Commercial Bank of Ceylon PLC

Results Review for FY 2024 and Investor Update

***Presented at the investor call held on the 07th of March 2025 at 3.30 PM IST** by the*
Managing Director, Chief Financial Officer, Deputy General Manage-Finance and the Head of Investment Banking and Research

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Agenda

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1. Review of 2024 by MD/CEO
2. Macro Economic Backdrop by CFO
3. Financial Performance by CFO
4. Q & A

Review of FY 2024 by the Managing Director

A Pivotal year for Commercial Bank of Ceylon PLC

Business highlights and key focus areas in 2024

- The Bank supported economic recovery in 2024 by leading industry loan and deposit growth, gaining market share. Loan market share increased by 1.7% to 13.2%, whilst deposit market share improved by 0.4% to 12.9%
- Loan growth driven by expansion across corporate, retail and SME segments
- Increased focus on financing renewable energy projects which underscores the Bank's commitment towards sustainability
- Expanded market share across key fee income pools: Export and import trade, cards
- Completed LKR 42.5 Bn in capital raising during the year: LKR 22.5 Bn equity and LKR 20 Bn in Tier II capital
- The Bank received 18 international awards for its contribution and achievements as the industry leader in SME finance.
- Successful completion of Sustainable Bond Framework which was developed with the assistance of the Global Green Growth Institute (GGGI) to enable the Bank to raise finance for Green, Social, and Sustainability purposes through Bonds.

Assets	↑	8.1%	LKR 2,790 Bn USD 9.5 Bn
Gross Loans	↑	17.5%	LKR 1,486 Bn USD 5.1 Bn
Deposits	↑	7.3%	LKR 2,237 Bn USD 7.6 Bn
Net Profit	↑	164.3%	LKR 54.1 Bn USD 184.5 Mn
Taxes Paid	↑	272.8%	LKR 61.1 Bn USD 208.4 Mn

FY 2024 Key financial highlights for the Bank

ROE		Capital	Loan Quality	Dividends		
2024 **Core – 16.4%**	2023 **9.8%**	Tier 1 : **14.2%** [+ 2.8] Total : **18.1%** [+ 3.0]	Stage 3 : **2.8%** [-3.1%] Cover : **64.6%** [+21.4%]	Divi Yield **6.5%**	Total **LKR 15.3 Bn**	Div Payout **28.3%**

Income Statement

- NII grew 37.9% to LKR 114.6 Bn driven by NIMs improving by 95 bps to 4.3%
- Cost to income ratio [adjusted for non-recurring items] improved to 33.9% from 36.1%
- Impairment on loans and advances increased to LKR 22.8 Bn from LKR 5.7 Bn. The increase is on account of the prevailing uncertainty and volatilities in Bangladesh and to improve stage 3 provision cover.
- A loss of LKR 45.1 Bn crystalized on SLSBs held by the Bank upon the conclusion of the restructuring. Reversal of provisions and deferred tax assets resulted in a net LKR 13.5 Bn addition to PAT
- Core ROE improved to 16.4% from 9.8%, primarily driven by an improvement in NIM

Balance Sheet

- Gross Loans and Advances grew by 17.5% for the year, whilst the stage 3 ratio declined to 2.8% from 5.8%
- Deposits grew by 7.3%, CASA dropped marginally to 38.1%, and remains one of the best in the industry

Capital

- Both Tier 1 and Total 2 capital was strengthened during the year with capital issuances : LKR 22.5 Bn rights issues [in August 2024] and LKR 20 Bn Tier 2 debenture issue [July 2024]
- With the distribution of LKR 15.3 Bn, LKR 12.1 Bn in cash, the Bank made the largest distribution to shareholders among private banks

Maximizing stakeholder value

INVESTORS

Growing intrinsic value by investing in improving fundamentals and engagement

CUSTOMERS

Moving beyond transactions and giving more personalized experiences for customers

