cheques, Bank Drafts, Bank Guarantees drawn upon any Licensed Commercial Bank operating in Sri Lanka or RTGS transfer directed through any Licensed Commercial Bank operating in Sri Lanka, as the case may be, subject to the following:

- (a) Payments for Application values below Sri Lanka Rupees One Hundred Million (Rs.100,000,000/-) should be supported by a bank draft/cheque or RTGS transfer drawn upon any Licensed Commercial Bank operating in Sri Lanka. Cheques or bank drafts should be payable to "Commercial Bank of Ceylon PLC - Debenture Issue 2022" crossed "Account Payee Only" and must be honoured on the first presentation.
- (b) Payments for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (Rs.100,000,000/-) should be supported by either a;
 - Bank guarantee issued by a Licensed Commercial Bank; or
 - Multiple bank drafts/cheques drawn upon any Licensed Commercial Bank operating in Sri Lanka, each of which should be for a value less than Sri Lanka Rupees One Hundred Million (Rs.100,000,000/-).
 - RTGS transfer with value on the date of the Issue Opening Date.

Multiple cheques or multiple RTGS will not be accepted for Application values below Sri Lanka Rupees One Hundred Million (Rs.100,000,000/-).

- (c) Cheques or bank drafts should be payable to "Commercial Bank of Ceylon PLC - Debenture Issue 2022" crossed "Account Payee Only" and must be honoured on the first presentation.

In case of bank guarantees, such bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka in favour of "Commercial Bank of Ceylon PLC - Debenture Issue 2022" in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue Opening Date (i.e. [December 01, 2022]). Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

6.0 PROCEDURE FOR APPLICATION

In case of RTGS transfers, such transfer should be made to the credit of 'Commercial Bank of Ceylon PLC - Debenture Issue 2022' bearing account number 1000567791 at Commercial Bank of Ceylon PLC with value on the Issue Opening Date (i.e. the funds to be made available to the above account on the Issue Opening Date). The Applicant should obtain a confirmation from the Applicant's bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for the credit of 'Commercial Bank of Ceylon PLC - Debenture Issue 2022' bearing account number 1000567791 at Commercial Bank of Ceylon PLC with value on the Issue Opening Date (i.e. the funds to be made to the above account on the Issue Opening Date) and should be attached with the Application Form.

For RTGS transfers, an interest rate of 13.50% per annum (on actual/actual basis) will be paid from the date of such transfer up to the Date of Allotment.

However, no interest will be paid for funds prior to the Issue Opening Date, if those fund transfers are effected prior to the Issue Opening Date.

No interest will be paid if the RTGS transfers are not realised before 4.30 p.m. of the Issue Closing Date.

SLIPS and CEFTS transfers will not be accepted as a mode of payment.

- (d) Cash will not be accepted.
- (e) Payment for the Debentures by Non-Residents should be routed through an IIA opened and maintained in any designated foreign currency or Sri Lanka Rupees with any Licensed Commercial Bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka in that regard to Licensed Commercial Banks. An endorsement by way of a letter by the Licensed Commercial Bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/RTGS has been made out of the funds available in the IIA.
- (f) The amount payable should be calculated by multiplying the number of Debentures applied for by the Par Value (Rs.100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee, the Application will be rejected.
- (g) In the event that cheques are not realized within 2 Market Days from Issue Closing Date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (h) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Market Day immediately following the Issue Closing Date. Payments in any form other than as mentioned above will not be accepted.
- (i) Applications should not be posted, couriered or hand delivered to any other address.

6.5 REJECTION OF APPLICATIONS

Application Forms and the accompanying cheques/bank drafts/bank guarantees, RTGS transfers which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of the Bank.

Applications received from Applicants who are under the age of 18 years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number will be rejected.

6.0 PROCEDURE FOR APPLICATION

Any Application Form, which is accompanied by a CEFTS or SLIPS transfer will be rejected.

Any Application Form from a non-Qualified Investor will also be rejected.

Any Applicant who has applied for more than one type of Debentures in a single Application Form will be rejected.

Any Applicant who has submitted multiple applications for one type of Debentures will be rejected.

Any Application Form with more than three (03) natural persons as joint Applicants for Debentures will be rejected.

All Applications delivered by hand should reach the office of the Registrars to the Issue at least by 4.30 p.m. on the closing day of the Issue. If cheques are not realized within two (02) Market Days of the Issue Closing Date, such Applications may be rejected in order to facilitate the completion of the allotment.

Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/ returned on first presentation, such Applications will be rejected.

Applications delivered by hand to the Registrar of the Issue after 4.30 p.m. on the Issue Closing Date will be rejected.

Applications received at the Registrar's office by post or courier after 4.30 p.m. on the succeeding working day immediately following the Issue Closing Date, will also be rejected even if they carry a post mark dated prior to the Issue Closing Date.

Applications delivered to any collection point set out in Annexure B should reach the office of the Registrars to the Issue by at least 4.30 p.m. on the Issue Closing Date. Applications received after the said period will be rejected even though they have been delivered to any collection point prior to the Issue Closing Date or carry a postmark dated prior to the Issue Closing Date.

6.6 BANKING OF PAYMENTS

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Market Day immediately after the Issue Closing Date, in terms of the CSE Listing Rules.

