

INVESTOR RELATIONS

Constructive dialogue with investors is key to good governance, providing inputs to strategy formulation for long-term value creation. We are proud of our track record of active engagement with our shareholders and seek to provide relevant and sufficient information within this report to facilitate informed and constructive dialogue at the forthcoming Annual General Meeting.

This segment of the report provides information on the performance of the Bank's listed securities.

1. Our Listed Securities

The ordinary shares of the Bank are listed on the Main Board of the Colombo Stock Exchange (CSE) under the ticker symbol 'COMB'. All debentures issued are also listed on the CSE.

Summary of trading activity and daily prices of shares and debentures are published in most daily newspapers, including the Daily News, Daily FT, The Island and Daily Mirror under the abbreviation of Commercial Bank or COMB (Table 13).

Security Type	Number in Issue as at		Ticker Symbol
	31.12.2016	31.12.2015	
Equity			
Ordinary Shares – Voting	833,521,887	820,567,115	COMB.N0000
Ordinary Shares – Non-Voting	57,212,653	56,299,686	COMB.X0000
Debt			
Fixed Rate Debentures March 2016/21	44,303,400	–	COMB-BD- 08/03/21- C2341-10.75%
Fixed Rate Debentures March 2016/26	17,490,900	–	COMB-BD- 08/03/26- C2342-11.25%
Fixed Rate Debentures October 2016/21	50,718,000	–	COMB-BD- 27/10/21- C2360-12.00%
Fixed Rate Debentures October 2016/26	19,282,000	–	COMB-BD- 27/10/26- C2359-12.25%
Newsire Codes			
Bloomberg			
Dow Jones			
Reuters			

Table 13

Share Price Trend Over Last Five Years

	2016	2015	2014	2013	2012
Ordinary Shares Voting					
Highest price (Rs.)	151.90	194.00	179.90	126.00	119.50
Lowest price (Rs.)	115.00	139.90	113.50	103.20	96.80
Last traded price (Rs.)	145.00	140.20	171.00	120.40	103.00
Ordinary Shares Non-Voting					
Highest price (Rs.)	123.00	149.00	125.50	102.00	99.50
Lowest price (Rs.)	101.50	122.10	91.30	87.00	73.00
Last traded price (Rs.)	115.00	123.00	125.10	93.00	91.10

Rs. 118.360 Bn.

Market Capitalisation

	Rs. Bn.	US \$ Mn.
2016	118.360	790.384
2015	115.033	798.009

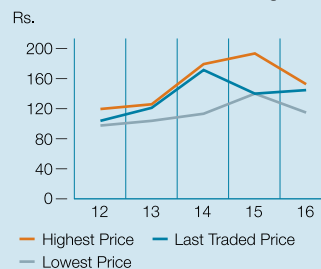
Table 14

Sustainable Value for Investors Ordinary Shares: Voting

	2016 Rs.	2015 Rs.
Highest Price (07.11.2016) (12.01.2015)	151.90	194.00
Lowest Price (09.03.2016) (31.12.2015)	115.00	139.90
Year end Price	145.00	140.20

Table 15

Share Price Trend – Voting



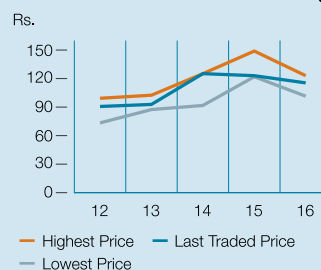
Graph 57

Ordinary Shares: Non-Voting

	2016 Rs.	2015 Rs.
Highest Price (04.01.2016) (12.01.2015)	123.00	149.00
Lowest Price (09.03.2016) (28.12.2015)	101.50	122.10
Year end Price	115.00	123.00

Table 16

Share Price Trend – Non-Voting



Graph 58

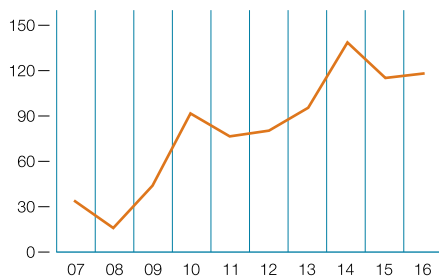
2. Performance of Securities and Return to Shareholders

Market performance moderated during the year reflecting the weak investor appetite, moderating economic growth, rising interest rates and inflation during the year. The All Share Price Index and the S&P SL 20 Index remained in the doldrums as domestic and foreign activity declined sharply by 38.28% and 14.59% respectively. Foreign and local companies were net purchasers albeit at reduced volumes while foreign and local individuals were net sellers. The Banking, Finance and Insurance sectors also reflected a downward trend during the year.

Despite the bleak market performance, the ordinary voting shares of the Bank performed creditably, increasing by 3.42% from Rs. 140.20 at the end of 2015 to Rs.145.00 as at the end of 2016 (Table 15). The number of shares in both categories increased during the year as the Bank continued with its policy of issuing scrip dividends and operationalised the ESOP (Section 3.1). Accordingly, market capitalisation increased from Rs.115 Bn. in 2015 to Rs.118 Bn. in 2016 accounting for 4.31% of the total market capitalisation. Movement of the non-voting share price followed the trend of the voting shares during most part of 2016.

Commercial Bank's Market Capitalisation

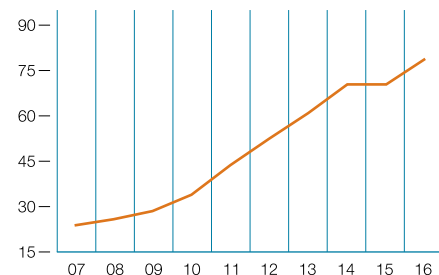
Rs. Bn.



Graph 59

Shareholders' Funds

Rs. Bn.



