

Prospectus

COMMERCIAL BANK OF CEYLON PLC
Debenture Issue 2018

 **COMMERCIAL BANK**

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 (“DEBENTURES”), AT THE PAR VALUE OF LKR 100/- EACH TO RAISE SRI LANKAN RUPEES FIVE BILLION (LKR 5,000,000,000/-) WITH AN OPTION TO ISSUE UP TO A FURTHER FIFTY MILLION (50,000,000) OF SAID DEBENTURES TO RAISE UP TO SRI LANKAN RUPEES FIVE BILLION (LKR 5,000,000,000/-), 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, NOT EXCEEDING SRI LANKAN RUPEES TEN BILLION (LKR 10,000,000,000/-).

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE

Rated AA-(lka) by Fitch Ratings Lanka Limited

Issue opens on
July 16, 2018

ISSUE IS LIMITED FOR “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,
Colombo 01,
Sri Lanka.

Tel : +94 (0) 11 2 486 491-4,
+94 (0) 11 2 486 489/99

Fax : +94 (0) 11 2 335 385

E-mail : Investment_Banking@combank.net

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 judgement.

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 investors based on information contained herein. In making an investment decision, prospective 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, this 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 Debenture Holder 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 and
- (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 investor in these Debentures must determine the suitability of an investment in these Debentures in light of the investors' circumstances. In particular, each potential investor may wish to consider, either through an analysis conducted by the investor or conducted with the assistance of any relevant financial and/or other professional advisers, whether the 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 investor should not invest in these Debentures unless the investor has the expertise (either through an analysis conducted by the potential 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 investor's overall investment portfolio.

REGISTRATION OF THE PROSPECTUS

This Prospectus is dated July 10, 2018

A copy of this Prospectus has been delivered for registration with the Registrar of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (the "Companies Act"). The following documents were attached to the copy of the Prospectus delivered to the Registrar 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 Registrars 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 investors may be affected by the laws of the jurisdiction of their residence. Such 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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Fax : +94 (0) 11 2 335 385

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, 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 into 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 is 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
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, 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 over subscription of the initial issue of 50,000,000 Debentures issued)
Total Value of the Issue	: Sri Lankan Rupees FIVE BILLION (LKR 5,000,000,000/-) with an option to issue up to a further Sri Lankan Rupees FIVE BILLION (LKR 5,000,000,000/-) at the discretion of the Bank in the event of an oversubscription of the initial issue
Issue Rating	: AA- (Ika) by Fitch Ratings Lanka Limited
Issuer Rating	: AA (Ika)/Stable by Fitch Ratings Lanka Limited
Par/Issue Value of a Debenture	: LKR 100/- (Sri Lankan Rupees One Hundred)
Tenure	: Type A – 5 years Type B – 10 years
Interest Rate	: Type A Fixed interest rate of Twelve per centum (12.00%) p.a. (AER 12.36%) payable semi annually Type B Fixed interest rate of Twelve point Five per centum (12.50%) p.a. (AER 12.89%) payable semi annually
Issue Opening Date	: July 16, 2018 (However, applications may be submitted forthwith)
Issue Closing Date	: August 3, 2018 Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30am on July 16, 2018 and shall remain open for 14 Market Days until closure at 4.30pm on August 3, 2018. 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 on the following Market Day.

SALIENT FEATURES OF THE ISSUE

Minimum Subscription : The minimum Subscription for Qualified Investors per application is Rupees Ten Thousand (LKR 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 (LKR 5,000,000/-). 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 (LKR 10,000/-) or One Hundred (100) Debentures.

Interest Payment Dates : **Type A and B 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 of the date on which interest becomes due.

The final interest payment will be paid together with the Principal sum within Three (3) Market Days from the Date of Redemption.

Method of Payment of Principal Sum and Interest : 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 affected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus).

Basis of Allotment : In the event of oversubscription, the basis of allotment will be decided by the Board of Directors of the Bank in a fair manner within Seven (7) Market Days from the Issue Closing Date and will be announced to the CSE.

The Board however reserves the right to allocate up to 75% of the issue value on a preferential basis, to identified institutional investors of strategic importance to the Bank.

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 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 investors.

SALIENT FEATURES OF THE ISSUE

Listing	: The Debentures will be listed on the Colombo Stock Exchange.
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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 Debenture Holders, 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 Debenture Holder 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>
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Conversion Price	: 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.
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Volume Weighted Average Price (VWAP)	: The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange.
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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&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, OR</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.	: Billions
CAR	: Capital Adequacy Ratio
CBSL	: Central Bank of Sri Lanka
CBC/the Bank/ the Company/the Issuer	: Commercial Bank of Ceylon PLC
CDS	: Central Depository Systems (Private) Limited
CSE	: Colombo Stock Exchange
IIA	: Inward Investment Account
Mn.	: Millions
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.
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 and on completion of Ten (10) years for Type B 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.
Debenture Holder	: Any Qualified Investor who is for the time being the holder of the Debentures and includes his/her respective successors in title.
Debentures	: Basel III compliant - Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-viability Conversion, to be issued pursuant to this Prospectus.
Tier 2	: Tier 2 Capital includes qualifying Tier 2 capital instruments, revaluation gains approved by CBSL and general loan loss provision of the Bank.
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).
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 last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (Inclusive of the aforementioned commencement date and end date). Final Interest Payment Date will be Five (05) years for Type A Debentures and Ten (10) years for Type B Debentures from the Date of Allotment.
Interest Payment Date/s	: Type A and B 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 of the date on which interest becomes due.

2.0 DEFINITIONS RELATED TO THE ISSUE

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 specialised 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, 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 the 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 a minimum initial investment amount of Rs. 5,000,000/-.
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 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).
Market Day	: Any day on which the CSE is open for trading.
Issue	: The offer of Debentures pursuant to this Prospectus.
Issue Opening Date	: July 16, 2018 (However, Applications may be submitted forthwith)

2.0 DEFINITIONS RELATED TO THE ISSUE

Issue Closing Date	: Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30am on July 16, 2018 and shall remain open for 14 Market Days until closure at 4.30pm on August 3, 2018. 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 (having subscribed 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 on the following Market Day.
Issue Price/Par Value	: LKR 100/- per Debenture.
Non-Resident/s	: Foreign institutional investors, corporate bodies incorporated outside Sri Lanka, individuals residing outside Sri Lanka and Sri Lankans residing outside Sri Lanka.
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&b) as a point/event being the earlier of: <ul style="list-style-type: none">(a) “A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board. OR(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”.
Prospectus	: This Prospectus dated July 10, 2018 issued by Commercial Bank of Ceylon PLC.

2.0 DEFINITIONS RELATED TO THE ISSUE

Non-Viability Conversion	: 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 Debenture Holders, in compliance with BASEL III requirements. 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 Debenture Holder 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.
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.
Volume Weighted Average Price (VWAP)	: The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange.
Redemption	: Repayment of the principal amount due on these Debentures (Refer Section 5.8).
Subordinated	: The claims of the Debenture Holders shall, in the event of the winding up of the Bank, rank after all the claims of 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 Shareholder/s of the Bank unless there has been an issuance of ordinary voting shares to the Debenture Holders upon the occurrence of a Trigger Event in which case a Debenture Holder would cease to be a Debenture Holder and become an ordinary voting shareholder of the Bank to the extent of such issuance.
Trust Deed	: Trust Deed executed between the Bank and Deutsche Bank AG, Colombo Branch on June 25, 2018.
Trustee	: Deutsche Bank AG, Colombo Branch.
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.
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
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 March 1970. The Company was reregistered on January 23, 2008 under the Companies Act No. 07 of 2007. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.
Company Registration No.	: PQ 116
Place of Incorporation	: Colombo, Sri Lanka
Registered Office	: “Commercial House” No. 21, Sir Razik Fareed Mawatha, P.O. Box 856, Colombo 01, Sri Lanka. Tel : +94 (0) 11 2 486 000 +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
Company Secretary	: Mrs Ranjani Gamage, Attorney-at-Law, 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 2 339 838
Board of Directors	: Mr K G D D Dheerasinghe (Chairman) Mr M P Jayawardena (Deputy Chairman) Mr J Durairatnam (Managing Director/Chief Executive Officer) Mr S Swarnajothi Mr S Renganathan (Executive Director/Chief Operating Officer) Prof A K W Jayawardane Mr K Dharmasiri Mr L D Niyangoda Ms N T M S Cooray Mr G S Jadeja Mr T L B Hurulle Justice K Sripavan

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, Sri Lanka.
Tel : +94 (0) 11 2 486 491-4
+94 (0) 11 2 486 489/99
Fax : +94 (0) 11 2 335 385

Registrars to the Issue : 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
No. 41, Janadhipathi Mawatha,
P.O. Box 154, Colombo 01, Sri Lanka.
Tel : +94 (0) 11 2 422 601 (5 Lines)
+94 (0) 11 4 335 159 (4 Lines)
Fax : +94 (0) 11 2 446 663/2 435 451

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 2 486 491-4
+94 (0) 11 2 486 489/99
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 : Deutsche Bank AG, Colombo Branch
No. 86, Galle Road,
Colombo 03, Sri Lanka.
Tel : +94 (0) 11 2 447 062
Fax : +94 (0) 11 2 447 067

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 January 26, 2018 and April 27, 2018 resolved to raise a sum 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.

