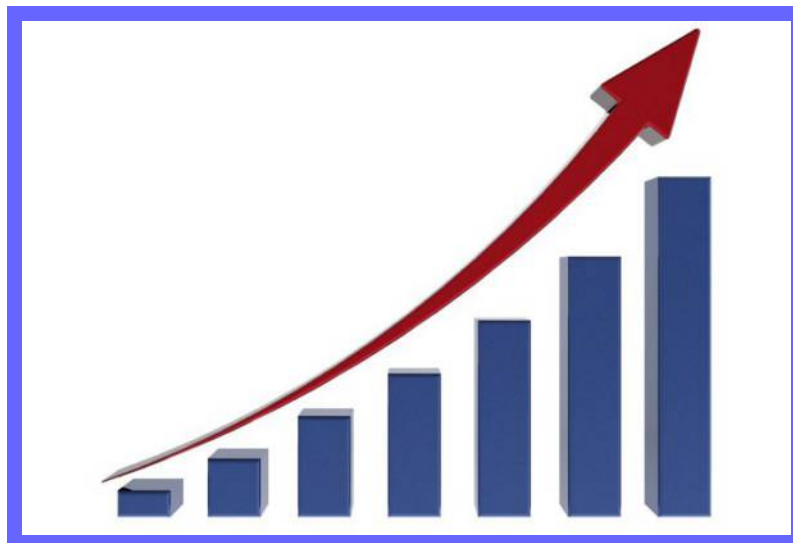


**Auditors' Report and Financial Statements**  
for the year ended 31 December 2017



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

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

**Auditors' Report**  
**Commercial Bank of Ceylon PLC - Bangladesh Operations**

**Independent Auditors Report to the Shareholders of Commercial Bank of Ceylon PLC**

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 2017, the profit and loss statement, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

**Management's responsibility for the financial statements and internal controls**

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

**Auditors' responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above which has been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards as explained in note 2.1.1 give a true and fair view of the state of affairs of the Bank as at 31 December 2017 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 (as amended up to date), 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 Banking Companies Act 1991 (as amended up to date) and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the Auditors' responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal Control:
  - (i) internal audit, internal control and risk management arrangements of the Bank as disclosed in notes 37 and 38 of the financial statements appeared to be materially adequate and
  - (ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;
- (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (d) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (e) the balance sheet and the profit and loss statement of the Bank dealt with by the report are in agreement with the books of account;
- (f) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (g) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (h) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (i) the information and explanation required by us have been received and found satisfactory; and
- (j) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 1,000 persons hours for the audit of the books and account of the Bank.
- (k) Capital to Risk Weighted Assets (CRAR) as required by the Bangladesh Bank has been maintained adequately during the year.

Dated, Dhaka  
27 February 2018



**A. Qasem & Co.**  
Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations  
Balance Sheet  
As at 31 December 2017

|   | Notes | 2017<br>BDT           | 2016<br>BDT           |
|---|-------|-----------------------|-----------------------|
| <b>PROPERTY AND ASSETS</b>  |       |                       |                       |
| <b>Cash</b>   | 3     | <b>2,745,427,526</b>  | <b>2,036,889,430</b>  |
| Cash in hand (including foreign currencies)                                       | 3.1   | 268,015,144           | 251,870,066           |
| Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies) | 3.2   | 2,477,412,382         | 1,785,019,364         |
| <b>Balance with other banks and financial institutions</b>                        | 4     | <b>2,823,353,627</b>  | <b>2,356,671,935</b>  |
| In Bangladesh   | 4.1   | 2,699,034,544         | 513,972,363           |
| Outside Bangladesh  | 4.2   | 124,319,083           | 1,842,699,572         |
| <b>Money at call and on short notice</b>  | 5     | <b>1,730,000,000</b>  | <b>2,120,000,000</b>  |
| <b>Investments</b>  | 6     | <b>5,817,712,529</b>  | <b>5,207,153,904</b>  |
| Government  | 6.1   | 5,808,295,869         | 5,197,737,244         |
| Others  | 6.2   | 9,416,660             | 9,416,660             |
| <b>Loans and advances</b>   | 7.    | <b>32,568,452,654</b> | <b>24,775,448,686</b> |
| Loans, cash credit, overdrafts, etc   |       | 25,616,612,733        | 20,170,626,236        |
| Bills purchased and discounted  | 8     | 6,951,839,921         | 4,604,822,450         |
| <b>Fixed assets including premises, furniture and fixtures</b>                    | 9     | <b>80,537,273</b>     | <b>40,797,145</b>     |
| <b>Other assets</b>   | 10    | <b>4,082,561,085</b>  | <b>3,538,290,363</b>  |
| <b>Non-Banking Assets</b>   |       | -                     | -                     |
| <b>Total Assets</b>   |       | <b>49,848,044,694</b> | <b>40,075,251,463</b> |
| <b>LIABILITIES AND CAPITAL</b>  |       |                       |                       |
| <b>Liabilities</b>  |       |                       |                       |
| Borrowings from other banks, financial institutions and agents                    | 11    | 6,402,587,235         | 4,191,685,424         |
| <b>Deposits and other accounts</b>  | 12    | <b>28,815,424,409</b> | <b>23,129,501,188</b> |
| Current and other accounts  | 12.1  | 8,912,555,940         | 7,961,920,095         |
| Bills payable   | 12.2  | 133,289,371           | 180,418,082           |
| Savings bank deposits   | 12.3  | 3,018,578,315         | 2,569,688,782         |
| Fixed deposits  | 12.4  | 16,717,733,329        | 12,396,649,543        |
| Other deposits  | 12.5  | 33,267,454            | 20,824,686            |
| <b>Other liabilities</b>  | 13    | <b>5,888,028,051</b>  | <b>4,926,430,849</b>  |
| <b>Total Liabilities</b>  |       | <b>41,106,039,695</b> | <b>32,247,617,461</b> |
| <b>Capital/ Shareholders' Equity</b>  |       |                       |                       |
| Paid-up capital/ Deposit kept with Bangladesh Bank                                | 14    | 4,841,319,249         | 4,544,179,152         |
| Statutory reserve   |       | -                     | -                     |
| Gains on revaluation of treasury bills/ bonds                                     |       | 11,399,685            | 11,383,935            |
| Retained earnings   | 15    | 3,889,286,065         | 3,272,070,915         |
| <b>Total Shareholders' Equity</b>   |       | <b>8,742,004,999</b>  | <b>7,827,634,002</b>  |
| <b>Total Liabilities and Shareholders' Equity</b>                                 |       | <b>49,848,044,694</b> | <b>40,075,251,463</b> |
| <b>OFF-BALANCE SHEET ITEMS</b>  |       |                       |                       |
| <b>Contingent liabilities</b>   |       |                       |                       |
| Acceptances and endorsements  | 16    | -                     | -                     |
| Letters of guarantee  | 16.2  | 6,833,140,445         | 4,707,786,477         |
| Irrevocable letters of credit   | 16.3  | 10,004,118,753        | 7,551,620,161         |
| Bills for collection  | 16.4  | 2,090,919,113         | 2,083,715,824         |
| Other contingent liabilities  | 16.5  | 64,638,549            | 64,638,549            |
| <b>Total contingent liabilities</b>   |       | <b>18,992,816,860</b> | <b>14,407,761,011</b> |
| <b>Other commitments</b>  |       |                       |                       |
| Documentary credits and short term trade-related transactions                     | 17    | -                     | -                     |
| Forward assets purchased and forward deposits placed                              |       | 1,146,261,494         | 768,258,260           |
| Undrawn note issuance and revolving underwriting facilities                       |       | -                     | -                     |
| Undrawn formal standby facilities, credit lines and other commitments             |       | -                     | -                     |
| <b>Total other commitments</b>  |       | <b>1,146,261,494</b>  | <b>768,258,260</b>    |
| <b>Total Off-Balance Sheet Items Including Contingent Liabilities</b>             |       | <b>20,139,078,354</b> | <b>15,176,019,271</b> |


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

  
**Binoy G. Roy**  
Financial Controller

  
**Najith Meewanage**  
Chief Operating Officer

  
**Varuna Kolumunna**  
Country Manager

Dated, Dhaka  
27 February 2018

  
**A. Qasem & Co.**  
Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations  
 Profit and Loss Statement  
 For the year ended 31 December 2017

|   | Notes  | 2017<br>BDT          | 2016<br>BDT          |
|---|--------|----------------------|----------------------|
| <b>OPERATING INCOME</b>                             |        |                      |                      |
| Interest income                                     | 18     | 1,928,786,985        | 1,661,771,326        |
| Less: Interest paid on deposits and borrowings, etc | 19     | 814,571,575          | 737,037,954          |
| <b>Net interest income</b>                          |        | <b>1,114,215,410</b> | <b>924,733,372</b>   |
| Investment income                                   | 20     | 510,874,587          | 621,107,231          |
| Commission, exchange and brokerage                  | 21     | 861,620,481          | 555,567,083          |
| Other operating income                              | 22     | 57,761,048           | 40,086,154           |
| <b>Total operating income</b>                       |        | <b>2,544,471,526</b> | <b>2,141,493,840</b> |
| <b>OPERATING EXPENSES</b>                           |        |                      |                      |
| Salary and allowances                               | 23     | 387,844,434          | 410,057,818          |
| Rent, taxes, insurance, electricity, etc            | 24     | 162,617,159          | 149,093,394          |
| Legal expenses                                      | 25     | 3,202,088            | 2,195,441            |
| Postage, stamps, telecommunication, etc             | 26     | 9,750,116            | 7,804,127            |
| Stationery, printing and advertisements, etc        | 27     | 11,620,391           | 10,174,811           |
| Chief executive's salary and fees                   | 28     | 6,131,776            | 8,079,611            |
| Directors' fees                                     |        | -                    | -                    |
| Auditors' fees                                      |        | 391,000              | 391,000              |
| Charges on loan losses                              |        | -                    | -                    |
| Depreciation and repairs of bank's assets           | 29     | 59,951,785           | 52,289,660           |
| Other expenses                                      | 30     | 92,018,187           | 80,352,863           |
| <b>Total operating expenses</b>                     |        | <b>733,526,936</b>   | <b>720,438,725</b>   |
| <b>Profit before provisions</b>                     |        | <b>1,810,944,590</b> | <b>1,421,055,115</b> |
| <b>Provision against loans and advances</b>         |        |                      |                      |
| Specific provision                                  |        | 2,789,343            | 153,813,345          |
| General provision                                   | 31     | 122,500,000          | 76,700,000           |
| Provision for diminution in value of investment     |        | -                    | -                    |
| Other provisions                                    |        | -                    | -                    |
| <b>Total provision during the year</b>              |        | <b>125,289,343</b>   | <b>230,513,345</b>   |
| <b>Total profit before taxation for the year</b>    |        | <b>1,685,655,247</b> | <b>1,190,541,770</b> |
| Provision for taxation                              | 13.4.1 | 771,300,000          | 600,000,000          |
| Current tax   |        | 770,963,344          | 627,148,444          |
| Deferred tax  |        | 336,656              | (27,148,444)         |
| <b>Net profit after taxation</b>                    |        | <b>914,355,247</b>   | <b>590,541,770</b>   |

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



**Binoy G. Roy**  
 Financial Controller



**Najith Meewanage**  
 Chief Operating Officer



**Varuna Kolumunna**  
 Country Manager



**A. Qasem & Co.**  
 Chartered Accountants

Dated, Dhaka  
 27 February 2018

Commercial Bank of Ceylon PLC - Bangladesh Operations  
Cash Flow Statement  
For the year ended 31 December 2017

| Notes  | 2017<br>BDT          | 2016<br>BDT          |
|--|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                                  |                      |                      |
| Interest receipts  | 1,753,648,280        | 1,572,859,230        |
| Interest payments  | (818,799,891)        | (796,441,052)        |
| Fees and commission receipts   | 327,038,848          | 283,680,631          |
| Recoveries on loans provisions / previously written off                      | 57,351,281           | 39,989,145           |
| Payments to employees  | (373,768,779)        | (347,182,717)        |
| Payments to suppliers  | (183,987,666)        | (167,072,332)        |
| Receipts from other operating activities                                     | 534,581,633          | 271,886,452          |
| Corporate income tax paid  | (562,589,416)        | (600,760,080)        |
| Payments for other operating activities                                      | (301,059,834)        | (436,697,021)        |
| Interest receipts from investment  | 510,874,587          | 621,107,231          |
| <b>Cash generated from/ (used in) operating activities before changes in</b> | <b>943,289,043</b>   | <b>441,369,487</b>   |
| <b>(Increase)/Decrease in operating assets and liabilities</b>               |                      |                      |
| Purchase/sale of government securities                                       | -                    | -                    |
| Loans and advances to other banks  | -                    | -                    |
| Loans and advances to customers  | (7,793,003,968)      | (1,993,574,491)      |
| Other assets   | 193,457,399          | (70,460,377)         |
| Deposits from other banks  | 6,257,071,811        | (1,154,214,582)      |
| Deposits from customers  | 1,639,753,221        | 3,292,107,636        |
| Other liabilities  | 194,541,268          | 299,189,656          |
| <b>Net (increase)/decreased in operating assets and liabilities</b>          | <b>491,819,731</b>   | <b>373,047,842</b>   |
| <b>Net cash from/(used in) operating activities (a)</b>                      | <b>1,435,108,774</b> | <b>814,417,329</b>   |
| <b>Cash flows from investing activities</b>                                  |                      |                      |
| Investment in treasury bills and bonds                                       | (609,544,925)        | 1,321,554,660        |
| Payments for purchase of shares  | -                    | -                    |
| Purchase/sale of property, plant and equipment                               | (39,740,128)         | 4,779,710            |
| Gains on disposal of property, plant and equipment                           | 409,767              | 97,009               |
| <b>Net cash from/(used in) investing activities (b)</b>                      | <b>(648,875,286)</b> | <b>1,326,431,379</b> |
| <b>Cash flows from financing activities</b>                                  |                      |                      |
| Remittance received from Head Office, Colombo                                | -                    | -                    |
| <b>Net cash flows from financing activities (c)</b>                          | <b>-</b>             | <b>-</b>             |
| <b>Net increase in cash and cash equivalents (a+b+c)</b>                     | <b>786,233,488</b>   | <b>2,140,848,708</b> |
| Effects of exchange rate changes on cash and cash equivalent                 | -                    | -                    |
| Cash and cash equivalents at beginning of the year (*)                       | 6,513,675,565        | 4,372,826,857        |
| Cash and cash equivalents at end of the year (*)                             | 7,299,909,053        | 6,513,675,565        |
| (*) Cash and cash equivalents :  |                      |                      |
| Cash   | 268,015,144          | 251,870,066          |
| Prize bonds  | 1,127,900            | 114,200              |
| Money at call and on short notice  | 1,730,000,000        | 2,120,000,000        |
| Balance with Bangladesh Bank and its agent bank(s)                           | 2,477,412,382        | 1,785,019,364        |
| Balance with other banks and financial institutions                          | 2,823,353,627        | 2,356,671,935        |
|  | <b>7,299,909,053</b> | <b>6,513,675,565</b> |

