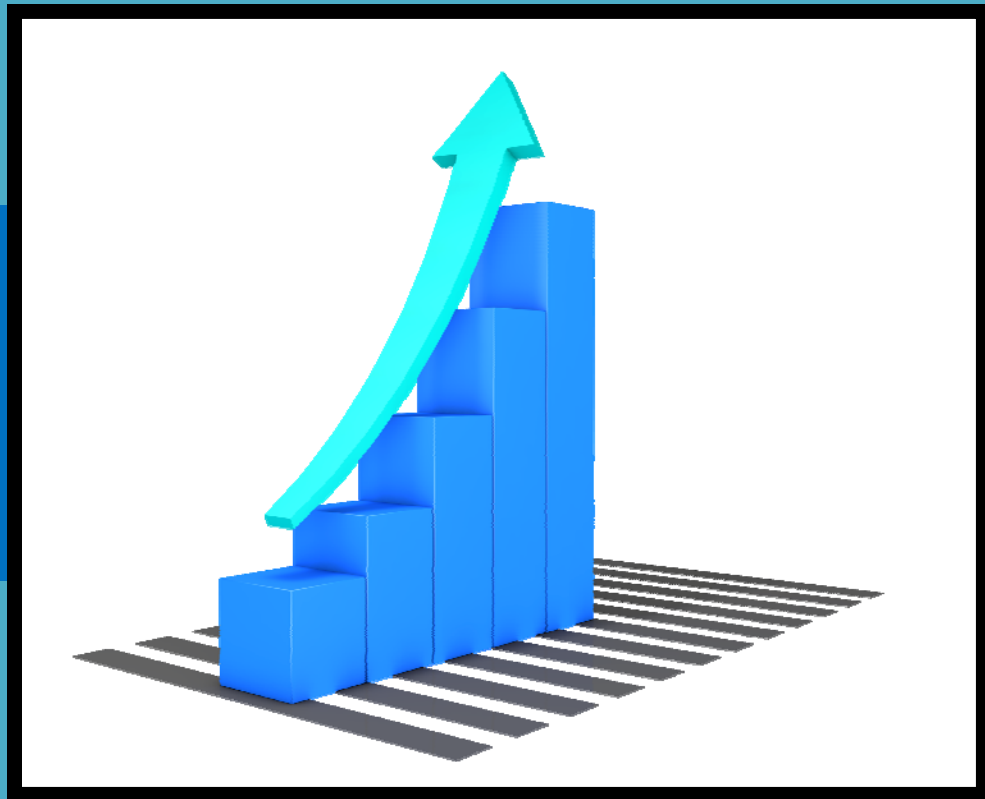


Auditors' Report and Financial Statements

for the year ended December 31, 2018



Commercial Bank of Ceylon PLC - Bangladesh Operations

Head Office: Hadi Tower, House: NW(K) -1, Road: 50, Kemal Ataturk Avenue, Gulshan - 2, Dhaka - 1212

Independent auditor's report**To the Management of Commercial Bank of Ceylon PLC - Bangladesh Operations****Report on the audit of financial statements****Opinion**

We have audited the financial statements of Commercial Bank of Ceylon PLC - Bangladesh Operations ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account, cash flow statement, statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the balance sheet of the Bank as at 31 December 2018, and of its profit and loss account, its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with IFRSs as explained in note #2, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Banking Companies Act, 1991 (as amended up to date) 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.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date) and the rules and regulations issued by Bangladesh Bank, we also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's 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:
 - (a) 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;
 - (b) 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.
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred were for the purpose of the Bank's business for the year;
- (vii) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;

- (viii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,000 person hours for the audit of the books and account of the Bank; and
- (xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dated, Dhaka
27 February 2019



A. Qasem & Co.
Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations
Balance Sheet
As at 31 December 2018

	Notes	2018 BDT	2017 BDT
PROPERTY AND ASSETS			
Cash	3	6,930,196,679	2,745,427,526
Cash in hand (including foreign currencies)	3.1	310,100,574	268,015,144
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	6,620,096,105	2,477,412,382
Balance with other banks and financial institutions	4	3,023,963,249	2,823,353,627
In Bangladesh	4.1	1,856,769,170	2,699,034,544
Outside Bangladesh	4.2	1,167,194,079	124,319,083
Money at call and on short notice	5	2,090,000,000	1,730,000,000
Investments	6	4,939,415,966	5,817,712,529
Government	6.1	4,929,999,306	5,808,295,869
Others	6.2	9,416,660	9,416,660
Loans and advances	7	39,008,280,027	32,568,452,654
Loans, cash credit, overdrafts, etc.		30,166,590,315	25,616,612,733
Bills purchased and discounted	8	8,841,689,712	6,951,839,921
Fixed assets including premises, furniture and fixtures	9	122,922,755	80,537,273
Other assets	10	4,862,401,369	4,082,561,085
Non-Banking Assets		-	-
Total Assets		60,977,180,045	49,848,044,694
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	8,375,785,199	6,402,587,235
Deposits and other accounts	12	35,228,595,047	28,815,424,409
Current and other accounts	12.1	11,716,286,825	8,912,555,940
Bills payable	12.2	229,061,274	133,289,371
Savings bank deposits	12.3	3,370,634,051	3,018,578,315
Fixed deposits	12.4	19,878,273,294	16,717,733,329
Other deposits	12.5	34,339,603	33,267,454
Other liabilities	13	7,540,605,146	5,888,028,051
Total Liabilities		51,144,985,392	41,106,039,695
Capital/ Shareholders' Equity			
Paid-up capital/ Deposit kept with Bangladesh Bank	14	4,791,544,376	4,841,319,249
Statutory reserve		-	-
Gains on revaluation of treasury bills/ bonds		3,199,394	11,399,685
Retained earnings	15	5,037,450,883	3,889,286,065
Total Shareholders' Equity		9,832,194,653	8,742,004,999
Total Liabilities and Shareholders' Equity		60,977,180,045	49,848,044,694
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements	16	-	-
Letters of guarantee	16.2	11,173,182,012	6,833,140,445
Irrevocable letters of credit	16.3	10,568,295,603	10,004,118,753
Bills for collection	16.4	3,319,791,283	2,090,919,113
Other contingent liabilities	16.5	64,638,549	64,638,549
Total contingent liabilities		25,125,907,447	18,992,816,860
Other commitments			
Documentary credits and short term trade-related transactions	17	-	-
Forward assets purchased and forward deposits placed		5,706,709,816	1,146,261,494
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		5,706,709,816	1,146,261,494
Total Off-Balance Sheet Items Including Contingent Liabilities		30,832,617,263	20,139,078,354


These financial statements should be read in conjunction with annexed notes.


Binoy G. Roy
 Financial Controller


Najith Meewanage
 Chief Operating Officer


Varuna Kolamunna
 Country Manager

Dated, Dhaka
 27 February 2019


A. Qasem & Co.
 Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations
Profit and Loss Statement
 For the year ended 31 December 2018

	Notes	2018 BDT	2017 BDT
OPERATING INCOME			
Interest income	18	3,266,874,965	1,928,786,985
Less: Interest paid on deposits and borrowings, etc.	19	1,472,651,266	814,571,575
Net interest income		1,794,223,699	1,114,215,410
Investment income	20	358,292,775	510,874,587
Commission, exchange and brokerage	21	1,219,634,358	861,620,481
Other operating income	22	22,539,421	57,761,048
Total operating income		3,394,690,253	2,544,471,526
OPERATING EXPENSES			
Salary and allowances	23	488,522,068	387,844,434
Rent, taxes, insurance, electricity, etc.	24	170,672,599	162,617,159
Legal expenses	25	3,086,670	3,202,088
Postage, stamps, telecommunication, etc.	26	12,231,128	9,750,116
Stationery, printing and advertisements, etc.	27	18,225,554	11,620,391
Chief executive's salary and fees	28	11,081,047	6,131,776
Directors' fees		-	-
Auditors' fees		391,000	391,000
Charges on loan losses		-	-
Depreciation and repairs of bank's assets	29	51,500,684	59,951,785
Other expenses	30	352,764,925	92,018,187
Total operating expenses		1,108,475,675	733,526,936
Profit before provisions		2,286,214,578	1,810,944,590
Provision against loans and advances		39,212,133	125,289,343
Specific provision		2,212,133	2,789,343
General provision	31	37,000,000	122,500,000
Provision for diminution in value of investment		-	-
Other provisions		-	-
Total provisions during the year		39,212,133	125,289,343
Total profit before taxation for the year		2,247,002,445	1,685,655,247
Provision for taxation	13.4.1	940,000,000	771,300,000
Current tax		933,508,151	770,963,344
Deferred tax		6,491,849	336,656
Net profit after taxation		1,307,002,445	914,355,247

These financial statements should be read in conjunction with annexed notes.