As such, a maximum amount of Rupees Ten Billion (LKR 10,000,000,000/-) will be raised by issuing a maximum of One Hundred Million (100,000,000) Debentures each with the Par Value of Rupees One Hundred (LKR 100/-).

The Bank hereby invites Qualified Investors to make applications for the Debentures (Types A and B) 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 Section 5.4 and 5.5 for further details regarding the Debentures.)

The rights of the Debenture Holders 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 Shareholder/s of the Bank. However, in the event of an issuance of ordinary voting shares of the Bank to the Debenture Holders upon the occurrence of a Trigger Event, a Debenture Holder would cease to be a Debenture Holder 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.

As per CSE Listing Rules Section 2.2.1.I, only Qualified Investors would be eligible to invest in these Debentures. Further, as per CSE Listing Rules Section 3.2.6 (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 9.30am on July 16, 2018 and shall remain open for 14 Market Days (including the Issue Opening Date) until closure at 4.30pm on August 3, 2018.

The subscription list will be closed prior to August 3, 2018 at 4.30pm 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 on the following Market Day.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.3 OBJECTIVES OF THE ISSUE

- (a) The entire quantum of funds raised through the Debenture Issue will be utilised to finance expansion by increasing the lending portfolio of the Bank within 3 months from the Date of Allotment. The Bank will obtain Board Investment Committee approval to invest the Debenture Issue funds in Treasury Bills and/or Treasury Bonds until utilised for the above stated objective. Such investments in Government Securities are expected to generate a return of approximately 9.00% p.a. at current rates.
- (b) Subordinated funds raised through the Debenture Issue in compliance with requirements under BASEL III, are expected to further improve the Capital Adequacy of the Bank's Balance Sheet by increasing its Tier 2 Capital base thus strengthening its Total Eligible Capital as per BASEL III requirements. This improvement will materialise subsequent to allotment of the Debentures.

CAPITAL ADEQUACY RATIO (CAR) OF THE BANK AND EFFECT OF PROPOSED DEBENTURE ISSUE ON THE CAR

The Bank is in compliance with the BASEL III requirements as at March 31, 2018.

Current CAR position of the Bank as at March 31, 2018		14.767%
Minimum CAR requirement to be maintained as at		
January 01, 2018 as per BASEL III Direction No. 01 of 2016		12.875%
Minimum amount of funds the Bank is required to raise from the Debenture Issue which will have a convertible option in compliance with BASEL III CAR requirements		Nil
Expected CAR position, subsequent to the BASEL III compliant Debenture Issue	As at March 31, 2018 with Rs. 5 Bn.	15.367%
	As at March 31, 2018 with Rs. 10 Bn.	15.968%

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

Components of Capital	01.07.2017	01.01.2018	01.01.2019
Common Equity Tier 1 Capital with Buffers (CCB and Surcharge on D-SIB)	6.250%	7.375%	8.500%
Total Tier 1 Capital with Buffers (CCB and Surcharge on D-SIB)	7.750%	8.875%	10.000%
Total Capital Ratio (Tier 1 + Tier 2) with Buffers (CCB and Surcharge on D-SIB)	11.750%	12.875%	14.000%

CCB – Capital Conservation Buffer.

D-SIB – Domestic Systemically Important Bank.

- (c) 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 as and when the proceeds from the Debentures are utilised as depicted under Objective (a).

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 approval/s from the Board of Directors and regulators 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 Rs.	Proposed Date of Utilisation as Per Prospectus	Amount Allocated from Proceeds in Rs. (A)	% of Total Proceeds	Amounts Utilised in Rs. (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	Expansion of the lending portfolio	10.0 Bn.	Within 3 months from date of receipt of cash flows	10.0 Bn.	100			To be disclosed in the Annual Report and the Interim Financial Statements
2	Improve the Tier 2 capital base thus, increasing the Capital Adequacy Ratio (CAR)		Subsequent to the allotment of Debentures	10.0 Bn.	100			
3	Reduce Maturity gaps in the Assets and Liabilities of the Bank		Within 3 months from date of receipt of cash flows as and when funds are disbursed for lending.	10.0 Bn.	100			

In the event the proceeds raised are fully-utilised 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 to disclose the fact that proceeds have been utilised in its entirety as per the above template.

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

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

No shareholder approval will be required for the financing of expansion and/or the investment in Treasury Bills or Treasury Bonds 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 (k), the Bank has obtained shareholder approval, 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".

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.

The Bank utilises a pool of funds, mainly raised through deposits, to finance loan disbursements. The Bank has achieved a net deposit growth of Rs. 110.564 Bn. for 2017 (with an average deposit mobilisation of Rs. 9.214 Bn. per month) and of Rs. 55.506 Bn. for the 1st quarter of 2018 (with an average deposit mobilisation of Rs. 18.502 Bn. per month). Therefore, dependency on Debenture proceeds to enhance the lending portfolio of the Bank is relatively small.

5.0 PRINCIPAL FEATURES OF THE ISSUE

As in the normal course of business, the Bank intends to utilise the proceeds raised from the Debenture Issue as part of its funding sources to disburse advances to increase its diversified lending portfolio which is focused on market segments such as tourism, exports, construction, manufacturing and trading as well as to retail, consumption and housing, amongst other market segments.

The Bank has recorded net loans and advances growth of Rs. 121.428 Bn. in 2017 (with an average monthly disbursement of Rs. 10.119 Bn.) and of Rs. 42.169 Bn. in the 1st quarter of 2018 (with an average monthly disbursement of Rs. 14.056 Bn.) and expects primarily to disburse the Debenture proceeds to the market segments mentioned above with approximate values being, Manufacturing – Rs. 2.5 Bn. and Trading – Rs. 2.5 Bn. with funds distributed to other sectors if there is insufficient demand from the identified market segments.

As described above, the approximate disbursement values and the market segments stated in the preceding paragraph may vary with actual disbursements being made to meet lending opportunities available in the time period in which the Debenture proceeds are proposed to be disbursed.

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. 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 Treasury Bills and/or Treasury Bonds as the case may be.

Considering the loan book growth experienced by the Bank it is unlikely that the funds raised through the Debenture Issue will not be utilised for the stated purpose during the stipulated time period. Even if the funds raised through the Debenture Issue are not utilised for expansion, it is expected that the other objectives of the Debenture Issue (such as improving the Capital Adequacy Ratio and reducing maturity gaps in the Balance Sheet) will be achieved.

5.4 DEBENTURE TYPES

Type A : Fixed interest rate of Twelve per centum (12.00%) p.a (AER 12.36%) 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 Twelve point Five per centum (12.50%) p.a (AER 12.89%) 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

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 12.00% per annum (AER 12.36%) 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 12.50% per annum (AER 12.89%) 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 paid not later than Three (03) Working Days from the date on which interest becomes due.

Investors whose interest payments are expected to be over Rs. 5,000,000/- and who wish to receive their interest payments using Real Time Gross Settlement System (RTGS) 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 Debenture Holders holding Debentures in the ATS 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 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 Debenture holders 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 Debenture Holders, as stated above, no interest will be accrued on Debentures thereafter, as the Debentures will cease to exist.

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 Debenture Holders only as of the Entitlement Date.

5.0 PRINCIPAL FEATURES OF THE ISSUE

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 Debenture Holders (and in the case of joint Debenture Holders 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 Debenture Holders to the CDS at the risk of the Debenture Holders.

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 Debenture Holder 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 Debenture Holder will be made by way of a crossed cheque marked "Account Payee Only" posted under registered cover to the addresses provided by the Debenture Holders to the CDS at the risk of the Debenture Holders.

The payment of interest will be made in Sri Lankan Rupees in favour of the Debenture Holders as of the Entitlement Date (in the case of joint Debenture Holders 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 Debenture Holders as at end of trading on the day immediately preceding the Date of Redemption/maturity (in the case of joint Debenture Holders to the one whose name stands first in the respective CDS account).

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

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 Debenture Holders.

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

5.8 REDEMPTION

The Bank shall redeem the Debentures on the expiry of its tenure from the Date of Allotment. On the respective dates of maturity the Bank shall in accordance with the provisions contained in the Trust Deed pay to the Debenture Holders 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 Debenture Holders to the CDS at the risk of the Debenture Holders.

The Debenture Holders 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.

5.0 PRINCIPAL FEATURES OF THE ISSUE

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 Debenture Holders 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&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,

OR

(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 Debenture holders up to the outstanding balance of such Debentures, including the total par value of the Debentures and the Debenture interest. 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 Debenture Holder being entitled to a fractional allotment of an ordinary voting shares 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.

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 reasonable period of time 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.

5.0 PRINCIPAL FEATURES OF THE ISSUE

If there is an issuance of ordinary voting shares to the Debenture Holders upon the occurrence of the Trigger Event, a Debenture Holder would cease to be a Debenture Holder 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 Debenture Holders) 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 Debenture Holders 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 VOTING SHARE HOLDING PERCENTAGE 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 voting 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 Debenture Holders, 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, capitalisation of reserves, 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 Bank 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.

However, it is unlikely that the trigger point would occur given the high credit rating of the Bank and the strong performance of the Bank.

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 DEBENTURE

Fitch Ratings Lanka Ltd., has assigned a Rating of AA- (lka) to the Debentures.

