



Commercial Bank of Ceylon PLC - Bangladesh Operations

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Hadi Tower
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Gulshan 2, Dhaka 1212

Commercial Bank of Ceylon PLC (Bangladesh Operations)

Auditors' Report and Financial Statements
for the year ended 31 December 2016

S. F. AHMED & CO

Chartered Accountants

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**Independent Auditors' Report
For the year ended 31 December 2016**

We have audited the accompanying financial statements of Commercial Bank of Ceylon PLC - Bangladesh Operations ("the Bank"), which comprise the balance sheet as at 31 December 2016, the profit and loss statement, statement of cash flows, statement of changes in equity and liquidity statement for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

Management's responsibility for the financial statements and internal controls

Management of the Bank is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in relevant note 2.1.1 and for such internal control as management determines is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Banking Companies Act 1991 (amended 2013) and the Bangladesh Bank Regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements of the Bank based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the financial statements of the Bank are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above which has been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards as explained in note 2.1.1 give a true and fair view of the state of affairs of the Bank as at 31 December 2016 and results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991 (amended 2013), rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

**Independent Auditors' Report
For the year ended 31 December 2016**

In accordance with the Companies Act 1994, the Bank Companies Act 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the Auditors' responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal Control:
 - (i) internal audit, internal control and risk management arrangements of the Bank as disclosed in notes 37 and 38 of the financial statements appeared to be materially adequate and
 - (ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;
- (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (d) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (e) the balance sheet and the profit and loss statement of the Bank dealt with by the report are in agreement with the books of account;
- (f) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (g) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (h) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (i) the information and explanation required by us have been received and found satisfactory; and
- (j) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 2800 person hours for the audit of the books and account of the Bank.

Dhaka, Bangladesh
Dated, 28 February 2017



S. F. AHMED & CO
Chartered Accountants

Balance Sheet
As at 31 December 2016

	Notes	2016 BDT	2015 BDT
PROPERTY AND ASSETS			
Cash	3	2,036,889,430	1,708,855,583
Cash in hand (including foreign currencies)	3.1	251,870,066	214,096,243
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	1,785,019,364	1,494,759,340
Balance with other banks and financial institutions	4	2,103,081,033	1,863,153,774
In Bangladesh	4.1	513,972,363	1,419,047,258
Outside Bangladesh	4.2	1,589,108,670	444,106,516
Money at call and on short notice	5	2,120,000,000	800,000,000
Investments	6	5,207,153,904	6,529,411,864
Government	6.1	5,197,737,244	6,319,995,204
Others	6.2	9,416,660	209,416,660
Loans and advances	7	24,775,448,686	22,781,874,195
Loans, cash credit, overdrafts, etc		20,170,626,236	18,260,915,591
Bills purchased and discounted	8	4,604,822,450	4,520,958,604
Fixed assets including premises, furniture and fixtures	9	40,797,145	45,576,855
Other assets	10	3,538,290,363	2,778,157,810
Non-Banking Assets		-	-
Total Assets		39,821,660,561	36,507,030,081
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	3,938,678,015	3,245,900,006
Deposits and other accounts	12	23,129,501,188	21,937,393,552
Current and other accounts	12.1	7,961,920,095	6,714,527,575
Bills payable	12.2	180,418,082	75,276,600
Savings bank deposits	12.3	2,569,688,782	2,123,730,349
Fixed deposits	12.4	12,396,649,543	12,997,578,280
Other deposits	12.5	20,824,686	26,280,748
Other liabilities	13	4,925,847,356	4,085,349,179
Total Liabilities		31,994,026,559	29,268,642,737
Capital/ Shareholders' Equity			
Paid-up capital/ Deposit kept with Bangladesh Bank	14	4,544,179,152	4,445,178,830
Statutory reserve		-	-
Gains on revaluation of treasury bills/ bonds		11,383,935	12,679,047
Retained earnings	15	3,272,070,915	2,780,529,467
Total Shareholders' Equity		7,827,634,002	7,238,387,344
Total Liabilities and Shareholders' Equity		39,821,660,561	36,507,030,081

Balance Sheet
As at 31 December 2016

	Notes	2016 BDT	2015 BDT
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	16		
Acceptances and endorsements		-	-
Letters of guarantee	16.2	4,707,786,477	1,370,659,034
Irrevocable letters of credit	16.3	7,551,620,161	5,941,754,015
Bills for collection	16.4	2,083,715,824	1,963,574,625
Other contingent liabilities	16.5	64,638,549	64,638,549
Total contingent liabilities		14,407,761,011	9,340,626,223
Other commitments	17		
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		768,258,260	404,908,040
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		768,258,260	404,908,040
Total Off-Balance Sheet Items Including Contingent Liabilities		15,176,019,271	9,745,534,263

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon PLC - Bangladesh Operations



Binoy G. Roy
Financial Controller

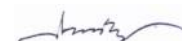


Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

See annexed report of the date



S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 28 February 2017

Profit and Loss Statement
For the year ended 31 December 2016

	Notes	2016 BDT	2015 BDT
OPERATING INCOME			
Interest income	18	1,661,771,326	1,682,196,967
<u>Less: Interest paid on deposits and borrowings, etc</u>	19	<u>737,037,954</u>	<u>903,636,092</u>
Net interest income		924,733,372	778,560,875
Investment income	20	621,107,231	1,040,405,629
Commission, exchange and brokerage	21	555,567,083	547,992,487
Other operating income	22	40,086,154	25,764,533
Total operating income		2,141,493,840	2,392,723,524
OPERATING EXPENSES			
Salary and allowances	23	410,057,818	329,891,129
Rent, taxes, insurance, electricity, etc	24	149,093,394	108,319,637
Legal expenses	25	2,195,441	1,335,828
Postage, stamps, telecommunication, etc	26	7,804,127	10,051,562
Stationery, printing and advertisements, etc	27	10,174,811	10,170,173
Chief executive's salary and fees	28	8,079,611	7,648,045
Directors' fees		-	-
Auditors' fees		391,000	333,500
Charges on loan losses		-	-
Depreciation and repairs of bank's assets	29	52,289,660	73,159,628
Other expenses	30	80,352,863	77,961,168
Total operating expenses		720,438,725	618,870,670
Profit before provisions		1,421,055,115	1,773,852,854
Provision against loans and advances		230,513,345	165,249,969
Specific provision		153,813,345	101,099,969
General provision	31	76,700,000	64,150,000
Provision for diminution in value of investment		-	-
Other provisions		-	-
Total provision during the year		230,513,345	165,249,969
Total profit before taxation for the year		1,190,541,770	1,608,602,885
Provision for taxation	13.3.1	600,000,000	682,500,000
Current tax		627,148,444	677,408,784
Deferred tax		(27,148,444)	5,091,216
Net profit after taxation		590,541,770	926,102,885

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon PLC - Bangladesh Operations



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

See annexed report of the date



S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 28 February 2017

**Cash Flow Statement
For the year ended 31 December 2016**

	Notes	2016 BDT	2015 BDT
Cash flows from operating activities			
Interest receipts		1,572,859,230	1,621,820,544
Interest payments		(796,441,052)	(895,024,334)
Fees and commission receipts		283,680,631	253,293,549
Recoveries on loans previously written off		39,989,145	25,719,535
Payments to employees		(347,182,717)	(369,597,783)
Payments to suppliers		(167,072,332)	(128,541,372)
Receipts from other operating activities	32	271,886,452	294,698,938
Corporate income tax paid		(600,760,080)	(658,983,999)
Payments for other operating activities	33	(436,697,021)	(285,981,484)
Interest receipts from investment		621,107,231	1,040,405,629
Cash generated from/ (used in) operating activities before changes in operating assets and liabilities		441,369,487	897,809,223
(Increase)/Decrease in operating assets and liabilities			
Purchase/sale of government securities		-	-
Loans and advances to other banks		-	-
Loans and advances to customers		(1,993,574,491)	(4,294,772,974)
Other assets	34	(70,460,377)	19,215,210
Deposits from other banks		(1,407,221,991)	91,998,791
Deposits from customers		3,292,107,636	1,203,581,643
Other liabilities	35	298,606,163	(48,741,454)
Net (increase)/decreased in operating assets and liabilities		119,456,940	(3,028,718,784)
Net cash from/(used in) operating activities (a)		560,826,427	(2,130,909,561)
Cash flows from investing activities			
Investment in treasury bills and bonds		1,321,554,660	2,863,926,555
Payments for purchase of shares		-	-
Purchase/sale of property, plant and equipment		4,779,710	29,926,531
Gains on disposal of property, plant and equipment		97,009	44,998
Net cash from/(used in) investing activities (b)		1,326,431,379	2,893,898,084
Cash flows from financing activities			
Remittance received from Head Office, Colombo		-	-
Net cash flows from financing activities (c)		-	-
Net increase in cash and cash equivalents (a+b+c)		1,887,257,806	762,988,523
Effects of exchange rate changes on cash and cash equivalent		-	-
Cash and cash equivalents at beginning of the year (*)		4,372,826,857	3,609,838,334
Cash and cash equivalents at end of the year (*)		6,260,084,663	4,372,826,857
(*) Cash and cash equivalents :			
Cash		251,870,066	214,096,243
Prize bonds		114,200	817,500
Money at call and on short notice		2,120,000,000	800,000,000
Balance with Bangladesh Bank and its agent bank(s)		1,785,019,364	1,494,759,340
Balance with other banks and financial institutions		2,103,081,033	1,863,153,774
		6,260,084,663	4,372,826,857

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon PLC - Bangladesh Operations



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Financial Controller



Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

Dhaka, Bangladesh
Dated, 28 February 2017

**Statement of Changes in Equity
For the year ended 31 December 2016**

Particulars	Paid-up capital/ Deposit kept with Bangladesh Bank BDT	Statutory reserve BDT	Gains/loss on revaluation of securities BDT	Retained earnings BDT	Total BDT
Opening balance at 01 January 2016	4,445,178,830	-	12,679,047	2,780,529,467	7,238,387,344
Changes in accounting policy	-	-	-	-	-
Restated balance	99,000,322	-	-	(99,000,322)	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-
Adjustment of last year's revaluation on investments	-	-	(12,679,047)	-	(12,679,047)
Surplus/(deficit) on account of revaluation of investments	-	-	11,383,935	-	11,383,935
Currency translation differences	-	-	-	-	-
Net gains and losses not recognised in profit and loss statement	-	-	-	-	-
Net profit for the year	-	-	-	590,541,770	590,541,770
Dividends/Profit remittance	-	-	-	-	-
Issue of share capital/(Capital brought from Head Office, Colombo)	-	-	-	-	-
Balance at 31 December 2016	4,544,179,152	-	11,383,935	3,272,070,915	7,827,634,002

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon PLC - Bangladesh Operations



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

Dhaka, Bangladesh
Dated, 28 February 2017

**Liquidity Statement (Analysis of Maturity of Assets and Liabilities)
As at 31 December 2016**

Particulars	Up to 1 month maturity BDT	1-3 months maturity BDT	3-12 months maturity BDT	1-5 years maturity BDT	Above 5 years maturity BDT	Total BDT
Assets:						
Cash in hand	2,036,889,430	-	-	-	-	2,036,889,430
Balance with other banks and financial institutions (note 4.4)	1,985,263,533	117,817,500	-	-	-	2,103,081,033
Money at call and on short notice	1,380,000,000	740,000,000	-	-	-	2,120,000,000
Investments	1,180,424,892	1,915,843	546,114,586	2,197,982,376	1,280,716,207	5,207,153,904
Loans and advances	7,486,558,873	6,176,221,492	6,602,154,443	4,264,232,570	246,281,308	24,775,448,686
Fixed assets including premises, furniture and fixtures	53,812	-	5,306,135	34,430,046	1,007,152	40,797,145
Other assets	3,538,290,363	-	-	-	-	3,538,290,363
Non-banking assets	-	-	-	-	-	-
Total Assets	17,607,480,903	7,035,954,835	7,153,575,164	6,496,644,992	1,528,004,667	39,821,660,561
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	2,367,434,276	343,739	1,570,900,000	-	-	3,938,678,015
Deposits	13,988,497,076	2,517,470,505	5,968,319,485	655,214,122	-	23,129,501,188
Other accounts	-	-	-	-	-	-
Provision and other liabilities	4,925,847,356	-	-	-	-	4,925,847,356
Total Liabilities	21,281,778,708	2,517,814,244	7,539,219,485	655,214,122	-	31,994,026,559
Net Difference in Liquidity	(3,674,297,805)	4,518,140,591	(385,644,321)	5,841,430,870	1,528,004,667	7,827,634,002

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon PLC - Bangladesh Operations



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

Dhaka, Bangladesh
Dated, 28 February 2017

**Notes to the financial statements
For the year ended 31 December 2016**

1. The Bank and its activities

Commercial Bank of Ceylon PLC (“the Bank”) is a publicly quoted company incorporated in Sri Lanka on 25 June 1969. It is a licensed commercial bank operating under the provisions of Sri Lanka Banking Act No. 30 of 1988. The Commercial Bank of Ceylon PLC - Bangladesh Operations commenced its banking operations in Bangladesh from 06 November 2003 by acquiring the operations of Credit Agricole Indosuez a French Bank with two branches and two booths. The principal office of the Bank in Bangladesh is situated at Dhaka having eleven branches currently in operations at Dilkusha, Dhanmandi, Uttara, Mirpur, Gulshan 1, Gulshan 2, Panthapath, Tejgaon of Dhaka and each at Narayanganj, Chittagong and Sylhet. The Bank also maintains six SME centers at Old Dhaka, Shantinagar, Progati Sharani of Dhaka, Tongi of Gazipur, Jublee Road and CDA Avenue of Chittagong.