Graph 60

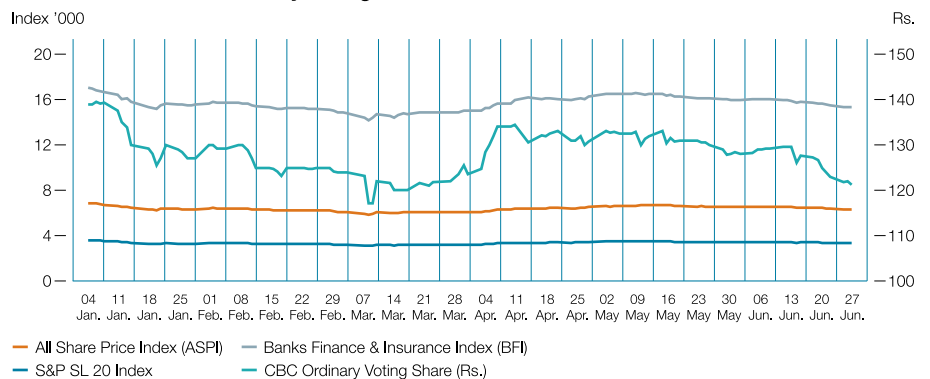
Information on Shareholders' funds and Market Capitalisation

As at December 31,	Shareholders' Funds	Commercial Bank's Market Capitalisation(*)	Total Market Capitalisation of the CSE	Commercial Bank's Market Capitalisation as a % of CSE Market Capitalisation	Commercial Bank's Market Capitalisation Ranking
	Rs. Bn.	Rs. Bn.	Rs. Bn.	%	Rank
2016	78	118	2,745	4.31	3
2015	70	115	2,938	3.92	3
2014	71	139	3,105	4.46	3
2013	61	96	2,286	4.18	4
2012	53	80	2,168	3.71	5
2011	44	77	2,269	3.37	6
2010	34	92	2,281	4.03	4
2009	28	44	1,092	4.06	5
2008	26	16	489	3.20	4
2007	24	34	821	4.17	4

*Commercial Bank's market capitalisation includes only Ordinary Voting Shares

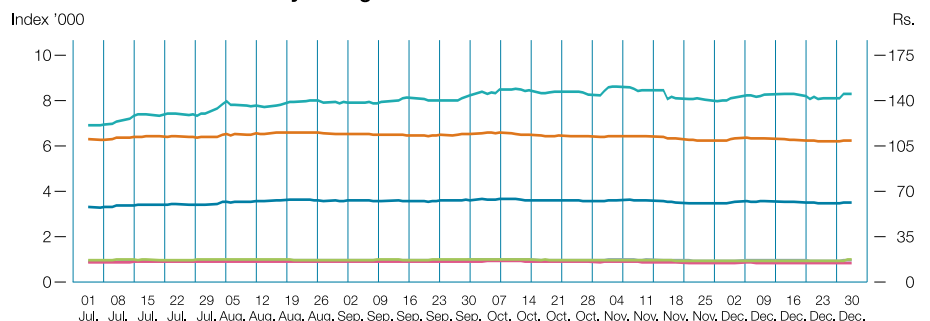
Table 17

Performance of the Ordinary Voting Share – 1st Half of 2016



Graph 61

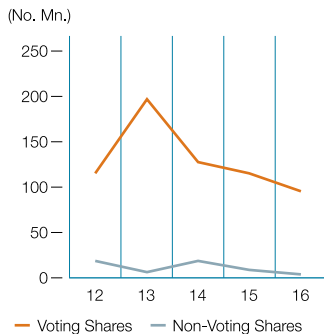
Performance of the Ordinary Voting Share – 2nd Half of 2016



Graph 62

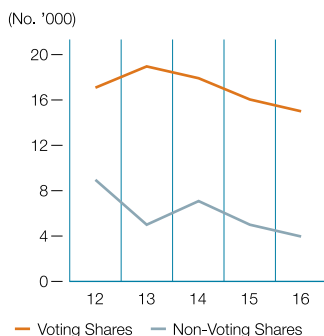
Market indices for Banks, Finance and Insurance were available only from the second half of 2016.

Number of Shares Traded



Graph 63

Number of Transactions



Graph 64

The number of shares traded in both voting and non-voting shares declined during the year (Graph 63) as many investors adopted a holding strategy on the stock in view of its performance. Interestingly, the number of transactions in ordinary voting shares (Graph 64) was similar to 2015 pointing to sustained interest in the shares (Table 18).

	Ordinary Voting Shares		Ordinary Non-Voting Shares	
	2016	2015	2016	2015
Number of transactions	15,189	15,575	3,721	5,073
Number of shares traded	96,145,515	117,372,662	5,395,928	9,552,654
Value of shares traded (Rs. Bn.)	12.86	19.39	0.62	1.28

Table 18

The total return to shareholders during the year amounted to Rs. 11.30 per share comprising cash and scrip dividends of Rs. 6.50 and capital gains of Rs. 4.80. This amounts to a return to shareholders of 11.25% for the year. Total return over the last five years is approximately 10.14% on the same basis.

3. Stated Capital

The Bank continued with its policy of issuing scrip dividends and the movement in our issued capital over the past three decades is given below in accordance with Rule 7.6 (ix) of the Listing Rules of the CSE. Accordingly, 11,818,040 voting shares and 912,967 non-voting shares were issued during the year as approved by shareholders at the Annual General Meeting (AGM) held in March 2016. The ESOP approved by shareholders in 2016 was operationalised during the year which together with ESOP introduced in 2008 contributed to increase the number of shares in issue by 1,136,732.

3.1 Information on Movement in Number of Shares Represented by the Stated Capital (As per Rule No. 7.6 (ix) of the Listing Rules of the CSE)

Year	Details	Basis	No. of Shares Issued/ (Redeemed)	No. of Shares		
				Ordinary Shares Voting	Ordinary Shares Non-voting	Cumulative Redeemable Preference Shares
1987	As at December 31, 1987			3,000,000	-	-
1988	Bonus Issue	Voting	2,000,000	5,000,000	-	-
1990	Bonus Issue	Voting	5,000,000	10,000,000	-	-
1993	Rights Issue	Voting	2,500,000	12,500,000	-	-
1996	Bonus Issue	Voting	7,500,000	20,000,000	-	-
	Rights Issue	Voting	5,000,000	25,000,000	-	-
	Share Swap	Non-voting	894,275	25,000,000	894,275	-
	Bonus Issue	Non-voting	536,565	25,000,000	1,430,840	-
	Rights Issue	Non-voting	357,710	25,000,000	1,788,550	-
1998	Bonus Issue	Voting	7,500,000	32,500,000	1,788,550	-
	Bonus Issue	Non-voting	536,565	32,500,000	2,325,115	-
2001	Bonus Issue	Voting	6,500,000	39,000,000	2,325,115	-
	Bonus Issue	Non-voting	465,023	39,000,000	2,790,138	-
	Issue of Cumulative Redeemable Preference Shares		90,655,500	39,000,000	2,790,138	90,655,500

