

Commercial Bank of Ceylon PLC - Bangladesh Operations**Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2011****1 Disclosure Policy:**

In accordance with Bangladesh Bank revised guidelines on risk based capital adequacy under Basel II issued through BRPD Circular No. 24 dated August 3 2010, the purpose of these requirements is to complement the capital adequacy requirements and Pillar III - Supervisory review process. Commercial Bank of Ceylon PLC ("the Bank") 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 standardized 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:

The 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:

The disclosures requirements as per Bangladesh Bank Basel II Guidelines are enumerated below:

3.1 Capital Structure**Qualitative Disclosure**

The Bank's total capital as of 31 December 2011 was Taka 4,626.33 million out of which Taka 4,407.83 million was under Tier-I capital and remaining Taka 218.50 million was under Tier-II capital. The main features of our Tier-I Capital Taka 4,087.58 Million is Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining 320.25 Million is the Retained Earnings as at 31 December 2011. The Bank's Tier-II Capital are consist of General Provision of Taka 216.65 Million and remaining 1.85 Million is 50% of Revaluation Gain on Treasury Bills/Bond as at 31 December 2011.

Quantitative Disclosure:**Amounts in Taka**

A) Amount of Tier-1 Capital	
Fully Paid-up Capital / Capital Deposited with BB	4,087,580,914
Non-repayable Share premium account	-
Statutory Reserve	-
General Reserve	-
Retained Earnings	320,250,546
Minority interest in Subsidiaries	-
Non-Cumulative irredeemable Preferences shares	-
Dividend Equalization Account	-
	4,407,831,460
Amount deducted from Tier-1 Capital	
• Good will	-
• Shortfall	-
• Others	-
Net Total of Tier-1 Capital	4,407,831,460
B) Total amount of Tier 2 capital (net of deductions from Tier 2 capital)	218,499,271
C) Total eligible capital (A+B)	4,626,330,731

Commercial Bank of Ceylon PLC - Bangladesh Operations**Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2011****3.2 Capital Adequacy****Qualitative Disclosure of Capital Adequacy**

The Bank has maintained regular reporting with Bangladesh Bank regarding the Capital adequacy. The Bank is in a process of establishing an Internal capital adequacy assessment process in line with BASEL-II guidelines as well as ICAAP documents issued by Bangladesh Bank. The Bank also ensure the capital level that are sufficient to cover all material risk of the Bank. The entire objective of the Bank's capital planning is to ensure that the Bank is adequately capitalized at all level throughout the year.

The Bank maintains a capital of Taka 4,626.33 million (Core Capital of Taka 4,407.83 million + Supplementary Capital of Taka 218.50 million) as against total risk weighted assets of Taka 19,015.02 million. The Bank's Capital Adequacy Ratio (CAR) as at 31 December 2011 is 24.33% as against the minimum requirement of 10% as of 31 December 2011 as per BRPD Circular No. 10 dated 10 March 2010. Tier-I capital was 23.18 % of RWA against minimum requirement of 5% of RWA. As a result the Bank has a buffer Capital of Taka 2,724.83 million to maintain to mitigate the additional uncertain risk which are not cover under Pillar-II of Basel-II.

Quantitative Disclosure of Capital Adequacy

	Amounts in Taka
A) Amount of Regulatory Capital to meet unforeseen loss	
Amount of Capital required to meet Credit Risk	1,662,601,346
Amount of Capital required to meet Market Risk	42,200,000
Amount of Capital required to meet Operational Risk	196,700,934
	1,901,502,280
B) Actual Capital Maintained:	
Total tier I Capital	4,407,831,460
Total tier II Capital	218,499,271
Total tier III Capital	-
	4,626,330,731
C) Some additional capital over MCR maintained by the Bank	2,724,828,451
% of Capital Adequacy required	
Tire I	5.00%
Total	10.00%
% of Capital Adequacy maintained	
Tire I	23.18%
Total	24.33%

3.3 Credit Risk**Qualitative Disclosures:**

The general qualitative disclosure requirement with respect to credit risk, includes the following:

Definition of past due and impaired (for accounting purposes)

According to the Bangladesh Bank's Guidelines on Risk Based Capital Adequacy, December 2011, claims that are past due for 90 days or more are clubbed under this past due category.