The Bank started its offshore banking activities through its Motijheel Branch, Dhaka from 18 July 2004 which has been transferred to Dhanmandi Branch on 16 March 2005 and subsequently transferred to Gulshan Branch on 12 September 2013. Its second offshore banking unit which was started on 27 March 2005 in Agrabad Branch, Chittagong was also transferred to Chittagong Export Processing Zone Area on 04 February 2007.

The principal activities carried out by the Bank include all kinds of commercial banking and clearing services to its customers and correspondings all over the world through its branches in Bangladesh.

2. Significant accounting policies

2.1 Basis of preparation of the financial statements

The financial statements of the Bank comprise Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and relevant explanatory notes and disclosures thereto that are prepared on a going concern basis under historical cost convention and in accordance with the First Schedule (Section 38) of the Banking Companies Act 1991, BRPD Circular No. 14 dated 25 June 2003, other Bangladesh Bank circulars, Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh from the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and other laws and rules applicable in Bangladesh.

2.1.1 Statement of compliance

The financial statements of the Bank are prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), which also cover Bangladesh Accounting Standards, and the requirements of the Banking Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994 (amended 2013). In case any requirement of the Banking Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of BFRSs, the requirements of the Banking Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail. Material departures from the requirements of BFRSs are as follows:

i) Investment in shares and securities

BFRS: As per requirements of BAS 39 "Financial Instruments: Recognition and Measurement" investment in shares and securities generally falls either under “at fair value through profit and loss account” or under “available for sale” where any change in the fair value (as measured in accordance with BFRS 13 "Fair Value Measurement") at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognised at cost.

Bank’s Methodology:

Methods of valuation of investment are as follows:

<u>Item</u>	<u>Method of valuation</u>
Government treasury bills	Revalued as per Bangladesh Bank’s guidelines
Treasury bonds	Revalued as per Bangladesh Bank’s guidelines
Prize bonds	At cost
Unquoted shares/ bonds	At cost

Notes to the financial statements
For the year ended 31 December 2016

ii) Revaluation gains/losses on Government securities

BFRS: As per requirement of BAS 39 where securities fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognised through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortised cost method and interest income is recognised through the profit and loss account.

Bangladesh Bank: HFT securities are revalued on the basis of marked to market and at year end. Any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount is recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at the year end and gains or losses on amortisation are recognised in other reserve as part of equity.

Bank's Methodology:

The Bank's investment in treasury bills and bonds are stated at present value and interest on treasury bonds is recognised as income on accrual basis as per BRPD circular letter no. 15 dated 31 October 2005 and DOS circular letter no. 05 dated 26 May 2008.

HTM

Investment classified as HTM is a non-derivative financial instrument with fixed or determinable future receipt on maturity that the Bank's management has the intention and ability to hold till maturity. This particular investment has been revalued as marked to market as at 31 December 2016, the revaluation gains on such securities have been shown in the financial statements as part of equity.

HFT

Investment classified as HFT is acquired mainly for the purpose of selling and repurchasing. Such investment is measured at marked to market method and any changes in the marked to market method are recognised in every week during the reporting year as per DOS circular letter no. 05 dated 28 January 2009.

iii) Provision on loans and advances/investments

BFRS: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013) a general provision @ 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided @ 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision @ 1% is required to be provided for all off-balance sheet exposures. Such provisioning policies are not specifically in-line with those prescribed by BAS 39.

Bank's Methodology:

In making specific provision against classified loans and advances, general provision on unclassified loans and advances, wherever required, which may result in a change in the provision required in accordance with BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013 and BRPD circular no. 16 dated 18 November 2014 have been complied with. Any movement in the provision, charged / released in the profit and loss statement.

Notes to the financial statements
For the year ended 31 December 2016

iv) Recognition of interest in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified (other than bad loss), interest on such loans is not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest suspense account, which is presented as liability in the balance sheet.

Bank's Methodology:

Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instruction and such interest is not recognised as income until it is realised from borrowers. Interest is not charged on classified loans and advances from the date of filing of money suits against the borrowers.

v) Other comprehensive income (OCI):

BFRS: As per BAS 1: OCI is a component of financial statements or the elements of OCI are to be included in a single OCI.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single OCI statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

vi) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such full disclosure and presentation requirements of BFRS 7: "Financial Instruments: Disclosures" and BAS 32 "Financial Instruments: Presentation" cannot be made in the financial statements.

vii) Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of the debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognised for the guarantee except the cash margin.

viii) Cash and cash equivalents

BFRS: Cash and cash equivalent items should be reported as cash item as per BAS 7 "Statement of Cash Flows"

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bonds are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

ix) Non-banking asset

BFRS: No indication of non-banking asset is found in any BFRS.

Bangladesh Bank: As per BRPD 14, there must exist a face item named Non-banking asset.

Notes to the financial statements
For the year ended 31 December 2016

x) Cash flow statement

BFRS: The cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD circular no. 14, cash flow is the combination of direct and indirect methods.

Bank's Methodology:

Cash Flow Statement is prepared in accordance with BAS 7 under direct method as recommended in BRPD circular no. 14 dated 25 June 2003 issued by Bangladesh Bank.

xi) Balance with Bangladesh Bank: (Cash Reserve Requirement)

BFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per BAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

xii) Presentation of intangible asset

BFRS: An intangible asset must be identified and recognised, and the disclosure must be given as per BAS 38: "Intangible Assets".

Bangladesh Bank: There is no regulation for intangible assets in circular no. BRPD 14.

xiii) Off-balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD circular no. 14, off-balance sheet items (e.g. Letter of credit, Letter of guarantee, etc) must be disclosed separately on the face of the balance sheet.

Bank's Methodology:

Off-balance Sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank's guidelines. BRPD circular No.14 dated 23 September 2012 requires a general provision for off-balance sheet exposures to be calculated @ 1% which has been followed by the Bank properly on the following off-balance sheet items:

- a. Acceptance and endorsements
- b. Irrevocable letter of credit
- c. Letter of guarantee

xiv) Loans and advances/Investments net of provision

BFRS: Loans and advances/Investments should be presented net of provision.

Bangladesh Bank: As per BRPD 14, provision on loans and advances/investments is presented separately as liability and can not be netted off against loans and advances.

Bank's Methodology:

Loans and advances have been shown at gross amounts at 31 December 2016.

2.2 Consolidation

A separate set of records for consolidating the statements of affairs and income and expenditure statements of the branches and offshore banking units are maintained at Principal Office of the Bank in Dhaka, based on which these financial statements have been prepared.

2.2.1 Offshore Banking Unit (OBU)

The Bank's OBU have maintained separate set of books of account for their operations. Assets and liabilities and income and expenditures of the units are incorporated in similar heads of account of the Bank's financial statements.

**Notes to the financial statements
For the year ended 31 December 2016**

2.3 Foreign currency transactions

- (a) Foreign currency transactions are converted into equivalent BDT currency at the ruling exchange rates on the respective dates of such transactions as per BAS 21: "The effects of Changes in Foreign Exchange Rates" .
- (b) Assets and liabilities in foreign currencies at 31 December 2016 have been converted into BDT currency at average prevailing buying and selling rates of concerned foreign currencies at that date except balances with other banks and financial institutions which have been converted as per directions of Bangladesh Bank vide its circular no. BRPD(R) 717/2004-959 dated 21 November 2004.
- (c) Differences arising through transactions of foreign currencies buying and selling on different dates of the year have been adjusted by debiting /crediting exchange gains or loss account.
- (d) Forward contracts outstanding at 31 December 2016 have been shown in the Balance Sheet under off-balance sheet items.

2.4 Fixed assets (property, plant and equipment) and depreciation

All fixed assets are stated at cost less accumulated depreciation as per BAS 16: "Property, plant and equipment". The cost of an asset includes its purchase price and any other direct costs to bring the asset to its working condition.

Depreciation on fixed assets is charged using straight-line method at the following rates:

<u>Category of fixed asset</u>	<u>Rate of depreciation</u>
Furniture and fixtures	10%
Computer software	20%
Interior decorations	20%
Equipment and computers	20%
Motor vehicles	20%

Depreciation on addition to fixed assets is charged from the month of acquisition on pro-rata basis while no depreciation is charged in the year of disposal.

2.5 Stock of stationery

Stock of stationery has been shown under other assets and is valued at cost.

2.6 Deposits

Deposits include various types of deposit in the nature of demand, savings, short-term, term, etc.

2.7 Employee benefits

Retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of BAS 19: "Employee benefits". Basis of enumerating the retirement schemes operated by the Bank are outlined below:

(a) Provident fund

Employees' provident fund is administered by a separate Board of Trustees and is funded by contributions of both the Bank and employees at 10% of basic pay. These contributions are invested separately.

(b) Staff gratuity

The Bank runs an unfunded gratuity scheme under which gratuity is paid to its staff upon their severance. However, the Bank's liability on this account stands fully provided in accounts and BDT 70,954,712 was thus provided in current year's Profit and Loss Statement considering the staff's accumulated gratuity entitlements for their service with the Bank as per the actuarial valuation.

2.8 Provision for taxation

(a) Current tax

Provision for corporate income tax is made @ 42.5% as prescribed in the Finance Act 2016 on accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws.

Notes to the financial statements
For the year ended 31 December 2016

(b) Deferred tax

The Bank has accounted for deferred tax in accordance with BAS 12: "Income Taxes". Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between carrying amount of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or subsequently enacted at balance sheet date.

2.9 Reconciliation of books of account

Books of account with regard to inter-bank (in Bangladesh and outside Bangladesh) and inter-branch transactions are reconciled and no material difference was found which may affect the financial statements significantly.

2.10 Provision for balances with other banks and financial institutions

Provision for unsettled transactions on nostro accounts is reviewed at each Balance Sheet date by the management and certified by the Bank's external auditors in accordance with Bangladesh Foreign Exchange Policy Department (FEPD) circular no. 677 dated 13 September 2005.

2.11 Statement of changes in equity

Statement of changes in equity is prepared in accordance with BAS 1 and under the guidelines of BRPD circular no.14 dated 25 June 2003.

2.12 Statement of liquidity analysis

Statement of liquidity analysis as on reporting date has been prepared as per Bangladesh Bank guidelines.

2.13 Revenue recognition

- a. In term of provision of BAS 18: " Revenue", the interest income is recognised on an accrual basis and BRPD circular no. 05 dated 05 June 2006 was followed properly.
- b. Interest income on investment is recognised on accrual basis.
- c. Dividend income from investment is recognised when the Bank's right to receive dividend is established.
- d. The Bank earns commission and fee income from a diverse range of services provided to its customers. Income earned from services provided is recognised as revenue as the services are provided.

2.14 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2016.

2.15 Regulatory and legal compliance

The Bank complied with the requirements of the following laws and regulation.

- a. The Banking Companies Act 1991 (amended 2013)
- b. The Companies Act 1994
- c. Income Tax laws
- d. The Value Added Tax laws
- e. Rules, Regulations and Circulars issued by the Bangladesh Bank time to time and other regulatory authorities.

2.16 General

- a. Figures appearing in the financial statements have been rounded to the nearest BDT.
- b. Figures and account titles of previous year have been rearranged whenever considered necessary to conform with current year's presentation.
- c. Expenses irrespective of capital or revenue nature accrued but not paid have been provided for in the books of account of the Bank.

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
3 Cash		
3.1 Cash in hand		
In local currency	244,333,735	203,218,349
In foreign currencies	7,536,331	10,877,894
	251,870,066	214,096,243
3.2 Balance with Bangladesh Bank and its agent bank(s)		
Balance with Bangladesh Bank:		
In local currency (note 3.2.1)	1,523,486,258	1,327,686,481
In foreign currencies (note 3.2.2)	261,528,181	167,067,992
	1,785,014,439	1,494,754,473
Balance with agent bank(s):	4,925	4,867
In local currency	4,925	4,867
In foreign currencies	-	-
	1,785,019,364	1,494,759,340
	2,036,889,430	1,708,855,583
3.2.1 In local currency		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	1,523,486,258	1,327,686,481
	1,523,486,258	1,327,686,481
3.2.2 In foreign currencies		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	261,528,181	167,067,992
	261,528,181	167,067,992
3.3 Cash Reserve Requirement and Statutory Liquidity Reserve		
Cash reserve ratio (CRR) and statutory liquidity ratio (SLR) have been calculated and maintained in accordance with section 33 of the Banking Companies Act 1991 and Bangladesh Bank MPD's subsequent circular no. 04 and 05 dated 01 December 2010 and 23 June 2014.		
CRR is required @ 6.5% on time and demand liabilities of the Bank. This has been maintained with Bangladesh Bank in current account. SLR @ 13% on the same liabilities is also maintained in the form of treasury bills and bonds including balance with Bangladesh Bank. Both the reserves are maintained by the Bank as per statutory requirements, as shown below:		
3.3.1 Cash Reserve		
Required reserve	1,421,653,400	1,279,410,470
Actual reserve maintained	1,434,733,380	1,305,452,260
Surplus	13,079,980	26,041,790
3.3.2 Statutory Liquid Reserve		
Required reserve	2,843,306,800	2,558,820,940
Actual reserve maintained	7,246,058,010	6,955,012,260
Surplus	4,402,751,210	4,396,191,320
4 Balance with other banks and financial institutions		
In Bangladesh (note 4.1)	513,972,363	1,419,047,258
Outside Bangladesh (note 4.2)	1,589,108,670	444,106,516
	2,103,081,033	1,863,153,774
4.1 In Bangladesh		
Eastern Bank Limited	392,725,000	392,475,000
National Credit and Commerce Bank Limited	117,817,500	-
Standard Chartered Bank	1,673,006	2,415,212
Prime Bank Limited	1,606,262	1,570,726
Islami Bank Bangladesh Limited	150,595	2,151,320
AB Bank Limited	-	627,960,000
Brac Bank Limited	-	392,475,000
	513,972,363	1,419,047,258