Binoy G. Roy
 Financial Controller



Najith Meewanage
 Chief Operating Officer



Varuna Kolumunna
 Country Manager

Dated, Dhaka
 27 February 2019



A. Qasem & Co.
 Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations
Cash Flow Statement
For the year ended 31 December 2018

	Notes	2018 BDT	2017 BDT
Cash flows from operating activities			
Interest receipts		3,339,494,919	1,753,648,280
Interest payments		(1,080,521,374)	(818,799,891)
Fees and commission receipts		452,315,684	327,038,848
Recoveries on loans provisions / previously written off		22,084,970	57,351,281
Payments to employees		(473,024,764)	(373,768,779)
Payments to suppliers		(201,129,281)	(183,987,666)
Receipts from other operating activities	32	767,318,674	534,581,633
Corporate income tax paid		(706,577,690)	(562,589,416)
Payments for other operating activities	33	(473,533,763)	(301,059,834)
Interest receipts from investment		358,292,775	510,874,587
		2,004,720,150	943,289,043
Cash generated from/ (used in) operating activities before changes in operating assets and liabilities			
(Increase)/Decrease in operating assets and liabilities			
Purchase/sale of government securities		-	-
Loans and advances to other banks		-	-
Loans and advances to customers		(6,439,827,373)	(7,793,003,968)
Other assets	34	(354,495,048)	193,457,399
Deposits from other banks		(982,972,036)	6,257,071,811
Deposits from customers		9,369,340,638	1,639,753,221
Other liabilities	35	312,246,912	194,541,268
		1,904,293,093	491,819,731
		3,909,013,243	1,435,108,774
Cash flows from investing activities			
Investment in treasury bills and bonds		877,843,963	(609,544,925)
Payments for purchase of shares		-	-
Purchase/sale of property, plant and equipment		(42,385,482)	(39,740,128)
Gains on disposal of property, plant and equipment		454,451	409,767
		835,912,932	(648,875,286)
Cash flows from financing activities			
Remittance received from Head Office, Colombo		-	-
		-	-
		-	-
		4,744,926,175	786,233,488
Net increase in cash and cash equivalents (a+b+c)			
Effects of exchange rate changes on cash and cash equivalent		-	-
Cash and cash equivalents at beginning of the year (*)		7,299,909,053	6,513,675,565
Cash and cash equivalents at end of the year (*)		12,044,835,228	7,299,909,053
(*) Cash and cash equivalents :			
Cash		310,100,574	268,015,144
Prize bonds		675,300	1,127,900
Money at call and on short notice		2,090,000,000	1,730,000,000
Balance with Bangladesh Bank and its agent bank(s)		6,620,096,105	2,477,412,382
Balance with other banks and financial institutions		3,023,963,249	2,823,353,627
		12,044,835,228	7,299,909,053

These financial statements should be read in conjunction with annexed notes.



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Varuna Kolamunna
Country Manager



A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
27 February 2019

Commercial Bank of Ceylon PLC - Bangladesh Operations
Statement of Changes in Equity
For the year ended 31 December 2018

Particulars	Paid-up capital/ Deposit kept with Bangladesh Bank	Statutory reserve	Gains/loss on revaluation of securities	Retained earnings	Total
Opening balance at 01 January 2018	4,841,319,249	-	11,399,685	3,889,286,065	8,742,004,999
Changes in accounting policy	-	-	-	-	-
Restated balance	(49,774,873)	-	-	49,774,873	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-
Adjustment of last year's revaluation on investments	-	-	(11,399,685)	-	(11,399,685)
Surplus/(deficit) on account of revaluation of investments	-	-	3,199,394	-	3,199,394
Currency translation differences	-	-	-	-	-
Net gains and losses not recognised in profit and loss statement	-	-	-	-	-
Net profit for the year	-	-	-	1,307,002,445	1,307,002,445
Dividends/Profit remittance	-	-	-	(208,612,500)	(208,612,500)
Issue of share capital/(Capital brought from Head Office, Colombo)	-	-	-	-	-
Balance at 31 December 2018	4,791,544,376	-	3,199,394	5,037,450,883	9,832,194,653

These financial statements should be read in conjunction with annexed notes.



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Varuna Kolumunna
Country Manager



A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
27 February 2019

Commercial Bank of Ceylon PLC - Bangladesh Operations
Liquidity Statement (Analysis of Maturity of Assets and Liabilities)
As at 31 December 2018

Particulars	Up to 1 month maturity	1-3 months maturity	3-12 months maturity	1-5 years maturity	Above 5 years maturity	Total
Assets:						
Cash in hand	6,930,196,679	-	-	-	-	6,930,196,679
Balance with other banks and financial institutions	2,318,410,729	705,552,520	-	-	-	3,023,963,249
Money at call and on short notice	160,000,000	1,930,000,000	-	-	-	2,090,000,000
Investments	465,758,439	2,893,209,326	299,917,519	1,201,752,129	78,778,553	4,939,415,966
Loans and advances	8,127,977,818	9,008,627,158	14,940,613,489	6,082,812,769	848,248,793	39,008,280,027
Fixed assets including premises, furniture and fixtures	897,252	-	886,864	115,539,141	5,599,498	122,922,755
Other assets	4,862,401,369	-	-	-	-	4,862,401,369
Non-banking assets	-	-	-	-	-	-
Total Assets	22,865,642,286	14,537,389,004	15,241,417,872	7,400,104,039	932,626,844	60,977,180,045
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	5,898,298,729	1,627,177,500	834,450,000	15,858,970	-	8,375,785,199
Deposits	19,601,703,555	3,473,649,206	8,808,171,302	3,345,070,984	-	35,228,595,047
Other accounts	-	-	-	-	-	-
Provision and other liabilities	7,540,605,146	-	-	-	-	7,540,605,146
Total Liabilities	33,040,607,430	5,100,826,706	9,642,621,302	3,360,929,954	-	51,144,985,392
Net Difference in Liquidity	(10,174,965,144)	9,436,562,298	5,598,796,570	4,039,174,085	932,626,844	9,832,194,653

These financial statements should be read in conjunction with annexed notes.



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Varuna Kolamunna
Country Manager

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements
As at and for the year ended 31 December 2018

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, Chattagram and Sylhet. The Bank also maintains six SME centres at Old Dhaka, Shantinagar, Progati Sharani of Dhaka, Tongi of Gazipur, Jublee Road and CDA Avenue of Chattagram.

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, Chattagram was also transferred to Chattagram 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 corresponding 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, International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh and other laws and rules applicable in Bangladesh.

2.1.1 Statement of compliance

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is formed and it is yet to issue financial reporting standards for public interest entities such as banks. The Bank Companies Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International Financial Reporting Standards (IFRS) as approved by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable.

Accordingly, the financial statements of the Bank continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank (BB), the Companies Act 1994. In case any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail. Material deviations from the requirements of IFRS are as follows:

i) Investment in shares and securities

IFRS: As per requirements of IFRS 9: classification and measurement of investment in shares and securities will depend on how these are managed (the entity’s business model) and their contractual cash flow characteristics. Based on these factors it would generally fall either under “at fair value through profit and loss account” or under “at fair value through other comprehensive income” where any change in the fair value (as measured in accordance with IFRS 13) at the year-end is taken to profit and loss account or other comprehensive income respectively.

Bangladesh Bank: As per Banking Regulation and Policy Department (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:

Item	Method of valuation
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

ii) **Revaluation gains/losses on Government securities**

IFRS: As per requirement of IFRS 9 where securities will fall under the category of fair value through profit or loss account, any change in the fair value of assets is recognised through the profit and loss account. Securities designated as amortised cost are measured at effective interest rate method and interest income is recognised through the profit and loss account.

Bangladesh Bank: HFT securities are revalued on the basis of mark 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 a part of equity. 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 are recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at 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 2018, 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**

IFRS: As per IFRS 9 an entity shall recognise an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 month expected credit losses.

Bangladesh Bank: As per BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012), BRPD circular No. 05 (29 May 2013) and BRPD circular No.1 (20 February 2018) a general provision at 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 at 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

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, BRPD circular no. 12 dated 20 August 2017, BRPD circular no. 15 dated 27 September 2017, BRPD circular no. 01 dated 20 February 2018, 18 and BRPD circular no. 13 dated 18 October 2018 have been complied with. Any movement in the provision, charged / released in the profit and loss statement.

iv) Recognition of interest in suspense

IFRS: Loans and advances to customers are generally classified at amortised cost as per IFRS 9 and interest income is recognised by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently become credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.

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

IFRS: As per IAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single other comprehensive income statement.

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 other Comprehensive Income (OCI) Statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statement 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 IFRS 9. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

vii) Financial guarantees

IFRS: As per IFRS 9, financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The financial guarantee liability is subsequently measured at the higher of the amount of loss allowance for expected credit losses as per impairment requirement and the amount initially recognised less, income recognised in accordance with the principles of IFRS 15. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as letter of credit and 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

IFRS: Cash and cash equivalent items should be reported as cash item as per IAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice is shown separately in the balance sheet. Treasury bills, Bangladesh bank bills and prize bond are shown under investment in the balance sheet.

ix) Non-banking asset

IFRS: No indication of Non-banking asset is found in any IFRS.

Bangladesh Bank: As per BRPD 14, there is a separate balance sheet item named Non-banking asset existed in the standard format.

x) Cash flow statement

IFRS: 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 14, the cash flow statement is a mixture of both the direct and the indirect methods.

Bank's Methodology:

Cash Flow Statement is prepared in accordance with IAS 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)

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

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

xii) Presentation of intangible asset

IFRS: Intangible asset must be identified and recognised, and the disclosure must be given as per IAS 38.

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

xiii) Off-balance sheet items

IFRS: As per IFRS, 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 dated 25 June 2003, 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

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

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

Bank's Methodology:

Loans and advances have been shown at gross amounts at 31 December 2018.

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.

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 IAS 21: "The effects of Changes in Foreign Exchange Rates".
- (b) Assets and liabilities in foreign currencies at 31 December 2018 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 2018 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 IAS 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 IAS 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 26,578,351 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 @ 40% as prescribed in the Finance Act 2018 on accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws.

(b) Deferred tax

The Bank has accounted for deferred tax in accordance with IAS 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 IAS 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 IFRS 15: " Revenue from Contracts with customer", 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.

2.14 Reporting period

These financial statements cover one calendar year from 01 January 2018 to 31 December 2018.

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 2018)
- 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 from 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.

