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SPF/WDPL/SDV

Board of Directors
Commercial Bank of Ceylon PLC
"Commercial House"
No. 21, Sir Razik Fareed Mawatha,
Colombo 01.

19 September 2023

Accountants' Report Commercial Bank of Ceylon PLC

Dear Sirs/Mesdames

Introduction

This report has been prepared for the purpose of prospectus issued in connection with the issuance of Rupees Six Billion (LKR 6,000,000,000/-) from Qualified Investors by an initial Issue of up to Sixty Million (60,000,000) Debentures, each with a par value of Rupees One Hundred (LKR 100/-) with the option to raise a further sum of Rupees Six Billion (LKR 6,000,000,000/-) by issuing a further Sixty Million (60,000,000) Debentures, in the event of an over subscription of the initial Issue.

We have examined the Financial Statements of the Commercial Bank of Ceylon PLC (the "Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries (the "Group") for the years ended 31 December 2018 to 31 December 2022, and report as follows.

1. Incorporation

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

2. Financial Information

2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss and Statements of Financial Position of the Bank and a summary of Consolidated Profit or Loss and Consolidated Financial Position of the Group for the financial years ended 31 December 2018 to 31 December 2022, based on the audited Financial Statements are out in the Annexure to the Accountants' Report.

EY2023091919901

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

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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2.2 Audited Financial Statements for the Year Ended 31 December 2022

Audit report on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its Subsidiaries for the year ended 31 December 2022 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow along with the accounting policies and notes thereon is available on the websites of CSE, www.cse.lk, where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

2.3 Audit Reports

We have audited the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2018 to 31 December 2022. Unmodified audit opinions have been issued for the said financial years by their reports dated 22 February 2019, 20 February 2020, 24 February 2021, 25 February 2022 and 24 February 2023 respectively.

2.4 Accounting Policies

The Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2018 to 31 December 2022 comply with Sri Lanka Accounting Standards.

The accounting policies of the Bank and its Subsidiaries are stated in detail in the audited Financial Statements of Commercial Bank of Ceylon PLC for the year ended 31 December 2022.

2.5 Dividends

Bank has paid dividend during the years ended 31 December 2018 to 31 December 2022 as follows.

Year	Dividend Per Share* (Rs.)
2018	6.50
2019	6.50
2020	6.50
2021	7.50
2022	4.50

* Including cash and scrip dividends

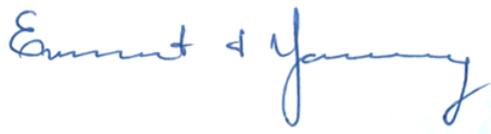
2.6 Events after Reporting Date

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

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Commercial Bank of Ceylon PLC in usage in the application for the purpose of issuance the issuance of Rupees Six Billion (LKR 6,000,000,000/-) from Qualified Investors by an initial Issue of up to Sixty Million (60,000,000) Debentures, each with a par value of Rupees One Hundred (LKR 100/-) with the option to raise a further sum of Rupees Six Billion (LKR 6,000,000,000/-) by issuing a further Sixty Million (60,000,000) Debentures, in the event of an over subscription of the initial Issue. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we have formed. This report should not be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully,