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

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 Ten (10) years in the case of Type B.
- Provides an opportunity to earn a fixed rate of interest in the case of Types A and B.
- 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 DEBENTURE HOLDERS

(a) Debenture Holders 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 Debenture Holders 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 Debenture Holders will rank after all the claims of 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 Debenture Holders upon the occurrence of a Trigger Event in which case a Debenture Holder would cease to be a Debenture Holder 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) Debenture Holders 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 Debenture Holders become ordinary voting shareholders of the Bank, due to the occurrence of Trigger Event there would be an entitlement to exercise such rights as are exercisable by the shareholders of the Bank.

5.12 OBLIGATIONS OF DEBENTURE HOLDERS

Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up-to-date and accurate. Each Debenture Holder 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 Debenture Holder(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 Debenture Holder(s).

5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES

Unsecured, Subordinated, Redeemable Debentures 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 Debenture Holders 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 Debenture Holders could reinvest such interest may be higher or lower than the return Commercial Bank offers on the Debentures. This uncertainty is known as re-investment risk.

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 (lka)/Stable (Issuer Rating) by Fitch Ratings Lanka Ltd.

5.0 PRINCIPAL FEATURES OF THE ISSUE

The proposed Debenture issue has been rated by Fitch Ratings Lanka Ltd. (the Rating Company to the Issue) which has assigned a Rating of AA- (lka) rating 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 Debenture Holders shall, in the event of the winding up of the Bank, rank after all the claims of 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 Shareholder/s of the Bank.

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 investors. Potential 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 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.

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.

5.0 PRINCIPAL FEATURES OF THE ISSUE

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 Debenture Holders 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, in 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.

(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.

5.0 PRINCIPAL FEATURES OF THE ISSUE

(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.

(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, Sections 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.

5.0 PRINCIPAL FEATURES OF THE ISSUE

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.

(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 judgement, 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.

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, SEC and the CDS.

5.0 PRINCIPAL FEATURES OF THE ISSUE

(c) In the case of death of a Debenture Holder

- 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 Debenture Holder 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 Debenture Holder, 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 Debenture Holder 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 estimate that the total Cost of the Issue including brokerage, printing, advertising, and other costs connected with the issue will be approximately Rs. 35 Mn. Such Issue costs will be funded by the internal funds of the Bank.

5.18 UNDERWRITING ARRANGEMENTS

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

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. 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.net respectively.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.20 TRUSTEE TO DEBENTURE HOLDERS

Messrs Deutsche Bank AG, Colombo Branch have agreed to act as the Trustee for the Debenture Holders and Messrs Deutsche Bank AG has certified/confirmed its compliance and fulfilment of the requirements specified under Section 2.2.1.(j) "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". Debenture Holders 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 Debenture Holders.

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 applicants:

- (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 specialised 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, pension fund, Employees' 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 the 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 a minimum initial investment amount of Rs. 5,000,000/-.

The Bank will comply with the Foreign Exchange Act No. 12 of 2017 and all regulations and directions published or issued thereunder when issuing and transferring Debentures to Non-Residents.

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. 2045/56 on November 17, 2017, 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.net 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.

6.0 PROCEDURE FOR APPLICATION

(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.

(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 (Rs. 10,000/-) 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 one hundred (100) Debentures (Rs. 10,000/-). 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 and B 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 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.

(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.

6.0 PROCEDURE FOR APPLICATION

- (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.
- (xi) Remittance of Funds for the investments in Debentures and the payment for Debentures by Non-Residents should be made only out of funds received as inward remittances or available to the credit of “Inward Investment Account” (IIA) [formerly known as Securities Investment Accounts] of the Non-Residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange 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/bank guarantee 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.

6.0 PROCEDURE FOR APPLICATION

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.

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 reserves 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) for full amount payable on Application (if not submitting through RTGS) should be enclosed in a sealed envelope marked "Commercial Bank of Ceylon PLC – Debenture Issue 2018" 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.

6.0 PROCEDURE FOR APPLICATION

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 4.30pm on the closing day of the issue. Applications received after the said period will be rejected even though they have been delivered to any collection point prior to the closure date or carry a postmark dated prior to the Closure Date.

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

If cheques are not realised within two (02) Market Days of the closure of the Issue, such Applications may be rejected in order to facilitate the completion of the allotment within seven (07) Market Days of the closure of the Issue.

Applications delivered by hand after the issue is closed will 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 (Rs. 5,000,000/-). 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 (Rs. 10,000/-) or One Hundred (100) Debentures.

6.4 MODE OF PAYMENT

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 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 2018" 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 RTGS will not be accepted for Application values below Sri Lanka Rupees One Hundred Million (Rs. 100,000,000/-).

6.0 PROCEDURE FOR APPLICATION

- (c) Cheques or bank drafts should be payable to “Commercial Bank of Ceylon PLC – Debenture Issue 2018” 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 2018” in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue Opening Date (i.e., August 15, 2018). 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.

In case of RTGS transfers (only for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (Rs. 100,000,000/-) such transfer should be made to the credit of “Commercial Bank of Ceylon PLC – Debenture Issue 2018” bearing account number 1000025994 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 2018” bearing account number 1000025994 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 above and inclusive of Sri Lanka Rupees One Hundred Million (Rs. 100,000,000/-), an interest rate of 3.25% 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 4.30pm of the Issue Closing Date.

SLIPS 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 made only out of funds received as inward remittances or available to the credit of “Inward Investment Account” (IIA) maintained with any Licensed Commercial Bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange 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/bank guarantee 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 realised within Two (02) Market Days from the Closure of the Issue, 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.

6.0 PROCEDURE FOR APPLICATION

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.

Any application form from a non-qualified Investor will also be rejected.

Any Applicant who has applied for Debentures of Type A, and B, in a single Application Form 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 4.30pm on the closing day of the issue. If cheques are not realised within Two (02) Market Days of the Closure of the Issue, such Applications may be rejected in order to facilitate the completion of the allotment within Seven (07) Market Days of the closure of the Issue.

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 4.30pm on the Issue Closing Date will be rejected.

Applications received at the Registrar's office by post or courier after 4.30pm on the succeeding working day immediately following the date of closure of the subscription list, 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 4.30pm on the date of closure of the subscription list. Applications received after the said period will be rejected even though they have been delivered to any collection point prior to the closure date or carry a postmark dated prior to the closure 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 closure 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 over subscription, the basis of allotment will be decided by the Board of Directors of the Bank in a fair manner within Seven (7) Market Days of the closure of the issue and notified to CSE. The successful Applicants will be notified about their allotment within Ten (10) Market Days from the date of closure of the subscription list. The Board reserves the right to allocate up to 75% of the issue value on a preferential basis, to identified institutional investors of strategic importance to the Bank.

6.0 PROCEDURE FOR APPLICATION

- (iii) Cheques received by post with Applications up to the day succeeding the closure of the issue will be banked, provided that such cheques and Applications are received prior to 4.30pm on the day succeeding the closure of the issue.
- (iv) The Bank reserves the right to reject all cheques, which are not realised on first presentation.
- (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 realisation 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 realised on first presentation after the closing of the issue, such Applications may be rejected in order to facilitate the completion of the allotments within seven (07) Market Days of the Closure of the Issue.
- (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 will be made on or before the expiry of ten (10) Market Days from the closure date (excluding the closure 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 under subscription from other investors (investors that do not fall under preferential category). In the event of such under subscription, 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 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 ten (10) Market Days from the Closure Date (excluding the Issue of 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.

6.0 PROCEDURE FOR APPLICATION

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.

Direct deposits to the CDS accounts will be made before the expiry of Eighteen (18) Market Days from the date of closure of the subscription list. A written confirmation in this regard will be sent to the investors within Two (02) Market Days of crediting the CDS Accounts.

6.9 DIRECT LODGEMENT WITH THE CDS AND SECONDARY MARKET TRADING

The Bank shall credit the CDS Account with the Debentures securities allotted within a period of Eighteen (18) Market Days from the date of closure of the issue.

A written confirmation of the credit will be dispatched to the Applicant within Two (02) 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 (3rd) Market Day from the receipt of the “Declaration” by the CSE.

7.0 THE BANK

7.1 OVERVIEW OF THE BANK

Commercial Bank of Ceylon PLC is a public limited liability company, which was incorporated under the Companies Ordinance No. 51 of 1938 on June 25, 1969 in Colombo and was issued a certificate to commence business on October 7, 1969. The Company has been licensed to operate as a Commercial Bank under the Banking Act No. 30 of 1988 from December 21, 1989.

The origins of the Commercial Bank can be traced to 1920, when the Eastern Bank, an old established British Bank opened a branch in Colombo. In 1957 the Standard Chartered Bank acquired the entire share capital of the Eastern Bank, thus making it a wholly owned subsidiary. In 1969, Commercial Bank of Ceylon PLC was incorporated as a local Bank to take-over the assets, liabilities and business of the Colombo branch of the Eastern Bank.

The Standard Chartered Bank retained 40% of the shares of the newly incorporated Commercial Bank and the Government of Sri Lanka acquired another 30% of the shares. The Standard Chartered Bank held its 40% stake in Commercial Bank until 1997, when the DFCC Bank acquired 29.5% of the shares from the Standard Chartered Bank, with the concurrence of the Monetary Board. Part of the shareholding of the Government of Sri Lanka through the Sri Lanka Insurance Corporation was also divested in March 2003. International Finance Corporation acquired 15% of the shares so divested while a further 5% was offered to the staff of the Bank through an Employee Share Ownership Plan. (For a detailed breakdown of the twenty largest shareholders of the Bank as at March 31, 2018 please refer Section 7.5 of this Prospectus).

