



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

**Auditors' Report and Financial Statements
for the year ended 31 December 2013**

**Independent Auditors' Report to the Shareholders of Commercial Bank of Ceylon PLC
- Bangladesh Operations for the year ended 31 December 2013**

Report on the Financial Statements

We have audited the accompanying financial statements of Commercial Bank of Ceylon PLC - Bangladesh Operations ("the Bank"), which comprise the balance sheet as at 31 December 2013 and the profit and loss account, cash flow statement, statement of changes in equity and liquidity statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls:

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

Auditors' Responsibility:

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the Bank.

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

Opinion:

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.

Report on Other Legal and Regulatory requirements

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

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the Auditors' responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's responsibility for the Financial Statements and Internal Control:
 - (i) internal audit, internal control and risk management arrangements of the Bank as disclosed in note 37 and 38 of the financial statements appeared to be materially adequate;
 - (ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;
- (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (d) the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;
- (e) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (h) the information and explanation required by us have been received and found satisfactory; and
- (i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 2800 person hours for the audit of the books and accounts of the Bank.

Dated: Dhaka
February 26, 2014

A Qasem & Co.
Chartered Accountants

**Commercial Bank of Ceylon PLC - Bangladesh Operations
Balance Sheet as at 31 December 2013**

		Amounts in Taka	
		At	At
Notes		31 Dec 2013	31 Dec 2012
PROPERTY AND ASSETS			
	Cash	2,125,061,468	1,656,682,239
	In hand (including foreign currencies)	258,593,228	172,238,140
	Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	1,866,468,240	1,484,444,099
	Balance with other banks and financial institutions	699,946,609	1,657,484,990
	In Bangladesh	120,088,280	23,801,530
	Outside Bangladesh	579,858,329	1,633,683,460
	Money at call and short notice	70,000,000	617,010,000
	Investments	7,068,607,267	4,655,316,262
	Government	7,019,190,607	4,585,899,602
	Others	49,416,660	69,416,660
	Loans and advances	16,858,065,924	16,344,622,727
	Loans, cash credit, overdraft, etc	15,534,056,256	14,846,117,570
	Bills purchased and discounted	1,324,009,668	1,498,505,157
	Fixed assets including premises, furniture and fixtures	97,706,362	104,623,741
	Other assets	1,875,417,932	1,272,271,523
	Non-Banking Assets	-	-
	Total Assets	28,794,805,562	26,308,011,482
LIABILITIES AND CAPITAL			
<u>Liabilities</u>			
	Borrowings from other banks, financial institutions and agents	692,338,523	1,000,338,945
	Deposits and other accounts	19,526,653,919	18,245,943,549
	Current and other accounts	4,270,418,588	3,749,026,080
	Bills payable	122,439,575	145,490,252
	Savings bank deposits	1,716,106,745	1,643,824,127
	Fixed deposits	13,386,403,069	12,681,314,276
	Bearer certificates of deposit	-	-
	Other deposits	31,285,942	26,288,814
	Other liabilities	2,920,028,169	2,250,510,305
	Total Liabilities	23,139,020,611	21,496,792,799
<u>Capital/ Shareholders' Equity</u>			
	Paid-up capital / Deposit kept with Bangladesh Bank	4,551,827,557	4,094,616,340
	Statutory reserve	-	-
	Gain on revaluation of treasury bills/bonds	7,252,558	9,417,579
	Retained earnings	1,096,704,836	707,184,764
	Total Shareholders' Equity	5,655,784,951	4,811,218,683
	Total Liabilities and Shareholders' Equity	28,794,805,562	26,308,011,482

**Commercial Bank of Ceylon PLC - Bangladesh Operations
Balance Sheet as at 31 December 2013**

	<u>Notes</u>	<u>Amounts in Taka</u>	
		<u>At 31 Dec 2013</u>	<u>At 31 Dec 2012</u>
OFF-BALANCE SHEET ITEMS			
<u>Contingent Liabilities</u>			
Acceptances and endorsements	16	-	-
Letters of guarantee		2,426,237,250	2,214,369,950
Irrevocable letters of credit		6,277,547,000	6,967,060,716
Bills for collection		1,844,335,357	1,931,779,138
Other contingent liabilities		73,791,683	73,791,683
Total Contingent Liabilities		10,621,911,290	11,187,001,487
<u>Other commitments</u>			
Documentary credits and short term trade-related transactions	17	-	-
Forward assets purchased and forward deposits placed		393,592,290	179,952,410
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		393,592,290	179,952,410
Total Off-Balance Sheet items including contingent liabilities		11,015,503,580	11,366,953,897

The annexed notes from 1 to 48 an integral part of these financial statements.