	2018 BDT	2017 BDT
3 Cash		
3.1 Cash in hand		
In local currency	274,186,508	258,532,024
In foreign currencies	35,914,066	9,483,120
	310,100,574	268,015,144
3.2 Balance with Bangladesh Bank and its agent bank(s)		
Balance with Bangladesh Bank:		
In local currency (note 3.2.1)	2,982,174,186	1,855,045,247
In foreign currencies (note 3.2.2)	3,637,652,831	622,359,550
	6,619,827,017	2,477,404,797
Balance with agent bank(s):	269,088	7,585
In local currency	269,088	7,585
In foreign currencies	-	-
	6,620,096,105	2,477,412,382
	6,930,196,679	2,745,427,526
3.2.1 In local currency		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	2,982,174,186	1,855,045,247
	2,982,174,186	1,855,045,247
3.2.2 In foreign currencies		
Lien portion (against the Bank's required equity)	838,067,120	-
Non-lien portion	2,799,585,711	622,359,550
	3,637,652,831	622,359,550
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, 05 and 01 dated 01 December 2010 , 23 June 2014 and April 03, 2018.		
CRR is required @ 5.5% 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	1,863,400,000	1,658,840,270
Actual reserve maintained	2,163,777,890	1,777,646,900
Surplus	300,377,890	118,806,630
3.3.2 Statutory Liquid Reserve		
Required reserve	4,404,399,000	3,317,680,540
Actual reserve maintained	7,445,569,570	6,545,116,590
Surplus	3,041,170,570	3,227,436,050

	2018 BDT	2017 BDT
4 Balance with other banks and financial institutions		
In Bangladesh (note 4.1)	1,856,769,170	2,699,034,544
Outside Bangladesh (note 4.2)	1,167,194,079	124,319,083
	3,023,963,249	2,823,353,627
4.1 In Bangladesh		
Eastern Bank Limited	1,001,340,000	992,340,000
The City Bank Limited	333,780,000	-
Bank Alfalah	250,335,000	-
National Credit and Commerce Bank Limited	208,612,500	206,737,500
Midland Bank Limited	51,764,808	330,780,000
Islami Bank Bangladesh Limited	7,700,000	6,145,175
Prime Bank Limited	1,664,228	1,633,791
Standard Chartered Bank	1,572,634	3,668,078
Bank Asia Limited	-	413,475,000
Trust Bank Limited	-	413,475,000
Mercantile Bank Limited	-	206,737,500
Modhumoti Bank Limited	-	124,042,500
	1,856,769,170	2,699,034,544

4.2 Outside Bangladesh

Name of bank	Nature	Location	Currency name	At 31 December 2018			At 31 December 2017		
				Amount in foreign currency	Conversion rate	Equivalent BDT	Amount in foreign currency	Conversion rate	Equivalent BDT
Kookmin Bank	Nostro	Seoul	USD	411,777	83.90	34,548,115	6,504	82.70	537,911
Standard Chartered Bank	Nostro	Karachi	USD	100,810	83.90	8,457,962	145,982	82.70	12,072,723
Commercial Bank of Ceylon	Nostro	Colombo	USD	914,973	83.90	76,766,232	203,276	82.70	16,810,952
Credit Agricole S.A.	Nostro	Paris	EUR	47,008	95.96	4,511,072	13,800	99.22	1,369,324
Standard Chartered Bank	Nostro	London	GBP	413,259	106.61	44,058,242	144,546	111.76	16,155,150
Bank of Montreal	Nostro	Toronto	CAD	26,848	61.51	1,651,530	31,256	65.74	2,054,882
National Australia	Nostro	Melbourne	AUD	335,453	59.09	19,823,556	329,559	64.52	21,263,985
Bank of Tokyo Mitsubishi	Nostro	Tokyo	JPY	14,067,388	0.76	10,702,820	23,373,847	0.73	17,154,160
Standard Chartered Bank	Nostro	Hong Kong	HKD	17,606	10.71	188,643	18,793	10.59	198,930
Bank of New Zealand	Nostro	Wellington	NZD	3,382	56.33	190,549	7,564	58.61	443,349
ICICI Bank	Nostro	Mumbai	USD	282,188	83.90	23,675,592	22,484	82.70	1,859,395
Axis Bank	Nostro	Mumbai	USD	983,432	83.90	82,509,974	-	82.70	-
Standard Chartered Bank	Nostro	Singapore	SGD	68,079	61.40	4,179,903	63,431	61.83	3,922,056
Standard Chartered Bank (OBU)	Nostro	London	GBP	-	106.61	-	272,682	111.76	30,476,266
National Australia (OBU)	Nostro	Melbourne	AUD	78,930	59.09	4,664,387	-	64.52	-
Citibank NA (OBU)	Nostro	New York	USD	7,289,215	83.90	611,565,110	-	82.70	-
Standard Chartered Bank (OBU)	Nostro	Frankfurt	EUR	2,497,795	95.96	239,700,392	-	99.22	-
Total						1,167,194,079			124,319,083

	2018 BDT	2017 BDT
4.3 Grouping by maturity		
Receivable on demand	1,178,130,941	135,766,127
Payable to customers on demand	-	-
	1,178,130,941	135,766,127
Below 3 months	1,845,832,308	2,687,587,500
Over 3 months but below 1 year	-	-
Over 1 year but below 5 years	-	-
Over 5 years	-	-
	3,023,963,249	2,823,353,627
4.4 Account-wise breakdown		
Current and other accounts	1,178,130,941	135,766,127
Placement (term)	1,845,832,308	2,687,587,500
	3,023,963,249	2,823,353,627
5 Money at call on short notice		
Southeast Bank Limited	650,000,000	-
Dhaka Bank Limited	550,000,000	650,000,000
National Bank Limited	280,000,000	-
Midland Bank Limited	250,000,000	-
Jamuna Bank Limited	160,000,000	160,000,000
Standard Bank Limited	120,000,000	-
Modhumoti Bank Limited	80,000,000	-
Brac Bank Limited	-	400,000,000
The City Bank Limited	-	280,000,000
Pubali Bank Limited	-	200,000,000
Bank Alfalah	-	40,000,000
	2,090,000,000	1,730,000,000
6 Investments		
Government (note 6.1)	4,929,999,306	5,808,295,869
Others (note 6.2)	9,416,660	9,416,660
	4,939,415,966	5,817,712,529
6.1 Government:		
Treasury bonds (note 6.1.1)	2,151,646,711	5,012,320,327
Treasury bills (note 6.1.2)	2,777,677,295	794,847,642
Prize bonds	675,300	1,127,900
	4,929,999,306	5,808,295,869
6.1.1 Treasury bonds		
HTM	1,991,286,244	4,226,463,631
HFT	160,360,467	785,856,696
	2,151,646,711	5,012,320,327
6.1.2 Treasury bills		
HTM	1,992,182,471	644,845,511
HFT	785,494,824	150,002,131
	2,777,677,295	794,847,642
6.2 Others:		
Central Depository Bangladesh Limited (CDBL) (note 6.2.1)	9,416,660	9,416,660
Commercial papers	-	-
	9,416,660	9,416,660
Total	4,939,415,966	5,817,712,529

2018 BDT	2017 BDT
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a.(i) Disclosure regarding outstanding Repo as on 31 December 2018

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

a.(ii) Disclosure regarding outstanding Reverse Repo as on 31 December 2018

SI no.	Counter party name	Agreement Date	Reversal Date	Amount
	National Bank Limited	27-Dec-18	01-Jan-19	159,914,057

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	680,000,000	680,000,000	1,863,014
ii) with other banks and FIs	-	-	-
Securities purchased under reverse repo:			
i) from Bangladesh Bank	-	-	-
ii) from other banks and FIs	150,063,300	2,225,697,185	699,293,984

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 2018

Particulars	Quantity	Face Value	Cost	Market Value	Market Value
Treasury bonds	44	1,991,300,000	2,048,824,272	1,995,979,561	4,534,587,956
Treasury bills	6	2,800,000,000	2,775,521,200	2,777,677,295	794,847,642
Treasury bonds (Reverse Repo)	1	150,000,000	155,667,150	155,667,150	477,732,371
Bangladesh Bank Bills					
Prize bonds	6,753	675,300	675,300	675,300	1,127,900
CDBL shares	3,427,083	34,270,830	9,416,660	9,416,660	9,416,660
		4,976,246,130	4,990,104,582	4,939,415,966	5,817,712,529

6.4 Maturity grouping

Repayable on demand	675,300	1,127,900
Below 3 months	3,348,875,805	2,104,705,232
Over 3 months but below 1 year	299,917,519	1,680,163,875
Over 1 year but below 5 years	1,201,752,129	840,618,516
Over 5 years	78,778,553	1,181,680,346
	4,929,999,306	5,808,295,869

7 Loans and advances

7.1 Maturity grouping

Repayable on demand	3,430,953,887	2,919,075,423
Below 3 months	13,705,651,089	10,993,906,522
Over 3 months but below 1 year	14,940,613,489	13,280,160,779
Over 1 year but below 5 years	6,082,812,769	5,064,009,814
Over 5 years	848,248,793	311,300,116
	39,008,280,027	32,568,452,654