6.7 BASIS OF ALLOTMENT

- (i) The Bank reserves the right to refuse/ reject any Application or to accept any Application in part only, without assigning any reason thereto.
- (ii) In the event of an oversubscription, the basis of allotment will be decided by the Board of Directors of the Bank in a fair manner and notified to the CSE. The successful Applicants will be notified about their allotment within ten (10) Market Days from the Issue Closing Date. The Board reserves the right to allocate upto 75% of the Issue value on a preferential basis, to identified qualified large-scale investors of strategic importance to the Bank.
- (iii) Cheques received by post with Applications up to the day succeeding the Issue Closing Date will be banked, provided that such cheques and Applications are received prior to 4.30 p.m. on the day succeeding the Issue Closing Date.
- (iv) The Bank reserves the right to reject all cheques, which are not realized on first presentation.

6.0 PROCEDURE FOR APPLICATION

(v) Cheques received with the Applications on the day the Issue is fully subscribed and/or the day the Issue is closed also shall be banked and upon realization the Applicants may be allotted with Debentures in the same manner along with the Applicants whose Applications were received prior to such date. However, if cheques are not realized on first presentation after the closing of the Issue, such Applications may be rejected in order to facilitate the completion of the allotments.

(vi) Unsuccessful Applicants

In the event an Application is accepted only in part, the balance of the monies received on Application will be refunded. Refunds on Debentures that have not been allotted either in full or part will be made on or before the expiry of eight (08) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. Applicants would be entitled to receive interest at the last quoted AWPLR published by the CBSL plus 5%, on any refunds not made by the expiry of the above mentioned period.

(vii) Number of Debentures to be allotted to identified institutional investor/s of strategic importance, on a preferential basis will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an undersubscription from other Qualified Investors (investors that do not fall under preferential category). In the event of such undersubscription, the other investor category to be allotted in full and any remaining Debentures to be allotted to identified institutional investor/s.

Further, the Bank will allot the remaining number of Debentures (excluding the preferential allotment of 75%), in a fair manner among other Qualified Investors.

6.8 REFUND OF PAYMENTS AND DEPOSITS TO THE CDS

In the event an Application is accepted only in part, the balance of the monies received on Application will be refunded. Refunds on rejected Applications or partly allotted Debentures will be made on or before the expiry of eight (08) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. Applicants would be entitled to receive interest at the last quoted AWPLR published by the CBSL in the immediately preceding week plus 5%, on any refunds not made by the expiry of the above mentioned period.

If the Applicant has provided accurate and complete details of his bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Sri Lanka Rupees Five Million (Rs.5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.

In the event of refunds over Rupees Five Million (Rs.5,000,000/-), if the Applicant has provided accurate and complete details of his bank account in the Application, refunds will be made via RTGS.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the bank will make such refund payment to the Applicant by way of a cheque crossed "Account Payee only" and sent by post under registered cover at the risk of the Applicant.

Funds received from Non-Residents via IIA accounts will be refunded to their respective IIA accounts in the event there are refunds to be made, subject to the requirement that it is the responsibility of the Non-resident Applicants to ensure that the details of the IIA account through which the funds are received for subscription to the Debentures, are identical to the IIA account details disclosed in the Application form as well as provided to the CDS.

6.0 PROCEDURE FOR APPLICATION

Direct deposits to the CDS accounts will be made before the expiry of twelve (12) Market Days from the Issue Closing Date. A written confirmation in this regard will be sent to the Qualified Investors within two (02) Market Days of crediting the CDS Accounts.

6.9 DIRECT LODGMENT WITH THE CDS AND SECONDARY MARKET TRADING

The Bank shall credit the CDS Account with the Debentures securities allotted within a period of twelve (12) Market Days from the Issue Closing Date.

A written confirmation of the credit will be dispatched to the Applicant within two (2) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

In terms of CSE Listing Rules, the Bank shall submit to the CSE a "Declaration" as set out in the Listing Rules on the Market Day immediately following the day on which the Applicants' CDS Accounts are credited with the Debentures.

The Debentures shall be listed on or before the third (03) Market Day from the receipt of the "Declaration" by the CSE.

7.0 THE BANK

7.1 OVERVIEW OF THE BANK

With its roots running back to 1920 when its forerunner Eastern Bank commenced its operations in Sri Lanka, Commercial Bank possesses a rich heritage¹. Commercial Bank is the largest private bank in Sri Lanka and the only Sri Lankan bank amongst the Top 1000 Banks of the World for twelve successive years (The Banker Magazine, UK).² The Bank operates the country's single largest ATM network³ with an island-wide strategically located network of Branches/Service Points. Commercial Bank is the first and the only Bank in Sri Lanka to achieve carbon neutral status.⁴

Commercial Bank operates a network of over 265 branches and over 900 automated machines in Sri Lanka. The Bank has won multiple awards as Sri Lanka's Best Bank, Best Trade Bank, Strongest Bank, Most Respected Bank, Most Responsible Bank from a number of local and international institutions and publications over several years.

Commercial Bank accounts for the largest Market Capitalization among all listed banks in Sri Lanka today.⁵ Commercial Bank is the first private Bank in the country to reach the momentous feat of surpassing Rs. 1 trillion in assets, deposits and loans.⁶

Commercial Bank demonstrates expertise in the spheres of retail and corporate banking. The Bank offers a wide array of financial products and services, ranging from savings accounts targeted at children, teens, youth, women, executives to the senior citizens, Foreign Currency products, an extensive portfolio of financial products and services including Leasing, SME and micro-financing, Bancassurance, Islamic Banking, Investment Banking, Banking for High Net Worth Individuals, Credit & Debit Cards, Bills & Bonds, Corporate Banking products along with Trade Finance services.

