

HMAJ/WDPL

Board of Directors
Commercial Bank of Ceylon PLC
"Commercial House"
No 21, Bristol Street
Colombo 01.

13 August 2021

Accountants' Report Commercial Bank of Ceylon PLC

Dear Sirs/Mesdames

Introduction

This report has been prepared for the purpose of prospectus issued in connection with the issuance of Rupees Five Billion (LKR 5,000,000,000/-) 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 (LKR 100/-) with the option to raise a further sum of Rupees Five Billion (LKR 5,000,000,000/-) by issuing a further Fifty Million (50,000,000) Debentures, in the event of an over subscription of the initial Issue.

We have examined the Financial Statements of the Commercial Bank of Ceylon PLC (the "Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries (the "Group") for the years ended 31 December 2016 to 31 December 2020, and report as follows.

1. Incorporation

Commercial Bank of Ceylon PLC (the "Bank") is a public limited liability Company listed on the Colombo Stock Exchange, incorporated on June 25, 1969, and domiciled in Sri Lanka. It is a Licensed Commercial Bank regulated under the Banking Act No. 30 of 1988 and amendments thereto. The Bank was re-registered under the Companies Act No. 07 of 2007. The shares of the bank have a primary listing on the Colombo Stock Exchange.

2. Financial Information

2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss and Statements of Financial Position of the Bank and a summary of Consolidated Profit or Loss and Consolidated Financial Position of the Group for the financial years ended 31 December 2016 to 31 December 2020, based on the audited Financial Statements are out in the Annexure to the Accountants' Report.

EY202108138076

Partners: H M A Jayasinghe FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA W R H De Silva ACA ACMA Ms. Y A De Silva FCA Ms. K R M Fernando FCA ACMA
N Y R L Fernando ACA W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA D N Gamage ACA ACMA A P A Gunasekera FCA FCMA A Herath FCA
D K Hulangamuwa FCA FCMA LLB (Lond) Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeevani FCA
N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA Ms. P S Paranavitane ACMA LLB (Colombo) T P M Ruberu FCMA FCCA C A Yalagala ACMA

2.2 Audited Financial Statements for the Year Ended 31 December 2020

Audit report on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its Subsidiaries for the year ended 31 December 2020 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow along with the accounting policies and notes thereon is available on the websites of CSE, www.cse.lk, where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

2.3 Audit Reports

Messrs. KPMG have audited the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2016 to 31 December 2017. Unmodified audit opinions have been issued for the said financial years by their reports dated 22 February 2017 and 23 February 2018 respectively. We have audited the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2018 to 31 December 2020. Unmodified audit opinions have been issued for the said financial years by their reports dated 22 February 2019, 20 February 2020 and 24 February 2021 respectively.

2.4 Accounting Policies

The Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2016 to 31 December 2020 comply with Sri Lanka Accounting Standards.

The accounting policies of the Bank and its Subsidiaries are stated in detail in the audited Financial Statements of Commercial Bank of Ceylon PLC for the year ended 31 December 2020.

2.5 Dividends

Bank has paid dividend during the years ended 31 December 2016 to 31 December 2020 as follows.

Year	Dividend Per Share* (Rs.)
2016	6.50
2017	6.50
2018	6.50
2019	6.50
2020	6.50

* Including cash and scrip dividends



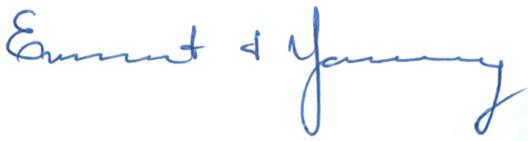
2.6 Events after Reporting Date

There were no significant events occurred after the last audit report date.

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Commercial Bank of Ceylon PLC in usage in the application for the purpose of issuance the issuance of Rupees Five Billion (LKR 5,000,000,000/-) 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 (LKR 100/-) with the option to raise a further sum of Rupees Five Billion (LKR 5,000,000,000/-) by issuing a further Fifty Million (50,000,000) Debentures, in the event of an over subscription of the initial Issue. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we have formed. This report should not be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully,



