

Prospectus

COMMERCIAL BANK OF CEYLON PLC
Debenture Issue 2024

COMMERCIAL BANK OF CEYLON PLC

PROSPECTUS

AN INITIAL ISSUE OF ONE HUNDRED MILLION (100,000,000) BASEL III COMPLIANT – TIER 2 LISTED RATED UNSECURED SUBORDINATED REDEEMABLE DEBENTURES WITH A NON-VIABILITY CONVERSION FEATURE (“DEBENTURES”), AT THE PAR VALUE OF LKR 100/- EACH TO RAISE SRI LANKAN RUPEES TEN BILLION (LKR 10,000,000,000/-) WITH AN OPTION TO ISSUE UPTO A FURTHER FIFTY MILLION (50,000,000) OF SAID DEBENTURES TO RAISE UPTO 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 AND WITH A FURTHER OPTION TO ISSUE UPTO A FURTHER FIFTY MILLION (50,000,000) OF SAID DEBENTURES TO RAISE UPTO 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 AND THE SECOND TRANCHE.

MAXIMUM ISSUE OF DEBENTURES WILL NOT EXCEED TWO HUNDRED MILLION (200,000,000) OF THE SAID DEBENTURES, AT A VALUE NOT EXCEEDING SRI LANKAN RUPEES TWENTY BILLION (LKR 20,000,000,000/-).

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE.

Rated BBB+ (lka) by Fitch Ratings Lanka Limited

Issue opens on
July 02, 2024

ISSUE IS LIMITED TO ‘QUALIFIED INVESTORS’ AS DEFINED HEREIN.

Managers to the Issue:

Commercial Bank of Ceylon PLC

Investment Banking Unit

“Commercial House”

No. 21, Sir Razik Fareed Mawatha,

P. O. Box 856,

Colombo 01,

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RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS

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

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

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

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

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

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

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

IMPORTANT NOTICE

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

Upon a Non-Viability Conversion;

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

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

This investment instrument is riskier than a bank deposit.

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

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

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

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

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

REGISTRATION OF THE PROSPECTUS

This Prospectus is dated June 20, 2024

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

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

REPRESENTATION

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

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

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

Managers to the Issue

Commercial Bank of Ceylon PLC

Investment Banking Unit

“Commercial House”

No. 21, Sir Razik Fareed Mawatha,

P. O. Box 856,

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FORWARD LOOKING STATEMENTS

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

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

PRESENTATION OF CURRENCY INFORMATION AND OTHER NUMERICAL DATA

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

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

IMPORTANT

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

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

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

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

The Bank/ CDS/ Trading Participant 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 Trading Participant of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus.

SALIENT FEATURES OF THE ISSUE

Issuer	: Commercial Bank of Ceylon PLC
Instrument	: Basel III compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion feature
Number of Debentures to be Issued	: An initial issue of One Hundred Million (100,000,000) Basel III compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion feature, with an option to issue up to a further Fifty Million (50,000,000) of the said Debentures (at the discretion of the Bank), in the event of an oversubscription of the initial issue of 100,000,000 Debentures issued and with a further option to issue up to a further Fifty Million (50,000,000) of the said Debentures (at the discretion of the Bank), in the event of an oversubscription of the initial issue of 100,000,000 Debentures and the second tranche of 50,000,000 Debentures.
Total Value of the Issue	: Sri Lankan Rupees Ten Billion (LKR 10,000,000,000/-) with an option to raise 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 and with a further option to raise 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 and the second tranche.
Issue Rating	: BBB+ (Ika) by Fitch Ratings Lanka Limited
Issuer Rating	: A (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 – 5 years Type C – 7 years Type D – 7 years Type E – 10 years Type F – 10 years
Interest Rate	: Type A Fixed interest rate of Twelve decimal Six Zero per centum (12.60%) p.a. (AER 13.00%) payable semi-annually Type B Fixed interest rate of Thirteen per centum (13.00%) p.a. (AER 13.00%) payable annually Type C Fixed interest rate of Twelve decimal Eight Five per centum (12.85%) p.a. (AER 13.26%) payable semi-annually Type D Fixed interest rate of Thirteen decimal Two Five per centum (13.25%) p.a. (AER 13.25%) payable annually Type E Fixed interest rate of Thirteen per centum (13.00%) p.a. (AER 13.42%) payable semi-annually Type F Fixed interest rate of Thirteen decimal Five Zero per centum (13.50%) p.a. (AER 13.50%) payable annually
Issue Opening Date	: July 02, 2024 (However, Applications may be submitted forthwith)

SALIENT FEATURES OF THE ISSUE

Issue Closing : July 19, 2024

Date

Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30 a.m. on July 02, 2024 and shall remain open for 14 Market Days until closure at 4.30 p.m. on July 19, 2024.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of any of the following events:

- The maximum of 200,000,000 Debentures being fully subscribed; or
- The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 100,000,000 Debentures becoming fully subscribed;
- The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 100,000,000 Debentures and the second tranche 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 upto 50,000,000 Debentures (on the initial issue of 100,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the second tranche of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

In the event the Board of Directors of the Bank decides to exercise the option to further issue upto 50,000,000 Debentures (on the initial issue of 100,000,000 Debentures and the second tranche of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the third tranche of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

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 : **Type A, C & E Debentures**

Dates

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.

Type B, D & F Debentures

At the expiry of Twelve (12) months from the Date of Allotment and every Twelve (12) 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 Twelve (12) months from the Date of Allotment.

Interest would be paid not later than Three (3) Working Days of the date on which interest becomes due.

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

SALIENT FEATURES OF THE ISSUE

Method of payment of Principal sum and Interest	: By an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS or by a cheque marked 'Account Payee Only'. Payments will be made via electronic fund transfer mechanisms in the event accurate bank account details are provided to the CDS by the Qualified Investor. RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. 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 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 Qualified Investors of strategic importance to the Bank. Number of Debentures to be allotted to identified institutional Qualified Investors of strategic importance, on a preferential basis will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an under subscription from other investors (investors that do not fall under preferential category). In the event of such under subscription, the other investor category will be allotted in full and any remaining Debentures will be allotted to identified institutional Qualified Investors. Further, the Bank will allot the remaining number of Debentures (excluding the preferential allotment of 75%), in a fair manner among other investors.
Listing	: The Debentures will be listed on the Colombo Stock Exchange.
Non-Viability Conversion	: In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Central Bank of Sri Lanka, there would be a conversion of Debentures to ordinary voting shares by the Bank without any requirement of approval by the Debentureholders, in compliance with Basel III requirements. Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total par value of the Debentures and Debenture Interest accrued and unpaid as at that date will be permanently converted to ordinary voting shares at the Conversion Price. In the event of any Debentureholder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Company shall settle such sums in cash, based on the Conversion Price of such share.
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 (3) 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.
Trigger Event	: A "Trigger Event" is determined by and at the sole discretion 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 Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 01 of 2016 of Web Based Return Code 20.2.3.1.1.1 (10) (iii) (a and b) as a point/event being the earlier of: (a) "A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Central Bank of Sri Lanka. (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 Central Bank of Sri Lanka".

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1.0 GLOSSARY OF ABBREVIATIONS

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

2.0 DEFINITIONS RELATED TO THE ISSUE

Applicant/s	: Any person who submits an Application Form under this Prospectus.
Application Form/ Application	: The Application Form that constitutes part of this Prospectus through which an Applicant may apply for Debentures.
Basel III	: A Global Regulatory Framework for More Resilient Banks and Banking System, issued by the Basel Committee on Banking Supervision of the Bank for International Settlements in December 2010 (Revised in June 2011).
Conversion Price	: The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share during the Three (3) months period, immediately preceding the date of the Trigger Event.
Date of Allotment	: The date on which the Debentures will be allotted by the Bank to the Applicants subscribing thereto.
Date of Maturity	: On completion of Five (5) years for Type A and B Debentures, on completion of Seven (7) years for Type C and D Debentures and on completion of Ten (10) years for Type E and F Debentures from the Date of Allotment.
Date of Redemption	: The date on which redemption of Debentures will take place as referred to in Section 5.8 of this Prospectus.
Debentureholder	: Any Qualified Investor who is for the time being the holder of the Debentures and includes his/her respective successors in title, executors, administrators or successors in title, as the case may be.
Debentures	: Basel III compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion feature, to be issued pursuant to this Prospectus as morefully described in Section 5.4 of the Prospectus.
Due Date of Interest	: The dates on which the interest payments shall fall due in respect of the Debentures.
Entitlement Date	: The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption, in the event a Trigger Event does not occur.
Final Interest Period	: The period commencing from the date immediately succeeding the interest payment date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (Inclusive of the aforementioned commencement date and end date). Final interest payment date will be Five (5) years for Type A and B Debentures, Seven (7) years for Type C and D Debentures and Ten (10) years for Type E and F Debentures from the Date of Allotment.

2.0 DEFINITIONS RELATED TO THE ISSUE

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).

Type A, C & E Debentures

First Interest Payment Date will be at the expiry of Six (6) months from the Date of Allotment.

Type B, D & F Debentures

First Interest Payment Date will be at the expiry of Twelve (12) months from the Date of Allotment.

Interest Payment Date/s : **Type A, C & E 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.

Type B, D & F Debentures

At the expiry of Twelve (12) months from the Date of Allotment 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 Twelve (12) months from the Date of Allotment.

Interest would be paid not later than Three (3) Working Days from the date on which interest becomes due.

Interest Period : **Type A, C & E Debentures**

The Six (6) month period commencing from the date immediately succeeding a particular Interest Payment Date, and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).

Type B, D & F Debentures

The Twelve (12) month period commencing from the date immediately succeeding a particular Interest Payment Date, and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).

2.0 DEFINITIONS RELATED TO THE ISSUE

Issue/ Debenture Issue : The offer of Debentures pursuant to this Prospectus.

Issue Closing Date : Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30 a.m. on July 02, 2024 and shall remain open for 14 Market Days until closure at 4.30 p.m. on July 19, 2024.

The subscription list will be closed on an earlier date with notification to the CSE on the occurrence of any of the following events:

- The maximum of 200,000,000 Debentures being fully subscribed; or
- The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 100,000,000 Debentures becoming fully subscribed;
- The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 100,000,000 Debentures and the second tranche 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 upto 50,000,000 Debentures (on the initial issue of 100,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the second tranche of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

In the event the Board of Directors of the Bank decides to exercise the option to further issue upto 50,000,000 Debentures (on the initial issue of 100,000,000 Debentures and the second tranche of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the third tranche of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

Issue Opening Date : July 02, 2024
(However, Applications may be submitted forthwith)

Issue Price/ Par Value : LKR 100/- per Debenture.