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



**Binoy G. Roy**  
Financial Controller



**Najith Meewanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Country Manager

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2017**

| Particulars  | Paid-up capital/ Deposit kept with Bangladesh Bank | Statutory reserve | Gains/loss on revaluation of securities | Retained earnings    | Total                |
|--|--|-------------------|---|----------------------|----------------------|
| <b>Opening balance at 01 January 2017</b>                          | 4,544,179,152                                      | -                 | 11,383,935                              | 3,272,070,915        | 7,827,634,002        |
| Changes in accounting policy                                       | -  | -                 | -                                       | -                    | -                    |
| Restated balance   | 297,140,097  | -                 | -                                       | (297,140,097)        | -                    |
| Surplus/(deficit) on account of revaluation of properties          | -  | -                 | -                                       | -                    | -                    |
| Adjustment of last year's revaluation on investments               | -  | -                 | (11,383,935)                            | -                    | (11,383,935)         |
| Surplus/(deficit) on account of revaluation of investments         | -  | -                 | 11,399,685                              | -                    | 11,399,685           |
| Currency translation differences                                   | -  | -                 | -                                       | -                    | -                    |
| Net gains and losses not recognised in profit and loss statement   | -  | -                 | -                                       | -                    | -                    |
| Net profit for the year  | -  | -                 | -                                       | 914,355,247          | 914,355,247          |
| Dividends/Profit remittance  | -  | -                 | -                                       | -                    | -                    |
| Issue of share capital/(Capital brought from Head Office, Colombo) | -  | -                 | -                                       | -                    | -                    |
| <b>Balance at 31 December 2017</b>                                 | <b>4,841,319,249</b>                               | <b>-</b>          | <b>11,399,685</b>                       | <b>3,889,286,065</b> | <b>8,742,004,999</b> |

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



**Binoy G. Roy**  
Financial Controller



**Najith Meewanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Country Manager

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Liquidity Statement (Analysis of Maturity of Assets and Liabilities)**  
**As at 31 December 2017**

| Particulars   | Up to 1 month maturity | 1-3 months maturity  | 3-12 months maturity  | 1-5 years maturity   | Above 5 years maturity | Total                 |
|---|------------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|
| <b>Assets:</b>  |                        |                      |                       |                      |                        |                       |
| Cash in hand  | 2,745,427,526          | -                    | -                     | -                    | -                      | 2,745,427,526         |
| Balance with other banks and financial institutions                             | 1,665,623,627          | 1,157,730,000        | -                     | -                    | -                      | 2,823,353,627         |
| Money at call and on short notice   | 1,170,000,000          | 560,000,000          | -                     | -                    | -                      | 1,730,000,000         |
| Investments   | 951,839,708            | 1,163,410,084        | 1,680,163,875         | 840,618,516          | 1,181,680,346          | 5,817,712,529         |
| Loans and advances  | 7,265,090,606          | 6,647,891,339        | 13,280,160,779        | 5,064,009,814        | 311,300,116            | 32,568,452,654        |
| Fixed assets including premises, furniture and fixtures                         | 42,742                 | -                    | 3,532,393             | 73,236,992           | 3,725,146              | 80,537,273            |
| Other assets  | 4,082,561,085          | -                    | -                     | -                    | -                      | 4,082,561,085         |
| Non-banking assets  | -                      | -                    | -                     | -                    | -                      | -                     |
| <b>Total Assets</b>   | <b>17,880,585,294</b>  | <b>9,529,031,423</b> | <b>14,963,857,047</b> | <b>5,977,865,322</b> | <b>1,496,705,608</b>   | <b>49,848,044,694</b> |
| <b>Liabilities</b>  |                        |                      |                       |                      |                        |                       |
| Borrowings from Bangladesh Bank, other banks, financial institutions and agents | 2,081,708,585          | 2,232,765,000        | 2,067,375,000         | 20,738,650           | -                      | 6,402,587,235         |
| Deposits  | 19,520,597,726         | 3,013,317,943        | 5,470,225,723         | 811,283,017          | -                      | 28,815,424,409        |
| Other accounts  | -                      | -                    | -                     | -                    | -                      | -                     |
| Provision and other liabilities   | 5,888,028,051          | -                    | -                     | -                    | -                      | 5,888,028,051         |
| <b>Total Liabilities</b>  | <b>27,490,334,362</b>  | <b>5,246,082,943</b> | <b>7,537,600,723</b>  | <b>832,021,667</b>   | <b>-</b>               | <b>41,106,039,695</b> |
| <b>Net Difference in Liquidity</b>  | <b>(9,609,749,068)</b> | <b>4,282,948,480</b> | <b>7,426,256,324</b>  | <b>5,145,843,655</b> | <b>1,496,705,608</b>   | <b>8,742,004,999</b>  |

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



**Binoy G. Roy**  
Financial Controller



**Najith Meewanage**  
Chief Operating Officer



**Varuna Kolumunna**  
Country Manager



**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**1. The Bank and its activities**

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

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

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

**2. Significant accounting policies**

**2.1 Basis of preparation of the financial statements**

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

**2.1.1 Statement of compliance**

The financial statements of the Bank are prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), which also cover Bangladesh Accounting Standards, and the requirements of the Banking Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994 (amended 2013). In case of 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:

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

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

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

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

**Bank's Methodology:**

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

**HTM**

Investment classified as HTM is a non-derivative financial instrument with fixed or determinable future receipt on maturity that the Bank's management has the intention and ability to hold till maturity. This particular investment has been revalued as marked to market as at 31 December 2017, the revaluation gains on such securities have been shown in the financial statements as part of equity.

**HFT**

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

iii) **Provision on loans and advances/investments**

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

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

**Bank's Methodology:**

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

**iv) Recognition of interest in suspense**

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

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

**Bank's Methodology:**

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

**v) Other comprehensive income (OCI):**

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

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

**vi) Financial instruments – presentation and disclosure**

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

**vii) Financial guarantees**

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

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

**viii) Cash and cash equivalents**

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

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

**ix) Non-banking asset**

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

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

**x) Cash flow statement**

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

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

**Bank's Methodology:**

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

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

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

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

**xii) Presentation of intangible asset**

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

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

**xiii) Off-balance sheet items**

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

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

**Bank's Methodology:**

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

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

**xiv) Loans and advances/Investments net of provision**

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

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

**Bank's Methodology:**

Loans and advances have been shown at gross amounts at 31 December 2017.

**2.2 Consolidation**

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

**2.2.1 Offshore Banking Unit (OBU)**

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

### 2.3 Foreign currency transactions

- (a) Foreign currency transactions are converted into equivalent BDT currency at the ruling exchange rates on the respective dates of such transactions as per BAS 21: "The effects of Changes in Foreign Exchange Rates".
- (b) Assets and liabilities in foreign currencies at 31 December 2017 have been converted into BDT currency at average prevailing buying and selling rates of concerned foreign currencies at that date except balances with other banks and financial institutions which have been converted as per directions of Bangladesh Bank vide its circular no. BRPD(R) 717/2004-959 dated 21 November 2004.
- (c) Differences arising through transactions of foreign currencies buying and selling on different dates of the year have been adjusted by debiting /crediting exchange gains or loss account.
- (d) Forward contracts outstanding at 31 December 2017 have been shown in the Balance Sheet under off-balance sheet items.

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

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

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

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

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

### 2.5 Stock of stationery

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

### 2.6 Deposits

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

### 2.7 Employee benefits

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

#### (a) Provident fund

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

**(b) Staff gratuity**

The Bank runs an unfunded gratuity scheme under which gratuity is paid to its staff upon their severance. However, the Bank's liability on this account stands fully provided in accounts and BDT 20,207,431 was thus provided in current year's Profit and Loss Statement considering the staff's accumulated gratuity entitlements for their service with the Bank as per the actuarial valuation.

**2.8 Provision for taxation****(a) Current tax**

Provision for corporate income tax is made @ 42.5% as prescribed in the Finance Act 2017 on accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws.

**(b) Deferred tax**

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

**2.9 Reconciliation of books of account**

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

**2.10 Provision for balances with other banks and financial institutions**

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

**2.11 Statement of changes in equity**

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

**2.12 Statement of liquidity analysis**

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

**2.13 Revenue recognition**

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

**2.14 Reporting period**

These financial statements cover one calendar year from 01 January to 31 December 2017.

**2.15 Regulatory and legal compliance**

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

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

**2.16 General**

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



|   | 2017<br>BDT          | 2016<br>BDT          |
|---|----------------------|----------------------|
| <b>3 Cash</b>   |                      |                      |
| <b>3.1 Cash in hand</b>   |                      |                      |
| In local currency   | 258,532,024          | 244,333,735          |
| In foreign currencies   | 9,483,120            | 7,536,331            |
|   | <b>268,015,144</b>   | <b>251,870,066</b>   |
| <b>3.2 Balance with Bangladesh Bank and its agent bank(s)</b>   |                      |                      |
| <b>Balance with Bangladesh Bank:</b>  |                      |                      |
| In local currency ( note 3.2.1)   | 1,855,045,247        | 1,523,486,258        |
| In foreign currencies ( note 3.2.2)   | 622,359,550          | 261,528,181          |
|   | <b>2,477,404,797</b> | <b>1,785,014,439</b> |
| <b>Balance with agent bank(s):</b>  | <b>7,585</b>         | <b>4,925</b>         |
| In local currency   | 7,585                | 4,925                |
| In foreign currencies   | -                    | -                    |
|   | <b>2,477,412,382</b> | <b>1,785,019,364</b> |
|   | <b>2,745,427,526</b> | <b>2,036,889,430</b> |
| <b>3.2.1 In local currency</b>  |                      |                      |
| Lien portion (against the Bank's required equity)   | -                    | -                    |
| Non-lien portion  | 1,855,045,247        | 1,523,486,258        |
|   | <b>1,855,045,247</b> | <b>1,523,486,258</b> |
| <b>3.2.2 In foreign currencies</b>  |                      |                      |
| Lien portion (against the Bank's required equity)   | -                    | -                    |
| Non-lien portion  | 622,359,550          | 261,528,181          |
|   | <b>622,359,550</b>   | <b>261,528,181</b>   |
| <b>3.3 Cash Reserve Requirement and Statutory Liquidity Reserve</b>   |                      |                      |
| 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: |                      |                      |
| <b>3.3.1 Cash Reserve</b>   |                      |                      |
| Required reserve  | 1,658,840,270        | 1,421,653,400        |
| Actual reserve maintained   | 1,777,646,900        | 1,434,733,380        |
| <b>Surplus</b>  | <b>118,806,630</b>   | <b>13,079,980</b>    |
| <b>3.3.2 Statutory Liquid Reserve</b>   |                      |                      |
| Required reserve  | 3,317,680,540        | 2,843,306,800        |
| Actual reserve maintained   | 6,545,116,590        | 7,246,058,010        |
| <b>Surplus</b>  | <b>3,227,436,050</b> | <b>4,402,751,210</b> |

|  | 2017<br>BDT          | 2016<br>BDT          |
|--|----------------------|----------------------|
| <b>4 Balance with other banks and financial institutions</b> |                      |                      |
| In Bangladesh (note 4.1)                                     | 2,699,034,544        | 513,972,363          |
| Outside Bangladesh (note 4.2)                                | 124,319,083          | 1,842,699,572        |
|  | <b>2,823,353,627</b> | <b>2,356,671,935</b> |
| <b>4.1 In Bangladesh</b>                                     |                      |                      |
| Eastern Bank Limited   | 992,340,000          | 392,725,000          |
| Bank Asia Limited  | 413,475,000          | -                    |
| Trust Bank Limited   | 413,475,000          | -                    |
| Midland Bank Limited   | 330,780,000          | -                    |
| National Credit and Commerce Bank Limited                    | 206,737,500          | 117,817,500          |
| Mercantile Bank Limited                                      | 206,737,500          | -                    |
| Modhumoti Bank Limited                                       | 124,042,500          | -                    |
| Islami Bank Bangladesh Limited                               | 6,145,175            | 150,595              |
| Standard Chartered Bank                                      | 3,668,078            | 1,673,006            |
| Prime Bank Limited   | 1,633,791            | 1,606,262            |
|  | <b>2,699,034,544</b> | <b>513,972,363</b>   |