Binoy G. Roy
Financial Controller

Dilan Rajapakse
Chief Operating Officer

Ajith Naranpanawe
Country Manager

Signed in terms of our separate report of even date annexed

Dated: Dhaka
February 26, 2014

A Qasem & Co.
Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations
Profit and Loss Statement for the year ended 31 December 2013

		Amounts in Taka	
		Year ended 31 Dec 2013	Year ended 31 Dec 2012
	Notes		
OPERATING INCOME			
Interest income	18	2,124,940,079	2,131,834,016
<u>Less: Interest paid on deposits and borrowings, etc</u>	19	1,352,461,046	1,175,733,562
Net interest income		772,479,033	956,100,454
Investment income	20	706,086,213	378,207,291
Commission, exchange and brokerage	21	533,486,430	513,475,841
Other operating income	22	17,873,140	3,895,432
Total operating income		2,029,924,816	1,851,679,018
OPERATING EXPENSES			
Salary and allowances	23	361,062,930	352,519,439
Rent, taxes, insurance, electricity, etc	24	97,591,833	83,349,844
Legal expenses	25	1,174,123	3,027,806
Postage, stamps, telecommunication, etc	26	10,230,102	8,000,315
Stationery, printing, advertisements, etc	27	11,905,009	12,152,170
Chief executive's salary and allowances	28	8,913,378	10,909,343
Directors' fees		-	-
Auditors' fees		333,500	327,750
Charges on loan losses		-	-
Depreciation and repairs of bank's assets	29	65,605,625	68,344,791
Other expenses	30	77,523,965	80,494,804
Total operating expenses		634,340,465	619,126,262
Profit before provisions		1,395,584,351	1,232,552,756
Provision against loans and advances		3,853,062	81,536,237
Specific provision		3,853,062	27,536,237
General provision	31	-	54,000,000
Provision for diminution in value of investment		-	-
Other provisions		-	-
Total provision during the year		3,853,062	81,536,237
Total profit before taxation for the year		1,391,731,289	1,151,016,519
Provision for taxation		545,000,000	503,000,000
Current tax expenses		558,340,333	523,647,556
Deferred tax expenses/(income)		(13,340,333)	(20,647,556)
Net profit after taxation		846,731,289	648,016,519

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Dated: Dhaka
 February 26, 2014

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 Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations
Cash Flow Statement for the year ended 31 December 2013

		Amounts in Taka	
		Year ended	Year ended
		31 Dec 2013	31 Dec 2012
	Notes		
Cash Flows from Operating Activities			
Interest receipts		2,072,862,987	2,142,845,833
Interest payments		(1,248,818,560)	(1,103,502,230)
Fees and commission receipts		259,761,663	227,298,042
Recovery of other provision/ written off bad debts		17,258,486	2,143,149
Payments to employees		(343,556,428)	(320,546,251)
Payments to suppliers		(119,726,944)	(103,502,329)
Receipts from other operating activities	32	273,724,767	286,177,799
Corporate income tax paid		(538,485,311)	(214,228,596)
Payments for other operating activities	33	(174,910,155)	(276,613,919)
Operating profit before changes in operating assets and liabilities		198,110,505	640,071,498
(Increase)/decrease in operating assets			
Purchase/sale of government securities		-	-
Loans and advances to customers		(513,443,197)	(3,835,372,088)
Other assets	34	(12,584,006)	(5,760,933)
Increase/(decrease) in operating liabilities			
Deposits and other accounts from banks		(590,690,422)	1,322,969,000
Deposits and other accounts from customers		1,563,400,370	2,662,717,100
Other liabilities	35	18,710,357	(329,466,778)
Net increase in operating assets and liabilities		465,393,102	(184,913,699)
Net cash from operating activities (a)		663,503,607	455,157,799
Cash Flows from Investing Activities			
Interest receipts from investment		706,086,213	378,207,291
Investment in treasury bills and bonds		(2,412,686,905)	145,067,229
Payments for purchase of shares		-	-
Purchase/sale of property, plant and equipment		6,917,379	22,932,173
Gain on disposal of property, plant and equipment		614,654	1,752,283
Net cash from/ (used in) investing activities (b)		(1,699,068,659)	547,958,976
Cash flows from financing activities			
Remittance received from Head Office, Colombo		-	-
Net cash flows from financing activities (c)		-	-
Net increase in cash and cash equivalents (a+b+c)		(1,035,565,052)	1,003,116,775
Effects of exchange rate changes on cash and cash equivalent		-	-
Cash and cash equivalents at beginning of the year (*)		3,931,966,229	2,928,849,454
Cash and cash equivalents at end of the year (*)		2,896,401,177	3,931,966,229
(*) Cash and cash equivalents :			
Cash		258,593,228	172,238,140
Prize bonds		1,393,100	789,000
Money at call and short notice		70,000,000	617,010,000
Balance with Bangladesh Bank and its agent bank(s)		1,866,468,240	1,484,444,099
Balance with other banks and financial institutions		699,946,609	1,657,484,990
		2,896,401,177	3,931,966,229