EMPLOYEES

Motivation, Talent, Satisfaction, Stability, Succession, Engagement

GOVT. INSTITUTIONS AND REGULATORS

Aligned with government policy/strategy

Continuous engagement

BUSINESS PARTNERS

Foster partnerships and create new ecosystems for innovation and value

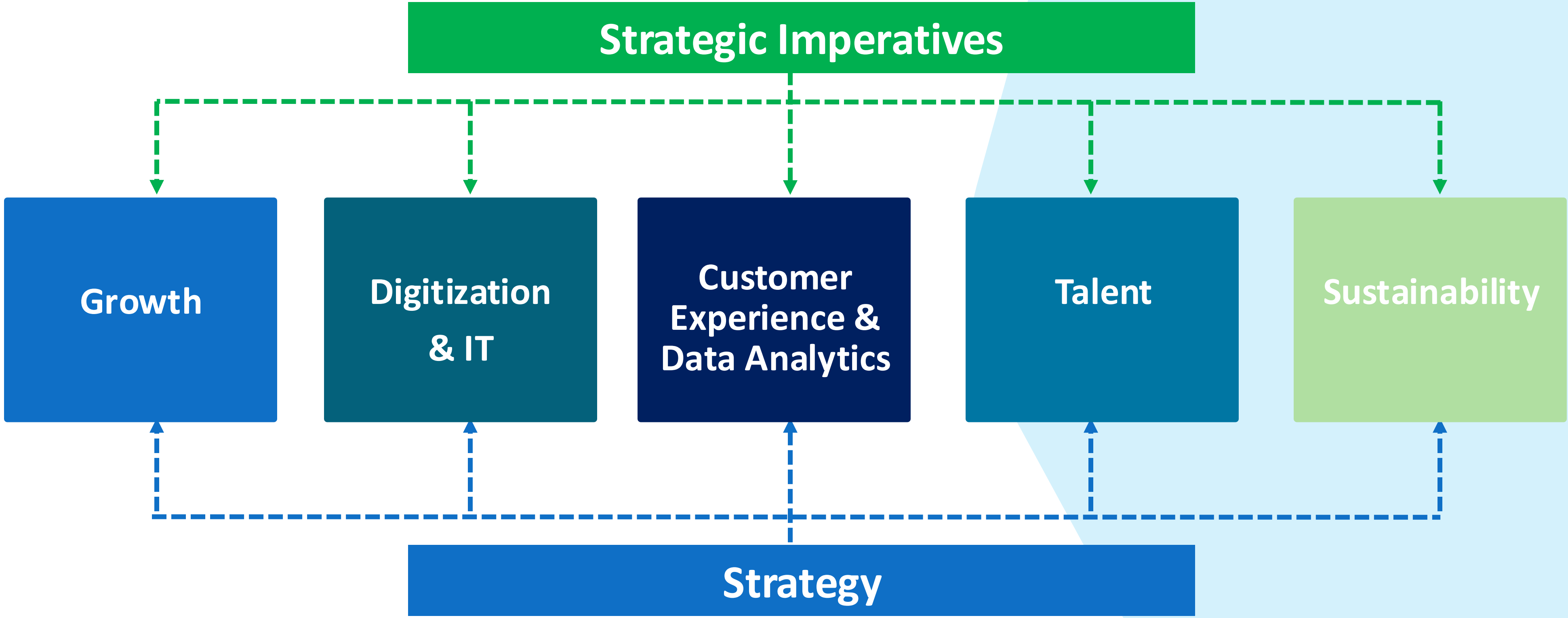
SOCIETY AND ENVIRONMENT

A responsible Bank

Working towards becoming a Net Zero Bank

Community engagement

Medium term strategic priorities



Macro Economic Backdrop

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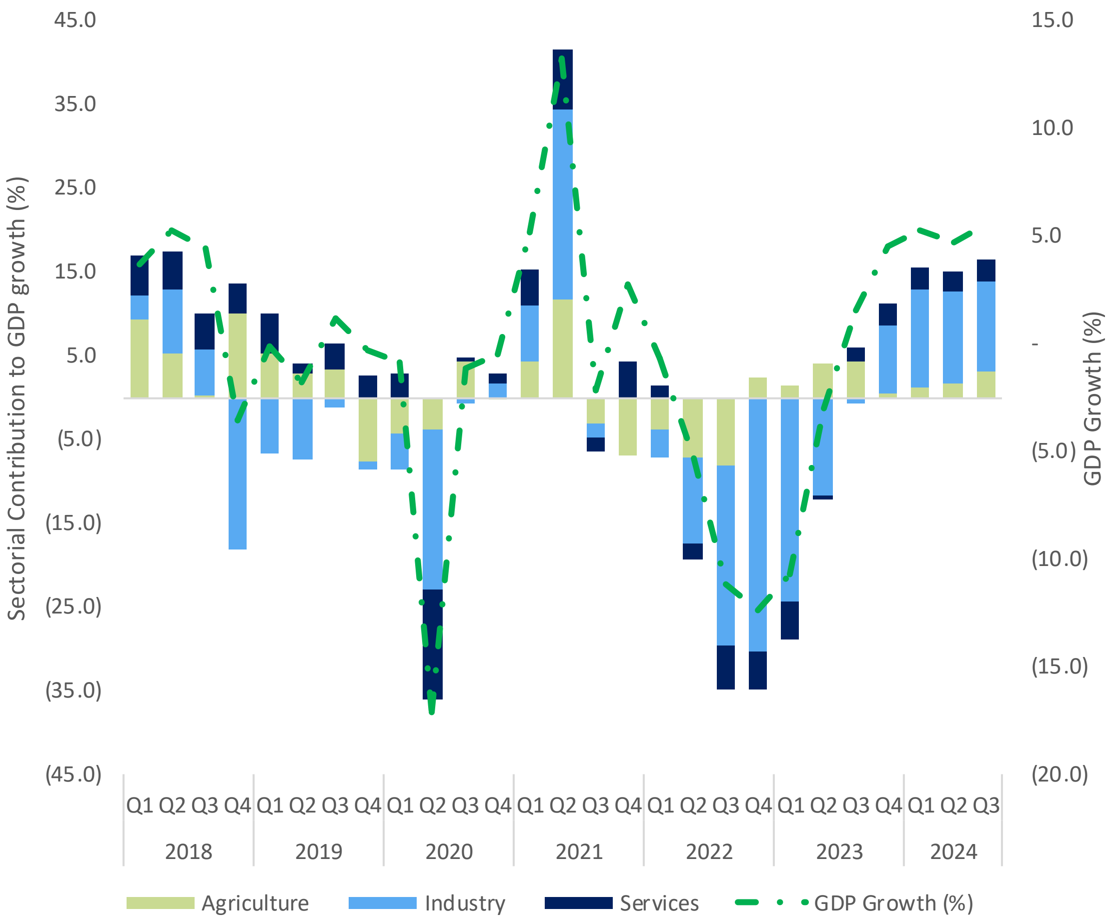
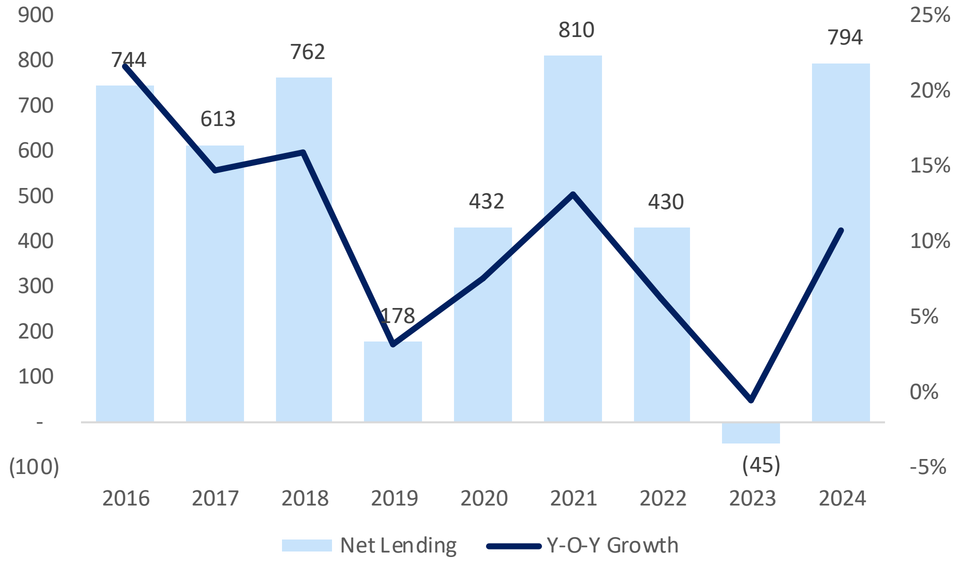
Macro conditions have progressively improved, and trend is expected to continue

GDP growth has picked up, forecasts points to ~4% growth for 2025

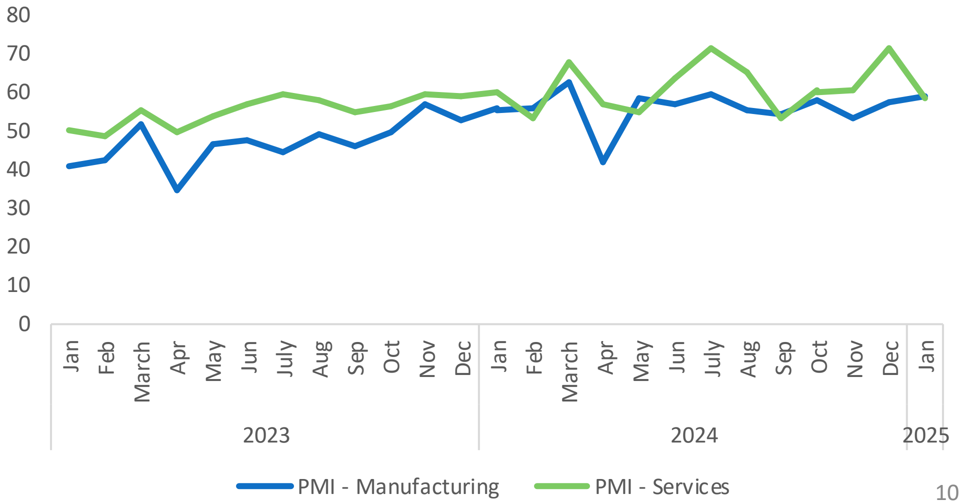


GDP Forecast (%)	2024	2025
World Bank	4.4	3.5
Standard Charted Bank	4.0	3.5
Fitch	3.9	3.6
IMF	4.5	3.0

2024 credit growth has increased by 11% compared to 2023



PMI points to improving activity



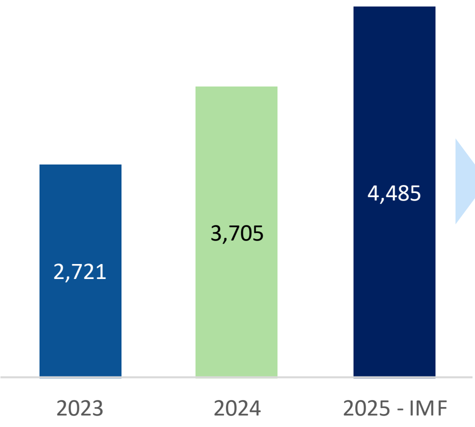
Macro conditions have progressively improved, and trend is expected to continue

Macro

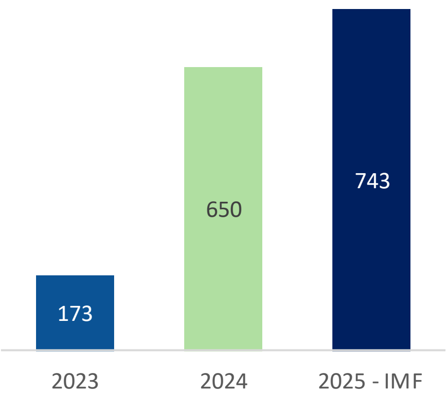
12M Results
Overview
Income
Expenses
Impairments
Balance sheet
Bangladesh
SLSB Restructure
Capital
Dividend
Q&A

Fiscal performance has improved significantly….driven by higher tax revenues [LKR Bn]