Apart from the Basel II requirement, for accounting purpose bank is maintaining its past due loan in accordance with the BRPD Circular No. 05 dated 5 June, 2006 on 'Loan Classification & Provisioning'.

Description of approaches followed for specific allowances and statistical methods.

The Bank is following the standardized approach in line with the Bangladesh Bank guidelines and no other statistical model is used apart from the supervisory procedures prescribed by the BB in this regard:

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 Commercial Bank of Ceylon PLC, Bangladesh Operations 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.

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With a view to segregate credit risk from credit marketing, as also in line with Basel-II requirement, an independent Credit Risk Department is in existence in the bank since 1997. 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.

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.

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

The Bank uses internal lending guideline 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.

The 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.

Maintenance of Specific Provision

Commercial Bank of Ceylon PLC, Bangladesh Operations strictly complies with its internal credit procedure prepared in line with prevailing Bangladesh Bank's guidelines including BRPD circular no. 05 dated 05 June 2006 concerning management of non-performing loans, loan classification and provisioning.

In line with above guidelines, the Bank reviews the loans and advances throughout the year so as to assess them in order to maintain the provision required thereagainst at the end of the each quarter during the year.

Provisioning Rates

The specific provisioning rates on loans and advances is being maintained as guided by BRPD circular no. 05 dated 29 April 2008.

Base for Provision

Provision is to be made at the above rate on the net loan amount after deduction of the amount of interest suspense account and the deductible value of eligible securities from the outstanding balance of classified accounts in line with above guidelines.

Moreover, BRPD circular no. 5 dated 05 June 2006 also warrants further provisioning based on our qualitative judgments in case where any uncertainty or doubts arises in respect of recovery of any continuous loan, demand loan or fixed term loan, which will also compel the Bank to classify such loans on the basis of qualitative judgment. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of two is recognised in liabilities under "provisions for loans and advances" with any movement in the provision charged/ released having reflected in the profit and loss statement.

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Quantitative Disclosure**Amounts in Taka****Total Exposures of Credit Risk****A) Funded Exposures**

a) Domestic	18,152,238,146
b) Overseas (Nostro Balances)	-
	18,152,238,146

B) Non-funded exposures

a) Domestic	-
b) Overseas	3,813,744,979
	3,813,744,979

C) Broken down by Major types of Credit Exposure

a) Cash and Cash Equivalents	120,685,210
b) Claims on Bangladesh Government and Bangladesh	4,045,493,674
c) Claims on other Sovereigns & Central Banks*	-
d) Claims on Bank for International Settlements, International Monetary Fund and European Central Bank	-
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	743,324,007
Maturity less than 3 Months	2,038,447,927
h) Claims on Corporate	7,260,292,054
i) Claims under Credit Risk Mitigation	1,448,590,985
j) Claims categorized as retail portfolio & Small Enterprise (excluding Consumer Finance)	162,664,336
k) Consumer Finance	-
l) Claims fully secured by residential property	214,661,482
m) Claims fully secured by commercial real estate	9,445,142
n) Past due loans/NPL	-
o) Investments in premises, plant and equipment and all other fixed	92,491,720
p) Claims on Fixed Assets under Operating Lease	127,083,367
q) All Other Assets	-
i) Claims on GoB & BB (Advance Income Tax)	813,256,161
ii) Staff Loan/Investments	74,721,157
iii) Other Assets	1,001,080,924
r) Off-balance sheet items:-	
Claims on Banks:	
Maturity Over 3 Months	59,063,853
Maturity less than 3 Months	1,858,715
Claims on corporate	3,600,366,946
Retail portfolio and small enterprises	152,455,466
	21,965,983,125

D. Details of Exposure under Credit Risk Mitigation (CRM)

• Claims secured by financial collateral	2,319,173,511
• Net exposure after the application of haircuts	1,448,590,985
• Claims secured by eligible Guarantee	1,972,142,420

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E. Industry Distribution of Exposures