## 4.2 Outside Bangladesh

| Name of bank                  | Natture   | Location   | Currency name | At 31 December 2017        |                 |                    | At 31 December 2016        |                 |                      |
|-------------------------------|-----------|------------|---------------|----------------------------|-----------------|--------------------|----------------------------|-----------------|----------------------|
|                               |           |            |               | Amount in foreign currency | Conversion rate | Equivalent BDT     | Amount in foreign currency | Conversion rate | Equivalent BDT       |
| Kookmin Bank                  | Nostro    | Seoul      | USD           | 6,504                      | 82.70           | 537,911            | 10,134                     | 78.70           | 797,522              |
| Standard Chartered Bank       | Nostro    | Karachi    | USD           | 145,982                    | 82.70           | 12,072,723         | 67,265                     | 78.70           | 5,293,738            |
| Commercial Bank of Ceylon     | Nostro    | Colombo    | USD           | 203,276                    | 82.70           | 16,810,952         | 28,409                     | 78.70           | 2,235,767            |
| Commerzbank AG                | Nostro    | Frankfurt  | EUR           | -                          | 99.22           | -                  | 4,117,665                  | 82.76           | 340,781,754          |
| Credit Agricole S.A.          | Nostro    | Paris      | EUR           | 13,800                     | 99.22           | 1,369,324          | 88,916                     | 82.76           | 7,358,784            |
| Standard Chartered Bank       | Nostro    | London     | GBP           | 144,546                    | 111.76          | 16,155,150         | 224,069                    | 97.11           | 21,758,876           |
| Bank of Montreal              | Nostro    | Toronto    | CAD           | 31,256                     | 65.74           | 2,054,882          | 36,839                     | 58.59           | 2,158,347            |
| National Australia            | Nostro    | Melbourne  | AUD           | 329,559                    | 64.52           | 21,263,985         | 142,286                    | 56.79           | 8,080,418            |
| Bank of Tokyo Mitsubishi      | Nostro    | Tokyo      | JPY           | 23,373,847                 | 0.73            | 17,154,160         | 8,595,714                  | 0.67            | 5,787,099            |
| Standard Chartered Bank       | Nostro    | Hong Kong  | HKD           | 18,793                     | 10.59           | 198,930            | 8,146                      | 10.15           | 82,669               |
| Bank of New Zealand           | Nostro    | Wellington | NZD           | 7,564                      | 58.61           | 443,349            | 10,054                     | 54.67           | 549,705              |
| ICICI Bank                    | Nostro    | Mumbai     | USD           | 22,484                     | 82.70           | 1,859,395          | 760,915                    | 78.70           | 59,884,000           |
| Standard Chartered Bank       | Nostro    | Singapore  | SGD           | 63,431                     | 61.83           | 3,922,056          | 62,181                     | 54.34           | 3,378,892            |
| Commercial Bank of Ceylon     | Placement | Colombo    | USD           | -                          | 82.70           | -                  | 17,000,000                 | 78.70           | 1,337,900,000        |
| Standard Chartered Bank (OBU) | Nostro    | London     | GBP           | 272,682                    | 111.76          | 30,476,266         | -                          | 97.11           | -                    |
| Citibank NA (OBU)             | Nostro    | New York   | USD           | -                          | 82.70           | -                  | 592,783                    | 78.70           | 46,652,001           |
| <b>Total</b>                  |           |            |               |                            |                 | <b>124,319,083</b> |                            |                 | <b>1,842,699,572</b> |

|   | 2017<br>BDT          | 2016<br>BDT          |
|---|----------------------|----------------------|
| <b>4.3 Grouping by maturity</b>                           |                      |                      |
| Receivable on demand                                      | 135,766,127          | 508,229,435          |
| Payable to customers on demand                            | -                    | -                    |
|   | 135,766,127          | 508,229,435          |
| Below 3 months  | 2,687,587,500        | 1,848,442,500        |
| Over 3 months but below 1 year                            | -                    | -                    |
| Over 1 year but below 5 years                             | -                    | -                    |
| Over 5 years  | -                    | -                    |
|   | <b>2,823,353,627</b> | <b>2,356,671,935</b> |
| <b>4.4 Account-wise breakdown</b>                         |                      |                      |
| Current and other accounts                                | 135,766,127          | 508,229,435          |
| Placement (term)  | 2,687,587,500        | 1,848,442,500        |
|   | <b>2,823,353,627</b> | <b>2,356,671,935</b> |
| <b>5 Money at call on short notice</b>                    |                      |                      |
| Dhaka Bank Limited  | 650,000,000          | 300,000,000          |
| Brac Bank Limited   | 400,000,000          | 310,000,000          |
| The City Bank Limited                                     | 280,000,000          | -                    |
| Pubali Bank Limited                                       | 200,000,000          | -                    |
| Jamuna Bank Limited                                       | 160,000,000          | 200,000,000          |
| Bank Alfalah  | 40,000,000           | -                    |
| Standard Bank Limited                                     | -                    | 500,000,000          |
| Southeast Bank Limited                                    | -                    | 390,000,000          |
| Eastern Bank Limited                                      | -                    | 230,000,000          |
| National Bank Limited                                     | -                    | 190,000,000          |
|   | <b>1,730,000,000</b> | <b>2,120,000,000</b> |
| <b>6 Investments</b>                                      |                      |                      |
| Government (note 6.1)                                     | <b>5,808,295,869</b> | <b>5,197,737,244</b> |
| Others (note 6.2)   | <b>9,416,660</b>     | <b>9,416,660</b>     |
|   | <b>5,817,712,529</b> | <b>5,207,153,904</b> |
| <b>6.1 Government:</b>                                    |                      |                      |
| Treasury bonds (note 6.1.1)                               | 5,012,320,327        | 4,026,729,012        |
| Treasury bills (note 6.1.2)                               | 794,847,642          | 1,170,894,032        |
| Prize bonds   | 1,127,900            | 114,200              |
|   | <b>5,808,295,869</b> | <b>5,197,737,244</b> |
| <b>6.1.1 Treasury bonds</b>                               |                      |                      |
| HTM   | 4,226,463,631        | 3,773,180,420        |
| HFT   | 785,856,696          | 253,548,592          |
|   | <b>5,012,320,327</b> | <b>4,026,729,012</b> |
| <b>6.1.2 Treasury bills</b>                               |                      |                      |
| HTM   | 644,845,511          | 800,984,634          |
| HFT   | 150,002,131          | 369,909,398          |
|   | <b>794,847,642</b>   | <b>1,170,894,032</b> |
| <b>6.2 Others:</b>  |                      |                      |
| Central Depository Bangladesh Limited (CDBL) (note 6.2.1) | 9,416,660            | 9,416,660            |
| Commercial papers   | -                    | -                    |
|   | <b>9,416,660</b>     | <b>9,416,660</b>     |
| <b>Total</b>  | <b>5,817,712,529</b> | <b>5,207,153,904</b> |

|             |             |
|-------------|-------------|
| 2017<br>BDT | 2016<br>BDT |
|-------------|-------------|

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

| Sl no. | Counter party name | Agreement Date | Reversal Date | Amount |
|--------|--------------------|----------------|---------------|--------|
|        |                    |                |               | NIL    |

## a.(ii) Disclosure regarding outstanding Reverse Repo as on 31 December 2017

| Sl no. | Counter party name | Agreement Date | Reversal Date | Amount      |
|--------|--------------------|----------------|---------------|-------------|
|        | Jamuna Bank Ltd    | 27-Dec-17      | 03-Jan-18     | 494,289,920 |

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

| Particulars                                     | Minimum outstanding during the year | Maximum outstanding during the year | Daily average outstanding during the year |
|---|-------------------------------------|-------------------------------------|---|
| <b>Securities sold under repo:</b>              |                                     |                                     |   |
| i) with Bangladesh Bank                         | -                                   | -                                   | -   |
| ii) with other banks and FIs                    | 103,021,038                         | 2,129,821,512                       | 14,874,671                                |
| <b>Securities purchased under reverse repo:</b> |                                     |                                     |   |
| i) from Bangladesh Bank                         | -                                   | -                                   | -   |
| ii) from other banks and FIs                    | 7,854,049                           | 1,365,542,326                       | 830,102,733                               |

## 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          | -                | -                |
| <b>Total</b>                     | <b>3,427,083</b> | <b>9,416,660</b> | <b>9,416,660</b> |

## 6.3 Value of investment at 31 December 2017

| Particulars                      | Quantity  | Face Value           | Cost                 | Market Value         | Market Value         |
|----------------------------------|-----------|----------------------|----------------------|----------------------|----------------------|
| Treasury bonds                   | 61        | 4,469,700,000        | 4,623,661,582        | 4,534,587,956        | 4,026,729,012        |
| Treasury bills                   | 4         | 800,000,000          | 784,131,300          | 794,847,642          | 800,984,634          |
| Treasury bonds<br>(Reverse Repo) | 1         | 400,000,000          | 477,778,400          | 477,732,371          | -                    |
| Bangladesh Bank<br>Bills         |           |                      |                      |                      | 369,909,398          |
| Prize bonds                      | 11,279    | 1,127,900            | 1,127,900            | 1,127,900            | 114,200              |
| CDBL shares                      | 3,427,083 | 34,270,830           | 9,416,660            | 9,416,660            | 9,416,660            |
|                                  |           | <b>5,705,098,730</b> | <b>5,896,115,842</b> | <b>5,817,712,529</b> | <b>5,207,153,904</b> |

## 6.4 Maturity grouping

|                                |                      |                      |
|--------------------------------|----------------------|----------------------|
| Repayable on demand            | 1,127,900            | 114,200              |
| Below 3 months                 | 2,104,705,232        | 1,172,809,875        |
| Over 3 months but below 1 year | 1,680,163,875        | 546,114,586          |
| Over 1 year but below 5 years  | 840,618,516          | 2,197,982,376        |
| Over 5 years                   | 1,181,680,346        | 1,280,716,207        |
|                                | <b>5,808,295,869</b> | <b>5,197,737,244</b> |

## 7. Loans and advances

## 7.1 Maturity grouping

|                                |                       |                       |
|--------------------------------|-----------------------|-----------------------|
| Repayable on demand            | 2,919,075,423         | 2,137,357,840         |
| Below 3 months                 | 10,993,906,522        | 11,525,422,525        |
| Over 3 months but below 1 year | 13,280,160,779        | 6,602,154,443         |
| Over 1 year but below 5 years  | 5,064,009,814         | 4,264,232,570         |
| Over 5 years                   | 311,300,116           | 246,281,308           |
|                                | <b>32,568,452,654</b> | <b>24,775,448,686</b> |

|   | 2017<br>BDT           | 2016<br>BDT           |
|---|-----------------------|-----------------------|
| <b>7.2 Broad category-wise break-up</b>                                   |                       |                       |
| <b>i) Within Bangladesh</b>   |                       |                       |
| Loans (general)   | 20,368,355,596        | 17,489,042,901        |
| Overdrafts  | 2,887,278,778         | 2,100,969,858         |
| Loans against trust receipt   | 2,128,528,213         | 355,347,294           |
| Packing credit  | 93,177,000            | 91,074,042            |
| Import loan   | 21,714,382            | 20,306,426            |
| Credit card   | 31,796,645            | 36,387,982            |
| Staff loan  | 85,762,119            | 77,497,733            |
|   | <b>25,616,612,733</b> | <b>20,170,626,236</b> |
| <b>Loans against accepted bills</b>                                       |                       |                       |
| <b>ii) Inland bills</b>   | 56,627,036            | 16,548,355            |
| Foreign bills   | 6,895,212,885         | 4,588,274,095         |
|   | <b>6,951,839,921</b>  | <b>4,604,822,450</b>  |
| <b>Outside Bangladesh</b>   | -                     | -                     |
| <b>Total (i+ii)</b>   | <b>32,568,452,654</b> | <b>24,775,448,686</b> |
| <b>7.3 Significant concentration</b>                                      |                       |                       |
| Directors and others  | -                     | -                     |
| Managing Director or Chief Executive Officer                              | -                     | -                     |
| Other executives  | 85,762,119            | 77,497,733            |
| Industries  | 20,101,524,456        | 17,533,724,483        |
| Other clients   | 12,381,166,079        | 7,164,226,470         |
|   | <b>32,568,452,654</b> | <b>24,775,448,686</b> |
| <b>7.4 Advance to customers for more than 10% of Bank's total capital</b> |                       |                       |
| Number of clients   | 21                    | 17                    |
| Amount of outstanding advances  | 11,918,780,000        | 9,414,800,000         |
| Amount of classified advances   | -                     | -                     |
|   | <b>11,918,780,000</b> | <b>9,414,800,000</b>  |
| <b>7.5 Economic sector-wise distribution</b>                              |                       |                       |
| Industry  | 20,101,524,456        | 17,533,724,483        |
| Trading   | 4,764,173,563         | 3,434,153,939         |
| Agriculture   | 574,021,414           | 292,657,790           |
| Others  | 7,128,733,221         | 3,514,912,474         |
|   | <b>32,568,452,654</b> | <b>24,775,448,686</b> |
| <b>7.6 Geographical location-wise distribution</b>                        |                       |                       |
| <b>Urban</b>  |                       |                       |
| Dhaka region  | 28,024,996,526        | 21,878,700,285        |
| Chittagong region   | 4,258,950,848         | 2,663,461,669         |
| Sylhet region   | 284,505,280           | 233,286,732           |
|   | <b>32,568,452,654</b> | <b>24,775,448,686</b> |
| <b>Rural</b>  |                       |                       |
| Dhaka region  | -                     | -                     |
| Chittagong region   | -                     | -                     |
| Sylhet region   | -                     | -                     |
|   | -                     | -                     |
|   | <b>32,568,452,654</b> | <b>24,775,448,686</b> |