COMMERCIAL BANK OF CEYLON PLC - FINANCIAL INFORMATION

Annexure

Statement of Profit or Loss

Group

For the year ended 31st December	2016	2017	2018	2019	2020
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Gross income	93,725,535	115,605,156	139,657,195	150,741,129	151,966,413
Interest income	81,314,607	104,049,102	118,551,239	129,287,743	124,087,713
Less : Interest expense	48,186,331	64,481,804	72,933,030	80,931,352	73,218,911
Net interest income	33,128,276	39,567,298	45,618,209	48,356,391	50,868,802
Fee and commission income	8,230,131	10,510,800	12,494,090	12,874,966	11,839,689
Less : Fee and commission expense	1,140,954	1,586,334	1,859,698	2,123,128	2,018,014
Net fee & commission income	7,089,177	8,924,466	10,634,392	10,751,838	9,821,675
Net gains/(losses) from trading	(1,466,711)	233,956	(3,033,236)	1,360,833	1,878,060
Net gain from financial investments	110,759	91,272	-	-	-
Net gains/(losses) from derecognition of financial assets	-	-	272,004	1,135,711	6,390,197
Net other operating income	5,536,749	720,026	11,373,098	6,081,876	7,770,754
Total operating income	44,398,250	49,537,018	64,864,467	67,686,649	76,729,488
Less: Impairment charges and other losses	1,583,326	989,315	8,833,362	11,331,523	21,419,532
Net operating income	42,814,924	48,547,703	56,031,105	56,355,126	55,309,956
Less: Operating expenses					
Personnel expenses	10,913,088	11,338,517	13,289,668	14,408,914	14,992,748
Other operating expenses	8,077,765	9,035,920	10,597,076	11,716,580	11,269,865
Total operating expenses	18,990,853	20,374,437	23,886,744	26,125,494	26,262,613
Operating profit before taxes on financial services	23,824,071	28,173,266	32,144,361	30,229,632	29,047,343
Less: Taxes on financial services	3,715,941	4,896,620	6,051,861	7,255,728	4,531,381
Operating profit after taxes on financial services	20,108,130	23,276,646	26,092,500	22,973,904	24,515,962
Share of profits of associates, net of tax	6,454	3,678	6,048	9,992	3,898
Profit before tax	20,114,584	23,280,324	26,098,548	22,983,896	24,519,860
Less : Income tax expense	5,648,160	6,653,817	8,235,717	5,563,500	7,433,063
Profit for the year	14,466,424	16,626,507	17,862,831	17,420,396	17,086,797
Attributable to:					
Equity holders of the Bank	14,510,333	16,605,963	17,734,706	17,263,259	16,939,950
Non - controlling interest	(43,909)	20,544	128,125	157,137	146,847
	14,466,424	16,626,507	17,862,831	17,420,396	17,086,797

Above summarized financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,


Managing Director




Chief Financial Officer

COMMERCIAL BANK OF CEYLON PLC - FINANCIAL INFORMATION

Annexure

Statement of Profit or Loss

Bank

For the year ended 31st December	2016	2017	2018	2019	2020
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Gross income	93,142,610	114,357,349	138,049,307	148,706,284	149,711,481
Interest income	80,738,176	103,034,386	117,465,670	127,779,540	122,330,386
Less : Interest expense	47,914,573	64,010,991	72,523,912	80,571,268	72,759,045
Net interest income	32,823,603	39,023,395	44,941,758	47,208,272	49,571,341
Fee and commission income	8,143,041	10,169,211	11,988,070	12,406,584	11,268,543
Less : Fee and commission expense	1,127,536	1,566,851	1,837,900	2,117,072	2,012,138
Net fee & commission income	7,015,505	8,602,360	10,150,170	10,289,512	9,256,405
Net gains/ (losses) from trading	(1,466,711)	233,956	(3,033,236)	1,360,858	1,878,086
Net gain from financial investments	110,701	91,272	-	-	-
Net gains/ (losses) from derecognition of financial assets	-	-	272,004	1,135,711	6,390,197
Net other operating income	5,617,403	828,524	11,356,799	6,023,591	7,844,269
Total operating income	44,100,501	48,779,507	63,687,495	66,017,944	74,940,298
Less: Impairment charges and other losses	1,529,814	677,642	8,575,199	11,061,466	21,483,698
Net operating income	42,570,687	48,101,865	55,112,296	54,956,478	53,456,600
Less: Operating expenses					
Personnel expenses	10,794,307	11,268,016	13,070,939	14,082,659	14,563,999
Other operating expenses	8,021,838	8,769,768	10,398,288	11,342,977	10,875,967
Total operating expenses	18,816,145	20,037,784	23,469,227	25,425,636	25,439,966
Operating profit before taxes on financial services	23,754,542	28,064,081	31,643,069	29,530,842	28,016,634
Less: Taxes on financial services	3,703,359	4,881,137	6,051,861	7,191,737	4,505,322
Operating profit before tax & after taxes on financial services	20,051,183	23,182,944	25,591,208	22,339,105	23,511,312
Less : Income tax expense	5,538,672	6,601,700	8,047,380	5,314,138	7,137,823
Profit for the year	14,512,511	16,581,244	17,543,828	17,024,967	16,373,489
Attributable to:					
Equity holders of the Bank	14,512,511	16,581,244	17,543,828	17,024,967	16,373,489
Non - controlling interest	-	-	-	-	-
	14,512,511	16,581,244	17,543,828	17,024,967	16,373,489