Category	Bank and NBFIs	Manufacturing industries	Retail and Consumer finance	Others	Total
Balance Sheet Items					
Claims on sovereigns	4,166,178,884	-	-	-	4,166,178,884
Claims on banks and	2,781,771,934	-	-	-	2,781,771,934
Claims on corporate	-	8,810,819,901	-	-	8,810,819,901
Claims on retail portfolio	-	-	377,325,818	-	377,325,818
Fixed assets	-	-	-	127,083,367	127,083,367
Staff loan	-	-	-	74,721,157	74,721,157
All other assets	-	-	-	1,814,337,085	1,814,337,085
Total on balance sheet	6,947,950,818	8,810,819,901	377,325,818	2,016,141,609	18,152,238,146

Off Balance Sheet Items					
Claims on banks	60,922,568	-	-	-	60,922,568
Claims on corporate	-	3,600,366,946	-	-	3,600,366,946
Claims on retail portfolio	-	-	152,455,466	-	152,455,466
Total off balance sheet	60,922,568	3,600,366,946	152,455,466	-	3,813,744,979
Total	7,008,873,386	12,411,186,847	529,781,284	2,016,141,609	21,965,983,125

F. Geographical Distribution of Exposure

Category	Dhaka	Chittagong	Sylhet	Total
Balance Sheet Items				
Claims on sovereigns and central banks	4,123,915,338	32,772,031	9,491,515	4,166,178,884
Claims on banks and NBFIs	2,781,771,934	-	-	2,781,771,934
Claims on corporate	7,431,552,635	1,273,606,343	105,660,923	8,810,819,901
Claims on retail portfolio and consumer	236,353,774	99,685,629	41,286,414	377,325,818
Fixed assets	105,806,363	18,622,542	2,654,462	127,083,367
Staff loan	74,721,157	-	-	74,721,157
All other assets	1,792,226,232	20,804,893	1,305,960	1,814,337,085
Total on balance sheet items	16,546,347,434	1,445,491,439	160,399,274	18,152,238,146

Off Balance Sheet Items				
Claims on banks	60,922,568	-	-	60,922,568
Claims on corporate	2,698,485,192	901,881,754	-	3,600,366,946
Claims on retail portfolio and consumer finance	136,836,775	15,618,691	-	152,455,466
Total off balance sheet items	2,896,244,534	917,500,445	-	3,813,744,979
Total	19,442,591,968	2,362,991,884	160,399,274	21,965,983,125

E) Gross Non-Performing Assets (NPAs)

138,353,900

Total Loans & Advances	10,524,769,465
Non-Performing Loans and advances	138,353,900
Special mentioned account (SMA)	45,862,180
Sub-standard	85,364,223
Doubtful	2,903,748
Bad/ Loss	4,223,749
Non-Performing Assets (NPAs) to Outstanding Loans and advances	1.31%

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Amounts in Taka

F) Movement of Non-Performing Assets (NPAs)	
Opening balance	8,146,287
Addition during the year	313,114,034
Reduction during the year	182,906,421
Closing balance	138,353,900
G) Movement of specific provisions for NPAs	
Opening balance	2,244,401
Add: Provisions made during the period	21,706,230
Less :Write-off	-
Less: Write-back of excess provisions	5,627,811
Closing balance	18,322,820

3.4 Assets**Qualitative Disclosure**

Assets of the Bank includes both banking book assets and trading book assets. Trading book assets consist of foreign currency in hand, balances of nostro accounts and investment in treasury bills/bonds under Held for Trading (HFT) while all other assets of balance sheet such as loans and advances, investment in treasury bills/bonds under Held to Maturity (HTM), money at call and short notice and all fixed assets are the part of banking book assets. Assets are also divided in earning assets and non earning assets. The Balance Sheet size of the Commercial Bank of Ceylon PLC, Bangladesh Operations as on 31 December 2011 expanded by 8.46% compared to 31 December 2010. All the fixed assets of the Bank are properly insured. Apart from the credit portfolio of traditional banking activities and fixed assets, the Bank has significant amount of investment in treasury bonds. Return of Assets (RoA) was 2.85% at 31 December 2011 as against 2.49% as at 31 December 2010.

Earning Assets:

Following assets are included as earning assets as these are generating revenue for the Bank:

- Loans and advances/credit portfolio;
- Investments;
- Foreign currency held with Bangladesh Bank and overseas correspondent banks.