The annexed notes from 1 to 48 an integral part of these financial statements.

Binoy G. Roy
 Financial Controller

Dilan Rajapakse
 Chief Operating Officer

Ajith Naranpanaw
 Country Manager

Signed in terms of our separate report of even date annexed

Dated: Dhaka
 February 26, 2014

A Qasem & Co.
 Chartered Accountants

Financial Statements for the year ended December 31, 2013

Commercial Bank of Ceylon PLC - Bangladesh Operations

Statement of Changes in Equity for the year ended 31 December 2013

Amounts in Taka

Particulars	Paid-up capital	Statutory reserve	Gain/loss on revaluation of securities	Retained earnings	Total
Opening balance at 01 January 2013	4,094,616,340	-	9,417,579	707,184,764	4,811,218,683
Changes in accounting policy	-	-	-	-	-
Restated balance	457,211,217	-	-	(457,211,217)	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-
Adjustment of last year revaluation on investments	-	-	(9,417,579)	-	(9,417,579)
Surplus/(deficit) on account of revaluation of investments	-	-	7,252,558	-	7,252,558
Currency translation differences	-	-	-	-	-
Net gains and losses not recognised in Profit and Loss Statement	-	-	-	-	-
Net profit for the year	-	-	-	846,731,289	846,731,289
Dividends/Profit remittance	-	-	-	-	-
Issue of share capital/(Capital Bought from Head Office, Colombo)	-	-	-	-	-
Balance at 31 December 2013	4,551,827,557	-	7,252,558	1,096,704,836	5,655,784,951

The annexed notes from 1 to 48 an integral part of these financial statements.

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Financial Statements for the year ended December 31, 2013

Dated: Dhaka
February 26, 2014

A Qasem & Co.
Chartered Accountants

Financial Statements for the year ended December 31, 2013

Commercial Bank of Ceylon PLC - Bangladesh Operations

Statement of Liquidity Analysis (Maturity of Assets and Liabilities) at 31 December 2013

Particulars	Amounts in Taka					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets:						
Cash	2,125,061,468	-	-	-	-	2,125,061,468
Balance with other banks and financial institutions (Note 4.4)	(30,686,391)	108,633,000	622,000,000	-	-	699,946,609
Money at call and short notice	-	70,000,000	-	-	-	70,000,000
Investments	1,886,813,968	374,928,256	694,154,190	2,828,781,248	1,283,929,605	7,068,607,267
Loans and advances	5,871,593,647	3,831,376,721	2,813,862,614	4,230,919,268	110,313,674	16,858,065,924
Fixed assets including premises, furniture and fixtures	-	-	8,076,294	54,522,397	35,107,671	97,706,362
Other assets	1,875,417,932	-	-	-	-	1,875,417,932
Non-banking assets	-	-	-	-	-	-
Total Assets	11,728,200,624	4,384,937,977	4,138,093,098	7,114,222,913	1,429,350,950	28,794,805,562
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	593,517,064	92,407,132	1,945,792	4,468,535	-	692,338,523
Deposits	9,586,769,935	2,638,742,357	6,733,737,922	567,403,705	-	19,526,653,919
Other accounts	-	-	-	-	-	-
Provision and other liabilities	2,920,028,169	-	-	-	-	2,920,028,169
Total Liabilities	13,100,315,168	2,731,149,489	6,735,683,714	571,872,240	-	23,139,020,611
Net Difference in Liquidity	(1,372,114,544)	1,653,788,488	(2,597,590,616)	6,542,350,673	1,429,350,950	5,655,784,951

The annexed notes from 1 to 48 an integral part of these financial statements.

