KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

The Board of Directors
Commercial Bank of Ceylon PLC
Commercial House
No 21, Sir Razik Fareed Mawatha
P.O. Box 856
Colombo 01

08 July 2026

Dear Members of the Board

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

This Report has been prepared for the inclusion in the Prospectus of Commercial Bank of Ceylon PLC (the "Bank") 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 Bn, 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 Bn, at the discretion of the Bank (second tranche), and in the event of an oversubscription of the initial issue and the second tranche with an additional option to issue up to a further 50,000,000 debentures amounting to an additional amount of Rs. 5 Bn, at the discretion of the Bank.**

We have examined the financial statements included in the annual reports of the Bank for the five financial years ended 31 December 2021 to 2025. Extracts of these financial statements have been included in the prospectus and in this Report.

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 and unsecured subordinated green bonds 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 subsequent 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.

KPMG

2. FINANCIAL STATEMENTS

2.1 Five-year summary of financial statements

A summary of Income Statement, Statement of Financial Position, of the Bank for the five years ended 31 December 2021 to 2025, based on the audited annual financial statements of the Bank 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 are set out in Annexure I.

2.2 Audit reports

The financial statements of the Bank for the financial years ended 31 December 2021 to 2023 have been audited by the predecessor auditor. Unqualified audit opinions have been issued for the said financial years by the predecessor auditor. We have audited the financial statements of the Bank for the financial years ended 31 December 2024 and 2025 and have issued Unqualified audit opinions.

2.3 Application of accounting standards and accounting policies

The financial statements of the Bank for the financial years ended 31 December 2021 to 2025 complied with and prepared in accordance with Sri Lanka Accounting Standards (commonly referred as "SLFRS"/ "LKAS").

The accounting policies of the Bank are stated in detail in the annual financial statements (Annual reports) of the Bank for the years ended 31 December 2021 to 2025. 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 2021 to 2025 are given below.

Financial year	Adoption of revised Accounting Standards, and related changes in Accounting Policies
31 December 2021	No new accounting standards were adopted by the Bank during the year The following amendments to existing standards which became effective from 01 January 2021 were adopted and the Bank updated its accounting policies and disclosures as required. • **Amendments to SLFRS 16 Leases: COVID-19-Related Rent Concessions beyond June 30, 2021** On December 04, 2020, CA Sri Lanka issued COVID-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provided 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. The amendment was intended to be applied until June 30, 2021, but as the impact of the COVID-19 pandemic continued on June 28, 2021, CA Sri Lanka extended the period of application of the practical expedient up to June 30, 2022. Adoption of the above amendments did not have any material impact on the financial statements of the Bank. • **Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – ("IBOR reform")** 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 terms of the term rates.

KPMG

	There were no adjustments made to the financial statements of the Bank as at reporting date.
31 December 2022	No new accounting standards were adopted by the Bank during the year The following amendments to existing standards which became effective from 1 January 2022 were adopted and the Bank updated its accounting policies and disclosures as required. • **Amendments to LKAS 37: Onerous Contracts – Costs of Fulfilling a Contract** • **Amendments to SLFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities** • **Amendments to LKAS 16: Property, Plant and Equipment - Proceeds before intended use.** • **Amendments to SLFRS 3: Reference to the Conceptual Framework** • **Amendments to SLFRS 1: Subsidiary as a first-time adopter** Adoption of the above amendments did not have any material impact on the financial statements of the Bank. **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 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 2022, 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 as 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.

KPMG

31 December 2023	No new accounting standards were adopted by the Bank during the year The following amendments to existing standards which became effective from 1 January 2023 were adopted and the Bank updated its accounting policies and disclosures as required. • **Amendments to "Accounting Policies, Changes in Accounting Estimates and Errors" (LKAS 8): Definition of Accounting Estimates** • **Amendments to "Income Taxes" (LKAS 12): Deferred Tax related to Assets and Liabilities arising from a Single Transaction** • **Amendments to "Presentation of Financial Statements" (LKAS 1): Disclosure of Accounting Policies** Adoption of the above amendments did not have any material impact on the financial statements of the Bank.
31 December 2024	No new accounting standards were adopted by the Bank during the year.
31 December 2025	The Bank adopted Sustainability Disclosure Standard – SLFRS S1 on "General Requirements for Disclosure of Sustainability-related Financial Information" (SLFRS S1) and SLFRS S2 on "Climate-related Disclosures" (SLFRS S2) during the year. As these are Disclosure Standards, the related disclosures have been disclosed in the relevant sections of the Annual Report as appropriate, and they do not form part of the Financial Statements for the year ended 31 December 2025.

2. Events after reporting date

There were no significant events that occurred after the last audit report issued for the financial year ended 31 December 2025, other than mentioned below.

- **Final dividend for financial year 2025**

The Directors recommended a final dividend of Rs. 10.50 per share which consists of a cash dividend of Rs. 8.00 and a scrip dividend of Rs. 2.50 on both voting and non-voting shares of the Bank which will be applicable to financial year ended 31 December 2025. 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 2025.