|   | 2017<br>BDT           | 2016<br>BDT           |
|---|-----------------------|-----------------------|
| <b>7.7 Classification of loans and advances as per Bangladesh Bank 's BRPD circulars</b>  |                       |                       |
| <b>Unclassified:</b>  | <b>32,243,728,133</b> | <b>24,272,211,292</b> |
| Standard  | 32,234,008,698        | 24,235,878,699        |
| Special mentioned account (SMA)   | 9,719,435             | 36,332,593            |
| <b>Classified:</b>  | <b>324,724,521</b>    | <b>503,237,394</b>    |
| Sub-standard  | 374,266               | 22,288,299            |
| Doubtful  | 635,852               | 14,202,036            |
| Bad/ Loss   | 323,714,403           | 466,747,059           |
|   | <b>32,568,452,654</b> | <b>24,775,448,686</b> |
| <b>7.8 Particulars of loans and advances</b>  |                       |                       |
| (i) Loans considered good in respect of which the Bank is fully secured   | 32,243,728,133        | 24,272,211,292        |
| (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   | 148,045,388           | 111,736,189           |
| (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   | 85,762,119            | 77,497,733            |
| (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   | 93,135,145            | 81,767,052            |
| (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   | 324,724,521           | 503,237,394           |
| (b) Provision made during the year against bad debts  | 2,789,343             | 153,813,345           |
| (c) Interest creditable to the interest suspense account  | 66,614,161            | 73,410,417            |
| (xi) Loan written off   | 165,733,103           | 165,705,998           |
| Opening balance   | 165,705,998           | 165,705,998           |
| Add : Bad debts written of during the year  | 27,105                | -                     |
| Less : Bad debts previously written off recovered during  | -                     | -                     |
| Bad debts written off / settled   | -                     | -                     |
| <b>Closing balance</b>  | <b>165,733,103</b>    | <b>165,705,998</b>    |
| (xii) Cases filed for recovery of written off bad debts   | <b>131,807,438</b>    | <b>131,807,438</b>    |

|  | 2017<br>BDT          | 2016<br>BDT          |
|--|----------------------|----------------------|
| <b>8 Bills purchased and discounted</b>                          |                      |                      |
| Payable in Bangladesh  | 56,627,036           | 16,548,355           |
| Payable outside Bangladesh                                       | 6,895,212,885        | 4,588,274,095        |
|  | <b>6,951,839,921</b> | <b>4,604,822,450</b> |
| <b>8.1 Maturity grouping</b>                                     |                      |                      |
| Payable within 1 month   | 2,003,594,660        | 771,081,496          |
| Over 1 month but below 3 months                                  | 1,621,830,579        | 1,271,247,743        |
| Over 3 months but below 6 months                                 | 2,950,117,303        | 2,242,535,389        |
| 6 months and over  | 376,297,379          | 319,957,822          |
|  | <b>6,951,839,921</b> | <b>4,604,822,450</b> |
| <b>9 Fixed assets including premises, furniture and fixtures</b> |                      |                      |
| Details are shown in <a href="#">Annex B</a> .                   | <b>80,537,273</b>    | <b>40,797,145</b>    |
| <b>10 Other assets</b>   |                      |                      |
| <b>Income generating</b>   |                      |                      |
| In Bangladesh  | -                    | -                    |
| Outside Bangladesh   | -                    | -                    |
|  | -                    | -                    |
| <b>Non-income generating:</b>                                    |                      |                      |
| Advance payment of corporate income tax (note 10.1)              | 3,589,275,578        | 3,026,686,162        |
| Receivable from Bangladesh Bank against Sanchaya Patras          | 17,932,684           | 34,440,030           |
| Advance rent and advertisement                                   | 133,887,611          | 143,953,203          |
| Other income receivable  | 223,266,139          | 190,178,467          |
| Prepaid expenses   | 4,950,924            | 3,535,501            |
| Stock of stationery, stamps, printing materials, etc             | 10,003,022           | 3,807,031            |
| Receivable from Head Office                                      | 365,000              | 377,500              |
| Security deposit   | 4,287,498            | 4,062,104            |
| Interest receivable from other banks (note 10.2)                 | 155,852              | 79,552               |
| Commission and brokerage receivable                              | -                    | -                    |
| Others (note 10.3)   | 98,436,777           | 131,170,813          |
|  | <b>4,082,561,085</b> | <b>3,538,290,363</b> |
| <b>Classification status of other assets</b>                     |                      |                      |
| Unclassified   | 4,082,561,085        | 3,538,290,363        |
| Doubtful   | -                    | -                    |
| Bad/Loss   | -                    | -                    |
|  | <b>4,082,561,085</b> | <b>3,538,290,363</b> |
| <b>10.1 Advance payment of corporate income tax</b>              |                      |                      |
| Opening balance  | 3,026,686,162        | 2,425,926,082        |
| <u>Less:</u> Settlement during the year                          | -                    | -                    |
| <u>Add:</u> Income tax paid during the year                      | 528,246,061          | 582,864,744          |
| <u>Add:</u> Income tax withheld during the year on:              |                      |                      |
| L/C commission   | 3,863,924            | 2,766,676            |
| Interest on government treasury bills/bonds/                     | 28,765,889           | 15,128,660           |
| Dividend on shares of CDBL                                       | 1,713,542            | -                    |
| Closing balance (note 10.1.1)                                    | <b>3,589,275,578</b> | <b>3,026,686,162</b> |



|  | 2017<br>BDT          | 2016<br>BDT            |                 |   |  |
|--|----------------------|------------------------|-----------------|---|--|
| <b>10.1.1 Closing balance of advance payment of corporate income tax</b> |                      |                        |                 |   |  |
| 2017   | 288,624,427          | -                      |                 |   |  |
| 2016   | 574,040,479          | 307,075,490            |                 |   |  |
| 2015   | 607,624,347          | 607,624,347            |                 |   |  |
| 2014   | 620,007,926          | 620,007,926            |                 |   |  |
| 2013   | 548,951,457          | 548,951,457            |                 |   |  |
| 2012   | 514,093,987          | 507,093,987            |                 |   |  |
| 2011   | 435,932,955          | 435,932,955            |                 |   |  |
|  | <b>3,589,275,578</b> | <b>3,026,686,162</b>   |                 |   |  |
| <b>10.2 Interest receivable from other banks</b>                         |                      |                        |                 |   |  |
| Bangladesh Bank  | 138,527              | 63,489                 |                 |   |  |
| Others   | 17,325               | 16,063                 |                 |   |  |
|  | <b>155,852</b>       | <b>79,552</b>          |                 |   |  |
| <b>10.3 Others</b>   |                      |                        |                 |   |  |
| Deferred tax assets (note 10.3.1)  | 84,155,901           | 84,492,557             |                 |   |  |
| Forward Equalisation, Sundry Debtors, etc                                | 14,280,876           | 46,678,256             |                 |   |  |
|  | <b>98,436,777</b>    | <b>131,170,813</b>     |                 |   |  |
| <b>10.3.1 Deferred tax assets on</b>                                     |                      |                        |                 |   |  |
| Gratuity provision   | 59,027,897           | 58,370,819             |                 |   |  |
| Fixed assets   | 25,128,004           | 26,121,738             |                 |   |  |
|  | <b>84,155,901</b>    | <b>84,492,557</b>      |                 |   |  |
| <b>Increase / (Decrease) in Deferred Tax Assets</b>                      | <b>(336,656)</b>     | <b>27,148,444</b>      |                 |   |  |
| <b>Calculation of Deferred Tax Assets :</b>                              |                      |                        |                 |   |  |
|  | <b>Particulars</b>   | <b>Carrying Amount</b> | <b>Tax Base</b> | <b>(Taxable) /<br/>Deductable<br/>Temporary</b> | <b>Deferred Tax Assets<br/>/ (Liabilities)</b> |
|  | Gratuity Provision   | 138,889,170            | -               | 138,889,170                                     | 59,027,897                                     |
|  | WDV of Fixed Assets  | 80,537,273             | 139,661,990     | 59,124,717                                      | 25,128,004                                     |
|  |                      |                        |                 | <b>84,155,901</b>                               | <b>84,155,901</b>                              |
| <b>11 Borrowings from other banks, financial institutions and agents</b> |                      |                        |                 |   |  |
| In Bangladesh (note 11.1)  |                      |                        |                 | 140,738,650                                     | 1,631,243,739                                  |
| Outside Bangladesh (note 11.2)   |                      |                        |                 | 6,261,848,585                                   | 2,560,441,685                                  |
|  |                      |                        |                 | <b>6,402,587,235</b>                            | <b>4,191,685,424</b>                           |
| <b>11.1 In Bangladesh</b>  |                      |                        |                 |   |  |
| Call borrowings from:  |                      |                        |                 |   |  |
| Mutul Trust Bank Ltd   |                      |                        |                 | 120,000,000                                     | -  |
| State Bank of India  |                      |                        |                 | -   | 60,000,000                                     |
|  |                      |                        |                 | <b>120,000,000</b>                              | <b>60,000,000</b>                              |
| Term borrowings from:  |                      |                        |                 |   |  |
| Bangladesh Bank (Refinance - SME)  |                      |                        |                 | 20,738,650                                      | 343,739  |
| Eastern Bank Limited   |                      |                        |                 | -   | 1,335,265,000                                  |
| Southeast Bank Limited   |                      |                        |                 | -   | 235,635,000                                    |
|  |                      |                        |                 | <b>20,738,650</b>                               | <b>1,571,243,739</b>                           |
|  |                      |                        |                 | <b>140,738,650</b>                              | <b>1,631,243,739</b>                           |

|  | 2017<br>BDT          | 2016<br>BDT          |
|--|----------------------|----------------------|
| <b>11.2 Outside Bangladesh</b>         |                      |                      |
| Commercial Bank of Ceylon              | 4,390,843,694        | 736,534,276          |
| ICICI Bank                             | 1,240,425,000        | 785,450,000          |
| Standard Chartered Bank                | 329,321,547          | 28,708,117           |
| Wells Fargo NA                         | 126,642,337          | 174,495,708          |
| Axis Bank                              | 107,138,389          | 20,443,814           |
| Standard Chartered Bank (OBU)          | 29,146,393           | 4,390,327            |
| Citibank NA (OBU)                      | 27,460,050           | -                    |
| National Australia (OBU)               | 4,794,383            | 2,302,444            |
| Commerzbank AG                         | 6,076,792            | -                    |
| Bank of Baroda                         | -                    | 785,450,000          |
| Standard Chartered Bank (OBU)          | -                    | 19,790,915           |
| Deutsche Bank                          | -                    | 2,876,084            |
|  | <b>6,261,848,585</b> | <b>2,560,441,685</b> |
| <b>Analysis by security</b>            |                      |                      |
| Secured                                | -                    | -                    |
| Unsecured                              | 6,402,587,235        | 4,191,685,424        |
|  | <b>6,402,587,235</b> | <b>4,191,685,424</b> |
| <b>Grouping by maturity</b>            |                      |                      |
| Repayable on demand                    | 721,283,585          | 253,007,409          |
| Others                                 | 5,681,303,650        | 3,938,678,015        |
|  | <b>6,402,587,235</b> | <b>4,191,685,424</b> |
| <b>12 Deposits and other accounts</b>  |                      |                      |
| <b>12.1 Current and other accounts</b> |                      |                      |
| Current accounts (note 12.1.1)         | 8,645,212,438        | 7,496,045,127        |
| Margin accounts (note 12.1.2)          | 267,343,502          | 465,874,968          |
|  | <b>8,912,555,940</b> | <b>7,961,920,095</b> |
| <b>Current and other accounts</b>      |                      |                      |
| <b>12.1.1 Current accounts</b>         |                      |                      |
| Local currency                         |                      |                      |
| Inter-bank                             | -                    | -                    |
| Others                                 | 6,118,919,143        | 5,295,468,316        |
|  | <b>6,118,919,143</b> | <b>5,295,468,316</b> |
| Foreign currencies                     |                      |                      |
| Inter-bank                             | -                    | -                    |
| Others                                 | 2,526,293,295        | 2,200,576,811        |
|  | <b>2,526,293,295</b> | <b>2,200,576,811</b> |
|  | <b>8,645,212,438</b> | <b>7,496,045,127</b> |