Non-earning Assets:

Non-earning assets are those assets from which do not generate revenue. Following are the components of non-earning assets:

- Cash in hand and balance with Bangladesh Bank and it's agent bank in local currency
- Fixed assets
- Other assets

Overall loans and advances as at 31 December 2011 stood at 10,524.77 million registering 10.68% decreased compared with 31 December 2010. Overall investments as at 31 December 2011 stood at Taka 4,800.32 million registering 39.44 % growth compared with 31 December 2010.

Assets are monitored on a regular basis to cope with unexpected risk. Assets Liability Committee (ALCO) monitors and reviews the behavior patterns of the assets. Assets are classified as per the directives of Bangladesh Bank.

Assets are classified as per directives and guidelines time to time issued by Bangladesh Bank. Classified loans and advances of the Bank as at 31 December 2011 was Taka 92.49 million which is 0.88 % of total loan portfolio. Classified loans and advances have increased by Taka 84.34 million compared to the year 2010. Adequate specific provision has been kept against such classified loans and advances as per Bangladesh Bank guidelines.

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Quantitative Disclosures**Amounts in Taka****i) Banking Book Assets**

A. Cash in hand and balance with Bangladesh Bank excluding foreign currency (FC)	1,037,836,062
B. Balance with other banks excluding FC	14,688,028
	1,052,524,091
C. Money at call and on short notice	330,000,000
	330,000,000
D. Investment (HTM)	
a. Government	3,127,609,322
b. Qualifying (banks, etc)	-
c. Equities	9,416,660
d. Others	80,000,000.00
	3,217,025,982
E. Loans and advances	
a. Past Due	
SMA	45,862,180
SS	85,364,223
DF	2,903,748
BL	4,223,749
b. Unclassified	10,386,415,565
	10,524,769,465
F. Risk weighted assets (RWA)	
a. Below 100% RWA	-
b. 100% RWA	-
c. Above 100% RWA	-
	-
G. Rating Status	
a. Rated assets	-
b. Unrated assets	-
	-
H. Other assets including fixed assets	1,932,003,792
	1,932,003,792
i) Total Banking Book Assets	17,056,323,330
ii) Trading Book Assets	
1. Foreign currencies held in hand	16,404,018
2. Foreign currencies held in Bangladesh Bank and nostro account	1,554,503,574
3. Investment (trading)	-
a. Govt. (part of govt. HTM if held above the required SLR amount)	1,583,302,009
ii) Total Trading Book Assets (1+2+3)	3,154,209,601
Total Assets (i+ii)	20,210,532,930

3.5 Equities: Disclosures for Banking Book Positions**Qualitative Disclosure**

The bank has no investments in quoted Shares. The has only equity investments in Central Depository Bangladesh Limited (CDBL) shares as unquoted investment.

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Quantitative Disclosures Details of Unquoted Investments

Amounts in Taka

Banking Book Assets

<u>Particulars</u>	<u>Number of shares</u>	<u>Face Value</u>	<u>Cost</u>
CDBL Shares (Initial)	600,000	6,000,000	6,000,000
Bonus received for the year 2009	600,000	6,000,000	-
Purchased on October 14, 2010	341,666	3,416,660	3,416,660
Bonus declared for the year 2010	1,200,000	12,000,000	-
Bonus declared for the year 2011	685,416	6,854,160	-
Total of CDBL Shares	3,427,082	34,270,820	9,416,660

3.6 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.

Rising or falling interest rates impact 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.

The 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. The ALCO decides on the fixation of interest rates on both assets and liabilities after considering the macro economic outlook - both global and domestic, as also the macro aspects like cost-benefit, financial inclusion and host of other factors.

