

# CBC FINANCE LIMITED

(A FULLY OWNED SUBSIDIARY OF COMMERCIAL BANK OF CEYLON PLC)

PUBLICATION OF AUDITED FINANCIAL STATEMENTS AS AT 31.12.2023 AS PER SECTION 29 (2) OF THE FINANCE BUSINESS ACT NO 42 OF 2011

FitchRatings BBB+(lka)

Statement of Profit or Loss and Other comprehensive income	Year ended 31 December 2023 Rs.	Year ended 31 December 2022 Rs.
Interest income	1,767,177,189	1,523,736,327
Interest expenses	(1,270,698,792)	(986,329,636)
<b>Net interest income</b>	<b>496,478,397</b>	<b>537,406,691</b>
Fee and commission income	149,882,005	51,187,547
Fee and commission expenses	(32,488,653)	(9,931,409)
<b>Net fee and commission income</b>	<b>117,393,352</b>	<b>41,256,138</b>
Other operating income	74,410,986	61,237,307
<b>Total operating income</b>	<b>688,282,735</b>	<b>639,900,136</b>
Impairment for loans and other losses	(481,615,526)	(249,161,510)
<b>Net operating income</b>	<b>206,667,209</b>	<b>390,738,626</b>
Personnel cost	(253,178,874)	(164,812,691)
Depreciation and amortization	(61,802,621)	(47,196,748)
Other expenses	(212,290,253)	(139,837,491)
<b>Operating (loss) / profit before taxes on financial services</b>	<b>(320,604,539)</b>	<b>38,891,696</b>
Taxes on financial services	-	(29,165,462)
<b>(Loss) / Profit before taxation</b>	<b>(320,604,539)</b>	<b>9,726,234</b>
Income tax reversal	95,427,017	29,856,689
<b>(Loss) / Profit for the year</b>	<b>(225,177,522)</b>	<b>39,582,923</b>
<b>Other comprehensive income</b>		
Revaluation surplus of property, plant and equipment	27,169,343	-
Actuarial (loss) / gain on defined benefit plans	(436,423)	7,785,255
Net change in fair value of FVOCI financial assets	9,041,549	(8,474,512)
Tax (expense) / income relating to components of other comprehensive income	(10,732,341)	206,776
Effect on change in tax rate	-	(6,328,211)
Total other comprehensive income / (expense) for the year, net of taxes	25,042,128	(6,810,692)
<b>Total comprehensive (expense) / income for the year, net of taxes</b>	<b>(200,135,394)</b>	<b>32,772,231</b>
<b>Basic (loss) / earnings per ordinary share</b>	<b>(1.02)</b>	<b>0.18</b>

Selected key performance indicators	As at 31 December 2023		As at 31 December 2022	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 capital adequacy ratio	19.57	8.50	24.89	8.50
Total capital adequacy ratio	19.57	12.50	24.89	12.50
Capital funds to deposit liabilities ratio	43.52	10.00	59.99	10.00
<b>Quality of Loan Portfolio (%)</b>				
Gross stage 03 loans ratio	29.42		27.26	
Net stage 03 loans ratio	19.40		18.37	
Net stage 03 loans to core capital ratio	78.86		57.31	
Stage 03 impairment coverage ratio	34.05		32.62	
Total impairment coverage ratio	12.85		12.13	
<b>Profitability (%)</b>				
Net interest margin	3.98		4.91	
Return on assets	-2.57		0.09	
Return on equity	-6.72		1.25	
Cost to income ratio	76.61		54.98	
<b>Liquidity (%)</b>				
Available liquid assets to required liquid assets (minimum 100%)	114.64		319.96	
Liquid assets to external funds	9.01		22.25	
<b>Memorandum Information</b>				
Number of branches	15		13	
External credit rating	Fitch Rating BBB+(lka)		Fitch Rating BBB+(lka)	

There are no regulatory restrictions imposed by the Central Bank of Sri Lanka on the operations of the Company.



KPMG  
(Chartered Accountants)  
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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CBC FINANCE LIMITED

### Report on the Audit of the Financial Statements

**Opinion**  
We have audited the financial statements of CBC Finance Limited ("the Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Basis for Opinion**  
We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**  
Management is responsible for the other information. These financial statements do not include the other information.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**  
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**  
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

**Report on Other Legal and Regulatory Requirements**  
As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Statement of Financial Position	As at 31 December 2023 Rs.	As at 31 December 2022 Rs.
<b>ASSETS</b>		
Cash and cash equivalents	154,177,733	96,306,555
Financial investments	712,023,869	1,598,013,279
Loans and advances	10,142,399,731	8,505,035,651
Investment properties	538,875,000	26,350,000
Property, plant & equipment and right of use assets	471,257,581	384,300,863
Intangible assets	31,727,740	30,608,371
Deferred tax assets	359,259,949	277,932,277
Other assets	49,039,147	36,588,809
<b>Total assets</b>	<b>12,458,760,750</b>	<b>10,955,135,805</b>
<b>LIABILITIES</b>		
Due to customers	6,534,180,634	5,116,205,410
Due to banks	2,758,596,459	2,467,544,765
Current tax liabilities	2,605,060	37,092,827
Other liabilities	186,042,364	156,821,176
<b>Total liabilities</b>	<b>9,481,424,517</b>	<b>7,777,664,178</b>
<b>EQUITY</b>		
Stated capital	3,254,999,963	3,254,999,963
Statutory reserve fund	33,328,578	33,328,578
Other reserves	120,332,867	94,985,243
Accumulated losses	(431,325,175)	(205,842,157)
<b>Total equity</b>	<b>2,977,336,233</b>	<b>3,177,471,627</b>
<b>Total liabilities and equity</b>	<b>12,458,760,750</b>	<b>10,955,135,805</b>

**Certification**

We, the undersigned, being the Managing Director / Chief Executive Officer and the Head of Finance of CBC Finance Limited certify jointly that:

(A) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka,

(B) The information contained in these statements has been extracted from the audited financial statements of the Company.

.....(Sgd.)  
Chamilantha Fernando  
Managing Director / Chief Executive Officer  
Date:- 27.03.2024

.....(Sgd.)  
Amila Bandara  
Head of Finance  
Date:- 27.03.2024

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A Fully Owned Subsidiary of Commercial Bank of Ceylon PLC

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27.03.2024