

Commercial Bank of Ceylon PLC - Bangladesh Operations

Head Office
Hadi Mansion
No. 2 Dilkusha Commercial Area
Dhaka - 1000, Bangladesh

**Commercial Bank of Ceylon PLC
(Bangladesh Operations)**

Auditors' Report and Financial Statements
for the year ended 31 December 2015

S. F. AHMED & CO

Chartered Accountants

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**Independent Auditors' Report
For the year ended 31 December 2015**

We have audited the accompanying financial statements of Commercial Bank of Ceylon PLC - Bangladesh Operations ("the Bank"), which comprise the balance sheet as at 31 December 2015, the profit and loss statement, statement of cash flows, statement of changes in equity and liquidity statement for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

Management's responsibility for the financial statements and internal controls

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above which have been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards give a true and fair view of the state of affairs of the Bank as at 31 December 2015 and results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991, rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

Report on other legal and regulatory requirements

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

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

Dhaka, Bangladesh
Dated, 29 March 2016



S. F. AHMED & CO
Chartered Accountants

Balance Sheet
As at 31 December 2015

	Notes	2015 BDT	2014 BDT
PROPERTY AND ASSETS			
Cash	3	1,708,855,583	1,531,763,639
Cash in hand (including foreign currencies)	3.1	214,096,243	225,892,596
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	1,494,759,340	1,305,871,043
Balance with other banks and financial institutions	4	1,863,153,774	2,077,457,495
In Bangladesh	4.1	1,419,047,258	1,341,777,431
Outside Bangladesh	4.2	444,106,516	735,680,064
Money at call and on short notice	5	800,000,000	-
Investments	6	6,529,411,864	9,393,138,119
Government	6.1	6,319,995,204	9,383,721,459
Others	6.2	209,416,660	9,416,660
Loans and advances	7	22,781,874,195	18,487,101,221
Loans, cash credit, overdrafts, etc		18,260,915,591	16,353,762,816
Bills purchased and discounted	8	4,520,958,604	2,133,338,405
Fixed assets including premises, furniture and fixtures	9	45,576,855	75,503,386
Other assets	10	2,778,157,810	2,078,012,598
Non-Banking Assets		-	-
Total Assets		36,507,030,081	33,642,976,458
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	3,245,900,006	5,253,901,215
Deposits and other accounts	12	21,937,393,552	18,633,811,909
Current and other accounts	12.1	6,714,527,575	5,948,918,382
Bills payable	12.2	75,276,600	118,103,990
Savings bank deposits	12.3	2,123,730,349	2,085,117,332
Fixed deposits	12.4	12,997,578,280	10,451,538,526
Other deposits	12.5	26,280,748	30,133,679
Other liabilities	13	4,085,349,179	3,196,297,956
Total Liabilities		29,268,642,737	27,084,011,080
Capital/ Shareholders' Equity			
Paid-up capital/ Deposit kept with Bangladesh Bank	14	4,445,178,830	4,450,387,562
Statutory reserve		-	-
Gain on revaluation of treasury bills/ bonds		12,679,047	17,188,091
Retained earnings	15	2,780,529,467	2,091,389,725
Total Shareholders' Equity		7,238,387,344	6,558,965,378
Total Liabilities and Shareholders' Equity		36,507,030,081	33,642,976,458

Balance Sheet
As at 31 December 2015

	Notes	2015 BDT	2014 BDT
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	16		
Acceptances and endorsements		-	-
Letters of guarantee	16.2	1,370,659,034	2,076,468,666
Irrevocable letters of credit	16.3	5,941,754,015	5,219,177,529
Bills for collection	16.4	1,963,574,625	1,797,371,620
Other contingent liabilities	16.5	64,638,549	64,638,549
Total contingent liabilities		9,340,626,223	9,157,656,364
Other commitments	17		
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		404,908,040	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		404,908,040	-
Total Off-Balance Sheet Items Including Contingent Liabilities		9,745,534,263	9,157,656,364

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon-PLC



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

see annexed report of the date

Dhaka, Bangladesh
Dated, 29 March 2016



S. F. AHMED & CO
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Profit and Loss Statement
For the year ended 31 December 2015


	Notes	2015 BDT	2014 BDT
OPERATING INCOME			
Interest income	18	1,682,196,967	1,846,823,967
Less: Interest paid on deposits and borrowings, etc	19	903,636,092	1,055,364,936
Net interest income		778,560,875	791,459,031
Investment income	20	1,040,405,629	950,066,837
Commission, exchange and brokerage	21	547,992,487	529,332,201
Other operating income	22	25,764,533	9,315,096
Total operating income		2,392,723,524	2,280,173,165
OPERATING EXPENSES			
Salary and allowances	23	329,891,129	368,839,299
Rent, taxes, insurance, electricity, etc	24	108,319,637	103,624,566
Legal expenses	25	1,335,828	421,579
Postage, stamps, telecommunication, etc	26	10,051,562	11,008,261
Stationery, printing and advertisements, etc	27	10,170,173	9,596,391
Chief executive's salary and fees	28	7,648,045	5,615,192
Directors' fees		-	-
Auditors' fees		333,500	333,500
Charges on loan losses		-	-
Depreciation and repairs of bank's assets	29	73,159,628	59,543,599
Other expenses	30	77,961,168	78,613,050
Total operating expenses		618,870,670	637,595,437
Profit before provisions		1,773,852,854	1,642,577,728
Provision against loans and advances			
Specific provision		101,099,969	63,832,834
General provision	31	64,150,000	(3,500,000)
Provision for diminution in value of investment		-	-
Other provisions		-	-
Total provision during the year		165,249,969	60,332,834
Total profit before taxation for the year		1,608,602,885	1,582,244,894
Provision for taxation	13.3.1	682,500,000	689,000,000
Current tax		677,408,784	697,971,706
Deferred tax		5,091,216	(8,971,706)
Net profit after taxation		926,102,885	893,244,894

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for Commercial Bank of Ceylon-PLC



Binoy G. Roy
Financial Controller



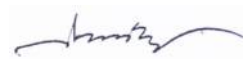
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Dhaka, Bangladesh
Dated, 29 March 2016



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Cash Flow Statement
For the year ended 31 December 2015

	Notes	2015 BDT	2014 BDT
Cash flows from operating activities			
Interest receipts		1,621,820,544	1,852,765,422
Interest payments		(895,024,334)	(1,196,472,551)
Fees and commission receipts		253,293,549	260,979,219
Recoveries on loans previously written off		25,719,535	8,540,982
Payments to employees		(369,597,783)	(360,587,629)
Payments to suppliers		(128,541,372)	(124,229,218)
Receipts from other operating activities	32	294,698,938	268,764,840
Corporate income tax paid		(658,983,999)	(230,744,059)
Payments for other operating activities	33	(285,981,484)	(213,111,424)
Interest receipts from investment		1,040,405,629	950,066,837
Cash generated from/ (used in) operating activities before changes in operating assets and liabilities		897,809,223	1,215,972,419
(Increase)/Decrease in operating assets and liabilities			
Purchase/sale of government securities		-	-
Loans and advances to other banks		-	-
Loans and advances to customers		(4,294,772,974)	(1,629,035,297)
Other assets	34	19,215,210	22,207,938
Deposits from other banks		91,998,791	3,658,777,692
Deposits from customers		1,203,581,643	9,942,990
Other liabilities	35	(48,741,454)	(261,687,065)
Net (increase)/decreased in operating assets and liabilities		(3,028,718,784)	1,800,206,258
Net cash from/(used in) operating activities (a)		(2,130,909,561)	3,016,178,677
Cash flows from investing activities			
Investment in treasury bills and bonds		2,863,926,555	(2,325,306,752)
Payments for purchase of shares		-	-
Purchase/sale of property, plant and equipment		29,926,531	22,202,976
Gains on disposal of property, plant and equipment		44,998	362,256
Net cash from/(used in) investing activities (b)		2,893,898,084	(2,302,741,520)
Cash flows from financing activities			
Remittance received from Head Office, Colombo		-	-
Net cash flows from financing activities (c)		-	-
Net increase in cash and cash equivalents (a+b+c)		762,988,523	713,437,157
Effects of exchange rate changes on cash and cash equivalent		-	-
Cash and cash equivalents at beginning of the year (*)		3,609,838,334	2,896,401,177
Cash and cash equivalents at end of the year (*)		4,372,826,857	3,609,838,334
(*) Cash and cash equivalents :			
Cash		214,096,243	225,892,596
Prize bonds		817,500	617,200
Money at call and on short notice		800,000,000	-
Balance with Bangladesh Bank and its agent bank(s)		1,494,759,340	1,305,871,043
Balance with other banks and financial institutions		1,863,153,774	2,077,457,495
		4,372,826,857	3,609,838,334

These financial statements should be read in conjunction with annexed notes for Commercial Bank of Ceylon-PLC



Binoy G. Roy
Financial Controller

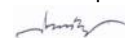


Najith Meewanage
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Ajith Naranpanawe
Country Manager

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Dhaka, Bangladesh
Dated, 29 March 2016