Market Day : Any day on which the CSE is open for trading.

2.0 DEFINITIONS RELATED TO THE ISSUE

Non-Resident/s	: Any person resident outside Sri Lanka, country funds, regional funds, investment funds and mutual funds established outside Sri Lanka and shall include a non-resident institutional investor.
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Non-Viability Conversion	: In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Central Bank of Sri Lanka (CBSL), there would be a conversion of Debentures to ordinary voting shares by the Bank without any requirement of approval by the Debentureholders, in compliance with Basel III requirements. Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total par value of the Debentures and Debenture Interest accrued and unpaid as at that date will be permanently converted to ordinary voting shares at the Conversion Price. In the event of any Debentureholder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Bank shall settle such sums in cash, based on the Conversion Price of such share.
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Prospectus	: This Prospectus dated June 20, 2024 issued by Commercial Bank of Ceylon PLC.
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Qualified Investors	: As per the CSE Listing Rules Section 2.2.1 n. the Qualified Investors shall include; (a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended). (b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended). (c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund. (d) A venture capital fund/ company and private equity company. (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011 (as amended). (f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended). (g) A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended). (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 07 of 2007. (i) An investment trust or investment company. (j) A non-resident institutional investor. (k) An individual with an initial investment of Rs. 5,000,000.
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2.0 DEFINITIONS RELATED TO THE ISSUE

Redemption	: Repayment of the principal amount due on these Debentures (Refer Section 5.8).
Subordinated	: The claims of the Debentureholders shall, in the event of the winding up of the Bank, rank after all the claims of depositors and holders of senior debt and claims of secured and other unsecured creditors of the Bank and any preferential claims under any statutes governing the Bank but shall rank in priority to and over the claims and rights of the ordinary and preference Shareholders of the Bank, regardless of whether these shares are listed or unlisted, unless there has been an issuance of ordinary voting shares to the Debentureholders upon the occurrence of a Trigger Event in which case a Debentureholder would cease to be a Debentureholder and become an ordinary voting shareholder of the Bank to the extent of such issuance.
Tier 2	: Tier 2 Capital includes qualifying Tier 2 capital instruments, revaluation gains approved by CBSL and 100% of the Stage 1 and 50% of the Stage 2 impairment provisions subject to a maximum of 1.25% of the on-balance sheet credit risk exposure of the Bank.
Trigger Event	: A “Trigger Event” is determined by and at the sole discretion of the Central Bank of Sri Lanka, and is defined in the Banking Act Directions No. 01 of 2016 of Web Based Return Code 20.2.3.1.1.1.(10) (iii) (a and b) as a point/ event being the earlier of: (a) “A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Central Bank of Sri Lanka. (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 Central Bank of Sri Lanka”.
Trust Deed	: Trust Deed executed between the Bank and Bank of Ceylon on May 30, 2024.
Trustee	: Bank of Ceylon
Unsecured	: Repayment of the principal sum and payment of interest on the Debentures are not secured by a charge on any assets of the Bank.
Volume Weighted Average Price (VWAP)	: The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange.
Working Day	: Any day (other than a Saturday or a Sunday or any statutory holiday) on which the banks are open for business in Sri Lanka.

3.0 CORPORATE INFORMATION

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

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 2 486 492
+94 (0) 11 2 486 489
+94 (0) 11 2 486 499
Fax : +94 (0) 11 2 335 385

Registrars to the Issue : M/s SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka
Tel : +94 (0) 11 2 573 894
Fax : +94 (0) 11 2 573 609

Lawyers to the Issue : M/s Nithya Partners
97A, Galle Road, Colombo 3,
Sri Lanka.
Tel : +94 (0) 114 712 625
+94 (0) 112 335 908
Fax : +94 (0) 112 328 817

Bankers to the Issue : Commercial Bank of Ceylon PLC
“Commercial House”
No. 21, Sir Razik Fareed Mawatha,
P.O. Box 856, Colombo 01, Sri Lanka.
Tel : +94 (0) 11 2 486 494/6
Fax : +94 (0)11 2 335 385

Rating Agency to the Issue : Fitch Ratings Lanka Limited
No. 15-2, East Tower, World Trade Centre
Colombo 01, Sri Lanka.
Tel : +94 (0) 11 2 541 900

Trustees to the Issue : Bank of Ceylon
11th Floor, Head Office
BOC Square,
No. 1, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka
Tel : +94 (0) 11 2 448 348
+94 (0) 11 2 394 311
Fax : +94 (0) 11 2 346 842

Auditors and Reporting Accountants : KPMG
Chartered Accountants,
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186, Colombo 03, Sri Lanka
Tel : +94 (0) 11 5 426 426
Fax : +94 (0) 11 2 445 872

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 passed at a meeting held on January 30, 2024 resolved to raise a sum of Rupees Ten Billion (LKR 10,000,000,000/-) from Qualified Investors by an initial issue of One Hundred Million (100,000,000) 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 oversubscription of the initial issue and with a further 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 oversubscription of the initial issue and the second tranche.

As such, a maximum amount of Rupees Twenty Billion (LKR 20,000,000,000/-) will be raised by issuing a maximum of Two Hundred Million (200,000,000) 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, B, C, D, E and F) which shall rank equal and *pari passu* with each other, apart from interest rate, interest period and tenure without any preference or priority of any one over the others (Please refer Sections 5.4 and 5.5 for further details regarding the Debentures).

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

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

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

5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Debentures pursuant to this Prospectus will open at 9.30 a.m. on July 02, 2024 and shall remain open for 14 Market Days (including the Issue Opening Date) until closure at 4.30 p.m. on July 19, 2024.

The subscription list will be closed prior to July 19, 2024 at 4.30 p.m. with notification to the CSE on the occurrence of the following:

- (a) The maximum of 200,000,000 Debentures being fully subscribed; or
- (b) The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 100,000,000 Debentures becoming fully subscribed;
- (c) The Board of Directors of the Bank deciding to close the Issue upon the initial issue of 100,000,000 Debentures and the second tranche of 50,000,000 Debentures becoming fully subscribed.

5.0 PRINCIPAL FEATURES OF THE ISSUE

In the event the Board of Directors of the Bank decides to exercise the option to further issue upto 50,000,000 Debentures (on the initial issue of 100,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the second tranche of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

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 100,000,000 Debentures and the second tranche of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list upon part of the third tranche of 50,000,000 Debentures becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed at 4.30 p.m. on the following Market Day.

5.3 OBJECTIVES OF THE ISSUE

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

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

Current CAR position of the Bank as at 31.03.2024		14.873%
Minimum CAR requirement to be maintained as at 31.03.2024 as per the Banking Act Direction No. 01 of 2016		14.000%
Expected CAR position, subsequent to the Basel III compliant Debenture Issue	As at 31.03.2024 with Rs. 10 Bn	15.469%
	As at 31.03.2024 with Rs. 15 Bn	15.765%
	As at 31.03.2024 with Rs. 20 Bn	16.058%

Proposed Rights Issue

Pursuant to Section 5.2 (b) of the Listing Rules of the Colombo Stock Exchange, the Board of Directors of the Bank at the meeting held on May 28, 2024 has resolved to recommend a Rights Issue for approval of the Shareholders. The Rights Issue is subject to the CSE approving in principle and listing of shares and obtaining Shareholder approval at an Extraordinary General Meeting on a date to be decided in due course. If Employee Share Option Plan (ESOP) options are exercised by employees, the number of Ordinary Voting Shares mentioned below will be increased accordingly.

The details of the Rights Issue are as follows:-

	Ordinary Voting Shares	Ordinary Non-Voting Shares
Current Stated Capital of the Bank as at May 22, 2024 is Rs. 65,246,747,441.45	Consisting of 1,260,412,247 shares	Consisting of 79,238,482 shares
Proportion in which new shares are to be issued under the Rights Issue	1 new share for every existing 5 shares held	1 new share for every existing 5 shares held
Number of new shares to be issued	252,082,449	15,847,696
The consideration for which the shares are to be issued	Rs. 85.00 per share	Rs. 69.00 per share
Amount to be raised through the Rights Issue	Rs. 21,427,008,165	Rs. 1,093,491,024
Purpose of the Rights Issue	To increase the Tier 1 and the total Capital of the Bank in order to accommodate and facilitate future business growth	

5.0 PRINCIPAL FEATURES OF THE ISSUE

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

Current CAR position of the Bank as at 31.03.2024		14.873%
Minimum CAR requirement to be maintained as at 31.03.2024 as per the Banking Act Direction No. 01 of 2016		14.000%
Expected CAR position, subsequent to and if the Rights Issue is fully subscribed, and the Basel III compliant Debenture Issue	As at 31.03.2024 with Rs. 10 Bn	16.783%
	As at 31.03.2024 with Rs. 15 Bn	17.069%
	As at 31.03.2024 with Rs. 20 Bn	17.354%

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

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

- (b) Since the Debentures proposed to be issued are of a medium to long term nature, being of tenures of 5, 7 and 10 years, the raising of funds through Debentures can be expected to reduce the maturity mismatches between shorter term liabilities and medium to long term assets.
- (c) The Bank intends to lend the proceeds of the Debenture Issue, and thereby expand the Bank's loan book in the ordinary course of business over a period of Twelve (12) months, such period commencing from the Date of Allotment of the Debentures, as the Bank has budgeted an ambitious growth in advances. Until full disbursement of the Debenture proceeds, the funds raised through the Debenture Issue will be invested in Treasury Bills. Such investments in Treasury Bills are expected to generate an average return of 9% p.a. at current market rates.

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilisation as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested (eg: whether lent to related party/s etc.)
1.	Improve the Tier 2 capital base thus, increasing the Capital Adequacy Ratio (CAR)	20.0 Bn	Subsequent to the allotment of Debentures	20.0 Bn	100%			To be disclosed in the Annual Report and the Interim Financial Statements
2.	Reduce maturity gaps in the Assets and Liabilities of the Bank		Subsequent to the allotment of Debentures	20.0 Bn	100%			
3.	Expand the lending portfolio		Within 12 months from date of receipt of cash flows	20.0 Bn	100%			

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

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

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

No shareholder approval will be required for financing the expansion of the lending portfolio and/or the investment in Treasury Bills 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 transactions will be carried out in accordance with Section 9 of the CSE Listing Rules.

As per the CSE Listing Rules Section 2.2.1 (I), the Bank has obtained shareholder approval on March 28, 2024 by way of a special resolution, for the issuance of the Debentures.