Above summarized financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,


Managing Director




Chief Financial Officer

COMMERCIAL BANK OF CEYLON PLC - FINANCIAL INFORMATION
Statement of Financial Position

Annexure

As at 31st December	2016	2017	2018	2019	Group 2020
	Rs 000				
Assets					
Cash and cash equivalents	32,924,227	34,673,424	44,355,962	53,681,118	51,255,030
Balances with central banks	43,935,258	45,546,349	55,406,535	46,101,232	115,358,732
Placements with banks	11,718,499	17,633,269	19,898,515	24,903,809	16,421,867
Securities purchased under resale agreements	-	-	9,513,512	13,147,534	-
Derivative financial assets	1,052,829	2,334,536	7,909,962	1,830,927	2,636,717
Financial assets - held for trading	4,987,798	4,410,913	-	-	-
Financial assets recognised through profit or loss - measured at fair value	-	-	5,520,167	21,468,033	35,189,471
Loans to & receivables from banks	624,458	640,512	-	-	-
Financial assets at amortised cost - Loans and advances to banks	-	-	763,074	757,787	779,705
Loans to & receivables from other customers	620,129,488	742,444,130	-	-	-
Financial assets at amortised cost - Loans and advances to other customers	-	-	867,611,976	893,919,311	909,829,172
Financial investments - Loans and Receivables	51,824,026	48,712,477	-	-	-
Financial assets at amortised cost - Debt and other financial instruments	-	-	89,274,413	107,059,021	302,059,529
Financial assets - available for sale	160,092,522	154,913,643	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	176,760,611	197,825,017	278,716,794
Financial assets - held to maturity	63,626,598	69,365,796	-	-	-
Investments in associates	108,859	109,844	105,320	56,821	64,155
Property, plant and equipment and right-of-use assets	11,569,666	16,317,044	17,015,236	22,524,658	25,386,630
Investment properties	-	-	-	46,350	67,116
Intangible assets	1,132,669	1,251,226	1,433,931	1,645,714	1,800,516
Leasehold property	105,968	104,516	103,064	-	-
Deferred tax assets	668,150	-	188,487	530,165	2,735,566
Other assets	16,482,559	17,362,977	24,051,472	23,443,869	20,195,153
Total Assets	1,020,983,574	1,155,820,656	1,319,912,237	1,408,941,366	1,762,496,153
Liabilities					
Due to banks	71,098,391	60,244,892	52,362,052	53,807,425	88,248,056
Derivative financial liabilities	1,515,035	3,678,494	8,021,783	1,495,317	1,501,262
Securities sold under repurchase agreements	69,628,961	49,532,385	48,951,394	51,117,342	91,411,522
Due to other customers	743,310,613	857,269,981	-	-	-
Financial liabilities at amortised cost - due to depositors	-	-	994,370,875	1,068,982,587	1,286,616,399
Other borrowings	9,270,154	23,786,094	-	-	-
Financial liabilities at amortised cost - other borrowings	-	-	25,361,912	23,248,893	54,555,933
Current tax liabilities	3,464,682	4,202,850	6,735,997	5,197,188	6,991,005
Deferred tax liabilities	-	3,565,215	971,424	416,458	403,846
Other provisions	1,874	-	-	-	-
Other liabilities	18,028,902	19,508,115	24,547,513	30,775,884	33,572,283
Subordinated liabilities	24,849,539	25,165,924	37,992,457	37,886,789	38,247,138
Total Liabilities	941,168,151	1,046,953,950	1,199,315,407	1,272,927,883	1,601,547,444
Equity					
Stated capital	24,978,003	37,143,541	39,147,882	40,916,958	52,187,747
Reserves					
Statutory reserves	5,647,993	6,492,552	7,444,178	8,387,701	9,285,233
Retained Profit	4,553,778	5,086,609	4,949,955	5,182,185	8,124,261
Other reserves	43,812,536	59,272,098	67,855,834	79,937,405	89,595,571
Total equity attributable to equity holders of the Bank	78,992,310	107,994,800	119,397,849	134,424,249	159,192,812
Non-controlling interest	823,113	871,906	1,198,981	1,589,234	1,755,897
Total Equity	79,815,423	108,866,706	120,596,830	136,013,483	160,948,709
Total Liabilities & Equity	1,020,983,574	1,155,820,656	1,319,912,237	1,408,941,366	1,762,496,153
Commitments & contingencies	498,568,500	565,277,821	658,860,264	580,961,807	730,561,685