Binoy G. Roy
Financial Controller

Dilan Rajapakse
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Country Manager

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Financial Statements for the year ended December 31, 2013

The logo for Commercial Bank, featuring a stylized 'C' and 'B' symbol followed by the text 'COMMERCIAL BANK' in a blue rectangular box.

COMMERCIAL BANK

Dated: Dhaka
February 26, 2014

A Qasem & Co.
Chartered Accountants

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

1. The Bank and its activities

Commercial Bank of Ceylon PLC 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 principal office of the Bank in Bangladesh is situated at Dhaka having ten branches currently in operations at Dilkusha, Dhanmandi, Uttara, Mirpur, Gulshan, Panthapath, Tejgaon of Dhaka, Narayanganj, Chittagong and Sylhet. The Bank also maintains six SME centers at Old Dhaka, Shantinagar, Progati Sarani of Dhaka, Tongi of Gazipur, Jublee Road and CDA Avenue of Chittagong.

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

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

2. Significant accounting policies

2.1 Basis of preparation of the financial statements

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

2.1.1 Statement of compliance

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

i) Investment in shares and securities

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

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

Banks' Methodology:

Methods of valuation of investment are as follows:

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

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

ii) Revaluation gains/losses on Government securities

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

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

Banks' Methodology:

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

Held to Maturity (HTM)

Investment classified as HTM are non-derivative financial instruments with fixed or determinable future receipt on maturity that the Bank's management has the intention and ability to hold till maturity. These particular investments have been revalued as mark to market as at 31 December 2013, the revaluation gain on such securities has been shown in the financial statements as a part of equity.

Held for Trading (HFT)

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

iii) Provision on loans and advances/investments

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

Bangladesh Bank: As per BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013) a general provision 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 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision 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 BAS 39.

Banks' 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 and BRPD Circular No. 05 dated 29 May 2013 have been complied with. Any movement in the provision, charged / released in the profit and loss statement.

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

iv) Recognition of interest in suspense

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

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, 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 liability in the balance sheet.

Banks' 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 realised from borrowers. Interest is not charged on classified loans and advances from the date of filing money suits against the borrowers.

v) Other comprehensive income

BFRS: As per BAS 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 statements of changes in equity.

vi) Financial instruments – presentation and disclosure

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

vii) Financial guarantees

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

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

viii) Cash and cash equivalent

BFRS: Cash and cash equivalent items should be reported as cash item as per BAS 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 presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

ix) Non-banking asset

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

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

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013
x) Cash flow statement

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

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

Banks' Methodology:

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

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

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

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

xii) Presentation of intangible asset

BFRS: An intangible asset must be identified and recognised, and the disclosure must be given as per BAS

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

xiii) Off-balance sheet items

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

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

Banks' 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 at 1% which has been followed by the bank properly on the following Off Balance Sheet Items:

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

xiv) Loans and advances/Investments net of provision

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

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

Banks' Methodology:

Loans and advances have been shown at gross amounts at 31 December 2013.

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 offshore banking units 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.

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

2.3 Foreign currency transactions

- (a) Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective dates of such transactions as per BAS-21 "The effects of Changes in Foreign Exchange Rates" .
- (b) Assets and liabilities in foreign currencies at 31 December 2013 have been converted into Taka currency at average prevailing buying and selling rates of concerned foreign currencies at that date except balances with other banks and financial institutions which have been converted as per directions of Bangladesh Bank vide its circular no. BRPD(R) 717/2004-959 dated 21 November 2004.
- (c) Differences arising through transactions of foreign currencies buying and selling on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.
- (d) Forward contracts outstanding at 31 December 2013 have been shown in the Balance Sheet under Off-Balance Sheet items.

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

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

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

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

Depreciation on addition to fixed assets is charged for full year in the year of acquisition while no depreciation is charged in the year of disposal.