Year	Details		Basis	No. of Shares Issued/ (Redeemed)	No. of Shares		
					Ordinary Shares Voting	Ordinary Shares Non-voting	Cumulative Redeemable Preference Shares
2003	Bonus Issue	Voting	1 for 3	13,000,000	52,000,000	2,790,138	90,655,500
	Rights Issue	Voting	1 for 4	13,000,000	65,000,000	2,790,138	90,655,500
	Bonus Issue	Non-voting	1 for 3	930,046	65,000,000	3,720,184	90,655,500
	Rights Issue	Non-voting	1 for 4	930,046	65,000,000	4,650,230	90,655,500
	Issue of Cumulative Redeemable Preference Shares			100,000,000	65,000,000	4,650,230	190,655,500
2004	ESOP	Voting		29,769	65,029,769	4,650,230	190,655,500
2005	ESOP	Voting		1,361,591	66,391,360	4,650,230	190,655,500
	Bonus Issue	Voting	1 for 1	66,389,162	132,780,522	4,650,230	190,655,500
	Bonus Issue	Non-voting	1 for 1	4,650,230	132,780,522	9,300,460	190,655,500
2006	ESOP	Voting		737,742	133,518,264	9,300,460	190,655,500
	Redemption of Cumulative Redeemable Preference Shares			(90,655,500)	133,518,264	9,300,460	100,000,000
2007	Rights Issue	Voting	3 for 10	40,288,996	173,807,260	9,300,460	100,000,000
	Bonus Issue	Voting	1 for 3	58,204,268	232,011,528	9,300,460	100,000,000
	ESOP	Voting		919,649	232,931,177	9,300,460	100,000,000
	Rights Issue	Non-voting	3 for 10	2,790,138	232,931,177	12,090,598	100,000,000
	Bonus Issue	Non-voting	1 for 3	4,030,199	232,931,177	16,120,797	100,000,000
2008	Redemption of Cumulative Redeemable Preference Shares			(100,000,000)	232,931,177	16,120,797	–
	ESOP	Voting		350,049	233,281,226	16,120,797	–
2009	ESOP	Voting		540,045	233,821,271	16,120,797	–
2010	Share Split	Voting	1 for 2	117,402,608	351,223,879	16,120,797	–
	Share Split	Non-voting	1 for 2	8,060,398	351,223,879	24,181,195	–
	ESOP	Voting		2,081,508	353,305,387	24,181,195	–
2011	Scrip issue for final dividend 2010	Voting		2,277,195	355,582,582	24,181,195	–
	Scrip issue for final dividend 2010	Non-voting		255,734	355,582,582	24,436,929	–
	ESOP	Voting		1,457,645	357,040,227	24,436,929	–
	Rights Issue	Voting	1 for 14	25,502,433	382,542,660	24,436,929	–
	Rights Issue	Non-voting	1 for 14	1,745,494	382,542,660	26,182,423	–
	Share Split	Voting	1 for 1	382,542,660	765,085,320	26,182,423	–
	Share Split	Non-voting	1 for 1	26,182,423	765,085,320	52,364,846	–
2012	Scrip issue for final dividend 2011	Voting		13,587,144	778,672,464	52,364,846	–
	Scrip issue for final dividend 2011	Non-voting		1,108,902	778,672,464	53,473,748	–
	ESOP	Voting		1,341,768	780,014,232	53,473,748	–
2013	Scrip issue for final dividend 2012	Voting		13,076,189	793,090,421	53,473,748	–
	Scrip issue for final dividend 2012	Non-voting		1,069,474	793,090,421	54,543,222	–
	ESOP	Voting		1,445,398	794,535,819	54,543,222	–
2014	Scrip issue for final dividend 2013	Voting		12,504,344	807,040,163	54,543,222	–
	Scrip issue for final dividend 2013	Non-voting		1,036,724	807,040,163	55,579,946	–
	ESOP	Voting		3,237,566	810,277,729	55,579,946	–

Year	Details	Basis	No. of Shares Issued/ (Redeemed)	No. of Shares		
				Ordinary Shares Voting	Ordinary Shares Non-voting	Cumulative Redeemable Preference Shares
2015	Scrip issue for final dividend 2014	Voting	8,118,773	818,396,502	55,579,946	–
	Scrip issue for final dividend 2014	Non-voting	719,740	818,396,502	56,299,686	–
	ESOP	Voting	2,170,613	820,567,115	56,299,686	–
2016	Scrip issue for final dividend 2015	Voting	11,818,040	832,385,155	56,299,686	–
	Scrip issue for final dividend 2015	Non-voting	912,967	832,385,155	57,212,653	–
	ESOP	Voting	1,136,732	833,521,887	57,212,653	–

3.2 Information on Share Splits and Scrip Issues

Year/Month	Details
2016 April	Issue of ordinary shares to satisfy a part of the final dividend for 2015 of Rs. 2.00 per ordinary share
2015 April	Issue of ordinary shares to satisfy a part of the final dividend for 2014 of Rs. 2.00 per ordinary share
2014 April	Issue of ordinary shares to satisfy a part of the final dividend for 2013 of Rs. 2.00 per ordinary share
2013 April	Issue of ordinary shares to satisfy a part of the final dividend for 2012 of Rs. 2.00 per ordinary share
2012 April	Issue of ordinary shares to satisfy a part of the final dividend for 2011 of Rs. 2.00 per ordinary share
2011 September	Share split of one ordinary share for every one ordinary share held immediately after the right issue
2011 August	Rights issue of one ordinary share for every fourteen ordinary shares held
2011 April	Issue of ordinary shares to satisfy a part of the final dividend for 2010 of Rs. 2.00 per ordinary share
2010 June	Share split of one ordinary share for every two ordinary shares held
2007 June	Bonus issue of one ordinary share for every three ordinary shares held
2007 April	Rights issue of three ordinary shares for every ten ordinary shares held
2005 June	Bonus issue of one ordinary share for every one ordinary share held
2003 October	Rights issue of one ordinary share for every four ordinary shares held
2003 May	Bonus issue of one ordinary share for every three ordinary shares held