The Bank gradually evolved to what it is today, centred around the trade financing market niche, which it inherited from the Eastern Bank. Today, it is known as a strong, financially sound and profitable bank, catering to all sectors of the economy. It has 261 customer outlets, all of which are linked online real time to a modern computer network.

Commercial Bank's overseas operations encompass Bangladesh, where the Bank operates 19 outlets, Myanmar, where it has a Representative Office in Yangon, the Maldives, where the Bank has a fully-fledged Tier 1 Bank with a majority stake and Italy, where the Bank operates its own money transfer service.

The Bank has been accredited by various local and international organisations for its superlative performance.

VISION

To be the most technologically advanced, innovative and customer friendly financial services organisation 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.

VALUES

We value our customers from all walks of life and attach high importance to their success and endeavour to be fair by them in our dealings.

We manage the business to achieve a sustainable growth, promote the Bank's image and position in the industry and optimise return on shareholders' funds.

We consider our staff a valuable asset and attach high importance to their welfare and development.

7.0 THE BANK

We conduct ourselves as a responsible corporate citizen, commit ourselves to protect and uphold the accepted norms and ethics of the industry and deal with our competitors in a spirit of friendly rivalry.

We contribute to the Government's efforts to improve the socio-economic life in Sri Lanka.

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 by the Banking (Amendment) Act No. 33 of 1995.
- (b) Offshore banking business as detailed in part IV of the said Banking Act.

7.3 BOARD OF DIRECTORS

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

Name	Address	Designation
Mr K G D D Dheerasinghe	No. 78/1, Wickramasinghepura, Battaramulla	Chairman (Independent Non-Executive)
Mr M P Jayawardena	No. 207/4, Dharmapala Mawatha, Colombo 07	Deputy Chairman (Independent Non-Executive)
Mr J Durairatnam	No. 14, St. Lucia's Street, Colombo 13	Managing Director/Chief Executive Officer
Mr S Swarnajothi	No. 63/10, Devananda Road, Piliyandala	Director (Independent Non-Executive)
Mr S Renganathan	No. 115/3, Schokman Place, Old Kottawa Road, Mirihana, Nugegoda	Chief Operating Officer/Executive Director
Prof A K W Jayawardane	No. 14, Wijerama Lane, Sri Devananda Road, Navinna, Maharagama	Director (Independent Non-Executive)
Mr K Dharmasiri	No. 84/1, Polgahawela Road, Kegalle	Director (Independent Non-Executive)
Mr L D Niyangoda	No. 403/10, Samanpura, Kottawa	Director (Independent Non-Executive)
Ms N T M S Cooray	No. 57/4, Ward Place, Colombo 07	Director (Independent Non-Executive)
Mr G S Jadeja	8@ Mount Sophia Apt 06-51 Singapore 228463	Director (Non-Independent Non-Executive)
Mr T L B Hurulle	No. 29/7, Guildford Crescent, Colombo 07	Director (Independent Non-Executive)
Justice K Sripavan	"Span Tower" No. 11-4/3, Vivekananda Road, Wellawatte	Director (Independent Non-Executive)

7.0 THE BANK

7.4 PROFILES OF DIRECTORS

MR K G D D DHEERASINGHE

Chairman (Independent Non-Executive)

Chairman of the Board since July 2014.

Chairman of the Board Human Resources and Remuneration Committee (BHRRC), Board Nomination Committee (BNC), Board Credit Committee (BCC) and Board Investment Committee (BIC).

Independent Non-Executive Director since December 2011.

Skills and experience

An eminent Economist with a distinguished career of over 41 years in the banking industry. Published widely and presented papers on many aspects of economics including debt capital markets and financial globalisation in Sri Lanka and overseas.

Holds a B Phil (Econ.) and B Com with First Class Honours from the University of Colombo and MA (Econ.) from the University of Leeds, UK. Honorary Fellow of the Institute of Bankers of Sri Lanka and Honorary ACI Diploma holder.

Member of Sri Lanka Institute of Directors since December 2015.

Other current appointments

Chairman, Commex Sri Lanka SRL Italy, Chairman, Serendib Finance Limited (the above companies are subsidiaries of the Bank).

Previous appointments

Senior Deputy Governor of the CBSL. Chairman of the Monetary Policy Committee and the Sovereign Ratings Committee. Secretary to the Monetary Board. Alternate Executive Director for Bangladesh, Bhutan, India, and Sri Lanka at the International Monetary Fund. Chairman, Bartleet Finance PLC.

Shareholding of Bank

Holds 23,567 voting shares

MR M P JAYAWARDENA

Deputy Chairman (Independent Non-Executive)

Deputy Chairman since July 2014.

Chairman of the Board Integrated Risk Management Committee (BIRMC).

Independent Non-Executive Director since December 2011.

Skills and experience

A senior finance professional with wide experience in the corporate sector, both in Sri Lanka and overseas.

Fellow member of The Institute of Chartered Accountants of Sri Lanka.

Member of Sri Lanka Institute of Directors since March 2000.

7.0 THE BANK

Other current appointments

Chairman, Sri Lanka Institute of Directors. Group Director, CIC Holdings PLC. Chairman, Commercial Insurance Brokers (Pvt) Limited. Group Consultant to Chemanex PLC and Chairman of a few subsidiaries thereof. Serves on the Boards of many other private companies.

Previous appointments

Head of Treasury, Zambia Consolidated Copper Mines.

Shareholding of Bank

Nil.

MR J DURAIRATNAM

Managing Director/Chief Executive Officer

Managing Director/Chief Executive Officer since July 2014.

Executive Director since April 2012 and former Chief Operating Officer.

Skills and experience

Substantial professional experience in Banking, covering all aspects of International Trade, Offshore Banking, Credit, Operations, and Information Technology. He has served the Bank in several management positions, including, Chief Operating Officer, Deputy General Manager, Assistant General Manager – International Division and Head of Imports counting nine years as a member of Corporate Management.

Holds a Bachelor's Degree from the University of Peradeniya.

Member of Sri Lanka Institute of Directors since December 2013.

Other current appointments

Managing Director, Commercial Development Company PLC (the above company is a subsidiary of the Bank), Director, Lanka Financial Services Bureau Limited, Sri Lanka Banks' Association (Guarantee) Limited, The Financial Ombudsman Sri Lanka (Guarantee) Limited.

Previous appointments

None.

Shareholding of Bank

Holds 616,800 voting shares.

MR S SWARNAJOTHI

Director (Independent Non-Executive)

Appointed as an Independent Non-Executive Director in August 2012.

Chairman of the Board Audit Committee (BAC).

7.0 THE BANK

Skills and experience

A senior finance professional with experience in both private and public sectors.

Fellow member of The Institute of Chartered Accountants of Sri Lanka and CMA Sri Lanka, a member of CMA Australia. Holds a BSc Degree in Management from the University of Sri Jayewardenepura and a MSc in Project Management from the University of Moratuwa.

Member of Sri Lanka Institute of Directors since December 2015.

Other current appointments

Member of the Tax Appeals Commission, which position he had held since May 2014. Member of the National Salaries and Cadre Commission – March 2016. Member of the Governing Council of Moratuwa University – from August 2016.

Previous appointments

Auditor General of Sri Lanka from January 2008 to August 2010.

Shareholding of Bank

Holds 10,762 non-voting shares.

MR S RENGANATHAN

Chief Operating Officer/Executive Director

Appointed as an Executive Director and Chief Operating Officer in July 2014.

Skills and experience

A senior banker counting over 35 years, he led the Bank's acquisition of the Bangladesh operations of Crédit Agricole Indosuez (CAI), Commercial Bank's first ever acquisition of a banking operation, subsequently building up the same as Country Manager. He has also held several other key positions at the Bank including Deputy General Manager – Personal Banking and the first Chief Risk Officer of the Bank.

Fellow of the Chartered Institute of Management Accountants, UK (FCMA), CGMA. Fellow of the IFS School of Finance, UK (FIFS) and a Fellow of the Institute of Bankers of Sri Lanka (FIB).

Member of Sri Lanka Institute of Directors since December 2013.

Other current appointments

Director of Commercial Bank of Maldives Private Limited, Director of International Chamber of Commerce Sri Lanka.

Previous appointments

Member of the General Council of the Institute of Bankers of Bangladesh, Founder President, Bangladesh Chamber of Commerce and Industry, Executive Member, Foreign Investor, Chamber of Commerce and Industry, Bangladesh.

Shareholding of Bank

Holds 319,792 voting and 11,718 non-voting shares.

7.0 THE BANK

PROF A K W JAYAWARDANE

Director (Independent Non-Executive)

Appointed as an Independent Non-Executive Director in April 2015.

Chairman of the Board Technology Committee (BTC).

Skills and experience

Vice-Chancellor of the University of Moratuwa until November 27, 2017 and a Senior Professor in Civil Engineering. An academic of high repute, he brings considerable knowledge and experience of IT to the Board.

Holds a PhD in Construction Management and a Master of Science Degree in Construction from the Loughborough University of Technology, UK and a BSc Eng in Civil Engineering Degree with first class honours from the University of Moratuwa.