Statement of Changes in Equity
For the year ended 31 December 2015

Particulars	Paid-up capital/ Deposit kept with Bangladesh Bank BDT	Statutory reserve BDT	Gain/loss on revaluation of securities BDT	Retained earnings BDT	Total BDT
Opening balance at 01 January 2015	4,450,387,562	-	17,188,091	2,091,389,725	6,558,965,378
Changes in accounting policy	-	-	-	-	-
Restated balance	(5,208,732)	-	-	5,208,732	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-
Adjustment of last year's revaluation on investments	-	-	(17,188,091)	-	(17,188,091)
Surplus/(deficit) on account of revaluation of investments	-	-	12,679,047	-	12,679,047
Currency translation differences	-	-	-	-	-
Net gains and losses not recognised in profit and loss statement	-	-	-	-	-
Net profit for the year	-	-	-	926,102,885	926,102,885
Dividends/Profit remittance	-	-	-	(242,171,875)	(242,171,875)
Issue of share capital/(Capital brought from Head Office, Colombo)	-	-	-	-	-
Balance at 31 December 2015	4,445,178,830	-	12,679,047	2,780,529,467	7,238,387,344

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon-PLC



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Dhaka, Bangladesh
Dated, 29 March 2016



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**Liquidity Statement (Analysis of Maturity of Assets and Liabilities)
As at 31 December 2015**

Particulars	Up to 1 month maturity BDT	1-3 months maturity BDT	3-12 months maturity BDT	1-5 years maturity BDT	Above 5 years maturity BDT	Total BDT
Assets:						
Cash in hand	1,708,855,583	-	-	-	-	1,708,855,583
Balance with other banks and financial institutions (note 4.4)	489,371,274	745,702,500	628,080,000	-	-	1,863,153,774
Money at call and on short notice	800,000,000	-	-	-	-	800,000,000
Investments	410,484,360	39,996,934	1,421,968,066	3,376,099,587	1,280,862,917	6,529,411,864
Loans and advances	5,325,946,780	4,942,503,194	9,083,210,436	3,334,478,590	95,735,195	22,781,874,195
Fixed assets including premises, furniture and fixtures	21,042	-	3,237,452	37,101,006	5,217,355	45,576,855
Other assets	2,778,157,810	-	-	-	-	2,778,157,810
Non-banking assets	-	-	-	-	-	-
Total Assets	11,512,836,849	5,728,202,628	11,136,495,954	6,747,679,183	1,381,815,467	36,507,030,081
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	2,352,398,333	499,308,002	392,475,000	1,718,671	-	3,245,900,006
Deposits	13,943,168,867	3,014,548,910	4,346,213,571	633,462,204	-	21,937,393,552
Other accounts	-	-	-	-	-	-
Provision and other liabilities	4,085,349,179	-	-	-	-	4,085,349,179
Total Liabilities	20,380,916,379	3,513,856,912	4,738,688,571	635,180,875	-	29,268,642,737
Net Difference in Liquidity	(8,868,079,530)	2,214,345,716	6,397,807,383	6,112,498,308	1,381,815,467	7,238,387,344

These financial statements should be read in conjunction with annexed notes

for Commercial Bank of Ceylon-PLC

Binoy G. Roy
Financial Controller

Najith Meewanage
Chief Operating Officer

Ajith Naranpanawe
Country Manager

see annexed report of the date



S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 29 March 2016

Notes to the financial statements
For the year ended 31 December 2015

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 ten branches currently in operations at Dilkusha, Dhanmandi, Uttara, Mirpur, Gulshan, Panthapath, Tejgaon of Dhaka and each at Narayanganj, Chittagong and Sylhet. The Bank also maintains six SME centers at Old Dhaka, Shantinagar, Progati Sarani of Dhaka, Tongi of Gazipur, Jublee Road and CDA Avenue of Chittagong.

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

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

2. Significant accounting policies

2.1 Basis of preparation of the financial statements

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

2.1.1 Statement of compliance

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

i) Investment in shares and securities

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

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

Bank's Methodology:

Methods of valuation of investment are as follows:

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

Notes to the financial statements
For the year ended 31 December 2015

ii) Revaluation gains/losses on Government securities

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

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

Bank's Methodology:

The Bank's investment in treasury bills and bonds are stated at present value and interest on treasury bonds are 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 are non-derivative financial instruments with fixed or determinable future receipt on maturity that the Bank's management has the intention and ability to hold till maturity. These particular investments have been revalued as marked to market as at 31 December 2015, the revaluation gains on such securities have been shown in the financial statements as part of equity.

HFT

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

iii) Provision on loans and advances/investments

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

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

Bank's Methodology:

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

Notes to the financial statements
For the year ended 31 December 2015

iv) Recognition of interest in suspense

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

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

Bank's Methodology:

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

v) Other comprehensive income (OCI):

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

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

vi) Financial instruments – presentation and disclosure

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

vii) Financial guarantees

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

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

viii) Cash and cash equivalents

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

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

ix) Non-banking asset

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

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

Notes to the financial statements
For the year ended 31 December 2015

x) Cash flow statement

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

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

Bank's Methodology:

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

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

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

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

xii) Presentation of intangible asset

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

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

xiii) Off-balance sheet items

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

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

Bank's Methodology:

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

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

xiv) Loans and advances/Investments net of provision

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

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

Bank's Methodology:

Loans and advances have been shown at gross amounts at 31 December 2015.

2.2 Consolidation

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

2.2.1 Offshore Banking Unit (OBU)

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

**Notes to the financial statements
For the year ended 31 December 2015**
2.3 Foreign currency transactions

- (a) Foreign currency transactions are converted into equivalent BDT currency at the ruling exchange rates on the respective dates of such transactions as per BAS 21: "The effects of Changes in Foreign Exchange Rates" .
- (b) Assets and liabilities in foreign currencies at 31 December 2015 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 gain or loss account.
- (d) Forward contracts outstanding at 31 December 2015 have been shown in the Balance Sheet under off-balance sheet items.

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

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

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

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

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

(*) Depreciation rate on interior decoration has been changed to 20% from earlier 10% and shown separately as per BAS 8: "Changes in accounting estimate, accounting policies and errors".

2.5 Stock of stationery

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

2.6 Deposits

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

2.7 Employee benefits

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

(a) Provident fund

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

(b) Staff gratuity

The Bank runs an unfunded gratuity scheme under which gratuity is paid to its staff upon their severance. However, the Bank's liability on this account stands fully provided in accounts and BDT 32,058,609 which was thus adjusted in current year's Profit and Loss Statement considering the staff's accumulated gratuity entitlements for their service with the Bank as per the actuarial valuation.

2.8 Provision for taxation
(a) Current tax

Provision for corporate income tax is made @ 42.5% as prescribed in the Finance Act 2015 on accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws.

Notes to the financial statements**For the year ended 31 December 2015**

(b) Deferred tax

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

2.9 Reconciliation of books of account

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

2.10 Provision for balances with other banks and financial institutions

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

2.11 Statement of changes in equity

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

2.12 Statement of liquidity analysis

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

2.13 Revenue recognition

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

2.14 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2015.

2.15 Regulatory and legal compliance

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

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

2.16 General

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

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
3 Cash		
3.1 Cash in hand		
In local currency	203,218,349	213,399,190
In foreign currencies	10,877,894	12,493,406
	214,096,243	225,892,596
3.2 Balance with Bangladesh Bank and its agent bank(s)		
Balance with Bangladesh Bank:		
In local currency (note 3.2.1)	1,327,686,481	1,206,438,809
In foreign currencies (note 3.2.2)	167,067,992	99,427,159
	1,494,754,473	1,305,865,968
Balance with agent bank(s):	4,867	5,075
In local currency	4,867	5,075
In foreign currencies	-	-
	1,494,759,340	1,305,871,043
	1,708,855,583	1,531,763,639
3.2.1 In local currency		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	1,327,686,481	1,206,438,809
	1,327,686,481	1,206,438,809
3.2.2 In foreign currencies		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	167,067,992	99,427,159
	167,067,992	99,427,159
3.3 Cash Reserve Requirement and Statutory Liquidity Reserve		
Cash reserve ratio (CRR) and statutory liquidity ratio (SLR) have been calculated and maintained in accordance with section 33 of the Banking Companies Act 1991 and Bangladesh Bank MPD's subsequent circular no. 04 and 05 dated 01 December 2010 and 23 June 2014.		
CRR is required @ 6.5% on time and demand liabilities of the Bank. This has been maintained with Bangladesh Bank in current account. SLR @ 13% on the same liabilities is also maintained in the form of treasury bills and bonds including balance with Bangladesh Bank. Both the reserves are maintained by the Bank as per statutory requirements, as shown below:		
3.3.1 Cash Reserve		
Required reserve	1,279,410,470	1,209,701,830
Actual reserve maintained	1,305,452,260	1,230,633,060
Surplus	26,041,790	20,931,230
3.3.2 Statutory Liquid Reserve		
Required reserve	2,558,820,940	2,419,403,660
Actual reserve maintained	6,955,012,260	8,122,634,970
Surplus	4,396,191,320	5,703,231,310
4 Balance with other banks and financial institutions		
In Bangladesh (note 4.1)	1,419,047,258	1,341,777,431
Outside Bangladesh (note 4.2)	444,106,516	735,680,064
	1,863,153,774	2,077,457,495
4.1 In Bangladesh		
AB Bank Limited	627,960,000	392,225,000
Brac Bank Limited	392,475,000	-
Eastern Bank Limited	392,475,000	-
Standard Chartered Bank	2,415,212	4,421,032
Islami Bank Bangladesh Limited	2,151,320	2,260,120
Prime Bank Limited	1,570,726	1,531,279
United Commercial Bank Limited	-	392,225,000
Mutul Trust Bank Limited	-	196,112,500
Bank Asia Limited	-	196,112,500
Dhaka Bank Limited	-	156,890,000
	1,419,047,258	1,341,777,431