The final dividend was approved by the shareholders at the Annual General Meeting held on 31 March 2026 and cash dividends were paid by the Bank on 24 April 2026 and 14,236,841 ordinary voting shares and 984,260 Ordinary Non-voting shares of the Bank listed with effect from 17 April 2026 on account of the scrip dividends.

- **Proposed Debenture issue to a sum of Rs. 20 Bn**

Shareholders of the Bank adopted all resolutions pertaining 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 Bn, 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 Bn, at the discretion of the Bank (second tranche), and in the event of an oversubscription of the initial issue and the second tranche with an additional option to issue up to a further 50,000,000 debentures for an additional amount of Rs. 5 Bn, at the discretion of the Bank

KPMG

at the extraordinary general meeting held on 31 March 2026. On 07 July 2026, Fitch Ratings has assigned a final National Long-Term Rating of 'A(lka)' for the proposed Sri Lankan rupee-denominated Basel III-compliant subordinated debentures.

3. Dividends

The Bank had declared the following dividends in respect of ordinary shares (both Voting and Non-voting) for the years ended 31 December 2021 to 31 December2025.

Year ended 31 December	Dividend Per Share Rs.	Remarks
2021	7.50	First and final dividend of Rs. 7.50/= per issued and fully paid ordinary (both Voting and Non-voting) share comprising Rs. 4.50/= per share as cash dividend and Rs. 3.00/= per share as a scrip dividend.
2022	4.50	First and final dividend of Rs. 4.50/= per issued and fully paid ordinary (both Voting and Non-voting) share as a scrip dividend.
2023	6.50	First and final dividend of Rs. 6.50/= per issued and fully paid ordinary (Voting and Non-voting) share comprising Rs. 4.50/= per share a cash dividend and Rs. 2.00/= per share as a scrip dividend.
2024	9.50	First and final dividend of Rs. 9.50/= per issued and fully paid ordinary (both Voting and Non-voting) share, comprising Rs. 7.50/= as a cash dividend (a regular cash dividend of Rs. 5.50/= per share and a special cash dividend of Rs.2.00/= per share) and Rs. 2.00/= per share as a scrip dividend.
2025	10.50	First and final dividend of Rs. 10.50/= per issued and fully paid ordinary (both Voting and Non-voting) share, comprising Rs. 8.00/= as a cash dividend and Rs. 2.50/=as a scrip dividend.

4. Purpose and restriction on use and distribution

This Report is made solely for the purpose of the Board of Directors of Commercial Bank of Ceylon PLC to be used in the Prospectus for the issuance of 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 Bn, 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 Rs. 5 Bn, at the discretion of the Bank (second tranche), and in the event of an oversubscription of the initial issue and the second tranche with an additional option to issue up to a further 50,000,000 debentures amounting to an additional amount of Rs. 5 Bn at the discretion of the Bank.

This Report should not be used for any other purpose except for the inclusion in the Prospectus as mentioned above and should not be distributed to or used by parties other than the Bank.

Yours faithfully,

Chartered Accountants
Colombo

COMMERCIAL BANK OF CEYLON PLC

Income Statement

Annexure I

Bank

For the year ended December 31,	2021 Rs 000	2022 Rs 000	2023 Rs 000	2024 Rs 000	2025 Rs 000
Gross income	**160,612,216**	**275,051,361**	**335,388,858**	**266,943,645**	**354,811,337**
Interest income	130,443,030	218,326,576	292,618,360	269,596,222	293,614,476
Less : Interest expense	65,832,418	136,582,546	209,514,795	155,037,883	157,320,369
Net interest income	**64,610,612**	**81,744,030**	**83,103,565**	**114,558,339**	**136,294,107**
Fee and commission income	15,410,402	25,463,976	29,704,104	33,246,118	40,958,424
Less: Fee and commission expense	3,658,939	5,972,708	8,145,910	10,716,909	13,462,222
Net fee & commission income	**11,751,463**	**19,491,268**	**21,558,194**	**22,529,209**	**27,496,202**
Net gains/(losses) from trading	1,936,007	35,297,450	(12,481,613)	(2,201,010)	272,311
Net gains/(losses) from derecognition of financial assets	3,001,574	276,884	5,060,242	(41,016,836)	2,808,159
Net other operating income	9,821,203	(4,313,525)	20,487,765	7,319,151	17,157,967
Other operating income	**14,758,784**	**31,260,809**	**13,066,394**	**(35,898,695)**	**20,238,437**
Total operating income	**91,120,859**	**132,496,107**	**117,728,153**	**101,188,853**	**184,028,746**
Less: Impairment charges and other losses	24,418,677	71,069,301	38,242,401	(63,603,004)	22,506,115
Net operating income	**66,702,182**	**61,426,806**	**79,485,752**	**164,791,857**	**161,522,631**
Less: Operating expenses	**28,891,755**	**34,936,205**	**42,644,200**	**49,653,373**	**54,590,979**
Personnel expenses	16,321,317	19,112,546	21,956,866	26,913,870	28,840,939
Depreciation and amortisation	3,178,628	3,563,476	4,283,566	4,669,731	5,819,403
Other operating expenses	9,391,810	12,260,183	16,403,768	18,069,772	19,930,637
Operating profit before taxes on financial services	**37,810,427**	**26,490,601**	**36,841,552**	**115,138,484**	**106,931,652**
Less: Taxes on financial services	5,809,224	3,892,216	4,961,392	19,603,873	17,553,881
Operating profit before income tax	**32,001,203**	**22,598,385**	**31,880,160**	**95,534,611**	**89,377,771**
Less : Income tax expense/(reversal)	8,395,152	(371,406)	11,419,198	41,461,107	30,890,480
Net profit after tax for the year	**23,606,051**	**22,969,791**	**20,460,962**	**54,073,504**	**58,487,291**

