

# **AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

Independent auditor's report  
&  
audited financial statements  
of  
Commercial Bank of Ceylon PLC  
Bangladesh Operations

As at & for the year ended 31 December 2019

## **Independent auditor's report**

### **To the Management of Commercial Bank of Ceylon PLC - Bangladesh Operations**

#### **Report on the audit of financial statements**

##### **Opinion**

We have audited the financial statements of Commercial Bank of Ceylon PLC - Bangladesh Operations ("the Bank"), which comprise the balance sheet as at 31 December 2019 and the profit and loss account, cash flow statement, statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Banking Companies Act, 1991 (as amended up to date), rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

##### **Basis for opinion**

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

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

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with IFRSs as explained in note # 2, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Bank Companies Act, 1991 (as amended up to date) and the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

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

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

##### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

## **Report on other legal and regulatory requirements**

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:
  - (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in notes 37 and 38 of the financial statements appeared to be materially adequate;
  - (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank.
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;

- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred were for the purpose of the Bank's business for the year;
- (vii) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (viii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,000 person hours for the audit of the books and account of the Bank; and
- (xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dated, Dhaka  
18 June 2020



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

**Balance Sheet**  
**As at 31 December 2019**

**PROPERTY AND ASSETS**

**Cash**

Cash in hand (including foreign currencies)  
Balance with Bangladesh Bank and its agent Bank(s)  
(including foreign currencies)

**Balance with other Banks and financial institutions**

In Bangladesh  
Outside Bangladesh

**Money at call and on short notice**

**Investments**

Government  
Others

**Loans and advances**

Loans, cash credit, overdrafts, etc.  
Bills purchased and discounted

**Fixed assets including premises, furniture and fixtures**

**Other assets**

**Non-Banking Assets**

**Total Assets**

**LIABILITIES AND CAPITAL**

**Liabilities**

Borrowings from other Banks, financial institutions and agents

**Deposits and other accounts**

Current and other accounts  
Bills payable  
Savings Bank deposits  
Fixed deposits  
Other deposits

**Other liabilities**

**Total Liabilities**

**Capital/ Shareholders' Equity**

Paid-up capital/ Deposit kept with Bangladesh Bank  
Statutory reserve  
Gains on revaluation of treasury bills/ bonds  
Retained earnings

**Total Shareholders' Equity**

**Total Liabilities and Shareholders' Equity**

**OFF-BALANCE SHEET ITEMS**

**Contingent liabilities**

Acceptances and endorsements  
Letters of guarantee  
Irrevocable letters of credit  
Bills for collection  
Other contingent liabilities

**Total contingent liabilities**

**Other commitments**

Documentary credits and short term trade-related transactions  
Forward assets purchased and forward deposits placed  
Undrawn note issuance and revolving underwriting facilities  
Undrawn formal standby facilities, credit lines and other commitments

**Total other commitments**

**Total Off-Balance Sheet Items Including Contingent Liabilities**

Notes	2019 Amounts in BDT	2018 Amounts in BDT
3	<b>4,120,133,203</b>	<b>6,930,196,679</b>
3.1	288,323,366	310,100,574
3.2	3,831,809,837	6,620,096,105
4	<b>2,101,811,404</b>	<b>3,023,963,249</b>
4.1	1,373,727,508	1,856,769,170
4.2	728,083,896	1,167,194,079
5	<b>1,670,000,000</b>	<b>2,090,000,000</b>
6	<b>13,299,474,742</b>	<b>4,939,415,966</b>
6.1	13,290,058,082	4,929,999,306
6.2	9,416,660	9,416,660
7	<b>47,996,707,311</b>	<b>39,008,280,027</b>
8	35,860,202,913	30,166,590,315
	12,136,504,398	8,841,689,712
9	<b>798,126,522</b>	<b>122,922,755</b>
10	<b>4,082,805,452</b>	<b>4,862,401,369</b>
	-	-
	<b>74,069,058,634</b>	<b>60,977,180,045</b>
11	<b>9,744,449,726</b>	<b>8,375,785,199</b>
12	<b>45,370,632,020</b>	<b>35,228,595,047</b>
12.1	12,651,353,612	11,716,286,825
12.2	212,600,561	229,061,274
12.3	3,731,855,079	3,370,634,051
12.4	28,738,999,808	19,878,273,294
12.5	35,822,960	34,339,603
13	<b>7,573,086,658</b>	<b>7,540,605,146</b>
	<b>62,688,168,404</b>	<b>51,144,985,392</b>
14	4,729,877,290	4,791,544,376
	-	-
	9,301,128	3,199,394
15	6,641,711,812	5,037,450,883
	<b>11,380,890,230</b>	<b>9,832,194,653</b>
	<b>74,069,058,634</b>	<b>60,977,180,045</b>
16	-	-
16.1	-	-
16.2	7,341,018,750	11,173,182,012
16.3	11,581,268,687	10,568,295,603
16.4	4,014,062,746	3,319,791,283
16.5	64,638,549	64,638,549
	<b>23,000,988,732</b>	<b>25,125,907,447</b>
17	-	-
	1,411,194,534	5,706,709,816
	-	-
	-	-
	<b>1,411,194,534</b>	<b>5,706,709,816</b>
	<b>24,412,183,266</b>	<b>30,832,617,263</b>

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



**Binoy G. Roy**  
Financial Controller

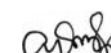


**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

Signed as per our annexed report of same date.



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

Dated, Dhaka  
18 June 2020

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Profit and Loss Account**  
**For the year ended 31 December 2019**

	Notes	2019 Amounts in BDT	2018 Amounts in BDT
<b>OPERATING INCOME</b>			
Interest income	18	4,191,536,345	3,266,874,965
Less: Interest paid on deposits and borrowings, etc.	19	2,260,417,229	1,472,651,266
<b>Net interest income</b>		<b>1,931,119,116</b>	<b>1,794,223,699</b>
Investment income	20	485,887,986	358,292,775
Commission, exchange and brokerage	21	1,223,906,631	1,219,634,358
Other operating income	22	24,675,364	22,539,421
<b>Total operating income</b>		<b>3,665,589,097</b>	<b>3,394,690,253</b>
<b>OPERATING EXPENSES</b>			
Salary and allowances	23	518,476,754	488,522,068
Rent, taxes, insurance, electricity, etc.	24	56,739,030	170,672,599
Legal expenses	25	1,773,434	3,086,670
Postage, stamps, telecommunication, etc.	26	14,116,369	12,231,128
Stationery, printing and advertisements, etc.	27	18,783,901	18,225,554
Chief executive's salary and fees	28	12,655,835	11,081,047
Directors' fees		-	-
Auditors' fees		448,500	391,000
Charges on loan losses		-	-
Depreciation and repairs of Bank's assets	29	182,194,950	51,500,684
Other expenses	30	374,156,441	352,764,925
<b>Total operating expenses</b>		<b>1,179,345,214</b>	<b>1,108,475,675</b>
<b>Profit before provisions</b>		<b>2,486,243,883</b>	<b>2,286,214,578</b>
<b>Provision against loans and advances</b>		<b>68,650,040</b>	<b>39,212,133</b>
Specific provision		5,650,040	2,212,133
General provision	31	63,000,000	37,000,000
Provision for diminution in value of investment		-	-
Other provisions		-	-
<b>Total provision during the year</b>		<b>68,650,040</b>	<b>39,212,133</b>
<b>Total profit before taxation for the year</b>		<b>2,417,593,843</b>	<b>2,247,002,445</b>
Provision for taxation	13.4.1	875,000,000	940,000,000
Current tax		953,657,558	933,508,151
Deferred tax		(78,657,558)	6,491,849
<b>Net profit after taxation</b>		<b>1,542,593,843</b>	<b>1,307,002,445</b>

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



**Binoy G. Roy**  
Financial Controller



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

Signed as per our annexed report of same date.



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

Dated, Dhaka  
18 June 2020

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Cash Flow Statement**  
**For the year ended 31 December 2019**

Notes	2019 Amounts in BDT	2018 Amounts in BDT
<b>Cash flows from operating activities</b>		
Interest receipts	4,089,322,737	3,339,494,919
Interest payments	(1,944,879,943)	(1,080,521,374)
Fees and commission receipts	447,352,777	452,315,684
Recoveries on loans provisions / previously written off	23,133,875	22,084,970
Payments to employees	(501,885,410)	(473,024,764)
Payments to suppliers	(221,700,010)	(201,129,281)
Receipts from other operating activities	776,553,854	767,318,674
Corporate income tax paid	703,493,116	(706,577,690)
Payments for other operating activities	(541,987,466)	(473,533,763)
Interest receipts from investment	485,887,986	358,292,775
	<b>3,315,291,516</b>	<b>2,004,720,150</b>
<b>Cash generated from/ (used in) operating activities before changes in operating assets and liabilities</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	(8,988,427,284)	(6,439,827,373)
Other assets	69,714,805	(354,495,048)
Deposits from other Banks	278,664,527	(982,972,036)
Deposits from customers	11,232,036,973	9,369,340,638
Other liabilities	(1,697,505,307)	312,246,912
<b>Net (increase)/decreased in operating assets and liabilities</b>	<b>894,483,714</b>	<b>1,904,293,093</b>
<b>Net cash from/(used in) operating activities (a)</b>	<b>4,209,775,230</b>	<b>3,909,013,243</b>
<b>Cash flows from investing activities</b>		
Investment in treasury bills and bonds	(8,359,715,576)	877,843,963
Payments for purchase of shares	-	-
Purchase/sale of property, plant and equipment	(3,473,264)	(42,385,482)
Gains on disposal of property, plant and equipment	1,541,489	454,451
<b>Net cash from/(used in) investing activities (b)</b>	<b>(8,361,647,351)</b>	<b>835,912,932</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>(4,151,872,121)</b>	<b>4,744,926,175</b>
Effects of exchange rate changes on cash and cash equivalent	-	-
Cash and cash equivalents at beginning of the year (*)	<b>12,044,835,228</b>	<b>7,299,909,053</b>
Cash and cash equivalents at end of the year (*)	<b>7,892,963,107</b>	<b>12,044,835,228</b>
<b>(*) Cash and cash equivalents :</b>		
Cash	288,323,366	310,100,574
Prize bonds	1,018,500	675,300
Money at call and on short notice	1,670,000,000	2,090,000,000
Balance with Bangladesh Bank and its agent Bank(s)	3,831,809,837	6,620,096,105
Balance with other Banks and financial institutions	2,101,811,404	3,023,963,249
	<b>7,892,963,107</b>	<b>12,044,835,228</b>

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



**Binoy G. Roy**  
Financial Controller



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

Signed as per our annexed report of same date.



