

SUBSIDIARIES AND ASSOCIATES

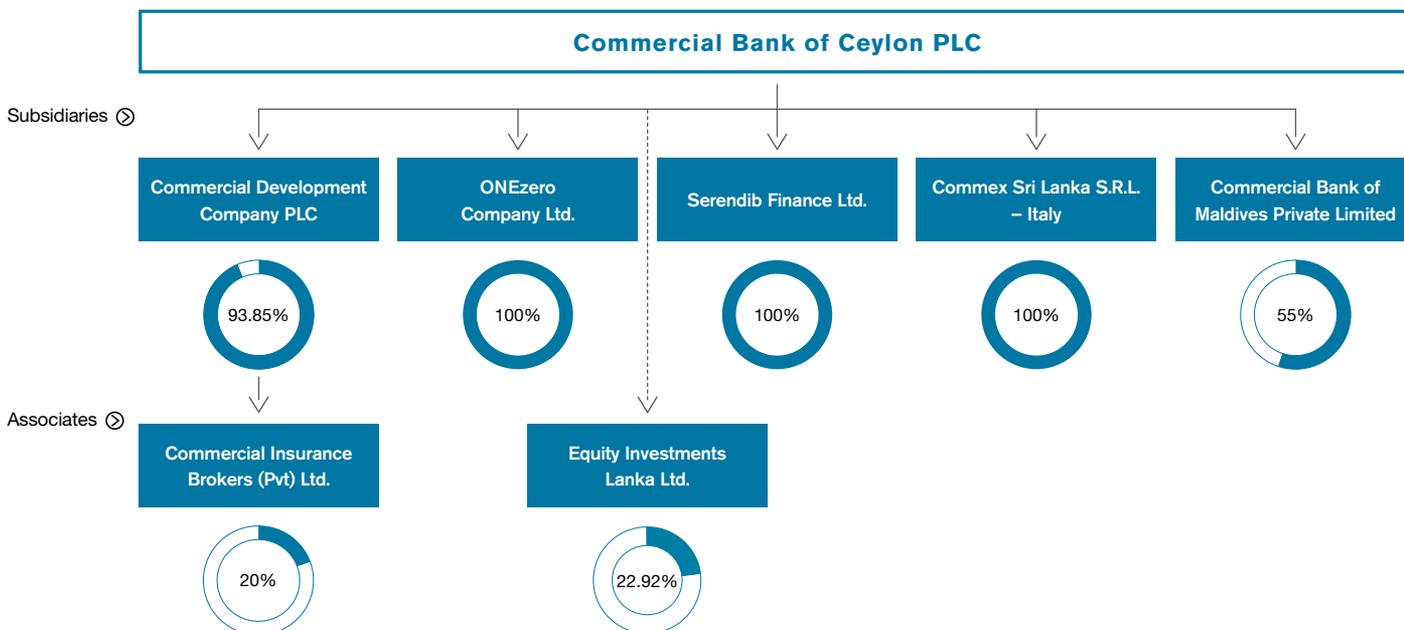


Figure 25

Commercial Development Company PLC (CDC)

Commercial Development Company PLC (CDC) was formed in 1980 as the first subsidiary of the Bank to build the present Head Office building of Commercial Bank. At present, the Bank holds 93.85% of stake of the CDC. Today CDC is one of the principal utility service providers of the Bank. The Company derives most of its income from renting space in the 'Commercial House' building and outsourcing staff.

CDC recorded a post-tax profit of Rs. 326.441 Mn. for the year ended December 31, 2016 compared to Rs. 259.794 Mn. recorded in the previous year, an increase of 25.65%, which was mainly due to the increase in fair value gain recognised o/a fair valuation of the investment properties.

The Company has already drawn up plans to enhance its profitability further during 2017.

ONEzero Company Ltd.

ONEzero Company Ltd., a wholly-owned Subsidiary of Commercial Bank, provides Information Technology Services and Solutions to the Bank. The Company has four main lines of business: providing

hardware and software related support services, supply of computer hardware and licensed software, software development and the outsourcing of professional and skilled manpower to the Bank.

The Company provides technical support to nine regions of the Bank. In 2016, an extended support centre was set-up in the Southern region to uplift the service level. It further started In-house software development to generate more income to the bottom line.

ONEzero Company, recorded a post-tax profit of Rs. 33.209 Mn. for the year ended December 31, 2016, compared to Rs. 27.523 Mn. recorded in the previous year, a growth of 20.65%. The Company expects to improve its bottom line substantially with enhanced operations in 2017.

Serendib Finance Ltd. (SFL)

Commercial Bank acquired Indra Finance Ltd., a licensed specialised leasing company, under the consolidation road map of the CBSL in 2014. The Company currently operates under the name of Serendib Finance Ltd., which focuses mainly on leasing, hire purchase etc. SFL currently has a network of 11 branches.