2.5 Stock of stationery

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

2.6 Deposits

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

2.7 Employee benefits

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

(a) Provident fund

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

(b) Staff gratuity

The Bank runs an unfunded gratuity scheme under which gratuity is paid to its staff upon their severance. However, the Bank's liability on this account stands fully provided in accounts and Taka 26,419,880 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

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013
Current tax provisions

Provision for corporate income tax is made @ 42.5% as prescribed in the Finance Act 2013 on accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws.

Deferred taxation

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

2.9 Reconciliation of books of account

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

2.10 Provision for balances with other banks and financial institutions

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

2.11 Statement of changes in equity

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

2.12 Statement of Liquidity Analysis

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

2.13 Revenue recognition

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

2.14 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2013.

2.15 Regulatory and legal compliance

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

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

2.16 General

- a. Figures appearing in the financial statements have been rounded off to the nearest Taka.
- 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.

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

		Amounts in Taka	
		At	At
		31 Dec 2013	31 Dec 2012
3	Cash		
3.1	Cash in hand		
	In local currency	246,411,847	147,175,040
	In foreign currencies	12,181,381	25,063,100
		258,593,228	172,238,140
3.2	Balance with Bangladesh Bank and its agent bank(s)		
	Balance with Bangladesh Bank:		
	In local currency (Note 3.2.1)	1,180,539,041	954,367,662
	In foreign currencies (Note 3.2.2)	685,924,199	530,031,517
		1,866,463,240	1,484,399,179
	Balance with agent bank(s):	5,000	44,920
	In local currency	5,000	44,920
	In foreign currencies	-	-
		1,866,468,240	1,484,444,099
		2,125,061,468	1,656,682,239
3.2.1	In local currency		
	Lien portion (against the Bank's required equity)	-	850,000,000
	Non-lien portion	1,180,539,041	104,367,662
		1,180,539,041	954,367,662
3.2.2	In foreign currencies		
	Lien portion (against the Bank's required equity)	-	232,818,260
	Non-lien portion	685,924,199	297,213,257
		685,924,199	530,031,517
3.3	Cash Reserve Requirement and Statutory Liquidity Reserve		
	Cash Reserve Requirement (CRR) is required on time and demand liabilities of the Bank @ 6%. This has been maintained with Bangladesh Bank in current account. Statutory Liquidity Reserve (SLR) @ 19% including CRR, on the same liabilities is also maintained in the form of treasury bills and bonds including balance with Bangladesh Bank. Both the reserves are maintained by the Bank as per statutory requirements, as shown below:		
3.3.1	Cash Reserve		
	Required reserve	1,108,836,000	999,854,000
	Actual reserve maintained	1,188,015,000	1,008,260,000
	Surplus	79,179,000	8,406,000
3.3.2	Statutory Liquid Reserve		
	Required reserve	3,511,313,000	3,166,205,000
	Actual reserve maintained	7,099,116,464	4,958,250,775
	Surplus	3,587,803,464	1,792,045,775
4	Balance with other banks and financial institutions		
	In Bangladesh (Note 4.1)	120,088,280	23,801,530
	Outside Bangladesh (Note 4.2)	579,858,329	1,633,683,460
		699,946,609	1,657,484,990
4.1	In Bangladesh		
	Prime Bank Ltd	1,491,632	1,395,546
	Mutul Trust Bank Ltd	108,633,000	-
	Standard Chartered Bank	7,902,833	21,344,474
	Islami Bank Bangladesh Ltd	2,060,815	1,061,510
		120,088,280	23,801,530