|  | 2017<br>BDT           | 2016<br>BDT           |
|--|-----------------------|-----------------------|
| <b>12.1.2 Margin accounts</b>                            |                       |                       |
| Letters of guarantee                                     | 63,121,719            | 32,827,066            |
| Letters of credit  | 193,397,819           | 420,629,443           |
| Others   | 10,823,964            | 12,418,459            |
|  | <u>267,343,502</u>    | <u>465,874,968</u>    |
|  | <u>8,912,555,940</u>  | <u>7,961,920,095</u>  |
| <b>12.2 Bills payable</b>                                |                       |                       |
| Payment orders issued                                    | 133,289,371           | 180,418,082           |
| Inward remittance payable                                | -                     | -                     |
|  | <u>133,289,371</u>    | <u>180,418,082</u>    |
| <b>12.3 Savings bank deposits</b>                        |                       |                       |
| Local currency   |                       |                       |
| Inter-bank   | -                     | -                     |
| Others   | 2,851,896,996         | 2,449,043,478         |
|  | <u>2,851,896,996</u>  | <u>2,449,043,478</u>  |
| Foreign currency   |                       |                       |
| Inter-bank   | -                     | -                     |
| Others   | 166,681,319           | 120,645,304           |
|  | <u>166,681,319</u>    | <u>120,645,304</u>    |
|  | <u>3,018,578,315</u>  | <u>2,569,688,782</u>  |
| <b>12.4 Fixed deposits</b>                               |                       |                       |
| Local currency   |                       |                       |
| Inter-bank   | 3,550,000,000         | -                     |
| Others   | 10,066,973,791        | 9,716,170,654         |
|  | <u>13,616,973,791</u> | <u>9,716,170,654</u>  |
| Foreign currency   |                       |                       |
| Inter-bank   | 496,170,000           | -                     |
| Others   | 2,604,589,538         | 2,680,478,889         |
|  | <u>3,100,759,538</u>  | <u>2,680,478,889</u>  |
|  | <u>16,717,733,329</u> | <u>12,396,649,543</u> |
| <b>12.5 Other deposits</b>                               |                       |                       |
| Stale drafts-foreign currencies                          | 11,412,390            | 10,277,892            |
| Stale pay orders-local currency                          | 21,855,064            | 10,546,794            |
|  | <u>33,267,454</u>     | <u>20,824,686</u>     |
|  | <u>28,815,424,409</u> | <u>23,129,501,188</u> |
| <b>12.6 Maturity analysis of customer deposits</b>       |                       |                       |
| Repayable on demand                                      | 12,097,691,080        | 10,732,851,645        |
| Repayable within 1 month                                 | 5,006,736,646         | 3,255,645,431         |
| Over 1 month but within 6 months                         | 4,175,662,256         | 6,261,133,866         |
| Over 6 months but within 1 year                          | 2,677,881,410         | 2,224,656,124         |
| Over 1 year but within 5 years                           | 811,283,017           | 655,214,122           |
| Over 5 years but within 10 years                         | -                     | -                     |
| Unclaimed deposit for 10 years or more held by the Bank  | -                     | -                     |
|  | <u>24,769,254,409</u> | <u>23,129,501,188</u> |
| <b>12.7 Maturity analysis of inter-bank deposits</b>     |                       |                       |
| Repayable on demand                                      | -                     | -                     |
| Repayable within 1 month                                 | 2,416,170,000         | -                     |
| Over 1 month but within 6 months                         | 1,630,000,000         | -                     |
| Over 6 months but within 1 year                          | -                     | -                     |
| Over 1 year but within 5 years                           | -                     | -                     |
| Over 5 years but within 10 years                         | -                     | -                     |
| Unclaimed deposits for 10 years or more held by the Bank | -                     | -                     |
|  | <u>4,046,170,000</u>  | <u>-</u>              |
|  | <u>28,815,424,409</u> | <u>23,129,501,188</u> |

|  | 2017<br>BDT          | 2016<br>BDT          |
|--|----------------------|----------------------|
| <b>13 Other liabilities</b>  |                      |                      |
| Accumulated general provision against loans and advances and Off-Balance Sheet items (note 13.1) | 530,500,000          | 408,000,000          |
| Specific provision ( note 13.2)  | 220,217,927          | 274,806,970          |
| Interest suspense account (note 13.3)  | 66,614,161           | 73,410,417           |
| Interest payable on deposits   | 229,121,600          | 242,954,747          |
| Interest payable on borrowings   | 22,783,001           | 13,178,170           |
| Provision for corporate taxation (note 13.4)   | 4,316,456,522        | 3,545,493,178        |
| Sundry creditors   | 3,503,606            | 7,690,951            |
| Expenses payable   | 116,911,464          | 105,046,331          |
| Provision for good borrower  | 20,000,000           | 9,900,000            |
| Provision for gratuity (note 13.5)   | 138,889,170          | 137,343,104          |
| Commission and brokerage payable   | 280,549              | 5,934,336            |
| Others   | 222,750,051          | 102,672,645          |
|  | <b>5,888,028,051</b> | <b>4,926,430,849</b> |
| <b>13.1 Accumulated general provision against loans and advances and Off-balance sheet items</b> |                      |                      |
| Opening balance  | 408,000,000          | 331,300,000          |
| Less: Fully provided, written-off during the year  | -                    | -                    |
| Less: Recovery of provision no longer required   | -                    | -                    |
| Add: Provision for the year  | 122,500,000          | 76,700,000           |
| Closing balance  | <b>530,500,000</b>   | <b>408,000,000</b>   |
| <b>Required Provision</b>  | <b>496,488,509</b>   | <b>377,716,000</b>   |
| <b>13.1.1 General provision</b>  |                      |                      |
| Opening balance  | 408,000,000          | 331,300,000          |
| Add: Provision for the year (note 13.1.1.1)  | 122,500,000          | 76,700,000           |
| Add: Transferred from specific provision during the year   | -                    | -                    |
| Less: Transferred to specific provision during the year  | -                    | -                    |
| Closing balance (note 13.1.1.2)  | <b>530,500,000</b>   | <b>408,000,000</b>   |
| <b>13.1.1.1 General provision for the year against</b>   |                      |                      |
| Loans and advances   | 74,900,000           | 22,200,000           |
| Off-balance sheet items  | 47,600,000           | 54,500,000           |
|  | <b>122,500,000</b>   | <b>76,700,000</b>    |
| <b>13.1.1.2 General provision against</b>  |                      |                      |
| Loans and advances   | 327,000,000          | 328,800,000          |
| Off-balance sheet items  | 203,500,000          | 155,900,000          |
|  | <b>530,500,000</b>   | <b>484,700,000</b>   |
| <b>13.2 Specific provision</b>   |                      |                      |
| Opening balance  | 274,806,970          | 160,982,770          |
| Less: Fully provided, written-off during the year  | (27,105)             | -                    |
| Add: Recovery of advance previously written-off  | -                    | -                    |
| Add: Specific provision during the year  | 2,789,343            | 153,813,345          |
| Less: Recovery of provision no longer required   | (57,351,281)         | (39,989,145)         |
| Closing balance  | <b>220,217,927</b>   | <b>274,806,970</b>   |
| <b>Required provision</b>  | <b>220,217,927</b>   | <b>274,806,970</b>   |

|  | 2017<br>BDT       | 2016<br>BDT       |
|--|-------------------|-------------------|
| <b>13.3 Interest suspense account</b>                                |                   |                   |
| Opening balance  | 73,410,417        | 52,549,751        |
| Add: Amount transferred to interest suspense account during the year | 3,132,127         | 30,081,618        |
| Less: Transferred to income during the year                          | (9,928,383)       | (9,220,952)       |
| Less: Amount waived/written-off during the year                      | -                 | -                 |
| Closing balance  | <u>66,614,161</u> | <u>73,410,417</u> |

|  |                      |                      |
|--|----------------------|----------------------|
| <b>13.4 Provision for taxation</b>           |                      |                      |
| Opening balance                              | 3,545,493,178        | 2,918,344,734        |
| Add: Provision during the year (note 13.4.1) | 770,963,344          | 627,148,444          |
| Less: Settlement during the year             | -                    | -                    |
| Closing balance (note 13.4.2)                | <u>4,316,456,522</u> | <u>3,545,493,178</u> |

Filing of corporate income tax return of the Bank has been made up to the assessment year 2017-18. Corporate income tax return for the income year ended 31 December 2017 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 2017 has been made after considering necessary taxable allowances and disallowances as per tax laws.

**13.4.1 Provision made during the year**

|              |                    |                    |
|--------------|--------------------|--------------------|
| Current tax  | 770,963,344        | 627,148,444        |
| Deferred tax | 336,656            | (27,148,444)       |
|              | <u>771,300,000</u> | <u>600,000,000</u> |

**13.4.2 Provision for taxation**

|                           |                      |                      |
|---------------------------|----------------------|----------------------|
| Current year provision    | 770,963,344          | -                    |
| Provision carried forward | -                    | -                    |
| 2017                      | 770,963,344          |                      |
| 2016                      | 627,148,444          | 627,148,444          |
| 2015                      | 677,408,784          | 677,408,784          |
| 2014                      | 691,420,365          | 691,420,365          |
| 2013                      | 584,939,383          | 584,939,383          |
| 2012                      | 523,647,556          | 523,647,556          |
| 2011                      | 440,928,646          | 440,928,646          |
|                           | <u>4,316,456,522</u> | <u>3,545,493,178</u> |

**13.5 Provision for gratuity**

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Opening balance                      | 137,343,104        | 75,299,861         |
| Less: Payment made during the year   | (18,661,365)       | (8,911,469)        |
| Add : Provision made during the year | 20,207,431         | 70,954,712         |
| Closing balance                      | <u>138,889,170</u> | <u>137,343,104</u> |

**14 Paid-up capital / Deposit kept with Bangladesh Bank**

|  |                      |                      |
|--|----------------------|----------------------|
| Fund deposited with Bangladesh Bank            | -                    | -                    |
| Investment in treasury bills/bonds (note 14.1) | 4,841,319,249        | 4,544,179,152        |
|  | <u>4,841,319,249</u> | <u>4,544,179,152</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 2017 represents investment in treasury bills/bonds of BDT 4,841,319,249.

| 2017 | 2016 |
|------|------|
| 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 2017 should be BDT 4,000,000,000 or 10% of risk weighted assets whichever is higher as against available capital of BDT 9,180,387,031 (Tier I Capital BDT 8,646,449,413 and Tier II Capital BDT 533,937,618). Details are shown below:

|  |                      |                      |
|--|----------------------|----------------------|
| Total assets including off-balance sheet items   | 69,987,123,048       | 55,251,270,734       |
| Total risk weighted assets   | 25,071,716,090       | 19,403,728,274       |
| 10% of risk weighted assets  | 2,507,171,609        | 1,940,372,827        |
| <b>Required capital as per BRPD circular (a)</b>   | <b>4,000,000,000</b> | <b>4,000,000,000</b> |
| <b>Actual capital maintained:</b>  |                      |                      |
| <b>Tier I</b>  |                      |                      |
| Paid-up capital/Deposit kept with Bangladesh Bank  | 4,841,319,249        | 4,544,179,152        |
| Statutory reserve  | -                    | -                    |
| Other reserve  | -                    | -                    |
| Retained earnings  | 3,889,286,065        | 3,371,071,237        |
| Regulatory adjustments (deferred tax assets)   | (84,155,901)         | (84,492,557)         |
|  | <b>8,646,449,413</b> | <b>7,830,757,832</b> |
| <b>Tier II</b>   |                      |                      |
| General provision on unclassified loans and off-balance sheet items (Allowable as per Basel III) | 530,500,000          | 484,700,000          |
| Revaluation reserve as of 31 December 2014 (up to 50% of revaluation)                            | 3,437,618            | 5,156,428            |
|  | <b>533,937,618</b>   | <b>489,856,428</b>   |
| <b>Total capital (b)</b>   | <b>9,180,387,031</b> | <b>8,320,614,260</b> |
| <b>Capital surplus / (shortfall) (b-a)</b>   | <b>5,180,387,031</b> | <b>4,320,614,260</b> |
| <b>Capital to Risk Weighted Assets Ratio (CRAR)</b>  | <b>36.62%</b>        | <b>42.88%</b>        |

**15 Retained earnings**

|   |                      |                      |
|---|----------------------|----------------------|
| Opening balance   | 3,272,070,915        | 2,780,529,467        |
| Add: Profit after taxation                                    | 914,355,247          | 590,541,770          |
| Add: Capital from Head Office                                 | -                    | -                    |
| Less: Profit remittance                                       | -                    | -                    |
| Less: Amount transferred to paid-up capital/Deposit kept with | (297,140,097)        | (99,000,322)         |
| Closing balance   | <b>3,889,286,065</b> | <b>3,272,070,915</b> |