Also a Corporate Member, a Fellow and an International Professional Engineer of the Institution of Engineers, Sri Lanka (IESL), CEng, FIE (SL), IntPE (SL), Fellow of the National Academy of Sciences of Sri Lanka, FNAS (SL), Founder Member of the Society of Structural Engineers Sri Lanka MSSE (SL). Fellow of the Institute of Project Managers, Sri Lanka, FIPM (SL).

Member of Sri Lanka Institute of Directors since December 2015.

Other current appointments

Director of Sierra Cables PLC, Chairman of ONEzero Company Limited and a member of the Board of the Management of several other institutions.

Previous appointments

Dean, Faculty of Engineering for six years. First NDB Bank Endowed Professor in Entrepreneurship at the University of Moratuwa. President of the Institution of Engineers, Sri Lanka (IESL).

Shareholding of Bank

Nil.

MR K DHARMASIRI

Director (Independent Non-Executive)

Appointed as an Independent Non-Executive Director in July 2015.

Skills and experience

A senior banker counting over 37 years at Bank of Ceylon and retiring as its General Manager/Chief Executive Officer, he has diversified experience both within and outside Sri Lanka.

Holds a B Phil (Econ) and B Com with first class honours from the University of Colombo. Also an Associate Member of the Institute of Bankers of Sri Lanka.

Member of Sri Lanka Institute of Directors since December 2015.

Other current appointments

None.

7.0 THE BANK

Previous appointments

Non-Executive Nominee Director on the Boards of Janashakthi Insurance Limited, Sabaragamuwa Development Bank, Merchant Bank of Sri Lanka PLC, BOC Travels (Pvt) Limited, BOC Property Development & Management (Pvt) Limited, Ceybank Holiday Homes (Pvt) Limited, Hotels Colombo (1963) Limited, Ceybank Asset Management Limited, Lanka Securities (Pvt) Limited, Institute of Bankers of Sri Lanka, Lanka Financial Services Bureau Limited, LankaClear (Pvt) Limited, Bank of Ceylon (UK) Limited and Credit Information Bureau of Sri Lanka.

Shareholding of Bank

Nil

MR L D NIYANGODA

Director (Independent Non-Executive)

Appointed as an Independent Non-Executive Director in August 2016.

Skills and experience

He has a proven track record of over 30 years in the corporate environment and is qualified in various management fields both locally as well as internationally.

Consultant Business and Administration experience for a period of 35 years.

Holds a Bachelor's Degree from the University of Peradeniya.

Member of numerous professional bodies, including the Council for Agricultural Research Policy of Sri Lanka, Standing Committee of Agriculture and Veterinary Studies, University Grants Commission and Faculty of Agriculture, University of Peradeniya.

Member of Sri Lanka Institute of Directors since March 2000.

Other current appointments

Managing Director/Chief Executive Officer of A Baur & Company (Pvt) Limited, Director of Baur Asia (Pte) Limited, Singapore. Serves on the Boards of many other Companies.

Previous appointments

Chief Operating Officer – A Baur & Company (Pvt) Limited.

Shareholding of Bank

Nil.

MS N T M S COORAY

Director (Independent Non-Executive)

Appointed as an Independent Non-Executive Director in September 2016.

Skills and experience

A senior finance professional with wide experience in the private sector.

Holds a Master's of Business Administration from the University of Colombo, Fellow Member of the Chartered Institute of Management Accountants – UK (FCMA).

Member of Sri Lanka Institute of Directors since July 2006.

7.0 THE BANK

Other current appointments

Managing Director of Jetwing Travels (Pvt) Limited, Advisory Council for Tourism and a member of the Board of the Management of several other institutions.

Previous appointments

Former Chairperson of the Sri Lanka Institute of Directors. Director – Finance and Administration on the Board of J Walter Thompson, Non-Executive Director on the Boards of Capital Alliance Finance PLC, Trade Finance and Investments PLC and serves on the Boards of many other private and public companies.

Shareholding of Bank

Holds 49,731 non-voting shares.

MR G S JADEJA

Director (Independent Non-Executive)

Appointed as a Non-Executive Director in September 2016.

Skills and experience

A senior finance professional with wide experience in the private sector.

Holds an MBA in Finance from Baruch College CUNY, a Master's Degree in Hotel Management from Oberoi School of Hotel Management (A Cornell University Affiliate Programme) and BA (Honours) from St Stephen's College, University of Delhi.

Other current appointments

Global Head, Financial Innovation at the International Finance Corporation.

Previous appointments

Held several key positions as Regional Industry Head – Asia, Senior Manager– Latin America and the Caribbean Region, Mexico/Bogota, Manager – East Asia and The Pacific Region, Hong Kong, Senior/Principal Investment Officer – Financial Markets Division, Washington DC at The International Finance Corporation.

Also served as a Director Acquisition/Integration and Business Development, New York, NY, Director Finance and Assistant to the CFO, Manager/Senior Manager – Finance at American Express Travel Related Services Inc.

Shareholding of Bank

Nil.

MR T L B HURULLE

Director (Independent Non-Executive)

Appointed as an Independent Non-Executive Director in April 2017.

Skills and experience

Holds a Diploma in Refrigeration and Air Conditioning (Dip R), Southbank University, London SE1, UK and Engineering Apprentices I and II Programme, University of Moratuwa.

Member of Sri Lanka Institute of Directors since August 2017.

7.0 THE BANK

Other current appointments

None

Previous appointments

Senior Manager/Engineer, Tudawe Trading Company (Pvt) Limited, Director – General, Telecommunications Regulatory Commission of Sri Lanka, Designs and Applications Engineer, Metropolitan Air Con and Refrigeration Limited, London, UK, Senior Engineer, Walker Sons & Company Limited, Divisional Manager/Chief Engineer, Walker Sons & Company Limited, Manager, Worldview Global Learning and Manager – Administration, Foundation for Co-Existence.

He was a Corporate Member (M. Inst R), of the Institute of Refrigeration, Surrey, United Kingdom (1977-1978).

He was awarded the INFOTEL “92 Pioneering” Award at the inauguration of INFOTEL 2017 ICT Exhibition and was a member of the Public Representations Committee on Constitutional Reform (PRC – CR) 2016/2017.

Shareholding of Bank

Nil.

JUSTICE K SRIPAVAN

Director (Independent Non-Executive)

Appointed as an Independent Non-Executive Director in April 2017.

Chairman of the Board Related Party Transactions Review Committee (BRPTRC).

Skills and experience

Appointed as the Chief Justice of the Democratic Socialist Republic of Sri Lanka on January 30, 2015 and held office until March 1, 2017.

Functioned as the Chairman of the Judicial Services Commission of Sri Lanka, Chairman of the Incorporated Council of Legal Education, Chairman of the Sri Lanka Judges’ Institute and Chairman of the Superior Court Complex, Board of Management.

Enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka in 1977. He obtained a Diploma in Industrial Law from the University of Colombo in 1992 and Master of Laws from the University of London in 1994.

Member of Sri Lanka Institute of Directors since August 2017.

Other current appointments

None

Previous appointments

Head of the Court of Appeal Unit in the Attorney General’s Department and handled a large volume of work both in the Court of Appeal and in the Supreme Court including Bills and Fundamental Rights Applications. Prior to the elevation to the Court of Appeal Bench he functioned as a Legal Consultant for the National Savings Bank for two years.

Appointed as a Judge of the Court of Appeal in May 2002 and was elevated to the Post of President of the Court of Appeal in March 2007 by his Excellency the President. Elevated to the Supreme Court Bench in March 2008.

Shareholding of Bank

Nil.

7.0 THE BANK

7.5 MAJOR SHAREHOLDINGS AS AT MARCH 31, 2018

20 largest holders of ordinary voting shares of the Bank:

Name of the Shareholder	31.03.2018	
	No. of Shares	%
DFCC Bank A/C 1	128,325,142	13.58
Employees' Provident Fund	91,090,278	9.64
Mr Y S H I Silva	76,373,675	8.08
Deutsche Bank AG Singapore – DSS A/C Ntasian Discovery Master Fund	53,948,136	5.71
Sri Lanka Insurance Corporation Ltd. – Life Fund	42,927,124	4.54
Melstacorp PLC	42,050,677	4.45
CB NY S/A International Finance Corporation	41,974,991	4.44
Sri Lanka Insurance Corporation Ltd. – General Fund	36,911,420	3.91
Mrs L E M Yaseen	17,228,184	1.82
BNYMSANV RE-CF Ruffer Absolute Return Fund	16,625,393	1.76
Employees Trust Fund Board	16,355,397	1.73
HSBC Intl. Nominees Ltd. – JPMCB – T Rowe New Asia Fund	15,183,362	1.61
HSBC Intl. Nominees Ltd. – JPMLU – Franklin Templeton Investment Funds	14,897,586	1.58
HSBC Intl. Nominees Ltd. – SSBT – Morgan Stanley Asset Management SA Acting on behalf of Morgan Stanley Galaxy Fund	14,364,156	1.52
HSBC Intl. Nominees Ltd. – SSBT – Morgan Stanley Institutional Fund, Inc. – Frontier Emerging Markets Portfolio	12,853,825	1.36
BNYMSANV RE – First State Investments ICVC – Stewart Investors Indian Subcontinent Fund	11,012,969	1.17
HSBC Intl. Nominees Ltd. – SSBT – BMO Investments II (Ireland) Public Limited Company	9,989,558	1.06
HSBC Intl. Nominees Ltd. – BPSS LUX – Aberdeen Global Asia Pacific Equity Fund	9,566,382	1.01
HSBC Intl. Nominees Ltd. – JPMLU-T Rowe Price Funds SICAV	9,103,566	0.96
Citi Bank Newyork S/A Norges Bank Account 02	7,841,749	0.83
Sub Total	668,623,570	70.74
Other Shareholders	276,582,857	29.26
Total	945,206,427	100.00