COMMERCIAL BANK OF CEYLON PLC - FINANCIAL INFORMATION

Statement of Profit or Loss

Annexure

Bank

For the year ended 31st December	2018	2019	2020	2021	2022
	Rs 000				
Gross income	138,049,307	148,706,284	149,711,481	160,885,882	275,443,682
Interest income	117,465,670	127,779,540	122,330,386	130,443,030	218,326,576
Less: Interest expense	72,523,912	80,571,268	72,759,045	65,832,418	136,582,546
Net interest income	44,941,758	47,208,272	49,571,341	64,610,612	81,744,030
Fee and commission income	11,988,070	12,406,584	11,268,543	15,410,402	25,463,976
Less: Fee and commission expense	1,837,900	2,117,072	2,012,138	3,658,939	5,972,708
Net fee & commission income	10,150,170	10,289,512	9,256,405	11,751,463	19,491,268
Net gains/(losses) from trading	(3,033,236)	1,360,858	1,878,086	1,936,007	35,297,450
Net gains/(losses) from derecognition of financial assets	272,004	1,135,711	6,390,197	3,001,574	276,884
Net other operating income	11,356,799	6,023,591	7,844,269	10,094,869	(3,921,204)
Total operating income	63,687,495	66,017,944	74,940,298	91,394,525	132,888,428
Less: Impairment charges and other losses	8,575,199	11,061,466	21,483,698	24,692,343	71,461,622
Net operating income	55,112,296	54,956,478	53,456,600	66,702,182	61,426,806
Less: Expenses					
Personnel expenses	13,070,939	14,082,659	14,563,999	16,321,317	19,112,546
Other operating expenses	10,398,288	11,342,977	10,875,967	12,570,438	15,823,659
Total operating expenses	23,469,227	25,425,636	25,439,966	28,891,755	34,936,205
Operating profit before taxes on financial services	31,643,069	29,530,842	28,016,634	37,810,427	26,490,601
Less: Taxes on financial services	6,051,861	7,191,737	4,505,322	5,809,224	3,892,216
Operating profit before tax & after taxes on financial services	25,591,208	22,339,105	23,511,312	32,001,203	22,598,385
Less: Income tax expense	8,047,380	5,314,138	7,137,823	8,395,152	(371,406)
Profit for the year	17,543,828	17,024,967	16,373,489	23,606,051	22,969,791
Profit attributable to:					
Equity holders of the Bank	17,543,828	17,024,967	16,373,489	23,606,051	22,969,791
Non - controlling interest	-	-	-	-	-
Profit for the year	17,543,828	17,024,967	16,373,489	23,606,051	22,969,791

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

K.D.N. Buddhipala

K.D.N. Buddhipala
Chief Financial Officer

S. C. U. Maratunge

S. C. U. Maratunge
Managing Director/Chief Executive Officer



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

Annexure

As at 31st December	2018	2019	2020	2021	Bank 2022
	Rs 000				
Assets					
Cash and cash equivalents	39,534,476	52,534,730	50,250,627	68,078,076	149,393,611
Balances with central banks	54,384,590	39,461,127	110,971,105	52,897,908	66,493,499
Placements with banks	19,898,515	24,527,241	15,938,982	11,584,952	95,899,645
Securities purchased under resale agreements	9,513,512	13,147,534	-	3,000,490	1,517,308
Derivative financial assets	7,909,962	1,830,927	2,636,717	3,245,120	8,345,091
Financial assets recognised through profit or loss - measured at fair value	5,520,167	21,468,033	35,189,471	23,436,123	24,873,057
Financial assets at amortised cost - Loans and advances to banks	763,074	757,787	779,705	-	-
Financial assets at amortised cost - Loans and advances to other customers	861,100,315	884,645,744	896,845,453	1,014,618,580	1,130,442,579
Financial assets at amortised cost - Debt and other financial instruments	83,855,436	101,144,819	292,727,566	369,417,889	725,935,299
Financial assets measured at fair value through other comprehensive income	176,506,729	197,568,330	278,461,369	335,463,338	117,056,240
Investment in subsidiaries	4,263,631	5,011,284	5,808,429	5,808,429	5,808,429
Investments in associates	44,331	44,331	44,331	44,331	44,331
Property, plant and equipment and right-of-use assets	15,301,246	20,507,203	23,212,394	23,075,467	25,425,452
Intangible assets	906,112	1,080,010	1,232,863	1,724,864	3,563,120
Leasehold property	71,652	-	-	-	-
Deferred tax assets	-	294,059	2,499,860	9,793,129	30,301,203
Other assets	23,911,122	23,322,247	19,619,149	27,024,475	40,699,168
Total Assets	1,303,484,870	1,387,345,406	1,736,218,021	1,949,213,171	2,425,798,032
Liabilities					
Due to banks	50,101,081	51,505,694	87,451,306	73,777,420	65,130,061
Derivative financial liabilities	8,021,783	1,495,317	1,501,262	2,092,198	2,880,667
Securities sold under repurchase agreements	49,104,462	51,220,023	91,437,612	151,911,842	97,726,435
Financial liabilities at amortised cost - due to depositors	983,037,314	1,053,307,660	1,265,965,918	1,443,093,453	1,914,359,494
Financial liabilities at amortised cost - other borrowings	25,361,912	23,248,893	54,555,933	32,587,051	16,150,356
Current tax liabilities	6,566,358	4,967,644	6,777,992	9,294,180	24,475,319
Deferred tax liabilities	646,248	-	-	-	-
Other liabilities	24,206,351	30,496,709	33,037,669	33,210,883	39,860,573
Due to subsidiaries	40,955	54,292	97,015	48,699	115,484
Subordinated liabilities	37,992,457	37,886,789	38,247,138	38,303,466	61,400,967
Total Liabilities	1,185,078,921	1,254,183,021	1,579,071,845	1,784,319,192	2,222,099,356
Equity					
Stated capital	39,147,882	40,916,958	52,187,747	54,566,957	58,149,621
Reserves					
Statutory reserves	7,354,143	8,205,391	9,024,065	10,204,368	11,352,858
Retained Profit	5,063,076	5,144,433	7,596,260	9,028,265	5,592,121
Other reserves	66,840,848	78,895,603	88,338,104	91,094,389	128,604,076
Total equity attributable to equity holders of the Bank	118,405,949	133,162,385	157,146,176	164,893,979	203,698,676
Non-controlling interest	-	-	-	-	-
Total Equity	118,405,949	133,162,385	157,146,176	164,893,979	203,698,676
Total Liabilities & Equity	1,303,484,870	1,387,345,406	1,736,218,021	1,949,213,171	2,425,798,032
Contingent liabilities and commitments	603,883,119	579,999,273	728,711,698	682,399,783	549,421,699