	2018 BDT	2017 BDT
7.2 Broad category-wise break-up		
i) Within Bangladesh		
Loans (general)	23,987,443,767	20,368,355,596
Overdrafts	3,384,954,171	2,887,278,778
Loans against trust receipt	2,517,486,759	2,128,528,213
Packing credit	94,877,125	93,177,000
Import loan	37,015,881	21,714,382
Credit card	45,999,716	31,796,645
Staff loan	98,812,896	85,762,119
	30,166,590,315	25,616,612,733
Loans against accepted bills		
ii) Inland bills	213,384,284	56,627,036
Foreign bills	8,628,305,428	6,895,212,885
	8,841,689,712	6,951,839,921
Outside Bangladesh	-	-
Total (i+ii)	39,008,280,027	32,568,452,654
7.3 Significant concentration		
Directors and others	-	-
Managing Director or Chief Executive Officer	-	-
Other executives	98,812,896	85,762,119
Industries	23,682,906,471	20,101,524,456
Other clients	15,226,560,660	12,381,166,079
	39,008,280,027	32,568,452,654
7.4 Advance to customers for more than 10% of Bank's total capital		
Number of clients	22	21
Amount of outstanding advances	14,435,410,000	11,918,780,000
Amount of classified advances	-	-
	14,435,410,000	11,918,780,000
7.5 Economic sector-wise distribution		
Industry	23,682,906,471	20,101,524,456
Trading	5,271,535,987	4,764,173,563
Agriculture	507,288,042	574,021,414
Others	9,546,549,527	7,128,733,221
	39,008,280,027	32,568,452,654
7.6 Geographical location-wise distribution		
Urban		
Dhaka region	32,310,765,305	28,024,996,526
Chattagram region	5,847,107,389	4,258,950,848
Sylhet region	850,407,333	284,505,280
	39,008,280,027	32,568,452,654
Rural		
Dhaka region	-	-
Chattagram region	-	-
Sylhet region	-	-
	-	-
	39,008,280,027	32,568,452,654

	2018 BDT	2017 BDT
7.7 Classification of loans and advances as per Bangladesh Bank 's BRPD circulars		
Unclassified:	38,679,941,623	32,243,728,133
Standard	38,679,378,610	32,234,008,698
Special mentioned account (SMA)	563,013	9,719,435
Classified:	328,338,404	324,724,521
Sub-standard	2,631,178	374,266
Doubtful	3,119,733	635,852
Bad/ Loss	322,587,493	323,714,403
	39,008,280,027	32,568,452,654
7.8 Particulars of loans and advances		
(i) Loans considered good in respect of which the Bank is fully secured	38,679,941,623	32,243,728,133
(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	150,454,356	148,045,388
(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	98,812,896	85,762,119
(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	102,285,000	93,135,145
(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	328,338,404	324,724,521
(b) Provision made during the year against bad debts	2,212,133	2,789,343
(c) Interest creditable to the interest suspense account	68,668,365	66,614,161
(xi) Loan written off	165,733,103	165,733,103
Opening balance	165,733,103	165,705,998
Add : Bad debts written off during the year	-	27,105
Less : Bad debts previously written off recovered during	-	-
Bad debts written off / settled	-	-
Closing balance	165,733,103	165,733,103
(xii) Cases filed for recovery of written off bad debts	131,807,438	131,807,438

	2018 BDT	2017 BDT
8 Bills purchased and discounted		
Payable in Bangladesh	213,384,284	56,627,036
Payable outside Bangladesh	8,628,305,428	6,895,212,885
	8,841,689,712	6,951,839,921
8.1 Maturity grouping		
Payable within 1 month	1,053,378,441	2,003,594,660
Over 1 month but below 3 months	3,867,514,276	1,621,830,579
Over 3 months but below 6 months	3,517,432,302	2,950,117,303
6 months and over	403,364,693	376,297,379
	8,841,689,712	6,951,839,921
9 Fixed assets including premises, furniture and fixtures		
Details are shown in <u>Annex B.</u>	122,922,755	80,537,273
10 Other assets		
Income generating		
In Bangladesh	-	-
Outside Bangladesh	-	-
	-	-
Non-income generating:		
Advance payment of corporate income tax (note 10.1)	4,295,853,268	3,589,275,578
Receivable from Bangladesh Bank against Sanchaya Patras	85,819,235	17,932,684
Advance rent and advertisement	147,767,482	133,887,611
Other income receivable	149,557,551	223,266,139
Prepaid expenses	6,281,758	4,950,924
Stock of stationery, stamps, printing materials, etc	8,959,655	10,003,022
Receivable from Head Office	362,200	365,000
Security deposit	4,278,417	4,287,498
Interest receivable from other banks (note 10.2)	1,244,486	155,852
Commission and brokerage receivable	-	-
Others (note 10.3)	162,277,317	98,436,777
	4,862,401,369	4,082,561,085
Classification status of other assets		
Unclassified	4,862,401,369	4,082,561,085
Doubtful	-	-
Bad/Loss	-	-
	4,862,401,369	4,082,561,085
10.1 Advance payment of corporate income tax		
Opening balance	3,589,275,578	3,026,686,162
<u>Less:</u> Settlement during the year	-	-
<u>Add:</u> Income tax paid during the year	692,372,215	528,246,061
<u>Add:</u> Income tax withheld during the year on:		
L/C commission	5,016,255	3,863,924
Interest on government treasury bills/bonds/	7,475,678	28,765,889
Dividend on shares of CDBL	1,713,542	1,713,542
Closing balance (note 10.1.1)	4,295,853,268	3,589,275,578

	2018 BDT	2017 BDT
10.1.1 Closing balance of advance payment of corporate income tax		
2018	332,728,931	-
2017	656,173,186	288,624,427
2016	574,040,479	574,040,479
2015	607,624,347	607,624,347
2014	620,007,926	620,007,926
2013	548,951,457	548,951,457
2012	514,093,987	514,093,987
2011	442,232,955	435,932,955
	<u>4,295,853,268</u>	<u>3,589,275,578</u>

10.2 Interest receivable from other banks

Bangladesh Bank	1,227,844	138,527
Others	16,642	17,325
	<u>1,244,486</u>	<u>155,852</u>

10.3 Others

Deferred tax assets (note 10.3.1)	77,664,052	84,155,901
Forward Equalisation, Sundry Debtors, etc	84,613,265	14,280,876
	<u>162,277,317</u>	<u>98,436,777</u>

10.3.1 Deferred tax assets on

Gratuity provision	63,222,200	59,027,897
Fixed assets	14,441,852	25,128,004
	<u>77,664,052</u>	<u>84,155,901</u>
Increase / (Decrease) in Deferred Tax Assets	<u>(6,491,849)</u>	<u>(336,656)</u>

Calculation of Deferred Tax Assets :

Particulars	Carrying Amount	Tax Base	(Taxable) / Deductible Temporary	Deferred Tax Assets / (Liabilities)
Gratuity Provision	158,055,499	-	158,055,499	63,222,200
WDV of Fixed Assets	122,922,755	159,027,387	36,104,632	14,441,852
				<u>77,664,052</u>

11 Borrowings from other banks, financial institutions and agents

In Bangladesh (note 11.1)	1,115,858,970	140,738,650
Outside Bangladesh (note 11.2)	7,259,926,229	6,261,848,585
	<u>8,375,785,199</u>	<u>6,402,587,235</u>

11.1 In Bangladesh

Call borrowings from:		
Sonali Bank Limited	450,000,000	-
IFIC Bank Limited	250,000,000	-
Standard Chartered Bank	190,000,000	-
Bank Alfalah	150,000,000	-
Meghna Bank Ltd	60,000,000	-
Mutul Trust Bank Ltd	-	120,000,000
	<u>1,100,000,000</u>	<u>120,000,000</u>
Term borrowings from:		
Bangladesh Bank (Refinance - SME)	15,858,970	20,738,650
	<u>15,858,970</u>	<u>20,738,650</u>
	<u>1,115,858,970</u>	<u>140,738,650</u>

	2018 BDT	2017 BDT
11.2 Outside Bangladesh		
Commercial Bank of Ceylon	4,905,567,026	4,390,843,694
Bank of Tokyo Mitsubishi	834,450,000	-
Laxmi Bank	417,225,000	-
Wells Fargo NA	513,950,629	126,642,337
Standard Chartered Bank	346,928,230	329,321,547
Commerzbank AG	238,872,767	6,076,792
Standard Chartered Bank (OBU)	2,932,577	29,146,393
ICICI Bank	-	1,240,425,000
Axis Bank	-	107,138,389
Citibank NA (OBU)	-	27,460,050
National Australia (OBU)	-	4,794,383
	<u>7,259,926,229</u>	<u>6,261,848,585</u>
Analysis by security		
Secured	-	-
Unsecured	8,375,785,199	6,402,587,235
	<u>8,375,785,199</u>	<u>6,402,587,235</u>
Grouping by maturity		
Repayable on demand	1,287,454,229	721,283,585
Others	7,088,330,970	5,681,303,650
	<u>8,375,785,199</u>	<u>6,402,587,235</u>
12 Deposits and other accounts		
12.1 Current and other accounts		
Current accounts (note 12.1.1)	11,102,640,836	8,645,212,438
Margin accounts (note 12.1.2)	613,645,989	267,343,502
	<u>11,716,286,825</u>	<u>8,912,555,940</u>
Current and other accounts		
12.1.1 Current accounts		
Local currency		
Inter-bank	-	-
Others	8,224,315,406	6,118,919,143
	<u>8,224,315,406</u>	<u>6,118,919,143</u>
Foreign currencies		
Inter-bank	-	-
Others	2,878,325,430	2,526,293,295
	<u>2,878,325,430</u>	<u>2,526,293,295</u>
	<u>11,102,640,836</u>	<u>8,645,212,438</u>