4. Dividends

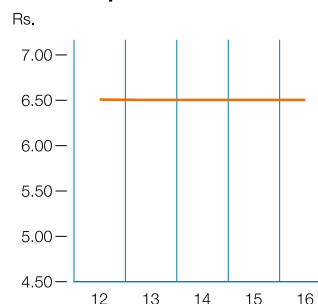
Dividends are declared balancing the needs of shareholders for a return on investment and the business needs of the Bank. The Bank paid two interim dividends totalling to Rs. 4.50 per share in cash for the year 2016. The Board of Directors of the Bank has now recommended a final dividend of Rs. 2.00 per ordinary share, to be satisfied in the form of issue and allotment of new shares for both voting and non-voting shareholders of the Bank for the year ended December 31, 2016 for approval by the shareholders at the 48th AGM, to be held on March 30, 2017. (The Bank declared a final dividend of Rs. 5.00 per share for the year ended December 31, 2015 which consists of a cash dividend of Rs. 3.00 per share and balance entitlement

of Rs. 2.00 per share satisfied in the form of issue and allotment of new shares).

Dividends	2016	2015
Cash – Rs. per share		
First interim paid	1.50	1.50
Second interim paid	3.00	–
Final proposed/paid	–	3.00
Total	4.50	4.50
Scrip – Rs. per share		
Final proposed/allotted	2.00	2.00
Total	6.50	6.50
Dividend payout ratio (%)		
Cash	27.64	33.15
Total (Cash and Shares)	39.92	47.89

Table 19

Dividend per Share



Graph 65

5. Shareholders

Commercial Bank has a total of 9,610 Ordinary voting shareholders as at December 31, 2016, an increase of 2.10% over 2015, expanding our shareholder base (Table 20). The percentage of ordinary voting shares held by the 20 largest shareholders has increased from 66.77% in 2015 to 69.01% in 2016 with four new investors joining its ranks. Non-voting ordinary shares held by the 20 largest shareholders have increased even more sharply from 38.45% in 2015 to 42.90% in 2016 with three new investors making significant purchases during 2016 of which two were foreign investors (Section 5.3). However, the total number of foreign shareholders declined during the year primarily due to weak market performance that prevailed during 2016.

Number of Ordinary Shareholders

	2016	2015
Voting shareholders	9,610	9,412
Non-voting shareholders	4,191	4,216
Total	13,801	13,628

Table 20

5.1 Composition of Shareholders

	As at December 31, 2016				As at December 31, 2015			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Ordinary Shares – Voting								
Resident	9,314	96.92	587,487,079	70.48	9,094	96.62	558,973,595	68.12
Non-resident	296	3.08	246,034,808	29.52	318	3.38	261,593,520	31.88
Total	9,610	100.00	833,521,887	100.00	9,412	100.00	820,567,115	100.00
Ordinary Shares – Non-Voting								
Resident	4,107	98.00	43,843,846	76.63	4,128	97.91	44,666,354	79.34
Non-resident	84	2.00	13,368,807	23.37	88	2.09	11,633,332	20.66
Total	4,191	100.00	57,212,653	100.00	4,216	100.00	56,299,686	100.00
Individuals	3,970	94.73	32,320,757	56.49	3,997	94.81	32,174,283	57.15
Institutions	221	5.27	24,891,896	43.51	219	5.19	24,125,403	42.85
Total	4,191	100.00	57,212,653	100.00	4,216	100.00	56,299,686	100.00

5.2 Distribution Schedule of the Number of Holders and Percentage of Holding in each Class of Equity Securities (As per Rule No. 7.6 (x) of the Listing Rules of the CSE)

	As at December 31, 2016				As at December 31, 2015			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Ordinary Shares Voting								
1 – 1,000	4,827	50.23	1,107,910	0.13	4,683	49.77	1,187,812	0.14
1,001 – 10,000	3,081	32.06	11,064,002	1.33	3,014	32.02	11,163,309	1.36
10,001 – 100,000	1,406	14.63	40,096,730	4.81	1,432	15.21	41,917,942	5.11
100,001 – 1,000,000	227	2.36	63,821,779	7.66	211	2.24	59,390,754	7.24
Over 1,000,000	69	0.72	717,431,466	86.07	72	0.76	706,907,298	86.15
Total	9,610	100.00	833,521,887	100.00	9,412	100.00	820,567,115	100.00
Ordinary Shares Non-Voting								
1 – 1,000	2,248	53.64	544,686	0.94	2,235	53.01	567,113	1.00
1,001 – 10,000	1,354	32.30	4,513,800	7.89	1,370	32.50	4,474,887	7.95
10,001 – 100,000	492	11.74	13,932,010	24.35	506	12.00	13,724,725	24.38
100,001 – 1,000,000	90	2.15	21,600,494	37.77	98	2.32	23,079,473	41.00
Over 1,000,000	7	0.17	16,621,663	29.05	7	0.17	14,453,488	25.67
Total	4,191	100.00	57,212,653	100.00	4,216	100.00	56,299,686	100.00

5.3 The Names, Number and Percentage of Shares Held by Twenty Largest Shareholders (As per Rule No. 7.6 (iii) of the Listing Rules of the CSE)