Financial Statements for the year ended December 31, 2013

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

4.2 Outside Bangladesh

Name of bank	Nature of deposit	Location	Currency Name	At 31 December 2013			At 31 December 2012		
				Amount in foreign currency	Conversion rate	Equivalent Taka	Amount in foreign currency	Conversion rate	Equivalent Taka
Kookmin Bank	Nostro	Seoul	USD	189,283.66	77.7500	14,716,805	35,639.00	79.825000	2,844,883
Standard Chartered Bank	Nostro	Karachi	USD	17,451.22	77.7500	1,356,832	14,722.30	79.825000	1,175,208
Citibank NA	Nostro	New York	USD	(31,085.78)	77.7500	(2,416,919)	371,287.71	79.825000	29,638,041
Commercial Bank of Ceylon	Nostro	Colombo	USD	851,668.90	77.7500	66,217,257	445,306.61	79.825000	35,546,600
Amex Frankfurt am main de	Nostro	Frankfurt	EUR	90,179.76	107.2756	9,674,088	189,672.78	105.540600	20,018,179
Commerzbank AG	Nostro	Frankfurt	EUR	(67,786.41)	107.2756	(7,271,828)	98,285.94	105.540600	10,373,157
Credit Agricole S.A.	Nostro	Paris	EUR	19,331.21	107.2756	2,073,767	95,386.79	105.540600	10,067,179
Canadian Imperial Bank of Commerce	Nostro	Toronto	CAD	12,410.02	73.0630	906,713	3,274.67	80.097300	262,292
Nordea Bank Denmark	Nostro	Copenhagen	DKK	22,530.56	14.3808	324,007	22,530.56	14.147200	318,744
Svenska Handelsbanken	Nostro	Stockholm	SEK	51,946.59	12.1033	628,725	9,447.59	12.277400	115,992
Union Bank of Switzerland AG	Nostro	Zurich	CHF	8,538.48	87.5464	747,513	15,872.55	87.422000	1,387,610
Bank of Tokyo Mitsubishi	Nostro	Tokyo	JPY	3,403,561.00	0.7397	2,517,614	11,537,083.00	0.927700	10,702,952
Standard Chartered Bank	Nostro	Hong Kong	HKD	12,542.30	10.0260	125,749	8,145.77	10.297700	83,883
Bank of New Zealand	Nostro	Wellington	NZD	12,635.45	63.7511	805,524	13,611.45	65.440500	890,740
HSBC PLC	Nostro	London	GBP	20,688.89	128.3108	2,654,608	(39,067.91)	129.073000	(5,042,612)
Citibank NA	Nostro	Sydney	AUD	-	69.2480	-	17,817.01	82.766600	1,474,653
Standard Chartered Bank	Nostro	New York	USD	68,043.82	77.7500	5,290,407	219,021.47	79.825000	17,483,389
Wells Fargo NA	Nostro	New York	USD	(1,752,742.95)	77.7500	(136,275,764)	1,474,903.64	79.825000	117,734,183
ICICI Bank	Nostro	Mumbai	USD	306,267.63	77.7500	23,812,308	41,955.55	79.825000	3,349,102
JP Morgan Chase Bank	Nostro	New York	USD	735,912.23	77.7500	57,217,176	(3,994,040.15)	79.825000	(318,824,255)
Deutsche Bank	Nostro	New York	USD	7,528.46	77.7500	585,338	96,199.63	79.825000	7,679,135
Axis Bank	Nostro	Mumbai	USD	(1,293,940.45)	77.7500	(100,603,870)	(1,008,552.24)	79.825000	(80,507,683)
Standard Chartered Bank	Nostro	Singapore	SGD	63,897.31	61.3509	3,920,157	53,805.59	65.229800	3,509,728
Bank of America	Nostro	AUD	AUD	14,744.45	77.7500	1,146,381	-	79.825000	-
Commercial Bank of Ceylon	Placement	Colombo	USD	8,000,000.00	77.7500	622,000,000	18,000,000.00	79.825000	1,436,850,000
Citibank NA (OBU)	Nostro	New York	USD	433.20	77.7500	33,681	1,820.00	79.825000	145,282
HSBC Bank PLC (OBU)	Nostro	Sydney	AUD	53,161.36	69.2480	3,681,318	(20,866.61)	82.766600	(1,727,058)
HSBC Bank PLC (OBU)	Nostro	London	EUR	(2,507.18)	107.2756	(268,959)	(13,782.51)	105.540600	(1,454,614)
HSBC Bank PLC (OBU)	Nostro	New York	USD	89,916.52	77.7500	6,991,010	4,103,385.05	79.825000	327,552,712
HSBC Bank PLC (OBU)	Nostro	London	GBP	(5,699.51)	128.3108	(731,309)	15,774.31	129.073000	2,036,038
Total:						579,858,329			1,633,683,460

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At <u>31 Dec 2013</u>	At <u>31 Dec 2012</u>
4.3 Grouping by maturity		
Receivable on demand	216,882,258	628,191,212
Payable to customers on demand	(247,568,649)	(407,556,222)
	(30,686,391)	220,634,990
Below 3 months	108,633,000	798,250,000
Over 3 months but below 1 year	622,000,000	638,600,000
Over 1 year but below 5 years	-	-
Over 5 years	-	-
	699,946,609	1,657,484,990
4.4 Account-wise breakdown		
Current and other accounts *	(30,686,391)	220,634,990
Placement (term)	730,633,000	1,436,850,000
	699,946,609	1,657,484,990

(* Balance with other banks and financial institutions showing negative balance mainly due to credit balance in our book. The reason for showing credit balance are delivery order/shipping guarantee issued against 100% coverage on the date of preparation of Balance Sheet but payment was made to the beneficiary only on receipt of original documents from bank.

