




INTRODUCTION TO THE 49TH ANNUAL REPORT

This Integrated Report is the 49th Annual Report of Commercial Bank of Ceylon PLC and covers the 12-month period from January 1, to December 31, 2017. It is consistent with our usual annual reporting cycle for financial and sustainability reporting.

How to read this Report

Taking into account investors' as well as regulators' calls for more clarity and concision in corporate reporting, we have employed a unique approach for this Report to meet the varying information needs of our stakeholders. Each main section begins with a brief overview, which then expands to include further details in a comprehensive narrative format.

The "three-minute reader" may wish to turn to  pages 15, 49, 105, 159, 333, and 427 for a quick overview of the Bank's performance in key areas. Readers in search of a more detailed narrative are welcome to read the Annual Report from cover to cover or pick and choose the clearly identified sections of their choice to obtain a more comprehensive understanding of the Bank's progress during the year and the future potential.

Readers would also note that reading material ( pages 4 – 158) and reference material ( pages 159 – 454) have been clearly segregated to make the Report more reader-friendly.

Strategic orientation

Giving the reader a clear understanding of how the Bank plans to execute strategy (to the extent that it is possible to disclose such information), this Report is also structured according to the Bank's strategic imperatives. This structure highlights the plotted course of action that will propel the Bank forward and perpetuate the value creation process. It provides the reader with a clearer understanding of future direction in the wake of unfolding mega trends.

Irrespective of the method, information is central to effective investor engagement. This Annual Report provides investors with insights into the Bank's growth potential and the strategies by which the growth will be achieved.

Integrated thinking

We started integrated reporting in line with the IIRC Framework elements with our Annual Report for 2012. This has

strengthened and reinforced integrated thinking across the Bank, leading to integration of various aspects making the Bank more sustainable in creating value over the long term by minimising risks, reducing compartmentalisation and dysfunctional behaviour, generating cost efficiencies, and making capital allocation more efficient. This not only integrated economic goals with those of society and environment, but also integrated the following aspects too, as you will find later in this Report:

- Business model to business opportunities in the market
- Strategy with the evolving business environment
- The organisation from a functional and team based one to an integrated one
- Service standards across all the channels leading to an integrated customer experience
- The Bank's key messages across all communication channels for greater clarity
- Software systems used to make them agile and speed up processes
- Information available across channels and products
- The Bank with other service providers such as telecoms and fintech firms

Non-financial information

It is now widely believed that non-financial information accounts for a substantial portion of the value of a corporate, as reflected in Price to Book Values higher than 1 time. The Bank is well aware that information needs of stakeholders are changing in keeping with the dynamic environment we operate in. Investors in particular are increasingly becoming interested in the future potential of the Bank than its past performance and non-financial information is becoming more and more relevant for ascertaining the future potential. Accordingly, the Bank has enhanced its disclosures of non-financial information in this Annual Report which will provide clarity on the Bank's path into the future.

Quality assurance

Through this Integrated Report, we set out to provide you with a holistic and meaningful picture of our business model, strategy, governance, performance, and future prospects. We also strive to illustrate the value created by the Bank in terms of

non-financial resources such as human, natural, intellectual, and social and network capitals, in addition to financial capital. We do so in a credible and consistent manner facilitating clarity and comparability.

We have taken every effort to provide credible information with the aid of visual elements such as figures, graphs, and tables in a consistent manner facilitating clarity and comparability.

Qualitative criteria taken into account include:

- **Completeness:** We have included material impacts within and under the direct control of the Bank, impacts outside which are indirectly influenced through our engagement with stakeholders and broader sustainability initiatives undertaken through the Bank's own CSR Trust.
- **Comparability:** We have included performance of current period and previous reporting periods together with industry benchmarks where relevant and available.
- **Accuracy and Consistency:** We have inbuilt internal controls to facilitate traceability and verifiability of information.
- **Clarity:** We have used visual elements to facilitate understanding of the reader and to maintain brevity of the Report.
- **Balance:** We have taken every possible effort to present a balanced review of relevant material information.
- **Credibility and Reliability:** We have obtained external assurance on both financial and sustainability information from reputed assurance service providers.