COMMERCIAL BANK OF CEYLON PLC-PO 116 HEAD OFFICE

KPMG CHARTERED ACCOUNTANTS

COMMERCIAL BANK OF CEYLON PLC

Statement of Financial Position

Annexure I

As at December 31,	2021 Rs 000	2022 Rs 000	2023 Rs 000	2024 Rs 000	Bank 2025 Rs 000
Assets					
Cash and cash equivalents	68,078,076	149,393,611	157,819,287	86,848,291	84,937,446
Balances with Central Banks	52,897,908	66,493,499	52,817,502	45,702,086	38,802,321
Placements with banks	11,584,952	95,899,645	81,344,696	99,300,303	102,457,000
Securities purchased under resale agreements	3,000,490	1,517,308	31,148,729	28,655,962	20,353,118
Derivative financial assets	3,245,120	8,345,091	7,226,484	4,264,271	5,422,850
Financial assets recognised through profit or loss - measured at fair value	23,436,123	24,873,057	29,449,653	91,677,346	111,753,532
Financial assets at amortised cost - Loans and advances to banks	-	-	-	-	-
Financial assets at amortised cost - Loans and advances to other customers	1,014,618,580	1,130,442,579	1,176,359,971	1,384,524,660	1,903,430,445
Financial assets at amortised cost - Debt and other financial instruments	369,417,889	725,935,299	649,740,408	667,709,691	689,347,677
Financial assets measured at fair value through other comprehensive income	335,463,338	117,056,240	287,023,009	301,584,142	217,991,351
Investments in subsidiaries	5,808,429	5,808,429	5,808,429	5,808,429	6,958,229
Investments in associate	44,331	44,331	44,331	44,331	-
Property, plant and equipment and right-of-use assets	23,075,467	25,425,452	26,257,902	27,600,648	28,674,833
Intangible assets	1,724,864	3,563,120	3,736,504	4,221,131	4,464,103
Deferred tax assets	9,793,129	30,301,203	34,076,526	12,085,844	13,829,232
Other assets	27,024,475	40,699,168	37,474,448	29,753,153	29,526,075
Total Assets	**1,949,213,171**	**2,425,798,032**	**2,580,327,879**	**2,789,780,288**	**3,257,948,212**
Liabilities					
Due to banks	73,777,420	65,130,061	47,274,361	21,306,752	29,724,059
Derivative financial liabilities	2,092,198	2,880,667	2,319,209	837,497	1,263,165
Securities sold under repurchase agreements	151,911,842	97,726,435	111,198,516	112,470,392	110,462,494
Financial liabilities at amortised cost - due to depositors	1,443,093,453	1,914,359,494	2,085,046,149	2,236,566,800	2,608,851,844
Financial liabilities at amortised cost - other borrowings	32,587,051	16,150,356	12,756,021	14,273,156	14,426,414
Current tax liabilities	9,294,180	24,475,319	14,951,984	13,145,697	25,758,993
Other liabilities and provisions	33,210,883	39,860,573	55,050,477	58,064,777	69,681,255
Due to subsidiaries	48,699	115,484	317,221	145,794	138,542
Subordinated liabilities	38,303,466	61,400,967	36,482,939	57,707,677	73,322,023
Total Liabilities	**1,784,319,192**	**2,222,099,356**	**2,365,396,877**	**2,514,518,542**	**2,933,628,789**
Equity					
Stated capital	54,566,957	58,149,621	62,948,003	88,017,094	91,557,690
Reserves					
Statutory reserves	10,204,368	11,352,858	12,375,906	15,079,581	18,003,946
Retained Earnings	9,028,265	5,592,121	8,558,385	15,330,940	17,281,960
Other reserves	91,094,389	128,604,076	131,048,708	156,834,131	197,475,827
Total equity attributable to equity holders of the Bank	**164,893,979**	**203,698,676**	**214,931,002**	**275,261,746**	**324,319,423**
Total Liabilities & Equity	**1,949,213,171**	**2,425,798,032**	**2,580,327,879**	**2,789,780,288**	**3,257,948,212**
Contingent liabilities and commitments	682,399,783	549,421,699	668,875,778	743,964,900	981,204,632

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.

....
L. W. P. Indrajith
Chief Financial Officer

....
S. C. U. Manatunge
Managing Director /

COMMERCIAL BANK OF CEYLON PLC. P.O. 118 HEAD OFFICE

KPMG CHARTERED ACCOUNTANTS