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

Dated, Dhaka  
18 June 2020



**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2019**

Particulars	Amounts in BDT				
	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 2019</b>	4,791,544,376	-	3,199,394	5,037,450,883	9,832,194,653
Changes in accounting policy	-	-	-	-	-
Restated balance	(61,667,086)	-	-	61,667,086	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-
Adjustment of last year's revaluation on investments	-	-	(3,199,394)	-	(3,199,394)
Surplus/(deficit) on account of revaluation of investments	-	-	9,301,128	-	9,301,128
Currency translation differences	-	-	-	-	-
Net gains and losses not recognised in profit and loss statement	-	-	-	-	-
Net profit for the year	-	-	-	1,542,593,843	1,542,593,843
Dividends/Profit remittance	-	-	-	-	-
Issue of share capital/(Capital brought from Head Office, Colombo)	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>4,729,877,290</b>	<b>-</b>	<b>9,301,128</b>	<b>6,641,711,812</b>	<b>11,380,890,230</b>

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



**Binoy G. Roy**  
Financial Controller



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

Signed as per our annexed report of same date.

Dated, Dhaka  
18 June 2020



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

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Liquidity Statement (analysis of maturity of assets and liabilities)**  
**As at 31 December 2019**

Particulars	Amounts in BDT					Total
	Up to 1 month maturity	1-3 months maturity	3-12 months maturity	1-5 years maturity	Above 5 years maturity	
<b>Assets:</b>						
Cash in hand	4,120,133,203	-	-	-	-	4,120,133,203
Balance with other Banks and financial institutions	1,098,549,915	541,495,118	461,766,371	-	-	2,101,811,404
Money at call and on short notice	160,000,000	1,100,000,000	410,000,000	-	-	1,670,000,000
Investments	4,718,802,115	-	3,827,199,460	4,674,689,131	78,784,036	13,299,474,742
Loans and advances	10,026,669,642	13,708,033,491	16,757,311,309	5,410,284,303	2,094,408,566	47,996,707,311
Fixed assets including premises, furniture and fixtures	671,737,053	14,925.00	1,198,487	119,799,400	5,376,657	798,126,522
Other assets	4,082,805,452	-	-	-	-	4,082,805,452
Non-Banking assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>24,878,697,380</b>	<b>15,349,543,534</b>	<b>21,457,475,627</b>	<b>10,204,772,834</b>	<b>2,178,569,259</b>	<b>74,069,058,634</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other Banks, financial institutions and agents	6,533,004,936	1,511,565,500	1,688,900,000	10,979,290	-	9,744,449,726
Deposits	20,916,510,404	13,003,382,387	8,833,096,878	2,617,642,351	-	45,370,632,020
Other accounts	-	-	-	-	-	-
Provision and other liabilities	7,573,086,658	-	-	-	-	7,573,086,658
<b>Total Liabilities</b>	<b>35,022,601,998</b>	<b>14,514,947,887</b>	<b>10,521,996,878</b>	<b>2,628,621,641</b>	<b>-</b>	<b>62,688,168,404</b>
<b>Net Difference in Liquidity</b>	<b>(10,143,904,618)</b>	<b>834,595,647</b>	<b>10,935,478,749</b>	<b>7,576,151,193</b>	<b>2,178,569,259</b>	<b>11,380,890,230</b>

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



**Binoy G. Roy**  
Financial Controller



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Notes to the financial statements**  
**As at and for the year ended 31 December 2019**

**1. The Bank and its activities**

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

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

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

**2. Significant accounting policies**

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

The financial statements of the Bank comprise balance sheet, profit and loss account, 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 relevant circulars issued by Bangladesh Bank, International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh and other laws and rules applicable in Bangladesh.

**2.1.1 Statement of compliance**

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) has been formed. The Banking Companies Act 1991 (as amended up to date) has been amended to require Banks to prepare their financial statements under such financial reporting standards. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) are still

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

i) **Investment in shares and securities**

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

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

**Bank's Methodology:**

Methods of valuation of investment are as follows:

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

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

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

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

**Bank's Methodology:**

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

**Held to Maturity (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 2019, the revaluation gains on such securities have been shown in the financial statements as part of equity.

**Held for Trading (HFT)**

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

## iii) Provision on loans and advances/investments

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

Bangladesh Bank: As per BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012), BRPD circular No. 05 (29 May 2013) and BRPD circular No.1 (20 February 2018) a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

### **Bank's Methodology:**

In making specific provision against classified loans and advances, general provision on unclassified loans and advances, wherever required, which may result in a change in the provision required in accordance with BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013 and BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017, BRPD circular no. 15 dated 27 September 2017, BRPD circular no. 01 dated 20 February 2018, 18, BRPD circular no. 13 dated 18 October 2018 and BRPD circular no. 03 dated 21 April 2019 have been complied with. Any movement in the provision, charged / released in the profit and loss statement.

## iv) Recognition of interest in suspense

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

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

### **Bank's Methodology:**

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

## v) Other comprehensive income (OCI):

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

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

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

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in IFRS 9. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

**vii) Financial guarantees**

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

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

**viii) Cash and cash equivalents**

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

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

**ix) Non-Banking asset**

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

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

**x) Cash flow statement**

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

Bangladesh Bank: As per BRPD 14, the cash flow statement is a mixture of both the direct and the indirect methods.

**Bank's Methodology:**

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

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

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

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

**xii) Presentation of intangible asset**

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

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

**xiii) Off-balance sheet items**

**IFRS:** As per IFRS, there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

**Bank's Methodology:**

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

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

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

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

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

**Bank's Methodology:**

Loans and advances have been shown at gross amounts at 31 December 2019.

**2.2 Consolidation**

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

**2.2.1 Offshore Banking Unit (OBU)**

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

**2.3 Foreign currency transactions**

- (a) Foreign currency transactions are converted into equivalent BDT currency at the ruling exchange rates on the respective dates of such transactions as per IAS 21: "The effects of Changes in Foreign Exchange Rates".
- (b) Assets and liabilities in foreign currencies at 31 December 2018 have been converted into BDT currency at average prevailing buying and selling rates of concerned foreign currencies at that date except balances with other Banks and financial institutions which have been converted as per directions of Bangladesh Bank vide its circular no. BRPD(R) 717/2004-959 dated 21 November 2004.

- (c) Differences arising through transactions of foreign currencies buying and selling on different dates of the year have been adjusted by debiting /crediting exchange gains or loss account.
- (d) Forward contracts outstanding at 31 December 2019 have been shown in the Balance Sheet under off-balance sheet items.

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

All fixed assets are stated at cost less accumulated depreciation as per IAS 16 Property, plant and equipment. The cost of an asset includes its purchase price and any other direct costs to bring the asset to its working condition. Depreciation on fixed assets is charged using straight-line method at the following rates:

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

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

## 2.5 Stock of stationery

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

## 2.6 Deposits

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

## 2.7 Employee benefits

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

### (a) Provident fund

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

### (b) Staff gratuity

The Bank runs an unfunded gratuity scheme under which gratuity is paid to its staff upon their severance. However, the Bank's liability on this account stands fully provided in accounts and BDT 29,247,179 was thus provided in current year's Profit and Loss Statement considering the staff's accumulated gratuity entitlements for their service with the Bank as per the actuarial valuation.

## 2.8 Provision for taxation

### (a) Current tax

Provision for corporate income tax is made @ 40% as prescribed in the Finance Act 2019 on accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws.



## **(b) Deferred tax**

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

## **2.9 Reconciliation of books of account**

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

## **2.10 Provision for balances with other Banks and financial institutions**

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

## **2.11 Statement of changes in equity**

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

## **2.12 Statement of liquidity analysis**

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

## **2.13 Revenue recognition**

- a. In term of provision of IFRS 15 Revenue from Contracts with customer, the interest income is recognised on an accrual basis and BRPD circular no. 14 dated 23 September 2012 was followed properly.
- b. Interest income on investment is recognised on accrual basis.
- c. Dividend income from investment is recognised when the Bank's right to receive dividend is established.
- d. The Bank earns commission and fee income from a diverse range of services provided to its customers.

## **2.14 Leases**

The Bank has applied IFRS 16 Leases for the first time with the date of initial application of 01 January 2019. As IFRS 16 supersedes IAS 17 Lease, the Bank has made recognition, measurement and disclosure in the financial statements-2019 both as Lessee and Lessor as per IFRS 16.

### **Bank as lessee:**

The Bank assesses at initiation of a contract whether the contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration, then the Bank consider the contract as a lease contract.

The Bank as a lessee applies a single recognition and measurement approach for all leases, except for short-term leases, or, and lease of low value of assets. The Bank recognises lease liabilities to make lease payment and right-of-use assets representing the right to use the underlying assets.

If tenor of a lease contract does not exceed twelve months from the date of initiation/application, the Bank considers the lease period as short term in line with the recognition threshold of ROU assets as per Fixed Asset Policy of the Bank.

## **Right-of-use assets (RoU):**

The Bank recognises the right-of-use assets (RoU) at the commencement date of the lease (i.e. the date the underlying asset is available for use). RoU assets are measured at cost less any accumulated depreciation and impairment of losses and adjusted for any measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payment made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the lease term, or remaining period of the lease term.

The Bank assessed all lease contracts live in 2019 and recognised as RoU of assets of all leases, except short term and low value of assets as per IAS 16 and IFRS 16. As leases under IFRS 16 has been first time adopted by the Bank, the Bank has followed modified retrospective approach of adoption with the date of initial application of 01 January 2019. Therefore, the Bank considered a cut-off date beginning of the year 2019 and reassessed unadjusted advance payment and remaining lease period of each contract, and recognised those in the financial statements for the year ended 31 December 2019 without giving retrospective impact in earlier presentation. The RoU assets are presented in the note 9.0 of these financial statements.

## **Lease Liabilities (Bank as a lessee):**

At the commencement of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed and variable lease payment (less any adjustment for initial payment), and amount is expected to be paid under residual value of guarantees. The lease payments also include the exercise price of purchase option reasonably certain to be exercised by the Bank and payment of penalties for terminating the lease. The lease payment has been discounted using the Bank's implicit borrowing rate.

In 2019, the Bank reassessed all lease payment of existing contracts for remaining period considering a cut-off date i.e. 01 January 2019. The lease liabilities are presented in the note 13.00 of these financial statements.

## **2.15 Reporting period**

These financial statements cover one calendar year from 01 January 2019 to 31 December 2019.

## **2.16 Regulatory and legal compliance**

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

- a. The Banking Companies Act 1991 (as amended upto date)
- b. The Companies Act 1994
- c. The Income-tax Ordinance 1984
- d. The Value Added Tax Act 1991
- e. Rules, Regulations and Circulars issued by the Bangladesh Bank from time to time and other regulatory authorities.