Above summarized financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,


Managing Director


Chief Financial Officer



COMMERCIAL BANK OF CEYLON PLC - FINANCIAL INFORMATION

Annexure

Statement of Financial Position

As at 31st December	2016	2017	2018	2019	Bank 2020
	Rs 000				
Assets					
Cash and cash equivalents	30,193,589	33,224,619	39,534,476	52,534,730	50,250,627
Balances with central banks	43,873,205	44,801,446	54,384,590	39,461,127	110,971,105
Placements with banks	11,718,499	17,633,269	19,898,515	24,527,241	15,938,982
Securities purchased under resale agreements	-	-	9,513,512	13,147,534	-
Derivative financial assets	1,052,829	2,334,536	7,909,962	1,830,927	2,636,717
Financial assets - held for trading	4,987,798	4,410,913	-	-	-
Financial assets recognised through profit or loss - measured at fair value	-	-	5,520,167	21,468,033	35,189,471
Loans to & receivables from banks	624,458	640,512	-	-	-
Financial assets at amortised cost - Loans and advances to banks	-	-	763,074	757,787	779,705
Loans to & receivables from other customers	616,018,228	737,446,567	-	-	-
Financial assets at amortised cost - Loans and advances to other customers	-	-	861,100,315	884,645,744	896,845,453
Financial investments - Loans and Receivables	51,824,026	48,712,477	-	-	-
Financial assets at amortised cost - Debt and other financial instruments	-	-	83,855,436	101,144,819	292,727,566
Financial assets - available for sale	160,023,471	154,714,132	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	176,506,729	197,568,330	278,461,369
Financial assets - held to maturity	60,981,298	63,562,752	-	-	-
Investment in subsidiaries	2,435,392	3,065,935	4,263,631	5,011,284	5,808,429
Investments in associates	44,331	44,331	44,331	44,331	44,331
Property, plant and equipment and right-of-use assets	10,307,825	14,634,710	15,301,246	20,507,203	23,212,394
Intangible assets	640,645	776,810	906,112	1,080,010	1,232,863
Leasehold property	73,536	72,594	71,652	-	-
Deferred tax assets	963,935	-	-	294,059	2,499,860
Other assets	16,438,166	17,298,162	23,911,122	23,322,247	19,619,149
Total Assets	1,012,201,231	1,143,373,765	1,303,484,870	1,387,345,406	1,736,218,021
Liabilities					
Due to banks	67,608,811	57,120,991	50,101,081	51,505,694	87,451,306
Derivative financial liabilities	1,515,035	3,678,494	8,021,783	1,495,317	1,501,262
Securities sold under repurchase agreements	69,867,469	49,676,767	49,104,462	51,220,023	91,437,612
Due to other customers	739,563,494	850,127,511	-	-	-
Financial liabilities at amortised cost - due to depositors	-	-	983,037,314	1,053,307,660	1,265,965,918
Other borrowings	9,270,154	23,786,094	-	-	-
Financial liabilities at amortised cost - other borrowings	-	-	25,361,912	23,248,893	54,555,933
Current tax liabilities	3,440,736	4,143,911	6,566,358	4,967,644	6,777,992
Deferred tax liabilities	-	3,274,826	646,248	-	-
Other provisions	1,874	-	-	-	-
Other liabilities	17,710,394	19,225,364	24,206,351	30,496,709	33,037,669
Due to subsidiaries	20,061	74,523	40,955	54,292	97,015
Subordinated liabilities	24,849,539	25,165,924	37,992,457	37,886,789	38,247,138
Total Liabilities	933,847,567	1,036,274,405	1,185,078,921	1,254,183,021	1,579,071,845
Equity					
Stated capital	24,978,003	37,143,541	39,147,882	40,916,958	52,187,747
Reserves					
Statutory reserves	5,647,890	6,476,952	7,354,143	8,205,391	9,024,065
Retained Profit	4,464,077	4,987,446	5,063,076	5,144,433	7,596,260
Other reserves	43,263,694	58,491,421	66,840,848	78,895,603	88,338,104
Total equity attributable to equity holders of the Bank	78,353,664	107,099,360	118,405,949	133,162,385	157,146,176
Non-controlling interest	-	-	-	-	-
Total Equity	78,353,664	107,099,360	118,405,949	133,162,385	157,146,176
Total Liabilities & Equity	1,012,201,231	1,143,373,765	1,303,484,870	1,387,345,406	1,736,218,021
Commitments & contingencies	498,304,527	564,794,885	658,721,983	579,999,273	728,711,698

Above summarized financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,



Managing Director




Chief Financial Officer