The Bank also has introduced a multitude of innovative e-Banking solutions. These range from Online Banking to Mobile Banking, along with SMS Banking, Mobile Phone Cash Top Up facility and overseas SWIFT Money Remittance Services through which Commercial Bank has improved "Banking Convenience" in the country. The Bank also has innovative Automated Banking Centres, Self-service Touch Screens in Branches and Automated Instant Cash and Cheque Deposit Machines along with ATMs which offer utility bill payment facilities in addition to cash withdrawals.

The Corporate Social Responsibility Trust of the Commercial Bank of Ceylon PLC is an initiative aimed at uplifting the lives of communities across the country. Understanding that the smallest actions if done with purpose and dedication have the potential to bring about monumental change, Commercial Bank's commitment goes well beyond the financial domain. The Bank annually allocates a percentage of its profits to the CSR Trust of the Bank.

Commercial Bank's overseas operations encompass Bangladesh, where the Bank operates 19 outlets; Myanmar, where it operates a Microfinance company in Nay Pyi Taw; and the Maldives, where the Bank has a fully-fledged Tier I Bank with a majority stake.

1. <https://www.combank.lk/history> (Accessed on October 14, 2022)
2. <https://www.combank.lk/news/news-events/combank-ranked-among-worlds-top-1000-banks-for-12th-consecutive-year> (Accessed on October 14, 2022)
3. <https://www.combank.lk/news/news-events/combanks-automated-machine-network-dispensed-rs-918-bn-in-december-and-rs-8484-bn-in-2021> (Accessed on October 14, 2022)
4. <https://www.combank.lk/news/news-events/combank-becomes-sri-lankas-first-carbon-neutral-bank> (Accessed on October 26, 2022)
5. <https://www.cse.lk/pages/market-capitalization/market-capitalization.html> (Accessed on October 14, 2022)
6. <https://www.combank.lk/news/news-events/combank-notches-3rd-rs-1-trillion-mark-in-balance-sheet-in-dynamic-q2> (Accessed on October 14, 2022)

7.0 THE BANK

VISION

To be the most Technologically Advanced, Innovative and Customer Friendly Financial Services Organization in Sri Lanka, poised for further expansion in South Asia.

MISSION

Providing Reliable, Innovative, Customer Friendly Financial Services, Utilising cutting edge technology and Focusing continuously on productivity improvement whilst developing our staff and Acquiring necessary expertise to Expand locally and regionally.

7.2 NATURE OF OPERATIONS

To carry on;

- (a) Domestic banking business including foreign currency banking business in areas specified in Schedule II of the Banking Act No. 30 of 1988 (as amended).
- (b) Off-shore banking business as detailed in part IV of the said Banking Act.

Licenses to carry out Banking Business do not have a date of expiry.

7.3 BOARD OF DIRECTORS

The Directors of the Company as at the date of the Prospectus are given below:

Name	Address	Designation
Prof. A. K. W. Jayawardane	No.14, Wijerama Lane, Sri Devananda Road, Nawinna, Maharagama	Chairman Independent/ Non-Executive Director
Mr. S. Muhseen	No.112/6, Barnes Place, Colombo 7	Deputy Chairman Independent/ Non-Executive Director
Mr. S. C. U. Manatunge	No.424/6, Promised Land, 1st Lane, Samagi Mawatha, Hokandara	Managing Director/ Chief Executive Officer Non-Independent/ Executive Director
Mr. K. Dharmasiri	No.84/1, Polgahawela Road, Kegalle	Independent/ Non-Executive Director
Mr. L. D. Niyangoda	No.403/10, Samanpura, Kottawa	Independent/ Non-Executive Director
Ms. N. T. M. S. Cooray	No.57/4, Ward Place, Colombo 07	Independent/ Non-Executive Director
Ms. J. Lee	10 West Street, # 29 G, New York, 10004, United States of America	Independent/ Non-Executive Director
Mr. R. Senanayake	No.297 D, Kothalawala, Kaduwela	Independent /Non-Executive Director
Ms. D. L. T. S. Wijewardena	No.22, 1st Cross Road, Maradana Road, Hendala	Independent/Non-Executive Director
Dr. S. Selliah	No.114/5, Rosmead Place, Colombo 07	Independent /Non-Executive Director
Mr. S. Prabagar	No.153-1/4, Sunset West, Trillium Residencies, Elvitigala Mawatha, Colombo 08	Chief Operating Officer Non-Independent/ Executive Director

7.0 THE BANK

7.4 MAJOR SHAREHOLDINGS AS AT SEPTEMBER 30, 2022

20 largest holders of Ordinary Voting shares of the Bank:

Name of shareholder	No. of Shares	% of Voting capital
1. DFCC BANK PLC A/C 1	141,453,570	12.12%
2. MR. Y S H I SILVA	115,528,595	9.90%
3. EMPLOYEES' PROVIDENT FUND	100,567,740	8.62%
4. CB NY S/A INTERNATIONAL FINANCE CORPORATION	83,033,546	7.11%
5. SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	58,905,563	5.05%
6. MR. D P PIERIS	57,113,183	4.89%
7. MELSTACORP PLC	48,290,086	4.14%
8. MR. K D D PERERA	42,894,365	3.67%
9. CB NY S/A IFC EMERGING ASIA FUND. LP	42,806,493	3.67%
9. CB NY S/A IFC FINANCIAL INSTITUTIONS GROWTH FUND LP	42,806,493	3.67%
11. SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	41,306,794	3.54%
12. CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	29,516,844	2.53%
13. EMPLOYEES' TRUST FUND BOARD	20,330,734	1.74%
14. RENUKA HOTELS PLC	14,053,876	1.20%
15. MR. M J FERNANDO	10,492,476	0.90%
16 HALLSVILLE TRADING GROUP INC.	10,271,852	0.88%
17. CARGO BOAT DEVELOPMENT COMPANY PLC	9,527,932	0.82%
18. RENUKA CONSULTANTS & SERVICES LIMITED	9,275,689	0.79%
19. MR. A H MUNASINGHE	7,640,822	0.65%
20. MR. S V SOMASUNDERAM	6,385,272	0.55%