## **2.17 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.

	2019 Amounts in BDT	2018 Amounts in BDT
<b>3 Cash</b>		
<b>3.1 Cash in hand</b>		
In local currency	270,565,375	274,186,508
In foreign currencies	17,757,991	35,914,066
	<b>288,323,366</b>	<b>310,100,574</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)	2,547,059,143	2,982,174,186
In foreign currencies ( note 3.2.2)	1,284,745,371	3,637,652,831
	<b>3,831,804,514</b>	<b>6,619,827,017</b>
<b>Balance with agent Bank(s):</b>	<b>5,323</b>	<b>269,088</b>
In local currency	5,323	269,088
In foreign currencies	-	-
	<b>3,831,809,837</b>	<b>6,620,096,105</b>
	<b>4,120,133,203</b>	<b>6,930,196,679</b>
<b>3.2.1 In local currency</b>		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	2,547,059,143	2,982,174,186
	<b>2,547,059,143</b>	<b>2,982,174,186</b>
<b>3.2.2 In foreign currencies</b>		
Lien portion (against the Bank's required equity)	-	838,067,120
Non-lien portion	1,284,745,371	2,799,585,711
	<b>1,284,745,371</b>	<b>3,637,652,831</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, 05 and 01 dated 01 December 2010 , 23 June 2014 and April 03, 2018.

CRR is required @ 5.5% on time and demand liabilities of the Bank. This has been maintained with Bangladesh Bank in current account. SLR @ 13% on the same liabilities is also maintained in the form of treasury bills and bonds including balance with Bangladesh Bank. Both the reserves are maintained by the Bank as per statutory requirements, as shown below:

	2019 Amounts in BDT	2018 Amounts in BDT
<b>3.3.1 Cash Reserve</b>		
Required reserve	2,897,043,000	1,863,400,000
Actual reserve maintained	2,993,555,000	2,163,777,890
<b>Surplus</b>	<b>96,512,000</b>	<b>300,377,890</b>
<b>3.3.2 Statutory Liquid Reserve</b>		
Required reserve	6,847,556,000	4,404,399,000
Actual reserve maintained	12,473,566,000	7,445,569,570
<b>Surplus</b>	<b>5,626,010,000</b>	<b>3,041,170,570</b>
<b>4 Balance with other Banks and financial institutions</b>		
In Bangladesh (note 4.1)	1,373,727,508	1,856,769,170
Outside Bangladesh (note 4.2)	728,083,896	1,167,194,079
	<b>2,101,811,404</b>	<b>3,023,963,249</b>
<b>4.1 In Bangladesh</b>		
Islami Bank Bangladesh Limited	844,500,000	7,700,000
Midland Bank Limited	272,601,604	51,764,808
Agrani Bank	168,890,000	-
Modhumoti Bank Limited	84,445,000	-
Prime Bank Limited	1,691,797	1,664,228
Standard Chartered Bank	1,599,107	1,572,634
Eastern Bank Limited	-	1,001,340,000
The City Bank Limited	-	333,780,000
Bank Alfalah	-	250,335,000
National Credit and Commerce Bank Limited	-	208,612,500
	<b>1,373,727,508</b>	<b>1,856,769,170</b>

#### 4.2 Outside Bangladesh

Name of the Banks	Nature	Location	Currency name	At 31 December 2019			At 31 December 2018		
				Amount in foreign currency	Conversion rate	Equivalent BDT	Amount in foreign currency	Conversion rate	Equivalent BDT
Kookmin Bank	Nostro	Seoul	USD	92,915	84.90	7,888,474	411,777	83.90	34,548,115
Standard Chartered Bank	Nostro	Karachi	USD	169,747	84.90	14,411,484	100,810	83.90	8,457,962
Commercial Bank of Ceylon	Nostro	Colombo	USD	650,252	84.90	55,206,377	914,973	83.90	76,766,232
CommerzBank AG	Nostro	Frankfurt	EUR	795,485	95.08	75,634,365	-	95.96	-
Credit Agricole S.A.	Nostro	Paris	EUR	57,812	95.08	5,496,697	47,008	95.96	4,511,072
Standard Chartered Bank	Nostro	London	GBP	280,732	111.34	31,257,293	413,259	106.61	44,058,242
Bank of Montreal	Nostro	Toronto	CAD	33,008	64.98	2,144,804	26,848	61.51	1,651,530
National Australia	Nostro	Melbourne	AUD	255,426	59.38	15,168,026	335,453	59.09	19,823,556
Bank of Tokyo Mitsubishi	Nostro	Tokyo	JPY	26,580,497	0.78	20,727,285	14,067,388	0.76	10,702,820
Standard Chartered Bank	Nostro	Hong Kong	HKD	147,079	10.90	1,603,467	17,606	10.71	188,643
Bank of New Zealand	Nostro	Wellington	NZD	18,759	57.11	1,071,314	3,382	56.33	190,549
Standard Chartered Bank	Nostro	New York	USD	3,663,145	84.90	311,000,984	-	83.90	-
ICICI Bank	Nostro	Mumbai	USD	1,906,393	84.90	161,852,802	282,188	83.90	23,675,592
Axis Bank	Nostro	Mumbai	USD	-	84.90	-	983,432	83.90	82,509,974
Standard Chartered Bank	Nostro	Singapore	SGD	155,703	62.95	9,801,073	68,079	61.40	4,179,903
Standard Chartered Bank (OBU)	Nostro	London	GBP	46,507	111.34	5,178,193	-	106.61	-
National Australia (OBU)	Nostro	Melbourne	AUD	162,356	59.38	9,641,258	78,930	59.09	4,664,387
CitiBank NA (OBU)	Nostro	New York	USD	-	84.90	-	7,289,215	83.90	611,565,110
Standard Chartered Bank (OBU)	Nostro	Frankfurt	EUR	-	95.08	-	2,497,795	95.96	239,700,392
<b>Total</b>						<b>728,083,896</b>			<b>1,167,194,079</b>

	2019 Amounts in BDT	2018 Amounts in BDT
<b>4.3 Grouping by maturity</b>		
Receivable on demand	731,424,800	1,178,130,941
Payable to customers on demand	-	-
	731,424,800	1,178,130,941
Below 3 months	908,620,233	1,845,832,308
Over 3 months but below 1 year	461,766,371	-
Over 1 year but below 5 years	-	-
Over 5 years	-	-
	<b>2,101,811,404</b>	<b>3,023,963,249</b>
<b>4.4 Account-wise breakdown</b>		
Current and other accounts	731,424,800	1,178,130,941
Placement (term)	1,370,386,604	1,845,832,308
	<b>2,101,811,404</b>	<b>3,023,963,249</b>
<b>5 Money at call on short notice</b>		
Jamuna Bank Limited	910,000,000	160,000,000
Dhaka Bank Limited	600,000,000	550,000,000
Modhumoti Bank Limited	160,000,000	80,000,000
Standard Bank Limited	-	120,000,000
Southeast Bank Limited	-	650,000,000
National Bank Limited	-	280,000,000
Midland Bank Limited	-	250,000,000
	<b>1,670,000,000</b>	<b>2,090,000,000</b>
<b>6 Investments</b>		
Government (note 6.1)	13,290,058,082	4,929,999,306
Others (note 6.2)	9,416,660	9,416,660
	<b>13,299,474,742</b>	<b>4,939,415,966</b>
<b>6.1 Government:</b>		
Treasury bonds (note 6.1.1)	5,427,941,494	2,151,646,711
Treasury bills (note 6.1.2)	7,861,098,088	2,777,677,295
Prize bonds	1,018,500	675,300
	<b>13,290,058,082</b>	<b>4,929,999,306</b>
<b>6.1.1 Treasury bonds</b>		
HTM	4,753,473,167	1,991,286,244
HFT	674,468,327	160,360,467
	<b>5,427,941,494</b>	<b>2,151,646,711</b>
<b>6.1.2 Treasury bills</b>		
HTM	1,895,726,069	1,992,182,471
HFT	5,965,372,019	785,494,824
	<b>7,861,098,088</b>	<b>2,777,677,295</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>13,299,474,742</b>	<b>4,939,415,966</b>

2019 Amounts in BDT	2018 Amounts in BDT
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a.(i) Disclosure regarding outstanding Repo as on 31 December 2019

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

a.(ii) Disclosure regarding outstanding Reverse Repo as on 31 December 2019

Sl no.	Counter party name	Agreement Date	Reversal Date	Amount
1	National Bank Limited	30-Dec-19	01-Jan-20	595,650,300
2	Jamuna Bank Limited	30-Dec-19	01-Jan-20	701,426,502
3	South Bangla Agriculture Bank Limited	30-Dec-19	01-Jan-20	548,480,900

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	396,472,000	1,252,160,370	46,173,356
<b>Securities purchased under reverse repo:</b>			
i) from Bangladesh Bank	-	-	-
ii) from other Banks and FIs	198,655,200	5,345,879,784	1,957,137,225

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 2019

Particulars	Quantity	Face Value	Cost	Market Value	Market Value
Treasury bonds	47	4,735,000,000	4,755,312,715	4,753,473,167	1,995,979,561
Treasury bills	16	6,900,000,000	6,692,198,860	6,717,158,931	2,777,677,295
Treasury bonds (Reverse Repo)	1	640,000,000	674,483,200	674,468,327	155,667,150
Treasury bills (Reverse Repo)	1	1,150,000,000	1,144,131,200	1,143,939,157	-
Prize bonds	10,185	1,018,500	1,018,500	1,018,500	675,300
CDBL shares	3,427,083	34,270,830	9,416,660	9,416,660	9,416,660
		<b>13,460,289,330</b>	<b>13,276,561,135</b>	<b>13,299,474,742</b>	<b>4,939,415,966</b>

6.4 Maturity grouping

Repayable on demand		1,018,500	675,300
Below 3 months		4,708,366,955	3,348,875,805
Over 3 months but below 1 year		3,827,199,460	299,917,519
Over 1 year but below 5 years		4,674,689,131	1,201,752,129
Over 5 years		78,784,036	78,778,553
		<b>13,290,058,082</b>	<b>4,929,999,306</b>

## 7 Loans and advances

### 7.1 Maturity grouping

	2019 Amounts in BDT	2018 Amounts in BDT
Repayable on demand	4,169,575,782	3,430,953,887
Below 3 months	19,565,127,351	13,705,651,089
Over 3 months but below 1 year	16,757,311,309	14,940,613,489
Over 1 year but below 5 years	5,410,284,303	6,082,812,769
Over 5 years	2,094,408,566	848,248,793
	<b>47,996,707,311</b>	<b>39,008,280,027</b>

### 7.2 Broad category-wise break-up

#### i) Within Bangladesh

Loans (general)	28,869,007,484	23,987,443,767
Overdrafts	4,105,003,365	3,384,954,171
Loans against trust receipt	2,632,098,441	2,517,486,759
Packing credit	56,084,714	94,877,125
Import loan	34,329,963	37,015,881
Credit card	64,572,417	45,999,716
Staff loan	99,106,529	98,812,896
	<b>35,860,202,913</b>	<b>30,166,590,315</b>

#### Loans against accepted bills

ii) Inland bills	304,788,510	213,384,284
Foreign bills	11,831,715,888	8,628,305,428
	<b>12,136,504,398</b>	<b>8,841,689,712</b>

#### Outside Bangladesh

Total (i+ii)	<b>47,996,707,311</b>	<b>39,008,280,027</b>
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### 7.3 Significant concentration