Notes to the financial statements
For the year ended 31 December 2015

4.2 Outside Bangladesh

Name of bank	Nature of deposit	Location	Currency name	At 31 December 2015			At 31 December 2014		
				Amount in foreign currency	Conversion rate	Equivalent BDT	Amount in foreign currency	Conversion rate	Equivalent BDT
Kookmin Bank	Nostro	Seoul	USD	130,798.37	78.5100	10,268,980	9,807.16	77.947500	764,444
Standard Chartered Bank	Nostro	Karachi	USD	148,950.63	78.5100	11,694,114	110,867.74	77.947500	8,641,863
Citibank NA	Nostro	New York	USD	(354,997.69)	78.5100	(27,870,869)	(518,792.32)	77.947500	(40,438,564)
Commercial Bank of Ceylon	Nostro	Colombo	USD	375,967.87	78.5100	29,517,237	437,713.17	77.947500	34,118,647
Amex Frankfurt am main de	Nostro	Frankfurt	EUR	(5,212.89)	85.827129	(447,407)	388,706.63	94.760775	36,834,142
Commerzbank AG	Nostro	Frankfurt	EUR	(34,728.09)	85.827129	(2,980,612)	30,785.30	94.760775	2,917,239
Credit Agricole S.A.	Nostro	Paris	EUR	15,551.40	85.827129	1,334,732	55,915.97	94.760775	5,298,641
Canadian Imperial Bank of Commerce	Nostro	Toronto	CAD	-	56.526748	-	43,357.86	67.172958	2,912,476
Bank of Montreal	Nostro	Toronto	CAD	34,609.03	56.526748	1,956,336	-	-	-
Svenska Handelbanken	Nostro	Stockholm	SEK	-	9.330600	-	32,576.59	10.069175	328,019
Union Bank of Switzerland AG	Nostro	Zurich	CHF	3,039.38	79.527958	241,716	6,720.60	78.818444	529,707
Bank of Tokyo Mitsubishi	Nostro	Tokyo	JPY	35,707,109.00	0.651562	23,265,395	42,884,974.00	0.652581	27,985,919
Standard Chartered Bank	Nostro	Hong Kong	HKD	4,835.29	10.129342	48,978	6,382.30	10.048536	64,133
Bank of New Zealand	Nostro	Wellington	NZD	3,087.45	53.755768	165,968	6,005.45	61.013399	366,413
HSBC PLC	Nostro	London	GBP	108,386.94	116.300785	12,605,486	69,244.69	121.317487	8,400,592
Standard Chartered Bank	Nostro	New York	USD	641,473.92	78.5100	50,362,117	(558,115.56)	77.947500	(43,503,713)
Wells Fargo NA	Nostro	New York	USD	(677,653.91)	78.5100	(53,202,608)	(1,053,493.82)	77.947500	(82,117,210)
ICICI Bank	Nostro	Mumbai	USD	443,533.90	78.5100	34,821,846	111,518.77	77.947500	8,692,609
Deutsche Bank	Nostro	New York	USD	(172,530.26)	78.5100	(13,545,351)	(564,423.12)	77.947500	(43,995,371)
Axis Bank	Nostro	Mumbai	USD	(778,743.30)	78.5100	(61,139,136)	(816,514.06)	77.947500	(63,645,230)
Standard Chartered Bank	Nostro	Singapore	SGD	25,653.37	55.505674	1,423,908	56,609.92	58.970722	3,338,328
HSBC Bank PLC	Nostro	Sydney	AUD	41,636.01	57.222007	2,382,496	17,533.79	63.800025	1,118,656
Commercial Bank of Ceylon	Placement	Colombo	USD	8,000,000.00	78.5100	628,080,000	8,000,000.00	77.947500	623,580,000
Bank of America (OBU)	Nostro	Sydney	AUD	221,331.79	57.222007	12,665,049	55,944.94	63.800025	3,569,289
HSBC Bank PLC (OBU)	Nostro	London	EUR	72,547.63	85.827129	6,226,555	484,783.19	94.760775	45,938,431
HSBC Bank PLC (OBU)	Nostro	New York	USD	(2,912,768.81)	78.5100	(228,681,480)	2,478,939.97	77.947500	193,227,174
HSBC Bank PLC (OBU)	Nostro	London	GBP	42,244.48	116.300785	4,913,066	6,210.40	121.317487	753,430
Total						444,106,516			735,680,064

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
4.3 Grouping by maturity		
Receivable on demand	210,031,237	394,012,583
Payable to customers on demand	(387,867,463)	(273,700,088)
	(177,836,226)	120,312,495
Below 3 months	1,412,910,000	1,333,565,000
Over 3 months but below 1 year	628,080,000	623,580,000
Over 1 year but below 5 years	-	-
Over 5 years	-	-
	1,863,153,774	2,077,457,495
4.4 Account-wise breakdown		
Current and other accounts	(177,836,226)	120,312,495
Placement (term)	2,040,990,000	1,957,145,000
	1,863,153,774	2,077,457,495
5 Money at call on short notice		
The City Bank Limited	290,000,000	-
Dhaka Bank Limited	280,000,000	-
National Credit and Commerce Bank Limited	230,000,000	-
	800,000,000	-
6 Investments		
Government (note 6.1)	6,319,995,204	9,383,721,459
Others (note 6.2)	209,416,660	9,416,660
	6,529,411,864	9,393,138,119
6.1 Government:		
Treasury bonds (note 6.1.1)	5,880,304,212	4,102,387,634
Treasury bills (note 6.1.2)	438,873,492	2,476,549,571
Treasury bills/ bonds (Reverse Repo)	-	2,804,167,054
Prize bonds	817,500	617,200
	6,319,995,204	9,383,721,459
6.1.1 Treasury bonds		
HTM	4,036,287,648	4,047,326,951
HFT	1,844,016,564	55,060,683
	5,880,304,212	4,102,387,634
6.1.2 Treasury bills		
HTM	438,873,492	433,039,557
HFT	-	2,043,510,014
	438,873,492	2,476,549,571
6.2 Others:		
Central Depository Bangladesh Limited (CDBL) (note 6.2.1)	9,416,660	9,416,660
Commercial papers	200,000,000	-
	209,416,660	9,416,660
Total	6,529,411,864	9,393,138,119

Notes to the financial statements
For the year ended 31 December 2015

			2015 BDT	2014 BDT		
6.2.1 Central Depository Bangladesh Limited (CDBL)						
	Particulars	Number of shares	Cost	Cost		
	CDBL Shares (initial)	600,000	6,000,000	6,000,000		
	Bonus received for the year 2009	600,000	-	-		
	Purchased on 14 October 2010	341,666	3,416,660	3,416,660		
	Bonus declared for the year 2010	1,200,000	-	-		
	Bonus declared for the year 2011	685,417	-	-		
	Total	3,427,083	9,416,660	9,416,660		
6.3 Value of investment at 31 December 2015						
	Particulars	Quantity	Face Value	Cost	Market Value	Market Value
	Treasury bonds	82	5,755,900,000	5,889,096,977	5,880,304,212	4,102,387,634
	Treasury bills	2	450,000,000	431,750,450	438,873,492	2,476,549,571
	Treasury bonds (Reverse Repo)	-	-	-	-	2,804,167,054
	Prize bonds	8,175	817,500	817,500	817,500	617,200
	Commercial Papers	1	200,000,000	200,000,000	200,000,000	-
	CDBL shares	3,427,083	34,270,830	9,416,660	9,416,660	9,416,660
			6,440,988,330	6,531,081,587	6,529,411,864	9,393,138,119
6.4 Maturity grouping						
	Repayable on demand			817,500		617,200
	Below 3 months			440,247,134		3,715,942,190
	Over 3 months but below 1 year			1,421,968,066		1,585,084,002
	Over 1 year but below 5 years			3,376,099,587		2,809,041,086
	Over 5 years			1,280,862,917		1,273,036,981
				6,519,995,204		9,383,721,459
7. Loans and advances						
7.1 Maturity grouping						
	Repayable on demand			2,347,732,509		2,654,472,621
	Below 3 months			7,920,717,465		6,198,291,282
	Over 3 months but below 1 year			9,083,210,436		6,104,282,131
	Over 1 year but below 5 years			3,334,478,590		3,329,988,195
	Over 5 years			95,735,195		200,066,992
				22,781,874,195		18,487,101,221
7.2 Broad category-wise break-up						
i) Within Bangladesh						
	Loans (general)			15,339,861,535		12,334,690,403
	Overdrafts			2,316,362,653		2,622,686,121
	Loans against trust receipt			386,396,308		1,148,999,375
	Packing credit			98,454,572		120,424,592
	Import loan			11,532,971		14,604,007
	Credit card			31,369,856		31,786,500
	Staff loan			76,937,696		80,571,818
				18,260,915,591		16,353,762,816
Loans against accepted bills						
ii) Inland bills				29,971,713		49,939,224
	Foreign bills			4,490,986,891		2,083,399,181
				4,520,958,604		2,133,338,405
Outside Bangladesh				-		-
Total (i+ii)				22,781,874,195		18,487,101,221