As at December 31, Ordinary Shares-Voting	2016		2015 (*)	
	No. of Shares	%	No. of Shares	%
1. DFCC Bank A/C 1	122,747,994	14.73	121,005,515	14.75
2. Mr. Y.S.H.I. Silva	82,635,230	9.91	81,388,992	9.92
3. Employees' Provident Fund	80,741,135	9.69	79,594,968	9.70
4. Sri Lanka Insurance Corporation Ltd. – Life Fund	41,854,996	5.02	41,260,840	5.03
5. CB NY S/A International Finance Corporation	37,206,040	4.46	36,677,879	4.47
6. Sri Lanka Insurance Corporation Ltd. – General Fund	35,989,537	4.32	35,478,645	4.32
7. Melstacorp Ltd.	28,295,305	3.39	19,879,375	2.42
8. Mrs. L.E.M. Yaseen	16,603,339	1.99	15,380,000	1.87
9. HSBC International Nominees Ltd. – JPMLU – Franklin Templeton Investment Fund	14,791,566	1.77	24,352,909	2.97
10. HSBC International Nominees Ltd. – SNFE – NT Asian Discovery Master Fund	13,929,632	1.67	–	–
11. HSBC International Nominees Ltd. – SSBT – Morgan Stanley Institutional Fund, Inc. Frontier Emerging Markets Portfolio	12,998,068	1.56	13,434,182	1.64
12. HSBC International Nominees Ltd. – SSBT – Morgan Stanley Asset Management SA Acting on behalf of Morgan Stanley Galaxy Fund	12,732,186	1.53	11,731,336	1.43
13. HSBC International Nominees Ltd. – BPSS – LUX – Aberdeen Global Asia Pacific Equity Fund	11,172,854	1.34	11,014,249	1.34
14. Employee's Trust Fund Board	10,723,987	1.29	6,475,327	0.79
15. Mercantile Investments & Finance PLC	10,661,077	1.28	10,509,737	1.28
16. HSBC International Nominees Ltd. – BPSS – LUX – Aberdeen Global – Asian Smaller Companies Fund	9,368,066	1.12	10,319,466	1.26
17. HSBC International Nominees Ltd. – SSBT – First State Investments ICVC-Stewart Investors Indian Subcontinent Fund	8,886,230	1.07	7,037,883	0.86
18. HSBC International Nominees Ltd. – SSBT – BMO Investments II (Ireland) Public Limited Company	8,522,701	1.02	7,208,955	0.88
19. BNYMSANV RE-CF Ruffer Total Return Fund	8,399,814	1.01	8,280,574	1.01
20. HSBC International Nominees Ltd. – BP2S – London – Aberdeen Asia Smaller Companies Investment Trust	6,944,006	0.83	6,845,432	0.83
Sub total	575,203,763	69.01	547,876,264	66.77
Other shareholders	258,318,124	30.99	272,690,851	33.23
Total	833,521,887	100.00	820,567,115	100.00

As per Rule No. 7.6 (iv) of the Listing Rules of the CSE, percentage of public holding of voting shares as at December 31, 2016 was 99.73% (99.64% as at December 31, 2015).

As per Rule No. 7.13.1 of the Listing Rules of the CSE, number of shareholders representing public holding as at December 31, 2016 – 9,578 (9,383 as at December 31, 2015).

* Comparative shareholdings as at December 31, 2015 of the twenty largest shareholders as at December 31, 2016.

As at December 31, Ordinary Shares – Non-Voting	2016		2015 (*)	
	No. of Shares	%	No. of Shares	%
1. Employees' Trust Fund Board	4,167,636	7.28	4,101,132	7.28
2. HSBC International Nominees Ltd. – JPMLU – Franklin Templeton Investment Fund	3,309,627	5.78	3,256,814	5.78
3. Citi Bank NY S/A Norges Bank Accounts 2	3,228,072	5.64	1,265,623	2.25
4. CB NY S/A Salient International Dividend Signal Fund	1,802,572	3.15	1,781,807	3.16
5. GF Capital Global Ltd.	1,591,203	2.78	1,565,812	2.78
6. BNYMSANV RE-Butterfield Trust (Bermuda) Ltd.	1,419,594	2.48	1,396,941	2.48
7. Mr. J.D. Bandaranayake	1,102,959	1.93	1,085,359	1.93
8. M.J.F. Exports Ltd.	978,724	1.71	963,107	1.71
9. Mr. M.F. Hashim	800,417	1.40	767,339	1.36
10. Saboor Chatoor (Pvt) Ltd.	781,100	1.37	763,000	1.36
11. Beta Holdings Ltd.	765,030	1.34	727,971	1.29
12. Mrs. L.V.C. Samarasinha	650,000	1.14	607,769	1.08
13. Union Assurance PLC – No – 01A/C	581,706	1.02	572,424	1.02
14. Akbar Brothers (Pvt) Ltd. A/C No 1	576,809	1.01	567,605	1.01
15. Dr. A.K.A. Jayawardene	505,035	0.88	496,976	0.88
16. Mr. J.G. De Mel	485,284	0.85	420,000	0.75
17. Mr. G.R. Mallawaarachy/Mrs. B.G.P. Mallawaarachy	479,764	0.84	462,309	0.82
18. Mr. W.R.H.Perera	452,051	0.79	444,838	0.79
19. Mr. T.W.A. Wickamasinghe	436,759	0.76	335,000	0.60
20. Alpex Marine (Pvt) Ltd.	430,605	0.75	423,734	0.75
Sub total	24,544,947	42.90	22,005,560	39.08
Other shareholders	32,667,706	57.10	34,294,126	60.92
Total	57,212,653	100.00	56,299,686	100.00

As per Rule No. 7.6 (iv) of the Listing Rules of the CSE, percentage of public holding of non-voting shares as at December 31, 2016 was 99.79% (99.79% as at December 31, 2015).

As per Rule No. 7.13.1 of the Listing Rules of the CSE, number of shareholders representing public holding as at December 31, 2016 – 4,182 (4,207 as at December 31, 2015).

* Comparative shareholdings as at December 31, 2015 of the twenty largest shareholders as at December 31, 2016.

5.4 Directors' Shareholding Including the Chief Executive Officer's Shareholding (As per Rule No. 7.6 (v) of the Listing Rules of the CSE)

As at December 31,	Ordinary Shares-Voting		Ordinary Shares-Non-Voting	
	2016	2015	2016	2015
Mr. K.G.D.D. Dheerasinghe – <i>Chairman</i>	21,159	20,859	Nil	Nil
Mr. M.P. Jayawardena – <i>Deputy Chairman</i>	Nil	Nil	Nil	Nil
Mr. J. Durairatnam – <i>MD/CEO</i>	470,770	412,056	Nil	Nil
Mr. S. Swarnajothi	Nil	Nil	8,738	8,599
Mr. S. Renganathan	197,647	191,936	10,488	10,321
Prof. A.K.W. Jayawardane	Nil	Nil	Nil	Nil
Mr. K. Dharmasiri	Nil	Nil	Nil	Nil
Mr. L.D. Niyangoda (<i>appointed w.e.f. August 26, 2016</i>)	Nil	N/A	Nil	N/A
Ms. N.T.M.S. Cooray (<i>appointed w.e.f. September 19, 2016</i>)	Nil	N/A	Nil	N/A
Mr. G.S. Jadeja (<i>appointed w.e.f. September 19, 2016</i>)	Nil	N/A	Nil	N/A
Mr. H.J. Wilson (<i>resigned w.e.f. August 29, 2016</i>)	N/A	Nil	N/A	Nil

6. Engaging with Shareholders

The Bank has a shareholder communication policy enumerating formal channels for engagement with shareholders which has been complied with during the year. This covers the timely communication of quarterly performance set out from page 117 to 119 and significant events that are reasonably expected to impact the share price. Please refer to the Financial Calendar set out on page 179 for more details.