**Notes to the financial statements
For the year ended 31 December 2016**

4.2 Outside Bangladesh

Name of bank	Nature of deposit	Location	Currency name	At 31 December 2016			At 31 December 2015		
				Amount in foreign currency	Conversion rate	Equivalent BDT	Amount in foreign currency	Conversion rate	Equivalent BDT
Kookmin Bank	Nostro	Seoul	USD	10,134	78.70	797,522	130,798	78.51	10,268,980
Standard Chartered Bank	Nostro	Karachi	USD	67,265	78.70	5,293,738	148,951	78.51	11,694,114
Citibank NA	Nostro	New York	USD	-	78.70	-	(354,998)	78.51	(27,870,869)
Commercial Bank of Ceylon	Nostro	Colombo	USD	28,409	78.70	2,235,767	375,968	78.51	29,517,237
Amex Frankfurt am main de	Nostro	Frankfurt	EUR	-	82.76	-	(5,213)	85.83	(447,407)
Commerzbank AG	Nostro	Frankfurt	EUR	4,117,665	82.76	340,781,754	(34,728)	85.83	(2,980,612)
Credit Agricole S.A.	Nostro	Paris	EUR	88,916	82.76	7,358,784	15,551	85.83	1,334,732
Standard Chartered Bank	Nostro	London	GBP	224,069	97.11	21,758,876	-	56.53	-
Bank of Montreal	Nostro	Toronto	CAD	36,839	58.59	2,158,347	34,609	56.53	1,956,336
National Australia	Nostro	Melbourne	AUD	142,286	56.79	8,080,418	-	9.33	-
Union Bank of Switzerland AG	Nostro	Zurich	CHF	-	77.28	-	3,039	79.53	241,716
Bank of Tokyo Mitsubishi	Nostro	Tokyo	JPY	8,595,714	0.67	5,787,099	35,707,109	0.65	23,265,395
Standard Chartered Bank	Nostro	Hong Kong	HKD	8,146	10.15	82,669	4,835	10.13	48,978
Bank of New Zealand	Nostro	Wellington	NZD	10,054	54.67	549,705	3,087	53.76	165,968
HSBC PLC	Nostro	London	GBP	-	97.11	-	108,387	116.30	12,605,486
Standard Chartered Bank	Nostro	New York	USD	(365,499)	78.70	(28,764,769)	641,474	78.51	50,362,117
Wells Fargo NA	Nostro	New York	USD	(2,221,602)	78.70	(174,840,056)	(677,654)	78.51	(53,202,608)
ICICI Bank	Nostro	Mumbai	USD	760,915	78.70	59,884,000	443,534	78.51	34,821,846
Deutsche Bank	Nostro	New York	USD	(36,617)	78.70	(2,881,759)	(172,530)	78.51	(13,545,351)
Axis Bank	Nostro	Mumbai	USD	(260,282)	78.70	(20,484,157)	(778,743)	78.51	(61,139,136)
Standard Chartered Bank	Nostro	Singapore	SGD	62,181	54.34	3,378,892	25,653	55.51	1,423,908
HSBC Bank PLC	Nostro	Sydney	AUD	-	56.79	-	41,636	57.22	2,382,496
Commercial Bank of Ceylon	Placement	Colombo	USD	17,000,000	78.70	1,337,900,000	8,000,000	78.51	628,080,000
Bank of America (OBU)	Nostro	Sydney	AUD	-	56.79	-	221,332	57.22	12,665,049
Standard Chartered Bank (OBU)	Nostro	London	GBP	(204,745)	97.11	(19,882,400)	-	78.51	-
National Australia (OBU)	Nostro	Melbourne	AUD	(40,682)	56.79	(2,310,349)	-	63.80	-
Citibank NA (OBU)	Nostro	New York	USD	592,783	78.70	46,652,001	-	78.51	-
Standard Chartered Bank (OBU)	Nostro	Frankfurt	EUR	(53,496)	82.76	(4,427,412)	-	-	-
HSBC Bank PLC (OBU)	Nostro	London	EUR	-	82.76	-	72,548	85.83	6,226,555
HSBC Bank PLC (OBU)	Nostro	New York	USD	-	78.70	-	(2,912,769)	78.51	(228,681,480)
HSBC Bank PLC (OBU)	Nostro	London	GBP	-	97.11	-	42,244	116.30	4,913,066
Total						1,589,108,670			444,106,516

For the year ended 31 December 2016

	2016 BDT	2015 BDT
4.3 Grouping by maturity		
Receivable on demand	508,229,435	210,031,237
Payable to customers on demand	(253,590,902)	(387,867,463)
	254,638,533	(177,836,226)
Below 3 months	1,848,442,500	1,412,910,000
Over 3 months but below 1 year	-	628,080,000
Over 1 year but below 5 years	-	-
Over 5 years	-	-
	2,103,081,033	1,863,153,774
4.4 Account-wise breakdown		
Current and other accounts	254,638,533	(177,836,226)
Placement (term)	1,848,442,500	2,040,990,000
	2,103,081,033	1,863,153,774
5 Money at call on short notice		
Standard Bank Limited	500,000,000	-
Southeast Bank Limited	390,000,000	-
Brac Bank Limited	310,000,000	-
Dhaka Bank Limited	300,000,000	280,000,000
Eastern Bank Limited	230,000,000	-
Jamuna Bank Limited	200,000,000	-
National Bank Limited	190,000,000	-
The City Bank Limited	-	290,000,000
National Credit and Commerce Bank Limited	-	230,000,000
	2,120,000,000	800,000,000
6 Investments		
Government (note 6.1)	5,197,737,244	6,319,995,204
Others (note 6.2)	9,416,660	209,416,660
	5,207,153,904	6,529,411,864
6.1 Government:		
Treasury bonds (note 6.1.1)	4,026,729,012	5,880,304,212
Treasury bills (note 6.1.2)	1,170,894,032	438,873,492
Prize bonds	114,200	817,500
	5,197,737,244	6,319,995,204
6.1.1 Treasury bonds		
HTM	3,773,180,420	4,036,287,648
HFT	253,548,592	1,844,016,564
	4,026,729,012	5,880,304,212
6.1.2 Treasury bills		
HTM	800,984,634	438,873,492
HFT	369,909,398	-
	1,170,894,032	438,873,492
6.2 Others:		
Central Depository Bangladesh Limited (CDBL) (note 6.2.1)	9,416,660	9,416,660
Commercial papers	-	200,000,000
	9,416,660	209,416,660
Total	5,207,153,904	6,529,411,864

Notes to the financial statements
For the year ended 31 December 2016

a.(i) Disclosure regarding outstanding Repo as on 31 December 2016

SI no.	Counter party name	Agreement Date	Reversal Date	Amount
	National Bank Limited	29-Dec-16	01-Jan-17	719,848,139

a.(ii) Disclosure regarding outstanding Reverse Repo as on 31 December 2016

SI no.	Counter party name	Agreement Date	Reversal Date	Amount
				NIL

b. Disclosure regarding overall transaction of Repo and Reverse Repo:

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
Securities sold under repo:			
i) with Bangladesh Bank	-	-	-
ii) with other banks and FIs	116,219,211	719,848,139	21,034,235
Securities purchased under reverse repo:			
i) from Bangladesh Bank	-	-	-
ii) from other banks and FIs	96,980,741	2,288,494,550	963,157,590

2016
BDT **2015**
BDT

6.2.1 Central Depository Bangladesh Limited (CDBL)

Particulars	Number of shares	Cost	Cost
CDBL Shares (initial)	600,000	6,000,000	6,000,000
Bonus received for the year 2009	600,000	-	-
Purchased on 14 October 2010	341,666	3,416,660	3,416,660
Bonus declared for the year 2010	1,200,000	-	-
Bonus declared for the year 2011	685,417	-	-
Total	3,427,083	9,416,660	9,416,660

6.3 Value of investment at 31 December 2016

Particulars	Quantity	Face Value	Cost	Market Value	Market Value
Treasury bonds	66	3,950,000,000	4,044,738,614	4,026,729,012	5,880,304,212
Treasury bills	3	800,000,000	793,698,750	800,984,634	438,873,492
Bangladesh Bank Bills	1	370,000,000	369,788,730	369,909,398	-
Prize bonds	1,142	114,200	114,200	114,200	817,500
Commercial Papers		-	-	-	200,000,000
CDBL shares	3,427,083	34,270,830	9,416,660	9,416,660	9,416,660
		5,154,385,030	5,217,756,954	5,207,153,904	6,529,411,864

6.4 Maturity grouping

Repayable on demand		114,200	817,500
Below 3 months		1,172,809,875	440,247,134
Over 3 months but below 1 year		546,114,586	1,421,968,066
Over 1 year but below 5 years		2,197,982,376	3,376,099,587
Over 5 years		1,280,716,207	1,280,862,917
		5,197,737,244	6,519,995,204

Notes to the financial statements
For the year ended 31 December 2016

7. Loans and advances

7.1 Maturity grouping

Repayable on demand	2,137,357,840	2,347,732,509
Below 3 months	11,525,422,525	7,920,717,465
Over 3 months but below 1 year	6,602,154,443	9,083,210,436
Over 1 year but below 5 years	4,264,232,570	3,334,478,590
Over 5 years	246,281,308	95,735,195
	24,775,448,686	22,781,874,195

7.2 Broad category-wise break-up

i) Within Bangladesh

Loans (general)	17,489,042,901	15,339,861,535
Overdrafts	2,100,969,858	2,316,362,653
Loans against trust receipt	355,347,294	386,396,308
Packing credit	91,074,042	98,454,572
Import loan	20,306,426	11,532,971
Credit card	36,387,982	31,369,856
Staff loan	77,497,733	76,937,696
	20,170,626,236	18,260,915,591

Loans against accepted bills

ii) Inland bills	16,548,355	29,971,713
Foreign bills	4,588,274,095	4,490,986,891
	4,604,822,450	4,520,958,604

Outside Bangladesh

Total (i+ii)

	24,775,448,686	22,781,874,195
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7.3 Significant concentration

Directors and others	-	-
Managing Director or Chief Executive Officer	-	-
Other executives	77,497,733	76,937,696
Industries	17,533,724,483	15,492,690,982
Other clients	7,164,226,470	7,212,245,517
	24,775,448,686	22,781,874,195

7.4 Advance to customers for more than 10% of Bank's total capital

Number of clients	17	19
Amount of outstanding advances	9,414,800,000	8,460,250,000
Amount of classified advances	-	-
	9,414,800,000	8,460,250,000

7.5 Economic sector-wise distribution

Industry	17,533,724,483	15,492,690,982
Trading	3,434,153,939	3,520,760,572
Agriculture	292,657,790	114,380,782
Others	3,514,912,474	3,654,041,859
	24,775,448,686	22,781,874,195

7.6 Geographical location-wise distribution

Urban

Dhaka region	21,878,700,285	19,736,337,456
Chittagong region	2,663,461,669	2,716,106,530
Sylhet region	233,286,732	329,430,209
	24,775,448,686	22,781,874,195

Rural

Dhaka region	-	-
Chittagong region	-	-
Sylhet region	-	-
	24,775,448,686	22,781,874,195

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
7.7 Classification of loans and advances as per Bangladesh Bank 's BRPD circulars		
Unclassified:	24,272,211,292	22,276,730,309
Standard	24,235,878,699	22,215,938,563
Special mentioned account (SMA)	36,332,593	60,791,746
Classified:	503,237,394	505,143,886
Sub-standard	22,288,299	146,773,987
Doubtful	14,202,036	66,647,832
Bad/ Loss	466,747,059	291,722,067
	24,775,448,686	22,781,874,195
7.8 Particulars of loans and advances		
(i) Loans considered good in respect of which the Bank is fully secured	24,272,211,292	22,276,730,309
(ii) Loans considered good for which the Bank holds no other security other than the debtor's personal security	-	-
(iii) Loans considered good, secured by personal liabilities of one or more parties in addition to the personal security of the debtors	111,736,189	120,515,247
(iv) Loans adversely classified; provision not maintained there against	-	-
(v) Loans due by Directors or Officers of the Bank or any of them either separately or jointly with any other persons	77,497,733	76,937,696
(vi) Loans due from companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or, in the case of private companies, as members	-	-
(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors or managers or officers of the Bank or any of them either severally or jointly with any other persons	81,767,052	80,716,690
(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private company, as members	-	-
(ix) The amount of forced loan was created by converting off balance items.	-	-
(ix) Due from banking companies	-	-
(x) (a) Classified loans on which interest has not been charged	503,237,394	505,143,886
(b) Provision made during the year against bad debts	153,813,345	101,099,969
(c) Interest creditable to the interest suspense account	73,410,417	52,549,751
(xi) Loan written off	165,705,998	165,705,998
Opening balance	165,705,998	165,705,998
Add : Bad debts written of during the year	-	-
Less : Bad debts previously written off recovered during the year	-	-
Bad debts written off / settled	-	-
Closing balance	165,705,998	165,705,998