7.0 THE BANK

20 largest holders of Ordinary Non-Voting Shares of the Bank:

Name of shareholder	No. of shares	% of Non Voting capital
1. EMPLOYEES' TRUST FUND BOARD	5,643,261	7.78%
2. AKBAR BROTHERS PVT LTD A/C NO 1	3,542,491	4.88%
3. GF CAPITAL GLOBAL LIMITED	1,875,479	2.59%
4. MR. A H MUNASINGHE	1,762,178	2.43%
5. MR. M F HASHIM	1,304,361	1.80%
6. M.J.F. EXPORTS (PVT) LTD	1,240,950	1.71%
7. MRS. L V C SAMARASINHA	1,144,500	1.58%
8. JANASHAKTHI INSURANCE PLC-SHAREHOLDERS	1,076,533	1.48%
9. SABOOR CHATOOR (PVT) LTD	1,037,989	1.43%
10. MR. T W A WICKRAMASINGHE JOINT WITH MRS N WICKREMASINGHE	985,150	1.36%
11. DEUTSCHE BANK AG AS TRUSTEE TO ASSETLINE INCOME PLUS GROWTH FUND	935,463	1.29%
12. MR. E CHATOOR	859,134	1.18%
13. BANSEI SECURITIES CAPITAL (PVT) LTD/I.S.P. PERERA	836,000	1.15%
14. MR. R GAUTAM	785,144	1.08%
15. MR. J D BANDARANAYAKE JOINT WITH MISS. N BANDARANAYAKE & DR. V BANDARANAYAKE	772,196	1.06%
16. MR. K S M DE SILVA	756,418	1.04%
17. MR. J D BANDARANAYAKE JOINT WITH DR. V BANDARANAYAKE & MISS. I BANDARANAYAKE	749,713	1.03%
18. MR. A L GOONERATNE	747,743	1.03%
19. MR.M J FERNANDO	712,766	0.98%
20. MR. P G N D GUNATHILAKE	700,000	0.96%

7.0 THE BANK

7.5 PARTICULARS OF LOAN CAPITAL

Details of debentures (fixed rate) in issue:

Categories	CSE Listing	Interest payable frequency	Allotment date	Maturity date	Balance 30.09.2022 (Rs. '000) Unaudited)
2016/2026 - 11.25% p.a.	Listed	Semi Annually	09.03.2016	08.03.2026	1,749,090
2016/2026 - 12.25% p.a.	Listed	Semi Annually	28.10.2016	27.10.2026	1,928,200
2018/2023 - 12.00% p.a.	Listed	Semi Annually	23.07.2018	22.07.2023	8,393,840
2018/2028 - 12.50% p.a.	Listed	Semi Annually	23.07.2018	22.07.2028	1,606,160
2021/2026 - 9.00% p.a.	Listed	Semi Annually	21.09.2021	20.09.2026	4,237,470
2021/2028 - 9.50% p.a.	Listed	Semi Annually	21.09.2021	20.09.2028	4,358,000

The above mentioned holders of Debentures are entitled to receive the Principal sum on the date of Maturity/ Redemption and interest on the Debentures as per the provisions set out and stated in the Prospectus issued in relation to the respective Debentures. The holders of the said Debentures are not entitled to any special rights or any privileges or rights of the Shareholders of the Bank, including the right to receive notice, attend and vote at the General Meeting of the Bank, receive any dividend or distributions or share the profits of the Bank or to participate in any surplus assets of the Bank in the event of liquidation.

The Borrowings of the Bank as at September 30, 2022 are as follows:

Category	Rs. Mn (Unaudited)
Due to banks	65,127
Securities sold under repurchase agreements	129,837
Financial liabilities at amortised cost – other borrowings	20,906
Subordinated liabilities	50,936
Total	266,806

There was no leasing, lease purchase or hire purchase commitments or mortgages or charges on the assets of the Bank as at September 30, 2022.

DETAILS OF CONVERTIBLE DEBT SECURITIES

The Bank does not have any outstanding convertible debt securities other than those debentures as disclosed above.

7.0 THE BANK

7.6 CONTINGENT LIABILITIES, DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES AND LITIGATION AGAINST THE BANK

CONTINGENT LIABILITIES

In the normal course of business, the Bank makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognized on the date of the statement of financial position, they do contain credit risk and are therefore part of the overall risk profile of the Bank.

Contingent liabilities of the Bank as at September 30, 2022:

Category	Rs. Mn. (Unaudited)
Guarantees	67,889
Performance bonds	80,470
Documentary credits and acceptance	100,948
Forward exchange and currency swaps	134,522
Other contingencies	212,718
Total	596,547

DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES

A penalty of Rs.3.0Mn has been imposed by the Financial Intelligence Unit of the Central Bank of Sri Lanka primarily in pursuance of a lapse identified in account opening processes and the maintaining thereof.