Furthermore, allotment and issue of new Ordinary Voting Shares by the Bank to the Debentureholders in the case of a Trigger Event which warrants such a conversion of Debentures to Ordinary Voting Shares has been approved by:

- (i) the ordinary voting shareholders by way of an ordinary resolution pursuant to Article 9 A of the Articles of Association of the Bank; and
- (ii) the ordinary voting shareholders and ordinary non-voting shareholders by way of a special resolution pursuant to Article 10 of the Articles of Association of the Bank.

5.0 PRINCIPAL FEATURES OF THE ISSUE

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 proposed issue does not constitute a major transaction for the Bank as defined in Section 185 of the Companies Act No. 07 of 2007 (as amended).

RISKS RELATED TO ACHIEVING THE OBJECTIVES OF THE ISSUE

The funds raised through the Debenture Issue will be utilised to finance the growth in 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 as the case may be.

The Bank has a pool of funds to finance loan disbursements, mainly raised through deposits, which stood at Rs. 2,083 Bn as at the end of March 31, 2024. Therefore, given the quantum of the deposit portfolio, the dependency on the debenture proceeds to grow the lending portfolio of the Bank is relatively marginal.

Total gross loans and advances for the period ended March 31, 2024 was Rs. 1,287 Bn. The Bank has recorded an increase in gross loans and advances by Rs. 21 Bn during the three (3) months ended March 31, 2024. The Bank's average monthly disbursements for the quarter ended March 31, 2024 stood at Rs. 39 Bn whereas for the quarter ended December 31, 2023 it was Rs. 47 Bn. Therefore, with the expected favourable macroeconomic developments and revival of economic activities, it is unlikely that the Bank would not be able to lend the Debenture proceeds within a period of twelve (12) months.

5.4 DEBENTURE TYPES

TYPE A

Fixed interest rate of Twelve decimal Six Zero per centum (12.60%) p.a. (AER 13.00%) 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 Thirteen per centum (13.00%) p.a. (AER 13.00%) payable 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 C

Fixed interest rate of Twelve decimal Eight Five per centum (12.85%) p.a. (AER 13.26%) payable semi-annually from the Date of Allotment until the expiry of Seven (7) years from the Date of Allotment on the principal sum of Debentures.

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

TYPE D

Fixed interest rate of Thirteen decimal Two Five per centum (13.25%) p.a. (AER 13.25%) payable annually from the Date of Allotment until the expiry of Seven (7) years from the Date of Allotment on the principal sum of Debentures.

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

TYPE E

Fixed interest rate of Thirteen per centum (13.00%) p.a. (AER 13.42%) 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.

TYPE F

Fixed interest rate of Thirteen decimal Five Zero per centum (13.50%) p.a. (AER 13.50%) payable 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.

5.5 INTEREST

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

Type 'A'	Interest on Debentures will be paid at a fixed rate of 12.60% per annum (AER 13.00%) 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 (3) Working Days from the Date of Redemption/ Maturity.
Type 'B'	Interest on Debentures will be paid at a fixed rate of 13.00% per annum (AER 13.00%) on the principal sum 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 (3) Working Days from the Date of Redemption/ Maturity.
Type 'C'	Interest on Debentures will be paid at a fixed rate of 12.85% per annum (AER 13.26%) 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 (3) Working Days from the Date of Redemption/ Maturity.
Type 'D'	Interest on Debentures will be paid at a fixed rate of 13.25% per annum (AER 13.25%) on the principal sum 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 (3) Working Days from the Date of Redemption/ Maturity.
Type 'E'	Interest on Debentures will be paid at a fixed rate of 13.00% per annum (AER 13.42%) 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 (3) Working Days from the Date of Redemption/ Maturity.
Type 'F'	Interest on Debentures will be paid at a fixed rate of 13.50% per annum (AER 13.50%) on the principal sum 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 (3) Working Days from the Date of Redemption/ Maturity.

Interest calculation on the Debentures for a particular Interest Period shall be based upon the actual number of days in such Interest Period (actual/actual). Interest payment will be made not later than Three (3) Working Days from the date on which interest becomes due.

5.0 PRINCIPAL FEATURES OF THE ISSUE

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

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

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

In the event of an occurrence of a Trigger Event, as determined by the CBSL, the Bank shall be required and entitled to issue and allot within Twenty (20) days, ordinary voting shares of the Bank ranking equal and *pari passu* with the existing ordinary voting shares, to the Debentureholders up to the outstanding balance of such Debentures, including the total par value of the Debentures and the Debenture interest. As such, upon the issuance of ordinary voting shares to the Debentureholders, as stated above, no interest will accrue 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 Debentureholders only as of the Entitlement Date.

The interest as at the Interest Payment Dates and the principal as at respective Date of Maturity will be paid through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka to a bank account of the Debentureholder which has been provided to the CDS by the Applicants, such as SLIPS and RTGS if accurate bank details have been provided to the CDS, or in the event accurate bank details have not been provided by crossed cheque marked 'Account Payee Only' posted under registered cover to the addresses provided by the Debentureholders to the CDS at the risk of the Debentureholders not later than Three (3) Working Days thereon.

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

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

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.7 TAXES WITH REGARD TO INTEREST PAYMENT ON LISTED DEBENTURES

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

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

5.8 REDEMPTION

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

The Debentureholders shall not have any right or option to call for redemption of the Debentures before the Date of Redemption of such Debentures.

These Debentures will not be redeemed by the Bank prior to maturity for any reason whatsoever except the occurrence of an Event of Default as contemplated in Clause 10.1 of the Trust Deed. Repayment before maturity of the principal sum on a Debenture in any circumstance shall be subject to the prior written approval of the CBSL and the approval of 3/4th of the Debentureholders of each Type in nominal value of the Debentures outstanding when the principal sum is repaid before maturity.

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

Trigger Event

A "Trigger Event" is determined by and at the sole discretion of the 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 Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 01 of 2016 of Web Based Return Code 20.2.3.1.1.1.(10) (iii) (a and b) as a point/event being the earlier of:

- (a) "A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Central Bank of Sri Lanka.
- (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 Central Bank of Sri Lanka".

5.0 PRINCIPAL FEATURES OF THE ISSUE

Conversion Ratio

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

Conversion and Trigger

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

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

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

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

DILUTION OF SHAREHOLDING UPON A CONVERSION OF DEBENTURES

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

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

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

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

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

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

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

MARKET ANNOUNCEMENT

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

5.9 RATING OF THE DEBENTURES

Fitch Ratings Lanka Limited has assigned a Rating of BBB+ (lka) to the Debentures.

The Bank's rating is A (lka)/ Stable by Fitch Ratings Lanka Limited. The Bank's rating was downgraded to A (lka) from AA-(lka) in January 2023¹.

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

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

5.10 BENEFITS OF INVESTING IN DEBENTURES TO AN INVESTOR

- Provides an opportunity to receive interest income while diversifying the existing investment portfolio.
- Provides an opportunity to earn a regular cash flow of interest payments on a semi-annual basis up to a fixed period of Five (5) years in the case of Type A or Seven (7) years in the case of Type C or Ten (10) years in the case of Type E.
- Provides an opportunity to earn a regular cash flow of interest payments on an annual basis up to a fixed period of Five (5) years in the case of Type B or Seven (7) years in the case of Type D or Ten (10) years in the case of Type F.
- Provides an opportunity to earn a fixed rate of interest from the Debentures.
- 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 providing the investor with an exit option through the CSE thereby bringing liquidity to these Debentures.

¹https://cdn.cse.lk/cmt/announcement_portal_prod/Commercial%20Bank%20-%20Rating%20Review_22267371980548982.pdf

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.11 RIGHTS OF DEBENTUREHOLDERS

(a) Debentureholders are entitled to the following rights:

- Receiving principal at maturity and semi-annual interest or 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, regardless of whether these shares are listed or unlisted, in the event of liquidation, unless a Trigger Event as described in this Prospectus had occurred prior to this event.
- Calling and attending meetings of Debentureholders as set out in the Trust Deed.
- Receiving a copy of the Annual Report within 5 months from the financial year end.

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

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

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

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

5.12 OBLIGATIONS OF DEBENTUREHOLDERS

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

5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

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

Interest Rate Risk

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

Price Risk

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

Re-investment Risk

The Commercial Bank Debentures will pay interest on a semi-annual basis for Type A, C and E Debentures and on an annual basis for Type B, D and F Debentures. The investor may decide to re-invest this interest payment and earn interest thereon. Depending on the prevailing interest rates in the market, the interest rates at which Debentureholders could reinvest such interest income may be higher or lower than the return the 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 A (Ika)/ Stable (Issuer Rating) by Fitch Ratings Lanka Ltd.

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

Liquidity Risk

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

Duration Risk

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

Winding Up

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

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

ADDITIONAL RISKS OF DEBENTURES DUE TO NON-VIABILITY CONVERSION FEATURE

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

Potential Qualified Investors in these Debentures should have:

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

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 unsubordinated creditors. If the Bank does not have sufficient assets to settle claims of such creditors in full, the claims of the holders of the Debentures will not be settled and, as a result, the holders will lose the entire amount of their investment in the Debentures. The Debentures will share equally in payment with claims under other subordinated indebtedness if the Bank does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, holders could lose all or part of their investment.

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

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

(a) Conversion risk

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

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

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

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

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

(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 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 Voting 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 Voting 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 Voting Shares ranking *pari passu* with all other existing Ordinary Voting 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 Trigger Event, a holder of Debentures will become a holder of Ordinary Voting 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 Trigger Event, as holders of Ordinary Voting Shares investors may receive substantially less than what they might have received had the Debentures not been converted into Ordinary Voting Shares.

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

In the absence of an Event of Default (which shall occur upon the commencement of any action/proceeding against the Bank on the grounds of liquidation, bankruptcy, insolvency or receivership or upon an order being made or a resolution being passed for the winding up of the Bank), 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 CBSL determines the Trigger Event and effects a conversion after considering the other bail-in alternatives available to the Bank. Further, Banking (Special Provisions) Act No. 17 of 2023 and Part VII (A) and Part VIII of the Banking Act No. 30 of 1988 (as amended) specify certain events upon which the CBSL can exercise its resolution mechanism. In view of the above, based on the statutory authority of the CBSL, CBSL retains full discretion to choose or not to choose to trigger for Non-Viability as has been provided for in the Banking Act Directions 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 judgment, circumstances relating to the basis of the rating, such as adverse changes to the Bank's business, so warrant. If the rating agency lowers or withdraws its rating, such event could reduce the liquidity or market value of the Debentures. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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

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

PORTFOLIO RISK RESULTING FROM THE MACROECONOMIC ENVIRONMENT

The Bank performed a comprehensive assessment of individually significant customers as at March 31, 2024, and based on the assessment, those customers who have been impaired due to an increased credit risk were moved from Stage 1 to Stage 2 or Stage 3 based on the higher credit risk, as applicable. The Bank continued to review the key assumptions used in the impairment computation against individually significant customers classified under Stages 2 and 3 during the period ending March 31, 2024. Key assumptions such as security realisation period, and factors used to determine the security valuation were continuously monitored in relation to customers who have been affected by the economic downturn and accordingly additional impairment provisions were recognized.