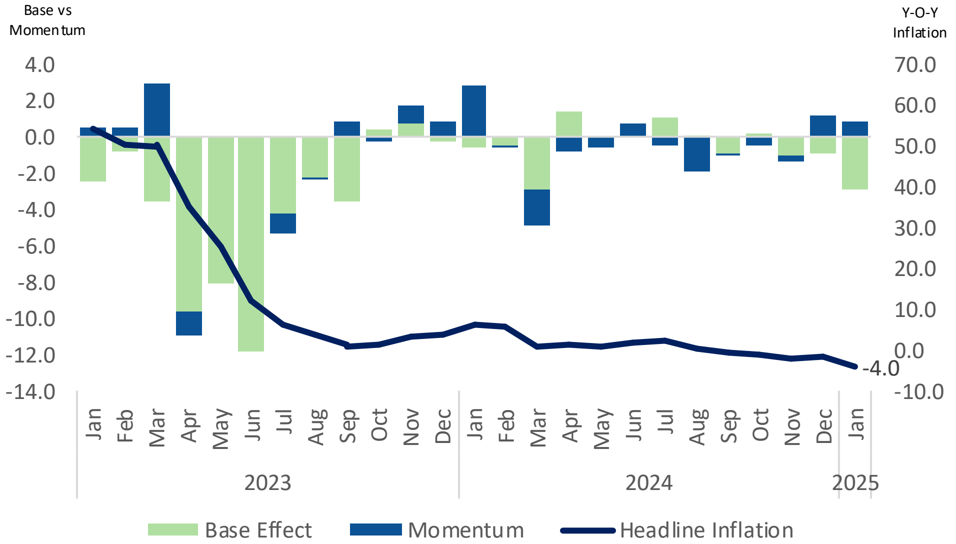
Tax Revenue Performance
[LKR BN]



Primary Surplus Performance
[LKR BN]

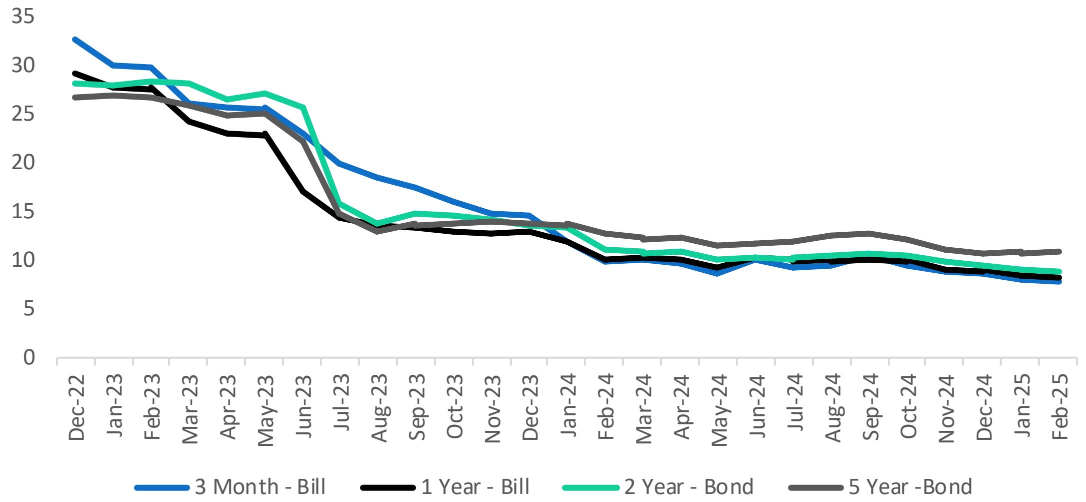


Deflation expected to taper down by mid 2025

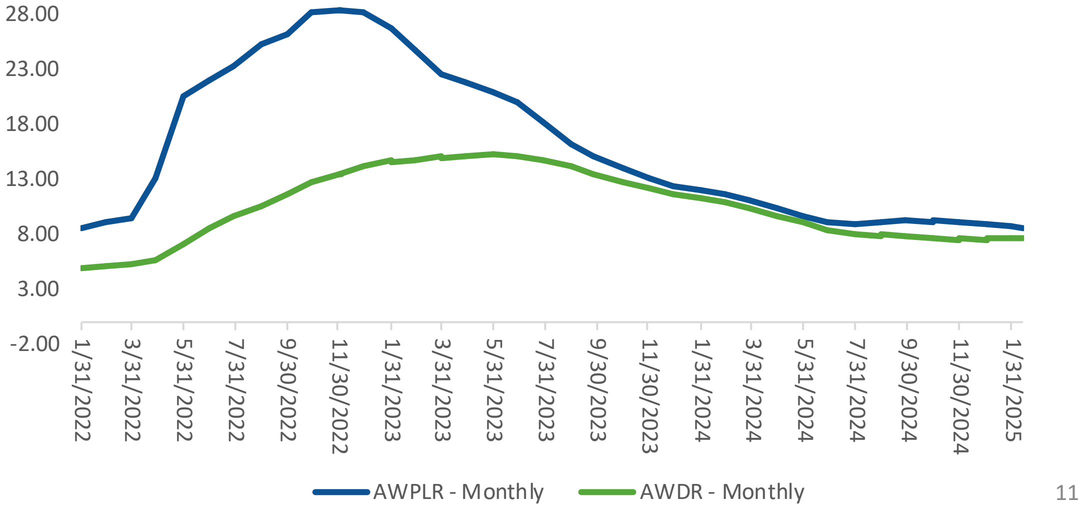


Interest rates have decreased significantly

Yields on government securities



Lending and deposit rates



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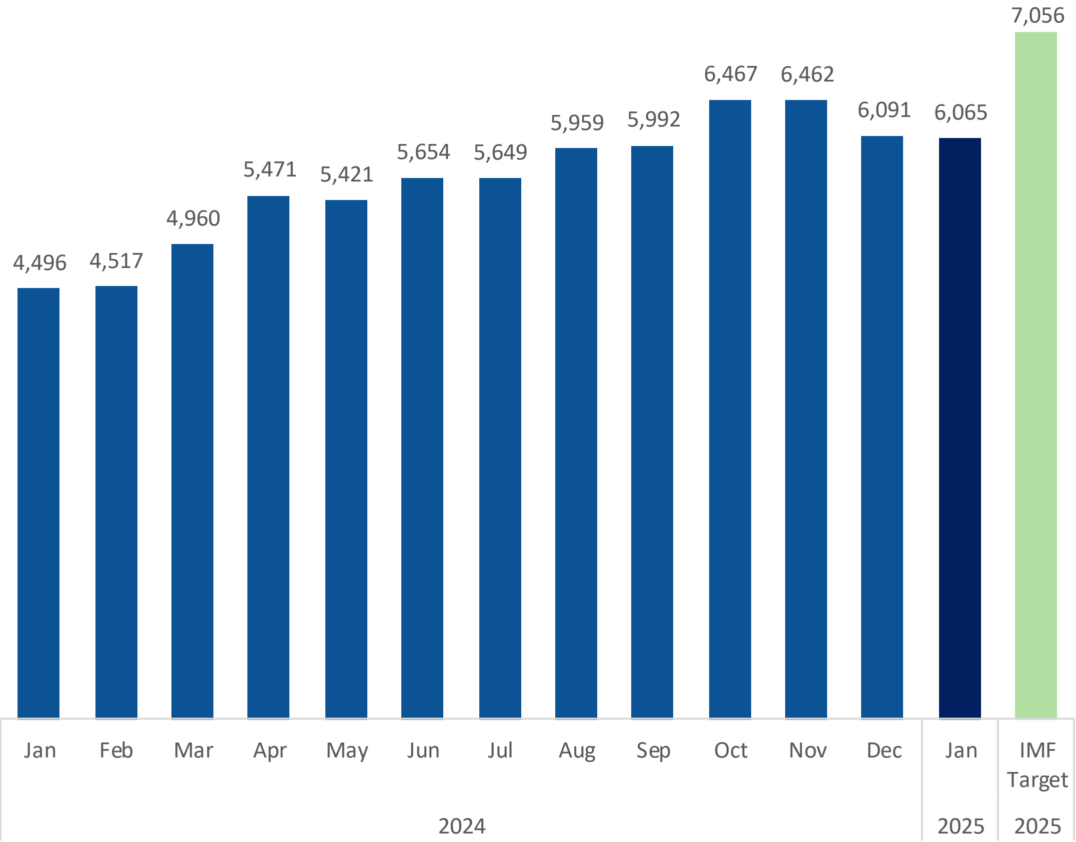
Macro conditions have progressively improved, and trend is expected to continue