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

K.D.N. Buddhipala
Chief Financial Officer

S. C. U. Manjunge
Managing Director/Chief Executive Officer



COMMERCIAL BANK OF CEYLON PLC - FINANCIAL INFORMATION

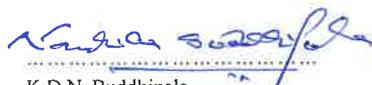
Statement of Profit or Loss

Annexure

Group

For the year ended 31st December	2018	2019	2020	2021	2022
	Rs 000				
Gross income	139,657,195	150,741,129	151,966,413	163,675,312	280,386,944
Interest income	118,551,239	129,287,743	124,087,713	132,818,178	222,393,079
Less : Interest expense	72,933,030	80,931,352	73,218,911	66,401,846	137,727,868
Net interest income	45,618,209	48,356,391	50,868,802	66,416,332	84,665,211
Fee and commission income	12,494,090	12,874,966	11,839,689	15,917,337	26,191,530
Less: Fee and commission expense	1,859,698	2,123,128	2,018,014	3,675,143	6,022,429
Net fee & commission income	10,634,392	10,751,838	9,821,675	12,242,194	20,169,101
Net gains/ (losses) from trading	(3,033,236)	1,360,833	1,878,060	1,936,007	35,297,450
Net gains/ (losses) from derecognition of financial assets	272,004	1,135,711	6,390,197	3,001,574	276,884
Net other operating income	11,373,098	6,081,876	7,770,754	10,002,216	(3,771,999)
Total operating income	64,864,467	67,686,649	76,729,488	93,598,323	136,636,647
Less: Impairment charges and other losses	8,833,362	11,331,523	21,419,532	25,139,926	71,924,260
Net operating income	56,031,105	56,355,126	55,309,956	68,458,397	64,712,387
Less: Expenses					
Personnel expenses	13,289,668	14,408,914	14,992,748	16,799,212	19,788,283
Other operating expenses	10,597,076	11,716,580	11,269,865	12,858,527	16,493,958
Total operating expenses	23,886,744	26,125,494	26,262,613	29,657,739	36,282,241
Operating profit before taxes on financial services	32,144,361	30,229,632	29,047,343	38,800,658	28,430,146
Less: Taxes on financial services	6,051,861	7,255,728	4,531,381	5,845,230	3,921,381
Operating profit after taxes on financial services	26,092,500	22,973,904	24,515,962	32,955,428	24,508,765
Share of profits of associates, net of tax	6,048	9,992	3,898	1,896	(3,727)
Profit before tax	26,098,548	22,983,896	24,519,860	32,957,324	24,505,038
Less : Income tax expense	8,235,717	5,563,500	7,433,063	8,667,036	105,566
Profit for the year	17,862,831	17,420,396	17,086,797	24,290,288	24,399,472
Profit attributable to:					
Equity holders of the Bank	17,734,706	17,263,259	16,939,950	24,062,469	23,811,914
Non - controlling interest	128,125	157,137	146,847	227,819	587,558
Profit for the year	17,862,831	17,420,396	17,086,797	24,290,288	24,399,472