- In one account, only one side of the identification document was captured in the system, instead of both sides.
- Another instance where the procedure to be followed in maintaining accounts had not been properly complied with.
- The penalty was not related to any sanction violations.

LITIGATION AGAINST THE BANK

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. In respect of pending legal claims where the Bank had already made provisions for possible losses in its Financial Statements or has a realisable security to cover the damages are not included below as the Bank does not expect cash outflows from such claims. However, further adjustments are made to the Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate.

Set out below are the unresolved legal claims against the Bank as at November 15, 2022 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. In addition, there are cases filed against the Bank that have not been listed here on the basis of non-materiality to operations.

1. Court action has been initiated in the District Court, Colombo under proceedings number DMR/2274/2015 to recover a sum of Rs.3.374 Mn as parking charges and interest thereon due to a dispute over parking facility provided to the Bank. The Trial is re-fixed for November 29, 2022.
2. Court action has been initiated in the District Court, Kaduwela under proceedings number 584/L for Rs.15.000 Mn and interest thereon in seeking declaration that the plaintiff is the lawful owner of the property mortgaged by her daughter as security for a loan (currently in the Past-due section) obtained from the Bank. The Trial is re-fixed for April 25, 2023.

7.0 THE BANK

3. An appeal was filed by the Bank under proceedings number HCALT 405/2014 in the Provincial High Court of the Eastern Province against the order of the Labour Tribunal for payment of compensation and reinstatement in employment of an outsourced office helper. The office helper too filed a case in the Provincial High Court in proceedings number HCALT 404/2014 refusing compensation and asking for reinstatement. The appeal made by the Bank was dismissed and case filed by outsourced office helper was decided in favour of him. The Bank has appealed in the Supreme Court against the judgement of both cases under proceedings number SC/Appeal/203/17 and SC/Appeal/204/17. The hearing of the cases is re-fixed for March 16, 2023.
4. Court action has been initiated in the Colombo High Court under proceedings number 112/2005 (1) to claim Rs.5.584 Mn and Rs.10.000 Mn as damages for disposing of shares owned by the plaintiff which were held under lien to the Bank. Plaintiff alleges that the transaction has taken place without obtaining her consent. Judgement was delivered in favour of the plaintiff. The Bank has appealed in the Supreme Court (Appeal No. 09/2010) against the Judgement delivered. The appeal is re fixed for argument on May 16, 2023.
5. Court action has been initiated by a previous security services provider of the Bank in the High Court under proceedings number 591/17/MR to recover a sum of Rs.14.874 Mn, being the increment in salaries paid to the workers by the Company, under the Budgetary Relief Allowance of Workers Act No. 4 of 2016. The Trial is re-fixed for February 16, 2023.
6. Court action has been initiated by the Plaintiff in the Commercial High Court under proceedings number 219/2021/ MR to recover a sum of Rs.463,967,380/97 due on the guarantees issued by the Bank. The applicant of the above guarantees has already obtained an interim injunction in the District Court, Kaduwela Case No.514/SPL against the Bank preventing the payment of the said guarantees. The matter is fixed for pre-trial on November 18, 2022.
7. Court action has been initiated by the Plaintiff in the Commercial High Court under proceedings number 222/2021/ MR to recover a sum of Rs.442,519,529/51 due on the guarantees issued by the Bank. The applicant of the above guarantees has already obtained an interim injunction in the Commercial High Court Case No.193/2020/MR against the Bank preventing the payment of the said guarantees. The matter is fixed for pre-trial on November 18, 2022.

7.7 MANAGEMENT AGREEMENTS

There are no management agreements entered into by the Bank as at the Prospectus date nor are being considered.

7.8 STATED CAPITAL

The stated capital of the Bank is as below:

Stated Capital	December 31, 2021	September 30, 2022 (Unaudited)
Balance (LKR '000)	54,566,957	58,149,621
Number of Ordinary Voting Shares	1,124,480,528	1,167,236,442
Number of Ordinary Non-Voting Shares	69,740,771	72,541,605

7.9 DETAILS OF MATERIAL CONTRACTS TO THE BANK

The Bank has not entered into any material contracts other than contracts entered into in the ordinary course of business as at the date of this Prospectus.

8.0 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

This Committee was formed by the Board to assist the Board in reviewing all the related party transactions carried out by the Bank and its listed companies in the Group by early adopting the Code of Best Practice on Related Party Transactions as issued by the SEC of Sri Lanka and the Section 9 of the CSE Listing Rules.

This Committee currently comprises the following Directors:

Prof. A. K. W. Jayawardane (Chairman)	Independent/ Non-Executive Director
Mr. L. D. Niyangoda	Independent/ Non-Executive Director
Mr. R. Senanayake	Independent/ Non-Executive Director
Mr. S. C. U. Manatunge (By invitation)	Managing Director/ Chief Executive Officer Non-Independent/ Executive Director
Mr. S. Prabagar (By invitation)	Chief Operating Officer Non-Independent/ Executive Director

9.0 FINANCIAL INFORMATION

9.1 FINANCIAL STATEMENTS AND FINANCIAL SUMMARY

The following financial information of the Bank (Stock code - COMB) is available on the website of CSE (www.cse.lk) and the website of the Bank (www.combank.lk):

- Audited financial statements of the Bank for the financial year ended December 31, 2021.
- Interim financial statements of the Bank for the nine (9) months ended September 30, 2022.
- Summarized financial statements for the five years preceding the date of the application (i.e. for the financial years ending December 31, 2021, 2020, 2019, 2018 & 2017) stating the accounting policies adopted by the entity certified by the Auditors, qualifications carried in any of the Auditors' reports covering the period in question and any material changes in accounting policies during the relevant period.