**16 Contingent liabilities**

|  |                      |                      |
|--|----------------------|----------------------|
| <b>16.1 Claims lodged with the Bank which are not recognized as loan</b> | -                    | -                    |
| <b>16.2 Letter of guarantees</b>   |                      |                      |
| Directors  | -                    | -                    |
| Government   | 6,702,326,448        | 4,594,273,941        |
| Banks and other financial institutions                                   | 1,708,804            | 1,034,429            |
| Others   | 192,226,912          | 145,305,173          |
|  | 6,896,262,164        | 4,740,613,543        |
| Less: Margin on guarantees   | 63,121,719           | 32,827,066           |
|  | <b>6,833,140,445</b> | <b>4,707,786,477</b> |

|  | 2017<br>BDT           | 2016<br>BDT           |
|--|-----------------------|-----------------------|
| <b>16.3 Irrevocable letters of credit</b>  |                       |                       |
| Inward bills unsettled   | 2,817,475,167         | 2,828,199,016         |
| Documentary credits  | 7,380,040,105         | 5,144,048,888         |
| Shipping guarantee   | 1,300                 | 1,700                 |
|  | <u>10,197,516,572</u> | <u>7,972,249,604</u>  |
| Less: Margin on letters of credit  | 193,397,819           | 420,629,443           |
|  | <u>10,004,118,753</u> | <u>7,551,620,161</u>  |
| <b>16.4 Bills for collection (*)</b>   |                       |                       |
| Cheques for collection   | 14,788,345            | 18,593,071            |
| Outward collection   | 2,076,130,768         | 2,065,122,753         |
|  | <u>2,090,919,113</u>  | <u>2,083,715,824</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> |                       |                       |
| <b>16.5 Other contingent liabilities</b>   |                       |                       |
| Litigation pending against the Bank<br>Motijheel Branch  | -                     | -                     |
|  | 64,638,549            | 64,638,549            |
|  | <u>64,638,549</u>     | <u>64,638,549</u>     |
|  | <u>18,992,816,860</u> | <u>14,407,761,011</u> |
| <b>17 Other commitments</b>  |                       |                       |
| Forward assets purchased and forward deposits placed   | 1,146,261,494         | 768,258,260           |
|  | <u>1,146,261,494</u>  | <u>768,258,260</u>    |

|  | 2017<br>BDT          | 2016<br>BDT          |
|--|----------------------|----------------------|
| <b>18 Interest income</b>  |                      |                      |
| <b>Interest on loans and advances</b>                                |                      |                      |
| General loan   | 1,395,173,481        | 1,231,332,747        |
| Overdrafts   | 189,104,013          | 220,714,831          |
| Trust receipts   | 92,488,091           | 49,370,277           |
| Import loans   | 1,417,763            | 955,300              |
| Pre-shipment loan  | 5,745,252            | 6,655,929            |
| Inland bills purchased   | 4,784,016            | 3,440,630            |
| House building loan-others   | 16,187,463           | 12,461,346           |
| Credit cards   | 6,123,072            | 6,201,493            |
| Staff loans  | 4,956,446            | 4,815,434            |
|  | <b>1,715,979,597</b> | <b>1,535,947,987</b> |
| <b>Interest on</b>   |                      |                      |
| Accounts with foreign banks  | 3,599,101            | 2,434,459            |
| Deposits with other banks  | 209,208,287          | 123,388,880          |
|  | <b>212,807,388</b>   | <b>125,823,339</b>   |
|  | <b>1,928,786,985</b> | <b>1,661,771,326</b> |
| <b>19 Interest paid on deposits and borrowings, etc</b>              |                      |                      |
| <b>Interest on</b>   |                      |                      |
| Fixed deposits   | 485,199,146          | 512,673,394          |
| Short notice deposit / Money Market A/C                              | 89,874,690           | 52,087,355           |
| Savings deposits   | 73,537,347           | 70,530,184           |
| Foreign currency deposits  | 67,287,004           | 63,291,105           |
|  | <b>715,898,187</b>   | <b>698,582,038</b>   |
| <b>Interest on</b>   |                      |                      |
| Borrowings from local banks  | 11,073,931           | 7,837,664            |
| Borrowings from foreign banks  | 87,599,457           | 30,618,252           |
|  | <b>98,673,388</b>    | <b>38,455,916</b>    |
|  | <b>814,571,575</b>   | <b>737,037,954</b>   |
| <b>20 Investment income</b>  |                      |                      |
| Interest and profit on treasury bills                                | 46,050,892           | 77,336,994           |
| Interest and profit on treasury bonds                                | 454,272,862          | 483,135,984          |
| Capital gain on treasury bills and bonds                             | 1,983,125            | 37,648,489           |
| Interest on Commercial Paper / Banglalink bonds                      | -                    | 14,418,056           |
| Dividend from CDBL shares  | 8,567,708            | 8,567,708            |
|  | <b>510,874,587</b>   | <b>621,107,231</b>   |
| <b>21 Commission, exchange and brokerage</b>                         |                      |                      |
| Commission   | 327,038,848          | 283,680,631          |
| Exchange gain less losses arising from dealing in foreign currencies | 534,581,633          | 271,886,452          |
|  | <b>861,620,481</b>   | <b>555,567,083</b>   |
| <b>22 Other operating income</b>                                     |                      |                      |
| Recovery of other provision/ written off bad debts                   | 57,351,281           | 39,989,145           |
| Profit on disposal of fixed assets                                   | 409,767              | 97,009               |
| Profit less loss from interest fluctuation                           | -                    | -                    |
| Income from recovery of loans  | -                    | -                    |
|  | <b>57,761,048</b>    | <b>40,086,154</b>    |
| <b>23 Salary and allowances</b>                                      |                      |                      |
| Salaries   | 238,697,995          | 235,611,421          |
| Leave fair assistance  | 19,063,369           | 18,663,813           |
| Bonus  | 84,974,584           | 59,150,444           |
| Bank's contribution to provident fund                                | 10,991,226           | 11,028,536           |
| Gratuity   | 20,207,431           | 70,954,712           |
| Other allowances   | 3,014,061            | 4,271,138            |
| Medical expenses   | 10,895,768           | 10,377,754           |
|  | <b>387,844,434</b>   | <b>410,057,818</b>   |



|   | 2017<br>BDT        | 2016<br>BDT        |
|---|--------------------|--------------------|
| <b>24 Rent, taxes, insurance and electricity</b>    |                    |                    |
| Rent, rates and taxes                               | 134,049,915        | 119,080,091        |
| Lease rent  | 224,907            | 1,086,135          |
| Insurance   | 17,765,506         | 16,989,727         |
| Lighting  | 9,982,942          | 11,370,528         |
| Water charges                                       | 593,889            | 566,913            |
|   | <b>162,617,159</b> | <b>149,093,394</b> |
| <b>25 Legal expenses</b>                            |                    |                    |
| Law charges   | 531,696            | 655,612            |
| Other professional fees                             | 2,670,392          | 1,539,829          |
|   | <b>3,202,088</b>   | <b>2,195,441</b>   |
| <b>26 Postage, stamps and telecommunication</b>     |                    |                    |
| Telephone   | 2,326,997          | 2,464,704          |
| Swift charges                                       | 8,349              | 878,444            |
| Postage and courier                                 | 7,414,770          | 4,460,979          |
|   | <b>9,750,116</b>   | <b>7,804,127</b>   |
| <b>27 Stationery, printing and advertisements</b>   |                    |                    |
| Publicity and advertisement                         | 4,604,521          | 3,305,518          |
| Printing and stationery                             | 6,757,986          | 6,627,761          |
| Newspapers and periodicals                          | 257,884            | 241,532            |
|   | <b>11,620,391</b>  | <b>10,174,811</b>  |
| <b>28 Chief Executive's salary and allowances</b>   |                    |                    |
| Salary  | 5,139,660          | 5,172,976          |
| Bonus   | 888,471            | 2,798,635          |
| Other allowances                                    | 103,645            | 108,000            |
|   | <b>6,131,776</b>   | <b>8,079,611</b>   |
| <b>29 Depreciation and repairs of Bank's assets</b> |                    |                    |
| Depreciation (Annex B).                             | 26,273,040         | 18,284,370         |
| Repairs and maintenance of:                         |                    |                    |
| Equipment and computers                             | 17,292,294         | 19,004,637         |
| Premises, furniture and fixtures                    | 9,514,383          | 8,754,158          |
| Vehicles  | 6,872,068          | 6,246,495          |
|   | <b>59,951,785</b>  | <b>52,289,660</b>  |
| <b>30 Other expenses</b>                            |                    |                    |
| Fees and charges for services                       | 41,507,870         | 35,104,936         |
| Travelling and conveyance                           | 6,680,092          | 6,303,017          |
| Entertainment                                       | 995,494            | 2,172,572          |
| Security services                                   | 14,945,583         | 14,017,379         |
| Training, seminar and workshop                      | 2,447,771          | 1,875,563          |
| Cash carrying expenses                              | 6,143,368          | 6,015,975          |
| Loss on disposal of fixed assets                    | 3,266,215          | -                  |
| Donation and subscription                           | 1,332,410          | 593,874            |
| Staff welfare                                       | 5,596,836          | 4,263,360          |
| Sundry expenses                                     | 9,102,548          | 10,006,187         |
|   | <b>92,018,187</b>  | <b>80,352,863</b>  |
| <b>31 Provision against loans and advances</b>      |                    |                    |
| <b>General provision for:</b>                       |                    |                    |
| Unclassified loans                                  | 74,900,000         | 22,200,000         |
| Off-balance sheet items                             | 47,600,000         | 54,500,000         |
|   | <b>122,500,000</b> | <b>76,700,000</b>  |

|  | 2017<br>BDT          | 2016<br>BDT          |
|--|----------------------|----------------------|
| <b>32 Receipts from other operating activities</b>                           |                      |                      |
| Other operating income   | 57,761,048           | 40,086,154           |
| Income from commission, exchange and brokerage                               | 861,620,481          | 555,567,083          |
| Less: Fees and commission  | (327,038,848)        | (283,680,631)        |
| Recovery of loans provision / previously written-off                         | (57,351,281)         | (39,989,145)         |
| Gain on disposal of property, plant and equipment                            | (409,767)            | (97,009)             |
|  | <b>534,581,633</b>   | <b>271,886,452</b>   |
| <b>33 Payments for other operating activities</b>                            |                      |                      |
| Total operating expenses   | (733,526,936)        | (720,438,725)        |
| Less: Payments to employees  | 373,768,779          | 347,182,717          |
| Less: Payments to suppliers  | 183,987,666          | 167,072,332          |
| Less: General and other provisions   | (125,289,343)        | (230,513,345)        |
|  | <b>(301,059,834)</b> | <b>(436,697,021)</b> |
| <b>34 Other assets</b>   |                      |                      |
| Receivable from Bangladesh Bank against Sanchaya patras                      | 17,932,684           | 34,440,030           |
| Advance rent and advertisement   | 133,887,611          | 143,953,203          |
| Prepaid expenses   | 4,950,924            | 3,535,501            |
| Stock of stationery, stamps, printing materials, etc                         | 10,003,022           | 3,807,031            |
| Receivable from Head Office  | 365,000              | 377,500              |
| Security deposit   | 4,287,498            | 4,062,104            |
| Commission and brokerage receivable  | -                    | -                    |
| Others   | (157,387,046)        | 17,321,723           |
|  | <b>14,039,693</b>    | <b>207,497,092</b>   |
| Increase /(Decrease) during the year   | <b>193,457,399</b>   | <b>(70,460,377)</b>  |
| <b>35 Other liabilities</b>  |                      |                      |
| Accumulated provision against loans and advances and off-balance sheet items | 530,500,000          | 408,000,000          |
| Specific provision   | 220,217,927          | 274,806,970          |
| Provision for corporate taxation   | 4,316,456,522        | 3,545,493,178        |
| Exchange equalisation account  | -                    | -                    |
| Gain on revaluation of treasury bills/bonds                                  | 11,399,685           | 11,383,935           |
| Sundry creditors   | 3,503,606            | 7,690,951            |
| Expenses payable   | 116,911,464          | 105,046,331          |
| Provision for gratuity and good borrower                                     | 158,889,170          | 147,243,104          |
| Interest suspense account  | 66,614,161           | 73,410,417           |
| Dividends/Profit remittance, etc   | -                    | -                    |
| Commission and brokerage payable   | 280,549              | 5,934,336            |
| Others   | 222,750,051          | 102,672,645          |
|  | <b>5,647,523,135</b> | <b>4,681,681,867</b> |
| Less: Current year's corporate tax provision                                 | <b>(771,300,000)</b> | <b>(600,000,000)</b> |
| Decrease during the year   | <b>194,541,268</b>   | <b>299,189,656</b>   |

### 36 Audit committee

Audit committee of the Bank consists of the following members:

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

Four numbers of Audit Committee meetings were held during the year 2017 where among others, following issues were discussed:

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

### 37 Core risks management of the Bank

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

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

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

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

#### 37.1 Credit risks

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

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

#### 37.2 Asset and liability/ Balance sheet risks

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

### 37.3 Foreign exchange risks

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

### 37.4 Internal control and compliance risks

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

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

### 37.5 Money laundering risks

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

### 37.6 Information Technology Risks

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

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

### 37.7 Internal Audit

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

### 37.8 Fraud and Forgeries

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".

