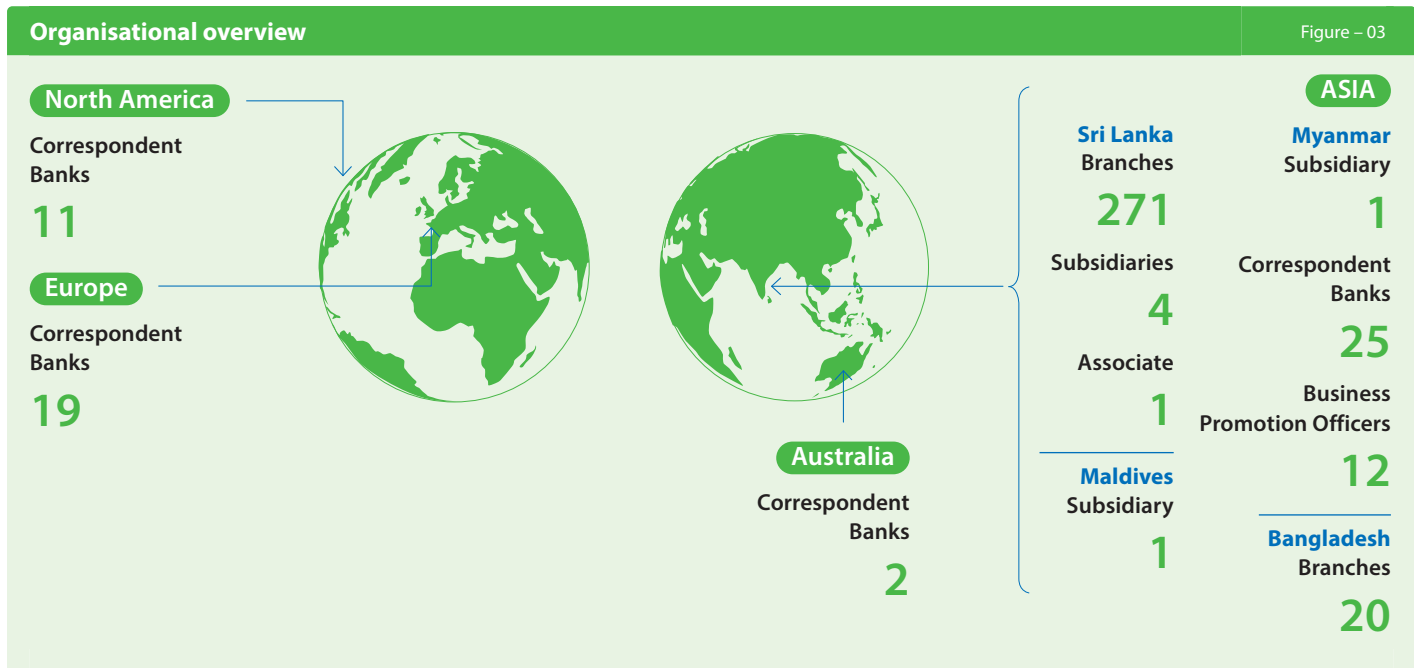


Organisational overview

About the Bank



Higher-tier domestic systemically important bank

Commercial Bank of Ceylon PLC (the Bank) is the only private sector Bank in Sri Lanka that has been designated by the Central Bank of Sri Lanka as a higher-tier Domestic Systemically Important Bank (D-SIB). Total assets of the Commercial Bank Group (which comprises the Bank and its seven subsidiaries and the associate) stood at Rs. 2.656 Tn. as at December 31, 2023 (Rs. 2.500 Tn. as at December 31, 2022).

Largest private sector bank in Sri Lanka

Commercial Bank is the largest private sector bank in Sri Lanka in terms of business volumes and assets as shown below. It is also the third largest bank in the country.

Over a century of legacy

A century-long legacy defines the Bank, tracing its roots to 1920 on Chatham Street, Colombo. From humble beginnings as the Eastern Bank, it has soared to the summit of private sector banking in Sri Lanka, celebrating over 50 years under its current name in 2023. This journey has been a relentless pursuit of innovation, steering strategic shifts and revolutionising the banking landscape. With a total staff strength of 5,201 as at end 2023, the Bank serves over 4 million customers through a wide network of local and international branches, subsidiaries, agency arrangements, Business Promotion Officers and correspondent banking relationships and an array of digital channels.

Growing international footprint

Once a local player, the Commercial Bank has transcended borders, carving an international footprint marked by stability and innovation. Its global journey commenced in 2003 by acquiring Crédit Agricole Indosuez's Bangladesh operations, pioneering Sri Lanka's private sector banks in foreign branch establishments. Today, it boasts of subsidiaries in the Maldives and Myanmar, heralding a strategic expansion that foresees a broader reach across South Asia's regional landscape and beyond in the near future. Notably, Commercial Bank stands as the sole private sector bank in Sri Lanka to have a network of branches and subsidiaries outside Sri Lanka, to date.