7.0 THE BANK

20 largest holders of ordinary non-voting shares of the Bank:

Name of the Shareholder	31.03.2018	
	No. of Shares	%
Citi Bank Newyork S/A Norges Bank Account 02	9,990,652	15.37
Employees Trust Fund Board	4,846,985	7.46
Akbar Brothers (Pvt) Ltd. A/C No. 01	1,740,783	2.68
GF Capital Global Limited	1,655,603	2.55
BNYMSANV RE-Butterfield Trust (Bermuda) Limited	1,466,494	2.26
CB NY S/A Salient International Dividend Signal Fund	1,345,606	2.07
M J F Exports (Pvt) Ltd.	1,112,164	1.71
Northern Trust Company S/A Polar Capital Funds PLC	1,095,618	1.69
Mr M F Hashim	920,197	1.42
Saboor Chatoor (Pvt) Ltd.	887,621	1.37
Mrs L V C Samarasinha	813,584	1.25
Union Assurance PLC/No. 01 A/C	661,016	1.02
Mr J D Bandaranayake, Dr V Bandaranayake and Ms I Bandaranayake (Joint)	626,669	0.96
Mr J D Bandaranayake, Ms N Bandaranayake and Dr V Bandaranayake (Joint)	626,668	0.96
Mr T W A Wickramasinghe	559,169	0.86
Mr G R Mallawaarachy and Mrs B G P Mallawaarachy (Joint)	545,175	0.84
Mr R Gautam	517,745	0.80
Mr K S M De Silva	450,496	0.69
Mr A L Gooneratne	437,717	0.67
Bank of Ceylon A/C Ceybank Century Growth Fund	424,010	0.65
Sub Total	30,723,972	47.26
Other Shareholders	34,289,202	52.74
Total	65,013,174	100.00

7.6 PARTICULARS OF LOAN CAPITAL

Details of other Debentures in Issue:

Categories	CSE Listing	Interest Payable Frequency	Allotment Date	Maturity Date	Balance 31.03.2018 Rs. '000
Fixed Rate Debentures					
2016/2021 – 10.75% p.a.	Listed	Semi-Annually	09.03.2016	08.03.2021	4,430,340
2016/2021 – 12.00% p.a.	Listed	Semi-Annually	28.10.2016	27.10.2021	5,071,800
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

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.

7.0 THE BANK

The Borrowings of the Bank as at March 31, 2018 are as follows:

Category	Rs. Mn.
Due to Banks	46,513.3
Derivative financial liabilities	1,970.7
Other borrowings	24,301.2
Subordinated liabilities	25,600.8
Total	98,385.9

There were no leasing, lease purchase or hire purchase commitments or mortgages or charges on the assets of the Bank as at March 31, 2018.

DETAILS OF CONVERTIBLE DEBT SECURITIES

There has been no issue of convertible securities by the Bank as at March 31, 2018.

7.7 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 recognised 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 March 31, 2018:

	Rs. '000
Guarantees	46,511,800
Performance bonds	30,601,521
Documentary credits	48,043,017
Other contingencies	287,420,151
Total	412,576,489

DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES

There were no penalties imposed by regulatory state authorities on the Bank as at the date of this Prospectus.

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 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 March 31, 2018 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 has not been listed here on the basis of non-materiality to operations, aggrieved party had obtained injunctions prior to acquiring property by the Bank etc.

7.0 THE BANK

1. Court action has been initiated by a customer in High Court under proceeding number 236/2011/MR, challenging the Bank on transfer of title of a vehicle upon settlement of a lease facility. The Bank had transferred the title of a vehicle in the name of a relative of the customer on the strength of a letter issued by him, which is now being disputed. The value of the action is Rs. 3.500 Mn. Plaintiff and the 1st defendant have closed their case. Judgment due on August 6, 2018.
2. Court action has been initiated by a customer in District Court, Colombo under proceeding number DMR 3/2014 for Rs. 14.000 Mn., to recover a sum of Rs. 13.063 Mn. including interest on cheques paid with a fraudulent signature. The case which was initially filed at the District Court was later referred to the Commercial High Court under case No. 315/2015/MR. The matter is fixed for trial on October 8, 2018.
3. Court action has been initiated in District Court, Colombo under case number 03034/14/DMR to claim a sum of Rs. 27.870 Mn. being the total amount withdrawn from the Company account with forged signatures by an employee of the Company in a number of transactions during a period of two years. Further trial fixed for August 28, 2018.
4. Court action has been initiated in District Court, Colombo under proceeding number DMR/974/2016 to recover a sum of Rs. 26.237 Mn. together with interest as damages incurred by the plaintiff due to the delay by the Bank in refunding the amount with regard to a duplicated telegraphic transfer for USD 25,000/-. Further trial is fixed for September 12, 2018.
5. Court action has been initiated in District Court, Colombo under proceeding 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. Trial is due on September 7, 2018.
6. Court action has been initiated in District Court, Kaduwela under proceeding 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. Replication on July 21, 2018.
7. Court action has been initiated by a 3rd Party in District Court, Colombo under proceeding number DMR/873/17 to recover a sum of Rs. 15.300 Mn. as damages for accepting three stale cheques amounting Rs. 2.500 Mn. drawn by the plaintiff and deposited to an account of a customer, which was returned as "Account Closed". Customer has taken criminal action against the plaintiff in this regard and the latter had initiated action against the Bank successively. Pre-trial scheduled on July 11, 2018.
8. An appeal was filed by the Bank under proceedings number HCALT 405/2014 in Provisional 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 Provisional High Court in proceedings number HCALT 404/2014 refusing compensation and asking for reinstatement. Appeal made by the Bank was dismissed and case filed by outsourced office helper was decided in favour of him. Bank appealed in the Supreme Court against the judgement of both cases under proceeding number. SC/SPL/LA/220/15 and SC/SPL/LA/221/15. Next hearing of the cases fixed for January 21, 2019.
9. Court action has been initiated in 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. Bank has appealed to the Supreme Court (Appeal Number 09/2010) against the judgement delivered. Appeal is fixed for argument on February 8, 2019.
10. Court action has been initiated by a customer in Colombo High Court under proceedings number 36/96 (1) to claim a sum of Rs. 183.050 Mn. regarding a forward exchange contract. Judgement was delivered in favour of the Bank dismissing the plaintiff's action, but the plaintiff has appealed against the judgement in the Supreme Court (Appeal Number 38/2006). Next hearing on October 18, 2018.

7.0 THE BANK

11. Court action has been initiated in the Commercial High Court of the Western Province under proceedings number 571/2008/MR to prevent the Bank from exercising the inherent rights of the Bank to set-off a deposit of the plaintiff amounting to USD 15.000 Mn. against a sum due from the plaintiff in terms of a hedging agreement. Commercial High Court issued the judgement in favour of the Bank and dismissed plaintiff's application for an interim injunction. Presently the case is at the trial stage. Further trial fixed for July 16, 2018.

7.8 MANAGEMENT AGREEMENTS

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

7.9 DETAILS OF BENEFITS PAID TO PROMOTERS

No benefit has been paid or given by the Bank within the two (2) years preceding the date of the Prospectus and there are no benefits intended to be paid or given to any promoter.

7.10 SUBSIDIARY/ASSOCIATE COMPANIES

Company	Bank's Interest	Principal Activity
Commercial Development Company PLC	92.43%	Property Development
ONEZero Company Limited	100.0%	Providing IT Related Services
Serendib Finance Limited	100.0%	Leasing, Hire Purchase and Loan Financing
Commex Sri Lanka SRL – Italy	100.0%	Money Transfers and Money Exchange
Commercial Bank of Maldives Private Limited	55%	Banking Services
CBC Myanmar Microfinance Company Limited	100.0%	Micro Financing
Commercial Insurance Brokers (Pvt) Ltd.	18.59%	Insurance Brokering
Equity Investments Lanka Limited	22.92%	Venture Capital Financing

7.11 STATED CAPITAL

The stated capital of the Bank is as below:

Stated Capital	December 31, 2017	March 31, 2018
Balance (Rs. '000)	37,143,541	39,086,211
Number of Ordinary Voting Shares	931,971,691	945,206,427
Number of Ordinary Non-Voting Shares	63,927,611	65,013,174

7.12 DETAILS OF COMMISSION PAID

The Bank has not paid commission in the last two years preceding the Debenture Issue for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions, for any shares in or Debentures of the Bank other than 0.15% paid as brokerage in respect of the value of the Debentures allotted on Applications for Debentures issued in 2016.