Directors and others	-	-
Managing Director or Chief Executive Officer	-	-
Other executives	99,106,529	98,812,896
Industries	32,445,567,572	23,682,906,471
Other clients	15,452,033,210	15,226,560,660
	<b>47,996,707,311</b>	<b>39,008,280,027</b>

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

Number of clients	28	22
Amount of outstanding advances	18,702,870,000	14,435,410,000
Amount of classified advances	-	-
	<b>18,702,870,000</b>	<b>14,435,410,000</b>

### 7.5 Economic sector-wise distribution

Industry	32,445,567,572	23,682,906,471
Trading	4,630,926,743	5,271,535,987
Agriculture	29,290,515	507,288,042
Others	10,890,922,481	9,546,549,527
	<b>47,996,707,311</b>	<b>39,008,280,027</b>



## 7.6 Geographical location-wise distribution

### Urban

Dhaka region  
Chattagram region  
Sylhet region

2019 Amounts in BDT	2018 Amounts in BDT
40,401,225,969	32,310,765,305
6,866,317,147	5,847,107,389
729,164,195	850,407,333
<b>47,996,707,311</b>	<b>39,008,280,027</b>

### Rural

Dhaka region  
Chattagram region  
Sylhet region

-	-
-	-
-	-
-	-
<b>47,996,707,311</b>	<b>39,008,280,027</b>

## 7.7 Classification of loans and advances as per Bangladesh Bank 's BRPD circulars

### Unclassified:

Standard  
Special mentioned account (SMA)

<b>47,638,633,676</b>	<b>38,679,941,623</b>
47,578,115,214	38,679,378,610
60,518,462	563,013

### Classified:

Sub-standard  
Doubtful  
Bad/ Loss

<b>358,073,635</b>	<b>328,338,404</b>
3,025,830	2,631,178
-	3,119,733
355,047,805	322,587,493
<b>47,996,707,311</b>	<b>39,008,280,027</b>

## 7.8 Particulars of loans and advances

(i)	Loans considered good in respect of which the Bank is fully secured	47,638,633,676	38,679,941,623
(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	154,897,477	150,454,356
(iv)	Loans adversely classified; provision not maintained there	-	-
(v)	Loans due by Directors or Officers of the Bank or any of them either separately or jointly with any other persons	99,106,529	98,812,896
(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	109,740,000	102,285,000
(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	-	-

	2019 Amounts in BDT	2018 Amounts in BDT
(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	358,073,635	328,338,404
(b) Provision made during the year against bad debts	5,650,040	2,212,133
(c) Interest creditable to the interest suspense account	48,395,840	68,668,365
(xi) Loan written off	165,733,103	165,733,103
Opening balance	165,733,103	165,733,103
Add : Bad debts written off during the year	-	-
Less : Bad debts previously written off recovered during	-	-
Bad debts written off / settled	-	-
<b>Closing balance</b>	<b>165,733,103</b>	<b>165,733,103</b>
(xii) Cases filed for recovery of written off bad debts	<b>131,807,438</b>	<b>131,807,438</b>
<b>8 Bills purchased and discounted</b>		
Payable in Bangladesh	304,788,510	213,384,284
Payable outside Bangladesh	11,831,715,888	8,628,305,428
	<b>12,136,504,398</b>	<b>8,841,689,712</b>
<b>8.1 Maturity grouping</b>		
Payable within 1 month	1,946,004,618	1,053,378,441
Over 1 month but below 3 months	4,052,480,997	3,867,514,276
Over 3 months but below 6 months	5,880,168,238	3,517,432,302
6 months and over	257,850,545	403,364,693
	<b>12,136,504,398</b>	<b>8,841,689,712</b>
<b>9 Fixed assets including premises, furniture and fixtures</b>		
Details are shown in <u>Annex B</u> .	<b>798,126,522</b>	<b>122,922,755</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)	3,592,360,152	4,295,853,268
Receivable from Bangladesh Bank against Sanchaya Patras	33,226,796	85,819,235
Advance rent and advertisement	-	147,767,482
Other income receivable	252,146,377	149,557,551
Prepaid expenses	4,958,609	6,281,758
Stock of stationery, stamps, printing materials, etc	8,279,952	8,959,655
Receivable from Head Office	240,000	362,200
Security deposit	4,135,633	4,278,417
Interest receivable from other Banks (note 10.2)	869,268	1,244,486
Commission and brokerage receivable	-	-
Others (note 10.3)	186,588,665	162,277,317
	<b>4,082,805,452</b>	<b>4,862,401,369</b>
<b>Classification status of other assets</b>		
Unclassified	4,082,805,452	4,862,401,369
Doubtful	-	-
Bad/Loss	-	-
	<b>4,082,805,452</b>	<b>4,862,401,369</b>

	2019 Amounts in BDT	2018 Amounts in BDT		
<b>10.1 Advance payment of corporate income tax</b>				
Opening balance	4,295,853,268	3,589,275,578		
<u>Less:</u> Settlement during the year	(1,776,583,730)	-		
<u>Add:</u> Income tax paid during the year	1,036,763,107	692,372,215		
<u>Add:</u> Income tax withheld during the year on:				
L/C commission	4,991,306	5,016,255		
Interest on government treasury bills/bonds/	29,622,659	7,475,678		
Dividend on shares of CDBL	1,713,542	1,713,542		
Closing balance (note 10.1.1)	<b>3,592,360,152</b>	<b>4,295,853,268</b>		
<b>10.1.1 Closing balance of advance payment of corporate income tax</b>				
2019	470,724,547	-		
2018	935,094,998	332,728,931		
2017	656,173,186	656,173,186		
2016	574,040,479	574,040,479		
2012	514,093,987	514,093,987		
2011	442,232,955	442,232,955		
2015	-	607,624,347		
2014	-	620,007,926		
2013	-	548,951,457		
	<b>3,592,360,152</b>	<b>4,295,853,268</b>		
<b>10.2 Interest receivable from other Banks</b>				
Bangladesh Bank	852,350	1,227,844		
Others	16,918	16,642		
	<b>869,268</b>	<b>1,244,486</b>		
<b>10.3 Others</b>				
Deferred tax assets (note 10.3.1)	156,321,610	77,664,052		
Forward Equalisation, Sundry Debtors, etc	30,267,055	84,613,265		
	<b>186,588,665</b>	<b>162,277,317</b>		
<b>10.3.1 Deferred tax assets on</b>				
Gratuity provision	67,272,012	63,222,200		
Fixed assets	15,905,096	14,441,852		
Specific Provision	73,144,502	-		
	<b>156,321,610</b>	<b>77,664,052</b>		
<b>Increase / (Decrease) in Deferred Tax Assets</b>	<b>78,657,558</b>	<b>(6,491,849)</b>		
<b>Calculation of Deferred Tax Assets :</b>				
<b>Particulars</b>	<b>Carrying Amount</b>	<b>Tax Base</b>	<b>(Taxable) / Deductable Temporary</b>	<b>Deferred Tax Assets / (Liabilities)</b>
Gratuity provision	168,180,029	-	168,180,029	67,272,012
Fixed assets	126,396,019	166,158,760	39,762,741	15,905,096
Specific provision	182,861,255	-	182,861,255	73,144,502
				<b>156,321,610</b>

Note: Carrying amount of specific provision for the calculation of deferred tax has been considered from the year 2019.

## 11 Borrowings from other Banks, financial institutions and agents

In Bangladesh (note 11.1)  
Outside Bangladesh (note 11.2)

### 11.1 In Bangladesh

#### Call borrowings from:

Sonali Bank Limited  
IFIC Bank Limited  
Standard Chartered Bank  
Bank Alfalah  
Meghna Bank Ltd

#### Term borrowings from:

Bangladesh Bank (Refinance - SME)

### 11.2 Outside Bangladesh

Commercial Bank of Ceylon  
ICICI Bank  
Laxmi Bank  
Kumari Bank  
Citi N. A.  
Axis Bank  
Wells Fargo NA  
Standard Chartered Bank  
Bank of Tokyo Mitsubishi  
CommerzBank AG

#### Analysis by security

Secured  
Unsecured

#### Grouping by maturity

Repayable on demand  
Others

## 12 Deposits and other accounts

### 12.1 Current and other accounts

Current accounts (note 12.1.1)  
Margin accounts (note 12.1.2)

#### Current and other accounts

##### 12.1.1 Current accounts

Local currency  
Inter-Bank  
Others

Foreign currencies  
Inter-Bank  
Others

2019 Amounts in BDT	2018 Amounts in BDT
10,979,290	1,115,858,970
9,733,470,436	7,259,926,229
<b>9,744,449,726</b>	<b>8,375,785,199</b>
-	450,000,000
-	250,000,000
-	190,000,000
-	150,000,000
-	60,000,000
-	<b>1,100,000,000</b>
10,979,290	15,858,970
<b>10,979,290</b>	<b>15,858,970</b>
<b>10,979,290</b>	<b>1,115,858,970</b>
6,815,089,880	4,905,567,026
1,688,900,000	-
743,116,000	417,225,000
253,335,000	-
109,344,749	-
68,601,758	-
53,635,277	513,950,629
1,447,772	349,860,807
-	834,450,000
-	238,872,767
<b>9,733,470,436</b>	<b>7,259,926,229</b>
-	-
9,744,449,726	8,375,785,199
<b>9,744,449,726</b>	<b>8,375,785,199</b>
285,319,436	1,287,454,229
9,459,130,290	7,088,330,970
<b>9,744,449,726</b>	<b>8,375,785,199</b>
12,039,812,465	11,102,640,836
611,541,147	613,645,989
<b>12,651,353,612</b>	<b>11,716,286,825</b>
-	-
9,084,084,510	8,224,315,406
<b>9,084,084,510</b>	<b>8,224,315,406</b>
-	-
2,955,727,955	2,878,325,430
2,955,727,955	2,878,325,430
<b>12,039,812,465</b>	<b>11,102,640,836</b>