External sector performance has improved

BOP [USD Mn]	Jan - December 2023	Jan - December 2024	Δ
Goods exports	11,910.7	12,772.0	7%
Goods imports	16,811.1	18,841.4	12%
Trade balance	**-4,900.4**	**-6,069.4**	**24%**
Service inflows	5,416.3	6,883.0	27%
Of which tourism net inflows	*2,068.0*	*3,168.6*	*53%*
Net services	**3,053.0**	**3,654.5**	**20%**
Remittances	5,969.6	6,575.4	10%
Overall balance	**2,825.6**	**2,890.4**	**2%**

Gross external reserves has improved to USD 6.0 Bn from USD 4.3 Bn in 2023

[USD Mn]



Financial Performance – Bank

Year Ending 31st December 2024

Performance improvement continued into Q4 driving sharp increase in performance for the 12 months

Bank

Financial Performance – Normalized [LKR Bn]	Q4		12M		YoY Δ	
	2023	2024	2023	2024	Q4	12M
NII	24.6	28.2	83.1	114.6	14.5%	37.9%
Other income	10.0	6.4	35.0	32.1	-36.0%	-8.2%
Total operating income	**34.6**	**34.6**	**118.1**	**146.7**	**0.0%**	**24.2%**
Opex	-11.6	-14.4	-42.6	-49.7	24.0%	16.4%
Pre-impairment Pre-Tax profit	**23.0**	**20.2**	**75.5**	**97.0**	**-12.1%**	**28.6%**
Impairments	-12.7	-10.4	-38.6	-28.3	-18.2%	-26.8%
Operating profit before taxes	**10.3**	**9.8**	**36.8**	**68.7**	-4.5%	86.6%
Taxes	-3.2	0.4	-16.4	-28.1	-111.8%	71.8%
Profit for the period	**7.2**	**10.2**	**20.5**	**40.6**	**42.7%**	**98.4%**
EPS (Rs)	**5.21**	**6.34**	**14.89**	**25.21**	**21.8%**	**69.3%**
Group						
Profit to equity holders	**6.9**	**10.5**	**21.1**	**42.2**	**52.1%**	**100%**
EPS (Rs)	**5.03**	**6.53**	**15.37**	**26.21**	**29.9%**	**70.5%**

Balance sheet highlights – YTD Growth

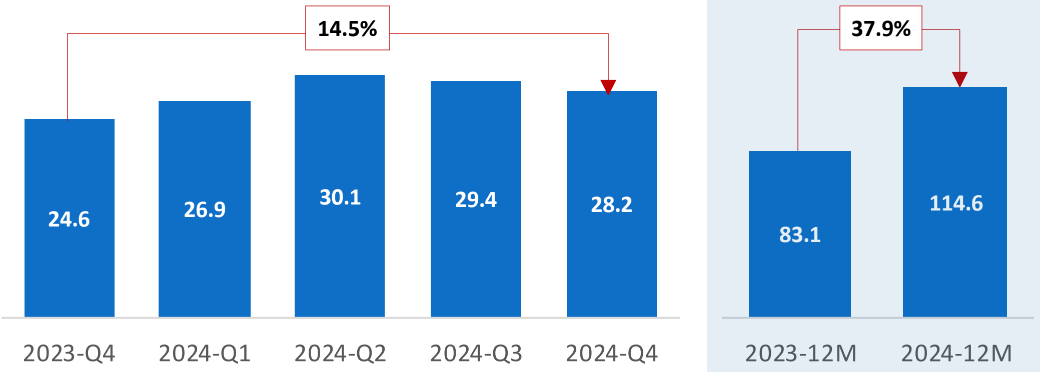
Asset 8.1%	Loans 17.7%	Deposit 7.3%

Key Ratios [%]	12 Months	
	2023	2024
NIM	3.3	4.3
CASA	39.2	38.1
Stage 3 ratio	5.8	2.8
Stage 3 impairment cover	43.2	64.6
ROA [Normalized]	0.8	1.5
ROE [Normalized]	9.8	16.4
Tier 1	11.4	14.2
Total Capital	15.1	18.1

- Normalized profits for FY 2024 increased by ~100% relative to 2023. primarily driven by a growth in Net Interest Income, which in turn was driven by an improvement in NIMs. PAT increase in Q4 was primarily driven by deferred tax adjustments *[Refer page 153 in FY 2024 Annual Report]*
- NII growth was supported by a 95 bps expansion in net interest margin (NIM), resulting from a decrease in funding costs through faster deposit repricing
- Operating expenses increased by 24% in Q4 and 16% YoY for the 12 months, primarily driven by personnel expenses. Cost to income ratio adjusted for the net loss on restructuring of SLSBs was 34% which was an improvement from 36% in FY2023
- Impairment cover increased to 64.6%, Gross stage 3 ratio improved to 8.6% from 11.3% recorded in 2023
- Loan growth for the Bank accelerated by LKR 104 Bn and LKR 221 Bn respectively for Q4 and FY 2024
- Bank deposits grew by LKR 82.5 Bn [+7.3 YTD], driven by an increase in domestic savings and time deposits. Foreign deposit growth was impacted by the LKR appreciation
- Enhanced profitability led to a sharp increase in return on equity (ROE) and return on assets (ROA) for the year
- Robust earnings contribution for the year coupled with Tier-01 and Tier-02 capital raising strengthened the capital buffers at end of 2024

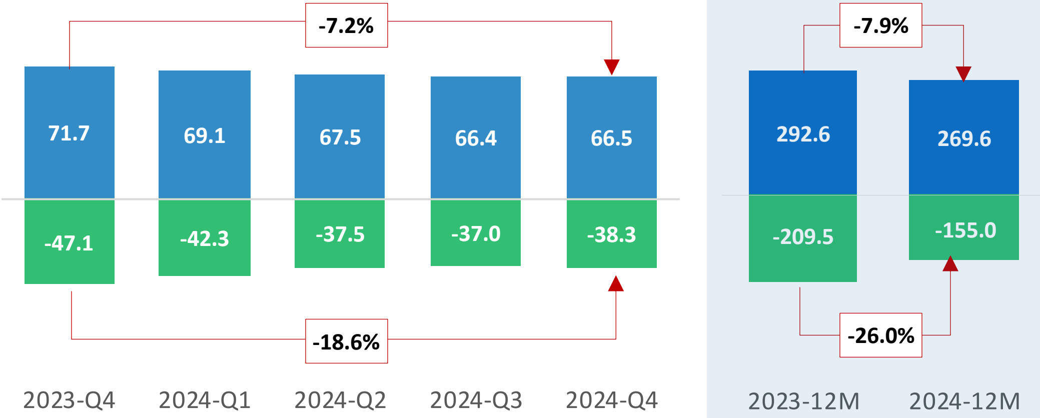
NII grew by 37.9% and 14.5% YoY for FY 2024 and Q4 respectively

NII [LKR Bn] and NIM [%]



	2023-Q4	2024-Q1	2024-Q2	2024-Q3	2024-Q4	2023-12M	2024-12M
NIM	3.92%	4.20%	4.66%	4.43%	4.12%	3.32%	4.27%

Interest income and costs [LKR Bn]