Notes to the financial statements
For the year ended 31 December 2015

	2015	2014
	BDT	BDT
7.3 Significant concentration		
Directors and others	-	-
Managing Director or Chief Executive Officer	-	-
Other executives	76,937,696	80,571,818
Industries	15,492,690,982	10,866,445,481
Other clients	7,212,245,517	7,540,083,922
	<u>22,781,874,195</u>	<u>18,487,101,221</u>
7.4 Advance to customers for more than 10% of Bank's total capital		
Number of clients	19	19
Amount of outstanding advances	8,460,250,000	7,906,510,000
Amount of classified advances	-	-
	<u>8,460,250,000</u>	<u>7,906,510,000</u>
7.5 Economic sector-wise distribution		
Industry	15,492,690,982	10,866,445,481
Trading	3,520,760,572	2,736,556,192
Agriculture	114,380,782	152,920,587
Others	3,654,041,859	4,731,178,961
	<u>22,781,874,195</u>	<u>18,487,101,221</u>
7.6 Geographical location-wise distribution		
Urban		
Dhaka region	19,736,337,456	16,809,107,801
Chittagong region	2,716,106,530	1,437,503,443
Sylhet region	329,430,209	240,489,977
	<u>22,781,874,195</u>	<u>18,487,101,221</u>
Rural		
Dhaka region	-	-
Chittagong region	-	-
Sylhet region	-	-
	<u>22,781,874,195</u>	<u>18,487,101,221</u>
7.7 Classification of loans and advances as per Bangladesh Bank 's BRPD circulars		
Unclassified:	22,276,730,309	18,252,424,693
Standard	22,215,938,563	18,197,585,170
Special mentioned account (SMA)	60,791,746	54,839,523
Classified:	505,143,886	234,676,528
Sub-standard	146,773,987	8,226,071
Doubtful	66,647,832	640,337
Bad/ Loss	291,722,067	225,810,120
	<u>22,781,874,195</u>	<u>18,487,101,221</u>

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
7.8 Particulars of loans and advances		
(i) Loans considered good in respect of which the Bank is fully secured	22,276,730,309	18,252,424,693
(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	120,515,247	134,323,580
(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	76,937,696	80,571,818
(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	80,716,690	97,315,288
(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	505,143,886	234,676,528
(b) Provision made during the year against bad debts	101,099,969	63,832,834
(c) Interest creditable to the interest suspense account	52,549,751	23,949,182
(xi) Loan written off	165,705,998	165,705,998
Opening balance	165,705,998	165,705,998
<u>Add</u> : Bad debts written of during the year	-	-
<u>Less</u> : Bad debts previously written off recovered during the year	-	-
Bad debts written off / settled	-	-
Closing balance	165,705,998	165,705,998
(xii) Cases filed for recovery of written off bad debts	131,807,438	131,807,438
8 Bills purchased and discounted		
Payable in Bangladesh	29,971,713	49,939,224
Payable outside Bangladesh	4,490,986,891	2,083,399,181
	4,520,958,604	2,133,338,405

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
8.1 Maturity grouping		
Payable within 1 month	385,449,974	226,696,372
Over 1 month but below 3 months	920,369,292	739,284,098
Over 3 months but below 6 months	3,187,819,785	1,131,754,559
6 months and over	27,319,553	35,603,376
	<u>4,520,958,604</u>	<u>2,133,338,405</u>
9 Fixed assets including premises, furniture and fixtures		
Details are shown in Annex B .	<u>45,576,855</u>	<u>75,503,386</u>
10 Other assets		
Income generating		
In Bangladesh	-	-
Outside Bangladesh	-	-
Non-income generating:		
Advance payment of corporate income tax (note 10.1)	2,425,926,082	1,766,942,083
Receivable from Bangladesh Bank against Sanchaya Patras	1,992,579	5,555,650
Advance rent and advertisement	38,342,863	68,624,641
Other income receivable	238,766,843	151,745,284
Prepaid expenses	4,497,581	8,329,582
Stock of stationery, stamps, printing materials, etc	3,861,641	3,072,559
Receivable from Head Office	428,500	822,200
Security deposit	3,797,086	3,831,295
Interest receivable from other banks (note 10.2)	50,174	35,566
Commission and brokerage receivable	43,870	4,259,291
Others (note 10.3)	60,450,591	64,794,447
	<u>2,778,157,810</u>	<u>2,078,012,598</u>
Classification status of other assets		
Unclassified	2,778,157,810	2,078,012,598
Doubtful	-	-
Bad/Loss	-	-
	<u>2,778,157,810</u>	<u>2,078,012,598</u>
10.1 Advance payment of corporate income tax		
Opening balance	1,766,942,083	1,536,198,024
<u>Less:</u> Settlement during the year	-	(349,884,226)
<u>Add:</u> Income tax paid during the year	650,178,413	559,010,041
<u>Add:</u> Income tax withheld during the year on:		
L/C commission	2,872,538	2,876,224
Interest on government treasury bills/bonds/ Fixed term deposits	5,933,048	17,028,479
Dividend on shares of CDBL	-	1,713,541
Closing balance (note 10.1.1)	<u>2,425,926,082</u>	<u>1,766,942,083</u>
10.1.1 Closing balance of advance payment of corporate income tax		
2015	313,939,757	-
2014	620,007,926	281,763,684
2013	548,951,457	548,951,457
2012	507,093,987	507,093,987
2011	435,932,955	429,132,955
	<u>2,425,926,082</u>	<u>1,766,942,083</u>

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
10.2 Interest receivable from other banks		
Bangladesh Bank	27,922	12,597
Others	22,252	22,969
	50,174	35,566
10.3 Others		
Deferred tax assets (note 10.3.1)	57,344,113	62,435,329
Receivable from VISA, etc	3,106,478	2,359,118
	60,450,591	64,794,447
10.3.1 Deferred tax assets on		
Gratuity provision	32,002,441	47,686,465
Fixed assets	25,341,672	14,748,864
	57,344,113	62,435,329
Increase / (Decrease) in Deferred Tax Assets	(5,091,216)	8,971,706
Calculation of Deferred Tax Assets :		
	(Taxable) /	Deferred Tax
Particulars	Carrying	Tax Base
	Amount	
		Deductible
		Temporary
		Assets /
		(Liabilities)
Gratuity Provision	75,299,861	-
WDV of Fixed Assets	45,576,855	105,204,320
		75,299,861
		59,627,465
		57,344,113
		32,002,441
		25,341,672
		57,344,113
		32,002,441
		25,341,672
		57,344,113
11 Borrowings from other banks, financial institutions and agents		
In Bangladesh (note 11.1)	38,003,072	2,668,050,672
Outside Bangladesh (note 11.2)	3,207,896,934	2,585,850,543
	3,245,900,006	5,253,901,215
11.1 In Bangladesh		
Call loan from		
Sonali Bank Limited	-	500,000,000
Dutch Bangla Bank Limited	-	400,000,000
HSBC	-	380,000,000
Agrani Bank Limited	-	350,000,000
State Bank of India	-	210,000,000
Repo from Janata Bank Limited	-	754,487,720
	-	2,594,487,720
Term borrowings from:		
Bangladesh Bank (Refinance - SME)	1,718,671	3,093,603
Pubali Bank Limited	36,284,401	70,469,349
	38,003,072	73,562,952
	38,003,072	2,668,050,672
11.2 Outside Bangladesh		
Muskat Bank	-	1,961,125,000
Commercial Bank of Ceylon	3,207,896,934	624,725,543
	3,207,896,934	2,585,850,543
Analysis by security		
Secured	-	754,487,720
Unsecured	3,245,900,006	4,499,413,495
	3,245,900,006	4,499,413,495
Grouping by maturity		
Repayable on demand	69,815,605	154,055,543
Others	3,176,084,401	5,099,845,672
	3,245,900,006	5,253,901,215

Notes to the financial statements
For the year ended 31 December 2015

	2013 BDT	2014 BDT
12 Deposits and other accounts		
12.1 Current and other accounts		
Current accounts (note 12.1.1)	6,341,840,618	5,623,669,179
Margin accounts (note 12.1.2)	372,686,957	325,249,203
	<u>6,714,527,575</u>	<u>5,948,918,382</u>
12.1.1 Current accounts		
Local currency		
Inter-bank	-	-
Others	4,026,604,338	4,206,487,278
	<u>4,026,604,338</u>	<u>4,206,487,278</u>
Foreign currencies		
Inter-bank	-	-
Others	2,315,236,280	1,417,181,901
	<u>2,315,236,280</u>	<u>1,417,181,901</u>
	<u>6,341,840,618</u>	<u>5,623,669,179</u>
12.1.2 Margin accounts		
Letters of guarantee	27,422,807	24,439,476
Letters of credit	331,058,422	287,498,507
Others	14,205,728	13,311,220
	<u>372,686,957</u>	<u>325,249,203</u>
	<u>6,714,527,575</u>	<u>5,948,918,382</u>
12.2 Bills payable		
Payment orders issued	75,276,600	118,103,990
Inward remittance payable	-	-
	<u>75,276,600</u>	<u>118,103,990</u>
12.3 Savings bank deposits		
Local currency		
Inter-bank	-	-
Others	1,971,941,748	1,947,383,532
	<u>1,971,941,748</u>	<u>1,947,383,532</u>
Foreign currency		
Inter-bank	-	-
Others	151,788,601	137,733,800
	<u>151,788,601</u>	<u>137,733,800</u>
	<u>2,123,730,349</u>	<u>2,085,117,332</u>
12.4 Fixed deposits		
Local currency		
Inter-bank	2,100,000,000	-
Others	9,035,513,977	8,262,891,779
	<u>11,135,513,977</u>	<u>8,262,891,779</u>
Foreign currency		
Inter-bank	-	-
Others	1,862,064,303	2,188,646,747
	<u>1,862,064,303</u>	<u>2,188,646,747</u>
	<u>12,997,578,280</u>	<u>10,451,538,526</u>