Notes to the financial statements
For the year ended 31 December 2016

	2016	2015
	BDT	BDT
(xii) Cases filed for recovery of written off bad debts	131,807,438	131,807,438
8 Bills purchased and discounted		
Payable in Bangladesh	16,548,355	29,971,713
Payable outside Bangladesh	4,588,274,095	4,490,986,891
	4,604,822,450	4,520,958,604
8.1 Maturity grouping		
Payable within 1 month	771,081,496	385,449,974
Over 1 month but below 3 months	1,271,247,743	920,369,292
Over 3 months but below 6 months	2,242,535,389	3,187,819,785
6 months and over	319,957,822	27,319,553
	4,604,822,450	4,520,958,604
9 Fixed assets including premises, furniture and fixtures		
Details are shown in <u>Annex B</u> .	40,797,145	45,576,855
10 Other assets		
Income generating		
In Bangladesh	-	-
Outside Bangladesh	-	-
Non-income generating:		
Advance payment of corporate income tax (note 10.1)	3,026,686,162	2,425,926,082
Receivable from Bangladesh Bank against Sanchaya Patras	34,440,030	1,992,579
Advance rent and advertisement	143,953,203	38,342,863
Other income receivable	190,178,467	238,766,843
Prepaid expenses	3,535,501	4,497,581
Stock of stationery, stamps, printing materials, etc	3,807,031	3,861,641
Receivable from Head Office	377,500	428,500
Security deposit	4,062,104	3,797,086
Interest receivable from other banks (note 10.2)	79,552	50,174
Commission and brokerage receivable	-	43,870
Others (note 10.3)	131,170,813	60,450,591
	3,538,290,363	2,778,157,810
Classification status of other assets		
Unclassified	3,538,290,363	2,778,157,810
Doubtful	-	-
Bad/Loss	-	-
	3,538,290,363	2,778,157,810
10.1 Advance payment of corporate income tax		
Opening balance	2,425,926,082	1,766,942,083
<u>Less:</u> Settlement during the year	-	-
<u>Add:</u> Income tax paid during the year	582,864,744	650,178,413
<u>Add:</u> Income tax withheld during the year on:		
L/C commission	2,766,676	2,872,538
Interest on government treasury bills/bonds/ fixed term deposits	15,128,660	5,933,048
Dividend on shares of CDBL	-	-
Closing balance (note 10.1.1)	3,026,686,162	2,425,926,082

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT		
10.1.1 Closing balance of advance payment of corporate income tax				
2016	307,075,490	-		
2015	607,624,347	313,939,757		
2014	620,007,926	620,007,926		
2013	548,951,457	548,951,457		
2012	507,093,987	507,093,987		
2011	435,932,955	435,932,955		
	<u>3,026,686,162</u>	<u>2,425,926,082</u>		
10.2 Interest receivable from other banks				
Bangladesh Bank	63,489	27,922		
Others	16,063	22,252		
	<u>79,552</u>	<u>50,174</u>		
10.3 Others				
Deferred tax assets (note 10.3.1)	84,492,557	57,344,113		
Forward Equalisation, Sundry Debtors, etc	46,678,256	3,106,478		
	<u>131,170,813</u>	<u>60,450,591</u>		
10.3.1 Deferred tax assets on				
Gratuity provision	58,370,819	32,002,441		
Fixed assets	26,121,738	25,341,672		
	<u>84,492,557</u>	<u>57,344,113</u>		
Increase / (Decrease) in Deferred Tax Assets	<u>27,148,444</u>	<u>(5,091,216)</u>		
Calculation of Deferred Tax Assets :				
	(Taxable) /	Deferred Tax		
Particulars	Carrying	Tax Base	Deductible	Assets /
	Amount		Temporary	(Liabilities)
Gratuity Provision	137,343,104	-	137,343,104	58,370,819
WDV of Fixed Assets	40,797,145	102,260,059	61,462,914	26,121,738
			<u>84,492,557</u>	
11 Borrowings from other banks, financial institutions and agents				
In Bangladesh (note 11.1)			1,631,243,739	38,003,072
Outside Bangladesh (note 11.2)			2,307,434,276	3,207,896,934
			<u>3,938,678,015</u>	<u>3,245,900,006</u>
11.1 In Bangladesh				
Call borrowings from:				
State Bank of India			60,000,000	-
			<u>60,000,000</u>	-
Term borrowings from:				
Eastern Bank Limited			1,335,265,000	-
Southeast Bank Limited			235,635,000	-
Bangladesh Bank (Refinance - SME)			343,739	1,718,671
Pubali Bank Limited			-	36,284,401
			<u>1,571,243,739</u>	<u>38,003,072</u>
			<u>1,631,243,739</u>	<u>38,003,072</u>
11.2 Outside Bangladesh				
Bank of Baroda			785,450,000	-
ICICI Bank			785,450,000	-
Commercial Bank of Ceylon			736,534,276	3,207,896,934
			<u>2,307,434,276</u>	<u>3,207,896,934</u>

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
Analysis by security		
Secured	-	-
Unsecured	3,938,678,015	3,245,900,006
	<u>3,938,678,015</u>	<u>3,245,900,006</u>
Grouping by maturity		
Repayable on demand	246,719,276	69,815,605
Others	3,691,958,739	3,176,084,401
	<u>3,938,678,015</u>	<u>3,245,900,006</u>
12 Deposits and other accounts		
12.1 Current and other accounts		
Current accounts (note 12.1.1)	7,496,045,127	6,341,840,618
Margin accounts (note 12.1.2)	465,874,968	372,686,957
	<u>7,961,920,095</u>	<u>6,714,527,575</u>
12.1.1 Current accounts		
Local currency		
Inter-bank	-	-
Others	5,295,468,316	4,026,604,338
	<u>5,295,468,316</u>	<u>4,026,604,338</u>
Foreign currencies		
Inter-bank	-	-
Others	2,200,576,811	2,315,236,280
	<u>2,200,576,811</u>	<u>2,315,236,280</u>
	<u>7,496,045,127</u>	<u>6,341,840,618</u>
12.1.2 Margin accounts		
Letters of guarantee	32,827,066	27,422,807
Letters of credit	420,629,443	331,058,422
Others	12,418,459	14,205,728
	<u>465,874,968</u>	<u>372,686,957</u>
	<u>7,961,920,095</u>	<u>6,714,527,575</u>
12.2 Bills payable		
Payment orders issued	180,418,082	75,276,600
Inward remittance payable	-	-
	<u>180,418,082</u>	<u>75,276,600</u>
12.3 Savings bank deposits		
Local currency		
Inter-bank	-	-
Others	2,449,043,478	1,971,941,748
	<u>2,449,043,478</u>	<u>1,971,941,748</u>
Foreign currency		
Inter-bank	-	-
Others	120,645,304	151,788,601
	<u>120,645,304</u>	<u>151,788,601</u>
	<u>2,569,688,782</u>	<u>2,123,730,349</u>

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
12.4 Fixed deposits		
Local currency		
Inter-bank	-	2,100,000,000
Others	9,716,170,654	9,035,513,977
	9,716,170,654	11,135,513,977
Foreign currency		
Inter-bank	-	-
Others	2,680,478,889	1,862,064,303
	2,680,478,889	1,862,064,303
	12,396,649,543	12,997,578,280
12.5 Other deposits		
Stale drafts-foreign currencies	10,277,892	11,848,340
Stale pay orders-local currency	10,546,794	14,432,408
	20,824,686	26,280,748
	23,129,501,188	21,937,393,552
12.6 Maturity analysis of customer deposits		
Repayable on demand	10,732,851,645	8,939,815,272
Repayable within 1 month	3,255,645,431	2,903,353,595
Over 1 month but within 6 months	6,261,133,866	5,346,881,005
Over 6 months but within 1 year	2,224,656,124	2,013,881,476
Over 1 year but within 5 years	655,214,122	633,462,204
Over 5 years but within 10 years	-	-
Unclaimed deposit for 10 years or more held by the Bank	-	-
	23,129,501,188	19,837,393,552
12.7 Maturity analysis of inter-bank deposits		
Repayable on demand	-	-
Repayable within 1 month	-	2,100,000,000
Over 1 month but within 6 months	-	-
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Unclaimed deposits for 10 years or more held by the Bank	-	-
	-	2,100,000,000
	23,129,501,188	21,937,393,552
13 Other liabilities		
Accumulated general provision against loans and advances and Off-Balance Sheet items (note 13.1)	408,000,000	331,300,000
Specific provision (note 13.2)	274,806,970	160,982,770
Interest suspense account (note 13.3)	73,410,417	52,549,751
Interest payable on deposits	242,954,747	308,503,765
Interest payable on borrowings	13,178,170	7,032,250
Provision for corporate taxation (note 13.4)	3,545,493,178	2,918,344,734
Sundry creditors	7,690,951	7,072,313
Expenses payable	105,046,331	122,235,040
Provision for good borrower	9,900,000	-
Provision for gratuity (note 13.5)	137,343,104	75,299,861
Commission and brokerage payable	5,350,843	-
Others	102,672,645	102,028,695
	4,925,847,356	4,085,349,179

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
13.1 Accumulated general provision against loans and advances and Off-balance sheet items		
Opening balance	331,300,000	267,150,000
<u>Less: Fully provided, written-off during the year</u>	-	-
<u>Less: Recovery of provision no longer required</u>	-	-
<u>Add: Provision for the year</u>	76,700,000	64,150,000
Closing balance	408,000,000	331,300,000
Required Provision	377,716,000	304,775,659
13.1.1 General provision		
Opening balance	331,300,000	267,150,000
<u>Add: Provision for the year (note 13.1.1.1)</u>	76,700,000	64,150,000
<u>Add: Transferred from specific provision during the year</u>	-	-
<u>Less: Transferred to specific provision during the year</u>	-	-
Closing balance (note 13.1.1.2)	408,000,000	331,300,000
13.1.1.1 General provision for the year against		
Loans and advances	22,200,000	39,250,000
Off-balance sheet items	54,500,000	24,900,000
	76,700,000	64,150,000
13.1.1.2 General provision against		
Loans and advances	252,100,000	229,900,000
Off-balance sheet items	155,900,000	101,400,000
	408,000,000	331,300,000
13.2 Specific provision		
Opening balance	160,982,770	85,602,336
<u>Less: Fully provided, written-off during the year</u>	-	-
<u>Add: Recovery of advance previously written-off</u>	-	-
<u>Add: Specific provision during the year</u>	153,813,345	101,099,969
<u>Less: Recovery of provision no longer required</u>	(39,989,145)	(25,719,535)
Closing balance	274,806,970	160,982,770
Required provision	274,806,970	160,982,770
13.3 Interest suspense account		
Opening balance	52,549,751	23,949,182
<u>Add: Amount transferred to interest suspense account during the year</u>	30,081,618	30,090,977
<u>Less: Transferred to income during the year</u>	(9,220,952)	(1,490,408)
<u>Less: Amount waived/written-off during the year</u>	-	-
Closing balance	73,410,417	52,549,751

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
13.4 Provision for taxation		
Opening balance	2,918,344,734	2,240,935,950
<u>Add</u> : Provision during the year (note 13.4.1)	627,148,444	677,408,784
<u>Less</u> : Settlement during the year	-	-
Closing balance (note 13.4.2)	<u>3,545,493,178</u>	<u>2,918,344,734</u>

Filing of corporate income tax return of the Bank has been made up to the assessment year 2016-17. Corporate income tax return for the income year ended 31 December 2016 has not yet been due for filing. However, tax clearance certificate from National Board of revenue (NBR) was received up to 2010 (Assessment Year 2011-2012). Provision for corporate income tax for the year ended 31 December 2016 has been made after considering necessary taxable allowances and disallowances as per tax laws.

13.4.1 Provision made during the year

Current tax	627,148,444	677,408,784
Deferred tax	(27,148,444)	5,091,216
	<u>600,000,000</u>	<u>682,500,000</u>

13.4.2 Provision for taxation

Current year provision	627,148,444	-
Provision carried forward	-	-
2016	627,148,444	
2015	677,408,784	677,408,784
2014	691,420,365	691,420,365
2013	584,939,383	584,939,383
2012	523,647,556	523,647,556
2011	440,928,646	440,928,646
	<u>3,545,493,178</u>	<u>2,918,344,734</u>

13.5 Provision for gratuity

Opening balance	75,299,861	112,203,447
<u>Less</u> : Payment made during the year	(8,911,469)	(4,844,977)
<u>Add</u> : Provision made during the year	70,954,712	(32,058,609)
Closing balance	<u>137,343,104</u>	<u>75,299,861</u>

14 Paid-up capital / Deposit kept with Bangladesh Bank

Fund deposited with Bangladesh Bank	-	-
Investment in treasury bills/bonds (note 14.1)	4,544,179,152	4,445,178,830
	<u>4,544,179,152</u>	<u>4,445,178,830</u>

14.1 Since Commercial Bank of Ceylon PLC, Bangladesh Operations is a branch of a banking company incorporated outside Bangladesh, the amount of deposit against equity kept with Bangladesh Bank under section 13(4) of the Banking Companies Act 1991 has been shown under this head as per BRPD circular no. 14 dated 25 June 2003.

The Bank's deposits against equity with Bangladesh Bank at 31 December 2016 represents investment in treasury bills/bonds of BDT 4,544,179,152.