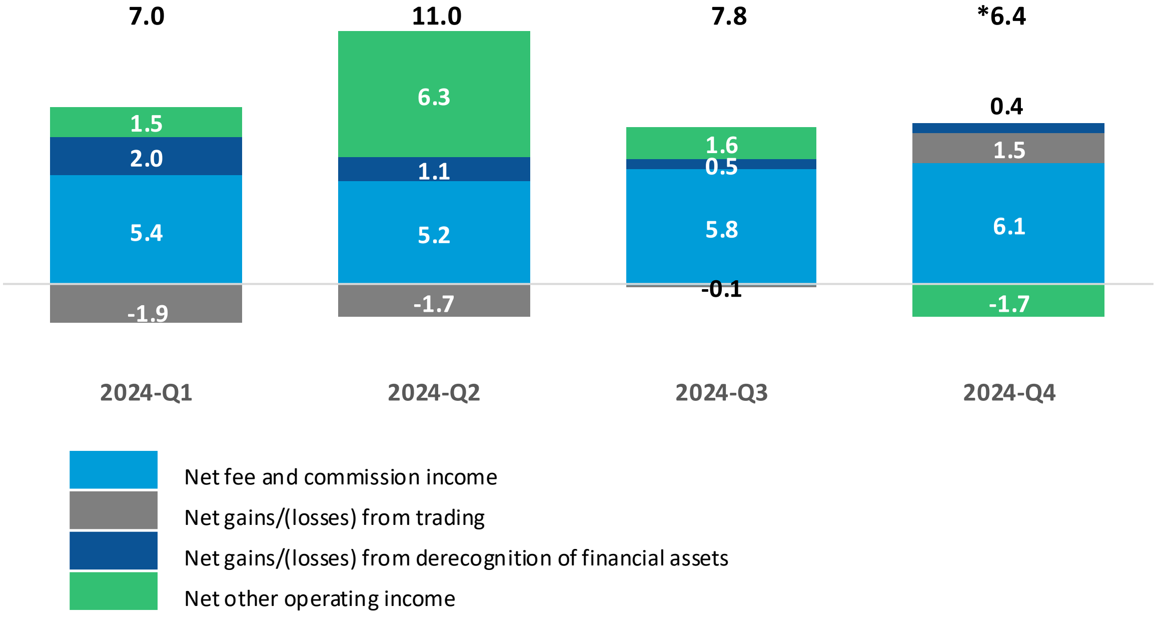
	2023-Q4	2024-Q1	2024-Q2	2024-Q3	2024-Q4	2023-12M	2024-12M
Yield	11.40%	10.79%	10.46%	10.01%	9.72%	11.69%	10.04%
Cost	7.49%	6.59%	5.80%	5.58%	5.60%	8.37%	5.77%

- Decline in interest income was offset by a sharper decline in funding cost leading to robust NII growth during 2024
- Yield on loans and fixed income securities continued its downward trajectory in line with the accommodative monetary policy stance opted by the CBSL
- As a result, interest income yields declined by 165 bps during 12M 2024 compared to 2023. Yield decline was cushioned to an extent via Government Security maturities being rolled over at higher yields
- Cost of funds followed the same trend, however witnessed a sharper decline. Compared to last year, cost of funds for 12M declined by 260 bps. This was primarily driven by deposits being repriced at lower rates as the CASA ratio declined marginally. The average CASA ratio for the 12 months dropped marginally from 39% to 38% during 2024.
- The sharper decrease in cost of funds vs interest income yields resulted in NIMs improving significantly for the 12 months by 95 bps, whilst for Q4 NIMs improved only by 20 bps

Non-NII income declined due to losses on restructured SLSB's

Other operating income [LKR Bn]

[LKR Bn]	2023	2024				12M		YoY Δ	
Bank	4Q	1Q	2Q	3Q	4Q*	2023	2024*	Q4*	12M*
Net fee and com. income	5.9	5.4	5.2	5.8	6.1	21.6	22.5	4.0%	4.5%
Net gains/(losses) trading	-0.3	-1.9	-1.7	-0.1	1.5	-12.5	-2.2	556.7%	82.4%
Net gains/(losses) from derecognition of Fin. assets	2.4	2.0	1.1	0.5	0.4	5.1	4.1	-82.4%	-19.2%
Net other op.income	2.0	1.5	6.3	1.6	-1.7	20.9	7.7	-182.8%	-63.1%
Total	**10.0**	**7.0**	**11.0**	**7.8**	**6.4**	**35.0**	**32.1**	-36.0%	-8.5%



**Adjusted for loss on restructured SLSB*

- Non NII income dropped sharply, due to losses from restructuring of SLSBs. Non NII income adjusted for the impact on the SLSB provisions also declined due to losses in net operating income
- **Net fee and commission income**
  - Net fee and commission income, primarily composed of cards, trade and remittance linked revenues grew modestly in Q4 and 12M
- **Net gains/losses from trading and derecognition of financial assets**
  - Gains linked to Government Securities declined in Q4 as well as for twelve months ending December 2024 as yields continued to indicate a downward trajectory post elections
  - Gains linked to derivative instruments improved significantly for Q4 and the 12 months owing to increases in realised profits from Forwards, SPOTS and SWAPS
  - The restructuring of SLSB's resulted in a LKR 45.1bn loss during Q4
- **Net other operating income**
  - Net other operating income, primarily composed of FX revaluation gains/losses arising due to the revaluation of the FX positions in the balance sheet declined due to the appreciation of the LKR during Q4 and 12M

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Increases in personnel expenses led to higher operating expenses during the year

Macro

12M Results

Overview

Income

Expenses

Impairments

Balance sheet

Bangladesh

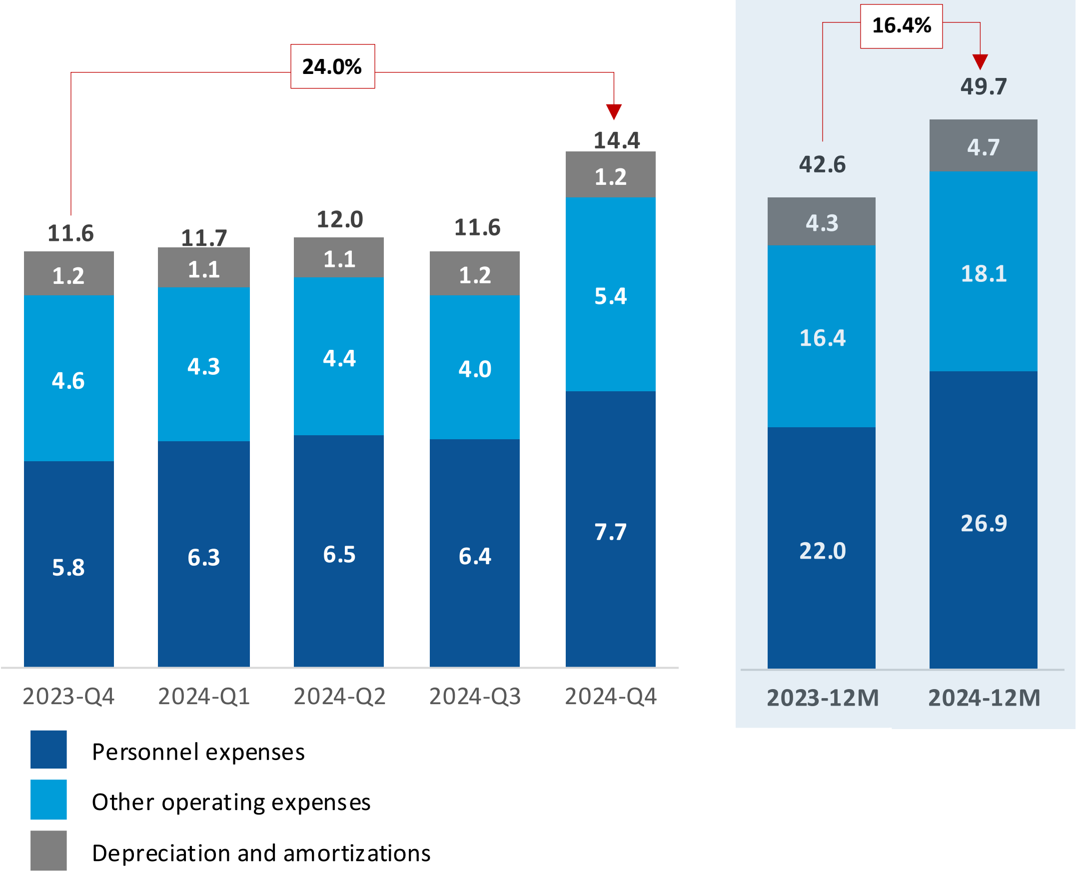
SLSB Restructure

Capital

Dividend

Operating expenses [LKR Bn]

	2023-Q4	2024-Q1	2024-Q2	2024-Q3	2024-Q4	2023-12M	2024-12M
Cost to Income	31.3%	34.5%	29.2%	31.2%	41.5%	36.1%	*33.9%
Cost to TA	1.8%	1.8%	1.8%	1.7%	2.1%	1.7%	1.8%