	2019 Amounts in BDT	2018 Amounts in BDT
<b>12.1.2 Margin accounts</b>		
Letters of guarantee	98,353,023	104,637,110
Letters of credit	494,024,682	491,718,202
Others	19,163,442	17,290,677
	<b>611,541,147</b>	<b>613,645,989</b>
	<b>12,651,353,612</b>	<b>11,716,286,825</b>
<b>12.2 Bills payable</b>		
Payment orders issued	212,600,561	229,061,274
Inward remittance payable	-	-
	<b>212,600,561</b>	<b>229,061,274</b>
<b>12.3 Savings Bank deposits</b>		
Local currency		
Inter-Bank	-	-
Others	3,592,836,323	3,173,743,237
	<b>3,592,836,323</b>	<b>3,173,743,237</b>
Foreign currency		
Inter-Bank	-	-
Others	139,018,756	196,890,814
	<b>139,018,756</b>	<b>196,890,814</b>
	<b>3,731,855,079</b>	<b>3,370,634,051</b>
<b>12.4 Fixed deposits</b>		
Local currency		
Inter-Bank	-	1,090,000,000
Others	24,458,669,960	15,005,311,536
	<b>24,458,669,960</b>	<b>16,095,311,536</b>
Foreign currency		
Inter-Bank	-	-
Others	4,280,329,848	3,782,961,758
	<b>4,280,329,848</b>	<b>3,782,961,758</b>
	<b>28,738,999,808</b>	<b>19,878,273,294</b>
<b>12.5 Other deposits</b>		
Stale drafts-foreign currencies	11,392,023	11,068,346
Stale pay orders-local currency	24,430,937	23,271,257
	<b>35,822,960</b>	<b>34,339,603</b>
	<b>45,370,632,020</b>	<b>35,228,595,047</b>
<b>12.6 Maturity analysis of customer deposits</b>		
Repayable on demand	16,631,632,212	15,350,321,753
Repayable within 1 month	4,284,878,192	3,161,381,802
Over 1 month but within 6 months	16,673,074,399	7,689,935,694
Over 6 months but within 1 year	5,163,404,866	4,591,884,814
Over 1 year but within 5 years	2,617,642,351	3,345,070,984
Over 5 years but within 10 years	-	-
Unclaimed deposit for 10 years or more held by the Bank	-	-
	<b>45,370,632,020</b>	<b>34,138,595,047</b>

	2019 Amounts in BDT	2018 Amounts in BDT
<b>12.7 Maturity analysis of inter-Bank deposits</b>		
Repayable on demand	-	-
Repayable within 1 month	-	1,090,000,000
Over 1 month but within 6 months	-	-
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Unclaimed deposits for 10 years or more held by the Bank	-	-
	<b>-</b>	<b>1,090,000,000</b>
	<b>45,370,632,020</b>	<b>35,228,595,047</b>
<b>13 Other liabilities</b>		
Accumulated general provision against loans and advances and Off-Balance Sheet items (note 13.1)	630,500,000	567,500,000
Specific provision ( note 13.2)	182,861,255	200,345,090
Interest suspense account (note 13.3)	48,395,840	68,668,365
Interest payable on deposits	836,196,315	580,291,476
Interest payable on borrowings	77,043,219	63,743,017
Provision for corporate taxation (note 13.4)	4,427,038,501	5,249,964,673
Sundry creditors	741,832	1,229,929
Expenses payable	165,502,719	151,357,432
Provision for good borrower	-	20,000,000
Provision for gratuity (note 13.5)	168,180,029	158,055,499
Commission and brokerage payable	3,812,396	7,458,445
Provision for head office expenses (note 30.1)	268,621,538	249,667,000
Lease liability	591,883,512	-
Others	172,309,502	222,324,220
	<b>7,573,086,658</b>	<b>7,540,605,146</b>
<b>13.1 Accumulated general provision against loans and advances and Off-balance sheet items</b>		
Opening balance	567,500,000	530,500,000
Less: Fully provided, written-off during the year	-	-
Less: Recovery of provision no longer required	-	-
Add: Provision for the year	63,000,000	37,000,000
Closing balance	<b>630,500,000</b>	<b>567,500,000</b>
<b>Required Provision</b>	<b>598,810,831</b>	<b>505,627,747</b>
<b>13.1.1 General provision</b>		
Opening balance	567,500,000	530,500,000
Add: Provision for the year (note 13.1.1.1)	63,000,000	37,000,000
Add: Transferred from specific provision during the year	-	-
Less: Transferred to specific provision during the year	-	-
Closing balance (note 13.1.1.2)	<b>630,500,000</b>	<b>567,500,000</b>
<b>13.1.1.1 General provision for the year against</b>		
Loans and advances	90,000,000	59,000,000
Off-balance sheet items	(27,000,000)	(22,000,000)
	<b>63,000,000</b>	<b>37,000,000</b>
<b>13.1.1.2 General provision against</b>		
Loans and advances	476,000,000	386,000,000
Off-balance sheet items	154,500,000	181,500,000
	<b>630,500,000</b>	<b>567,500,000</b>

## 13.2 Specific provision

	2019 Amounts in BDT	2018 Amounts in BDT
Opening balance	200,345,090	220,217,927
Less: Fully provided, written-off during the year	-	-
Add: Recovery of advance previously written-off	-	-
Add: Specific provision during the year	5,650,040	2,212,133
Less: Recovery of provision no longer required	(23,133,875)	(22,084,970)
Closing balance	<b>182,861,255</b>	<b>200,345,090</b>
Required provision	<b>182,861,255</b>	<b>200,345,090</b>

## 13.3 Interest suspense account

Opening balance	68,668,365	66,614,161
Add: Amount transferred to interest suspense account during the year	4,794,205	2,538,108
Less: Transferred to income during the year	(25,066,730)	(483,904)
Less: Amount waived/written-off during the year	-	-
Closing balance	<b>48,395,840</b>	<b>68,668,365</b>

## 13.4 Provision for taxation

Opening balance	5,249,964,673	4,316,456,522
Add: Provision during the year (note 13.4.1)	953,657,558	933,508,151
Less: Settlement during the year	(1,776,583,730)	-
Closing balance (note 13.4.2)	<b>4,427,038,501</b>	<b>5,249,964,673</b>

Filing of corporate income tax return of the Bank has been made up to the assessment year 2019-20. Corporate income tax return for the income year ended 31 December 2019 has not yet been due for filing. However, tax clearance certificate from National Board of revenue (NBR) was received up to 2015 (Assessment Year 2016-2017), except 2011 and 2012. Provision for corporate income tax for the year ended 31 December 2019 has been made after considering necessary taxable allowances and disallowances as per tax laws.

### 13.4.1 Provision made during the year

Current tax	953,657,558	933,508,151
Deferred tax	(78,657,558)	6,491,849
	<b>875,000,000</b>	<b>940,000,000</b>

### 13.4.2 Provision for taxation

Current year provision	1,037,190,224	-
Provision carried forward	-	-
2019	1,037,190,224	
2018	935,094,998	933,508,151
2017	770,963,344	770,963,344
2016	627,148,444	627,148,444
2012	575,202,852	523,647,556
2011	481,438,639	440,928,646
2015	-	677,408,784
2014	-	691,420,365
2013	-	584,939,383
	<b>4,427,038,501</b>	<b>5,249,964,673</b>

## 13.5 Provision for gratuity

	2019 Amounts in BDT	2018 Amounts in BDT
Opening balance	158,055,499	138,889,170
Less: Payment made during the year	(19,122,649)	(7,412,022)
Add : Provision made during the year	29,247,179	26,578,351
Closing balance	<b>168,180,029</b>	<b>158,055,499</b>

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

Fund deposited with Bangladesh Bank	-	838,067,120
Investment in treasury bills/bonds (note 14.1)	4,729,877,290	3,953,477,256
	<b>4,729,877,290</b>	<b>4,791,544,376</b>

- 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 2019 represents investment in treasury bills/bonds of BDT 4,729,877,290.

## 14.2 Capital to Risk Weighted Assets Ratio (CRAR)

In terms of section 13 (2) of the Banking Companies Act, 1991 and Bangladesh Bank BRPD circulars no. 01,14 ,10, 05 and 18 dated 08 January 1996,16 November 1996, 25 November 2002, 14 May 2007,21 December 2014 and 03 April 2018 respectively, required capital of the Bank at 31 December 2019 should be BDT 4,000,000,000 or 10% of risk weighted assets whichever is higher as against available capital of BDT 11,849,424,717 (Tier I Capital BDT 11,218,924,717 and Tier II Capital BDT 630,500,000). Details are shown below:

Total assets including off-balance sheet items	98,481,241,900	91,809,797,308
Total risk weighted assets	36,343,253,869	33,592,259,348
10% of risk weighted assets	3,634,325,387	3,359,225,935
<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	4,729,877,290	4,791,544,376
Statutory reserve	-	-
Other reserve	-	-
Retained earnings	6,641,711,812	5,037,450,883
Regulatory adjustments (deferred tax assets)	(152,664,385)	(77,664,052)
	<b>11,218,924,717</b>	<b>9,751,331,207</b>
<b>Tier II</b>		
General provision on unclassified loans and off-balance sheet items (Allowable as per Basel III)	630,500,000	567,500,000
Revaluation reserve as of 31 December 2014 (up to 50% of revaluation reserve) less phase-in deductions as per Basel III	-	1,718,809
	<b>630,500,000</b>	<b>569,218,809</b>
<b>Total capital (b)</b>	<b>11,849,424,717</b>	<b>10,320,550,016</b>
<b>Capital surplus / (shortfall) (b-a)</b>	<b>7,849,424,717</b>	<b>6,320,550,016</b>
<b>Capital to Risk Weighted Assets Ratio (CRAR)</b>	<b>32.60%</b>	<b>30.72%</b>



	2019 Amounts in BDT	2018 Amounts in BDT
<b>15 Retained earnings</b>		
Opening balance	5,037,450,883	3,889,286,065
Add: Profit after taxation	1,542,593,843	1,307,002,445
Add: Capital from Head Office	-	-
Less: Profit remittance	-	(208,612,500)
Less: Amount transferred to paid-up capital/Deposit kept with Bangladesh Bank	61,667,086	49,774,873
Closing balance	<b>6,641,711,812</b>	<b>5,037,450,883</b>
<b>16 Contingent liabilities</b>		
<b>16.1 Claims lodged with the Bank which are not recognized as loan</b>	-	-
<b>16.2 Letter of guarantees</b>		
Directors	-	-
Government	6,418,426,457	11,046,467,006
Banks and other financial institutions	436,818,255	6,182,663
Others	584,127,061	225,169,453
	<b>7,439,371,773</b>	<b>11,277,819,122</b>
Less: Margin on guarantees	98,353,023	104,637,110
	<b>7,341,018,750</b>	<b>11,173,182,012</b>
<b>16.3 Irrevocable letters of credit</b>		
Inward bills unsettled	4,946,841,719	3,621,780,375
Documentary credits	7,128,449,950	7,438,232,030
Shipping guarantee	1,700	1,400
	<b>12,075,293,369</b>	<b>11,060,013,805</b>
Less: Margin on letters of credit	494,024,682	491,718,202
	<b>11,581,268,687</b>	<b>10,568,295,603</b>
<b>16.4 Bills for collection (*)</b>		
Cheques for collection	44,936,469	45,418,353
Outward collection	3,969,126,277	3,274,372,930
	<b>4,014,062,746</b>	<b>3,319,791,283</b>
(*) 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.		
<b>16.5 Other contingent liabilities</b>		
Litigation pending against the Bank	64,638,549	64,638,549
	<b>64,638,549</b>	<b>64,638,549</b>
	<b>23,000,988,732</b>	<b>25,125,907,447</b>
<b>17 Other commitments</b>		
Forward assets purchased and forward deposits placed	1,411,194,534	5,706,709,816
	<b>1,411,194,534</b>	<b>5,706,709,816</b>