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
12.5 Other deposits		
Stale drafts-foreign currencies	11,848,340	15,349,953
Stale pay orders-local currency	14,432,408	14,783,726
	<u>26,280,748</u>	<u>30,133,679</u>
	<u>21,937,393,552</u>	<u>18,633,811,909</u>
12.6 Maturity analysis of customer deposits		
Repayable on demand	8,939,815,272	8,182,273,383
Repayable within 1 month	2,903,353,595	2,592,654,365
Over 1 month but within 6 months	5,346,881,005	4,411,823,865
Over 6 months but within 1 year	2,013,881,476	2,898,329,242
Over 1 year but within 5 years	633,462,204	548,731,054
Over 5 years but within 10 years	-	-
Unclaimed deposit for 10 years or more held by the Bank	-	-
	<u>19,837,393,552</u>	<u>18,633,811,909</u>
12.7 Maturity analysis of inter-bank deposits		
Repayable on demand	-	-
Repayable within 1 month	2,100,000,000	-
Over 1 month but within 6 months	-	-
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Unclaimed deposits for 10 years or more held by the Bank	-	-
	<u>2,100,000,000</u>	<u>-</u>
	<u>21,937,393,552</u>	<u>18,633,811,909</u>
13 Other liabilities		
Accumulated general provision against loans and advances and Off-Balance Sheet items (note 13.1)	331,300,000	267,150,000
Specific provision (note 13.1.2)	160,982,770	85,602,336
Interest suspense account (note 13.2)	52,549,751	23,949,182
Interest payable on deposits	308,503,765	287,441,434
Interest payable on borrowings	7,032,250	19,482,823
Provision for corporate taxation (note 13.3)	2,918,344,734	2,240,935,950
Sundry creditors	7,072,313	2,272,792
Expenses payable	122,235,040	110,258,350
Provision for gratuity (note 13.4)	75,299,861	112,203,447
Others	102,028,695	47,001,642
	<u>4,085,349,179</u>	<u>3,196,297,956</u>

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
13.1 Accumulated general provision against loans and advances and Off-balance sheet items		
Opening balance	267,150,000	270,650,000
<u>Less:</u> Fully provided, written-off during the year	-	-
<u>Less:</u> Recovery of provision no longer required	-	-
<u>Add:</u> Provision for the year	64,150,000	(3,500,000)
Closing balance	<u>331,300,000</u>	<u>267,150,000</u>
Required Provision	<u>304,775,659</u>	<u>266,028,482</u>
13.1.1 General provision		
Opening balance	267,150,000	270,650,000
<u>Add:</u> Provision for the year (note 13.1.1.1)	64,150,000	(3,500,000)
<u>Add:</u> Transferred from specific provision during the year	-	-
<u>Less:</u> Transferred to specific provision during the year	-	-
Closing balance (note 13.1.1.2)	<u>331,300,000</u>	<u>267,150,000</u>
13.1.1.1 General provision for the year against		
Loans and advances	39,250,000	9,700,000
Off-balance sheet items	24,900,000	(13,200,000)
	<u>64,150,000</u>	<u>(3,500,000)</u>
13.1.1.2 General provision against		
Loans and advances	229,900,000	190,650,000
Off-balance sheet items	101,400,000	76,500,000
	<u>331,300,000</u>	<u>267,150,000</u>
13.1.2 Specific provision		
Opening balance	85,602,336	30,310,484
<u>Less:</u> Fully provided, written-off during the year	-	-
<u>Add:</u> Recovery of advance previously written-off	-	-
<u>Add:</u> Specific provision during the year	101,099,969	63,832,834
<u>Less:</u> Recovery of provision no longer required	(25,719,535)	(8,540,982)
Closing balance	<u>160,982,770</u>	<u>85,602,336</u>
Required provision	<u>160,982,770</u>	<u>85,602,336</u>
13.2 Interest suspense account		
Opening balance	23,949,182	21,259,590
<u>Add:</u> Amount transferred to interest suspense account during the year	30,090,977	3,391,989
<u>Less:</u> Transferred to income during the year	(1,490,408)	(702,397)
<u>Less:</u> Amount waived/written-off during the year	-	-
Closing balance	<u>52,549,751</u>	<u>23,949,182</u>

**Notes to the financial statements
For the year ended 31 December 2015**

	2015 BDT	2014 BDT
13.3 Provision for taxation		
Opening balance	2,240,935,950	1,892,848,470
<u>Add</u> : Provision during the year (note 13.3.1)	677,408,784	697,971,706
<u>Less</u> : Settlement during the year	-	(349,884,226)
Closing balance (note 13.3.2)	<u>2,918,344,734</u>	<u>2,240,935,950</u>
<p>Filing of corporate income tax return of the Bank has been made up to the assessment year 2015-16. Corporate income tax return for the income year ended 31 December 2015 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 2015 has been made after considering necessary taxable allowances and disallowances as per tax laws.</p>		
13.3.1 Provision made during the year		
Current tax	677,408,784	697,971,706
Deferred tax	5,091,216	(8,971,706)
	<u>682,500,000</u>	<u>689,000,000</u>
13.3.2 Provision for taxation		
Current year provision	677,408,784	-
Provision carried forward	-	-
2015	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>2,918,344,734</u>	<u>2,240,935,950</u>
13.4 Provision for gratuity		
Opening balance	112,203,447	101,664,472
<u>Less</u> : Payment made during the year	(4,844,977)	(3,327,887)
<u>Add</u> : Provision made during the year	(32,058,609)	13,866,862
Closing balance	<u>75,299,861</u>	<u>112,203,447</u>
14 Paid-up capital / Deposit kept with Bangladesh Bank		
Fund deposited with Bangladesh Bank	-	-
Investment in treasury bills/bonds (note 14.1)	4,445,178,830	4,450,387,562
	<u>4,445,178,830</u>	<u>4,450,387,562</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 2015 represents investment in treasury bills/bonds of BDT 4,445,178,830.

Notes to the financial statements
For the year ended 31 December 2015

	2015	2014
	BDT	BDT
14.2 Capital to Risk Weighted Assets Ratio (CRAR)		
In terms of section 13 (2) of the Banking Companies Act, 1991 and Bangladesh Bank BRPD circulars no. 01,14 ,10, 05 and 18 dated 08 January 1996,16 November 1996, 25 November 2002, 14 May 2007 and 21 December 2014 respectively, required capital of the Bank at 31 December 2015 should be BDT 4,000,000,000 or 10% of risk weighted assets whichever is higher as against available capital of BDT 7,411,320,700 (Tier I Capital BDT 7,168,364,184 and Tier II Capital BDT 242,956,516). Details are shown below:		
Total assets including off-balance sheet items	46,252,564,344	42,800,632,822
Total risk weighted assets	22,568,569,337	22,728,440,684
10% of risk weighted assets	2,256,856,934	2,272,844,068
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	4,445,178,830	4,450,387,562
Statutory reserve	-	-
Other reserve	-	-
Retained earnings	2,780,529,467	2,091,389,725
Regulatory adjustments (deferred tax assets)	(57,344,113)	-
	7,168,364,184	6,541,777,287
Tier II		
General provision on unclassified loans and off-balance sheet items (Allowable as per Basel III)	236,081,279	267,150,000
Revaluation reserve as of 31 December 2014 (up to 50% of revaluation reserve) less phase-in deductions as per Basel III)	6,875,237	8,594,046
	242,956,516	275,744,046
Total capital (b)	7,411,320,700	6,817,521,333
Capital surplus / (shortfall) (b-a)	3,411,320,700	2,817,521,333
Capital to Risk Weighted Assets Ratio (CRAR)	32.84%	30.00%
15 Retained earnings		
Opening balance	2,091,389,725	1,096,704,836
Add: Profit after taxation	926,102,885	893,244,894
Add: Capital from Head Office	-	-
Less: Profit remittance	(242,171,875)	-
Less: Amount transferred to paid-up capital/Deposit kept with Bangladesh Bank	5,208,732	101,439,995
Closing balance	2,780,529,467	2,091,389,725
16 Contingent liabilities		
16.1 Claims lodged with the Bank which are not recognized as loan	-	-
	-	-
16.2 Letter of guarantees		
Directors	-	-
Government	1,249,841,253	1,475,983,849
Banks and other financial institutions	1,374,429	286,280,234
Others	146,866,159	338,644,059
	1,398,081,841	2,100,908,142
Less: Margin on guarantees	27,422,807	24,439,476
	1,370,659,034	2,076,468,666