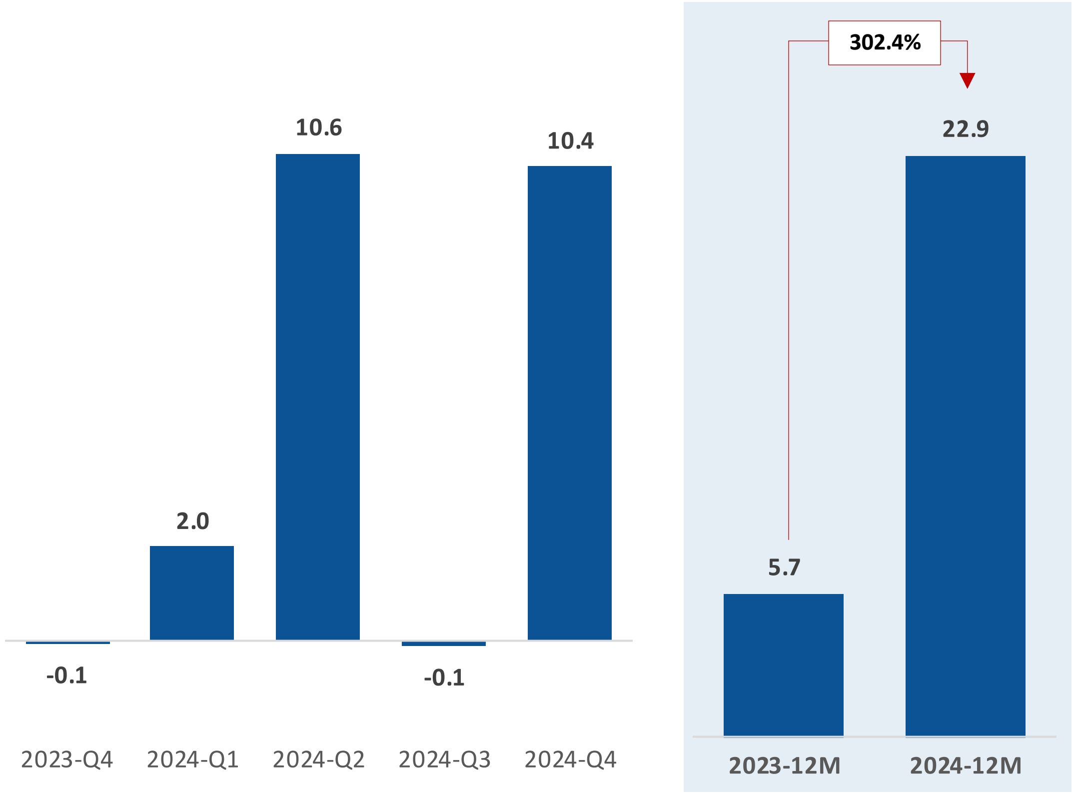


*Adjusted for provision on SLSB

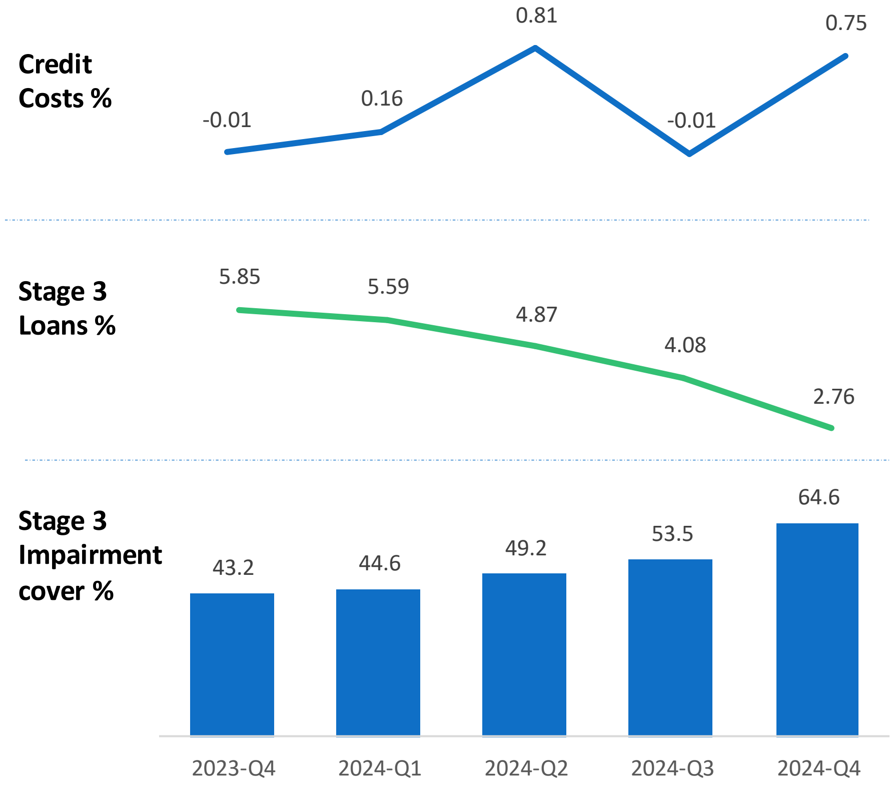
- Expenses increased 24% YoY in Q4 and 16% for 12M, primarily driven by increase in personnel expenses and other operating expenses
- YoY increase in personnel expenses largely driven by increases in salary expenses
- Increase in other operating expenses were driven by rise in rent, rates & taxes, professional fees, deposit insurance etc.
- Cost to Total Assets maintained at the 1.7%-1.8% levels
- Banks cost to income ratio increased due to provisions on SLSB impacting operating income for 12M. However, cost to income ratio adjusted for the loss on restructured SLSB's improved from 36.1% to 33.9% during 2024

Credit quality of portfolio continued improving trend, credit costs declined sharply

Impairment charge – Loans and Advances [LKR Bn]



Credit Quality Metrics



- Credit quality continued to improve, driven by favorable macro economic conditions and strengthening of credit controls
- Credit costs for Q4 increased. This was on account of;
  - Increase of impairment provisions for loans and advances classified under Stage 3 in Sri Lanka as a prudential measure
  - Higher provisions made against the loans and advances portfolio in Bangladesh given the prevailing uncertainty and volatilities in the country *[Refer slide 21]*
- Improvement in the Gross Stage 3 [8.6% in 2024 vs 11.3% in 2023] ratio and higher provisions made during the period along with the growth in the loan book led to a 309 bps improvement in the Net Stage 3 loan ratio for 2024 relative to 2023

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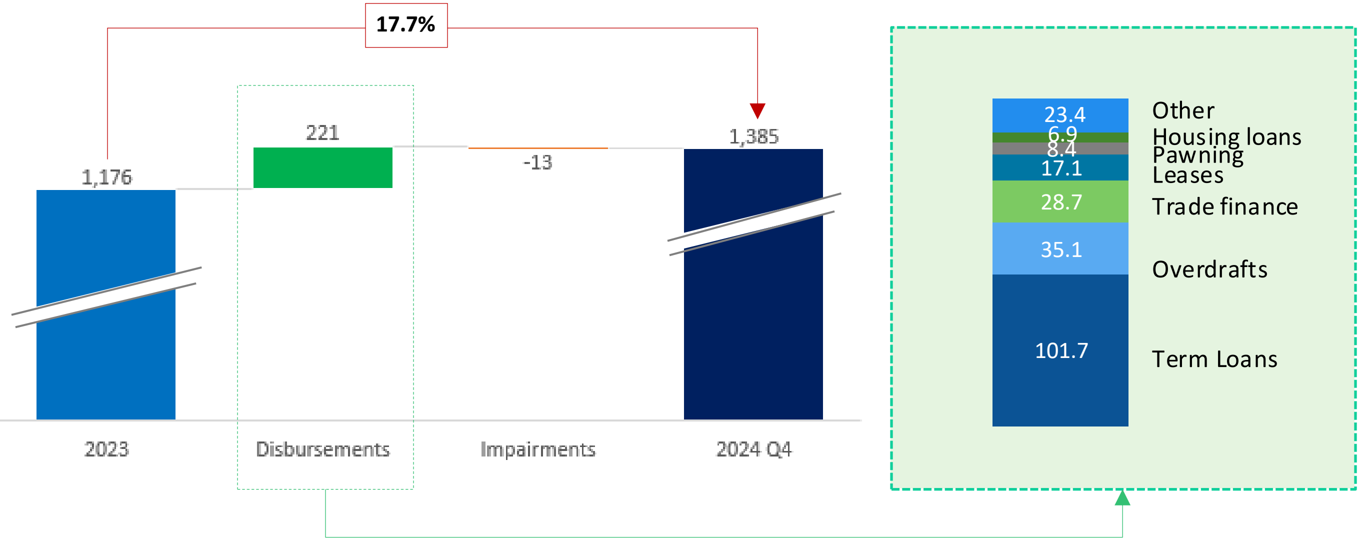
Total assets grew 8%, lead by loan growth of 17.7%