	2019 Amounts in BDT	2018 Amounts in BDT
<b>18 Interest income</b>		
<b>Interest on loans and advances</b>		
General loan	2,944,176,358	2,368,963,994
Overdrafts	410,832,650	319,079,017
Trust receipts	229,739,599	219,906,683
Import loans	2,348,297	4,107,388
Pre-shipment loan	3,947,864	5,214,294
Inland bills purchased	9,628,635	2,330,256
House building loan-others	40,227,679	29,639,200
Credit cards	10,126,706	6,784,179
Staff loans	6,048,407	4,982,335
	<b>3,657,076,195</b>	<b>2,961,007,346</b>
<b>Interest on</b>		
Accounts with foreign Banks	34,737	212,281
Deposits with other Banks	534,425,413	305,655,338
	<b>534,460,150</b>	<b>305,867,619</b>
	<b>4,191,536,345</b>	<b>3,266,874,965</b>
<b>19 Interest paid on deposits and borrowings, etc</b>		
<b>Interest on</b>		
Fixed deposits	1,643,364,516	886,907,290
Short notice deposit / Money market A/C	112,736,495	131,486,420
Savings deposits	98,200,601	83,294,350
Foreign currency deposits	151,078,254	141,265,473
	<b>2,005,379,866</b>	<b>1,242,953,533</b>
<b>Interest on</b>		
Borrowings from local Banks	20,534,180	9,552,803
Borrowings from foreign Banks	188,170,938	220,144,930
	<b>208,705,118</b>	<b>229,697,733</b>
Interest expenses on lease liability	<b>46,332,245</b>	
	<b>2,260,417,229</b>	<b>1,472,651,266</b>
<b>20 Investment income</b>		
Interest and profit on treasury bills	244,607,877	75,131,693
Interest and profit on treasury bonds	231,714,178	254,439,777
Capital gain on treasury bills and bonds	998,223	20,153,597
Dividend from CDBL shares	8,567,708	8,567,708
	<b>485,887,986</b>	<b>358,292,775</b>
<b>21 Commission, exchange and brokerage</b>		
Commission	447,352,777	452,315,684
Exchange gain less losses arising from dealing in foreign currencies	776,553,854	767,318,674
	<b>1,223,906,631</b>	<b>1,219,634,358</b>
<b>22 Other operating income</b>		
Recovery of other provision/ written off bad debts	23,133,875	22,084,970
Profit on disposal of fixed assets	1,541,489	454,451
Profit less loss from interest fluctuation	-	-
Income from recovery of loans	-	-
	<b>24,675,364</b>	<b>22,539,421</b>

	2019 Amounts in BDT	2018 Amounts in BDT
<b>23 Salary and allowances</b>		
Salaries	280,232,167	254,563,490
Leave fair assistance	22,391,984	20,112,928
Bonus	155,385,155	155,933,780
Bank's contribution to provident fund	12,788,771	11,591,644
Gratuity	29,247,179	26,578,351
Other allowances	6,064,996	8,247,039
Medical expenses	12,366,502	11,494,836
	<b>518,476,754</b>	<b>488,522,068</b>
<b>24 Rent, taxes, insurance, electricity, etc</b>		
Rent, rates and taxes	18,453,569	138,622,343
Lease rent	57,775	1,090,530
Insurance	26,699,383	19,530,402
Lighting	11,039,274	11,203,665
Water charges	489,029	225,659
	<b>56,739,030</b>	<b>170,672,599</b>
<b>25 Legal expenses</b>		
Law charges	308,430	703,095
Other professional fees	1,465,004	2,383,575
	<b>1,773,434</b>	<b>3,086,670</b>
<b>26 Postage, stamps, telecommunication, etc</b>		
Telephone	2,121,800	2,461,682
Swift charges	3,022,077	2,476,843
Postage and courier	8,972,492	7,292,603
	<b>14,116,369</b>	<b>12,231,128</b>
<b>27 Stationery, printing, advertisements, etc</b>		
Publicity and advertisement	6,960,276	5,689,294
Printing and stationery	11,530,891	12,260,609
Newspapers and periodicals	292,734	275,651
	<b>18,783,901</b>	<b>18,225,554</b>
<b>28 Chief Executive's salary and fees</b>		
Salary	6,550,966	6,239,406
Bonus	5,996,869	4,733,641
Other allowances	108,000	108,000
	<b>12,655,835</b>	<b>11,081,047</b>
<b>29 Depreciation and repairs of Bank's assets</b>		
Depreciation (Annex B).	151,519,087	29,243,014
Repairs and maintenance of:		
Equipment and computers	14,685,848	6,895,216
Premises, furniture and fixtures	7,437,075	7,717,755
Vehicles	8,552,940	7,644,699
	<b>182,194,950</b>	<b>51,500,684</b>

	2019 Amounts in BDT	2018 Amounts in BDT
<b>30 Other expenses</b>		
Fees and charges for services	51,865,820	54,143,815
Travelling and conveyance	8,553,195	7,050,480
Entertainment	8,486,570	7,847,470
Security services	14,851,172	14,778,166
Training, seminar and workshop	3,251,373	1,132,131
Cash carrying expenses	6,061,115	6,492,150
Loss on disposal of fixed assets	92,340	302,332
Donation and subscription	1,502,161	1,404,550
Sundry expenses	10,871,157	9,946,831
Head office expenses (note 30.1)	268,621,538	249,667,000
	<b>374,156,441</b>	<b>352,764,925</b>
30.1 As per FE Circular No. 15, dated: 10 June 2018, issued by Foreign Exchange Policy Department of Bangladesh Bank, provision for head office expenses has been kept @ 10% on the amount of profit before tax.		
<b>31 Provision against loans and advances</b>		
<b>General provision for:</b>		
Unclassified loans	90,000,000	59,000,000
Off-balance sheet items	(27,000,000)	(22,000,000)
	<b>63,000,000</b>	<b>37,000,000</b>
<b>32 Receipts from other operating activities</b>		
Other operating income	24,675,364	22,539,421
Income from commission, exchange and brokerage	1,223,906,631	1,219,634,358
Less: Fees and commission	(447,352,777)	(452,315,684)
Recovery of loans provision / previously written-off	(23,133,875)	(22,084,970)
Gain on disposal of property, plant and equipment	(1,541,489)	(454,451)
	<b>776,553,854</b>	<b>767,318,674</b>
<b>33 Payments for other operating activities</b>		
Total operating expenses	(1,196,922,846)	(1,108,475,675)
Less: Payments to employees	501,885,410	473,024,764
Less: Payments to suppliers	221,700,010	201,129,281
Less: General and other provisions	(68,650,040)	(39,212,133)
	<b>(541,987,466)</b>	<b>(473,533,763)</b>

## 34 Other assets

Receivable from Bangladesh Bank against Sanchaya patras
Advance rent and advertisement
Prepaid expenses
Stock of stationery, stamps, printing materials, etc
Receivable from Head Office
Security deposit
Commission and brokerage receivable
Others

Increase /(Decrease) during the year

2019 Amounts in BDT	2018 Amounts in BDT
33,226,796	85,819,235
-	147,767,482
4,958,609	6,281,758
8,279,952	8,959,655
240,000	362,200
4,135,633	4,278,417
-	-
186,588,665	162,277,317
<b>237,429,655</b>	<b>415,746,064</b>
<b>69,714,805</b>	<b>(354,495,048)</b>

## 35 Other liabilities

Accumulated provision against loans and advances and off-balance sheet items
Specific provision ( note 13.2)
Interest suspense account (note 13.3)
Provision for corporate taxation (note 13.4)
Sundry creditors
Expenses payable
Provision for good borrower
Provision for gratuity (note 13.5)
Commission and brokerage payable
Provision for head office expenses (note 30.1)
Gains on revaluation of treasury bills/ bonds
Others

Less: Current year's corporate tax provision

Decrease during the year

630,500,000	567,500,000
182,861,255	200,345,090
48,395,840	68,668,365
4,427,038,501	5,249,964,673
741,832	1,229,929
165,502,719	151,357,432
-	20,000,000
168,180,029	158,055,499
3,812,396	7,458,445
268,621,538	249,667,000
9,301,128	3,199,394
172,309,502	222,324,220
6,077,264,740	6,899,770,047
<b>(875,000,000)</b>	<b>(940,000,000)</b>
<b>(1,697,505,307)</b>	<b>312,246,912</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	Chief Executive Officer	Master of Business Administration from Malaysia, Intermediate of Banking Diploma from Institute of Bankers, Sri Lanka.
2	Kapila Liyanage	Chief Operating Officer	Master of Business Administration from Sri Lanka, Associate member of Chartered Institute of Management Accountants UK and Chartered Global
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 2019 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 has already implemented Internal Control Procedures manual with segmental risk monitoring procedure. Internal control and Compliance Department undertakes regular and surprise audit/ inspection of the branches and departments to review the operations and compliance of statutory requirements and to ensure all financial statements are drawn up in conformity with Banking Companies Act, 1991 (Amendment up to 2013), in accordance with IAS/ IFRS and Bangladesh Bank Circulars, Guidelines are in force.

## 37.5 Money laundering risks

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

## 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. Bank also obtained PCIDSS Certificate.

## 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

Two external fraud were occurred against a FC Debit Card for USD 1,699.99 equivalent BDT 145,480.50 and ATM withdrawn by ATM card issued by International Bank of Azerbaijan for USD 1,757.41 equivalent of BDT 148,500.00 during the reporting period. Bank had absorbed the losses in full and paid to the client. In the meantime appropriate actions have been taken to further enhancement of security measures with view to avoid repetition of similar incidents in future.

## 38 Risk Management Committee (RMC)

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

## 39 Post balance sheet events

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

## 40 Related party disclosure

### 40.1 Transactions with key management personnel

The key management personnel of the Bank for the purpose of IAS 24 are defined as those having authority and responsibility for planning, directing and controlling the Bank, being members of the Board of Director of the Bank, managing director of the Bank and close members of their families and companies they control, or significantly influence, or for which significant voting power is held.

Commercial Bank of Ceylon PLC- Bangladesh Operations, not being incorporated in Bangladesh, Operates in Bangladesh under the Banking license issued by Bangladesh Bank(as a branch of a foreign Bank) and therefore key management personnel, who do qualify as related party under IAS 24, refer to Commercial Bank of Ceylon officials located in outside

So, there is no transactions between the Bank and the key management personnel of the Bank in 2019(2018-nil).

### 40.2 Transactions with Post employment benefit plan

The Bank has two post employment benefit schemes, the nature of which is disclosed in note 2.7, Employee benefits. The total contribution to these schemes in 2019 by the Bank is disclosed in note 23, salaries and allowances.

### 40.3 Transactions with nostro and vostro accounts

The Bank provides and receives certain Banking and financial service to/from entities within the group. As at year end the balances with these entities are discloses in note 4.2 Balance with other Banks and financial institutions- Outside Bangladesh and in note 11.2 Borrowings from other Banks, financial institutions and agents- outside Bangladesh.