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


K.D.N. Buddhipala
Chief Financial Officer


S. C. U. Manatunge
Managing Director/Chief Executive Officer



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

Annexure

As at 31st December	2018	2019	2020	2021	Group 2022
	Rs 000				
Assets					
Cash and cash equivalents	44,355,962	53,681,118	51,255,030	69,335,379	151,109,490
Balances with central banks	55,406,535	46,101,232	115,358,732	56,777,465	78,597,120
Placements with banks	19,898,515	24,903,809	16,421,867	12,498,709	96,082,937
Securities purchased under resale agreements	9,513,512	13,147,534	-	3,000,490	1,517,308
Derivative financial assets	7,909,962	1,830,927	2,636,717	3,245,120	8,345,091
Financial assets recognised through profit or loss - measured at fair value	5,520,167	21,468,033	35,189,471	23,436,123	24,873,057
Financial assets at amortised cost - Loans and advances to banks	763,074	757,787	779,705	-	-
Financial assets at amortised cost - Loans and advances to other customers	867,611,976	893,919,311	909,829,172	1,029,584,075	1,155,492,527
Financial assets at amortised cost - Debt and other financial instruments	89,274,413	107,059,021	302,059,529	385,390,598	761,650,234
Financial assets measured at fair value through other comprehensive income	176,760,611	197,825,017	278,716,794	335,953,802	118,652,257
Investments in associates	105,320	56,821	64,155	60,428	55,302
Property, plant and equipment and right-of-use assets	17,015,236	22,524,658	25,386,630	24,744,634	27,446,607
Investment properties	-	46,350	67,116	72,400	80,350
Intangible assets	1,433,931	1,645,714	1,800,516	2,272,639	4,113,200
Leasehold property	103,064	-	-	-	-
Deferred tax assets	188,487	530,165	2,735,566	10,036,105	30,727,213
Other assets	24,051,472	23,443,869	20,195,153	27,083,177	40,811,211
Total Assets	1,319,912,237	1,408,941,366	1,762,496,153	1,983,491,144	2,499,553,904
Liabilities					
Due to banks	52,362,052	53,807,425	88,248,056	73,801,195	64,971,170
Derivative financial liabilities	8,021,783	1,495,317	1,501,262	2,092,198	2,880,667
Securities sold under repurchase agreements	48,951,394	51,117,342	91,411,522	151,424,854	97,726,435
Financial liabilities at amortised cost - due to depositors	994,370,875	1,068,982,587	1,286,616,399	1,472,640,456	1,977,743,661
Financial liabilities at amortised cost - other borrowings	25,361,912	23,248,893	54,555,933	32,587,051	16,150,356
Current tax liabilities	6,735,997	5,197,188	6,991,005	9,486,772	24,916,074
Deferred tax liabilities	971,424	416,458	403,846	349,106	437,123
Other liabilities	24,547,513	30,775,884	33,572,283	33,253,518	40,354,877
Subordinated liabilities	37,992,457	37,886,789	38,247,138	38,303,466	61,400,967
Total Liabilities	1,199,315,407	1,272,927,883	1,601,547,444	1,813,938,616	2,286,581,330
Equity					
Stated capital	39,147,882	40,916,958	52,187,747	54,566,957	58,149,621
Reserves					
Statutory reserves	7,444,178	8,387,701	9,285,233	10,590,338	12,079,670
Retained Profit	4,949,955	5,182,185	8,124,261	9,890,762	6,790,304
Other reserves	67,855,834	79,937,405	89,595,571	92,426,660	131,845,571
Total equity attributable to equity holders of the Bank	119,397,849	134,424,249	159,192,812	167,474,717	208,865,166
Non-controlling interest	1,198,981	1,589,234	1,755,897	2,077,811	4,107,408
Total Equity	120,596,830	136,013,483	160,948,709	169,552,528	212,972,574
Total Liabilities & Equity	1,319,912,237	1,408,941,366	1,762,496,153	1,983,491,144	2,499,553,904
Contingent liabilities and commitments	604,021,400	580,961,807	730,561,685	685,379,028	555,531,537

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


K.D.N. Buddhipala
Chief Financial Officer


S. C. U. Manungala
Managing Director/Chief Executive Officer