5.0 PRINCIPAL FEATURES OF THE ISSUE

Further, the Bank continued to apply all other prudent assumptions used in 2023, during 2024 as well. The Bank also continued to recognize additional impairment provisions by way of management overlays for facilities in the risk elevated industries during the year 2024.

The Bank reclassified bulk of its Treasury Bond Portfolio amounting to Rs. 197.08 Bn, majority of Sri Lanka Development Bond (SLDB) portfolio amounting to Rs. 55.47 Bn, (USD 152.19 Mn) and entire Sri Lanka Sovereign Bond (SLSB) portfolio amounting to Rs. 39.60 Bn, (USD 108.63 Mn) from Fair Value Through Other Comprehensive Income (FVOCI) category to Amortised Cost category, with effect from April 1, 2022, in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio due to unprecedented changes in the macroeconomic conditions. The fair value of the debt portfolio reclassified on April 1, 2022, and remaining as at March 31, 2024 amounted to Rs. 156.80 Bn, and the cumulative fair value loss thereon amounted to Rs. 18.04 Bn, (Net of tax Rs. 12.63 Bn).

DISCUSSION OF CURRENT MACROECONOMIC CONDITIONS IN RELATION TO THE DEBENTURE ISSUE

The current macroeconomic conditions of the country can be considered to have improved relative to the conditions that prevailed in 2022, largely owing to implementation of corrective measures. The expected relative easing of economic conditions as evidenced by a reduction in interest rates, can be expected to increase demand for lending in the economy, thereby potentially resulting in a faster utilization of Debenture proceeds in lending activities.

5.14 TRANSFER OF THE DEBENTURES

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

5.0 PRINCIPAL FEATURES OF THE ISSUE

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 Trading Participant in respect of the number of Debentures allotted on Applications bearing the stamp of such Trading Participant.

5.17 COST OF THE ISSUE

The Board of Directors estimates that the total Cost of the Issue including brokerage, printing, advertising, and other costs connected with the Issue will be approximately LKR 110 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 undersubscribed, the Applicants will be allotted in full and the quantum of the funds generated from the Issue will be utilized for purposes detailed in Section 5.3 of this Prospectus. In the event the Issue is undersubscribed, the Bank will use its other sources of funds including the internally generated funds, to achieve the specified objectives.

5.19 PROSPECTUS AND APPLICATION FORMS

Copies of the Prospectus and the Application Forms may be obtained free of charge from the collection points listed in Annexure B from Seven (7) Market Days prior to the date of opening of the subscription list. The Prospectus and the Application Forms may also be downloaded from the websites of the CSE and the Bank, viz. www.cse.lk and www.combank.lk respectively.

5.20 TRUSTEE TO DEBENTUREHOLDERS

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

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

6.0 PROCEDURE FOR APPLICATION

6.1 WHO CAN APPLY

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

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

The Bank will comply with the Foreign Exchange Act No. 12 of 2017 and all regulations published thereunder including those contained in the Government Gazette (Extraordinary) No. 2213/35 on February 3, 2021, Government Gazette (Extraordinary) No. 2235/22 dated July 6, 2021, and all other regulations and directions published thereunder when issuing and transferring Debentures to Non-Residents.

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

6.2 HOW TO APPLY

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

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

Applications that do not strictly conform to such instructions and the other conditions set out below or which are illegible or incomplete may be rejected.
- (ii) Applicants who wish to apply for all types of Debentures should apply under separate Application Forms for each type of Debentures they wish to apply for.

6.0 PROCEDURE FOR APPLICATION

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

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

- (iv) Applications should be made for a minimum of One Hundred (100) Debentures other than in the case of individual Qualified Investors. The minimum subscription requirement applicable for an individual Qualified Investor applying for Basel III Compliant Debt Securities shall be Rupees Five Million (Rs. 5,000,000/-). Applications exceeding the minimum subscription requirement should be in multiples of Rupees Ten Thousand (LKR 10,000/-) or One Hundred (100) Debentures. Applications for less than 100 Debentures and that are for less than the minimum subscription requirement for individual Qualified Investors will be rejected.
- (v) Multiple Applications for the same type of Debentures will not be entertained. Separate Applications can be made for Debenture Types A, B, C, D, E and F by the same Applicant. The Issuer reserves the right to reject suspected multiple Applications for any type of Debenture.
- (vi) Joint Applications may be made. An Applicant of a joint Application will not be eligible to send a separate Application individually or jointly applying for the same type of Debentures. Such Applicants are also deemed to have made multiple Applications and will be rejected. Only One (01) Application should be made for the benefit of any person or corporate body. In the case of joint Applications, the refund cheque (if any), interest payment and the redemption cheque will be drawn in favour of the First Applicant identified in the Application Form.

The Bank shall not be bound to register more than Three (3) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member).

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

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

6.0 PROCEDURE FOR APPLICATION

- (xi) Remittance of Funds for the investments in Debentures and the payment for Debentures by Non-Residents should be routed through an Inward Investment Account ('IIA') [formerly known as Securities Investment Accounts] of the Non-Residents opened and maintained in any designated foreign currency or Sri Lanka Rupees in a Licensed Commercial Bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange of the CBSL in that regard to Licensed Commercial Banks. An endorsement by way of a letter by the Licensed Commercial Bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/RTGS has been made out of the funds available in the IIA.
- (xii) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.
- (xiii) As per the Foreign Account Tax Compliance Act ("FATCA") "U.S. Persons" must provide the duly completed declaration as per the specimen given in Annexure D together with the Application Form. Under the provisions of FATCA, "U.S. Persons" include:
- U.S. Citizens (including an individual born in U.S. but resident in another country who has not renounced U.S. citizenship)
 - A lawful citizen of the U.S. (including Green Card holders)
 - A person residing in the U.S.
 - A person who spends certain number of days in the U.S. each year (more than 183 days)
 - U.S. Corporations, estates and trusts
 - Any entity that has a linkage or ownership to U.S. or U.S. territories
 - Non-U.S. entities that have at least one U.S. Person as a "substantial beneficial owner"
- (xiv) Applicants who wish to apply through their margin trading accounts should submit the Application in the name of the "Margin Provider/Applicants name" signed by the margin provider. If the Applicant wishes the Debentures to be deposited in the CDS margin trading account, the relevant CDS account number relating to the margin trading account should be indicated in the space provided in the Application Form. A copy of the margin trading agreement must be submitted along with the Application.

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

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

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

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

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

6.0 PROCEDURE FOR APPLICATION

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

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

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

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

Application Forms duly completed filled in accordance with the instructions thereof, together with the remittance (cheque, bank draft, bank guarantees, electronic fund transfer confirmations) for full amount payable on Application should be enclosed in a sealed envelope marked "Commercial Bank of Ceylon PLC – Debenture Issue 2024" on the top left-hand corner and be addressed to the Registrars to the Issue (the address of which is stated below) and dispatched by post or courier or delivered by hand to either the Registrars to the Issue or the collection points set out in Annexure B.

Registrars to the Issue

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

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

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

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

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

6.0 PROCEDURE FOR APPLICATION

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 (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.

6.4 MODE OF PAYMENT

Subject to 6.2 above, payment should be made separately in respect of each Application either by RTGS transfer directed through any Licensed Commercial Bank operating in Sri Lanka or an internal fund transfer within Commercial Bank of Ceylon PLC or Cheques/ Bank Drafts or Bank Guarantees drawn upon 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 RTGS transfer drawn upon any Licensed Commercial Bank operating in Sri Lanka or an internal fund transfer within Commercial Bank of Ceylon PLC or a bank draft or a cheque. Cheques or bank drafts should be payable to “Commercial Bank of Ceylon PLC – Debenture Issue 2024” 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;
- RTGS transfer or an internal fund transfer within Commercial Bank of Ceylon PLC with value on the date of the Issue Opening Date;
 - 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/-).

Multiple RTGS or multiple internal fund transfers within Commercial Bank of Ceylon PLC or multiple cheques or multiple bank drafts will not be accepted for Application values below Sri Lanka Rupees One Hundred Million (Rs. 100,000,000/-).

- (c) Cheques or bank drafts should be payable to “Commercial Bank of Ceylon PLC – Debenture Issue 2024” 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 2024” in a manner acceptable to the Bank, and be valid for a minimum of One (1) month from the Issue Opening Date [i.e. (July 02, 2024)]. Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

6.0 PROCEDURE FOR APPLICATION

In case of RTGS transfers or internal fund transfers within Commercial Bank of Ceylon PLC, such transfer should be made to the credit of “Commercial Bank of Ceylon PLC – Debenture Issue 2024” bearing account number 1000772300 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 2024’ bearing account number 1000772300 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 or internal fund transfers within Commercial Bank of Ceylon PLC, an interest rate of 8.00% 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 or internal fund transfers within Commercial Bank of Ceylon PLC are not realised before 4.30 p.m. of the Issue Closing Date.

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

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

6.0 PROCEDURE FOR APPLICATION

6.5 REJECTION OF APPLICATIONS

Application Forms and the accompanying RTGS transfers or internal fund transfers within Commercial Bank of Ceylon PLC/ cheques/ bank drafts or bank guarantees 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, which is accompanied by a CEFTS or SLIPS transfer will be rejected, due to the complexity of reconciliation.

Any Application Form, which is accompanied by a cheque/ bank draft or bank guarantee, where there is a discrepancy in the amount payable and the amount specified in the cheque/ bank draft or bank guarantee will be rejected.

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

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

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

Any Application Form with more than Three (3) natural persons as joint Applicants for Debentures will be rejected.

All Applications delivered by hand should reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Issue Closing Date. If cheques are not realized within Two (2) Market Days of the Issue Closing Date, such Applications may be rejected in order to facilitate the completion of the allotment.