	2018 BDT	2017 BDT
12.1.2 Margin accounts		
Letters of guarantee	104,637,110	63,121,719
Letters of credit	491,718,202	193,397,819
Others	17,290,677	10,823,964
	613,645,989	267,343,502
	11,716,286,825	8,912,555,940
12.2 Bills payable		
Payment orders issued	229,061,274	133,289,371
Inward remittance payable	-	-
	229,061,274	133,289,371
12.3 Savings bank deposits		
Local currency		
Inter-bank	-	-
Others	3,173,743,237	2,851,896,996
	3,173,743,237	2,851,896,996
Foreign currency		
Inter-bank	-	-
Others	196,890,814	166,681,319
	196,890,814	166,681,319
	3,370,634,051	3,018,578,315
12.4 Fixed deposits		
Local currency		
Inter-bank	1,090,000,000	3,550,000,000
Others	15,005,311,536	10,066,973,791
	16,095,311,536	13,616,973,791
Foreign currency		
Inter-bank	-	496,170,000
Others	3,782,961,758	2,604,589,538
	3,782,961,758	3,100,759,538
	19,878,273,294	16,717,733,329
12.5 Other deposits		
Stale drafts-foreign currencies	11,068,346	11,412,390
Stale pay orders-local currency	23,271,257	21,855,064
	34,339,603	33,267,454
	35,228,595,047	28,815,424,409
12.6 Maturity analysis of customer deposits		
Repayable on demand	15,350,321,753	12,097,691,080
Repayable within 1 month	3,161,381,802	5,006,736,646
Over 1 month but within 6 months	7,689,935,694	4,175,662,256
Over 6 months but within 1 year	4,591,884,814	2,677,881,410
Over 1 year but within 5 years	3,345,070,984	811,283,017
Over 5 years but within 10 years	-	-
Unclaimed deposit for 10 years or more held by the Bank	-	-
	34,138,595,047	24,769,254,409
12.7 Maturity analysis of inter-bank deposits		
Repayable on demand	-	-
Repayable within 1 month	1,090,000,000	2,416,170,000
Over 1 month but within 6 months	-	1,630,000,000
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	-	-
	1,090,000,000	4,046,170,000
	35,228,595,047	28,815,424,409

	2018 BDT	2017 BDT
13 Other liabilities		
Accumulated general provision against loans and advances and Off-Balance Sheet items (note 13.1)	567,500,000	530,500,000
Specific provision (note 13.2)	200,345,090	220,217,927
Interest suspense account (note 13.3)	68,668,365	66,614,161
Interest payable on deposits	580,291,476	229,121,600
Interest payable on borrowings	63,743,017	22,783,001
Provision for corporate taxation (note 13.4)	5,249,964,673	4,316,456,522
Sundry creditors	1,229,929	3,503,606
Expenses payable	151,357,432	116,911,464
Provision for good borrower	20,000,000	20,000,000
Provision for gratuity (note 13.5)	158,055,499	138,889,170
Commission and brokerage payable	7,458,445	280,549
Provision for head office expenses (note 30.1)	249,667,000	-
Others	222,324,220	222,750,051
	<u>7,540,605,146</u>	<u>5,888,028,051</u>
13.1 Accumulated general provision against loans and advances and Off-balance sheet items		
Opening balance	530,500,000	408,000,000
Less: Fully provided, written-off during the year	-	-
Less: Recovery of provision no longer required	-	-
Add: Provision for the year	37,000,000	122,500,000
Closing balance	<u>567,500,000</u>	<u>530,500,000</u>
Required Provision	<u>505,627,747</u>	<u>496,488,509</u>
13.1.1 General provision		
Opening balance	530,500,000	408,000,000
Add: Provision for the year (note 13.1.1.1)	37,000,000	122,500,000
Add: Transferred from specific provision during the year	-	-
Less: Transferred to specific provision during the year	-	-
Closing balance (note 13.1.1.2)	<u>567,500,000</u>	<u>530,500,000</u>
13.1.1.1 General provision for the year against		
Loans and advances	59,000,000	74,900,000
Off-balance sheet items	(22,000,000)	47,600,000
	<u>37,000,000</u>	<u>122,500,000</u>
13.1.1.2 General provision against		
Loans and advances	386,000,000	327,000,000
Off-balance sheet items	181,500,000	203,500,000
	<u>567,500,000</u>	<u>530,500,000</u>
13.2 Specific provision		
Opening balance	220,217,927	274,806,970
Less: Fully provided, written-off during the year	-	(27,105)
Add: Recovery of advance previously written-off	-	-
Add: Specific provision during the year	2,212,133	2,789,343
Less: Recovery of provision no longer required	(22,084,970)	(57,351,281)
Closing balance	<u>200,345,090</u>	<u>220,217,927</u>
Required provision	<u>200,345,090</u>	<u>220,217,927</u>

	2018 BDT	2017 BDT
13.3 Interest suspense account		
Opening balance	66,614,161	73,410,417
Add: Amount transferred to interest suspense account during the year	2,538,108	3,132,127
Less: Transferred to income during the year	(483,904)	(9,928,383)
Less: Amount waived/written-off during the year	-	-
Closing balance	<u>68,668,365</u>	<u>66,614,161</u>
13.4 Provision for taxation		
Opening balance	4,316,456,522	3,545,493,178
Add: Provision during the year (note 13.4.1)	933,508,151	770,963,344
Less: Settlement during the year	-	-
Closing balance (note 13.4.2)	<u>5,249,964,673</u>	<u>4,316,456,522</u>

Filing of corporate income tax return of the Bank has been made up to the assessment year 2018-19. Corporate income tax return for the income year ended 31 December 2018 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 2018 has been made after considering necessary taxable allowances and disallowances as per tax laws.

13.4.1 Provision made during the year

Current tax	933,508,151	770,963,344
Deferred tax	6,491,849	336,656
	<u>940,000,000</u>	<u>771,300,000</u>

13.4.2 Provision for taxation

Current year provision	933,508,151	-
Provision carried forward	-	-
2018	933,508,151	
2017	770,963,344	770,963,344
2016	627,148,444	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>5,249,964,673</u>	<u>4,316,456,522</u>

13.5 Provision for gratuity

Opening balance	138,889,170	137,343,104
Less: Payment made during the year	(7,412,022)	(18,661,365)
Add : Provision made during the year	26,578,351	20,207,431
Closing balance	<u>158,055,499</u>	<u>138,889,170</u>

14 Paid-up capital / Deposit kept with Bangladesh Bank

Fund deposited with Bangladesh Bank	838,067,120	-
Investment in treasury bills/bonds (note 14.1)	3,953,477,256	4,841,319,249
	<u>4,791,544,376</u>	<u>4,841,319,249</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 2018 represents investment in treasury bills/bonds of BDT 3,953,477,256.

2018 BDT	2017 BDT
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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 2007,21 December 2014 and 03 April 2018 respectively, required capital of the Bank at 31 December 2018 should be BDT 4,000,000,000 or 10% of risk weighted assets whichever is higher as against available capital of BDT 10,320,550,016 (Tier I Capital BDT 9,751,331,207 and Tier II Capital BDT 569,218,809). Details are shown below:

Total assets including off-balance sheet items	91,809,797,308	69,987,123,048
Total risk weighted assets	33,592,259,348	25,071,716,090
10% of risk weighted assets	3,359,225,935	2,507,171,609
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	4,791,544,376	4,841,319,249
Statutory reserve	-	-
Other reserve	-	-
Retained earnings	5,037,450,883	3,889,286,065
Regulatory adjustments (deferred tax assets)	(77,664,052)	(84,155,901)
	9,751,331,207	8,646,449,413
Tier II		
General provision on unclassified loans and off-balance sheet items (Allowable as per Basel III)	567,500,000	530,500,000
Revaluation reserve as of 31 December 2014 (up to 50% of revaluation reserve) less phase-in deductions as per Basel III	1,718,809	3,437,618
	569,218,809	533,937,618
Total capital (b)	10,320,550,016	9,180,387,031
Capital surplus / (shortfall) (b-a)	6,320,550,016	5,180,387,031
Capital to Risk Weighted Assets Ratio (CRAR)	30.72%	36.62%

15 Retained earnings

Opening balance	3,889,286,065	3,272,070,915
Add: Profit after taxation	1,307,002,445	914,355,247
Add: Capital from Head Office	-	-
Less: Profit remittance	(208,612,500)	-
Less: Amount transferred to paid-up capital/Deposit kept with Bangladesh Bank	49,774,873	(297,140,097)
Closing balance	5,037,450,883	3,889,286,065

16 Contingent liabilities

16.1 Claims lodged with the Bank which are not recognized as loan	-	-
	-	-
16.2 Letter of guarantees		
Directors	-	-
Government	11,046,467,006	6,702,326,448
Banks and other financial institutions	6,182,663	1,708,804
Others	225,169,453	192,226,912
	11,277,819,122	6,896,262,164
Less: Margin on guarantees	104,637,110	63,121,719
	11,173,182,012	6,833,140,445

	2018 BDT	2017 BDT
16.3 Irrevocable letters of credit		
Inward bills unsettled	3,621,780,375	2,817,475,167
Documentary credits	7,438,232,030	7,380,040,105
Shipping guarantee	1,400	1,300
	<u>11,060,013,805</u>	<u>10,197,516,572</u>
Less: Margin on letters of credit	491,718,202	193,397,819
	<u>10,568,295,603</u>	<u>10,004,118,753</u>
16.4 Bills for collection (*)		
Cheques for collection	45,418,353	14,788,345
Outward collection	3,274,372,930	2,076,130,768
	<u>3,319,791,283</u>	<u>2,090,919,113</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	64,638,549	64,638,549
	<u>64,638,549</u>	<u>64,638,549</u>
	<u>25,125,907,447</u>	<u>18,992,816,860</u>
17 Other commitments		
Forward assets purchased and forward deposits placed	5,706,709,816	1,146,261,494
	<u>5,706,709,816</u>	<u>1,146,261,494</u>