Notes to the financial statements
For the year ended 31 December 2016

	2016	2015
	BDT	BDT
14.2 Capital to Risk Weighted Assets Ratio (CRAR)		
In terms of section 13 (2) of the Banking Companies Act, 1991 and Bangladesh Bank BRPD circulars no. 01,14 ,10, 05 and 18 dated 08 January 1996,16 November 1996, 25 November 2002, 14 May 2007 and 21 December 2014 respectively, required capital of the Bank at 31 December 2016 should be BDT 4,000,000,000 or 10% of risk weighted assets whichever is higher as against available capital of BDT 8,144,913,938 (Tier I Capital BDT 7,731,757,510 and Tier II Capital BDT 413,156,428). Details are shown below:		
Total assets including off-balance sheet items	54,997,679,832	46,252,564,344
Total risk weighted assets	19,403,728,274	22,568,569,337
10% of risk weighted assets	1,940,372,827	2,256,856,934
Required capital as per BRPD circular (a)	4,000,000,000	4,000,000,000
Actual capital maintained:		
Tier I		
Paid-up capital/Deposit kept with Bangladesh Bank	4,544,179,152	4,445,178,830
Statutory reserve	-	-
Other reserve	-	-
Retained earnings	3,272,070,915	2,780,529,467
Regulatory adjustments (deferred tax assets)	(84,492,557)	(57,344,113)
	7,731,757,510	7,168,364,184
Tier II		
General provision on unclassified loans and off-balance sheet items (Allowable as per Basel III)	408,000,000	236,081,279
Revaluation reserve as of 31 December 2014 (up to 50% of revaluation reserve) less phase-in deductions as per Basel III	5,156,428	6,875,237
	413,156,428	242,956,516
Total capital (b)	8,144,913,938	7,411,320,700
Capital surplus / (shortfall) (b-a)	4,144,913,938	3,411,320,700
Capital to Risk Weighted Assets Ratio (CRAR)	41.98%	32.84%
15 Retained earnings		
Opening balance	2,780,529,467	2,091,389,725
Add: Profit after taxation	590,541,770	926,102,885
Add: Capital from Head Office	-	-
Less: Profit remittance	-	(242,171,875)
Less: Amount transferred to paid-up capital/Deposit kept with Bangladesh Bank	(99,000,322)	5,208,732
Closing balance	3,272,070,915	2,780,529,467
16 Contingent liabilities		
16.1 Claims lodged with the Bank which are not recognized as loan	-	-
	-	-
16.2 Letter of guarantees		
Directors	-	-
Government	4,594,273,941	1,249,841,253
Banks and other financial institutions	1,034,429	1,374,429
Others	145,305,173	146,866,159
	4,740,613,543	1,398,081,841
Less: Margin on guarantees	32,827,066	27,422,807
	4,707,786,477	1,370,659,034

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
16.3 Irrevocable letters of credit		
Inward bills unsettled	2,828,199,016	2,846,483,430
Documentary credits	5,144,048,888	3,426,327,907
Shipping guarantee	1,700	1,100
	<u>7,972,249,604</u>	<u>6,272,812,437</u>
<u>Less: Margin on letters of credit</u>	<u>420,629,443</u>	<u>331,058,422</u>
	<u>7,551,620,161</u>	<u>5,941,754,015</u>
16.4 Bills for collection (*)		
Cheques for collection	18,593,071	13,548,906
Outward collection	<u>2,065,122,753</u>	<u>1,950,025,719</u>
	<u>2,083,715,824</u>	<u>1,963,574,625</u>
<p>(*) The above amount represents cheques in hand for clearing and different outward bills sent on collection basis against which bank is not taking any responsibilities. Hence, there is no chance for creating any liabilities for bank in future.</p>		
16.5 Other contingent liabilities		
Litigation pending against the Bank Motijheel Branch	-	-
	<u>64,638,549</u>	<u>64,638,549</u>
	<u>64,638,549</u>	<u>64,638,549</u>
	<u>14,407,761,011</u>	<u>9,340,626,223</u>
17 Other commitments		
Forward assets purchased and forward deposits placed	768,258,260	404,908,040
	<u>768,258,260</u>	<u>404,908,040</u>

Notes to the financial statements
For the year ended 31 December 2016

	2016	2015
	BDT	BDT
18 Interest income		
Interest on loans and advances		
General loan	1,231,332,747	1,231,090,433
Overdrafts	220,714,831	242,914,280
Trust receipts	49,370,277	71,167,418
Import loans	955,300	1,093,319
Pre-shipment loan	6,655,929	8,511,237
Inland bills purchased	3,440,630	3,812,298
House building loan-others	12,461,346	10,301,833
Credit cards	6,201,493	6,407,863
Staff loans	4,815,434	4,681,895
	<u>1,535,947,987</u>	<u>1,579,980,576</u>
Interest on		
Accounts with foreign banks	2,434,459	24,231,321
Deposits with other banks	123,388,880	77,985,070
	<u>125,823,339</u>	<u>102,216,391</u>
	<u>1,661,771,326</u>	<u>1,682,196,967</u>
19 Interest paid on deposits and borrowings, etc		
Interest on		
Fixed deposits	512,673,394	647,222,986
Short notice deposit / Money Market A/C	52,087,355	79,656,616
Savings deposits	70,530,184	60,598,393
Foreign currency deposits	63,291,105	54,877,263
	<u>698,582,038</u>	<u>842,355,258</u>
Interest on		
Borrowings from local banks	7,837,664	28,766,378
Borrowings from foreign banks	30,618,252	32,514,456
	<u>38,455,916</u>	<u>61,280,834</u>
	<u>737,037,954</u>	<u>903,636,092</u>
20 Investment income		
Interest and profit on treasury bills	77,336,994	93,348,255
Interest and profit on treasury bonds	483,135,984	670,805,561
Capital gain on treasury bills and bonds	37,648,489	206,635,763
Interest on Commercial Paper / Banglalink bonds	14,418,056	61,048,342
Dividend from CDBL shares	8,567,708	8,567,708
	<u>621,107,231</u>	<u>1,040,405,629</u>
21 Commission, exchange and brokerage		
Commission	283,680,631	253,293,549
Exchange gain less losses arising from dealing in foreign currencies	271,886,452	294,698,938
	<u>555,567,083</u>	<u>547,992,487</u>
22 Other operating income		
Recovery of other provision/ written off bad debts	39,989,145	25,719,535
Profit on disposal of fixed assets	97,009	44,998
Profit less loss from interest fluctuation	-	-
Income from recovery of loans	-	-
	<u>40,086,154</u>	<u>25,764,533</u>

Notes to the financial statements
For the year ended 31 December 2016

	2016 BDT	2015 BDT
23 Salary and allowances		
Salaries	235,611,421	220,147,481
Leave fair assistance	18,663,813	17,468,975
Bonus	59,150,444	97,674,294
Bank's contribution to provident fund	11,028,536	10,446,066
Gratuity	70,954,712	(32,058,609)
Other allowances	4,271,138	7,182,286
Medical expenses	10,377,754	9,030,636
	410,057,818	329,891,129
24 Rent, taxes, insurance and electricity		
Rent, rates and taxes	119,080,091	79,313,449
Lease rent	1,086,135	1,934,325
Insurance	16,989,727	15,367,272
Lighting	11,370,528	11,148,990
Water charges	566,913	555,601
	149,093,394	108,319,637
25 Legal expenses		
Law charges	655,612	477,568
Other professional fees	1,539,829	858,260
	2,195,441	1,335,828
26 Postage, stamps and telecommunication		
Telephone	2,464,704	2,211,279
Swift charges	878,444	2,837,252
Postage and courier	4,460,979	5,003,031
	7,804,127	10,051,562
27 Stationery, printing and advertisements		
Newspapers and periodicals	241,532	282,728
	10,174,811	10,170,173
28 Chief Executive's salary and allowances		
Salary	5,172,976	4,938,911
Bonus	2,798,635	2,601,134
Other allowances	108,000	108,000
	8,079,611	7,648,045
29 Depreciation and repairs of Bank's assets		
Depreciation (Annex B).	18,284,370	41,401,068
Repairs and maintenance of:		
Equipment and computers	19,004,637	20,031,448
Premises, furniture and fixtures	8,754,158	5,500,207
Vehicles	6,246,495	6,226,905
	52,289,660	73,159,628
30 Other expenses		
Fees and charges for services	35,104,936	36,025,338
Travelling and conveyance	6,303,017	7,642,053
Entertainment	2,172,572	1,411,333
Security services	14,017,379	13,462,051
Training, seminar and workshop	1,875,563	1,145,445
Cash carrying expenses	6,015,975	5,548,254
Loss on disposal of fixed assets	-	1
Donation and subscription	593,874	1,089,650
Staff welfare	4,263,360	3,288,471
Sundry expenses	10,006,187	8,348,572
	80,352,863	77,961,168

Notes to the financial statements
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	2016 BDT	2015 BDT
31 Provision against loans and advances		
General provision for:		
Unclassified loans	22,200,000	39,250,000
Off-balance sheet items	54,500,000	24,900,000
	76,700,000	64,150,000
32 Receipts from other operating activities		
Other operating income	40,086,154	25,764,533
Income from commission, exchange and brokerage	555,567,083	547,992,487
<u>Less:</u> Fees and commission	(283,680,631)	(253,293,549)
Recovery of loans previously written-off	(39,989,145)	(25,719,535)
Gain on disposal of property, plant and equipment	(97,009)	(44,998)
	271,886,452	294,698,938
33 Payments for other operating activities		
Total operating expenses	(720,438,725)	(618,870,670)
<u>Less:</u> Payments to employees	347,182,717	369,597,783
<u>Less:</u> Payments to suppliers	167,072,332	128,541,372
<u>Less:</u> General and other provisions	(230,513,345)	(165,249,969)
	(436,697,021)	(285,981,484)
34 Other assets		
Receivable from Bangladesh Bank against Sanchaya patras	34,440,030	1,992,579
Advance rent and advertisement	143,953,203	38,342,863
Prepaid expenses	3,535,501	4,497,581
Stock of stationery, stamps, printing materials, etc	3,807,031	3,861,641
Receivable from Head Office	377,500	428,500
Security deposit	4,062,104	3,797,086
Commission and brokerage receivable	-	43,870
Others	17,321,723	84,072,595
	207,497,092	137,036,715
Increase / (Decrease) during the year	(70,460,377)	19,215,210
35 Other liabilities		
Accumulated provision against loans and advances and off-balance sheet items	408,000,000	331,300,000
Specific provision	274,806,970	160,982,770
Provision for corporate taxation	3,545,493,178	2,918,344,734
Exchange equalisation account	-	-
Gain on revaluation of treasury bills/bonds	11,383,935	12,679,047
Sundry creditors	7,690,951	7,072,313
Expenses payable	105,046,331	122,235,040
Provision for gratuity	147,243,104	75,299,861
Interest suspense account	73,410,417	52,549,751
Dividends/Profit remittance, etc	-	(242,171,875)
Commission and brokerage payable	5,350,843	-
Others	102,672,645	102,028,695
	4,681,098,374	3,540,320,336
<u>Less:</u> Current year's corporate tax provision	(600,000,000)	(682,500,000)
Decrease during the year	298,606,163	(48,741,454)

Notes to the financial statements
For the year ended 31 December 2016

36 Audit committee

Audit committee of the Bank consists of the following members:

SL. no.	Name	Designation	Educational and professional qualifications
1	Ajith Naranpanawe	Country Manager	GCE A Level, Intermediate of Banking Diploma from Institute of Bankers, Sri Lanka.
2	Najith Meewanage	Chief Operating Officer	MBA from UK, Diploma in Banking and Associate member of Institute of Bankers, Sri Lanka.
3	Dilip Das Gupta	Senior General Manager	Bachelors, Passed Part one and Two subjects of Final Part of Institute of Bankers, London.
4	Binoy Gopal Roy	Deputy General Manager & Financial Controller	Masters in Accounting, Fellow Member of The Institute of Chartered Accountants of Bangladesh (ICAB).
5	Mosharaf Hossain	Deputy Chief Manager - Head of Internal Control & Compliance	Masters in Business Administration specialized in Banking & Insurance from University of Dhaka, Fellow Member of Institute of Chartered Accountants of Bangladesh (ICAB).
6	Moyeenul Haque Khan	Manager, Audit	Bachelors of Art's

Four numbers of Audit Committee meetings were held during the year 2016 where among others, following issues were discussed:

- (i) Summary of the entire audit issues, status and follow up of outstanding recommendations.
- (ii) Head Office, Colombo audit issues status and follow up of outstanding recommendations.
- (iii) Bangladesh Bank comprehensive inspection report as well as Special Inspection reports.
- (iv) Appointment of external auditors.
- (v) Review of Internal Control System.
- (vi) Compliance with mandatory banking and other statutory requirement.
- (vii) Management report on the audit of annual financial statement submitted by the external auditors.

37 Core risks management of the Bank

Bangladesh Bank has issued guidelines in managing core risks by BRPD circular no.17 dated 07 October 2003 and updated from time to time for effective management of six core risk areas of banking business namely:

- (i) Credit risks,
- (ii) Asset and liability / balance sheet risks,
- (iii) Foreign exchange risks,
- (iv) Internal control and compliance risks,
- (v) Money laundering risks, and
- (vi) Information technology risks.

An internal memo has been circulated with the necessary guidelines to the concerned departments/branches/booths for their implementation.

The status of implementation of above six guidelines are summarised below:

Notes to the financial statements
For the year ended 31 December 2016

37.1 Credit risks

An in-depth credit risk assessment is being conducted prior to granting any loan and reviewed at least annually thereafter for all facilities in order to address overall credit risk issues. The results of assessment is thereafter presented in a credit application that originated from the Relationship Manager/Accounts Officer (RM) pursued and commented by the credit risk management and is approved by the Country Manager/ECC/Head Office approval authority.

The Bank has formally implemented a Credit Policy Manual/Lending Guidelines to enumerate the policy and procedures for handling credit related operations in Bangladesh.

37.2 Asset and liability/ Balance sheet risks

The Bank has Asset - liability Management Committee (ALCO) for the implementation of asset and liability management process. This committee reviews cost of liquidity, capital adequacy, loan deposit ratio, wholesale borrowing guideline, liquidity contingency plan, local regulation, etc. to achieve the general objective of keeping the interest rate risk within defined parameter, enhancing Bank's net interest margin, providing adequate liquidity, reviewing and approving risk parameters through managing exchange rate risk, interest rate risk, etc.

37.3 Foreign exchange risks

The Foreign Exchange risk is mitigated through proper market analysis and potential change arising out of pricing is addressed with appropriate risk limits. The Bank has formally implemented a manual with the objective of preventing exchange loss due to error, negligence, recklessness, lack of skill, etc to comply with Bangladesh Bank guidelines, prepare and enforce foreign exchange authorised dealer's code of conduct. The Management action triggers is in place to ensure adherence to limits.