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

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

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

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

6.0 PROCEDURE FOR APPLICATION

6.6 BANKING OF PAYMENTS

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

6.7 BASIS OF ALLOTMENT

- (i) The Bank reserves the right to refuse/reject any Application or to accept any Application in part only, without assigning any reason thereto.
- (ii) In the event of an oversubscription, the basis of allotment will be decided by the Board of Directors of the Bank in a fair manner and notified to the CSE. The successful Applicants will be notified about their allotment within Ten (10) Market Days from the Issue Closing Date. The Board reserves the right to allocate up to 75% of the Issue value on a preferential basis, to identified institutional Qualified Investors of strategic importance to the Bank.
- (iii) Cheques received by post with Applications up to the day succeeding the Issue Closing Date will be banked, provided that such cheques and Applications are received prior to 4.30 p.m. on the day succeeding the Issue Closing Date.
- (iv) The Bank reserves the right to reject all cheques, which are not realized on first presentation.
- (v) Cheques received with the Applications on the day the Issue is fully subscribed and/or the day the Issue is closed also shall be banked and upon realization the Applicants may be allotted with Debentures in the same manner along with the Applicants whose Applications were received prior to such date. However, if cheques are not realized on first presentation after the closing of the Issue, such Applications may be rejected in order to facilitate the completion of the allotments.
- (vi) Unsuccessful Applicants

In the event an Application is accepted only in part, the balance of the monies received on Application will be refunded. Refunds on Debentures that have not been allotted either in full or part will be made on or before the expiry of Eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. Applicants would be entitled to receive interest at the last quoted AWPLR published by the CBSL plus 5%, on any refunds not made by the expiry of the above mentioned period.

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

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

6.0 PROCEDURE FOR APPLICATION

6.8 REFUND OF PAYMENTS AND DEPOSITS TO THE CDS

In the event an Application is accepted only in part, the balance of the monies received on Application will be refunded. Refunds on rejected Applications or partly allotted Debentures will be made on or before the expiry of Eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. Applicants would be entitled to receive interest at the last quoted AWPLR published by the CBSL plus 5%, on any refunds not made by the expiry of the above mentioned period.

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

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

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

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

Direct deposits to the CDS accounts will be made before the expiry of Twelve (12) Market Days from the Issue Closing Date. A written confirmation in this regard will be sent to the Qualified Investors within Two (2) Market Days of crediting the CDS Accounts.

6.9 DIRECT LODGMENT WITH THE CDS AND SECONDARY MARKET TRADING

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

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

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

The Debentures shall be listed on or before the Third (3) Market Day from the receipt of the "Declaration" by the CSE.

7.0 THE BANK

7.1 OVERVIEW OF THE BANK

Commercial Bank operates a network of over 270 branches and over 950 automated machines in Sri Lanka. The Bank has won multiple awards as Sri Lanka's Best Bank, Best Trade Bank, Strongest Bank, Most Respected Bank, Most Responsible Bank from a number of local and international institutions and publications over several years.

Commercial Bank ranks 1st in terms of the Market Capitalization among all listed banks in Sri Lanka, pursuant to an analysis carried out by the Bank based on the information published in "CSE Daily" by the Colombo Stock Exchange on June 14, 2024.

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

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

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

Commercial Bank's overseas operations encompass Bangladesh, where the Bank operates 20 outlets; Myanmar, where it operates a microfinance company in Nay Pyi Taw; and the Maldives, where the Bank has a fully-fledged Tier 1 Bank with a majority stake.

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, utilizing cutting edge technology and focusing continuously on productivity improvement whilst developing our staff and acquiring necessary expertise to expand locally and regionally.

7.0 THE BANK

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) ("Banking Act").
- (b) Off-shore banking business as detailed in part IV of the said Banking Act.

Licenses to carry out banking business do not have a date of expiry. The license fee is however payable on an annual basis.

7.3 BOARD OF DIRECTORS

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

Name	Address	Designation
Mr. S. Muhseen	No.112/6, Barnes Place, Colombo 07.	Chairman Independent/ Non-Executive Director
Mr. R. Senanayake	No. 297 D, Kothalawala, Kaduwela.	Deputy Chairman Independent/ Non-Executive Director
Mr. S. C. U. Manatunge	No. 27, Queen's Road, Colombo 03.	Managing Director/ Chief Executive Officer Non-Independent/ Executive Director
Mr. L. D. Niyangoda	No. 403/10, Samanpura, Kottawa.	Independent/ Non-Executive Director
Ms. N. T. M. S. Cooray	No. 57/4, Ward Place, Colombo 07.	Independent/ Non-Executive Director
Ms. J. Lee	No. 10 West Street, # 29 G, New York, 10004, United States of America.	Independent/ Non-Executive Director
Ms. D. L. T. S. Wijewardena	No. 22, 1st Cross Road, Maradana Road, Hendala.	Independent/ Non-Executive Director
Dr. S. Selliah	No. 114/5, Rosmead Place, Colombo 07.	Independent/ Non-Executive Director
Mr. S. Prabagar	No.153-1/4, Sunset West, Trillium Residencies, Elvitigala Mawatha, Colombo 08.	Chief Operating Officer Non-Independent/ Executive Director
Mr. D. N. L. Fernando	No. 118/2, Pitakanda Road, Kandy	Independent/ Non-Executive Director
Mr. P. M. Kumarasinghe	No. 615/10, Rajagiriya Gardens, Nawala Road, Rajagiriya.	Independent/ Non-Executive Director

7.0 THE BANK

7.4 MAJOR SHAREHOLDINGS AS AT MARCH 31, 2024*

20 largest holders of Ordinary Voting Shares of the Bank:

Name of shareholder	No. of Shares	% of Voting capital
1. DFCC BANK PLC A/C 1	149,777,568	12.11%
2. MR. Y. S. H. I. SILVA	122,327,008	9.89%
3. EMPLOYEES' PROVIDENT FUND	106,485,764	8.61%
4. MR. D. P. PIERIS	95,321,291	7.71%
5. CB NY S/A INTERNATIONAL FINANCE CORPORATION	87,919,750	7.11%
6. SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	62,371,928	5.04%
7. MELSTACORP PLC	51,131,771	4.14%
8. MR. K. D. D. PERERA	45,418,533	3.67%
9. CB NY S/A IFC EMERGING ASIA FUND LP	45,325,490	3.67%
9. CB NY S/A IFC FINANCIAL INSTITUTIONS GROWTH FUND LP	45,325,490	3.67%
11. SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	43,737,539	3.54%
12. EMPLOYEES' TRUST FUND BOARD	19,630,281	1.59%
13. RENUKA HOTELS PLC	16,189,738	1.31%
14. CARGO BOAT DEVELOPMENT COMPANY PLC	11,436,898	0.92%
15. MR. M. J. FERNANDO (DECEASED)	11,109,917	0.90%
16. HALLSVILLE FRONTIER EQUITIES LTD	10,876,310	0.88%
17. RENUKA CONSULTANTS & SERVICES LIMITED	9,821,527	0.79%
18. CITIBANK NEW YORK S/A NORGES BANK ACCOUNT 2	7,302,409	0.59%
19. SEYLAN BANK PLC/ANDARADENIYA ESTATE (PVT) LTD	5,882,457	0.48%
20. MR. A. L. GOONERATNE JOINT WITH MRS. C. GOONERATNE	5,502,209	0.44%

7.0 THE BANK

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

Name of shareholder	No. of Shares	% of Non Voting capital
1. EMPLOYEES' TRUST FUND BOARD	6,036,439	7.78%
2. AKBAR BROTHERS (PVT) LTD A/C NO 1	3,764,303	4.85%
3. GF CAPITAL GLOBAL LIMITED	1,804,646	2.33%
4. MR. M. F. HASHIM	1,401,429	1.81%
5. M.J.F. EXPORTS (PVT) LTD	1,327,409	1.71%
6. EMFI CAPITAL LIMITED	1,269,120	1.64%
7. MRS. L.V.C. SAMARASINHA	1,224,239	1.58%
8. MR. T. W. A. WICKRAMASINGHE JOINT WITH MRS. N. WICKREMASINGHE	1,215,375	1.57%
9. ASSETLINE FINANCE LIMITED/ SUHADA GAS DISTRIBUTORS (PVT) LTD	1,194,582	1.54%
10. JANASHAKTHI INSURANCE PLC – SHAREHOLDERS	1,151,537	1.48%
11. SABOOR CHATOOR (PVT) LTD	1,110,307	1.43%
12. MR. E. CHATOOR	918,991	1.18%
13. MR. R. GAUTAM	849,454	1.09%
14. MR. K. S. M. DE SILVA	814,467	1.05%
15. MR. A. L. GOONERATNE JOINT WITH MRS. C. GOONERATNE	800,396	1.03%
16. MR. J. D. BANDARANAYAKE JOINT WITH MISS. N. BANDARANAYAKE AND DR. V. BANDARANAYAKE	784,297	1.01%
17. MR. J. D. BANDARANAYAKE JOINT WITH DR. V. BANDARANAYAKE & MISS. I. BANDARANAYAKE	764,347	0.99%
18. MR. M. J. FERNANDO (DECEASED)	762,425	0.98%
19. SERENDIP INVESTMENTS LIMITED	707,500	0.91%
20. SWASTIKA MILLS LTD	701,310	0.90%

* The number of shares stated in the tables, is prior to the allotment of first and final scrip dividend for the year ended December 31, 2023. The scrip dividend shares were listed with effect from April 15, 2024.

7.0 THE BANK

7.5 PARTICULARS OF LOAN CAPITAL

Details of Subordinated debentures (fixed rate) in issue as at the date of the Prospectus are given below:

Categories	CSE Listing	Interest payable frequency	Allotment date	Maturity date	Includes a Non-Viability Conversion feature	Balance (Rs. '000) (Unaudited)
2016/2026 – 11.25% p.a.	Listed	Semi Annually	09.03.2016	08.03.2026		1,749,090
2016/2026 – 12.25% p.a.	Listed	Semi Annually	28.10.2016	27.10.2026		1,928,200
2018/2028 – 12.50% p.a.	Listed	Semi Annually	23.07.2018	22.07.2028	√	1,606,160
2021/2026 – 9.00% p.a.	Listed	Semi Annually	21.09.2021	20.09.2026	√	4,237,470
2021/2028 – 9.50% p.a.	Listed	Semi Annually	21.09.2021	20.09.2028	√	4,358,000
2022/2027 – 28.00% p.a.	Listed	Semi Annually	12.12.2022	11.12.2027	√	6,724,680
2022/2029 – 27.00% p.a.	Listed	Semi Annually	12.12.2022	11.12.2029	√	3,263,820
2022/2032 – 22.00% p.a.	Listed	Semi Annually	12.12.2022	11.12.2032	√	11,500
2023/2028 – 14.50% p.a.	Listed	Semi Annually	20.12.2023	19.12.2028	√	2,132,400
2023/2028 – 15.00% p.a.	Listed	Annually	20.12.2023	19.12.2028	√	7,558,090
2023/2030 – 13.75% p.a.	Listed	Semi Annually	20.12.2023	19.12.2030	√	32,980
2023/2030 – 14.25% p.a.	Listed	Annually	20.12.2023	19.12.2030	√	817,760
2023/2033 – 13.50% p.a.	Listed	Semi Annually	20.12.2023	19.12.2033	√	30,840
2023/2033 – 14.00% p.a.	Listed	Annually	20.12.2023	19.12.2033	√	1,427,930

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

The Borrowings of the Bank as at March 31, 2024 are as follows:

Category	Rs. Mn (Unaudited)
Due to banks	24,374
Securities sold under repurchase agreements	98,258
Financial liabilities at amortised cost – other borrowings	12,585
Subordinated liabilities	37,350
Total	172,567

There was no leasing, lease purchase or hire purchase commitments or mortgages or charges on the assets of the Bank as at March 31, 2024.