	2018 BDT	2017 BDT
18 Interest income		
Interest on loans and advances		
General loan	2,368,963,994	1,395,173,481
Overdrafts	319,079,017	189,104,013
Trust receipts	219,906,683	92,488,091
Import loans	4,107,388	1,417,763
Pre-shipment loan	5,214,294	5,745,252
Inland bills purchased	2,330,256	4,784,016
House building loan-others	29,639,200	16,187,463
Credit cards	6,784,179	6,123,072
Staff loans	4,982,335	4,956,446
	2,961,007,346	1,715,979,597
Interest on		
Accounts with foreign banks	212,281	3,599,101
Deposits with other banks	305,655,338	209,208,287
	305,867,619	212,807,388
	3,266,874,965	1,928,786,985
19 Interest paid on deposits and borrowings, etc		
Interest on		
Fixed deposits	886,907,290	485,199,146
Short notice deposit / Money market A/C	131,486,420	89,874,690
Savings deposits	83,294,350	73,537,347
Foreign currency deposits	141,265,473	67,287,004
	1,242,953,533	715,898,187
Interest on		
Borrowings from local banks	9,552,803	11,073,931
Borrowings from foreign banks	220,144,930	87,599,457
	229,697,733	98,673,388
	1,472,651,266	814,571,575
20 Investment income		
Interest and profit on treasury bills	75,131,693	46,050,892
Interest and profit on treasury bonds	254,439,777	454,272,862
Capital gain on treasury bills and bonds	20,153,597	1,983,125
Dividend from CDBL shares	8,567,708	8,567,708
	358,292,775	510,874,587
21 Commission, exchange and brokerage		
Commission	452,315,684	327,038,848
Exchange gain less losses arising from dealing in foreign currencies	767,318,674	534,581,633
	1,219,634,358	861,620,481
22 Other operating income		
Recovery of other provision/ written off bad debts	22,084,970	57,351,281
Profit on disposal of fixed assets	454,451	409,767
Profit less loss from interest fluctuation	-	-
Income from recovery of loans	-	-
	22,539,421	57,761,048
23 Salary and allowances		
Salaries	254,563,490	238,697,995
Leave fair assistance	20,112,928	19,063,369
Bonus	155,933,780	84,974,584
Bank's contribution to provident fund	11,591,644	10,991,226
Gratuity	26,578,351	20,207,431
Other allowances	8,247,039	3,014,061
Medical expenses	11,494,836	10,895,768
	488,522,068	387,844,434

	2018 BDT	2017 BDT
24 Rent, taxes, insurance, electricity, etc		
Rent, rates and taxes	138,622,343	134,049,915
Lease rent	1,090,530	224,907
Insurance	19,530,402	17,765,506
Lighting	11,203,665	9,982,942
Water charges	225,659	593,889
	170,672,599	162,617,159
25 Legal expenses		
Law charges	703,095	531,696
Other professional fees	2,383,575	2,670,392
	3,086,670	3,202,088
26 Postage, stamps, telecommunication, etc		
Telephone	2,461,682	2,326,997
Swift charges	2,476,843	8,349
Postage and courier	7,292,603	7,414,770
	12,231,128	9,750,116
27 Stationery, printing, advertisements, etc		
Publicity and advertisement	5,689,294	4,604,521
Printing and stationery	12,260,609	6,757,986
Newspapers and periodicals	275,651	257,884
	18,225,554	11,620,391
28 Chief Executive's salary and fees		
Salary	6,239,406	5,139,660
Bonus	4,733,641	888,471
Other allowances	108,000	103,645
	11,081,047	6,131,776
29 Depreciation and repairs of Bank's assets		
Depreciation (Annex B)	29,243,014	26,273,040
Repairs and maintenance of:		
Equipment and computers	6,895,216	17,292,294
Premises, furniture and fixtures	7,717,755	9,514,383
Vehicles	7,644,699	6,872,068
	51,500,684	59,951,785
30 Other expenses		
Fees and charges for services	54,143,815	41,507,870
Travelling and conveyance	7,050,480	6,680,092
Entertainment	2,849,827	995,494
Security services	14,778,166	14,945,583
Training, seminar and workshop	1,132,131	2,447,771
Cash carrying expenses	6,492,150	6,143,368
Loss on disposal of fixed assets	302,332	3,266,215
Donation and subscription	1,404,550	1,332,410
Staff welfare	5,980,441	5,596,836
Sundry expenses	8,964,033	9,102,548
Head office expenses (note 30.1)	249,667,000	-
	352,764,925	92,018,187
30.1	As per FE Circular No. 15, dated: 10 June 2018, issued by Foreign Exchange Policy Department of Bangladesh Bank, provision for head office expenses has been kept @ 10% on the amount of profit before tax.	
31 Provision against loans and advances		
General provision for:		
Unclassified loans	59,000,000	74,900,000
Off-balance sheet items	(22,000,000)	47,600,000
	37,000,000	122,500,000

	2018 BDT	2017 BDT
32 Receipts from other operating activities		
Other operating income	22,539,421	57,761,048
Income from commission, exchange and brokerage	1,219,634,358	861,620,481
Less: Fees and commission	(452,315,684)	(327,038,848)
Recovery of loans provision / previously written-off	(22,084,970)	(57,351,281)
Gain on disposal of property, plant and equipment	(454,451)	(409,767)
	767,318,674	534,581,633
33 Payments for other operating activities		
Total operating expenses	(1,108,475,675)	(733,526,936)
Less: Payments to employees	473,024,764	373,768,779
Less: Payments to suppliers	201,129,281	183,987,666
Less: General and other provisions	(39,212,133)	(125,289,343)
	(473,533,763)	(301,059,834)
34 Other assets		
Receivable from Bangladesh Bank against Sanchaya patras	85,819,235	17,932,684
Advance rent and advertisement	147,767,482	133,887,611
Prepaid expenses	6,281,758	4,950,924
Stock of stationery, stamps, printing materials, etc	8,959,655	10,003,022
Receivable from Head Office	362,200	365,000
Security deposit	4,278,417	4,287,498
Commission and brokerage receivable	-	-
Others	115,065,994	(157,387,046)
	368,534,741	14,039,693
Increase /(Decrease) during the year	(354,495,048)	193,457,399
35 Other liabilities		
Accumulated provision against loans and advances and off-balance sheet items	567,500,000	530,500,000
Specific provision	200,345,090	220,217,927
Provision for corporate taxation	5,249,964,673	4,316,456,522
Exchange equalisation account	-	-
Gain on revaluation of treasury bills/bonds	3,199,394	11,399,685
Sundry creditors	1,229,929	3,503,606
Expenses payable	151,357,432	116,911,464
Provision for gratuity and good borrower	178,055,499	158,889,170
Interest suspense account	68,668,365	66,614,161
Dividends/Profit remittance, etc	(208,612,500)	-
Commission and brokerage payable	7,458,445	280,549
Others	222,324,220	222,750,051
	6,441,490,547	5,647,523,135
<u>Less:</u> Current year's corporate tax provision	(940,000,000)	(771,300,000)
Decrease during the year	62,579,912	194,541,268

36 Audit committee

Audit committee of the Bank consists of the following members:

SL. no.	Name	Designation	Educational and professional qualifications
1	Varuna Kolamunna	Country Manager	Master of Business Administration from Malaysia, Intermediate of Banking Diploma from Institute of Bankers, Sri Lanka.
2	Najith Meewanage	Chief Operating Officer	Master of Business Administration 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 , 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 2018 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

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 IAS/ IFRS 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.

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 are 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 from time to time.

37.8 Fraud and Forgeries

An external fraud was occurred against a FC Debit Card for USD 1,711.49 equivalent BDT 144,023.89 during the reporting period. Bank had absorbed the loss and paid to the client. In the meantime appropriate actions have been taken to further enhancement of security measures with view to avoid repetition of similar incidents in future.

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 IAS 24: "Related Party Disclosures".

41 Compliance status of International Financial Reporting Standards (IFRSs):

Bangladesh Financial Reporting Standards (BFRS) has been replaced by the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) vide letter no 1/1/ICAB-2017 dated 14 December 2017. The compliance status of these IFRS is as follows:

SI no.	Title of Standard	IAS 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	8	Applicable
5	Events after the Reporting Period	10	Applicable
6	Income Taxes	12	Applicable
7	Segment Reporting	14	Applicable
8	Property, Plant and Equipment	16	Applicable
9	Leases	17	Applicable
10	Employee Benefits	19	Applicable
11	Accounting for Government Grants and Disclosure of Government Assistance	20	Not Applicable
12	The Effects of Changes in Foreign Exchange Rates	21	Applicable
13	Borrowing Costs	23	Applicable
14	Related Party Disclosures	24	Applicable
15	Accounting for Investments	25	Applicable
16	Accounting and Reporting by Retirement Benefit Plans	26	Applicable
17	Consolidation and Separate Financial Statements	27	Not Applicable
18	Investment in Associates	28	Not Applicable
19	Interest in Joint Ventures	31	Not Applicable
20	Earnings Per Share	33	Not Applicable
21	Interim Financial Reporting	34	Applicable
22	Impairment of Assets	36	Applicable
23	Provisions, Contingent Liabilities and Contingent Assets	37	Applicable
24	Intangible Assets	38	Not Applicable
25	Investment Property	40	Not Applicable
26	Agriculture	41	Not Applicable

SL no.	Title of Standard	IFRS no.	Status
1	First-time Adoption of International Financial	1	Not Applicable
2	Share Based payment	2	
3	Business Combinations	3	
4	Insurance Contracts	4	
5	Non-Current Assets Held for sale and Discontinued Operations	5	
6	Exploration for and Evaluation of Mineral Resources	6	
7	Financial Instruments: Disclosure	7	
8	Operating Segments	8	
9	Financial Instruments	9	
10	Revenue from Contracts with Customers	15	
11	Lease	16	Applicable from 01 January 2019

* 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 2018 denominated in foreign currencies have been converted to local currency, BDT, at the following exchange rates:

Currency	Abbreviation and unit	Equivalent BDT
United Arab Emirate Dirham	AED 1.00	22.5053
Australian Dollar	AUD 1.00	58.9080
Canadian Dollar	CAD 1.00	61.3950
Danish Kroner	DKK 1.00	12.7248
European Currency	EUR 1.00	94.9813
Hong Kong Dollar	HKD 1.00	10.6532
Indian Rupee	INR 1.00	1.1878
Japanes Yen	JPY 1.00	0.7522
Kuwaiti Dinar	KWD 1.00	270.9253
New Zealand Dollar	NZD 1.00	56.0750
Pound Sterling	GBP 1.00	106.2066
Qatar Riyal	QAR 1.00	22.9197
Singapore Dollar	SGD 1.00	60.7779
Swedish Kroner	SEK 1.00	9.2057
Swiss Franc	CHF 1.00	84.0798
Malaysian Ringgit	MYR 1.00	20.0566
Saudia Arabian Riyal	SAR 1.00	21.9381
US Dollar	USD 1.00	83.4450

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 2018 was USD 8,967,109.28 equivalent to Taka 748,260,434.20 against the approved limit of USD 19,240,000.00

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 26 June 2018

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 2018 the bank has undertaken wide range of CSR activities covering Financial Inclusions, Social and Community projects. In line with GBCSRD Circular letter no. 06 dated 10 June 2015 the details of the activities are appended below:

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 school equipments to "The School of Hope", Vatara, Dhaka	BDT 49,350.00	213 Students
I. b) Education: Sponsored 20 needy children of " Society for Assistance to Hearing Impaired Children - SAHIC" for one year to enhance the development in physical, cognitive and socio-emotional aspects of the hearing impaired children.	BDT 480,000.00	20 Students
II. a) Health: Donated medical equipment to "Society for the Welfare of Autistic Children - SWAC" for enhancing the facilities for the welfare and development in physical, cognitive and socio-emotional aspects of the differently able children.	BDT 445,700.00	115 Patients
II. b) Health: Ditect Financial grant for former Sr. Asst. Commissioner, Tangail for the treatment of spinal cancer	BDT 100,000.00	1 Person
III. a) Disaster Management: 1500 Units of blankets given to the poor people affected by cold wave in different parts of the country	BDT 282,000.00	1500 People
IV. Others: Published advertisement in the souvenir "Dristy Bijoyee" of Bangladesh Disabled Development Trust - BDDT.	BDT 50,000.00	N/A

48 Highlights of Activities

Sl.	Particulars	2018	2017
1	Paid-up capital / Deposit kept with Bangladesh Bank	4,791,544,376	4,841,319,249
2	Total capital for the purpose of CRAR	10,320,550,016	9,180,387,031
3	Capital to Risk Weighted Assets Ratio (CRAR)	30.72%	36.62%
4	Capital surplus/(shortfall)	6,320,550,016	5,180,387,031
5	Total assets	60,977,180,045	49,848,044,694
6	Total deposits	35,228,595,047	28,815,424,409
7	Total loans and advances	39,008,280,027	32,568,452,654
8	Total contingent liabilities and commitments	30,832,617,263	20,139,078,354
9	Credit-deposit ratio - DBU (%)	81.99%	82.66%
10	Ratio of classified loans against total loans and advances	0.84%	1.00%
11	Profit after tax and provision	1,307,002,445	914,355,247
12	Loans classified during the year	328,338,404	324,724,521
13	Provision kept against classified loans	200,345,090	220,217,927
14	Provision surplus/(deficit)	-	-
15	Cost of fund	4.76%	3.45%
16	Interest earning assets	52,689,364,139	43,550,937,207
17	Non-interest earning assets	8,287,815,906	6,297,107,487
18	Return on investment (*)	7.25%	8.78%
19	Return on average investment	5.70%	6.81%
20	Return on assets (*)	2.14%	1.83%
21	Income from investment	358,292,775	510,874,587
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

Binoy G. Roy
Financial Controller

Najith Meewanage
Chief Operating Officer

Varuna Kolumunna
Country Manager

Commercial Bank of Ceylon PLC - Bangladesh Operations
Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2018

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 2018 was BDT 10,320.55 million out of which BDT 9,751.33 million was under Tier-I capital (out of that BDT. 4,791.54 million was Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining BDT 4,959.79 million was Retained Profit after regulatory deduction) and remaining BDT 569.22 million was under Tier-II capital (General Provision of BDT 567.50 million and remaining BDT 1.72 million was revaluation gain on treasury bills/bond).

Quantitative Disclosure:

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

BDT

4,791,544,376
-
-
5,037,450,883
-

9,828,995,259

Amount deducted from CET 1 Capital (Regulatory Adjustments)

- Good will
- Shortfall
- Deferred tax assets
- Others

-
-
77,664,052
-

Total CET 1 Capital

9,751,331,207

ii) Additional Tier I capital

-

Total Tier I Capital (i+ii)

9,751,331,207

b) Total Tier II capital

569,218,809

Total eligible capital (a+b)

10,320,550,016

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 2018 bank maintained capital of BDT 10,320.55 million (Tier 1: going-concern capital of BDT 9,751.33 million plus Tier 2: gone-concern capital of BDT 569.22 million) against its total Risk Weighted Asset (RWA) of BDT 33,592.26 million which leads to a Capital to Risk-weighted Asset Ratio (CRAR) of 30.72%, where the minimum requirement is 11.875% as per BRPD circular no. 18 dated 21 December 2014. Tier-I capital was 29.03% of RWA against minimum requirement of 6% of RWA. As a result the Bank has a buffer Capital of BDT 6,320.55 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		2,870,813,761
Amount of Capital required to meet Operational Risk		83,573,462
		404,838,712
		3,359,225,935
b) Actual Capital Maintained:		
Total CET 1 Capital		9,751,331,207
Total Tier I Capital		9,751,331,207
Total Tier II Capital		569,218,809
Total capital		10,320,550,016
% of Capital to risk weighted assets (CRAR)		
	Required	Maintained
CET 1	4.50%	29.03%
Tier I	6.00%	29.03%
Tier II		1.69%
Total	11.875%	30.72%
c) Capital conservation buffer	1.875%	1.875%
d) Available capital under pillar 2 requirement		6,320,550,016

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.

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 analysing 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.

Quantitative Disclosure

BDT

Total exposures of credit risk

A) Broken down by major types of credit exposure

a) Cash and cash equivalents	310,775,874
b) Claims on Bangladesh Government and Bangladesh	11,393,752,961
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	-
Maturity less than 3 Months	4,312,908,414
h) Claims on Corporate	20,590,153,552
i) Claims under Credit Risk Mitigation	1,274,266,440
j) Claims categorized as retail portfolio and small & medium enterprise (excluding consumer finance)	833,352,039
k) Consumer finance	190,410,818
l) Claims fully secured by residential property	1,210,669,028
m) Claims fully secured by commercial real estate	606,513,688
n) Past due loans/NPL	328,901,418
o) Investments in premises, plant and equipment and all other fixed assets	121,534,374
p) Claims on Fixed Assets under Operating Lease	-
q) All Other Assets	-
i) Claims on GoB and BB (Advance Income Tax)	4,459,336,555
ii) Staff loan/investments	98,812,896
iii) Other assets	7,069,973,763
r) Off-balance sheet items:	-
Claims on banks:	-
Maturity Over 3 Months	137,331,010
Maturity less than 3 Months	163,011,033
Claims on corporate	5,590,870,963
Retail portfolio and small & medium enterprises	262,124,611
	58,954,699,437

B. Geographical Distribution of Exposure

BDT

Category	Dhaka	Chattagram	Sylhet	Total
Balance Sheet Items				
Claims on sovereigns and central banks	11,571,906,869	115,189,492	17,432,474	11,704,528,835
Claims on banks and NBFIs	4,312,908,414	-	-	4,312,908,414
Claims on corporate	17,838,799,645	4,301,582,347	659,453,106	22,799,835,098
Claims on retail portfolio and consumer finance	1,998,622,210	44,855,448	190,954,227	2,234,431,885
Fixed assets	115,139,822	3,992,914	2,401,638	121,534,374
Staff loan	98,812,896	-	-	98,812,896
All other assets	10,015,178,121	1,503,049,265	11,082,932	11,529,310,318
Total on balance sheet items	45,951,367,977	5,968,669,466	881,324,377	52,801,361,820
Off Balance Sheet Items				
Claims on banks	300,342,043	-	-	300,342,043
Claims on corporate	3,939,725,479	1,644,442,043	6,703,441	5,590,870,963
Claims on retail portfolio and consumer finance	185,175,659	70,521,947	6,427,005	262,124,611
Total off balance sheet items	4,425,243,181	1,714,963,990	13,130,446	6,153,337,617
Total	50,376,611,158	7,683,633,456	894,454,823	58,954,699,437

C. Industry or Counterparty type distribution of exposures

BDT

Category	Bank and NBFIs	Manufacturing industries	Retail and Consumer	Others	Total
Balance Sheet Items					
Claims on sovereigns and central banks	11,704,528,835	-	-	-	11,704,528,835
Claims on banks and NBFIs	4,312,908,414	-	-	-	4,312,908,414
Claims on corporate	-	22,799,835,098	-	-	22,799,835,098
Claims on retail portfolio	-	-	2,234,431,885	-	2,234,431,885
Fixed assets	-	-	-	121,534,374	121,534,374
Staff loan	-	-	-	98,812,896	98,812,896
All other assets	-	-	-	11,529,310,318	11,529,310,318
Total on balance sheet items	16,017,437,249	22,799,835,098	2,234,431,885	11,749,657,588	52,801,361,820