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
16.3 Irrevocable letters of credit		
Inward bills unsettled	2,846,483,430	2,069,873,057
Documentary credits	3,426,327,907	3,436,802,479
Shipping guarantee	1,100	500
	<u>6,272,812,437</u>	<u>5,506,676,036</u>
<u>Less: Margin on letters of credit</u>	<u>331,058,422</u>	<u>287,498,507</u>
	<u>5,941,754,015</u>	<u>5,219,177,529</u>
16.4 Bills for collection (*)		
Cheques for collection	13,548,906	17,608,628
Outward collection	1,950,025,719	1,779,762,992
	<u>1,963,574,625</u>	<u>1,797,371,620</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	-	-
Corporate Branch	64,638,549	64,638,549
	<u>64,638,549</u>	<u>64,638,549</u>
	<u>9,340,626,223</u>	<u>9,157,656,364</u>
17 Other commitments		
Forward assets purchased and forward deposits placed	404,908,040	-
	<u>404,908,040</u>	<u>-</u>

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
18 Interest income		
Interest on loans and advances		
General loan	1,231,090,433	1,174,611,268
Overdrafts	242,914,280	331,121,959
Trust receipts	71,167,418	142,512,337
Import loans	1,093,319	6,879,366
Pre-shipment loan	8,511,237	6,970,952
Inland bills purchased	3,812,298	10,106,022
House building loan-others	10,301,833	8,730,512
Credit cards	6,407,863	6,007,226
Staff loans	4,681,895	5,678,431
	1,579,980,576	1,692,618,073
Interest on		
Accounts with foreign banks	24,231,321	27,310,811
Deposits with other banks	77,985,070	126,895,083
	102,216,391	154,205,894
	1,682,196,967	1,846,823,967
19 Interest paid on deposits and borrowings, etc		
Interest on		
Fixed deposits	647,222,986	785,268,205
Short notice deposit / Money Market A/C	79,656,616	98,972,771
Savings deposits	60,598,393	57,625,199
Foreign currency deposits	54,877,263	46,328,528
	842,355,258	988,194,703
Interest on		
Borrowings from local banks	28,766,378	31,922,821
Borrowings from foreign banks	32,514,456	35,247,412
	61,280,834	67,170,233
	903,636,092	1,055,364,936
20 Investment income		
Interest and profit on treasury bills	93,348,255	174,789,869
Interest and profit on treasury bonds	670,805,561	660,416,150
Capital gain on treasury bills and bonds	206,635,763	104,268,110
Interest on Commercial Paper / Banglalink bonds	61,048,342	2,025,000
Dividend from CDBL shares	8,567,708	8,567,708
	1,040,405,629	950,066,837
21 Commission, exchange and brokerage		
Commission	253,293,549	260,979,219
Exchange gain less losses arising from dealing in foreign currencies	294,698,938	268,352,982
	547,992,487	529,332,201
22 Other operating income		
Recovery of other provision/ written off bad debts	25,719,535	8,540,982
Exchange Equalization Fund transferred to Profit	-	-
Profit on disposal of fixed assets	44,998	362,256
Profit less loss from interest fluctuation	-	-
Income from recovery of loans	-	411,858
	25,764,533	9,315,096

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
23 Salary and allowances		
Salaries	220,147,481	213,969,046
Leave fair assistance	17,468,975	16,545,047
Bonus	97,674,294	96,074,191
Bank's contribution to provident fund	10,446,066	9,900,230
Gratuity	(32,058,609)	13,866,862
Other allowances	7,182,286	12,598,424
Medical expenses	9,030,636	5,885,499
	329,891,129	368,839,299
24 Rent, taxes, insurance and electricity		
Rent, rates and taxes	79,313,449	73,975,742
Lease rent	1,934,325	1,969,037
Insurance	15,367,272	16,329,208
Lighting	11,148,990	10,747,062
Water charges	555,601	603,517
	108,319,637	103,624,566
25 Legal expenses		
Law charges	477,568	4,254
Other professional fees	858,260	417,325
	1,335,828	421,579
26 Postage, stamps and telecommunication		
Telephone	2,211,279	2,590,827
Swift charges	2,837,252	3,335,581
Postage and courier	5,003,031	5,081,853
	10,051,562	11,008,261
27 Stationery, printing and advertisements		
Publicity and advertisement	3,615,540	3,357,453
Printing and stationery	6,271,905	5,964,691
Newspapers and periodicals	282,728	274,247
	10,170,173	9,596,391
28 Chief Executive's salary and allowances		
Salary	4,938,911	4,732,742
Bonus	2,601,134	774,450
Other allowances	108,000	108,000
	7,648,045	5,615,192
29 Depreciation and repairs of Bank's assets		
Depreciation (Annex B).	41,401,068	28,514,091
Repairs and maintenance of:		
Equipment and computers	20,031,448	18,186,223
Premises, furniture and fixtures	5,500,207	5,923,935
Vehicles	6,226,905	6,919,350
	73,159,628	59,543,599
30 Other expenses		
Fees and charges for services	36,025,338	37,328,776
Travelling and conveyance	7,642,053	6,546,328
Entertainment	1,411,333	923,192
Security services	13,462,051	12,366,197
Training, seminar and workshop	1,145,445	1,316,926
Cash carrying expenses	5,548,254	6,193,942
Loss on disposal of fixed assets	1	11
Donation and subscription	1,089,650	944,850
Staff welfare	3,288,471	4,252,297
Sundry expenses	8,348,572	8,740,531
	77,961,168	78,613,050

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
31 Provision against loans and advances		
General provision for:		
Unclassified loans	39,250,000	9,700,000
Off-balance sheet items	24,900,000	(13,200,000)
	64,150,000	(3,500,000)
32 Receipts from other operating activities		
Other operating income	25,764,533	9,315,096
Income from commission, exchange and brokerage	547,992,487	529,332,201
<u>Less:</u> Fees and commission	(253,293,549)	(260,979,219)
Recovery of loans previously written-off	(25,719,535)	(8,540,982)
Gain on disposal of property, plant and equipment	(44,998)	(362,256)
	294,698,938	268,764,840
33 Payments for other operating activities		
Total operating expenses	(618,870,670)	(637,595,437)
<u>Less:</u> Payments to employees	369,597,783	360,587,629
<u>Less:</u> Payments to suppliers	128,541,372	124,229,218
<u>Less:</u> General and other provisions	(165,249,969)	(60,332,834)
	(285,981,484)	(213,111,424)
34 Other assets		
Receivable from Bangladesh Bank against Sanchaya patras	1,992,579	5,555,650
Advance rent and advertisement	38,342,863	68,624,641
Prepaid expenses	4,497,581	8,329,582
Stock of stationery, stamps, printing materials, etc	3,861,641	3,072,559
Receivable from Head Office	428,500	822,200
Security deposit	3,797,086	3,831,295
Commission and brokerage receivable	43,870	4,259,291
Others	84,072,595	61,756,707
	137,036,715	156,251,925
Increase /(Decrease) during the year	19,215,210	22,207,938
35 Other liabilities		
Accumulated provision against loans and advances and off-balance sheet items	331,300,000	267,150,000
Specific provision	160,982,770	85,602,336
Provision for corporate taxation	2,918,344,734	2,240,935,950
Exchange equalisation account	-	-
Gain on revaluation of treasury bills/bonds	12,679,047	17,188,091
Sundry creditors	7,072,313	2,272,792
Expenses payable	122,235,040	110,258,350
Provision for gratuity	75,299,861	112,203,447
Interest suspense account	52,549,751	23,949,182
Dividends/Profit remittance, etc	(242,171,875)	-
Commission and brokerage payable	-	-
Others	102,028,695	47,001,642
	3,540,320,336	2,906,561,790
<u>Less:</u> Current year's corporate tax provision	(682,500,000)	(689,000,000)
Decrease during the year	(48,741,454)	(261,687,065)

Notes to the financial statements
For the year ended 31 December 2015

36 Audit committee

Audit committee of the Bank consists of the following members:

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

Four numbers of Audit Committee meetings were held during the year 2015 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 by BRPD circular no. 04 dated 05 March 2007 for effective management of six core risk areas of banking business namely:

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

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

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

Notes to the financial statements
For the year ended 31 December 2015

37.1 Credit risks

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

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

37.2 Asset and liability/ Balance sheet risks

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

37.3 Foreign exchange risks

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

37.4 Internal control and compliance risks

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

Bank has already implemented Internal Control Procedures manual with segmental risk monitoring procedure. Internal control and Compliance Department undertakes regular and surprise audit/ inspection of the branches and departments to review the operations and compliance of statutory requirements and to ensure all financial statements are drawn up in conformity with Banking Companies Act, 1991 (Amendment up to 2013), in accordance with BAS/ BFRS and BRPD circular no. 14 dated 15 June 2003.

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 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.