Financial Position [LKR Bn]	31st December		Δ
Assets	**2023**	**2024**	
Loans and advances	1,176.4	1,384.5	17.7%
Other financial assets	966.2	1,061.0	9.8%
Cash and placements with banks	239.2	186.1	-22.2%
Balances with Central Banks	52.8	45.7	-13.5%
Investments in subsidiaries and associates	5.9	5.9	0.0%
Other assets	139.9	106.6	-23.8%
Total assets	**2,580.3**	**2,789.8**	**8.1%**
Liabilities			
Deposits	2,085.0	2,236.6	7.3%
Other borrowings	171.2	148.1	-13.5%
Other liabilities	109.1	129.9	19.0%
	2,365.4	**2,514.5**	**6.3%**
Equity			
Stated capital	62.9	88.0	39.8%
Retained earnings and other reserves	152.0	187.2	23.2%
	214.9	**275.3**	**28.1%**
Liabilities and equity	**2,580.3**	**2,789.8**	**8.1%**
NAV (Rs)	**163.6**	**170.9**	**4.5%**
Tier 1 (%)	**11.44**	**14.23**	
Total Capital (%)	**15.15**	**18.14**	

- Balance sheet grew by 8.1%, driven by a 17.5% loans and advances growth
- Deposits grew by 7%, lead by growth in CASA
- New equity of LKR 22.5 Bn and Tier 2 capital of LKR 20 Bn was raised during the year to strengthen capital base

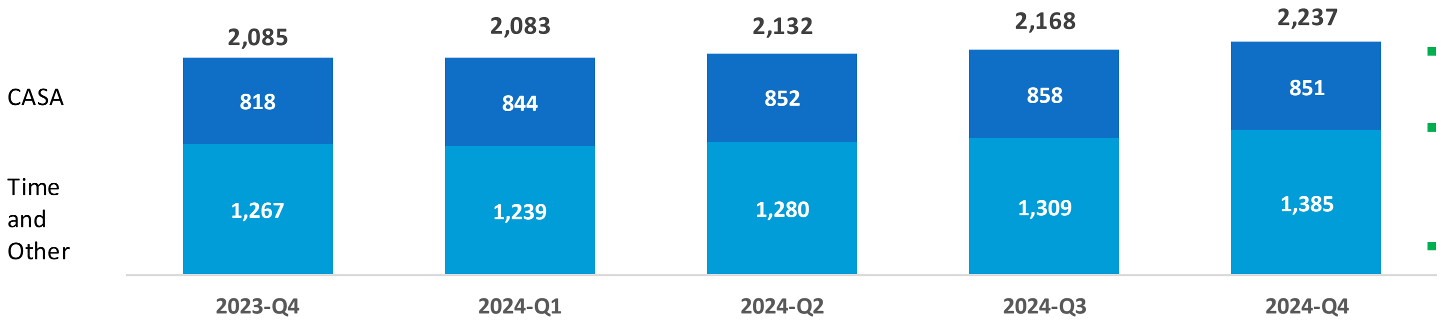
Momentum in loan growth continued along with CASA growth

Loans and advances [LKR Bn]



- Lead loan growth in the industry
- Disbursed LKR 221 Bn for the period
- Disbursements during period driven by term loans, overdrafts and trade finance linked loans

Deposits [LKR Bn]



	2023-Q4	2024-Q1	2024-Q2	2024-Q3	2024-Q4
CASA %	39.2	40.5	40.0	39.6	38.1
LCR %	516.3	433.6	471.0	381.7	454.4
NSFR %	193.7	185.9	187.3	191.8	187.3

- Deposits recorded a 7% growth for the year
- Time deposits drove growth in total deposits despite a drop in CASA
- Continued to maintain strong liquidity

COMMERCIAL BANK

Overview of Bangladesh performance

Financial Performance - Highlights [BDT Bn]	12M		YoY Δ
	2023	2024	12M
Profit before tax	8.5	7.7	-4.6%
Net profit	4.7	4.8	0.3%
Key ratios			
NIM	5.3%	7.2%	
ROA	7.5%	6.3%	
ROE	58.1%	77.4%	

Financial Position - Highlights [BDT Bn]			YTD Δ
	2023 Dec	2024 Dec	
Total assets	113.6	120.5	6.1%
Loans and advances (Net)	64.4	72.2	12.0%
Deposits	97.8	105.2	7.5%
Loan book metrics			
Impaired Loans (Stage 3) Ratio (%)	4.3%	3.2%	
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	16.1%	83.8%	
Closing Ex.Rate (BDT/ USD)	*109.8*	*119.5*	
Average Ex.Rate (BDT / USD)	*107.3*	*115.7*	

- Tight monetary policy continued during the quarter resulting in a cautious approach by the bank to ensure credit quality of the portfolio
- Despite robust growth in NII due to tight monetary conditions, profits were flat due to higher provisions made on account of the high level of uncertainty and volatilities in the country
- NIM increase was primarily driven by higher policy rates and Government Security yields due to tight monetary policy
- Strategy of focusing on blue-chip clientele operating in resilient sectors coupled with strong credit risk controls has enabled the bank to maintain substantially lower NPL ratios relative to competition:
    - Despite economic stress stage 3/NPL ratios declined during the period
    - As a measure of prudence impairments/provisioning was increased, resulting provision cover and net stage 3/NPLs ratios improving
    - Credit growth was also muted during the period

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Bank realized a LKR 46.5 Bn loss on the Sri Lanka Sovereign Bond position, Net P&L Impact +LKR 13.5 Bn

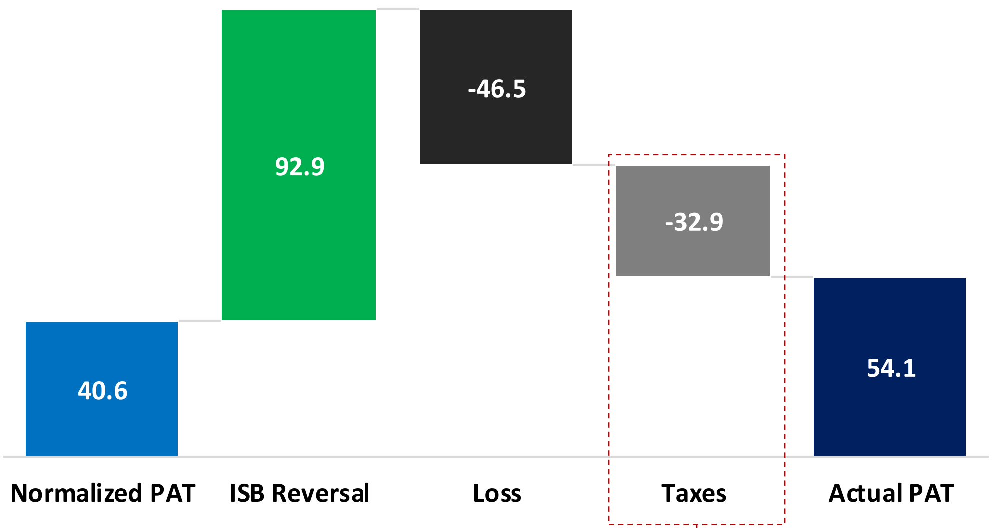
Carrying Value	LKR Bn
USD Step Up Bonds	104.6
USD PDI Bonds	24.1
LKR Bonds	44.8
Carrying Value (Including Coupon)	**173.5**

Value of Securities Received as Part of Restructuring	
USD Step Up Bonds	58.7
USD PDI Bonds [Net of Provision]	17.2
LKR Bonds	48.3
USD Exchange Fee Bonds	2.8
Total	**127.0**