5 Money at call and short notice		
Standard Bank Ltd	70,000,000	-
National Bank of Pakistan	-	377,625,000
Eastern Bank Ltd (Placement)	-	239,385,000
	70,000,000	617,010,000

6 Investments

6.1 Government securities			
Treasury bonds (6.1.1)	4,648,126,132	2,854,739,557	
Treasury bills (6.1.2)	1,090,963,910	1,001,926,833	
Treasury bills/ bonds (Reverse Repo)	1,278,707,465	728,444,212	
Prize bonds	1,393,100	789,000	
	7,019,190,607	4,585,899,602	
6.1.1 Treasury bonds			
HTM	4,563,081,655	2,784,028,457	
HFT	85,044,477	70,711,100	
	4,648,126,132	2,854,739,557	
6.1.2 Treasury bills			
HTM	-	227,769,624	
HFT	1,090,963,910	774,157,209	
	1,090,963,910	1,001,926,833	
6.2 Others investments			
Banglalink Bonds	40,000,000	60,000,000	
Central Depository Bangladesh Limited (CDBL)	9,416,660	9,416,660	
	49,416,660	69,416,660	
	7,068,607,267	4,655,316,262	

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

6.3 Value of investment at 31 December 2013

<u>Particulars</u>	<u>Quantity</u>	Amounts in Taka		
		<u>Face Value</u>	<u>Cost</u>	<u>Market Value</u>
Treasury bonds	74	4,632,400,000	4,683,261,580	4,648,126,132
Treasury bills	16	1,105,800,000	1,062,432,298	1,090,963,910
Treasury bonds (Reverse Repo)	3	1,278,707,465	1,278,707,465	1,278,707,465
Prize bonds	13,931	1,393,100	1,393,100	1,393,100
Banglalink Bonds	4	40,000,000	40,000,000	40,000,000
Shares of CDBL	3,427,083	34,270,830	9,416,660	9,416,660
		7,092,571,395	7,075,211,103	7,068,607,267

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At 31 Dec 2013	At 31 Dec 2012
6.4 Maturity grouping		
Repayable on demand	1,393,100	789,000
Below 3 months	2,210,932,464	1,075,665,083
Over 3 months but below 1 year	694,154,190	1,392,380,576
Over 1 year but below 5 years	2,828,781,248	1,872,578,909
Over 5 years	1,283,929,605	244,486,034
	7,019,190,607	4,585,899,602
7. Loans and advances		
7.1 Maturity grouping		
Repayable on demand	3,313,091,468	3,226,749,576
Below 3 months	6,389,878,900	7,180,414,625
Over 3 months but below 1 year	2,813,862,614	2,934,687,712
Over 1 year but below 5 years	4,230,919,268	2,819,322,429
Over 5 years	110,313,674	183,448,385
	16,858,065,924	16,344,622,727
7.2 Broad category-wise break-up		
Within Bangladesh		
Loans (general)	10,326,604,169	9,860,510,060
Overdrafts	3,284,208,836	3,198,874,824
Loans against trust receipt	1,595,414,943	1,622,929,017
Packing credit	77,012,233	30,271,833
Import loan	125,410,203	24,766,193
Credit card	28,882,632	27,874,752
Staff loan	96,523,240	80,890,891
	15,534,056,256	14,846,117,570
Loans against accepted bills		
Inland bills	104,629,362	14,726,797
Foreign bills	1,219,380,306	1,483,778,360
	1,324,009,668	1,498,505,157
Outside Bangladesh	-	-
	16,858,065,924	16,344,622,727
7.3 Significant concentration		
Directors and others	-	-
Managing Director or Chief Executive Officer	-	-
Other executives	96,523,240	80,890,891
Industries	10,583,611,577	9,878,279,080
Other clients	6,177,931,107	6,385,452,756
	16,858,065,924	16,344,622,727
7.4 Advance to customers for more than 10% of Bank's total capital		
Number of clients	21	27
Amount of outstanding advances	6,863,238,192	7,587,880,000
Amount of classified advances		-
7.5 Economic sector-wise distribution		
Industry	10,583,611,577	9,878,279,080
Trading	2,177,076,730	2,938,834,532
Agriculture	172,624,578	212,267,431
Others	3,924,753,039	3,315,241,684
	16,858,065,924	16,344,622,727