Indicator	Currency	December 31, 2023	Market share %	December 31, 2022	Market share %
Loans & advances	Rs. Bn.	1,266	11.76	1,220	10.78
	USD Mn.	3,903		3,323	
Deposits	Rs. Bn.	2,085	12.98	1,914	12.51
	USD Mn.	6,430		5,216	
Total assets	Rs. Bn.	2,580	13.01	2,426	12.49
	USD Mn.	7,958		6,610	
USD/LKR exchange rate	LKR	324.25		367.00	

Risk profile

In January 2023, Fitch Ratings downgraded the rating assigned to the Bank from AA-(lka) with a Negative Outlook to A(lka) amidst the sovereign downgrade and recalibration of the agency's Sri Lanka's national rating scale, along with nine other banks. Fitch Ratings upgraded the Outlook to Stable in October 2023. The change of rating outlook from Negative to Stable was largely due to the ease in downside risks for the banking sector with upgrades to Sri Lanka's Long-Term-Local-Currency Issuer Default Rating to CCC- from RD (Restricted Default). Further, the successful conclusion of the local currency sovereign debt restructuring and the gradual restoration of key macro-economic variables have alleviated some pressure on the Bank's capital position from weakening loan quality as well as rupee depreciation. In the meantime, the Bank's Bangladesh Operation's credit rating was reaffirmed at AAA by Credit Rating Information Services Ltd in June 2023 for the 13th consecutive year. The ratings reflect the Bank's intrinsic financial strength, the established domestic franchise as Sri Lanka's third-largest bank and the entrenched domestic deposit franchise that underpins the Bank's funding and liquidity profile.

Diversification

The Bank's business is well-diversified across four main business segments – Personal Banking, Corporate Banking, Treasury and International Operations. The International Operations of the Bank, which accounted for 16.94% of consolidated assets as at December 31, 2023 (2022 – 16.92%) and 78.57% of consolidated profit before taxes for the year ended December 31, 2023 (2022 – 71.10%), covers operations in Bangladesh, the Maldives and Myanmar. Besides geographical diversification, the Bank has successfully achieved a high level of diversification in its operations across several parameters such as customer profile, currency, products and services portfolio, funding profile, maturity profile, economic sectors and the sources of revenue given on pages 70 and 71.

Vibrant financial intermediation

Commercial Bank became the first private sector bank in Sri Lanka to have three key balance sheet indicators to surpass Rs. 1 Tn., having crossed the Rs. 1 Tn. mark in

assets, deposits and loan book in 2016, 2019 and 2021, respectively. As a leader in financial intermediation, 80.81% of the total assets of the Bank are funded by customer deposits (2022 – 78.92%), while the Bank's loans to deposits ratio stood at 60.70% as at end of 2023. The Bank's asset quality is one of the best in the industry, while its Current Accounts and Savings Accounts (CASA) is the highest among the peer banks accounting for 39.23% of total deposits as of December 31, 2023 (38.36% of total deposits as of December 31, 2022).

Capital position of the Bank

The Bank's Tier 1 Capital Ratio and Total Capital Ratio stood at 11.442% and 15.151%, respectively, as at December 31, 2023 (11.389% and 14.657% respectively as of December 31, 2022) compared to the regulatory minimum ratios of 10% and 14% applicable for the Bank as a higher-tier D-SIB. The Bank's growth was prudent with gearing in terms of on-balance sheet assets as well as risk-weighted assets remaining at 12.01 times and 6.60 times, respectively, as of end of 2023 (11.91 times and 6.82 times, respectively, as of end of 2022).

Demonstrating the strength of the franchise, the Bank's shares reported the highest price to book value of 0.58 times (0.31 times as of end 2022) and the highest market capitalisation of Rs. 124.327 Bn. (USD 383.429 Mn.) among the banking sector on the CSE at year's end (Rs. 61.591 Bn. (USD 167.824 Mn.) as at end of 2022). The Bank was the ninth largest institution listed on the CSE overall as of end 2023 (12th as of end 2022).

Commitment to sustainability

The Bank has made significant strides in embedding sustainability principles into its core operations. It established an Executive Sustainability Committee and a Sustainability Working Committee to oversee and execute sustainability strategies. The Bank's sustainability goals align with the United Nations' Sustainable Development Goals (SDGs), focusing on areas such as quality education, gender equality, clean energy, decent work and responsible consumption. It has also formed collaborations with international organisations to develop sustainable financing products and engage in environmental initiatives such as tree-planting and conservation projects.

The Bank has been recognised as the first carbon-neutral bank in Sri Lanka and continues to lead in climate financing. It has also set KPIs for Women Banking and CSR to drive sustainability efforts.

Commitment to regulatory compliance

The Bank places a strong emphasis on regulatory compliance to stay true to both the spirit and the letter of the law. It maintains a comprehensive Compliance Policy that outlines how compliance risks are identified, monitored and managed in a structured manner. The Bank's culture and Code of Ethics also play a crucial role in managing compliance risks. Efforts have been made to strengthen regulatory compliance requirements, including incorporating new regulatory developments into internal policies and procedures, adding new scenarios for transaction monitoring and regularly reviewing the Bank's Compliance programme. The Bank also maintains oversight on regulatory compliance through a dedicated compliance function reporting directly to the Board of Directors.

Ownership of the Bank

Of the 15,857 ordinary voting shareholders of the Bank at end of 2023, DFCC Bank PLC held 12.11% and entities related to the State, including Employees' Provident Fund, Employees' Trust Fund Board and Sri Lanka Insurance Corporation, collectively held 18.81% of the Bank's shares. Mr Y S H I Silva (9.89%), Mr D P Peiris (7.71%), the International Finance Corporation (7.11%), Melstacorp PLC (4.14%), Mr K D D Perera (3.67%), CB NY S/A IFC Emerging Asia Fund LP (3.67%), CB NY S/A IFC Financial Institutions Growth Fund LP (3.67%) and Renuka Hotels PLC (1.29%), are the other major shareholders, holding a combined ownership stake of 41.15%. Notably, the Bank has a substantial foreign shareholding, with foreign shareholders owning a combined stake of 18.0% in ordinary voting shares as at end 2023 (17.26% as of end 2022).