7.13 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 of 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:

Justice K Sripavan (Chairman)	Director (Independent Non-Executive)
Mr S Swarnajothi	Director (Independent Non-Executive)
Mr J Durairatnam	Managing Director/Chief Executive Officer
Mr S Renganathan	Chief Operating Officer/Executive Director
Mr L D Niyangoda	Independent Non-Executive

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.net):

- Audited Financial Statements of the Bank for the financial year ended December 31, 2017
- Interim Financial Statements of the Bank for the Three (3) months ended March 31, 2018.
- Summarised Financial Statements for the five years preceding the date of the application (i.e., for the financial years ending December 31, 2013, 2014, 2015, 2016 and 2017) stating the accounting policies adopted by the entity certified by the Auditors. Qualifications carried in any of the Auditor's 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 December 31,	2013	2014	2015	2016	2017
Debt/Equity Ratio (%)*	33.17%	25.97%	23.2%	33.33%	38.61%
Interest Cover Ratio (Times)**	20.25	28.31	27.87	14.83	11.56

* *Debentures and other term debt as a percentage of Total Equity.*

** *Profit Before Depreciation, Interest and Tax is divided by 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 maximise the shareholder wealth, increase market capitalisation, ploughing back of additional profits for business expansion and maintaining consistent stream of dividend to shareholders.

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 number of factors including but not limited to the Bank's earnings, capital requirements and overall financial condition of the economy.

	2013	2014	2015	2016	2017
Dividend per Share (Rs.)*	6.50	6.50	6.50	6.50	6.50

* *Including cash and scrip dividends.*

9.4 DEBT SERVICING DETAILS OF THE BANK

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

In Rs.	2013	2014	2015	2016	2017
Gross interest due on Debentures	132,384,860	132,369,740	132,359,619	781,932,281	1,517,854,675
Debenture interest paid on due date	132,384,860	132,369,740	132,359,619	781,932,281	1,517,854,675
Debenture interest paid after due date	–	–	–	–	–
Debenture 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 Seven (07) Market Days prior to the date of opening of the Subscription list, for inspection by the public, during normal working hours at the Registered Office of the Bank, "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka until the date of redemption of the Debentures.

- (a) Articles of Association.
- (b) Trust Deed.
- (c) Auditor's Report and Audited Financial Statements for the Five (5) financial years ended December 31, 2017, 2016, 2015, 2014 and 2013 (i.e., the Five (5) financial years immediately preceding the date of this Prospectus) and Interim Financial Statements for the Quarter ended March 31, 2018.
- (d) Issue Rating Report and all other documents referred to in Rule 3.3.11 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Bank (if any).

The Prospectus, Trust Deed and Articles of Association of the Bank are also hosted in the Bank's website, www.combank.net and the Colombo Stock Exchange website, www.cse.lk from Seven (7) 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 to it 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 judgement 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
Mr K G D D Dheerasinghe	Chairman (Non-Executive)	Sgd.
Mr M P Jayawardena	Deputy Chairman (Non-Executive)	Sgd.
Mr J Durairatnam	Managing Director (Executive)	Sgd.
Mr S Swarnajothi	Director (Non-Executive)	Sgd.
Mr S Renganathan	Director (Executive)	Sgd.
Prof A K W Jayawardane	Director (Non-Executive)	Sgd.
Mr K Dharmasiri	Director (Non-Executive)	Sgd.
Mr L D Niyangoda	Director (Non-Executive)	Sgd.
Ms N T M S Cooray	Director (Non-Executive)	Sgd.
Mr G S Jadeja	Director (Non-Executive)	Sgd.
Mr T L B Hurulle	Director (Non-Executive)	Sgd.
Justice K Sripavan	Director (Non-Executive)	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 2018, 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 authorised signatories of Commercial Bank of Ceylon PLC, being duly authorised thereto, at Colombo on this 9th date of July 2018.

Signed

Sushara Vidyasagara

Chief Manager

Investment Banking

Signed

Naveen Sooriyarachchi

Assistant General Manager

Corporate & Investment Banking

ANNEXURE A – COPY OF THE RATING CERTIFICATE

Fitch Ratings

Fitch Rates Commercial Bank of Ceylon's Basel III Sub Debt Final 'AA-(lka)'

03 JUL 2018 2:18 AM ET

Fitch Ratings-Colombo-03 July 2018: Fitch Ratings has assigned Commercial Bank of Ceylon PLC's (CB, AA(lka)/Stable) proposed Basel III-compliant subordinated unsecured debentures a final National Long-Term Rating of 'AA-(lka)'.

The final rating is the same as the expected rating assigned on 14 February 2018 and follows the receipt of documents conforming to information already received.

The debentures, totalling LKR10 billion, have maturities of five and 10 years, carry fixed coupons and will be listed on the Colombo Stock Exchange. The notes include a non-viability clause and will qualify as regulatory Tier 2 capital for the bank. The bank plans to use the proceeds to strengthen its Tier 2 capital base and support its loan book expansion.

KEY RATING DRIVERS

Fitch rates the Basel III Tier 2 notes one notch below the bank's National Long-Term Rating of 'AA(lka)' to reflect the notes' higher loss-severity risks compared with senior unsecured instruments due to their subordinated status and higher loss-severity risks relative to senior unsecured instruments. The notes would convert to equity upon the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

CB's National Long-Term Rating is used as the anchor rating because it reflects the bank's standalone financial strength. Fitch believes the bank's standalone credit profile best indicates the risk of non-viability.

Fitch has not differentiated the notching on the notes from the notching on CB's legacy Tier 2 notes, as it is assumed that the authorities would step in late, moving the point of non-viability close to liquidation.

Fitch has not applied additional notching to the notes for non-performance risk, according to our criteria, as the notes have no going-concern loss-absorption features.

RATING SENSITIVITIES

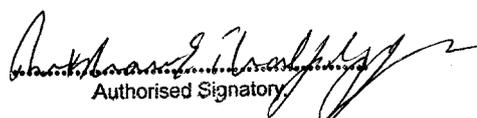
The rating of the notes will move in tandem with CB's National Long-Term Rating.

Contact:

Primary Analyst
Rukshana Thalagodapitiya, CFA
Director
+94 1 1254 1900
Fitch Ratings Lanka Ltd.
Level 15-04 East Tower, World Trade Center
Colombo 01, Sri Lanka

Secondary Analyst
Jeewanthi Malagala, CFA
Analyst
+941 1254 1900

FITCH RATINGS LANKA LTD.


Authorized Signatory

ANNEXURE A – COPY OF THE RATING CERTIFICATE

Committee Chairperson
Grace Wu
Senior Director
+ 852 2263 9919

Note to editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(lka)' for National ratings in Sri Lanka. Specific letter grades are not therefore internationally comparable.

Media Relations: Bindu Menon, Mumbai, Tel: +91 22 4000 1727, Email: bindu.menon@fitchratings.com

Additional information is available on www.fitchratings.com

Applicable Criteria

Bank Rating Criteria (pub. 22 Jun 2018)

National Scale Ratings Criteria (pub. 07 Mar 2017)

Additional Disclosures

Solicitation Status

Endorsement Policy

FITCH RATINGS SRI LANKA LTD.


Authorized Signatory.

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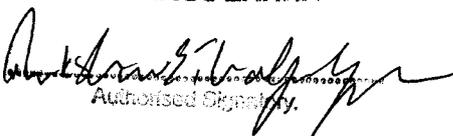
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Authorized Signatory.

ANNEXURE B – COLLECTION POINTS

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,
 +94 (0) 11 2 486 489/99
Fax : +94 (0) 11 2 335 385
E-mail : Investment_Banking@combank.net

ISSUING COMPANY

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
 +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

REGISTRARS TO THE ISSUE

SSP Corporate Services (Pvt) Limited
No. 101, Inner Flower Road,
Colombo 03,
Sri Lanka.
Tel : +94 (0) 11 2 573 894
Fax : +94 (0) 11 2 573 609

ANNEXURE B – COLLECTION POINTS

MEMBERS

Bartleet Religare Securities (Pvt) Limited

Level “G”, “Bartleet House”,
No. 65, Braybrooke Place,
Colombo 02.
Tel : +94 11 5 220 200
Fax : +94 11 2 434 985
E-mail : info@bartleetstock.com
Website : www.bartleetreligare.com

Acuity Stockbrokers (Pvt) Ltd.

No. 53, Dharmapala Mawatha,
Colombo 03.
Tel : +94 11 2 206 206
Fax : +94 11 2 206 298/9
E-mail : sales@acuitystockbrokers.com
Website : www.acuity.lk

John Keells Stock Brokers (Pvt) Ltd.

No. 186, Vauxhall Street,
Colombo 02.
Tel : +94 11 2 306 250
Fax : +94 11 2 342 068
E-mail : jkstock@keells.com
Website : www.jksb.com

Asha Phillip Securities Ltd.

No. 321, Galle Road, 2nd Floor,
Lakshmans Building,
Colombo 03.
Tele : +94 11 2 429 100
Fax : +94 11 2 429 199
E-mail : apsl@ashaphillip.net
Website : www.ashaphillip.net

Assetline Securities (Pvt) Ltd.

No. 120, 120A, Pannipitiya Road,
Battaramulla.
Tel : +94 11 4 700 111
Fax : +94 11 4 700 101,
+94 11 4 700 112
E-mail : info@assetline.lk
Website : http://assetline.lk/product/
stock-broking/

Somerville Stockbrokers (Pvt) Ltd.

No. 1A, Park Way,
Park Road,
Colombo 05.
Tel : +94 11 2 502 852
+94 11 2 502 854
+94 11 2 502 858
+94 11 2 502 862
Fax : +94 11 2 502 596
E-mail : ssb-web@slt.net.lk

J B Securities (Pvt) Ltd.