**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 | 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       | 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 | 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 |

| SL no. | Title of Standard  | BFRS no. | Status                           |
|--------|--|----------|----------------------------------|
| 1      | First-time Adoption of International Financial               | 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                         |
| 9      | Financial Instruments  | 9        | Applicable from January 01, 2018 |
| 10     | Revenue from Contracts with Customers                        | 15       | Applicable from January 01, 2018 |
| 11     | Lease  | 16       | Applicable from January 01, 2018 |

\* 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 2017 denominated in foreign currencies have been converted to local currency, BDT, at the following exchange rates:

| Currency                   | Abbreviation and unit | Equivalent BDT |
|----------------------------|-----------------------|----------------|
| United Arab Emirate Dirham | AED 1.00              | 22.3034        |
| Australian Dollar          | AUD 1.00              | 64.3615        |
| Canadian Dollar            | CAD 1.00              | 65.4595        |
| Danish Kroner              | DKK 1.00              | 13.2284        |
| European Currency          | EUR 1.00              | 98.4856        |
| Hong Kong Dollar           | HKD 1.00              | 10.5797        |
| Indian Rupee               | INR 1.00              | 1.2872         |
| Japanes Yen                | JPY 1.00              | 0.7308         |
| Kuwaiti Dinar              | KWD 1.00              | 270.1303       |
| New Zealand Dollar         | NZD 1.00              | 58.5315        |
| Pound Sterling             | GBP 1.00              | 111.4598       |
| Quatar Riyal               | QAR 1.00              | 22.7122        |
| Singapore Dollar           | SGD 1.00              | 61.7380        |
| Swedish Kroner             | SEK 1.00              | 10.0096        |
| Swiss Franc                | CHF 1.00              | 83.9671        |
| Malaysian Ringgit          | MYR 1.00              | 20.2833        |
| Saudia Arabian Riyal       | SAR 1.00              | 21.7508        |
| US Dollar                  | USD 1.00              | 82.6950        |

#### 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 2017 was USD 4,728,421.19 equivalent to Taka 391,016,790.31 against the approved limit of USD 19,240,000.00

#### 46 Credit rating

The Bank has been awarded "AAA" (triple A) for long term and ST-1 for short term ratings" by the Credit Rating Information and Services Limited (CRISL) on 15 June 2017

#### 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 2017 the bank has undertaken wide range of CSR activities covering Financial Inclusions, Social and Community projects. In line with GBCSRD Circular letter no. 06 dated 10 June 2015 the details of the activities are appended below:

**Social Projects:**

| Description of initiatives  | Amount of investment | No. of beneficiaries |
|---|----------------------|----------------------|
| Direct social interventions conducted by the bank, both as occasional/remedial measures or sustainable/continuous projects:   |                      |                      |
| i. a) Published advertisement in the Newspaper for the public awareness under the National Integrity Program of Bangladesh Bank.  | BDT 165,600.00       | N/A                  |
| ii. a) Education: Donation of office equipment for "The School of Hope", Vatarra, Dhaka   | BDT 14,900           | 1300 Students        |
| ii. b) Education: Financial assistance to the "Bangladesh Protibondhi Foundation" for facilitating a better treatment and services to the differently able students of a school run by the foundation.                                      | BDT 550,000.00       | 195 Students         |
| iii. a) Distributed relief among the poor flood affected people in Sunamganj, Sylhet  | BDT 97,500.00        | 160 People           |
| iii. b) Disaster Management: 1500 Units of blankets given to the poor people affected by cold wave in different parts of the country  | BDT 272,900.00       | 1500 People          |
| iv. a) Health: Financial assistance to the "Society for the Welfare of Autistic Children" for enhancing the facilities for the welfare and development in physical, cognitive and socio-emotional aspects of the differently able children. | BDT 400,000.00       | 210 Students         |

**48 Highlights of Activities**

| Sl. | Particulars  | 2017           | 2016           |
|-----|--|----------------|----------------|
| 1   | Paid-up capital / Deposit kept with Bangladesh Bank        | 4,841,319,249  | 4,544,179,152  |
| 2   | Total capital for the purpose of CRAR                      | 9,180,387,031  | 8,320,614,260  |
| 3   | Capital to Risk Weighted Assets Ratio (CRAR)               | 36.62%         | 42.88%         |
| 4   | Capital surplus/(shortfall)                                | 5,180,387,031  | 4,320,614,260  |
| 5   | Total assets   | 49,848,044,694 | 40,075,251,463 |
| 6   | Total deposits   | 28,815,424,409 | 23,129,501,188 |
| 7   | Total loans and advances                                   | 32,568,452,654 | 24,775,448,686 |
| 8   | Total contingent liabilities and commitments               | 20,139,078,354 | 15,176,019,271 |
| 9   | Credit-deposit ratio - DBU (%)                             | 82.66%         | 80.59%         |
| 10  | Ratio of classified loans against total loans and advances | 1.00%          | 2.03%          |
| 11  | Profit after tax and provision                             | 914,355,247    | 590,541,770    |
| 12  | Loans classified during the year                           | 324,724,521    | 503,237,394    |
| 13  | Provision kept against classified loans                    | 220,217,927    | 274,806,970    |
| 14  | Provision surplus/(deficit)                                | -              | -              |
| 15  | Cost of fund   | 3.45%          | 3.52%          |
| 16  | Interest earning assets                                    | 43,550,937,207 | 34,718,864,905 |
| 17  | Non-interest earning assets                                | 6,297,107,487  | 5,356,386,558  |
| 18  | Return on investment (*)                                   | 8.78%          | 11.93%         |
| 19  | Return on average investment                               | 6.81%          | 7.82%          |
| 20  | Return on assets (*)                                       | 1.83%          | 1.47%          |
| 21  | Income from investment                                     | 510,874,587    | 621,107,231    |
| 22  | Earnings per share   | N/A            | N/A            |
| 23  | Net income per share                                       | N/A            | N/A            |
| 24  | Price earnings ratio                                       | N/A            | N/A            |



**Binoy G. Roy**  
Financial Controller



**Najith Meewanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Country Manager

Annex A

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Disclosures on Risk based Capital Requirement under Pillar III of Basel III**  
**For the year ended 31 December 2017**

**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 2017 was BDT 9,180.39 million out of which BDT 8,646.45 million was under Tier-I capital (out of that BDT. 4,841.32 million was Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining BDT 3,805.13 million was Retained Profit after regulatory deduction) and remaining BDT 533.94 million was under Tier-II capital (General Provision of BDT 430.50 million and remaining 3.44 million was revaluation gain on treasury bills/bond).

**Quantitative Disclosure:**

a) Amount of Tier I Capital

i) Common equity Tier 1 (CET 1)

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

BDT

|               |
|---------------|
| 4,841,319,249 |
| -             |
| -             |
| 3,889,286,065 |
| -             |

**8,730,605,314**

Amount deducted from CET 1 Capital (Regulatory Adjustments)

- Good will
- Shortfall
- Deferred tax assets
- Others

|            |
|------------|
| -          |
| -          |
| 84,155,901 |
| -          |

**Total CET 1 Capital**

**8,646,449,413**

ii) Additional Tier I capital

-

**Total Tier I Capital (i+ii)**

**8,646,449,413**

**b) Total Tier II capital**

**533,937,618**

**Total eligible capital (a+b)**

**9,180,387,031**

**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 2017 bank maintained capital of BDT 9,180.39 million (Tier 1: going-concern capital of BDT 8,646.45 million plus Tier 2: gone-concern capital of BDT 533.94 million) against its total Risk Weighted Asset (RWA) of BDT 25,071.72 million which leads to a Capital to Risk-weighted Asset Ratio (CRAR) of 36.42%, where the minimum requirement is 11.25% as per BRPD circular no. 18 dated 21 December 2014. Tier-I capital was 34.49% of RWA against minimum requirement of 6% of RWA. As a result the Bank has a buffer Capital of BDT 5,180.39 million to maintain to mitigate the additional uncertain risks which are not covered under Pillar-II.



**Quantitative Disclosure of Capital Adequacy**

|  |  |                 |                      |
|--|--|-----------------|----------------------|
| a) Amount of Regulatory Capital to meet unforeseen loss: |  |                 |                      |
| Amount of Capital required to meet Credit Risk           |  |                 | BDT                  |
| Amount of Capital required to meet Market Risk           |  |                 | 2,106,074,302        |
| Amount of Capital required to meet Operational Risk      |  |                 | 45,029,613           |
|  |  |                 | 356,067,694          |
|  |  |                 | <b>2,507,171,609</b> |
| b) Actual Capital Maintained:                            |  |                 |                      |
| Total CET 1 Capital                                      |  |                 | 8,646,449,413        |
| Total Tier I Capital                                     |  |                 | 8,646,449,413        |
| Total Tier II Capital                                    |  |                 | 533,937,618          |
| <b>Total capital</b>                                     |  |                 | <b>9,180,387,031</b> |
| <b>% of Capital to risk weighted assets (CRAR)</b>       |  |                 |                      |
|  |  | <b>Required</b> | <b>Maintained</b>    |
| CET 1  |  | 4.50%           | 34.49%               |
| Tier I   |  | 6.00%           | 34.49%               |
| Tier II  |  |                 | 2.13%                |
| <b>Total</b>   |  | <b>11.25%</b>   | <b>36.62%</b>        |
| c) Capital conservation buffer                           |  | 1.25%           | 1.25%                |
| d) Available capital under pillar 2 requirement          |  |                 | <b>5,180,387,031</b> |

**3.3 Credit Risk**

**Qualitative Disclosures:**

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

**Definition of past due and impaired**

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

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

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

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

**Discussion of the bank’s credit risk management policy**

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

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

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

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

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

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

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

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

**Quantitative Disclosure**

BDT

**Total exposures of credit risk**

**A) Broken down by major types of credit exposure**

|  |                       |
|--|-----------------------|
| a) Cash and cash equivalents   | 269,143,044           |
| b) Claims on Bangladesh Government and Bangladesh  | 8,284,581,351         |
| 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   | 1,678,432,812         |
| Maturity less than 3 Months  | 1,835,091,510         |
| h) Claims on Corporate   | 18,372,466,849        |
| i) Claims under Credit Risk Mitigation   | 1,050,517,018         |
| j) Claims categorized as retail portfolio and small & medium enterprise (excluding consumer finance) | 447,650,118           |
| k) Consumer finance  | 153,838,493           |
| l) Claims fully secured by residential property  | 344,909,893           |
| m) Claims fully secured by commercial real estate  | 75,863,472            |
| n) Past due loans/NPL  | 445,247,027           |
| o) Investments in premises, plant and equipment and all other fixed assets                           | 80,207,755            |
| p) Claims on Fixed Assets under Operating Lease  | -                     |
| q) All Other Assets  |                       |
| i) Claims on GoB and BB (Advance Income Tax)   | 3,434,979,163         |
| ii) Staff loan/investments   | 85,762,119            |
| iii) Other assets  | 6,380,689,430         |
| r) Off-balance sheet items:  |                       |
| Claims on banks:   |                       |
| Maturity Over 3 Months   | 144,709,026           |
| Maturity less than 3 Months  | 22,181,628            |
| Claims on corporate  | 4,662,803,924         |
| Retail portfolio and small & medium enterprises  | 202,949,717           |
|  | <b>47,972,024,349</b> |

**B. Geographical Distribution of Exposure**

BDT

| Category  | Dhaka                 | Chittagong           | Sylhet             | Total                 |
|---|-----------------------|----------------------|--------------------|-----------------------|
| <b>Balance Sheet Items</b>                      |                       |                      |                    |                       |
| Claims on sovereigns and central banks          | 8,455,485,162         | 77,706,263           | 20,532,970         | 8,553,724,395         |
| Claims on banks and NBFIs                       | 3,513,524,322         | -                    | -                  | 3,513,524,322         |
| Claims on corporate                             | 17,108,188,023        | 2,573,495,459        | 262,410,884        | 19,944,094,366        |
| Claims on retail portfolio and consumer finance | 859,934,185           | 64,369,923           | 22,094,396         | 946,398,504           |
| Fixed assets                                    | 76,136,961            | 3,247,684            | 823,110            | 80,207,755            |
| Staff loan                                      | 85,762,119            | -                    | -                  | 85,762,119            |
| All other assets                                | 7,939,978,903         | 1,841,963,773        | 33,725,917         | 9,815,668,593         |
| <b>Total on balance sheet items</b>             | <b>38,039,009,675</b> | <b>4,560,783,102</b> | <b>339,587,277</b> | <b>42,939,380,054</b> |
| <b>Off Balance Sheet Items</b>                  |                       |                      |                    |                       |
| Claims on banks                                 | 166,890,654           | -                    | -                  | 166,890,654           |
| Claims on corporate                             | 3,618,939,577         | 1,043,864,347        | -                  | 4,662,803,924         |
| Claims on retail portfolio and consumer finance | 65,322,551            | 50,732,236           | 86,894,930         | 202,949,717           |
| <b>Total off balance sheet items</b>            | <b>3,851,152,782</b>  | <b>1,094,596,583</b> | <b>86,894,930</b>  | <b>5,032,644,295</b>  |
| <b>Total</b>                                    | <b>41,890,162,457</b> | <b>5,655,379,685</b> | <b>426,482,207</b> | <b>47,972,024,349</b> |

**C. Industry or Counterparty type distribution of exposures**

BDT

| Category                               | Bank and NBFIs        | Manufacturing industries | Retail and Consumer | Others               | Total                 |
|--|-----------------------|--------------------------|---------------------|----------------------|-----------------------|
| <b>Balance Sheet Items</b>             |                       |                          |                     |                      |                       |
| Claims on sovereigns and central banks | 8,553,724,395         | -                        | -                   | -                    | 8,553,724,395         |
| Claims on banks and NBFIs              | 3,513,524,322         | -                        | -                   | -                    | 3,513,524,322         |
| Claims on corporate                    | -                     | 19,944,094,366           | -                   | -                    | 19,944,094,366        |
| Claims on retail portfolio             | -                     | -                        | 946,398,504         | -                    | 946,398,504           |
| Fixed assets                           | -                     | -                        | -                   | 80,207,755           | 80,207,755            |
| Staff loan                             | -                     | -                        | -                   | 85,762,119           | 85,762,119            |
| All other assets                       | -                     | -                        | -                   | 9,815,668,593        | 9,815,668,593         |
| <b>Total on balance sheet items</b>    | <b>12,067,248,717</b> | <b>19,944,094,366</b>    | <b>946,398,504</b>  | <b>9,981,638,467</b> | <b>42,939,380,054</b> |

**Off-balance sheet items**

|   |                       |                       |                      |                      |                       |
|---|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| Claims on banks                                 | 166,890,654           | -                     | -                    | -                    | 166,890,654           |
| Claims on corporate                             | -                     | 4,662,803,924         | -                    | -                    | 4,662,803,924         |
| Claims on retail portfolio and consumer finance | -                     | -                     | 202,949,717          | -                    | 202,949,717           |
| Total off balance sheet items                   | <b>166,890,654</b>    | <b>4,662,803,924</b>  | <b>202,949,717</b>   | -                    | <b>5,032,644,295</b>  |
| <b>Total</b>                                    | <b>12,234,139,371</b> | <b>24,606,898,290</b> | <b>1,149,348,221</b> | <b>9,981,638,467</b> | <b>47,972,024,349</b> |