DETAILS OF CONVERTIBLE DEBT SECURITIES

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

7.0 THE BANK

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

CONTINGENT LIABILITIES

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

Contingent liabilities of the Bank as at March 31, 2024:

Category	Rs. Mn (Unaudited)
Guarantees	59,629
Bonds	47,859
Documentary credits and acceptance	107,756
Forward exchange and currency swaps	215,778
Other contingencies	249,853
Total	680,875

DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES

A penalty of Rs. 3.0 Mn has been imposed by the Financial Intelligence Unit of CBSL during the first quarter of 2021 primarily in pursuance of a lapse identified in account opening processes and the maintaining thereof.

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

LITIGATION AGAINST THE BANK

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

Set out below are the unresolved legal claims against the Bank as at June 14, 2024 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. In addition, there are cases filed against the Bank that have not been listed here on the basis of non-materiality to operations.

1. An appeal was filed by the Bank under proceedings number HCALT 405/2014 in the Provincial High Court of the Eastern Province against the order of the Labour Tribunal for payment of compensation and reinstatement in employment of an outsourced office helper. The office helper too filed a case in the Provincial High Court in proceedings number HCALT 404/2014 refusing compensation and asking for reinstatement. The appeal made by the Bank was dismissed and case filed by outsourced office helper was decided in favour of him. The Bank has appealed in the Supreme Court against the judgement of both cases under proceedings number SC/Appeal/203/17 and SC/Appeal/204/17. The Argument of the cases is re-fixed for October 14, 2024.
2. Court action has been initiated by a previous security services provider of the Bank in the High Court under proceedings number 591/17/MR to recover a sum of Rs. 14.874 Mn, being the increment in salaries paid to the workers by the Company, under the Budgetary Relief Allowance of Workers Act No. 4 of 2016. This is fixed for further Trial on November 8, 2024.

7.0 THE BANK

3. Court action has been initiated by the Plaintiff in the Commercial High Court under proceedings number 219/2021/MR to recover a sum of Rs. 463,967,380/97 due on the guarantees issued by the Bank. The applicant of the above guarantees has already obtained an interim injunction in the District Court, Kaduwela Case No. 514/SPL against the Bank preventing the payment of the said guarantees. The matter is fixed for Trial on July 16, 2024.
4. Court action has been initiated by the Plaintiff in the Commercial High Court under proceedings number 222/2021/MR to recover a sum of Rs. 442,519,529/51 due on the guarantees issued by the Bank. The applicant of the above guarantees has already obtained an interim injunction in the Commercial High Court Case No.193/2020/MR against the Bank preventing the payment of the said guarantees. The matter is fixed for pre-trial on July 16, 2024.

7.7 MANAGEMENT AGREEMENTS

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

7.8 STATED CAPITAL

The stated capital of the Bank is as below:

Stated Capital	December 31, 2023	March 31, 2024
Balance (LKR '000)	62,948,003	65,184,125
Number of Ordinary Voting Shares	1,236,525,395	1,236,547,395*
Number of Ordinary Non-Voting Shares	77,595,733	77,595,733*

* The number of shares stated in the table, is prior to the allotment of first and final scrip dividend for the year ended December 31, 2023. The scrip dividend shares were listed with effect from April 15, 2024.

7.9 DETAILS OF MATERIAL CONTRACTS TO THE BANK

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

8.0 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

This Committee currently comprises the following Directors:

Mr. R. Senanayake (Chairman)	Independent/ Non-Executive Director
Mr. L. D. Niyangoda	Independent/ Non-Executive Director
Mr P. M. Kumarasinghe	Independent/ Non-Executive Director
Mr S. C. U. Manatunge (By invitation)	Managing Director/ Chief Executive Officer Non-Independent/ Executive Director
Mr. S. Prabagar (By invitation)	Chief Operating Officer Non-Independent/ Executive Director

9.0 FINANCIAL INFORMATION

9.1 FINANCIAL STATEMENTS AND FINANCIAL SUMMARY

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

- Audited financial statements of the Bank for the financial year ended December 31, 2023.
- Interim financial statements of the Bank for the Three (3) months ended March 31, 2024.
- Summarized financial statements for the five years preceding the date of the application (i.e. for the financial years ending December 31, 2023, 2022, 2021, 2020 & 2019) stating the accounting policies adopted by the entity certified by the Auditors, qualifications carried in any of the Auditors' reports covering the period in question and any material changes in accounting policies during the relevant period.

9.2 FINANCIAL RATIOS OF THE BANK

As at 31st December,	2019	2020	2021	2022	2023	March 31, 2024
Debt/Equity Ratio*	38.97%	35.51%	23.74%	34.02%	16.97%	17.32%
Interest Cover Ratio (Times)**	8.54	10.37	13.18	7.31	8.84	14.70

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

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

9.3 DIVIDEND POLICY

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

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

	2019	2020	2021	2022	2023
Dividend per Share (LKR)*	6.50	6.50	7.50	4.50	6.50

* Including cash and scrip dividends.

10.0 STATUTORY AND OTHER GENERAL INFORMATION

9.4 DEBT SERVICING DETAILS OF THE BANK

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

LKR	2019	2020	2021	2022	2023	March 31, 2024
Gross interest due on						
Debentures	2,725,885,475	2,733,353,654	2,456,469,106	2,659,115,703	4,837,520,239	1,489,542,983
Debenture interest paid on due date	2,725,885,475	2,733,353,654	2,456,469,106	2,659,115,703	4,837,520,239	1,489,542,983
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 (7) Market Days prior to the date of opening of the subscription list (Issue Opening Date), for inspection by the public, until the Date of Maturity of the Debentures during normal working hours at the registered office of the Bank, “Commercial House”, 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka until the date of redemption of the Debentures.

- Articles of Association.
- Trust Deed.
- Material contracts and management agreements or in the case of contracts not reduced into writing a Memorandum giving full particulars thereof.
- Reports, letters, valuations and statements by any expert any part of which is extracted or referred to in the Prospectus.
- The audited accounts of the Entity for each of the Five (5) financial years immediately preceding the publication of the Prospectus, as applicable.

The Prospectus, Trust Deed and Articles of Association of the Bank are also hosted in the Bank’s website, www.combank.lk and the Colombo Stock Exchange website, www.cse.lk from Seven (7) Market Days prior to the Issue Opening Date 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. S. Muhseen	Chairman Independent/ Non-Executive Director	Sgd.
Mr. R. Senanayake	Deputy Chairman Independent/ Non-Executive Director	Sgd.
Mr. S. C. U. Manatunge	Managing Director/ Chief Executive Officer Non-Independent/ Executive Director	Sgd.
Mr. L. D. Niyangoda	Independent/ Non-Executive Director	Sgd.
Ms. N. T. M. S. Cooray	Independent/ Non-Executive Director	Sgd.
Ms. J. Lee	Independent/ Non-Executive Director	Sgd.
Ms. D. L. T. S. Wijewardena	Independent/ Non-Executive Director	Sgd.
Dr. S. Selliah	Independent/ Non-Executive Director	Sgd.
Mr. S. Prabagar	Chief Operating Officer Non-Independent/ Executive Director	Sgd.
Mr. D. N. L. Fernando	Independent/ Non-Executive Director	Sgd.
Mr. P. M. Kumarasinghe	Independent/ Non-Executive Director	Sgd.

10.0 STATUTORY AND OTHER GENERAL INFORMATION

Statutory Declaration by the Managers to the Issue

We, the Investment Banking Unit of Commercial Bank of Ceylon PLC, being the Managers to the Issue of Commercial Bank of Ceylon PLC Debenture Issue 2024, hereby declare and confirm that to the best of our knowledge and belief the Prospectus constitutes full and true disclosure of all material facts about Commercial Bank of Ceylon PLC and the Issue.

Signed by authorized signatories of Commercial Bank of Ceylon PLC, being duly authorized thereto, at Colombo on this date of June 20, 2024.

Signed

Tharinda Jayawardana

Head of Investment Banking & Research

Signed

Asela Wijesiriwardane

Deputy General Manager – Treasury

ANNEXURE A – COPY OF THE RATING CERTIFICATE



RATING ACTION COMMENTARY

Fitch Assigns Commercial Bank of Ceylon's Basel III Subordinated Debt Final 'BBB+(Ika)'

Mon 10 Jun, 2024 - 12:51 AM ET

Fitch Ratings - Colombo - 10 Jun 2024: Fitch Ratings has assigned Commercial Bank of Ceylon PLC's (COMB, A(Ika)/Stable) proposed Sri Lankan rupee-denominated Basel III-compliant subordinated debentures of up to LKR20 billion a final National Long-Term Rating of 'BBB+(Ika)'.

The final rating is the same as the expected rating assigned on 15 February 2024 and follows the receipt of documents conforming to information already received.

KEY RATING DRIVERS

The proposed debentures will mature in five, seven and 10 years and will be listed on the Colombo Stock Exchange. COMB plans to use the proceeds to further strengthen its Tier 2 capital base, reduce maturity mismatches in the balance sheet and support loan growth.

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

COMB's Sri Lankan rupee-denominated subordinated debt is rated two notches below the bank's National Long-Term Rating anchor. This reflects Fitch's baseline notching for loss severity for this type of debt and expectation of poor recoveries. There is no additional notching for non-performance risk, as the notes do not incorporate going-concern loss-absorption features.

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

ANNEXURE A – COPY OF THE RATING CERTIFICATE

becoming non-viable.