Notes to the financial statements
For the year ended 31 December 2015

37.6 Information Technology Risks

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

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

37.7 Internal Audit

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

37.8 Fraud and Forgeries

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

38 Risk Management Committee (RMC)

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

39 Post balance sheet events

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

40 Related party disclosure

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

Notes to the financial statements
For the year ended 31 December 2015

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

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

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

Notes to the financial statements
For the year ended 31 December 2015

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

* N/A = Not Applicable

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

42 Others

Assets and liabilities other than balances with other banks and financial institutions at 31 December 2015 denominated in foreign currencies have been converted to local currency, BDT, at the following exchange rates:

<u>Currency</u>	<u>Abbreviation and unit</u>	<u>Equivalent BDT</u>
United Arab Emirate Dirham	AED 1.00	21.1753
Australian Dollar	AUD 1.00	57.3092
Canadian Dollar	CAD 1.00	56.5934
Danish Kroner	DKK 1.00	11.4999
European Currency	EUR 1.00	85.8107
Hong Kong Dollar	HKD 1.00	10.1269
Indian Rupee	INR 1.00	1.1819
Japanes Yen	JPY 1.00	0.6520
Kuwaiti Dinar	KWD 1.00	255.2600
New Zealand Dollar	NZD 1.00	53.7416
Pound Sterling	GBP 1.00	116.8082
Quatar Riyal	QAR 1.00	21.5524
Singapore Dollar	SGD 1.00	55.5225
Swedish Kroner	SEK 1.00	9.3329
Swiss Franc	CHF 1.00	79.4082
Thai Baht	THB 1.00	2.1503
Malaysian Ringgit	MYR 1.00	18.0387
Saudia Arabian Riyal	SAR 1.00	20.6097
US Dollar	USD 1.00	78.4950

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 2015 was USD 1,033,429.77 equivalent to Taka 81,119,069.62 against the approved limit of USD 13,630,000.00

Notes to the financial statements
For the year ended 31 December 2015

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 17 June 2015

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 2015 the bank has undertaken wide range of CSR activities covering Financial Inclusions, Social and Community projects.

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

A. Organization:

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

B. Market Environment:

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

C. Social Projects:

Description of initiatives	Amount of investment	No. of beneficiaries
Direct social interventions conducted by the bank, both as occasional/remedial measures or sustainable/continuous projects:		
i. Education : Donation of full-fledged computer lab with 6 PCs, printers, LAN and speakers for Patenga City Corporation Women's College, Chittagong	BDT 229,000	1300 Students
ii a). Disaster Management: Donated to Nepal Embassy Dhaka to assists the earthquake victim of Nepal (25 April 2015 - Gorkha Earthquake)	BDT 622,400	N/A
ii.b). Disaster Management: 1500 units of blanket distribution through Bangladesh Bank for poor cold affected people	BDT 273,000	1500 people
iii. Health: Donated to Bangladesh Thalassaemia Hospital on 16 April 2015	BDT 100,000	N/A

Notes to the financial statements
For the year ended 31 December 2015

48 Highlights of Activities

Sl.	Particulars	2015	2014
1	Paid-up capital / Deposit kept with Bangladesh Bank	4,445,178,830	4,450,387,562
2	Total capital for the purpose of CRAR	7,411,320,700	6,817,521,333
3	Capital to Risk Weighted Assets Ratio (CRAR)	32.84%	30.00%
4	Capital surplus/(shortfall)	3,411,320,700	2,817,521,333
5	Total assets	36,507,030,081	33,642,976,458
6	Total deposits	21,937,393,552	18,633,811,909
7	Total loans and advances	22,781,874,195	18,487,101,221
8	Total contingent liabilities and commitments	9,745,534,263	9,157,656,364
9	Credit-deposit ratio - DBU (%)	82.78%	82.10%
10	Ratio of classified loans against total loans and advances	2.22%	1.27%
11	Profit after tax and provision	926,102,885	893,244,894
12	Loans classified during the year	505,143,886	234,676,528
13	Provision kept against classified loans	160,982,770	85,602,336
14	Provision surplus/(deficit)	-	-
15	Cost of fund	4.69%	5.10%
16	Interest earning assets	32,136,123,793	30,049,825,642
17	Non-interest earning assets	4,370,906,288	3,593,150,816
18	Return on investment (*)	15.94%	14.42%
19	Return on average investment	12.06%	10.53%
20	Return on assets (*)	2.54%	2.66%
21	Income from investment	1,040,405,629	950,066,837
22	Earnings per share	N/A	N/A
23	Net income per share	N/A	N/A
24	Price earnings ratio	N/A	N/A

for Commercial Bank of Ceylon-PLC



Binoy G. Roy
Financial Controller



Najith Meewanage
Chief Operating Officer



Ajith Naranpanawe
Country Manager

Dhaka, Bangladesh
Dated, 29 March 2016

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**

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 Sri Lanka.

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 2015 was BDT 7,411.32 million out of which BDT 7,168.36 million was under Tier-I capital (out of that BDT. 4,445.18 million was Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining BDT 2,723.18 million was Retained Profit after regulatory deduction) and remaining BDT 242.96 million was under Tier-II capital (General Provision of BDT 236.08 million and remaining 6.88 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

4,445,178,830
-
-
2,780,529,467
-
7,225,708,297

Amount deducted from CET 1 Capital (Regulatory Adjustments)

- Good will
- Shortfall
- Deferred tax assets
- Others

-
-
57,344,113
-

Total CET 1 Capital

ii) Additional Tier I capital

Total Tier I Capital (i+ii)

b) Total Tier II capital

Total eligible capital (a+b)

7,168,364,184
-
7,168,364,184
242,956,516
7,411,320,700

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**

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 2015 bank maintained capital of BDT 7,411.32 million (Tier 1: going-concern capital of BDT 7,168.36 million plus Tier 2: gone-concern capital of BDT 242.96 million) against its total Risk Weighted Asset (RWA) of BDT 22,568.57 million which leads to a Capital to Risk-weighted Asset Ratio (CRAR) of 32.84%, where the minimum requirement is 10% as per BRPD circular no. 18 dated 21 December 2014. Tier-I capital was 31.76% of RWA against minimum requirement of 5.5% of RWA. As a result the Bank has a buffer Capital of BDT 4,544.68 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:	BDT	
Amount of Capital required to meet Credit Risk	1,888,650,235	
Amount of Capital required to meet Market Risk	31,211,632	
Amount of Capital required to meet Operational Risk	336,995,067	
	2,256,856,934	
b) Actual Capital Maintained:		
Total CET 1 Capital	7,168,364,184	
Total Tier I Capital	7,168,364,184	
Total Tier II Capital	242,956,516	
Total capital	7,411,320,700	
% of Capital to risk weighted assets (CRAR)		
	Required	Maintained
CET 1	4.50%	31.76%
Tier I	5.50%	31.76%
Tier II		1.08%
Total	10.00%	32.84%
c) Capital conservation buffer		-
d) Available capital under pillar 2 requirement		3,411,320,700

3.3 Credit Risk

Qualitative Disclosures:

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

Definition of past due and impaired

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

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

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

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

Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015

Discussion of the bank's credit risk management policy

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

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

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

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

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

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

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

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

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**

Quantitative Disclosure

Total exposures of credit risk

BDT

A) Broken down by major types of credit exposure

a) Cash and cash equivalents	214,913,744
b) Claims on Bangladesh Government and Bangladesh	7,813,937,044
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	164,302,548
Maturity less than 3 Months	2,861,280,873
h) Claims on Corporate	12,558,316,671
i) Claims under Credit Risk Mitigation	2,141,121,271
j) Claims categorized as retail portfolio and small enterprise (excluding consumer finance)	488,378,691
k) Consumer finance	103,039,715
l) Claims fully secured by residential property	45,022,783
m) Claims fully secured by commercial real estate	89,444,337
n) Past due loans/NPL	387,285,272
o) Investments in premises, plant and equipment and all other fixed	45,440,114
q) All Other Assets	
i) Claims on GoB and BB (Advance Income Tax)	2,485,262,774
ii) Staff loan/investments	58,897,318
iii) Other assets	2,972,064,797
r) Off-balance sheet items:	
Claims on banks:	
Maturity Over 3 Months	20,148,216
Maturity less than 3 Months	1,608,561
Claims on corporate	4,063,063,533
Retail portfolio and small enterprises	51,911,913
	36,565,440,175

B. Geographical Distribution of Exposure

Category	Dhaka	Chittagong	Sylhet	Total
Balance Sheet Items				
Claims on sovereigns and central banks	7,956,665,321	59,331,679	12,853,788	8,028,850,788
Claims on banks and NBFIs	3,025,583,421	-	-	3,025,583,421
Claims on corporate	13,016,385,082	1,863,404,603	251,956,312	15,131,745,997
Claims on retail portfolio and consumer	517,992,725	89,696,060	73,173,958	680,862,743
Fixed assets	40,555,079	4,446,355	438,680	45,440,114
Staff loan	58,897,318	-	-	58,897,318
All other assets	3,343,663,056	2,085,727,868	27,936,647	5,457,327,571
Total on balance sheet items	27,959,742,002	4,102,606,565	366,359,385	32,428,707,952
Off Balance Sheet Items				
Claims on banks	21,756,777	-	-	21,756,777
Claims on corporate	3,423,748,188	639,315,345	-	4,063,063,533
Claims on retail portfolio and consumer finance	38,667,363	13,244,550	-	51,911,913
Total off balance sheet items	3,484,172,328	652,559,895	-	4,136,732,223
Total	31,443,914,330	4,755,166,460	366,359,385	36,565,440,175