37.4 Internal control and compliance risks

The potential operational risk is mitigated through three wings of Internal Control & Compliance (ICC) Department, Audit & Inspection, Compliance and Monitoring wing thus ensure sound, sustainable and secured growth of the bank.

Bank has already implemented Internal Control Procedures manual with segmental risk monitoring procedure. Internal control and Compliance Department undertakes regular and surprise audit/ inspection of the branches and departments to review the operations and compliance of statutory requirements and to ensure all financial statements are drawn up in conformity with Banking Companies Act, 1991 (Amendment up to 2013), in accordance with BAS/ BFRS and Bangladesh bank Circulars, Guidelines are in force.

37.5 Money laundering risks

A detailed operating instruction circular has been issued covering KYC procedures, suspicious transactions reporting, etc. Bank has implemented a guidelines to cope up with money laundering risks. To minimize such risks, bank has designated Chief Anti Money Laundering Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions through system based tools. Bank has introduced automated software for screening the sanction list at the account opening level and in the trade finance operations. Side by side we have also introduced another automated software for screening our remittance operations. Transactions parameters are also being checked through an automated system called AML pop up.

Notes to the financial statements
For the year ended 31 December 2016

37.6 Information Technology Risks

The bank has adequately addressed Information and Communication Technology (ICT) risk management. Banks own core banking software performs all types of transaction in a highly secured environment.

Bank has its own IT manual in place and implemented in line with Bangladesh Bank Guideline on Information and Communication Technology for scheduled Banks and Financial Institutions. It has also adopted systematic approach to ensure any IT contingencies. Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) are also in place and function.

37.7 Internal Audit

Bank has established an independent Internal Audit department for conducting audit/inspection at various department/branch/booths in line with the approved annual audit plan. In general, all the department/branch/booth is audited at least once in a year. Observations are responded by the respective Department/Branches within the given time frame. Online monitoring (transaction level) is also being performed by the department in addition to performed IS System Audit. Major findings and recommendations identified by the internal auditors are thereafter being discussed in the Audit Committee Meeting. Moreover, Colombo Inspection Department have their own plan of auditing the bank time to time.

37.8 Fraud and Forgeries

There was no fraud and forgeries occurred during the reporting period.

38 Risk Management Committee (RMC)

Bank has established an independent Risk Management Committee (RMC) under the overall guidance of the Country Manager where designated management members are responsible for each core risk areas. RMC is monitoring and measuring risks on the basis of the bank's approved risk parameters and recommend risk mitigation tools / procedure for implementation by the concerned line managers to ensure the maintenance of risks within the tolerable risk parameters. Secretary of RMC prepares the Risk Management Report which includes details risk observations received from each relevant risk head and discuss thoroughly in the monthly RMC meeting.

39 Post balance sheet events

No material events have occurred after the Balance Sheet date that could affect the values reported in these financial statements.

40 Related party disclosure

No transactions exist that require to be disclosed as per BAS 24: "Related Party Disclosures".

**Notes to the financial statements
For the year ended 31 December 2016**

41 Compliance of Bangladesh Accounting Standard (BAS) , Bangladesh Financial Reporting Standards (BFRSs):

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs). While preparing the financial statements, the Bank applied most of the BASs and BFRSs as applicable.

SI no.	Title of Standard	BAS no.	Status
1	Presentation of Financial Statements	1	Applicable
2	Inventories	2	Applicable
3	Statement of Cash Flows	7	Applicable
4	Accounting Policies, Changes in Accounting Estimates and Errors	8	Applicable
5	Events after the Reporting Period	10	Applicable
6	Construction Contracts	11	Not Applicable
7	Income Taxes	12	Applicable
8	Segment Reporting	14	Applicable
9	Property, Plant and Equipment	16	Applicable
10	Leases	17	Applicable
11	Revenue	18	Applicable
12	Employee Benefits	19	Applicable
13	Accounting for Government Grants and Disclosure of Government Assistance	20	Not Applicable
14	The Effects of Changes in Foreign Exchanges Rates	21	Applicable
15	Borrowing Costs	23	Applicable
16	Related Party Disclosures	24	Applicable
17	Accounting for Investments	25	Applicable
18	Accounting and Reporting by Retirement Benefit Plans	26	Applicable
19	Consolidation and Separate Financial Statements	27	Not Applicable
20	Investment in Associates	28	Not Applicable
21	Disclosures of Financial Statements of Banks and Similar Financial Institutions	30	Applicable
22	Interest in Joint Ventures	31	Not Applicable
23	Earnings Per Share	33	Not Applicable
24	Interim Financial Reporting	34	Applicable
25	Impairment of Assets	36	Applicable
26	Provisions, Contingent Liabilities and Contingent	37	Applicable
27	Intangible Assets	38	Not Applicable
28	Financial Instruments: Recognition and measurement	39	Applicable
29	Investment Property	40	Not Applicable
30	Agriculture	41	Not Applicable

Notes to the financial statements
For the year ended 31 December 2016

SL no.	Title of Standard	BFRS no.	Status
1	First-time Adoption of International Financial Reporting Standards	1	N/A
2	Share Based payment	2	N/A
3	Business Combinations	3	N/A
4	Insurance Contracts	4	N/A
5	Non-Current Assets Held for sale and Discontinued Operations	5	N/A
6	Exploration for and Evaluation of Mineral Resources	6	N/A
7	Financial Instruments: Disclosure	7	**
8	Operating Segments	8	Complied

* N/A = Not Applicable

** Relevant disclosures are made according to the requirement of Bangladesh Bank.

42 Others

Assets and liabilities other than balances with other banks and financial institutions at 31 December 2016 denominated in foreign currencies have been converted to local currency, BDT, at the following exchange rates:

<u>Currency</u>	<u>Abbreviation and unit</u>		<u>Equivalent BDT</u>
United Arab Emirate Dirham	AED	1.00	21.18
Australian Dollar	AUD	1.00	56.60
Canadian Dollar	CAD	1.00	58.05
Danish Kroner	DKK	1.00	11.04
European Currency	EUR	1.00	82.07
Hong Kong Dollar	HKD	1.00	10.13
Indian Rupee	INR	1.00	1.15
Japanes Yen	JPY	1.00	0.67
Kuwaiti Dinar	KWD	1.00	253.25
New Zealand Dollar	NZD	1.00	54.47
Pound Sterling	GBP	1.00	96.66
Quatar Riyal	QAR	1.00	21.57
Singapore Dollar	SGD	1.00	54.18
Swidish Kroner	SEK	1.00	8.57
Swiss Franc	CHF	1.00	76.55
Malaysian Ringgit	MYR	1.00	17.51
Saudia Arabian Riyal	SAR	1.00	20.65
US Dollar	USD	1.00	78.55

43 Reconciliation of inter-bank and inter-branch transactions

The Bank has automated system for responding inter-branch transactions. All the entries are being responded on a real time basis. All the inter-bank transactions are being reconciled properly.

44 Secured liabilities

The Bank has no secured liabilities against which assets has been pledged as security.

45 Open position

The Bank's open position as of 31 December 2016 was USD 895,560.50 equivalent to Taka 70,341,799.47 against the approved limit of USD 19,240,000.00

Notes to the financial statements
For the year ended 31 December 2016

46 Credit rating

The Bank has been awarded "AAA" (triple A) for long term and ST-1 for short term ratings" by the Credit Rating Information and Services Limited (CRISL) on 16 June 2016

47 Corporate Social Responsibility (CSR)

CSR is an integral part of the Bank's culture in addition to core business activity. The Bank have contributed to the underprivileged and disadvantaged through different projects. The Bank has always been active in CSR projects since inception. During the year 2016 the bank has undertaken wide range of CSR activities covering Financial Inclusions, Social and Community projects.

In line with DOS Circular letter no. 07 dated 15 July 2010 the details of the activities are appended below:

A. Organization:

Commercial Bank of Ceylon PLC attach great importance to social and community responsibilities. We have Corporate governance in place for adding value to customers and shareholders and also for the welfare of the employees in general.

B. Market Environment:

While engaging with borrowers we take into account any adverse impact that the project may have on environment and extend funding in order to ensure safety of environment.

C. Social Projects:

Description of initiatives	Amount of investment	No. of beneficiaries
Direct social interventions conducted by the bank, both as occasional/remedial measures or sustainable/continuous projects:	-	-
i. a) Education: Donation of office equipment for "The School of Hope", Vatarra, Dhaka	BDT 28,289	1300 Students
i. b) Education: 5 Computers donated to Kabi Sufia Kamal Hall, University of Dhaka.	BDT 220,000	2000 Students
ii. Disaster Management: 2000 Units of blankets given to poor the people affected by cold wave through Bangladesh Bank	BDT 365,000	2000 People

Notes to the financial statements
For the year ended 31 December 2016

48 Highlights of Activities

Sl.	Particulars	2016	2015
1	Paid-up capital / Deposit kept with Bangladesh Bank	4,544,179,152	4,445,178,830
2	Total capital for the purpose of CRAR	8,144,913,938	7,411,320,700
3	Capital to Risk Weighted Assets Ratio (CRAR)	41.98%	32.84%
4	Capital surplus/(shortfall)	4,144,913,938	3,411,320,700
5	Total assets	39,821,660,561	36,507,030,081
6	Total deposits	23,129,501,188	21,937,393,552
7	Total loans and advances	24,775,448,686	22,781,874,195
8	Total contingent liabilities and commitments	15,176,019,271	9,745,534,263
9	Credit-deposit ratio - DBU (%)	80.59%	82.78%
10	Ratio of classified loans against total loans and advances	2.03%	2.22%
11	Profit after tax and provision	590,541,770	926,102,885
12	Loans classified during the year	503,237,394	505,143,886
13	Provision kept against classified loans	274,806,970	160,982,770
14	Provision surplus/(deficit)	-	-
15	Cost of fund	3.52%	4.69%
16	Interest earning assets	34,465,274,003	31,511,159,599
17	Non-interest earning assets	5,356,386,558	4,995,870,482
18	Return on investment (*)	11.93%	15.94%
19	Return on average investment	7.82%	12.06%
20	Return on assets (*)	1.48%	2.54%
21	Income from investment	621,107,231	1,040,405,629
22	Earnings per share	N/A	N/A
23	Net income per share	N/A	N/A
24	Price earnings ratio	N/A	N/A

for Commercial Bank of Ceylon PLC - Bangladesh Operations



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

Dhaka, Bangladesh
Dated, 28 February 2017

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

Annex-A

1 Disclosure Policy:

In accordance with Bangladesh Bank's revised guidelines on risk based capital adequacy under Basel III issued through BRPD circular no. 18 dated December 21, 2014, the purpose of these requirements is to complement the capital adequacy requirements and Pillar III - Supervisory review process. Commercial Bank of Ceylon PLC has approved policy to observe the disclosure requirements set out by the Bangladesh Bank (BB).

The major highlighted regulations of the Bangladesh Bank are:

- a. To comply with international best practices and make the Bank's capital more risk-absorbent;
- b. To maintain minimum capital requirement by the Bank against credit, operational and market risk;
- c. To maintain capital adequacy ratio as per Bangladesh Bank's time to time Requirements;
- d. To adopt the credit rating agencies as external credit assessment institutions (ECAI);
- e. To adopt standardised approach for both credit and market risk and basic indicator approach for operational risk;
- f. To submit Capital Adequacy returns to Bangladesh Bank on a quarterly basis.

2 Scope of Applications:

Risk based capital adequacy framework applies to Commercial Bank of Ceylon PLC, Bangladesh Operations, on "Solo Basis" as the Bank has no subsidiaries or significant investments rather operating as a foreign Branch of Commercial Bank of Ceylon PLC incorporated in Srilanka.

3 Disclosures Framework:

Disclosures requirements as per Bangladesh Bank Basel III Guidelines are enumerated below:

3.1 Capital Structure

Qualitative Disclosure

The aim is for the capital structure to be as efficient as possible, both in terms of cost and in terms of compliance with the requirements of Bangladesh Bank. Bank's total capital as of 31 December 2016 was BDT 8,144.91 million out of which BDT 7,731.76 million was under Tier-I capital (out of that BDT. 4,544.18 million was Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining BDT 3,187.58 million was Retained Profit after regulatory deduction) and remaining BDT 413.16 million was under Tier-II capital (General Provision of BDT 408.00 million and remaining 5.17 million was revaluation gain on treasury bills/bond).

Quantitative Disclosure:

BDT

a) Amount of Tier I Capital

i) Common equity Tier 1 (CET 1)

Fully paid-up capital / capital deposited with Bangladesh Bank
 Statutory Reserve
 Actuarial gain/loss
 Retained earnings
 Non-repatriable interest-free fund

4,544,179,152
-
-
3,272,070,915
-
7,816,250,067

Amount deducted from CET 1 Capital (Regulatory Adjustments)

- Good will
- Shortfall
- Deferred tax assets
- Others

-
-
84,492,557
-

Total CET 1 Capital

ii) Additional Tier I capital

Total Tier I Capital (i+ii)

b) Total Tier II capital

Total eligible capital (a+b)

7,731,757,510
-
7,731,757,510
413,156,428
8,144,913,938

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

3.2 Capital Adequacy

Qualitative Disclosure of Capital Adequacy

Bank is maintaining adequate capital to cover all material risk and while doing so bank has established an Internal Capital Adequacy Assessment Process (ICAAP) in-line with Bangladesh Bank. The objective of the Bank's capital planning is to ensure that the bank is adequately capitalized.

At the end of 31 December 2016 bank maintained capital of BDT 8,144.91 million (Tier 1: going-concern capital of BDT 7,731.76 million plus Tier 2: gone-concern capital of BDT 413.16 million) against its total Risk Weighted Asset (RWA) of BDT 19,403.73 million which leads to a Capital to Risk-weighted Asset Ratio (CRAR) of 41.98%, where the minimum requirement is 10.625% as per BRPD circular no. 18 dated 21 December 2014. Tier-I capital was 39.85% of RWA against minimum requirement of 5.125% of RWA. As a result the Bank has a buffer Capital of BDT 4,144.91 million to maintain to mitigate the additional uncertain risks which are not covered under Pillar-II.