Fitch affirmed COMB's National Long-Term Rating on 6 June 2024; see our commentary Fitch Affirms Commercial Bank of Ceylon at 'A(Ika)'; Outlook Stable.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

COMB's subordinated debt would be downgraded if the bank's National Long-Term Rating is downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

COMB's subordinated debt would be upgraded if the bank's National Long-Term Rating is upgraded.

DATE OF RELEVANT COMMITTEE

05 June 2024

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

RATING ACTIONS

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

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

ANNEXURE A – COPY OF THE RATING CERTIFICATE

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Primary Rating Analyst

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Additional information is available on www.fitchratings.com

ANNEXURE A – COPY OF THE RATING CERTIFICATE

PARTICIPATION STATUS

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

APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Bank Rating Criteria (pub. 16 Mar 2024) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

Potential Conflicts Resulting from Revenue Concentrations

ENDORSEMENT STATUS

Commercial Bank of Ceylon PLC

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

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ANNEXURE C – CUSTODIAN BANKS

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Participant Code: SCB
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Citibank N.A.
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Sampath Bank PLC
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Deutsche Bank
Participant Code: DBC
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Union Bank of Colombo PLC
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Hatton National Bank PLC
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Nations Trust Bank PLC
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Hongkong & Shanghai Banking Corp. Ltd.
Participant Code: HSB
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State Bank of India
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Pan Asia Bank
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DFCC Bank PLC
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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..... and Country issued (applicable only to passport holders).....

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

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

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

Date:

.....

Signature/s of Applicants

ANNEXURE E – ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



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The Board of Directors
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30 May 2024

Dear Sirs

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF COMMERCIAL BANK OF CEYLON PLC ("THE BANK")

This report has been prepared for the inclusion in the Prospectus issued in connection with the Public Offer to issue **100,000,000 Basel III compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability conversion feature, of Rs. 100/= each amounting to Rs. 10 Billion, for tenures of 5 years, 7 years, and 10 years, with an option to issue up to a further 50,000,000 debentures amounting to a further Rs. 5 Billion, at the discretion of the Bank, in the event of an oversubscription of the initial issue and with the further option to issue up to a further 50,000,000 debentures amounting to a further Rs. 5 Billion, at the discretion of the Bank, in the event of an oversubscription of the initial issue and the second tranche.**

We have examined the financial statements included in the annual reports of Commercial Bank of Ceylon PLC ("Bank") for the financial years ended 31 December 2019 to 2023. Extracts of these financial statements have been included in the prospectus and report as follows;

1. INCORPORATION

Commercial Bank of Ceylon PLC (the "Bank") is a public quoted company incorporated on 25 June 1969 with limited liability and domiciled in Sri Lanka. The Bank was re-registered under the Companies Act No. 07 of 2007. The registered office of the Bank is situated at "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01. The shares of the Bank have a primary listing on the Colombo Stock Exchange. The unsecured subordinated debentures of the Bank are also listed on the Colombo Stock Exchange.

The Bank does not have an identifiable parent of its own. The Commercial Bank of Ceylon PLC is the ultimate parent of the Group.

The Bank is licensed by the Central Bank of Sri Lanka to conduct banking and related activities and regulated under the Banking Act No. 30 of 1988 and amendments thereto. The principal activities of the Bank are banking and related activities such as deposit acceptance, corporate and retail banking, personal financial services, off shore banking, foreign currency operations, trade services, investment banking, development banking, rural finance, project finance, leasing, issuing of local and international debit and credit cards, internet banking, mobile banking, money remittance facilities, dealing in government securities and treasury-related products, export and domestic factoring, pawning, margin trading, digital banking services, bancassurance and Islamic banking products and services etc.

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Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT K. Somasundaram ACMA(UK)

ANNEXURE E – ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



2. FINANCIAL STATEMENTS

2.1 Five years summary of financial statements

A summary of Statement of Profit or Loss, Statement of Financial Position, of the Bank for the years ended 31 December 2019 to 2023, based on the audited financial statements of the Bank are set out in Annexure I.

Summaries presented for Operating Results, Assets, Liabilities and Shareholders' funds for financial years ended 31 December 2019 to 2023 are based on the financial statements prepared in accordance with SLFRSs and LKASs, effective from 01 January 2012 applied from the date of transition of 01 January 2011 and the amendments there to, which were applicable up to the financial year ended 31 December 2023.

2.2 Audit reports

The financial statements of the Bank for the financial years ended 31 December 2019 to 2023 have been audited by the predecessor auditor. Unqualified audit opinions have been issued for the said financial years by the predecessor auditor.

2.3 Application of accounting standards and accounting policies

The financial statements of the Bank for the financial years ended 31 December 2019 to 2023 complied with and prepared in accordance with Sri Lanka Accounting Standards (commonly referred as "SLFRS"/"LKAS") laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007,

The accounting policies of the Bank are stated in detail in the audited financial statements of the Bank for the year ended 31 December 2023. The adoption of revised/ new accounting standards and a summary of related amendments to the accounting policies of the Bank from financial years ended 31 December 2019 to 2023 are given below.

Financial year	Adoption of revised Accounting Standards, and related changes in Accounting Policies
31 December 2019	<p>The Bank has applied SLFRS 16, which is effective for the annual reporting periods beginning on or after January 1, 2019. The Bank did not early adopt any other accounting standard, interpretation or amendment that had been issued but not effective as at 1 January 2019.</p> <p>SLFRS 16 issued in 2019, superseded LKAS 17, IFRIC 4 on "Determining whether an arrangement contains a Lease", SIC-15 on "Operating Leases – Incentives" and SIC-27 on "Evaluating the substance of transactions involving the legal form of a lease". SLFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognize most leases on the SOFP.</p> <p>The Bank adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application being January 1, 2019. Under this method, the standard was applied retrospectively with the cumulative effect of initially applying the standard at the date of initial application. Due to the adoption of SLFRS 16, deferred tax asset created under LKAS 17 on the liability of straight lining of lease rentals was transferred directly to equity as of January 1, 2019.</p>

ANNEXURE E – ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



	<p>The Bank recognizes a lease liability at the date of initial application for leases previously classified as operating leases applying LKAS 17. The lessee shall measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's IBR at the date of initial application.</p> <p>The Bank recognizes as right-of-use asset at the date of initial application for leases previously classified as operating leases applying LKAS 17. The Bank opted to measure the right-of-use asset at an amount equal to the lease liability, on a lease-by-lease basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the SOFP immediately before the date of initial application.</p>
<p>31 December 2020</p>	<p>The Bank applied following amendments to Accounting Standards, which are effective for annual periods beginning on or after January 1, 2020.</p> <p>Amendments to SLFRS 3: Definition of a Business In November 2018, CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 on "Business Combinations" (SLFRS 3) to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements and added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test.</p> <p>These amendments had no impact on the Financial Statements of the Bank but may impact future periods should the Bank enter into any business combinations.</p> <p>Amendments to LKAS 1 and LKAS 8: Definition of Material In November 2018, CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.'</p> <p>These amendments had no impact on the Financial Statements of, nor and not expected to have any future impact to, the Bank.</p> <p>Amendments to the conceptual framework for financial reporting CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts.</p> <p>These amendments had no impact on the financial statements of the Bank.</p>



<p>31 December 2021</p>	<p>Amendments to SLFRS 16 Leases: COVID-19-Related Rent Concessions beyond June 30, 2021</p> <p>On December 04, 2020, CA Sri Lanka issued COVID-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change was not a lease modification.</p> <p>The amendment was intended to be applied until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, on June 28, 2021, CA Sri Lanka extended the period of application of the practical expedient up to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 01, 2021.</p> <p>Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – (“IBOR reform”)</p> <p>Working Groups in different jurisdictions have recommended robust, alternative Risk-free rates (RFRs) to transition away from existing interbank offered rates (IBORs). The RFR benchmarks are overnight whereas current use of IBOR is largely in term rates.</p> <p><u>IBOR reforms Phase 1</u></p> <p>On January 15, 2021, CA Sri Lanka issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to IBOR reform (Phase 1). A summary of factors considered in Phase 1 amendments are as follows:</p> <ul style="list-style-type: none"> • Highly Probable Requirement • Prospective assessments • LKAS 39 retrospective assessment • Separately identifiable risk components <p><u>IBOR reform Phase 2</u></p> <p>In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to IBOR Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative RFR.</p> <p>'Although the effective date of both IBOR reform Phase 1 and Phase 2 amendments was for annual reporting periods beginning on or after January 01, 2021, in the Sri Lankan context, the regulatory authorities and public and private sector working groups in several jurisdictions have been discussing the alternatives to IBORs.</p>
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	<p>There was no adjustment made in the financial statements of the Bank as at reporting date.</p>
<p>31 December 2022</p>	<p>The Bank applied the following amendments to Accounting Standards, which are effective for annual periods beginning on or after January 1, 2022.</p> <p>Amendments to LKAS 37: Onerous Contracts – Costs of Fulfilling a Contract The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.</p> <p>Amendments to SLFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.</p> <p>These amendments had no impact on the financial statements of the Bank as there were no modifications of the Bank's financial liabilities during the year.</p> <p>Amendments to LKAS 16: Property, Plant and Equipment - Proceeds before intended use. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.</p> <p>These amendments had no impact on the financial statements of the Bank.</p> <p>Amendments to SLFRS 3: Reference to the Conceptual Framework The amendments add an exception to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21, if incurred separately. The exception requires entities to apply the criteria in LKAS 37 or IFRIC 21, respectively, instead of the conceptual framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to SLFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.</p> <p>These amendments had no impact on the financial statements of the Bank as there were no acquisitions took place during the reporting period.</p>



Amendments to SLFRS 1: Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to SLFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

These amendments had no impact on the financial statements of the Bank as it was not a first-time adopter.

Reclassification of Debt portfolio from Fair value through Other Comprehensive Income to Amortized Cost

During the year, the Bank re-classified bulk of its treasury bond portfolio, Majority of Sri Lanka Development Bonds (SLDB) and entire the sovereign bond portfolio in FVOCI category to amortized cost category, with effect from April 01, 2022, as a result of changes to the business model of managing the assets due to unprecedented changes in the macro-economic conditions in line with the guidelines issued by the CA Sri Lanka in the form of Statement of Alternative Treatment (SOAT) on Re-classification of Debt Portfolio as a one off option.

Surcharge tax

As per the Surcharge tax Act No. 14 of 2002, surcharge tax is pertaining to the year of assessment 2020/21. According to the said Act, surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment 2020/21. Since the Act superseded the requirements of Sri Lanka Accounting standards, the surcharge tax expense was accounted for as recommended by the Statement of Alternative Treatment (SOAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka.