The disclosure of the year end balance is considered to be the most meaningful information to represent transactions during the year . The outstanding balance include deposits kept with or by the Bank and arrise in the ordinary course of business and are on substantially the same as for comparable transactions with third parties.

### 40.4 Transactions with the Off-shore Banking unit (For DBU)

The Off-shore Banking Unit(OBU) operates under a separate license issued by Bangladesh Bank. Transactions with the OBU comprises of inter-unit fund transfer in normal course of business as well as the payment of certain expenses by the Bank on behalf of the OBU. These include income taxes paid by the Bank on behalf of OBU as well as expenses incurred for administrative purpose. Receivables from OBU at the year end were disclosed in note 10, other assets.



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

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

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

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

\* 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 2019 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	22.7751
Australian Dollar	AUD	1.00	59.0144
Canadian Dollar	CAD	1.00	64.6123
Danish Kroner	DKK	1.00	12.6589
European Currency	EUR	1.00	94.5531
Hong Kong Dollar	HKD	1.00	10.8422
Indian Rupee	INR	1.00	1.1841
Japanes Yen	JPY	1.00	0.7734
Kuwaiti Dinar	KWD	1.00	274.8950
New Zealand Dollar	NZD	1.00	56.6753
Pound Sterling	GBP	1.00	111.3382
Qatar Riyal	QAR	1.00	23.0453
Singapore Dollar	SGD	1.00	62.5658
Swedish Kroner	SEK	1.00	9.0636
Swiss Franc	CHF	1.00	86.8106
Thai Baht	THB	1.00	2.1503
Malaysian Ringgit	MYR	1.00	20.5387
Saudia Arabian Riyal	SAR	1.00	22.2067
US Dollar	USD	1.00	84.4450

## 43 Reconciliation of inter-Bank and inter-branch transactions

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

## 44 Secured liabilities

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

## 45 Open position

The Bank's open position as of 31 December 2019 was USD 5,365,594.36 equivalent to Taka 453,097,616.07 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 22 June 2019.

## 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 2019 the Bank has undertaken wide range of CSR activities covering Financial Inclusions, Social and Community projects. In line with GBCSRD Circular letter no. 06 dated 10 June 2015 the details of the activities are appended below:

## Social Projects:

Description of initiatives	Amount of investment	No. of beneficiaries
Direct social interventions conducted by the Bank, both as occasional/remedial measures or sustainable/continuous projects:		
I. a) Education: Donation of school equipments to "Banophool Adibashi Green Heart College", Mirpur, Dhaka	BDT 79,524.00	2065 Students
I. b) Education: Sponsored 65 blind children of "Blind Education Rehabilitation Development Organization - BERDO" for braille printer.	BDT 680,000.00	65 Students
II. a) Health: Donated blood collection bag to "Bangladesh Thalassaemia Hospital".	BDT 98,800.00	650 bags
III. a) Disaster Management: 2000 Units of blankets given to the poor people affected by cold wave in different parts of the country	BDT 368,500.00	1500 People
IV. Others: Published advertisement in the souvenir "25 E Shonggit Bivag" of Dhaka University.	BDT 50,000.00	20,000 copies

## 48 Highlights of Activities

Sl.	Particulars	2019	2018
1	Paid-up capital / Deposit kept with Bangladesh Bank	4,729,877,290	4,791,544,376
2	Total capital for the purpose of CRAR	11,849,424,717	10,320,550,016
3	Capital to Risk Weighted Assets Ratio (CRAR)	32.60%	30.72%
4	Capital surplus/(shortfall)	7,849,424,717	6,320,550,016
5	Total assets	74,069,058,634	60,977,180,045
6	Total deposits	45,370,632,020	35,228,595,047
7	Total loans and advances	47,996,707,311	39,008,280,027
8	Total contingent liabilities and commitments	24,412,183,266	30,832,617,263
9	Credit-deposit ratio - DBU (%)	75.33%	81.99%
10	Ratio of classified loans against total loans and advances	0.75%	0.84%
11	Profit after tax and provision	1,542,593,843	1,307,002,445
12	Loans classified during the year	358,073,635	328,338,404
13	Provision kept against classified loans	182,861,255	200,345,090
14	Provision surplus/(deficit)	-	-
15	Cost of fund	5.87%	4.76%
16	Interest earning assets	66,350,121,221	52,689,364,139
17	Non-interest earning assets	7,718,937,413	8,287,815,906
18	Return on investment (*)	4.23%	7.25%
19	Return on average investment	6.85%	5.70%
20	Return on assets (*)	2.08%	2.14%
21	Income from investment	485,887,986	358,292,775
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



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

**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 2019**

**Disclosure Policy:**

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, Dhanmondi, Uttara, Mirpur, Gulshan 1, Gulshan 2, Panthapath, Tejgaon of Dhaka and each at Narayanganj, Chattagram and Sylhet. The Bank also maintains six SME centres at Old Dhaka, Shantinagar, Progati Sharani of Dhaka, Tongi of Gazipur, Jubilee Road and CDA Avenue of Chattagram.

- To comply with international best practices and make the Bank's capital more risk-absorbent;
- To maintain minimum capital requirement by the Bank against credit, operational and market risk;
- To maintain capital adequacy ratio as per Bangladesh Bank's time to time Requirements;
- To adopt the credit rating agencies as external credit assessment institutions (ECAI);
- To adopt standardised approach for both credit and market risk and basic indicator approach for operational risk;
- 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 2019 was BDT 11,849.42 million out of which BDT 11,218.92 million was under Tier-I capital (out of that BDT 4,729.88 million was Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining BDT 6,489.04 million was Retained Profit after regulatory deduction) and remaining BDT 630.50 million was under Tier-II capital (General Provision of BDT 630.50 million).

**Quantitative Disclosure:**

**Amounts in BDT**

a) Amount of Tier I Capital

i) Common equity Tier 1 (CET 1)

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

4,729,877,290

-

-

6,641,711,812

-

**11,371,589,102**

Amount deducted from CET 1 Capital (Regulatory Adjustments)

- Good will
- Shortfall
- Deferred tax assets
- Others

-

-

152,664,385

-

**11,218,924,717**

**Total CET 1 Capital**

ii) Additional Tier I capital

-

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

**11,218,924,717**

**b) Total Tier II capital**

**630,500,000**

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

**11,849,424,717**

## 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 2019 Bank maintained capital of BDT 11,849.42 million (Tier 1: going-concern capital of BDT 11,218.92 million plus Tier 2: gone-concern capital of BDT 630.50 million) against its total Risk Weighted Asset (RWA) of BDT 36,343.25 million which leads to a Capital to Risk-weighted Asset Ratio (CRAR) of 32.60%, where the minimum requirement is 12.50% as per BRPD circular no. 18 dated 21 December 2014. Tier-I capital was 30.87% of RWA against minimum requirement of 6% of RWA. As a result the Bank has a buffer Capital of BDT 7,849.42 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:	<b>BDT</b>	
Amount of Capital required to meet Credit Risk		3,103,891,310
Amount of Capital required to meet Market Risk		49,130,650
Amount of Capital required to meet Operational Risk		481,303,427
		<b>3,634,325,387</b>
b) Actual Capital Maintained:		
Total CET 1 Capital		11,218,924,717
Total Tier I Capital		11,218,924,717
Total Tier II Capital		630,500,000
<b>Total capital</b>		<b>11,849,424,717</b>
<b>% of Capital to risk weighted assets (CRAR)</b>		
	<b>Required</b>	<b>Maintained</b>
CET 1	4.50%	30.87%
Tier I	6.00%	30.87%
Tier II		1.73%
<b>Total</b>	<b>12.50%</b>	<b>32.60%</b>
c) Capital conservation buffer	2.50%	2.50%
d) Available capital under pillar 2 requirement		<b>7,849,424,717</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.

## Maintenance of Specific Provision

Commercial Bank of Ceylon PLC, Bangladesh Operations strictly complies with its internal credit procedure prepared in line with prevailing Bangladesh Bank's guidelines including BRPD Circular No. 14 dated 23 September 2012, BRPD Circular No. 19 dated 27 December 2012 and BRPD Circular No. 05 dated 29 May 2013 concerning management of non-performing loans, loan classification and provisioning.

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

Moreover, BRPD circulars no. 14 dated 23 September 2012 and 19 dated 27 December 2012 also warrants further provisioning based on our qualitative judgments in case where any uncertainty or doubts arises in respect of recovery of any continuous loan, demand loan or fixed term loan, which will also compel the Bank to classify such loans on the basis of qualitative judgment. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of two is recognised in liabilities under "provisions for loans and advances" with any movement in the provision charged/ released having reflected in the profit and loss statement.

## Quantitative Disclosure

Amounts in BDT

### Total exposures of credit risk

#### A) Funded Exposures

- a) Domestic
- b) Overseas (Nostro Balances)

32,428,707,952

-

**32,428,707,952**

#### B) Non-funded exposures

- a) Domestic
- b) Overseas

-

4,136,732,223

**4,136,732,223**

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

a) Cash and cash equivalents	289,341,866
b) Claims on Bangladesh Government and Bangladesh	15,302,441,935
c) Claims on other sovereigns and Central Banks*	-
d) Claims on Bank for international settlements, International Monetary Fund and European Central Bank	-
e) Claims on Multilateral Development Banks (MDBs)	-
f) Claims on Public Sector Entities (other than Govt. of Bangladesh) in BGD	-
g) Claims on Banks & NBFIs:	-
Maturity Over 3 Months	1,636,694,130
Maturity less than 3 Months	5,266,553,888
h) Claims on Corporate	24,697,803,339
i) Claims under Credit Risk Mitigation	1,717,782,873
j) Claims categorized as retail portfolio and small & medium enterprise (excluding consumer finance)	1,280,608,434
k) Consumer finance	107,810,089
l) Claims fully secured by residential property	726,556,634
m) Claims fully secured by commercial real estate	882,636,649
n) Past due loans/NPL	418,592,098
o) Investments in premises, plant and equipment and all other fixed assets	124,679,191
p) Claims on Fixed Assets under Operating Lease	-
q) All Other Assets	-
i) Claims on GoB and BB (Advance Income Tax)	3,781,908,558
ii) Staff loan/investments	99,106,529
iii) Other assets	5,916,484,054
r) Off-balance sheet items:	
Claims on Banks:	
Maturity Over 3 Months	123,512,051
Maturity less than 3 Months	35,976,819
Claims on corporate	7,463,724,542
Retail portfolio and small & medium enterprises	434,436,367
	<b>70,306,650,046</b>

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

• Claims secured by financial collateral	2,685,384,631
• Net exposure after the application of haircuts	3,088,192,319
• Value of Financial Collateral after haircuts	1,325,613,472
	<b>7,099,190,422</b>