Quantitative Disclosure of Capital Adequacy

a) Amount of Regulatory Capital to meet unforeseen loss:		
Amount of Capital required to meet Credit Risk		BDT
Amount of Capital required to meet Market Risk		1,585,575,535
Amount of Capital required to meet Operational Risk		11,470,224
		343,327,068
		1,940,372,827
b) Actual Capital Maintained:		
Total CET 1 Capital		7,731,757,510
Total Tier I Capital		7,731,757,510
Total Tier II Capital		413,156,428
Total capital		8,144,913,938
% of Capital to risk weighted assets (CRAR)		
	Required	Maintained
CET 1	5.125%	39.85%
Tier I	5.500%	39.85%
Tier II		2.13%
Total	10.625%	41.98%
c) Capital conservation buffer	0.625%	0.625%
d) Available capital under pillar 2 requirement		4,144,913,938

3.3 Credit Risk

Qualitative Disclosures:

General qualitative disclosure requirement with respect to credit risk includes the following:

Definition of past due and impaired

According to the Bangladesh Bank's guidelines on Risk Based Capital Adequacy (RBCA), dated December 2014, claims that are past due for 60 days or more are clubbed under this past due category.

Apart from the Basel III requirement, for accounting purpose bank is maintaining its past due loan in accordance with the BRPD Master circular no. 14 dated 23 September 2012 on "Loan Classification & Provisioning" and its related subsequent instructions.

Description of approaches followed for specific & general allowances and statistical methods

Bank is following the general and specific provision requirement as prescribed by Bangladesh Bank time to time.

Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016

Discussion of the bank's credit risk management policy

Credit risk is one of the most significant risks in terms of sustainability, regulatory and capital requirements, which the bank is exposed to. Bank's policy is to develop a high quality and diversified credit portfolio comprised of corporate, SME and retail / personal customers in Bangladesh towards better credit risk management.

With a view to segregate credit risk from credit marketing, as also in line with Basel-III requirement, an independent Credit Risk Department is in existence in the bank since inception. Credit risk management focuses on the quality of customer's individual loans as well as the overall loans and advances portfolio, examining and reporting the underlying trends, concentrations and ensuring a sustainable credit risk culture throughout the Bangladesh operation.

Objectives of the bank's credit risk management practices are to maintain credit portfolio quality in line with risk appetite, through risk control and risk management.

Credit risk management system of the bank also closely monitors changes in economic and market conditions and guides business and functional management, at all levels, on their credit portfolio. It works towards maintaining a robust credit culture through prudent strategies, credit policies, procedures, and management of credit portfolio. Thus the scope of credit risk management and identification practices needs to follow the procedures below:

To identify and manage credit risk, the bank engages in procedures such as:

- i. Set up strategy for credit origination and relationship management.
- ii. Credit risk management.
- iii. Loan documentation and credit administration.
- iv. Recovery and management of problem loans.
- v. Portfolio management
- vi. Conveying credit status through reporting

Bank uses internal lending guidelines and procedures to ensure that all lending officers understand the Bank's appetite for risk in servicing counter party requirements, and thus facilitates evaluation and approval of individual credit transactions.

Bank has standard methods of analyzing various risk aspects involved in extending credit, considering risk areas such as business risk, financial risk, management risk, security risk, etc. besides continuously reviewing the exposures and concentrations of the customer, group, industry, geography and lending type. Outcome of these risk analyses are used to establish internal credit risk grading for each borrower.

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

Quantitative Disclosure

Total exposures of credit risk

BDT

A) Broken down by major types of credit exposure

a) Cash and cash equivalents	251,984,266
b) Claims on Bangladesh Government and Bangladesh	6,982,642,408
c) Claims on other sovereigns and Central Banks*	-
d) Claims on Bank for international settlements,	-
e) Claims on Multilateral Development Banks (MDBs)	-
f) Claims on Public Sector Entities (other than Govt. of Bangladesh) in BGD	-
g) Claims on Banks & NBFIs:	-
Maturity Over 3 Months	34,209,950
Maturity less than 3 Months	5,186,784,532
h) Claims on Corporate	14,528,365,162
i) Claims under Credit Risk Mitigation	578,975,802
j) Claims categorized as retail portfolio and small & medium enterprise (excluding consumer finance)	588,095,946
k) Consumer finance	69,686,287
l) Claims fully secured by residential property	43,477,708
m) Claims fully secured by commercial real estate	130,418,414
n) Past due loans/NPL	539,561,485
o) Investments in premises, plant and equipment and all other fixed assets	40,704,484
p) Claims on Fixed Assets under Operating Lease	-
q) All Other Assets	
i) Claims on GoB and BB (Advance Income Tax)	3,145,618,749
ii) Staff loan/investments	77,497,733
iii) Other assets	2,694,146,262
r) Off-balance sheet items:	
Claims on banks:	
Maturity Over 3 Months	71,265,721
Maturity less than 3 Months	35,826,135
Claims on corporate	4,279,952,728
Retail portfolio and small & medium enterprises	55,346,406
	39,334,560,178

B. Geographical Distribution of Exposure

Category	Dhaka	Chittagong	Sylhet	Total
Balance Sheet Items				
Claims on sovereigns and central banks	7,146,248,478	72,327,019	16,051,177	7,234,626,674
Claims on banks and NBFIs	5,220,994,482	-	-	5,220,994,482
Claims on corporate	13,580,629,399	2,005,763,055	190,928,409	15,777,320,863
Claims on retail portfolio and consumer finance	547,775,620	111,125,998	42,358,323	701,259,941
Fixed assets	37,284,643	2,940,622	479,219	40,704,484
Staff loan	77,497,733	-	-	77,497,733
All other assets	3,715,535,584	2,048,383,530	75,845,897	5,839,765,011
Total on balance sheet items	30,325,965,939	4,240,540,224	325,663,025	34,892,169,188
Off Balance Sheet Items				
Claims on banks	107,091,856	-	-	107,091,856
Claims on corporate	3,075,374,670	1,204,578,058	-	4,279,952,728
Claims on retail portfolio and consumer finance	42,406,604	11,463,648	1,476,154	55,346,406
Total off balance sheet items	3,224,873,130	1,216,041,706	1,476,154	4,442,390,990
Total	33,550,839,069	5,456,581,930	327,139,179	39,334,560,178

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

C. Industry or Counterparty type distribution of exposures

Category	Bank and NBFIs	Manufacturing industries	Retail and Consumer	Others	Total
Balance Sheet Items					
Claims on sovereigns and central banks	7,234,626,674	-	-	-	7,234,626,674
Claims on banks and	5,220,994,482	-	-	-	5,220,994,482
Claims on corporate	-	15,777,320,863	-	-	15,777,320,863
Claims on retail portfolio	-	-	701,259,941	-	701,259,941
Fixed assets	-	-	-	40,704,484	40,704,484
Staff loan	-	-	-	77,497,733	77,497,733
All other assets	-	-	-	5,839,765,011	5,839,765,011
Total on balance sheet items	12,455,621,156	15,777,320,863	701,259,941	5,957,967,228	34,892,169,188
Off-balance sheet items					
Claims on banks	107,091,856	-	-	-	107,091,856
Claims on corporate	-	4,279,952,728	-	-	4,279,952,728
Claims on retail portfolio and consumer finance	-	-	55,346,406	-	55,346,406
Total off balance sheet items	107,091,856	4,279,952,728	55,346,406	-	4,442,390,990
Total	12,562,713,012	20,057,273,591	756,606,347	5,957,967,228	39,334,560,178

D. Residual Contractual Maturity

Residual contractual maturity	Balance sheet items	Off-balance sheet items	Total
Up to 1 month maturity	18,107,564,335	357,383,639	18,464,947,974
1-3 months maturity	5,844,751,399	1,070,838,278	6,915,589,677
3-12 months maturity	4,589,750,338	2,910,075,116	7,499,825,454
1-5 years maturity	4,822,099,229	104,093,957	4,926,193,186
Above 5 years maturity	1,528,003,887	-	1,528,003,887
Total	34,892,169,188	4,442,390,990	39,334,560,178

E. Major Industry or Counterparty Type (past due)

i) Amount of impaired / classified loans by major industry/ sector type

Major industry/sector	
Bank and NBFIs	-
Manufacturing industries	211,144,606
Retail and Consumer finance	11,451,993
Others	280,640,795
Total	503,237,394

ii) Specific and general provision

General provision	
Loans and advances	252,100,000
Off-Balance sheet items	155,900,000
	408,000,000
Specific provision	274,806,970

iii) Charges for specific allowance and charges-offs during the year

Specific provisions made during the period	153,813,345
Write-back of excess specific provisions	39,989,145

Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016

F) Gross non-performing assets (NPAs)	503,237,394
Total loans & advances	17,989,271,816
Non-performing loans and advances	503,237,394
Sub-standard	22,288,299
Doubtful	14,202,036
Bad/ Loss	466,747,059
Non-Performing Assets (NPAs) to Outstanding Loans and advances	2.80%
G) Movement of Non-Performing Assets (NPAs)	
Opening balance	505,143,886
<u>Add:</u> Addition during the year	41,591,697
<u>Less:</u> Reduction during the year	43,498,189
Closing balance	503,237,394
H) Movement of specific provisions for NPAs	
Opening balance	160,982,770
<u>Add:</u> Provisions made during the period	153,813,345
<u>Less:</u> Write-off	-
<u>Less:</u> Write-back of excess provisions	39,989,145
Closing balance	274,806,970

3.4 Interest rate risk in the banking book (IRRBB)
Qualitative Disclosure

Interest rate risk refers to fluctuations in Bank's net interest income and the value of its assets and liabilities arising from internal and external factors.

Internal factors include the composition of the Bank's assets and liabilities, quality, maturity, interest rate and re-pricing period of deposits, borrowings, loans and investments.

External factors cover general economic conditions:

Interest rates volatility has impact on the Bank depending on balance sheet positioning. Interest rate risk is prevalent on both the assets as well as the liability sides of the Bank's balance sheet.

Assets - Liability Management Committee (ALCO) periodically monitors and controls the risks and returns, funding and deployment, setting Bank's lending and deposit rates, and directing the investment activities of the Bank. ALCO decides on the fixation of interest rates on both assets and liabilities after considering the macro or micro economic outlook - both global and domestic, as also the macro aspects like cost- benefit, financial inclusion and host of other factors.

Credit shock under Basel III (balance sheet exposure)

Magnitude of Shock	Minor	Moderate	Major
Weighted average yield on assets (%)	10.00	10.00	10.00
Total Assets	3,933.46	3,933.46	3,933.46
Total RWA before shock	1,940.37	1,940.37	1,940.37
Total increase in RWA after shock	19.28	38.56	57.83
Total increase Capital requirement after shock	1.93	3.86	5.78
Total RWA after shock	1,959.65	1,978.93	1,998.20
Eligible capital	814.49	814.49	814.49
Capital adequacy ratio after shock (%)	41.56	41.16	40.76
Capital adequacy ratio before shock (%)	41.97	41.98	41.97
Changes in CRAR (%)	(0.41)	(0.82)	(1.21)

Disclosures on Risk based Capital Requirement under Pillar III of Basel III

For the year ended 31 December 2016

Credit Shock under Basel III (Off Balance Sheet Exposure)

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	3,933.46	3,933.46	3,933.46
Total RWA before shock	1,940.37	1,940.37	1,940.37
Total increase in RWA after shock	3.37	6.75	10.12
Total increase in capital requirement after shock	0.34	0.67	1.01
Total RWA after shock	1,943.74	1,947.12	1,950.49
Eligible capital	814.49	814.49	814.49
Capital Adequacy Ratio after shock (%)	41.90	41.83	41.76
Capital Adequacy Ratio before shock (%)	41.97	41.97	41.97
Changes in CRAR (%)	(0.07)	(0.15)	(0.22)

Combined Shock

Magnitude of Shock	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	41.97	41.97	41.97
Decrease in the FSV of the collateral	-0.14	-0.28	-0.57
Increase in NPLs	-1.09	-3.50	-6.54
Negative shift in NPLs categories	-0.15	-0.30	-0.59
Interest rate	-0.12	-0.23	-0.35
FEX: Currency appreciation	-0.01	-0.02	-0.04
Equity shock	0.00	-0.01	-0.01
Total change	-1.51	-4.35	-8.10
CRAR after shock (%)	40.46	37.63	33.88

3.5 Market Risk

Qualitative Disclosure

Market risk is the risk of adverse revaluation or movement of any financial instrument as a consequence of changes in market prices or rates.

Market risk exists in all trading, banking and investment portfolios but for the purpose of this report, it is considered as a risk specific to trading book of the Bank.

The major types of market risk as specified in the Risk Based Capital Adequacy (RBCA) are as follows:

- i. Interest rate risk
- ii. Equity position risk
- iii. Foreign exchange risk and
- iv. Commodity risk

Among the above list the main type of market risk faced by the Bank are interest rate risk and foreign exchange risk. 'Bank Management committee of Bangladesh Operations has given significant attention to market risk in trading book, to assess the potential impact on the Bank's business due to the unprecedented volatility in financial markets.

Methods used to measure market risk:

According to Bangladesh Bank guideline, Commercial Bank of Ceylon PLC, Bangladesh Operation is presently following the standardized approach for market risk under Basel III.

Market risk management system and policies and processes for mitigating market risk:

Bank has an independent market risk framework to assess, manage and control the risk management function, which is responsible for measuring market risk exposures in accordance with prescribed policies, and monitoring and reporting these exposures against the approved limits on a regular basis according to Bank's appetite for market risk.