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**

C. Industry or Counterparty type distribution of exposures

Category	Bank and NBFIs	Manufacturing industries	Retail and Consumer	Others	Total
Balance Sheet Items					
Claims on sovereigns and central banks	8,028,850,788	-	-	-	8,028,850,788
Claims on banks and	3,025,583,421	-	-	-	3,025,583,421
Claims on corporate	-	15,131,745,997	-	-	15,131,745,997
Claims on retail	-	-	680,862,743	-	680,862,743
Fixed assets	-	-	-	45,440,114	45,440,114
Staff loan	-	-	-	58,897,318	58,897,318
All other assets	-	-	-	5,457,327,571	5,457,327,571
Total on balance sheet items	11,054,434,209	15,131,745,997	680,862,743	5,561,665,003	32,428,707,952
Off-balance sheet items					
Claims on banks	21,756,777	-	-	-	21,756,777
Claims on corporate	-	4,063,063,533	-	-	4,063,063,533
Claims on retail portfolio and consumer finance	-	-	51,911,913	-	51,911,913
Total off balance sheet items	21,756,777	4,063,063,533	51,911,913	-	4,136,732,223
Total	11,076,190,986	19,194,809,530	732,774,656	5,561,665,003	36,565,440,175

D. Residual Contractual Maturity

Residual contractual maturity	Balance sheet items	Off-balance sheet items	Total
Up to 1 month maturity	12,471,872,616	176,627,738	12,648,500,354
1-3 months maturity	4,536,999,192	826,511,336	5,363,510,528
3-12 months maturity	7,525,882,322	2,960,228,073	10,486,110,395
1-5 years maturity	6,512,139,135	173,365,076	6,685,504,211
Above 5 years maturity	1,381,814,687	-	1,381,814,687
Total	32,428,707,952	4,136,732,223	36,565,440,175

E. Major Industry or Counterparty Type (past due)

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

Major industry/sector	
Bank and NBFIs	-
Manufacturing industries	205,650,314
Retail and Consumer finance	9,889,336
Others	289,604,236
Total	505,143,886

ii) Specific and general provision

General provision	
Loans and advances	229,900,000
Off-Balance sheet items	101,400,000
	331,300,000
Specific provision	160,982,770

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

Specific provisions made during the period	101,099,969
Write-back of excess specific provisions	13,275,868

Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015

F) Gross non-performing assets (NPAs)	505,143,886
Total loans & advances	17,692,420,844
Non-performing loans and advances	505,143,886
Sub-standard	146,773,987
Doubtful	66,647,832
Bad/ Loss	291,722,067
Non-Performing Assets (NPAs) to Outstanding Loans and advances	2.86%
G) Movement of Non-Performing Assets (NPAs)	
Opening balance	221,564,167
Add: Addition during the year	294,214,960
Less: Reduction during the year	10,635,241
Closing balance	505,143,886
H) Movement of specific provisions for NPAs	
Opening balance	73,158,669
Add: Provisions made during the period	101,099,969
Less: Write-off	-
Less: Write-back of excess provisions	13,275,868
Closing balance	160,982,770

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

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

Internal factors include the composition of the Bank's assets and liabilities, quality, maturity, interest rate and repricing 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 in prevalent on both the assets as well as the liability sides of the Bank's balance sheet.

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

Credit shock under Basel III (balance sheet exposure)

Magnitude of Shock	Minor	Moderate	Major
Weighted average yield on assets (%)	10.00	10.00	10.00
Total Assets	3,291.62	3,291.62	3,291.62
Total RWA before shock	2,256.86	2,256.86	2,256.86
Total increase in RWA after shock	15.69	31.37	47.05
Total increase Capital requirement after shock	1.57	3.14	4.71
Total RWA after shock	2,272.55	2,288.23	2,303.91
Eligible capital	741.13	741.13	741.13
Capital adequacy ratio after shock (%)	32.61	32.39	32.17
Capital adequacy ratio before shock (%)	32.84	32.84	32.84
Changes in CAR (%)	(0.23)	(0.45)	(0.67)

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

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Credit Shock under Basel II (Off Balance Sheet Exposure)

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	3,291.62	3,291.62	3,291.62
Total RWA before shock	2,256.86	2,256.86	2,256.86
Total increase in RWA after shock	1.48	2.97	4.45
Total increase in capital requirement after shock	0.15	0.30	0.45
Total RWA after shock	2,258.34	2,259.83	2,261.31
Eligible capital	741.13	741.13	741.13
Capital Adequacy Ratio after shock (%)	32.82	32.80	32.77
Capital Adequacy Ratio before shock (%)	32.84	32.84	32.84
Changes in CAR (%)	(0.02)	(0.04)	(0.06)

Combined Shock

Magnitude of Shock	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	32.84	32.84	32.84
Decrease in the FSV of the collateral	-0.10	-0.20	-0.40
Increase in NPLs	-0.85	-2.84	-5.60
Negative shift in NPLs categories	-0.16	-0.28	-0.49
Interest rate	-0.42	-0.85	-1.27
FEX: Currency appreciation	-0.01	-0.03	-0.04
Equity shock	-0.06	-0.13	-0.25
Total change	-1.61	-4.31	-8.05
CAR after shock (%)	31.23	28.53	24.79

3.5 Market Risk

Qualitative Disclosure

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

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

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

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

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

Methods used to measure market risk:

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

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

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

Interest rate risk

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

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

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

For the year ended 31 December 2015

Foreign exchange risk

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

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	
	21,709,409
	-
	9,502,223
	-
	31,211,632

3.6 Operational risk

Qualitative disclosure

Views of BOD on system to reduce operational risk

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

Performance gap of executives and staffs

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

Potential external events

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

Policies and processes for mitigating operational risk

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

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

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**

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 2015 bank's operational capital requirement was Tk. 33.70 crore which was adequately maintained.

Quantitative Disclosure

The capital requirements for operational risk is Taka

BDT
336,995,067

3.7 Liquidity ratio

Qualitative disclosure

Views of BOD on system to reduce liquidity risk

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

Methods used to measure liquidity risk

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

Liquidity risk management system

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

Policies and processes for mitigating liquidity risk

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

Quantitative Disclosure

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

BDT	
114.78%	
112.53%	
3,582,849,000	
3,121,417,200	
22,978,393,700	
20,420,388,700	

3.8 Leverage ratio

Qualitative disclosure

Views of BOD on system to reduce excessive leverage

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

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

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

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**

Approach for calculating exposure

Leverage ratio of the bank is calculated in line with the RBCA Guideline of BB. As at 31st December 2015 bank's leverage ratio was 19.46% and it was calculated as follows:

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

Quantitative Disclosure

BDT

Leverage ratio	19.46%
On balance sheet exposure	32,755,183,236
Off balance sheet exposure	4,136,732,223
Total exposure	36,891,915,459
<u>Less: Regulatory adjustments</u>	<u>57,344,113</u>
Total exposure for the purpose of leverage ratio	<u>36,834,571,346</u>

3.11 Remuneration

The bodies that oversee remuneration

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

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

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

Material Risk Takers	Composition	Number of Employees
Senior Managers	Members of Management Committee(CM, COO, SGM, SDGM, DGM, SAGM, AGM)	9
Other material risk takers	Head of Branches and SME Centers	15
	Head of Units, Corporate Banking	4
	Head of Departments, Units	11
Total		39

Design and structure of remuneration processes

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

Remuneration Committee of the bank has reviewed the remuneration policy and the current salaries of the employees and subsequently made the salary adjustments for the employees.

Bank ensures that there is no discrimination and/or deprivation in case of the salaries of Risk and Compliance employees.

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**
The ways in which current and future risks are taken into account in the remuneration processes

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

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

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

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

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

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

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

Different forms of variable remuneration

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

Quantitative Disclosure

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

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

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

**Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2015**

Particulars	No. of employee	BDT
Variable remuneration awarded	39	31,521,430
Guaranteed bonuses awarded	39	6,739,356
Sign-on awards	-	-
Severance payments	2	1,789,089

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	110,905,067		-
Variable	31,521,430		-
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	-

Annex B

Schedule of Fixed assets including premises, furniture and fixtures
As at 31 December 2015

Asset category	Cost				Rate (%)	Depreciation				Written down value at 31 Dec 2015 BDT
	Opening balance as on 01 Jan 2015 BDT	Addition during the year BDT	Disposal/ adjustment during the year BDT	Total balance as at 31 Dec 2015 BDT		Opening balance as on 01 Jan 2015 BDT	Charge for the year BDT	On disposal/ adjustment BDT	Total balance as at 31 Dec 2015 BDT	
Furniture and fixtures	79,498,788	436,740	-	79,935,528	10	54,037,469	7,044,553	-	61,082,022	18,853,506
Interior decorations	51,633,359	65,880	-	51,699,239	20	22,074,112	24,328,915	-	46,403,027	5,296,212
Equipment and computers	116,680,564	3,663,996	(293,944)	120,050,616	20	101,033,530	6,928,406	(293,941)	107,667,995	12,382,621
Computer software	18,143,587	7,307,924	-	25,451,511	20	14,672,080	1,734,925	-	16,407,005	9,044,506
Motor vehicles	28,010,349	-	-	28,010,349	20	26,646,070	1,364,269	-	28,010,339	10
Total at 31 December 2015	293,966,647	11,474,540	(293,944)	305,147,243		218,463,261	41,401,068	(293,941)	259,570,388	45,576,855
Total at 31 December 2014	290,856,109	6,311,141	(3,200,603)	293,966,647		193,149,747	28,514,091	(3,200,577)	218,463,261	75,503,386