Off-balance sheet items

Claims on banks	300,342,043	-	-	-	300,342,043
Claims on corporate	-	5,590,870,963	-	-	5,590,870,963
Claims on retail portfolio and consumer finance	-	-	262,124,611	-	262,124,611
Total off balance sheet items	300,342,043	5,590,870,963	262,124,611	-	6,153,337,617
Total	16,317,779,292	28,390,706,061	2,496,556,496	11,749,657,588	58,954,699,437

D. Residual Contractual Maturity

BDT

Residual contractual maturity	Balance sheet items	Off-balance sheet items	Total
Up to 1 month maturity	16,668,540,143	537,663,482	17,206,203,625
1-3 months maturity	14,471,104,289	1,036,119,569	15,507,223,858
3-12 months maturity	15,223,521,643	4,337,342,225	19,560,863,868
1-5 years maturity	5,676,274,087	242,212,341	5,918,486,428
Above 5 years maturity	761,921,658	-	761,921,658
Total	52,801,361,820	6,153,337,617	58,954,699,437

E. Major Industry or Counterparty Type (past due)

BDT

i) Amount of impaired / classified loans by major industry/ sector type		
Major industry/sector		
Bank and NBFIs		-
Manufacturing industries		211,101,912
Retail and Consumer finance		13,168,760
Others		104,067,732
Total		<u>328,338,404</u>
ii) Specific and general provision		
General provision		
Loans and advances		386,000,000
Off-Balance sheet items		181,500,000
		<u>567,500,000</u>
Specific provision		<u>200,345,090</u>
iii) Charges for specific allowance and charges-offs during the year		
Specific provisions made during the period		2,212,133
Write-back of excess specific provisions		22,084,970

F) Gross non-performing assets (NPAs)

BDT

Total loans & advances	28,342,805,615
Non-performing loans and advances	328,338,404
Sub-standard	2,631,178
Doubtful	3,119,733
Bad/ Loss	322,587,493
Non-Performing Assets (NPAs) to Outstanding Loans and advances	1.16%

G) Movement of Non-Performing Assets (NPAs)

Opening balance	324,724,521
<u>Add:</u> Addition during the year	7,078,130
<u>Less:</u> Reduction during the year	3,464,247
Closing balance	328,338,404

H) Movement of specific provisions for NPAs

Opening balance	220,217,927
<u>Add:</u> Provisions made during the period	2,212,133
<u>Less:</u> Write-off	-
<u>Less:</u> Write-back of excess provisions	22,084,970
Closing balance	200,345,090

3.4 Equities: Disclosures for Banking Book Positions

Qualitative Disclosure

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

Quantitative Disclosures Details of Unquoted Investments

Banking Book Assets	Particulars	Number of shares	Face Value	BDT
				Cost
	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	685,417	6,854,170	-
	Total of CDBL Shares	3,427,083	34,270,830	9,416,660

3.5 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	BDT in Crore		
	Minor	Moderate	Major
Weighted average yield on assets (%)	10.00	10.00	10.00
Total Assets	5,895.47	5,895.47	5,895.47
Total RWA before shock	3,359.23	3,359.23	3,359.23
Total increase in RWA after shock	29.04	58.05	87.05
Total increase Capital requirement after shock	2.90	5.81	8.71
Total RWA after shock	3,388.27	3,417.28	3,446.28
Eligible capital	1,032.06	1,032.06	1,032.06
Capital adequacy ratio after shock (%)	30.46	30.20	29.95
Capital adequacy ratio before shock (%)	30.72	30.72	30.73
Changes in CRAR (%)	(0.26)	(0.52)	(0.78)

Credit Shock under Basel III (Off Balance Sheet Exposure)

Magnitude of Shock	BDT in Crore		
	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	5,895.47	5,895.47	5,895.47
Total RWA before shock	3,359.23	3,359.23	3,359.23
Total increase in RWA after shock	6.48	12.95	19.43
Total increase in capital requirement after shock	0.65	1.30	1.94
Total RWA after shock	3,365.71	3,372.18	3,378.66
Eligible capital	1,032.06	1,032.06	1,032.06
Capital Adequacy Ratio after shock (%)	30.66	30.61	30.55
Capital Adequacy Ratio before shock (%)	30.72	30.72	30.72
Changes in CRAR (%)	(0.06)	(0.12)	(0.18)

Combined Shock

Magnitude of Shock	BDT in Crore		
	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	30.72	30.72	30.72
Decrease in the FSV of the collateral	-0.07	-0.13	-0.27
Increase in NPLs	-1.09	-3.57	-6.84
Negative shift in NPLs categories	-0.05	-0.12	-0.26
Interest rate	0.00	0.00	0.00
FEX: Currency appreciation	-0.08	-0.16	-0.23
Equity shock	0.00	0.00	-0.01
Total change	-1.30	-3.99	-7.62
CRAR after shock (%)	29.44	26.74	23.11

3.6 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.

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 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

8,339,415
-
75,234,047
-
83,573,462

3.7 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 defence for management of operational risk, the first line of defence represented by various heads of the departments, different business unit/or support unit; second line of defence is represented by the Operational Risk Unit under IRMD to oversee the operational risk management, and the third line of defence represented by Inspection & Audit Division which is challenge function to the first two lines of defence.

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 2018 bank’s operational risk capital requirement was Tk. 40.48 crore which was adequately maintained.

Quantitative Disclosure

Capital requirements for operational risk is

BDT
404,838,712

3.8 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 fulfil 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,

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 liquid assets
 Total net cash outflows over the next 30 calendar days
 Available amount of stable funding
 Required amount of stable funding

BDT
278.38%
108.27%
7,066,829,000
2,538,554,853
37,524,081,400
34,656,834,000

3.9 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).

Approach for calculating exposure

Leverage ratio of the bank is calculated in line with the RBCA Guideline of BB. As at 31st December 2018 bank's leverage ratio was 16.21% 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

Leverage ratio	16.21%
On balance sheet exposure	54,064,031,780
Off balance sheet exposure	6,180,772,160
Total exposure	60,244,803,940
<u>Less:</u> Regulatory adjustments	77,664,052
Total exposure for the purpose of leverage ratio	<u>60,167,139,888</u>

3.10 Remuneration

Information relating to the bodies that oversee remuneration

The Bank is dedicated to uphold the principle of equality in offering our employees both career opportunities and competitive remuneration at an excellent working condition in compliance with relevant laws and rules. Considering the gravity of importance the Bank has a Human Resource Steering Committee reporting to the Management Committee, which oversee the remuneration related policies and practices under the direct supervision of Remuneration Committee at Head Office in Sri Lanka.

Name, composition and mandate of the main body overseeing remuneration.

Country Manager, Chief Operating Officer, Senior General Manager, Financial Controller & Head of Human Resource administers the Banks remuneration policies. They play an independent role, operating as an overseer, and if necessary, make recommendations to the Board of Director (Sri Lanka) of the bank for it's consideration and final approval for any remuneration related policy. They also assist the Board of Directors to ensure that all employees are remunerated fairly and get performance based compensation.

External consultants whose advice has been sought, the body by which they were commissioned and in what areas of the remuneration process.

In 2015 to study the market situation and compare the salaries up to a certain level of employees the bank had appointed 'Cerebrus Consultants Pt. Ltd. Mumbai, India'. The Bangladesh Management of the Bank has commissioned this company.

A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.

The Bank does not discriminate employees and/or differentiate employee remunerations by gender, 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 Package and apply Human Resource policies for all of its branches, departments and Units.

A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.

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 Centres	16
	Head of Units, Corporate Banking	4
	Head of Departments, Units	13
Total		41

Information relating to the 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 a 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.

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. 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
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
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.

The employee performance is being evaluated on the basis of achievement of objectives set upon discussion between the job holder and the Supervisor at the beginning of the year on agreed basis. 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 Performance Ratings done by the Supervisor in agreement with the job holder. 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 for the preceding year.

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

Particulars	No. of employee	BDT
Variable remuneration awarded	41	45,226,533
Guaranteed bonuses awarded	41	9,948,211
Sign-on awards	-	-
Severance payments	3	2,865,909

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	131,537,856	-	-
Variable	45,226,533	-	-
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	-

Commercial Bank of Ceylon PLC - Bangladesh Operations
Schedule of Fixed assets including premises, furniture and fixtures
As at 31 December 2018

Asset category	Cost				Rate (%)	Depreciation				Written down value at 31 Dec 2018 BDT
	Opening balance as on 01 Jan 2018 BDT	Addition during the year BDT	Disposal/ adjustment during the year BDT	Total balance as at 31 Dec 2018 BDT		Opening balance as on 01 Jan 2018 BDT	Charge for the year BDT	On disposal/ adjustment BDT	Total balance as at 31 Dec 2018 BDT	
Furniture and fixtures	63,355,599	1,565,887	(5,824,541)	59,096,945	10	54,599,238	3,204,826	(5,824,015)	51,980,049	7,116,896
Interior decorations	79,320,257	9,398,582	(2,630,040)	86,088,799	20	56,245,810	6,050,472	(2,621,897)	59,674,385	26,414,414
Equipment and computers	158,392,800	37,491,124	(16,741,339)	179,142,585	20	117,335,199	14,546,147	(16,734,442)	115,146,904	63,995,681
Computer software	29,897,461	1,029,692	-	30,927,153	20	22,248,606	3,276,965	-	25,525,571	5,401,582
Motor vehicles	28,010,348	22,158,777	-	50,169,125	20	28,010,339	2,164,604	-	30,174,943	19,994,182
Total at 31 December 2018	358,976,465	71,644,062	(25,195,920)	405,424,607		278,439,192	29,243,014	(25,180,354)	282,501,852	122,922,755
Total at 31 December 2017	317,421,274	69,978,374	(28,423,183)	358,976,465		276,624,129	26,273,040	(24,457,977)	278,439,192	80,537,273