The liability arising from the Surcharge Tax Act No. 14 of 2022 has been accounted for recommended by the Statement of Alternative Treatment (SOAT) issued by the Institute of Chartered Accountants of Sri Lanka.

Accordingly, the Bank recognized the total liability to the surcharge tax as an adjustment to the opening retained earnings as at 01 January 2022.



31 December
2023

In these Financial Statements, the Bank applied the following amendments to Accounting Standards, which are effective for annual periods beginning on or after January 1, 2023.

Amendments to “Accounting Policies, Changes in Accounting Estimates and Errors” (LKAS 8): Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

Amendments to “Income Taxes” (LKAS 12): Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements or to the related asset component. This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Amendments to “Presentation of Financial Statements” (LKAS 1): Disclosure of Accounting Policies

Amendments to LKAS 1, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Bank has revisited its accounting policy information disclosures to ensure consistency with the amended requirements.



2. Events after reporting date

There were no significant events occurred after the last audit report date other than mentioned below.

- **Proposed dividends**

The Directors recommended a final dividend of Rs. 6.50 per share which consist of a cash dividend of Rs. 4.50 and a scrip dividend of Rs. 2.00 on both voting and non-voting shares of the Bank which will be applicable to financial year ended 31 December 2023. In accordance with Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period”, the final dividend has not been recognized as a liability as at 31 December 2023.

The final dividend was approved by the shareholders at the Annual General Meeting held on 28th March 2024.

- **Proposed Rights Issue**

The Board of Directors of the Bank at the meeting held on 28th May 2024 has resolved to recommend shareholders a Rights Issue for approval of the shareholders of the Bank. The proposed Rights Issue is subject to the Colombo Stock Exchange approving in principle the issue and listing of shares and obtaining shareholder approval at an Extraordinary General Meeting on a date to be decided in due course. If Employee Share Option Plan ("ESOP") options are exercised by employees, the number of Ordinary Voting Shares mentioned below will be increased, accordingly.

Details of the proposed Rights Issue are as follows:

- Issue of 252,082,449 Voting Shares in the ratio 1 for 5 at a price of 85.00
- Issue of 15,847,696 Non-Voting Shares in the ratio 1 for 5 at an issue price of 69.00
- The Bank expects to raise LKR 21,427,008,165 through the Right Issue of Voting Shares and LKR 1,093,491,024 through the Right Issue of Non-Voting shares

3. Dividends

The Bank had declared the following dividends in respect of ordinary shares for the years ended 31 December 2019 to 31 December 2023.

Year ended. 31 December	Dividend Per Share Rs.
2019	6.50*
2020	6.50**
2021	7.50***
2022	4.50****
2023	6.50*****

* Rs. 4.50/= by way of cash dividend and Rs. 2.00/= by way of a scrip dividend.

** Rs. 4.50/= by way of cash dividend and Rs. 2.00/= by way of a scrip dividend.

*** Rs. 4.50/= by way of a cash dividend/ Rs. 3.00/= by way of a scrip dividend.

**** Rs. 4.50/= by way of a scrip dividend.

***** Rs. 4.50/= by way of a cash dividend/ Rs. 2.00/= by way of a scrip dividend.



4. Restriction on Use

This Report is made solely for the purpose to be used by the Board of Directors of Commercial Bank of Ceylon PLC in the application for the purpose of issuance of Listed, Rated, BASEL III compliant, Tier II, Unsecured Subordinated Redeemable Debentures with a feature for Non-viability Conversion which said debenture issue comprises to issue **100,000,000 Basel III compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability conversion feature, of Rs. 100/= each amounting to Rs. 10 Billion, for tenures of 5 years, 7 years, and 10 years, with an option to issue up to a further 50,000,000 debentures amounting to a further Rs. 5 Billion, at the discretion of the Bank, in the event of an oversubscription of the initial issue and with the further option to issue up to a further 50,000,000 debentures amounting to a further Rs. 5 Billion, at the discretion of the Bank, in the event of an oversubscription of the initial issue and the second tranche.**

This Report should not be used for any other purpose than mentioned above and should not be distributed to or used by parties other than the Bank, as a separate Report. Our Report is not modified in respect of this matter.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'K. P. M. G.', written over a horizontal line.

Chartered Accountants
Colombo

ANNEXURE E – ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS

COMMERCIAL BANK OF CEYLON PLC
Income Statement

Annexure I
Bank

For the year ended 31st December	2019	2020	2021	2022	2023
	Rs 000				
Gross income	148,706,284	149,711,481	160,885,882	275,443,682	335,770,196
Interest income	127,779,540	122,330,386	130,443,030	218,326,576	292,618,360
Less: Interest expense	80,571,268	72,759,045	65,832,418	136,582,546	209,514,795
Net interest income	47,208,272	49,571,341	64,610,612	81,744,030	83,103,565
Fee and commission income	12,406,584	11,268,543	15,410,402	25,463,976	29,704,104
Less: Fee and commission expense	2,117,072	2,012,138	3,658,939	5,972,708	8,145,910
Net fee & commission income	10,289,512	9,256,405	11,751,463	19,491,268	21,558,194
Net gains/(losses) from trading	1,360,858	1,878,086	1,936,007	95,297,450	(12,481,613)
Net gains/(losses) from derecognition of financial assets	1,135,711	6,390,197	3,001,574	276,884	5,060,242
Net other operating income	6,023,591	7,844,269	10,094,869	(3,921,204)	20,869,103
Total operating income	66,017,944	74,940,298	91,394,525	132,888,428	118,109,491
Less: Impairment charges and other losses	11,061,466	21,483,698	24,692,343	71,461,622	38,623,739
Net operating income	54,956,478	53,456,600	66,702,182	61,426,806	79,485,752
Less: Expenses					
Personnel expenses	14,082,659	14,563,999	16,321,317	19,112,546	21,971,734
Depreciation and amortisation	2,754,521	2,989,031	3,178,628	3,563,476	4,283,566
Other operating expenses	8,588,456	7,886,936	9,391,810	12,260,183	16,388,900
Total operating expenses	25,425,636	25,439,966	28,891,755	34,936,205	42,644,200
Operating profit before taxes on financial services	29,530,842	28,016,634	37,810,427	26,490,601	36,841,552
Less: Taxes on financial services	7,191,737	4,505,322	5,809,224	3,892,216	4,961,392
Operating profit before tax & after taxes on financial services	22,339,105	23,511,312	32,001,203	22,598,385	31,880,160
Less: Income tax expense/(reversal)	5,314,138	7,137,823	8,395,152	(371,406)	11,419,198
Profit for the year	17,024,967	16,373,489	23,606,051	22,969,791	20,460,962



ANNEXURE E – ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS

COMMERCIAL BANK OF CEYLON PLC					Annexure I
Statement of Financial Position					
As at 31st December	2019	2020	2021	2022	Bal 202
	Rs 000				
Assets					
Cash and cash equivalents	52,534,730	50,250,627	68,078,076	149,393,611	157,819,287
Balances with Central Banks	39,461,127	110,971,105	52,897,908	66,493,499	52,817,502
Placements with banks	24,527,241	15,938,982	11,584,952	95,899,645	81,344,696
Securities purchased under resale agreements	13,147,534	-	3,000,490	1,517,308	31,148,729
Derivative financial assets	1,830,927	2,636,717	3,245,120	8,345,091	7,226,484
Financial assets recognised through profit or loss - measured at fair value	21,468,033	35,189,471	23,436,123	24,873,057	29,449,653
Financial assets at amortised cost - Loans and advances to banks	757,787	779,705	-	-	-
Financial assets at amortised cost - Loans and advances to other customers	884,645,744	896,845,453	1,014,618,580	1,130,442,579	1,176,359,971
Financial assets at amortised cost - Debt and other financial instruments	101,144,819	292,727,566	369,417,889	725,935,299	649,740,408
Financial assets measured at fair value through other comprehensive income	197,568,330	278,461,369	335,463,338	117,056,240	287,023,009
Investments in subsidiaries	5,011,284	5,808,429	5,808,429	5,808,429	5,808,429
Investments in associate	44,331	44,331	44,331	44,331	44,331
Property, plant and equipment and right-of-use assets	20,507,203	23,212,394	23,075,467	25,425,452	26,257,902
Intangible assets	1,080,010	1,232,863	1,724,864	3,563,120	3,736,504
Deferred tax assets	294,059	2,499,860	9,793,129	30,301,203	34,076,526
Other assets	23,322,247	19,619,149	27,024,475	40,699,168	37,474,448
Total Assets	1,387,345,406	1,736,218,021	1,949,213,171	2,425,798,032	2,580,327,879
Liabilities					
Due to banks	51,505,694	87,451,306	73,777,420	65,130,061	47,274,361
Derivative financial liabilities	1,495,317	1,501,262	2,092,198	2,880,667	2,319,209
Securities sold under repurchase agreements	51,220,023	91,437,612	151,911,842	97,726,435	111,198,516
Financial liabilities at amortised cost - due to depositors	1,053,307,660	1,265,965,918	1,443,093,453	1,914,359,494	2,085,046,149
Financial liabilities at amortised cost - other borrowings	23,248,893	54,555,933	32,587,051	16,150,356	12,756,021
Current tax liabilities	4,967,644	6,777,992	9,294,180	24,475,319	14,951,984
Other liabilities	30,496,709	33,037,669	33,210,883	39,860,573	55,050,477
Due to subsidiaries	54,292	97,015	48,699	115,484	317,221
Subordinated liabilities	37,886,789	38,247,138	38,303,466	61,400,967	36,482,939
Total Liabilities	1,254,183,021	1,579,071,845	1,784,319,192	2,222,099,356	2,365,396,877
Equity					
Stated capital	40,916,958	52,187,747	54,566,957	58,149,621	62,948,003
Reserves					
Statutory reserves	8,205,391	9,024,065	10,204,368	11,352,858	12,375,906
Retained Earnings	5,144,433	7,596,260	9,028,265	5,592,121	8,558,385
Other reserves	78,895,603	88,338,104	91,094,389	128,604,076	131,048,708
Total equity attributable to equity holders of the Bank	133,162,385	157,146,176	164,893,979	203,698,676	214,931,002
Total Liabilities & Equity	1,387,345,406	1,736,218,021	1,949,213,171	2,425,798,032	2,580,327,879
Contingent liabilities and commitments	579,999,273	728,711,698	682,399,783	549,421,699	668,875,778

The above Income Statements and Statements of Financial Position of the Bank have been extracted from the Audited Financial Statements published in the Annual Reports of the Bank.

Signed for and on behalf of the Management by,


L. W. P. Indrajith
Deputy General Manager (Finance)




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