## B. Geographical Distribution of Exposure

Amounts in BDT

Category	Dhaka	Chattagram	Sylhet	Total
<b>Balance Sheet Items</b>				
Claims on sovereigns and central Banks	15,482,126,277	94,052,979	15,604,545	15,591,783,801
Claims on Banks and NBFIs	6,903,248,018	-	-	6,903,248,018
Claims on corporate	22,136,184,046	4,872,926,965	707,703,948	27,716,814,959
Claims on retail portfolio and consumer finance	2,055,895,333	37,619,577	21,460,247	2,114,975,157
Fixed assets	118,757,590	3,599,404	2,322,197	124,679,191
Staff loan	99,106,529	-	-	99,106,529
All other assets	9,311,464,785	380,326,098	6,601,729	9,698,392,612
<b>Total on balance sheet items</b>	<b>56,106,782,578</b>	<b>5,388,525,023</b>	<b>753,692,666</b>	<b>62,249,000,267</b>
<b>Off Balance Sheet Items</b>				
Claims on Banks	159,488,870	-	-	159,488,870
Claims on corporate	6,561,957,807	901,766,735	-	7,463,724,542
Claims on retail portfolio and consumer finance	401,802,359	32,634,008	-	434,436,367
<b>Total off balance sheet items</b>	<b>7,123,249,036</b>	<b>934,400,743</b>	<b>-</b>	<b>8,057,649,779</b>
<b>Total</b>	<b>63,230,031,614</b>	<b>6,322,925,766</b>	<b>753,692,666</b>	<b>70,306,650,046</b>

**C. Industry or Counterparty type distribution of exposures**
**Amounts in BDT**

Category	Bank and NBFIs	Manufacturing industries	Retail and Consumer finance	Others	Total
<b>Balance Sheet Items</b>					
Claims on sovereigns	15,591,783,801	-	-	-	15,591,783,801
Claims on Banks and NBFIs	6,903,248,018	-	-	-	6,903,248,018
Claims on corporate	-	27,716,814,959	-	-	27,716,814,959
Claims on retail portfolio	-	-	2,114,975,157	-	2,114,975,157
Fixed assets	-	-	-	124,679,191	124,679,191
Staff loan	-	-	-	99,106,529	99,106,529
All other assets	-	-	-	9,698,392,612	9,698,392,612
Total on balance sheet	<b>22,495,031,819</b>	<b>27,716,814,959</b>	<b>2,114,975,157</b>	<b>9,922,178,332</b>	<b>62,249,000,267</b>

**Off-balance sheet items**

Claims on Banks	159,488,870	-	-	-	159,488,870
Claims on corporate	-	7,463,724,542	-	-	7,463,724,542
Claims on retail portfolio	-	-	434,436,367	-	434,436,367
Total off balance sheet	<b>159,488,870</b>	<b>7,463,724,542</b>	<b>434,436,367</b>	<b>-</b>	<b>8,057,649,779</b>
<b>Total</b>	<b>22,654,520,689</b>	<b>35,180,539,501</b>	<b>2,549,411,524</b>	<b>9,922,178,332</b>	<b>70,306,650,046</b>

**D. Residual Contractual Maturity**
**Amounts in BDT**

Residual contractual maturity	Balance sheet items	Off-balance sheet items	Total
Up to 1 month maturity	26,623,542,237	388,964,920	27,012,507,157
1-3 months maturity	11,031,565,812	2,765,155,899	13,796,721,711
3-12 months maturity	14,841,288,827	4,291,039,886	19,132,328,713
1-5 years maturity	8,838,484,527	612,489,074	9,450,973,601
Above 5 years maturity	914,118,864	-	914,118,864
<b>Total</b>	<b>62,249,000,267</b>	<b>8,057,649,779</b>	<b>70,306,650,046</b>

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

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

Major industry/sector	-
Bank and NBFIs	-
Manufacturing industries	154,989,888
Retail and Consumer finance	12,713,733
Others	190,370,014
<b>Total</b>	<b>358,073,635</b>

## ii) Specific and general provision

General provision	476,000,000
Loans and advances	154,500,000
Off-Balance sheet items	630,500,000
<b>Specific provision</b>	<b>182,861,255</b>

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

Specific provisions made during the period	5,650,040
Write-back of excess specific provisions	23,133,875

**Amounts in BDT**
**F) Gross non-performing assets ( NPAs)**
**358,073,635**

Total loans & advances	33,288,906,968
Non-performing loans and advances	<b>358,073,635</b>
Special mentioned account (SMA)	-
Sub-standard	3,025,830
Doubtful	-
Bad/ Loss	355,047,805

Non-Performing Assets (NPAs) to Outstanding Loans and advances

**1.08%**



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

Opening balance	328,338,404
Add: Addition during the year	89,755,487
Less: Reduction during the year	60,020,256
Closing balance	<b>358,073,635</b>

## H) Movement of specific provisions for NPAs

Opening balance	200,345,090
Add: Provisions made during the period	5,650,040
Less: Write-off	-
Less: Write-back of excess provisions	23,133,875
Closing balance	<b>182,861,255</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

Amounts in 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)

Amounts in BDT Crore

Magnitude of Shock	Minor	Moderate	Major
Weighted average yield on assets (%)	10.00	10.00	10.00
Total Assets	7,030.67	7,030.67	7,030.67
Total RWA before shock	3,634.33	3,634.33	3,634.33
Total increase in RWA after shock	46.56	93.10	139.62
Total increase Capital requirement after shock	4.66	9.31	13.96
Total RWA after shock	3,680.89	3,727.43	3,773.95
Eligible capital	1,184.94	1,184.94	1,184.94
Capital adequacy ratio after shock (%)	32.19	31.79	31.40
Capital adequacy ratio before shock (%)	32.61	32.61	32.61
Changes in CRAR (%)	(0.42)	(0.82)	(1.21)

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

Amounts in BDT Crore

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	7,030.67	7,030.67	7,030.67
Total RWA before shock	3,634.33	3,634.33	3,634.33
Total increase in RWA after shock	6.06	12.13	18.19
Total increase in capital requirement after shock	0.61	1.21	1.82
Total RWA after shock	3,640.39	3,646.46	3,652.52
Eligible capital	1,184.94	1,184.94	1,184.94
Capital Adequacy Ratio after shock (%)	32.55	32.50	32.44
Capital Adequacy Ratio before shock (%)	32.61	32.61	32.61
Changes in CRAR (%)	(0.06)	(0.12)	(0.17)

## Combined Shock

Amounts in BDT Crore

Magnitude of Shock	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	32.61	32.61	32.61
Decrease in the FSV of the collateral	-0.07	-0.13	-0.26
Increase in NPLs	-1.18	-3.87	-7.41
Negative shift in NPLs categories	-0.06	-0.13	-0.26
Interest rate	0.00	0.00	0.00
FEX: Currency appreciation	-0.04	-0.09	-0.13
Equity shock	0.00	0.00	-0.01
Total change	-1.35	-4.23	-8.08
CRAR after shock (%)	31.25	28.38	24.53

## 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:

- Interest rate risk
- Equity position risk
- Foreign exchange risk and
- Commodity risk

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

### Methods used to measure market risk:

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

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

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

## Interest rate risk

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

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

## Foreign exchange risk

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

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

## Market risk on Trading Book

Amounts in BDT

The capital requirements for:

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

1,135,430
-
47,995,220
-
<b>49,130,650</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.

## 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 2019 Bank's operational risk capital requirement was Tk. 48.13 crore which was adequately maintained.

### Quantitative Disclosure

Amounts in BDT

Capital requirements for operational risk is

**481,303,427**

## 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

Amounts in BDT

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

558.05%
116.12%
12,679,289,000
2,272,070,424
49,038,340,900
42,230,817,600

## 3.9 Leverage ratio

### Qualitative disclosure

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

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

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

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

### Approach for calculating exposure

Leverage ratio of the Bank is calculated in line with the RBCA Guideline of BB. As at 31st December 2019 Bank's leverage ratio was 15.80% and it was calculated as follows:

	Measured used	Description
Numerator	Tier 1 Capital	Tier 1 capital constitutes the components specified in the
Denominator	Exposure	This is an approximation to the credit risk exposure used for

### Quantitative Disclosure

	Amounts in BDT
Leverage ratio	15.77%
On balance sheet exposure	63,248,098,434
Off balance sheet exposure	8,057,649,779
Total exposure	71,305,748,213
Less: Regulatory adjustments	152,664,385
Total exposure for the purpose of leverage ratio	71,153,083,828

## 3.10 Remuneration

### Information relating to the bodies that oversee remuneration

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

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

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

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

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

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

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

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

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

Material Risk Takers	Composition	Number of
Senior Managers	Members of Management Committee(CM, COO, SGM,	7
Other material risk takers	Head of Branches and SME Centres	16
	Head of Units, Corporate Banking	5
	Head of Departments, Units	13
<b>Total</b>		<b>41</b>

## 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:

- Staff turnover rate
- Identifying the future leaders
- Market standard of salary and benefits
- Achievement of objectives leading the overall achievement of Bank's target
- 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	Amounts in BDT
Variable remuneration awarded	41	58,787,402
Guaranteed bonuses awarded	41	10,351,724
Sign-on awards	-	-
Severance payments	2	8,373,664

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	137,515,028		-
Variable	58,787,402		-
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	-
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 2019

Asset category	Cost				Rate (%)	Depreciation				Amount in BDT
	Opening balance as on 01 Jan 2019	Addition during the year	Disposal/ adjustment during the year	Total balance as at 31 Dec 2019		Opening balance as on 01 Jan 2019	Charge for the year	On disposal/ adjustment	Total balance as at 31 Dec 2019	Written down value at 31 Dec 2019
Furniture and fixtures	59,096,945	1,292,530	(3,293,704)	57,095,771	10	51,980,049	2,298,842	(3,276,857)	51,002,034	6,093,737
Interior decorations	86,088,799	7,849,397	(4,283,606)	89,654,590	20	59,674,385	8,233,894	(4,283,584)	63,624,695	26,029,895
Equipment and computers	179,142,585	14,543,651	(14,822,274)	178,863,962	20	115,146,904	18,955,215	(14,668,823)	119,433,296	59,430,666
Computer software	30,927,153	16,994,016	-	47,921,169	20	25,525,571	3,116,303	-	28,641,874	19,279,295
Motor vehicles	50,169,125	-	(1)	50,169,124	20	30,174,943	4,431,755	-	34,606,698	15,562,426
Right of use asset		786,213,581		786,213,581			114,483,078		114,483,078	671,730,503
<b>Total at 31 December 2019</b>	<b>405,424,607</b>	<b>826,893,175</b>	<b>(22,399,585)</b>	<b>1,209,918,197</b>		<b>282,501,852</b>	<b>151,519,087</b>	<b>(22,229,264)</b>	<b>411,791,675</b>	<b>798,126,522</b>
<b>Total at 31 December 2018</b>	<b>358,976,465</b>	<b>71,644,062</b>	<b>(25,195,920)</b>	<b>405,424,607</b>		<b>278,439,192</b>	<b>29,243,014</b>	<b>(25,180,354)</b>	<b>282,501,852</b>	<b>122,922,755</b>