9.2 FINANCIAL RATIOS OF THE BANK

As at 31st December	2017	2018	2019	2020	2021	30th September 2022
Debt/Equity Ratio %*	38.61%	45.39%	38.97%	35.51%	23.74%	29.58%
Interest Cover Ratio (Times)**	11.56	10.00	8.54	10.37	13.18	9.00

* $\frac{\text{Debentures and other term debt}}{\text{Total Equity}}$

** $\frac{\text{Profit Before Depreciation, Interest and Tax}}{\text{Interest on Debentures and other term borrowings}}$

9.3 DIVIDEND POLICY

The Bank's dividend policy is designed to address multiple objectives. The main considerations were to maximize the shareholder wealth, increase market capitalisation, ploughing back of additional profits for business expansion and maintaining consistent stream of dividend to shareholders while complying with the statutory requirements in relation to capital adequacy.

The Board of Directors subject to the provisions of the Banking Act may recommend and declare Dividends to the shareholders from and out of the profits of the Bank. The Dividend rate will be determined based on a number of factors including but not limited to the Bank's earnings, capital requirements and overall financial condition of the economy.

	2017	2018	2019	2020	2021
Dividend per Share (LKR)*	6.50	6.50	6.50	6.50	7.50

* Including cash and scrip dividends.

10.0 STATUTORY AND OTHER GENERAL INFORMATION

9.4 DEBT SERVICING DETAILS OF THE BANK

The details of the Debenture interest payments made during past five years are given below.

LKR	2017	2018	2019	2020	2021	30th September 2022
Gross interest due on Debentures	1,517,854,675	2,063,377,987	2,725,885,475	2,733,353,654	2,456,469,106	1,822,286,388
Debtenture interest paid on due date	1,517,854,675	2,063,377,987	2,725,885,475	2,733,353,654	2,456,469,106	1,822,286,388
Debtenture interest paid after due date	-	-	-	-	-	-
Debtenture interest not paid as of to date	-	-	-	-	-	-

10.0 STATUTORY AND OTHER GENERAL INFORMATION

10.1 INSPECTION OF DOCUMENTS

The following documents will be made available Nine (09) Market Days prior to the date of opening of the subscription list, for inspection by the public, until the date of redemption of the Debentures during normal working hours at the registered office of the Bank, "Commercial House", 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka until the date of redemption of the Debentures.

- Articles of Association.
- Trust Deed.
- Material contracts and management agreements or in the case of contracts not reduced into writing a Memorandum giving full particulars thereof.
- Reports, letters, valuations and statements by any expert any part of which is extracted or referred to in the Prospectus.
- The audited accounts of the Entity for each of the five (05) financial years immediately preceding the publication of the prospectus, as applicable.

The Prospectus, Trust Deed and Articles of Association of the Bank are also hosted in the Bank's website, www.combank.lk and the Colombo Stock Exchange website, www.cse.lk from Nine (09) Market Days prior to the date of opening of the subscription list until the date of redemption of the Debentures.

10.0 STATUTORY AND OTHER GENERAL INFORMATION

10.2 STATUTORY DECLARATIONS

Statutory Declaration by the Directors

We, the undersigned who are named herein as Directors of Commercial Bank of Ceylon PLC, hereby declare and confirm that we have read the provisions of CSE Listing Rules and of the Companies Act No. 07 of 2007 and any amendments thereto relating to the Issue of the Prospectus and those provisions have been complied with.

This Prospectus has been seen and approved by the Directors of Commercial Bank of Ceylon PLC and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and of the Companies Act No. 07 of 2007 and any amendments thereto from time to time have been complied with and after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of Commercial Bank of Ceylon PLC have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to Commercial Bank of Ceylon PLC and making assumptions that are considered to be reasonable at the present point in time in the best judgment of the Directors.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing of all Securities in a particular class issued by Commercial Bank of Ceylon PLC and those Securities of the same class which are the subject of this Issue. Such permission will be granted when the Securities are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of Commercial Bank of Ceylon PLC or of the Securities issued.

Name of Director	Designation	Signature
Prof. A. K. W. Jayawardane	Chairman Independent/ Non-Executive Director	Sgd.
Mr. S. Muhseen	Deputy Chairman Independent/ Non-Executive Director	Sgd.
Mr. S. C. U. Manatunge	Managing Director/ Chief Executive Officer Non-Independent/ Executive Director	Sgd.
Mr. K. Dharmasiri	Independent/ Non-Executive Director	Sgd.
Mr. L. D. Niyangoda	Independent/ Non-Executive Director	Sgd.
Ms. N. T. M. S. Cooray	Independent/ Non-Executive Director	Sgd.
Ms. J. Lee	Independent/ Non-Executive Director	Sgd.
Mr. R. Senanayake	Independent/ Non-Executive Director	Sgd.
Ms. D. L. T. S. Wijewardena	Independent/ Non-Executive Director	Sgd.
Dr. S. Selliah	Independent/ Non-Executive Director	Sgd.
Mr. S. Prabagar	Chief Operating Officer Non-Independent/ Executive Director	Sgd.