7. Material Foreseeable Risk Factors

(As per Rule No. 7.6 (VI) of the Listing Rules of the CSE)

Information pertaining to the material foreseeable risk factors, that require disclosures as per the Rule No. 7.6 (vi) of the Listing Rules of the CSE are discussed in the Section on 'Managing Risk: An Overview' on pages 172 to 175.

8. Material Issues Pertaining to Employees and Industrial Relations Pertaining to the Bank

(As per Rule No. 7.6 (VII) of the Listing Rules of the CSE)

There were no material issues pertaining to employees and industrial relations pertaining to the Bank that occurred during the year under review which require disclosure.

9. Quarterly Performance – 2016 Compared to 2015

The Bank duly submitted the Interim Financial Statements for the year 2016 to the CSE within applicable statutory deadlines as required by the Rule No. 7.4 (a) (i) of the Listing Rules of the CSE. (The Bank duly complied with this requirement for 2015).

The Audited Income Statement for the year ended December 31, 2016 and the Audited Statement of Financial Position as at December 31, 2016 will be submitted to the CSE within three months from the year end, which is well within the required deadline as required by the Rule No. 7.5 (a) of the Listing Rules of the CSE (The Bank duly complied with this requirement for 2015).

The full Annual Report together with Audited Financial Statements and the Interim Financial Statements are available on the Bank's website (<http://www.combank.lk/newweb/investor-relations>). Alternatively, shareholders are able to elect to receive a mailed hard copy of the Annual Report on request. The Company Secretary of the Bank will respond to individual letters received from shareholders.

Summary of the Income Statement

	2016					2015				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Mar. 31	Jun. 30	Sep. 30	Dec. 31		Mar. 31	Jun. 30	Sep. 30	Dec. 31	
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Group										
Net interest income	8,173.1	8,065.6	8,223.6	8,665.9	33,128.2	7,286.0	7,588.9	7,681.0	8,011.5	30,567.4
Net fee and commission income	1,463.0	1,515.6	1,805.5	2,305.1	7,089.2	1,258.1	1,219.5	1,335.4	1,597.3	5,410.3
Other operating income (Net)	1,429.1	496.7	1,080.1	1,174.9	4,180.8	1,213.2	527.1	1,889.4	1,926.5	5,556.2
Less: Impairment charges for loans and other losses	1,000.3	567.7	252.8	(237.5)	1,583.3	1,334.2	753.7	1,097.0	914.9	4,099.8
Net operating income	10,064.9	9,510.2	10,856.4	12,383.4	42,814.9	8,423.1	8,581.8	9,808.8	10,620.4	37,434.1
Less: Expenses	5,425.7	5,174.7	5,830.6	6,275.8	22,706.8	4,792.8	4,724.3	5,071.4	5,723.2	20,311.7
Operating profit	4,639.2	4,335.5	5,025.8	6,107.6	20,108.1	3,630.3	3,857.5	4,737.4	4,897.2	17,122.4
Add: Share of profits/ (losses) of associates	0.8	1.2	3.8	0.7	6.5	2.3	2.8	4.8	3.7	13.6
Profit before income tax	4,640.0	4,336.7	5,029.6	6,108.3	20,114.6	3,632.6	3,860.3	4,742.2	4,900.9	17,136.0
Less: Income tax expense	1,376.5	1,083.3	1,351.5	1,836.9	5,648.2	1,095.7	1,213.3	1,491.4	1,476.4	5,276.8
Profit for the period	3,263.5	3,253.4	3,678.1	4,271.4	14,466.4	2,536.9	2,647.0	3,250.8	3,424.5	11,859.2
Quarterly profit as a % of the profit after tax	22.6	22.5	25.4	29.5	100.0	21.4	22.3	27.4	28.9	100.0
Cumulative quarterly profit as a % of the profit after tax	22.6	45.0	70.5	100.0		21.4	43.7	71.1	100.0	
Bank										
Net interest income	8,112.9	7,997.9	8,144.3	8,568.5	32,823.6	7,232.7	7,534.9	7,630.2	7,947.8	30,345.6
Net fee and commission income	1,460.0	1,508.9	1,798.1	2,248.5	7,015.5	1,256.4	1,217.5	1,333.3	1,566.8	5,374.0
Other operating income (Net)	1,405.8	496.6	1,077.6	1,281.4	4,261.4	1,192.6	543.2	1,889.2	1,937.2	5,562.2
Less: Impairment charges for loans and other losses	995.0	551.2	257.4	(273.8)	1,529.8	1,329.7	729.9	1,055.6	828.0	3,943.2
Net operating income	9,983.7	9,452.2	10,762.6	12,372.2	42,570.7	8,352.0	8,565.7	9,797.1	10,623.8	37,338.6
Less: Expenses	5,404.0	5,136.4	5,770.9	6,208.2	22,519.5	4,772.8	4,701.8	5,049.7	5,670.7	20,195.0
Profit before income tax	4,579.7	4,315.8	4,991.7	6,164.0	20,051.2	3,579.2	3,863.9	4,747.4	4,953.1	17,143.6
Less: Income tax expense	1,345.2	1,062.1	1,328.5	1,802.9	5,538.7	1,070.5	1,204.6	1,489.4	1,475.9	5,240.4
Profit for the period	3,234.5	3,253.7	3,663.2	4,361.1	14,512.5	2,508.7	2,659.3	3,258.0	3,477.2	11,903.2
Quarterly profit as a % of the profit after tax	22.3	22.4	25.2	30.1	100.0	21.1	22.3	27.4	29.2	100.0
Cumulative quarterly profit as a % of the profit after tax	22.3	44.7	69.9	100.0		21.1	43.4	70.8	100.0	