The re-launching of the Company under the new name is expected to benefit the Bank by enabling it to further extend its leasing operations and penetrate new customer segments to enhance its strengths in leasing through its ability to offer lower priced finance options to customers who finance vehicles through SFL.

The Bank had identified leasing as an area for development as part of its strategic expansion to reach out to untapped market segments and business lines, thus identifying the potentials for SFL in this context. Accordingly, SFL has formulated strategies to make a remarkable turnaround of its performance during 2017. SFL is now well-equipped and geared to face the stiff competition through personalised services.

SFL recorded a profit of Rs. 29.056 Mn. for the year 2016 as against the loss recorded in the previous year, reflecting clear turnaround strategies adopted by the Company during the year 2016. The Company has increased its advances volumes by five times since the acquisition and the total Assets of the SFL stood at Rs. 5.243 Bn. as at December 31, 2016.

Commercial Bank of Maldives Private Limited (CBM)

Commercial Bank of Maldives, the newest member of the Commercial Bank Group formally inaugurated its banking operations in the latter part of 2016 with the opening of its Head Office and the first branch in the Archipelago's Capital, Malé.

Bank holds a stake of 55%, while the balance 45% is held by the Maldivian partner, Tree Top Investments, who brings the much needed in depth local market knowledge to the CBM.

Tree Top Investments, was founded in May 2013 by a group of successful shareholders in the Maldives, each with years of experience and success stories from diverse business sectors.

CBM follows a strategy of providing access to its services through the integration of modern technology and infrastructure to serve the growing consumer and business needs in the market. It aims to be the most technologically advanced, innovative, customer friendly and most sought-after financial service organisation in Maldives while offering an extensive range of financial services.

CBM recorded a loss of Rs. 107.730 Mn. mainly due to pre-operational expenses incurred in 2016 and its total assets stood at Rs. 5.683 Bn. as at December 31, 2016.

Commex Sri Lanka S.R.L. – Italy

Commercial Bank is one of the first Sri Lankan banks to establish money transfer facilities in Italy, which led to many Sri Lankans who had previously used informal channels to remit money to Sri Lanka using the Bank's e-Exchange remittance service. This prompted the Bank's decision to incorporate its own subsidiary for money transfer services.

Commex Sri Lanka, a fully-owned subsidiary of the Bank, was incorporated in Rome to serve the fund transfer needs of Sri Lankan expatriates in Italy. Upon receipt of necessary regulatory approvals from both countries to engage in fund transfers on its own, Commex has inaugurated its money transfer operation in Italy in 2016.

Italy is one of the biggest markets for migrants with an estimated population of 150,000 Sri Lankans. The monthly value of fund inflows to the country from Italy is in the region of about Rs. 3 Bn.

Commex operation was able to break-even in January 2017 by recording an operating profit. Company recorded a cumulative loss of Rs. 19.086 Mn. for the year ended, mainly due to the pre-operational expenses incurred prior to 2016.

Commercial Insurance Brokers (Pvt) Ltd. (CIBL)

The Bank has an indirect stake of 18.77% in Commercial Insurance Brokers (Pvt) Ltd., through its Subsidiary Commercial Development Company PLC.

CIBL offers wide range of products including Motor Insurance, Fire Insurance, Engineering Insurance, Marine Insurance, Life Insurance and Miscellaneous Insurance.

CIBL recorded a growth of Rs. 5.580 Mn. in post tax profit to reach Rs. 25.614 Mn. for the year 2016 mainly due to the increase in its revenue from commission income. Total assets of the CIBL stood at Rs. 295.848 Mn. as at December 31, 2016.

The Company is well-equipped and geared to face the stiff competition faced by the industry through the personalised services.

Equity Investments Lanka Ltd. (EQUILL)

Equity Investments Lanka Ltd. (EQUILL) is a venture capital company, has been in business for over 26 years. EQUILL invest in Equity and Equity featured Debt Instruments in prospective business units. The Bank owns 22.92% stake in EQUILL.

Due to the tough market conditions, the overall performance of the Company was not satisfactory in comparison to the previous year. Drop in dividend income and shortfall in capital gains due to delays in listing of portfolio companies was observed during the year. However the increase in interest rates and the increased

investments in Money Market Instruments had a favourable impact on the Company's interest income during the year.

Presently, the Company is in search of new Investments. However, due to the limited financial resources available, Company is restricted to invest only in a few new projects.

Company's Revenue decreased to Rs. 28.000 Mn. from Rs. 55.536 Mn. in 2015, and the Post-Tax Profit decreased to Rs. 11.949 Mn. from Rs. 37.640 Mn. in 2015.