10.0 STATUTORY AND OTHER GENERAL INFORMATION

Statutory Declaration by the Managers to the Issue

We, the Investment Banking Unit of Commercial Bank of Ceylon PLC, being the Managers to the Issue of Commercial Bank of Ceylon PLC Debenture Issue 2022, hereby declare and confirm that to the best of our knowledge and belief the Prospectus constitutes full and true disclosure of all material facts about Commercial Bank of Ceylon PLC and the Issue.

Signed by authorized signatories of Commercial Bank of Ceylon PLC, being duly authorized thereto, at Colombo on this date of November 17, 2022.

Signed

Sushara Vidyasagara
Head of Investment Banking

Signed

Sidath Pananwala
Assistant General Manager Corporate Banking II

ANNEXURE A – COPY OF THE RATING CERTIFICATE



Fitch Assigns Commercial Bank of Ceylon's Basel III Subordinated Debt Final 'A(lka)' Rating; on RWN

Fitch Ratings - Colombo - 10 Nov 2022: Fitch Ratings has assigned Commercial Bank of Ceylon PLC's (COMB, AA-(lka)/Rating Watch Negative (RWN)) proposed Sri Lankan rupee-denominated Basel III-compliant subordinated debentures of up to LKR10 billion a final National Long-Term Rating of 'A(lka)' on RWN.

The final rating is the same as the expected rating assigned on 15 September 2022 and follows the receipt of documents conforming to information already received.

The debentures, which have maturities of five, seven and 10 years, will be listed on the Colombo Stock Exchange. The bank plans to use the proceeds to strengthen its Tier 2 capital base, reduce maturity mismatches and support loan book growth.

The bank expects the debentures to qualify as Basel III-compliant regulatory Tier 2 capital. They include a non-viability clause whereby they will convert to ordinary voting shares subject to the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

KEY RATING DRIVERS

Fitch rates the proposed Basel III Tier 2 notes two notches below the bank's National Long-Term Rating of 'AA-(lka)'/RWN. This reflects Fitch's baseline notching for loss severity for this type of debt, and our expectations of poor recoveries. There is no additional notching for non-performance risks, as the notes do not incorporate going-concern loss-absorption features.

COMB's National Long-Term Rating is used as the anchor rating for this instrument because the rating reflects the bank's standalone financial strength and best indicates the risk of the bank becoming non-viable.

The RWN on the subordinated debt stems from the RWN on the corresponding National Long-Term Rating. Fitch maintained the RWN on COMB's National Long-Term Rating on 11 July 2022, reflecting potential for the bank's creditworthiness relative to other entities on the Sri Lankan national ratings scale to deteriorate, given the heightened stress on funding and liquidity, and its significant exposure to the sovereign via investment in foreign-currency instruments that raises risks to its overall credit profile.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade of the bank's National Long-Term Rating will lead to a downgrade of the subordinated debt ratings.

ANNEXURE A – COPY OF THE RATING CERTIFICATE

Factors that could, individually or collectively, lead to positive rating action/upgrade:

An upgrade of the bank's National Long-Term Rating will lead to an upgrade of the subordinated debt ratings. However, there is limited scope for upward rating action given the RWN.

DATE OF RELEVANT COMMITTEE

08 July 2022

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT	RATING	PRIOR
Commercial Bank of Ceylon PLC		
subordinated	Natl LT A(Ika) New Rating	A(EXP)(Ika)

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PREVIOUS NEXT

[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

- [National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)
- [Bank Rating Criteria - Effective from 12 November 2021 to 7 September 2022 \(pub. 13 Nov 2021\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

- [Solicitation Status](#)
- [Endorsement Policy](#)
- [Potential Conflicts Resulting from Revenue Concentrations](#)

ENDORSEMENT STATUS

Commercial Bank of Ceylon PLC -

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following

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SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

ANNEXURE B – COLLECTION POINTS

MANAGERS TO THE ISSUE

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ANNEXURE B – COLLECTION POINTS

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Website: <http://www.acuity.lk>

John Keells Stock Brokers (Pvt) Ltd.
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Fax: +94 11 2 342 068
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Fax: +94 11 2 673 908
E-mail: info@almasequities.com
Website: <https://online.almasequities.com>

Somerville Stockbrokers (Pvt) Ltd.
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Website: <http://asiasecurities.lk>

Nation Lanka Equities (Pvt) Ltd.
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Capital Trust Securities (Pvt) Ltd.
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E-mail: inquiries@capitaltrust.lk
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Website: <http://www.sampathsecurities.lk>

ANNEXURE B – COLLECTION POINTS

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Website: <http://www.ctclsal.lk>

First Capital Equities (Pvt) Limited.
No. 2, Deal Place, Colombo 03.
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Fax: +94 11 5 736 264
E-mail: equity@firstcapital.lk
Website: <http://www.firstcapital.lk>

NDB Securities (Private) Limited.
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Website: <http://www.ndbs.lk>

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Website: <https://www.nestorstockbrokers.lk>

First Guardian Equities (Pvt) Ltd.
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Fax: +94 11 5 328 177
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Asia Capital Stock Brokers (Pvt) Ltd.
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Website: www.acapstockbrokers.lk

LOLC Securities Limited
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ANNEXURE B – COLLECTION POINTS

Enterprise Ceylon Capital (Private) Limited.
2nd Floor – 4B, Liberty Plaza, 250, R.A. De Mel Mawatha,
Colombo 03.
Tel: +94 11 2 445 644
+94 11 2 301 861/2
E-mail: info@ecc.lk
Website: http://ecc.lk