Quantitative Disclosure

Changes in Capital Adequacy at different shock levels

Credit Shock under Basel II (Balance Sheet Exposure)

Amount in Crore Taka

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	2,021.05	2,021.05	2,021.05
Total RWA before Shock	1,901.50	1,901.50	1,901.50
Total increase in RWA after Shock	25.71	28.48	31.25
Total increase Capital requirement after Shock	2.57	2.85	3.13
Total RWA after Shock	1,927.21	1,929.98	1,932.75
Eligible Capital	462.63	462.63	462.63
Capital Adequacy Ratio after shock (%)	24.01	23.97	23.94
Capital Adequacy Ratio before shock (%)	24.33	24.33	24.33
Changes in CAR (%)	(0.32)	(0.36)	(0.39)

Credit Shock under Basel II (Off Balance Sheet Exposure)

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	2,021.05	2,021.05	2,021.05
Total RWA before Shock	1,901.50	1,901.50	1,901.50
Total increase in RWA after Shock	11.81	12.18	12.56
Total increase Capital requirement after Shock	1.18	1.22	1.26
Total RWA after Shock	1,913.31	1,913.68	1,914.06
Eligible Capital	462.63	462.63	462.63
Capital Adequacy Ratio after shock (%)	24.18	24.17	24.17
Capital Adequacy Ratio before shock (%)	24.33	24.33	24.33
Changes in CAR (%)	(0.15)	(0.16)	(0.16)

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Combined Shock

Magnitude of Shock	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	24.33	24.33	24.33
Decrease in the FSV of the Collateral	0.00	(0.01)	(0.02)
Increase in NPLs	(0.62)	(1.88)	(3.18)
Negative Shift in NPLs categories	(0.03)	(0.06)	(0.08)
Interest Rate	(0.40)	(0.79)	(1.19)
FEX: Currency Appreciation	(0.04)	(0.08)	(0.12)
Equity Shock	0.00	0.00	0.00
Total Change	(1.09)	(2.82)	(4.59)
CAR after shock (%)	23.24	21.51	19.74

3.7 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.

The management 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 II.

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

The 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 daily 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.

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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 unhedged foreign exchange positions are restrained within acceptable parameters.

In addition to daily revaluation of spot position and monthly revaluation of forward positions the treasury uses Value at Risk (VaR) to assess the market risk. 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

Amounts in Taka

The capital requirements for:

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

21,490,000
-
20,710,000
-
42,200,000

3.8 Operational risk

Qualitative disclosure

The Management of Commercial Bank of Ceylon PLC has strong corporate governance and bank operational risk is well monitored as a part of overall risk management process. A sound internal process to assess the operational risk through a robust Internal Control mechanism is in place.

Operational risk Management process applied is as follows:

Risk based Audit together with Risk Grading Matrix (RGM) has been rolled out to keep operational lapses at a minimum level in our all Branches, Booths and SME service centers by reinforcing Internal Audit throughout the year by ICC-Internal audit team as well as Head Office Colombo Inspection team as a continuous process via On line and physically Auditing through periodic visits.

The Internal Control procedure is not only limited to on-site and off site audits but by its own merit identifies the risk associated with day to day operations and adopts measures to mitigate them.

In addition following mitigating steps are taken:

- a) Clear management reporting lines for each business units and branches with empowerment & accountability
- b) Appropriate segregation of duties
- c) Due diligence process in establishing customer relationship
- d) Regular staff rotation/transfers
- e) Regular system generated report to identify exceptions
- f) Blanket Insurance coverage against potential losses from internal & external events.

Measures for Qualitative improvement as on-going basis:

Potential external events: Counter-party Risk are well monitored with enhanced due diligence. External threats Like, Payment gateway Control, Access Control/ Firewall etc. has been put in place and effectively working.

> Performance gap of executives and staffs are being reviewed at the Management Committee Meeting and Audit Committee meeting and also Risk Management Unit(RMU) meeting held on monthly basis. Mitigation steps are decided and implemented accordingly.

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- > Potential external events: Counter-party Risk are well monitored with enhanced due diligence. External threats like, Payment gateway Control, Access Control/Firewall etc. has been put in place and effectively working.

- > Operational Manuals are in place and Operating Instruction is being circulated regarding operational process with a view to mitigation of operational risk. Business Continuity Plan/ Disaster recovery site have been already worked out and are in place. HO team is in the process to finalize the details of BCP.

- > Bank is maintaining adequate capital to mitigate its operational risk as per Bangladesh Bank RBCA guideline by following the "Basic Indicator Approach".

Quantitative Disclosure**Amounts in Taka**

The capital requirements for operational risk

196,700,934