Summary of Statements of Financial Position

As at	2016				2015			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Group								
Cash and cash equivalents	26,041.8	33,510.9	26,332.8	32,924.2	25,668.2	26,117.8	19,311.9	20,107.1
Placements with banks	4,301.3	8,426.8	14,061.6	11,718.5	13,275.0	6,149.5	10,362.5	17,193.5
Securities purchased under resale agreements	9,002.0	80.0	350.1	–	10,266.1	6,001.0	1,944.4	8,002.1
Other financial assets – Held-for-trading	10,539.6	8,670.5	12,085.4	4,987.8	9,501.5	12,392.0	12,624.0	7,656.3
Loans and receivables to banks and other customers	539,906.8	554,878.6	578,642.4	620,753.9	439,122.3	456,915.4	484,416.1	509,923.1
Financial investments – Available-for-sale	168,306.5	168,810.7	171,516.3	160,092.5	215,671.3	206,166.1	236,351.0	204,262.0
Financial investments – Held-to-maturity	35,911.1	36,124.7	37,001.2	63,626.6	–	–	–	–
Financial investments – Loans and receivables	66,464.2	61,741.8	52,060.8	51,824.0	50,249.3	50,684.2	58,030.1	57,724.4
Other assets	66,641.6	61,250.5	65,741.8	75,056.1	45,719.8	51,481.1	52,391.1	57,314.7
	927,114.9	933,494.5	957,792.4	1,020,983.6	809,473.5	815,907.1	875,431.1	882,183.2
Due to banks	39,095.2	36,937.4	33,417.8	71,098.4	30,445.8	16,008.3	34,661.1	31,789.4
Securities sold under resale agreements	115,628.0	95,083.4	87,040.9	69,629.0	115,936.1	119,539.1	137,403.1	112,249.7
Due to other customers/deposits from customers	652,934.5	679,948.2	710,389.5	743,310.6	549,003.3	568,954.3	588,803.5	624,021.2
Other borrowings	9,881.9	9,603.9	9,578.5	9,270.2	11,359.3	10,116.4	10,045.9	9,985.6
Subordinated liabilities	18,541.0	17,957.8	17,979.1	24,849.5	11,415.0	11,324.1	12,106.1	11,988.3
Other liabilities	25,475.6	23,169.4	22,093.6	23,010.5	24,734.5	18,943.3	21,078.3	21,135.2
Shareholders' funds	65,558.7	70,794.4	77,293.0	79,815.4	66,579.5	71,021.6	71,333.1	71,013.8
	927,114.9	933,494.5	957,792.4	1,020,983.6	809,473.5	815,907.1	875,431.1	882,183.2
Quarterly Growth (%)								
Loans and receivables to banks and other customers	5.88	2.77	4.28	7.28	8.02	4.05	6.02	5.27
Due to other customers/deposits from customers	4.63	4.14	4.48	4.63	3.73	3.63	3.49	5.98
Total assets	5.09	0.69	2.60	6.60	1.53	0.79	7.30	0.77

As at	2016				2015			
	Mar. 31 Rs. Mn.	Jun. 30 Rs. Mn.	Sep. 30 Rs. Mn.	Dec. 31 Rs. Mn.	Mar. 31 Rs. Mn.	Jun. 30 Rs. Mn.	Sep. 30 Rs. Mn.	Dec. 31 Rs. Mn.
Bank								
Cash and cash equivalents	25,995.1	33,475.1	24,647.9	30,193.6	25,640.4	26,097.7	19,286.7	20,043.5
Placements with banks	4,301.3	8,426.8	14,061.6	11,718.5	13,275.0	6,149.5	10,362.5	17,193.5
Securities purchased under resale agreements	9,002.0	80.0	350.1	-	10,266.1	6,001.0	1,944.4	8,002.1
Other financial assets – Held-for-trading	10,539.6	8,670.5	12,085.4	4,987.8	9,501.5	12,392.0	12,624.0	7,656.3
Loans and receivables to banks and other customers	537,473.3	551,891.7	575,081.6	616,642.7	438,037.6	455,430.4	482,511.5	508,716.2
Financial investments – Available-for-sale	168,288.5	168,741.5	171,446.0	160,023.5	215,654.5	206,149.1	236,333.6	204,244.3
Financial investments – Held-to-maturity	35,911.1	36,124.7	37,001.2	60,981.3	-	-	-	-
Financial investments – Loans and receivables	66,464.2	61,741.8	52,060.8	51,824.0	50,249.3	50,684.2	58,030.1	57,724.4
Other assets	66,599.5	61,222.2	66,564	75,829.8	45,227.5	50,937.1	51,830.2	56,224.8
	924,574.6	930,374.3	953,298.6	1,012,201.2	807,851.9	813,841.0	872,923.0	879,805.1
Due to banks	37,185.2	34,401.0	30,419.2	67,608.8	30,069.9	15,174.1	33,373.7	30,319.1
Securities sold under resale agreements	115,831.1	95,288.0	87,275.7	69,867.5	116,096.1	119,679.7	137,535.5	112,384.8
Due to other customers	653,039.5	680,057.5	710,457.9	739,563.5	549,111.2	569,082.1	588,917.5	624,101.8
Other borrowings	9,881.9	9,603.9	9,578.5	9,270.2	11,346.3	10,104.4	10,045.9	9,985.6
Subordinated liabilities	18,526.0	17,942.8	17,979.1	24,849.5	11,197.2	11,106.3	11,888.3	11,973.3
Other liabilities	25,256.2	22,989.7	21,824.8	22,688.0	24,215.3	18,432.7	20,579.4	20,699.7
Shareholders' funds	64,854.7	70,091.4	75,763.4	78,353.7	65,815.9	70,261.7	70,582.7	70,340.8
	924,574.6	930,374.3	953,298.6	1,012,201.2	807,851.9	813,841.0	872,923.0	879,805.1
Quarterly Growth (%)								
Loans and receivables to banks and other customers	5.65	2.68	4.20	7.23	8.04	3.97	5.95	5.43
Due to other customers/Deposits from customers	4.64	4.14	4.47	4.10	3.73	3.64	3.49	5.97
Total assets	5.09	0.63	2.46	6.18	1.54	0.74	7.26	0.79

10. Debt Securities

The Bank had two debenture issues during the year to strengthen its Tier II capital which were over-subscribed. Trading on debentures is minimal with many debenture holders opting to hold on to the instruments until maturity. Market activity on debentures in issue are as follows:

The price of debentures issued in March 2016 have declined as market interest rates moved up during the year. Debentures issued in October 2016 have maintained their par value as at the close of the year.