Softlogic Stockbrokers (Pvt) Ltd
Level 16, One Galle Face Tower, Colombo 02.
Tel: +94 11 7 277 000
Fax: +94 11 7 277 099
Email: ssb.inquiry@softlogic.lk
Website: http://www.softlogicequity.lk

Richard Pieris Securities (Pvt) Ltd.
No. 310, High Level Road, Nawinna, Maharagama.
Tel: +94 11 4 310 500
Fax: +94 11 2 802 385
Email: communication@rpsecurities.com
Website: http://www.arpico.com

Senfin Securities Limited
4th Floor, No.180, Baudhaloka Mawatha, Colombo 04.
Tel: +94 11 2 359 100
Fax: +94 11 2 305 522
Email: info@senfinsecurities.com
Website: https://senfinsecurities.com

TRADING MEMBERS – DEBT

NSB Fund Management Company Limited
No 400, Galle Road, Colombo 3.
Tel: +94 11 2 425 010
Fax: +94 11 2 574 387
E-mail: nsb@nsb.lk

Capital Alliance Limited
Level 5, "Millennium House"
46/58, Nawam Mawatha, Colombo 2.
Tel: +94 11 2 317 777
Fax: +94 11 2 317 788
Email: info@cal.lk
Website: http://cal.lk

Wealthtrust Securities Limited
No. 102/1, Dr. N.M. Perera Mawatha, Colombo 08.
Tel: +94 11 2 675 091-4, +94 11 2 675 095-8
Fax: +94 11 2 689 605
Email: info@wealthtrust.lk

Seylan Bank
Level 3, Seylan Towers, 90, Galle Road, Colombo 03.
Tel: +94 11 2 456 300
Fax: +94 11 2 452 215
Email: info@seylan.lk
Website: https://www.seylan.lk/

ANNEXURE C - CUSTODIAN BANKS

Bank of Ceylon Participant Code: BOC 11th Floor, No. 4, Bank of Ceylon Mawatha, Colombo 01. Tel: +94 11 2 204 064	Standard Chartered Bank Participant Code: SCB No. 37, York Street, P. O. Box 112, Colombo 01. Tel: +94 11 2 480 450
Citibank N.A. Participant Code: CTI No. 65 C, Dharmapala Mawatha, Colombo 07. Tel: 011 4 794 728	Sampath Bank PLC Participant Code: SBL No. 110, Sir James Peiris Mw, Colombo 02. Tel: +94 11 5 331 458, +94 11 4 730 662
Deutsche Bank Participant Code: DBC No. 86, Galle Road, Colombo 03. Tel: +94 112 447 062, +94 112 438 057	Union Bank of Colombo PLC Participant Code: UBC No. 64A, Galle Road, Colombo 03. Tel: +94 11 2 374 205
Hatton National Bank PLC Participant Code: HNB HNB Towers, 479, T B Jayah Mawatha, Colombo 10. Tel: +94 11 2 661 762	Nations Trust Bank PLC Participant Code: NTB No. 256, Sri Ramanathan Mawatha, Colombo 15. Tel: +94 11 4 313 131
Hongkong & Shanghai Banking Corp. Ltd. Participant Code: HSB No. 24, Sir Baron Jayathilake Mw, Colombo 01 Tel: +94 11 2 325 435, +94 11 2 446 591, +94 11 2 446 303	Seylan Bank PLC Participant Code: SBK Level 8, Ceylinco Seylan Towers, No. 90, Galle Road, Colombo 03. Tel: +94 11 4 701 812, +94 11 4 701 819
People's Bank Participant Code: PEO Head Office - Treasury, 5th Floor, No. 75, Sir Chittampalam A Gardiner Mw, Colombo 02. Tel: +94 11 2 206 782	State Bank of India Participant Code: SBI No. 16, Sir Baron Jayathilake Mw, P.O. Box 93, Colombo 01. Tel: +94 11 4 622 350
Pan Asia Bank Participant Code: PAB Head Office, No. 450, Galle Road, Colombo 03. Tel: +94 11 2 565 565	Commercial Bank of Ceylon PLC Participant Code: CMB "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 1. Tel: +94 11 2 486 000/ +94 11 4 486 000/ +94 11 7 486 000/+94 11 5 486 000
Public Bank Berhad Participant Code: PBB No. 340, R.A. De Mel Mawatha, Colombo 03. Tel: +94 11 2 576 289 / +94 11 7 290 200 – 07	

ANNEXURE D – DECLARATION TO BE GIVEN BY FATCA COMPLIANT INVESTORS

DECLARATION

Manager
Commercial Bank of Ceylon PLC

.....

I/We.....

.....

and

..... of (address)

..... holder/s of Passport Number/

NIC Number who fall under definition of a U.S. Persons under the provision of the Foreign Account Tax Compliance Act (“FATCA”) which is a US legislation aimed at preventing tax evasion by U.S. Persons through overseas assets. I/We confirm that I/We understand FATCA is extraterritorial by design and requires “U.S. Persons” to report their financial assets held overseas.

I/We hereby request Commercial Bank of Ceylon PLC which is recognised as a Foreign Financial Institution (FFIs) in terms of the FATCA to report all information pertaining to the accounts and investments held by me/us in the Commercial Bank of Ceylon PLC and to remit any tax payable to the Internal Revenue Service (IRS) of the United States of America.

I/We further confirm that this request is made by me/us with full knowledge and understanding of FATCA.

Date:

.....

Signature/s of Applicants

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