Total crystalized loss	**46.5**

Type of Bond	Key terms
Local LKR Bonds	▪ Coupon rate: Variable interest rate of SLFR + 0.5% ▪ Maturity : March 2036 and March 2043 ▪ Haircut: 0%.
USD Step-Up Bond ***[Discount Rate – 8.5%]***	▪ Coupon rate: 1% to 3.5% throughout its tenor ▪ Number of installments: 10 ▪ Amortization : June 2029 to June 2038. ▪ Haircut: 10%
PDI Bond ***[Discount Rate – 10%]***	▪ Coupon rate: Fixed interest rate of 4% ▪ Number of installments: 5 ▪ Amortization : December 2024 to April 2028. ▪ Haircut: 11%

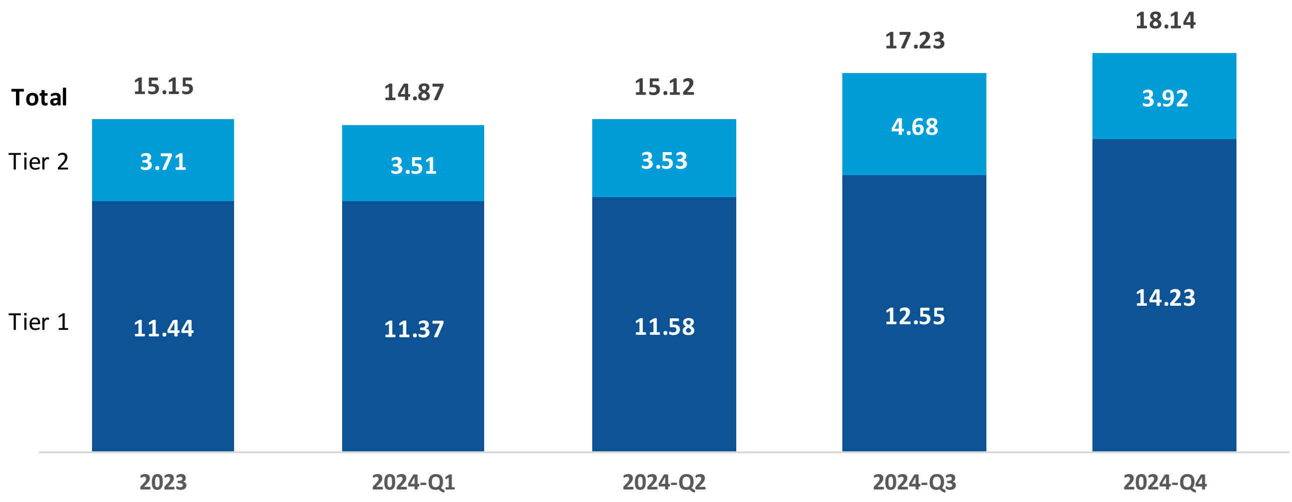
Net P&L Impact on Restructuring – LKR 13.5 Bn



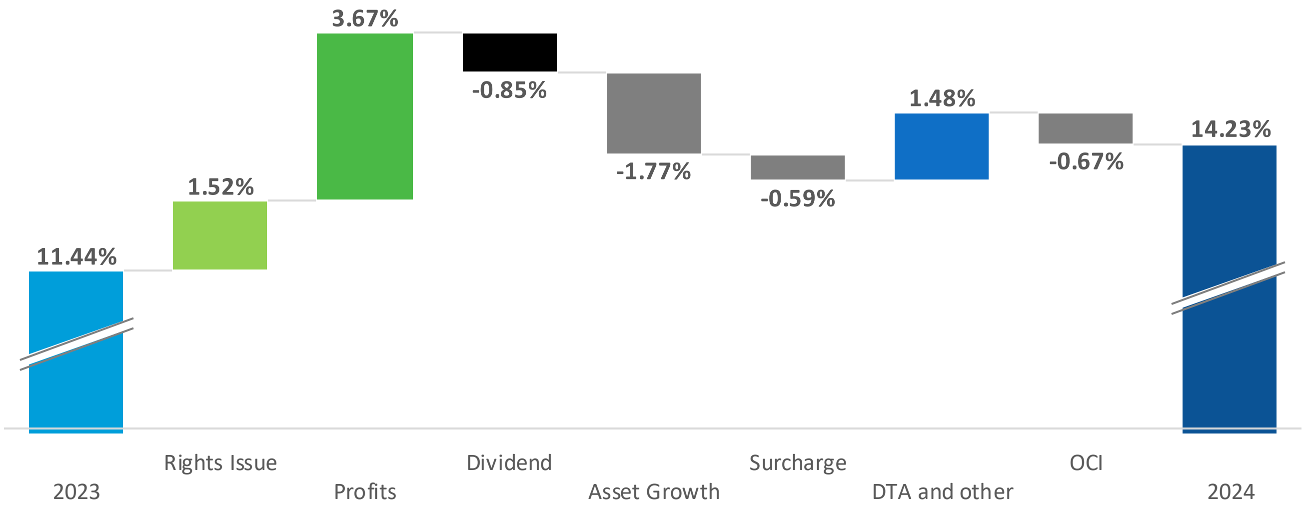
Tax impact of restructure	LKR Bn
FS VAT on Reversal Gain	7.8
Deferred Tax Asset	25.1
Total	**32.9**

Capital position bolstered by Q3 capital raise and robust profit growth in Q4

Capital ratios [%]



Tier 1 movement



- 2024 profitability, SLSB restructuring linked adjustments and new equity raise improved Tier 1 ratio by 279 bps relative to 2023
- As a result, the Total Capital ratio improved by 299 bps to 18.14%
- A total of LKR 42.54 Bn of new capital was raised during Q3

Instrument	Capital	LKR Bn
Equity - Rights issue	Tier 1	22.54
Tier 2 Debentures	Tier 2	20.00
	Total	**42.54**

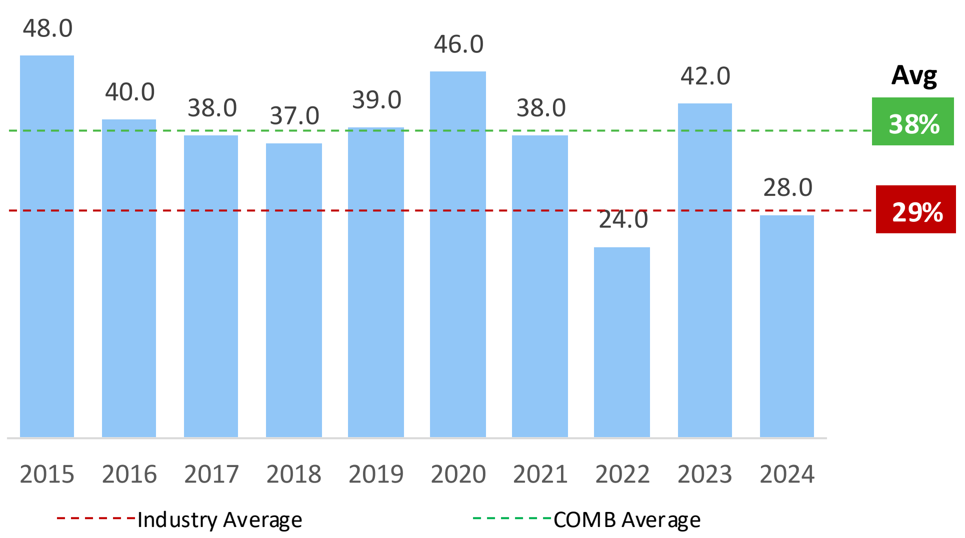
- Growth during the year consumed 177 bps of Tier 1,
- Profits generated for the year adjusted for dividend distribution resulted in organic Tier 1 accretion of ~100 bps
- Central Bank instructed Banks to charge 15% of the value of the USD Step Bonds against regulatory capital for a period of 6 months. The charge took of 59 bps off the Tier 1 ratio

Dividend per share of LKR 9.50 – Dividend yield of 6.5%

Distribution for 2024	Per Share	Total [LKR Bn]
Regular Dividend		
Cash	5.50	8.9
Scrip	2.00	3.2
	7.50	**12.1**
Special Cash Dividend	**2.00**	**3.2**
	9.50	**15.3**

Dividend payout	28%
Dividend payout [Core earnings]	30%

Dividend Payout Ratio [%]



Dividend Yield