Interest rate risk

Interest Rate Risk (IRR) is a major source of market risk and is unavoidable in any financial institution where the re-pricing of assets and liabilities are not identically matched. The ALCO of Bangladesh Operations manages the potential impact, which might be caused by the volatility of changes in the market interest rates and yield curves.

The securities (Treasury bills/bonds) acquired with the intention to trade by taking advantage of short-term price and interest rate movement is classified under the trading book. The marked to market (MTM) of securities in the trading book is done at market value as per the Bangladesh Bank guidelines.

Disclosures on Risk based Capital Requirement under Pillar III of Basel III

For the year ended 31 December 2016

Foreign exchange risk

All foreign exchange exposures and related risks are reviewed by the ALCO monthly, which provides additional guidance to treasury dealing room in managing the risks. This is to ensure that any adverse exchange rate movements on the results of the Bank due to un-hedged foreign exchange positions are restrained within acceptable parameters.

In addition to regular revaluation of spot position and forward positions, Value at Risk (VaR) is calculated/exercised for FX portfolio. VaR provides a single number to the management that reflects the maximum loss, which can occur within a confidence level over a certain period of time.

Market risk on Trading Book

The capital requirements for:

- A. Interest Rate Risk
- B. Equity Position Risk
- C. Foreign Exchange Risk
- D. Commodity Risk

BDT

3,189,004
-
8,281,220
-
11,470,224

3.6 Operational risk

Qualitative disclosure

Views of BOD on system to reduce operational risk

Operational risk is inherent to all products, activities, processes and systems and is generated in all business and support areas. For this reason, all employees are responsible for managing and controlling the operational risks generated in their area of action. In order to reduce and manage the operational risk of the bank, Management Committee has implemented the Operational Risk Management framework approved by the BOD.

Performance gap of executives and staffs

Performance of employees is critically important to achieve organizational goals. Bank has put in place a well defined performance management process which aims to clarify what is expected from its different level of employees as well as how it is to be achieved. At the beginning of a year objectives is communicated to the employees who includes what are expected from him/her during the ensuing period through their direct reporting heads. A half yearly and yearly performance appraisal practices are in place to review achievements based on which rewards and recognition decisions are made.

Potential external events

By its nature, Operational Risk cannot be totally eliminated. Like other banks, our bank also operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, technological changes, natural disaster, external frauds etc. However, bank has established methodology which defines the Bank's approach in identifying, assessing, mitigating, monitoring and reporting such operational risks factors which may impact the achievement of the bank's business objectives.

Policies and processes for mitigating operational risk

Operational Risk Management in the Bank is governed by the well-defined Operational Risk Management Policy that is clearly communicated across the Bank. Bank adopts three lines of defense for management of operational risk, the first line of defense represented by various heads of the departments, different business unit/or support unit; second line of defense is represented by the Operational Risk Unit under IRMD to oversee the operational risk management, and the third line of defense represented by Inspection & Audit Division which is challenge function to the first two lines of defense.

Various operational risk aspects like Key operational Risk Indicators (KORIs), analysis of historical loss data, Risk & Control Self-Assessments (RCSAs) exercise is done and placed before the Risk Management Committee to initiate necessary corrective actions with respect to management/mitigation of the operational risks. The internal controls are supplemented by an effective audit function that independently evaluates the control systems within the organization.

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

Approach for calculating capital charge for operational risk

Presently bank is following the Basic Indicator Approach (BIA) for calculating its operational risk capital charge and at 31 December 2016 bank's operational capital requirement was Tk. 34.33 crore which was adequately maintained.

Quantitative Disclosure

The capital requirements for operational risk is Taka

BDT

343,327,068

3.7 Liquidity ratio

Qualitative disclosure

Views of BOD on system to reduce liquidity risk

Banks in general are vulnerable to liquidity and solvency problems resulting from asset and liability mismatches. Therefore, the principle objective in liquidity risk management is to assess the need for funds to meet obligations and to ensure the availability of adequate funding to fulfill those needs at the appropriate time, both under normal and stressed conditions. In order to reduce and manage the liquidity risk of the bank, MANCOM has implemented the liquidity risk management framework approved by the BOD.

Methods used to measure liquidity risk

Bank uses numerous methods to assess/measure its liquidity risk e.g. through gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Advance techniques such as stress testing, simulation, sensitivity analysis etc. are used on regular intervals to draw the contingency funding plan under different liquidity scenarios.

Liquidity risk management system

Bank continuously analyses and monitors its liquidity profile, maintains an adequate margin of safety in high quality liquid assets and access to diverse funding sources such as inter-bank market, assets and investments available-for-sale and has contingency funding plan to meet liquidity requirements. Bank thereby ensures availability of adequate liquidity to fund its existing asset base and grow its business whilst maintaining sufficient liquidity buffers to operate smoothly under varying market conditions including any short-term, medium or long-term market disruptions.

Policies and processes for mitigating liquidity risk

Bank has put in place its Asset Liability Management Policy, Contingency Funding Plan duly approved by the board and ALCO is managing the liquidity risk of the bank.

Quantitative Disclosure

Liquidity coverage ratio
Net stable funding ratio
Stock of high quality liquied assets
Total net cash outflows over the next 30 calendar days
Available amount of stable funding
Required amount of stable funding

BDT

	137.92%
	102.93%
	2,690,328,000
	1,950,644,000
	23,971,405,300
	23,288,215,300

3.8 Leverage ratio

Qualitative disclosure

Views of BOD on system to reduce excessive leverage

High leverage levels can lead to an excessive expansion of bank asset size, which maximizes, in the short to medium term, banks' return on equity. At the same time, leverage-fuelled bank capital structures increase bankruptcy risk, since they are an important cause of bank failures. Therefore, to reduce excessive leverage and to manage the overall asset-liability position, management has implemented BOD approved ALM framework within the bank.

Policies and processes for managing excessive on and off-balance sheet leverage

Bank has clearly laid down policy and procedure to manage its exposure level (both on and off-balance sheet) enumerated in its Asset Liability Management policy. Leverage parameter of the policy acts as a credible supplementary measure to the risk based capital requirement to control the leverage of the bank. This reflects bank's tier 1 capital over total exposure of the bank. Reference level of leverage ratio is currently 3% (minimum) and it is expected to be reviewed in 2017 in line with the BB directive.

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

Approach for calculating exposure

Leverage ratio of the bank is calculated in line with the RBCA Guideline of BB. As at 31st December 2016 bank's leverage ratio was 19.52% and it was calculated as follows:

	Measured used	Description
Numerator	Tier 1 Capital	Tier 1 capital constitutes the components specified in the RBCA Guideline, December 2014.
Denominator	Exposure	This is an approximation to the credit risk exposure used for regulatory capital purposes. It consists of the sum of the balance sheet assets as specified in the RBCA Guideline, December 2014.

Quantitative Disclosure

BDT

Leverage ratio	19.52%
On balance sheet exposure	35,253,738,493
Off balance sheet exposure	4,442,390,990
Total exposure	39,696,129,483
<u>Less: Regulatory adjustments</u>	<u>84,492,557</u>
Total exposure for the purpose of leverage ratio	<u>39,611,636,926</u>

3.11 Remuneration

The bodies that oversee remuneration

Bank is dedicated to uphold the principle of equality in offering our employees both career opportunities and competitive remuneration. Bank has its Remuneration Committee at Head Office (Sri Lanka) level which is assisted by the local Human Resource Steering Committee and the Management Committee, Bangladesh. In 2015 to study the market situation and compare the salaries up to a certain level of employees' bank had appointed Cerebrus Consultants Pvt. Ltd., Mumbai, India.

The Bank does not discriminate employees and/or differentiate employee remunerations by nationality, religion, race, caste etc. The Bank even does not differentiate the remuneration considering the business lines and/or considering the functions known as revenue generating activities or revenue-prone work force. Bank maintains the same Remuneration and apply Human Resource policies for all of its branches, departments and Units.

Employees considered as material risk takers and as senior managers are:

Material Risk Takers	Composition	Number of Employees
Senior Managers	Members of Management Committee(CM, COO, SGM, SDGM, DGM, SAGM, AGM)	8
Other material risk takers	Head of Branches and SME Centers	16
	Head of Units, Corporate Banking	3
	Head of Departments, Units	12
Total		39

Design and structure of remuneration processes

Bank is committed to maintain an equitable and consistent reward structure to ensure that employees' contributions to the business are recognized in different ways. This helps us to attract and retain staff while encouraging their efforts towards the achievement of the bank's strategic goals. In view of that bank is maintaining fair remuneration policy in line with the Market Standard. Bank believes that employee remuneration should not be inconsistent with the market and the employees should be provided with the other standard benefits and facilities that commensurate the best in the industry. Bank has been maintaining the Objectives based Performance Appraisal of the employees and provides the annual increment and incentive bonus on the basis of their performance and achievement of objectives.

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

The ways in which current and future risks are taken into account in the remuneration processes

The overall compensation package and its structure have to be competitive, making it easier to attract, keep and reward the employees properly. While doing so bank has considered the following key risks to implement remuneration measures:

- i. Staff turnover rate
- ii. Identifying the future leaders
- iii. Market standard of salary and benefits
- iv. Achievement of objectives leading the overall achievement of Bank’s target
- v. Succession plan

Keeping in mind the above risk aspects bank used to identify the potential employees i.e. the future leaders and arranges necessary training for those employees both at home and abroad. In a few cases the bank also looked at accelerated career advancement of the employees who are identified as potential employees and shown the capacity as future leaders. Outstanding employees used to get Incentive bonus and salary increment at the rate of the best in the scheme which all together have impact on the remuneration as a whole.

The ways in which bank seeks to link performance during a performance measurement period

Annual budget of the bank is the main growth factors for performance measurement such as Advance, Deposit and Profitability is being distributed among the top level business lines and individuals. On achievement of targets for these broad factors bank achieves its growth in terms of revenue and size of balance sheet. Bank’s overall success depends on the success of top level business lines and individuals. Following performance matrix is used to determine the level of Performance Rating of the individual:

O =	Outstanding	This person is an Outstanding Performer, is competent, committed, performance driven and is relatively better than a person rated “Excellent”.
EX =	Excellent	This person is an Excellent Performer, regularly exceeds requirements in most significant aspects of the job and is relatively better than a person rated “Very Good”
VG =	Very Good	This person is rated as Very Good Performer, performs the job in a completely expectable manner and relatively better than a person rated “Good”
G =	Good	This person is rated as Good and relatively better than a person rated “Below Expectation
BE =	Below Expectations	This person is rated as Below Expectations and relatively better than a person rated “Marginal”
Mg =	Marginal	This person is rated as Marginal and displays Marginal Performance as against others.

On achievement of targets of top level business lines and individuals bank achieves the budgeted profitability and announces the annual incentive bonus which is known as Annual Performance Bonus. Any individual having proven achievements of targets get recognition through the upper level of Performance Ratings. The higher the ratings are the higher the Bonuses are paid and Increments are awarded.

Different forms of variable remuneration

Bank’s overall remuneration can be bifurcated in to two groups i.e. fixed remuneration and variable remuneration. Variable remuneration is comprised of the performance bonus and the rate of salary increment decided based on the performance rating of the employee.

Quantitative Disclosure

Quantitative disclosures reflect remuneration payment for senior managers and material risk takers of the bank during the financial year.

Number of meetings held by the main body overseeing remuneration during the financial year	3
Remuneration paid to the member of the main body overseeing remuneration during the financial year	Nil*

*We do not have any system of paying remuneration for attending meeting

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2016**

Particulars	No. of employee	BDT
Variable remuneration awarded	39	30,306,044
Guaranteed bonuses awarded	39	8,429,578
Sign-on awards	-	-
Severance payments	3	2,112,705

Particulars	BDT
Outstanding deferred remuneration:	
Cash	-
Shares and share-linked instruments and	-
Other forms	-
Deferred remuneration paid out	-

Details of remuneration awards	Cash	Shares and share-linked instruments	Other forms
Fixed	112,235,958	-	-
Variable	30,306,044	-	-
Deferred and non-deferred	-	-	-

Employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration.

Particulars	BDT
Total amount of outstanding for deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	-
Total amount of reductions during the financial year due to ex-post explicit adjustments	-

**Schedule of Fixed assets including premises, furniture and fixtures
As at 31 December 2016**

ANNEX-B

Asset category	Cost				Rate (%)	Depreciation				Written down value at 31 Dec 2016 BDT
	Opening balance as on 01 Jan 2016 BDT	Addition during the year BDT	Disposal/ adjustment during the year BDT	Total balance as at 31 Dec 2016 BDT		Opening balance as on 01 Jan 2016 BDT	Charge for the year BDT	On disposal/ adjustment BDT	Total balance as at 31 Dec 2016 BDT	
Furniture and fixtures	79,935,528	450,085	-	80,385,613	10	61,082,022	6,075,041	-	67,157,063	13,228,550
Interior decorations	51,699,239	1,826,668	(497,650)	53,028,257	20	46,403,027	3,502,930	(497,640)	49,408,317	3,619,940
Equipment and computers	120,050,616	7,164,659	(733,000)	126,482,275	20	107,667,995	6,027,811	(732,989)	112,962,817	13,519,458
Computer software	25,451,511	4,063,269	-	29,514,780	20	16,407,005	2,678,588	-	19,085,593	10,429,187
Motor vehicles	28,010,349	-	-	28,010,349	20	28,010,339	-	-	28,010,339	10
Total at 31 December 2016	305,147,243	13,504,681	(1,230,650)	317,421,274		259,570,388	18,284,370	(1,230,629)	276,624,129	40,797,145
Total at 31 December 2015	293,966,647	11,474,540	(293,944)	305,147,243		218,463,261	41,401,068	(293,941)	259,570,388	45,576,855