Basis of preparation

For the past eight years information in the Bank's Annual Reports have been presented in line with the GRI Guidelines. **This year the Bank decided to early adopt GRI Standards which will become effective from July 2018.** In preparing this Report, we drew mainly on the concepts, principles and guidelines from the following sources:

- Global Reporting Initiative Sustainability Reporting Guidelines – GRI Standards ( www.globalreporting.org)
- International Integrated Reporting Framework ( www.theiirc.org)
- "A Preparer's Guide to Integrated Corporate Reporting", published by The Institute of Chartered Accountants of Sri Lanka (ICASL)

The Annual Report 2017 follows our most recent Report for the year ended December 31, 2016 for which you will find comparatives within this Report.

This Report has been prepared in accordance with the GRI Standards: Core option.

Report boundary

The Financial Statements depict the consolidated performance of the entire Group, including the six subsidiaries: Commercial Development Company PLC, ONEzero Company Ltd., Serendib Finance Ltd., Commex Sri Lanka S.R.L. Italy, Commercial Bank of Maldives Private Limited, and CBC Myanmar Microfinance Company Limited and the two associates: Equity Investments Lanka Ltd., and Commercial Insurance Brokers (Pvt) Ltd.

Reporting on the Bank's social and environmental impact within the Management Discussion and Analysis, however, generally excludes these entities, focusing instead on Commercial Bank of Ceylon PLC, the parent entity of the Group, which accounts for over 98% of the Group's revenue, assets, borrowings and employees. Where the contributions of other Group entities are mentioned they are referred to as Group or Consolidated.

Internal and external assessments of the Bank's operations in Sri Lanka and other countries such as Bangladesh are encompassed within the material aspects boundaries. The Bank always takes into account reasonable aspirations and expectations of the stakeholders and engages them in a myriad of ways and they have been taken into account in deciding on the information content of this Report. Information is presented in a sustainability context, covering topics that reflect the Bank's significant economic, environmental and social impacts that substantively influence stakeholder decisions. For your convenience, we have provided quantitative and qualitative data along with reliable external benchmarks wherever possible to ensure completeness and aid comparison and further analysis of information within this Report.

No significant changes in the organisation type, structure, ownership, supply chain, material topics, or topic boundaries have taken place during the year.

The Figure 01 on the right illustrates the guiding principles, regulations, codes, and Acts used for financial and narrative reporting; reporting on sustainability goals and practices; and the governance of the Bank.

No restatements were done of previously reported financial, social or environmental information.

External assurance

External Auditors, Messrs KPMG have assured the Group's Financial Statements. As required by the regulators, these Auditors are rotated every five years to ensure their independence and objectivity. KPMG was however given an additional year to conduct the audit for the year ended December 31, 2017 in order to ensure completion of the work relating to SLFRS 9 implementation, with the audit partner being rotated in the sixth year. The Bank's social and environmental processes have been assured by Messrs DNV GL Business Assurance Lanka (Pvt) Ltd. who represents DNV GL and performance indicators by Messrs KPMG.

Aside from their engagement as Independent Assurance Services providers of the Group, Commercial Bank of Ceylon PLC, the Board of Directors and the Management have no other relationship with Messrs KPMG, DNV GL Business Assurance Lanka (Pvt) Ltd., or DNV GL. The Bank's Managing Director, who is an Executive Director of the Board and members of the Corporate Management of the Bank are responsible for sustainability practices and disclosures made in this Report. They worked with the external assurance providers on the report content.

Contact

We welcome your comments or questions on this Report and invite you to contact:

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Figure – 01

Financial Reporting

- Sri Lanka Accounting Standards
- Companies Act No. 07 of 2007



Narrative Reporting

- Integrated Reporting Framework

INTEGRATED REPORTING

Sustainability Reporting

- GRI Standards: Core option
- UNGC Principles and UN Sustainable Development Goals



Corporate Governance

- Banking Act Direction No. 11 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the ICASL

Assurance

- Sri Lanka Auditing Standards
- Sri Lanka Standard on Assurance Engagements SLSAE 3000; Assurance Engagements other than Audits or Review of Historical Financial Information
- AccountAbility's AA1000 Assurance Standard 2008
- DNV GL's assurance methodology VeriSustain™



This Annual Report is published within three months of the date of the Statement of Financial Position. The web version is also published online on the same date as the date of issue of this Annual Report at www.combank17.annualreports.lk