No. 150, St. Joseph’s Street,
Colombo 14.
Tel : +94 11 2 490 900
Fax : +94 11 2 430 070
E-mail : jbs@jb.lk
Website : www.jbs.lk

Lanka Securities (Pvt) Ltd.

No. 228/1, Galle Road,
Colombo 04.
Tel : +94 11 4 706 757,
+94 11 2 554 942
Fax : +94 11 4 706 767
E-mail : lankasec@slt.net.lk
Website : www.lsl.lk

Asia Securities (Pvt) Ltd.

2nd Floor,
No. 176/1 - 2/1, Thimbrigasyaya Road,
Colombo 05.
Tel : +94 11 7 722 000
Fax : +94 11 2 584 864
E-mail : marketinfo@asiasecurities.lk
Website : www.asiasecurities.net

Nation Lanka Equities (Pvt) Ltd.

No. 44, Guildford Crescent,
Colombo 07.
Tel : +94 777 630 624
+94 773 030 885
+94 776 521 001
Fax : +94 11 2 688 899
E-mail : info@nlequities.com
Website : www.nlequities.com

Capital Trust Securities (Pvt) Ltd.

No. 42, Mohamed Macan Markar Mawatha,
Colombo 03.
Tel : +94 11 2 174 174
+94 11 2 174 175
Fax : +94 11 2 174 173
E-mail : inquiries@capitaltrust.lk
Website : www.capitaltrust.lk

S C Securities (Pvt) Ltd.

5th Floor, 26 B, Alwis Place,
Colombo 03.
Tel : +94 11 4 711 000
+94 11 47 11 001
Fax : +94 11 2 394 405
E-mail : itdivision@sampathsecurities.lk
Website : www.sampathsecurities.lk

CT CLSA Securities (Pvt) Limited

No. 4-14, Majestic City, 10, Station Road,
Colombo 04.
Tel. : +94 11 2 552 290-4
Fax : +94 11 2 552 289
E-mail : info@ctclsa.lk
Website : www.ctclsa.lk

First Capital Equities (Pvt) Limited

No. 2, Deal Place,
Colombo 03.
Tel : +94 11 2 639 898
Fax : +94 11 5 736 264
E-mail : info.equity@firstcapital.lk
Website : www.firstcapital.lk

NDB Securities (Private) Limited

Level 2, NDB Capital Building,
No. 135, Baudhdhaloka Mawatha,
Colombo 04.
Tel : +94 11 2 314 170 to
+94 11 2 314 178
+94 11 2 131 000
Fax : +94 11 2 314 181
E-mail : mail@ndbs.lk
Website : www.ndbs.lk

ANNEXURE B – COLLECTION POINTS

Trading Members

Capital Alliance Securities (Pvt) Ltd.

Level 5, "Millennium House",
No. 46/58, Navam Mawatha,
Colombo 02.
Tel : +94 11 2 317 777
Fax : +94 11 2 317 788
E-mail : info@cal.lk
Website : www.capitalalliance.lk

SMB Securities (Pvt) Ltd.

No. 02, Gower Street,
Colombo 05.
Tel : +94 11 5 886 971
Fax : +94 11 2 550 100
E-mail : info@smbsecurities.lk
Website : www.smbsecurities.lk

First Guardian Equities (Pvt) Ltd.

32nd Floor, East Tower,
World Trade Centre,
Colombo 01.
Tel : +94 11 5 884 400 (Hunting)
Fax : +94 11 5 884 401
E-mail : info@fge.lk
Website : www.fge.lk

Taprobane Securities (Pvt) Ltd.

2nd Floor,
No. 10, Gothami Road,
Colombo 08.
Tel : +94 11 5 328 200
+94 11 5 328 100
Fax : +94 11 5 328 177
E-mail : contact@taprobane.lk
Website : www.taprobane.lk

Candor Equities Ltd.

Level 8, South Wing,
Millennium House,
No. 46/58, Nawam Mawatha,
Colombo 02.
Tel : +94 11 2 359 100
Fax : +94 11 2 305 522
E-mail : info.cel@candorh.com
Website : www.candor-holdings.com

TKS Securities (Pvt) Ltd.

4th Floor,
No. 245,
Dharmapala Mawatha,
Colombo 07.
Tel : +94 11 7 857 799
Fax : +94 11 7 857 857
E-mail : info@tks.lk
Website : www.tks.lk

Enterprise Ceylon Capital (Private) Limited

26th Floor, East Tower,
World Trade Centre, Echelon Square,
Colombo 01.
Tel : +94 11 2 372 541
Fax : +94 11 2 372 541
E-mail : info@ecc.lk
Website : ecc.lk

Claridge Stockbrokers (Pvt) Ltd.

No. 97, Ananda Rajakaruna Mawatha,
Colombo 10.
Tel : +94 11 2 689 248
Fax : +94 11 2 689 250
E-mail : csb@mackwoods.com

Richard Pieris Securities (Pvt) Ltd.

No. 55/20, Vauxhall Lane,
Colombo 02.
Tel : +94 11 7 448 900
+94 11 5 900 800
Fax : +94 11 2 330 711
E-mail : rpfs@rpsecurities.com
Website : www.arpico.com/contents/
services_stock_broking.php

LOLC Securities Limited

No. 481, T B Jayah Mawatha,
Colombo 10.
Tel : +94 11 5 889 889
Fax : +94 11 2 662 883
E-mail : info@lolcsecurities.com

Navara Securities (Pvt) Ltd.

No. 12 B, Gregory's Road,
Colombo 07.
Tel : +94 11 2 358 700/20
Fax : +94 11 5 005 551
E-mail : info@navarasecurities.lk
Website : www.navarasecurities.lk

Softlogic Stockbrokers (Pvt) Ltd.

No. 06, 37th Lane, Queens Road,
Colombo 03.
Tel : +94 11 7 277 000
Fax : +94 11 7 277 099
E-mail : ssb.inquiry@softlogic.lk
Website : www.softlogicequity.lk

ANNEXURE B – COLLECTION POINTS

Trading Members – Debt

First Capital Markets Limited

No. 2, Deal Place,
Colombo 03.

Tel : +94 11 2 639 898

+94 11 2 681 888

Fax : +94 11 2 639 899

+ 94 11 2 576 866

E-mail : info@firstcapital.lk

Website : www.firstcapital.lk

Capital Alliance Limited

Level 5, "Millennium House"
No. 46/58, Nawam Mawatha,
Colombo 02.

Tel : +94 11 2 317 777

Fax : +94 11 2 317 788

E-mail : info@cal.lk

Wealthtrust Securities Limited

No. 32, Castle Street,
Colombo 08.

Tel : +94 11 2 675 091-4

Fax : +94 11 2 689 605

E-mail : info@wealthtrust.lk

NSB Fund Management Company Limited

No. 255, 1st Floor, NSB Head Office,
Galle Road,
Colombo 03.

Tel : +94 11 2 564 601

Fax : +94 11 2 574 387

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,
Colombo 01.
Tel : +94 11 2 480 450

Banque Indosuez

Participant Code: SUZ
C/o Hatton National Bank Ltd.
Cinnamon Gardens Branch,
No. 251, Dharmapala Mawatha,
Colombo 07.
Tel : +94 11 2 681 720

Sampath Bank Ltd.

Participant Code: SBL
No. 110, Sir James Peiris Mawatha,
Colombo 02.
Tel : +94 11 5 331 458
+94 11 4 730 662

Citibank N.A.

Participant Code: CTI
No. 65 C, Dharmapala Mawatha,
Colombo 07.
Tel : +94 11 4 794 728

Union Bank of Colombo Ltd.

Participant Code: UBC
No. 64 A, Galle Road,
Colombo 03.
Tel : +94 11 2 374 205

Deutsche Bank

Participant Code: DBC
No. 86, Galle Road,
Colombo 03.
Tel : +94 11 2 447 062
+94 11 2 438 057

Nations Trust Bank Ltd.

Participant Code: NTB
No. 256, Sri Ramanathan Mawatha,
Colombo 15.
Tel : +94 11 4 313 131

Hatton National Bank Ltd.

Participant Code: HNB
HNB Towers,
No. 479, T B Jayah Mawatha,
Colombo 10.
Tel : +94 11 2 661 762

Seylan Bank Ltd.

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

Hongkong & Shanghai Banking Corp. Ltd.

Participant Code: HSB
No. 24, Sir Baron Jayathilake Mawatha,
Colombo 01.
Tel : +94 11 2 325 435
+94 11 2 446 591
+94 11 2 446 303

State Bank of India

Participant Code: SBI
16, Sir Baron Jayathilake Mawatha,
P.O. Box 93,
Colombo 01.
Tel : +94 11 4 622 350

People's Bank

Participant Code: PEO
Head Office – Treasury, 5th Floor,
No. 75, Sir Chittampalam A
Gardiner Mawatha,
Colombo 02.
Tel : +94 11 2 206 782

Commercial Bank of Ceylon Ltd.

Participant Code: CMB
Commercial House,
No. 21, Bristol Street,
Colombo 01.
Tel : +94 11 2 440 010-15

Pan Asia Bank

Participant Code: PAB
No. 450, Galle Road,
Colombo 03.
Tel : +94 11 2 565 565

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 U.S. 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 (FFI) 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