**D. Residual Contractual Maturity**

BDT

| Residual contractual maturity | Balance sheet items   | Off-balance sheet items | Total                 |
|-------------------------------|-----------------------|-------------------------|-----------------------|
| Up to 1 month maturity        | 18,173,817,019        | 300,533,762             | 18,474,350,781        |
| 1-3 months maturity           | 7,892,548,108         | 1,504,023,355           | 9,396,571,463         |
| 3-12 months maturity          | 11,595,052,081        | 2,957,288,434           | 14,552,340,515        |
| 1-5 years maturity            | 3,853,073,185         | 270,798,744             | 4,123,871,929         |
| Above 5 years maturity        | 1,424,889,661         | -                       | 1,424,889,661         |
| <b>Total</b>                  | <b>42,939,380,054</b> | <b>5,032,644,295</b>    | <b>47,972,024,349</b> |

**E. Major Industry or Counterparty Type (past due)**

BDT

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

|                             |                    |
|-----------------------------|--------------------|
| Major industry/sector       |                    |
| Bank and NBFIs              | -                  |
| Manufacturing industries    | 212,070,971        |
| Retail and Consumer finance | 10,250,750         |
| Others                      | 102,402,800        |
| <b>Total</b>                | <b>324,724,521</b> |

ii) Specific and general provision

|                         |                    |
|-------------------------|--------------------|
| General provision       |                    |
| Loans and advances      | 327,000,000        |
| Off-Balance sheet items | 203,500,000        |
|                         | <u>530,500,000</u> |
| Specific provision      | <u>220,217,927</u> |

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

|  |            |
|--|------------|
| Specific provisions made during the period | 2,789,343  |
| Write-back of excess specific provisions   | 57,351,281 |

**F) Gross non-performing assets ( NPAs)**

BDT

|  |                       |
|--|-----------------------|
| <b>Total loans &amp; advances</b>                              | <b>23,296,566,183</b> |
| Non-performing loans and advances                              | <b>324,724,521</b>    |
| Sub-standard   | 374,266               |
| Doubtful   | 635,852               |
| Bad/ Loss  | 323,714,403           |
| Non-Performing Assets (NPAs) to Outstanding Loans and advances | <b>1.39%</b>          |

**G) Movement of Non-Performing Assets ( NPAs)**

|                                 |                    |
|---------------------------------|--------------------|
| Opening balance                 | 503,237,394        |
| Add: Addition during the year   | 535,911            |
| Less: Reduction during the year | 179,048,784        |
| Closing balance                 | <b>324,724,521</b> |

**H) Movement of specific provisions for NPAs**

|  |                    |
|--|--------------------|
| Opening balance                        | 274,806,970        |
| Add: Provisions made during the period | 2,789,343          |
| Less: Write-off                        | -                  |
| Less: Write-back of excess provisions  | 57,351,281         |
| Closing balance                        | <b>220,245,032</b> |

**3.4 Equities: Disclosures for Banking Book Positions**

**Qualitative Disclosure**

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

**Quantitative Disclosures Details of Unquoted Investments**

BDT

**Banking Book Assets**

| Particulars                      | Number of shares | Face Value        | Cost             |
|----------------------------------|------------------|-------------------|------------------|
| CDBL Shares (Initial)            | 600,000          | 6,000,000         | 6,000,000        |
| Bonus received for the year 2009 | 600,000          | 6,000,000         | -                |
| Purchased on October 14, 2010    | 341,666          | 3,416,660         | 3,416,660        |
| Bonus declared for the year 2010 | 1,200,000        | 12,000,000        | -                |
| Bonus declared for the year 2011 | 685,417          | 6,854,170         | -                |
| <b>Total of CDBL Shares</b>      | <b>3,427,083</b> | <b>34,270,830</b> | <b>9,416,660</b> |

**3.5 Interest rate risk in the banking book (IRRBB)**

**Qualitative Disclosure**

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

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

**External factors cover general economic conditions:**

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

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

**Credit shock under Basel III (balance sheet exposure)**

BDT in Crore

| Magnitude of Shock                             | Minor    | Moderate | Major    |
|--|----------|----------|----------|
| Weighted average yield on assets (%)           | 10.00    | 10.00    | 10.00    |
| Total Assets                                   | 4,797.20 | 4,797.20 | 4,797.20 |
| Total RWA before shock                         | 2,507.17 | 2,507.17 | 2,507.17 |
| Total increase in RWA after shock              | 29.85    | 59.69    | 89.52    |
| Total increase Capital requirement after shock | 2.99     | 5.97     | 8.95     |
| Total RWA after shock                          | 2,537.02 | 2,566.86 | 2,596.69 |
| Eligible capital                               | 918.04   | 918.04   | 918.04   |
| Capital adequacy ratio after shock (%)         | 36.19    | 35.77    | 35.35    |
| Capital adequacy ratio before shock (%)        | 36.62    | 36.62    | 36.62    |
| Changes in CRAR (%)                            | (0.43)   | (0.85)   | (1.26)   |

**Credit Shock under Basel III (Off Balance Sheet Exposure)**

BDT in Crore

| Magnitude of Shock                                | Minor    | Moderate | Major    |
|---|----------|----------|----------|
| Weighted Average yield on assets (%)              | 10.00    | 10.00    | 10.00    |
| Total Assets                                      | 4,797.20 | 4,797.20 | 4,797.20 |
| Total RWA before shock                            | 2,507.17 | 2,507.17 | 2,507.17 |
| Total increase in RWA after shock                 | 4.35     | 8.71     | 13.06    |
| Total increase in capital requirement after shock | 0.44     | 0.87     | 1.31     |
| Total RWA after shock                             | 2,511.52 | 2,515.88 | 2,520.23 |
| Eligible capital                                  | 918.04   | 918.04   | 918.04   |
| Capital Adequacy Ratio after shock (%)            | 36.55    | 36.49    | 36.43    |
| Capital Adequacy Ratio before shock (%)           | 36.62    | 36.62    | 36.62    |
| Changes in CRAR (%)                               | (0.06)   | (0.13)   | (0.19)   |

**Combined Shock**

BDT in Crore

| Magnitude of Shock                      | Minor | Moderate | Major |
|---|-------|----------|-------|
| Capital Adequacy Ratio before shock (%) | 36.62 | 36.62    | 36.62 |
| Decrease in the FSV of the collateral   | -0.08 | -0.16    | -0.33 |
| Increase in NPLs                        | -1.01 | -3.37    | -6.60 |
| Negative shift in NPLs categories       | -0.08 | -0.17    | -0.33 |
| Interest rate                           | -0.03 | -0.07    | -0.10 |
| FEX: Currency appreciation              | -0.05 | -0.10    | -0.15 |
| Equity shock                            | 0.00  | -0.01    | -0.01 |
| Total change                            | -1.26 | -3.87    | -7.53 |
| CRAR after shock (%)                    | 35.35 | 32.75    | 29.09 |

### 3.6 Market Risk

#### Qualitative Disclosure

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

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

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

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

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

#### Methods used to measure market risk:

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

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

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

#### Interest rate risk

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

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

#### Foreign exchange risk

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

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

#### Market risk on Trading Book

The capital requirements for:

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

BDT

|                   |
|-------------------|
| 5,925,570         |
| -                 |
| 39,104,043        |
| -                 |
| <b>45,029,613</b> |

### 3.7 Operational risk

#### Qualitative disclosure

#### Views of BOD on system to reduce operational risk

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

#### Performance gap of executives and staffs

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

**Potential external events**

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

**Policies and processes for mitigating operational risk**

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

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.

**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 2017 bank’s operational capital requirement was Tk. 35.61 crore which was adequately maintained.

**Quantitative Disclosure**

The capital requirements for operational risk is Taka

**BDT**  
**356,067,694**

**3.8 Liquidity ratio**

**Qualitative disclosure**

**Views of BOD on system to reduce liquidity risk**

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

**Methods used to measure liquidity risk**

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

**Liquidity risk management system**

Bank continuously analyses and monitors its liquidity profile, maintains an adequate margin of safety in high quality liquid assets and access to diverse funding sources such as inter-bank market, assets and investments available-for-sale and has contingency funding plan to meet liquidity requirements. Bank thereby ensures availability of adequate liquidity to fund its existing asset base and grow its business whilst maintaining sufficient liquidity buffers to operate smoothly under varying market conditions including any short-term, 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 liquid assets  
Total net cash outflows over the next 30 calendar days  
Available amount of stable funding  
Required amount of stable funding

|  | <b>BDT</b>     |
|--|----------------|
| Liquidity coverage ratio                               | 129.45%        |
| Net stable funding ratio                               | 115.59%        |
| Stock of high quality liquid assets                    | 3,711,269,000  |
| Total net cash outflows over the next 30 calendar days | 2,866,951,719  |
| Available amount of stable funding                     | 30,627,235,900 |
| Required amount of stable funding                      | 26,496,360,850 |

**3.9 Leverage ratio**

**Qualitative disclosure**

**Views of BOD on system to reduce excessive leverage**

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

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

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

#### Approach for calculating exposure

Leverage ratio of the bank is calculated in line with the RBCA Guideline of BB. As at 31st December 2017 bank's leverage ratio was 17.89% 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                                   | <b>17.89%</b>         |
| On balance sheet exposure                        | 43,361,040,508        |
| Off balance sheet exposure                       | 5,046,088,669         |
| Total exposure                                   | 48,407,129,177        |
| Less: Regulatory adjustments                     | 84,155,901            |
| Total exposure for the purpose of leverage ratio | <u>48,322,973,276</u> |

### 3.10 Remuneration

#### Information relating to the bodies that oversee remuneration

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

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

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

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

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

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

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

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

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

| Material Risk Takers       | Composition   | Number of Employees |
|----------------------------|---|---------------------|
| Senior Managers            | Members of Management Committee(CM, COO, SGM, SDGM, DGM, SAGM, AGM) | 8                   |
| Other material risk takers | Head of Branches and SME Centres                                    | 16                  |
|                            | Head of Units, Corporate Banking                                    | 3                   |
|                            | Head of Departments, Units  | 13                  |
| Total                      |   | 40                  |

**Information relating to the design and structure of remuneration processes**

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

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

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

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

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

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

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

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

The employee performance is being evaluated on the basis of achievement of objectives set upon discussion between the job holder and the Supervisor at the beginning of the year on agreed basis. On achievement of targets of top level business lines and individuals bank achieves the budgeted profitability and announces the annual incentive bonus which is known as Annual Performance Bonus. Any individual having proven achievements of targets get recognition through the Performance Ratings done by the Supervisor in agreement with the job holder. The higher the ratings are the higher the Bonuses are paid and Increments are awarded.

**Different forms of variable remuneration**



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

#### Quantitative Disclosure

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

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

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

| Particulars                   | No. of employee | BDT        |
|-------------------------------|-----------------|------------|
| Variable remuneration awarded | 40              | 25,674,401 |
| Guaranteed bonuses awarded    | 40              | 8,534,333  |
| Sign-on awards                | -               | -          |
| Severance payments            | 3               | 2,443,156  |

| 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                          | 115,896,967 | -                                   | -           |
| Variable                       | 25,674,401  | -                                   | -           |
| 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

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Schedule of Fixed assets including premises, furniture and fixtures**  
**As at 31 December 2017**

| Asset category                   | Cost                                  |                              |  |                                     | Rate (%) | Depreciation                          |                         |                             |                                     | Written down value at 31 Dec 2017 BDT |
|----------------------------------|---------------------------------------|------------------------------|--|-------------------------------------|----------|---------------------------------------|-------------------------|-----------------------------|-------------------------------------|---------------------------------------|
|                                  | Opening balance as on 01 Jan 2017 BDT | Addition during the year BDT | Disposal/ adjustment during the year BDT | Total balance as at 31 Dec 2017 BDT |          | Opening balance as on 01 Jan 2017 BDT | Charge for the year BDT | On disposal/ adjustment BDT | Total balance as at 31 Dec 2017 BDT |                                       |
| Furniture and fixtures           | 80,385,613                            | 3,181,777                    | (20,211,791)                             | 63,355,599                          | 10       | 67,157,063                            | 3,105,395               | (15,663,220)                | 54,599,238                          | 8,756,361                             |
| Interior decorations             | 53,028,257                            | 27,249,432                   | (957,432)                                | 79,320,257                          | 20       | 49,408,317                            | 7,782,497               | (945,004)                   | 56,245,810                          | 23,074,447                            |
| Equipment and computers          | 126,482,275                           | 39,164,484                   | (7,253,959)                              | 158,392,800                         | 20       | 112,962,817                           | 12,222,135              | (7,849,753)                 | 117,335,199                         | 41,057,601                            |
| Computer software                | 29,514,780                            | 382,681                      | -  | 29,897,461                          | 20       | 19,085,593                            | 3,163,013               | -                           | 22,248,606                          | 7,648,855                             |
| Motor vehicles                   | 28,010,349                            | -                            | (1)                                      | 28,010,348                          | 20       | 28,010,339                            | -                       | -                           | 28,010,339                          | 9                                     |
| <b>Total at 31 December 2017</b> | <b>317,421,274</b>                    | <b>69,978,374</b>            | <b>(28,423,183)</b>                      | <b>358,976,465</b>                  |          | <b>276,624,129</b>                    | <b>26,273,040</b>       | <b>(24,457,977)</b>         | <b>278,439,192</b>                  | <b>80,537,273</b>                     |
| <b>Total at 31 December 2016</b> | <b>305,147,243</b>                    | <b>13,504,681</b>            | <b>(1,230,650)</b>                       | <b>317,421,274</b>                  |          | <b>259,570,388</b>                    | <b>18,284,370</b>       | <b>(1,230,629)</b>          | <b>276,624,129</b>                  | <b>40,797,145</b>                     |