(a) Debenture Composition

	Fixed Interest Rate						Floating Interest Rate	
	2016			2015			2016	2015
Type of issue	Public	Public	Public	Public	Private	Public	-	Public
Debenture type	Type 'A'	Type 'B'	Type 'A'	Type 'B'	N/A	Type 'A'	-	Type 'D'
CSE listing	Listed	Listed	Listed	Listed	Not listed	Listed	-	Listed
Issue date	Mar. 2016	Mar. 2016	Oct. 2016	Oct. 2016	May 2006	Dec. 2006	-	Dec 2006
Maturity date	Mar. 2021	Mar. 2026	Oct. 2021	Oct. 2026	May 2016	Dec. 2016	-	Dec 2016
Interest payable frequency	Biannually	Biannually	Biannually	Biannually	Annually	Annually	-	Annually
Offered interest rate	10.75% p.a.	11.25% p.a.	12.00% p.a.	12.25% p.a.	13.25% p.a.	14.00% p.a.	-	12 Months TB Rate (Gross) + 1% p.a.
Amount (Rs. Mn.)	4,430.340	1,749.090	5,071.800	1,928.200	505.000	467.260	-	0.400
Market Values								
- Highest (Rs.)								
- Lowest (Rs.)	Not traded during the year	Not traded during the year	Not traded during the year	Not traded during the year	Not traded during the year	Not traded during the year		Not traded during the year
- Year-end (Rs.)							-	
Interest Rates								
- Coupon rate (%)	10.75	11.25	12.00	12.25	13.25	14.00	-	7.68
- Effective annual yield (%)	11.04	11.57	12.36	12.63	13.25	14.00	-	7.68
Interest rate of comparable Government security	12.05	12.45	12.15	12.50	6.65	7.60	-	9.10
Other Ratios as at Date of Last Trade								
- Interest yield (%)	N/A	N/A	N/A	N/A	N/A	Not traded during the year		Not traded during the year
- Yield to maturity (%)	N/A	N/A	N/A	N/A	N/A		-	

(b) Other Ratios

	2016	2015
Debt equity ratio (%)	37.92	23.20
Net assets value per share (Rs.)	87.97	80.22
Interest cover (Times)	12.77	27.87
Liquid assets ratio (%) (Minimum 20%)	27.41	27.72

(c) Credit Ratings

- The Bank's credit rating, AA (Ika) was reaffirmed by Fitch Ratings Lanka Ltd. in 2016
- The Bank's Bangladesh Operation's credit rating was reaffirmed as AAA by Credit Rating Information Services Ltd. in 2016

(d) Credit Ratings – Debentures

- The credit rating of the Bank's Subordinated Debentures affirmed in 2016 as AA (Ika) by Fitch Ratings Lanka Ltd.

Compliance Report on the Contents of Annual Report in Terms of the Listing Rules of the CSE

We are happy to inform you that the Bank has fully complied with all applicable requirements of the Section 7.6 of the Listing Rules of the CSE on the contents of the Annual Report and Accounts of a listed entity.

The table below provides reference to the relevant sections of this Annual Report where specified information is disclosed together with page references for the convenience of the readers of the Annual Report.

Rule No.	Disclosure Requirement	Section/Reference	Page/s
7.6 (i)	Names of persons who held the position of Directors during the financial year	• Annual Report of the Board of Directors	159
7.6 (ii)	Principal activities of the Bank and its Subsidiaries during the year and any changes therein	• Note 1.3 of the Accounting Policies • Group Structure	191 & 192 442
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held as at the end of the year	• Item 5.3 of the 'Investor Relations'	114 & 115
7.6 (iv)	The public holding percentage	• Item 5.3 of the 'Investor Relations'	114 & 115
7.6 (v)	Directors' and Chief Executive Officer's holding in shares at the beginning and at the end of the financial year	• Item 5.4 of the 'Investor Relations' • Annual Report of the Board of Directors	116 153-163
7.6 (vi)	Information pertaining to material foreseeable risk factors	• Item 7 of the 'Investor Relations'	116
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	• Item 8 of the 'Investor Relations'	116
7.6 (viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties as at the end of the year	• Note 39.5 (a) & (b) to the Financial Statements on 'Property, Plant & Equipment'	270-275
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	• Note 53 to the Financial Statements on 'Stated Capital' • Item 3 of the 'Investor Relations'	296 & 297 110-112
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings as at the end of the year	• Item 5.2 of the 'Investor Relations'	113

Rule No.	Disclosure Requirement	Section/Reference	Page/s
7.6 (xi)	Ratios and market price information: <ul style="list-style-type: none"> • Equity – Dividend per share, dividend payout ratio, net asset value per share, market value per share • Debt – Interest rate of comparable Government Securities, debt/equity ratio, interest cover and quick asset ratio, market prices and yields during the year • Any changes in credit rating 	<ul style="list-style-type: none"> • Items 4 and 10 (b) and highlights of the 'Investor Relations' • Items 10 (a) and 10 (b) of the 'Investor Relations' • Items 10 (c) and 10 (d) of the 'Investor Relations' 	108, 112 & 120 120 121
7.6 (xii)	Significant changes in the Bank or its Subsidiaries fixed assets and the market value of land, if the value differs substantially from the book value as at the end of the year	<ul style="list-style-type: none"> • Note 39.5 (b) to the Financial Statements on 'Property, Plant & Equipment' 	271-275
7.6 (xiii)	Details of funds raised through Public Issues, Rights Issues and Private Placements during the year	<ul style="list-style-type: none"> • Note 53 to the Financial Statements on 'Stated Capital' 	296 & 297
7.6 (xiv)	Information in respect of Employee Share Option Schemes <ul style="list-style-type: none"> • Total number of shares allotted during the financial year, price at which shares were allotted and the details of funding granted to employees (if any) • Highest, lowest and closing price of the share recorded during the financial year 	<ul style="list-style-type: none"> • Notes 53.2 and 54 to the Financial Statements on 'Employee Share Option Plans' • 'Highlights' under the 'Investor Relations' 	297 & 298-300 108
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Listing Rules	<ul style="list-style-type: none"> • Not applicable since the Bank received an exemption in terms of Section 7.10 (c) of the Listing Rules 	
7.6 (xvi)	Disclosures on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	<ul style="list-style-type: none"> • The Bank did not have any related party transactions exceeding this threshold as at end 2016 	