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At	At
	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
7.6 Geographical location-wise distribution		
Urban		
Dhaka Region	14,663,386,534	12,508,295,326
Chittagong Region	1,985,419,966	3,677,665,303
Sylhet Region	209,259,424	158,662,098
	16,858,065,924	16,344,622,727
Rural		
Dhaka Region	-	-
Chittagong Region	-	-
Sylhet Region	-	-
	-	-
	16,858,065,924	16,344,622,727
7.7 Classification of loans and advances as per Bangladesh Bank 's BRPD circulars		
Unclassified:	16,771,546,943	16,216,071,164
Standard	16,768,910,919	16,214,880,590
Special mentioned account (SMA)	2,636,024	1,190,574
Classified:	86,518,981	128,551,563
Sub-standard	13,398,919	63,344,180
Doubtful	5,872,241	602,016
Bad/ Loss	67,247,821	64,605,367
	16,858,065,924	16,344,622,727
7.8 Particulars of loans and advances		
(i) Loans considered good in respect of which the Bank is fully secured	16,771,546,943	16,216,071,164
(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	-	-
(iv) Loans adversely classified; provision not maintained thereagainst	-	-
(v) Loans due by directors or officers of the Bank or any of them either separately or jointly with any other persons	96,523,240	80,890,891
(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	106,510,607	84,853,222
(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private company, as members	-	-
(ix) The amount of forced loan was created by converting off balance items.	-	-

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

		Amounts in Taka	
		At	At
		31 Dec 2013	31 Dec 2012
(ix)	Due from banking companies	-	-
(x)	(a) Classified loans on which interest has not been charged	86,518,981	128,551,563
	(b) Provision made during the year against bad debts	3,853,062	27,536,237
	(c) Interest creditable to the interest suspense account	21,259,590	15,469,906
(xi)	Loan written off	165,705,998	165,705,998
	Opening balance	165,705,998	165,705,998
	<u>Add</u> : Bad debts written off during the year	-	-
	<u>Less</u> : Bad debts previously written off recovered during the year	-	-
	Bad debts written off settled	-	-
	Closing balance	165,705,998	165,705,998
(xii)	Cases filed for recovery of written off bad debts	131,807,438	131,807,438
8 Bills Purchased and discounted			
	Payable in Bangladesh	104,629,362	14,726,797
	Payable outside Bangladesh	1,219,380,306	1,483,778,360
		1,324,009,668	1,498,505,157
8.1 Maturity grouping			
	Payable within 1 month	152,958,813	76,516,694
	Over 1 month but below 3 months	827,704,412	210,583,058
	Over 3 months but below 6 months	303,116,539	1,196,401,083
	6 months and over	40,229,904	15,004,322
		1,324,009,668	1,498,505,157
9 Fixed assets including premises, furniture and fixtures			
	Details are shown in <u>Annex B</u>	97,706,362	104,623,741
10 Other assets			
Income generating			
	In Bangladesh	-	-
	Outside Bangladesh	-	-
		-	-

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At 31 Dec 2013	At 31 Dec 2012
Non-income generating:		
Advance payment of corporate income tax (Note 10.1)	1,536,198,024	997,712,713
Interest receivable on loans	-	-
Receivable from Bangladesh Bank against Sanchayapatras	13,429,580	12,495,058
Advance rent and advertisement	94,414,141	94,715,686
Other income receivable	160,679,640	108,589,568
Prepaid expenses	5,914,609	7,421,573
Stock of stationery, stamps, printing materials, etc	3,044,809	2,653,059
Receivable from Head Office	1,909,000	2,278,500
Security deposit	3,713,293	3,547,791
Interest receivable from other banks (Note 10.2)	80,405	93,385
Commission and brokerage receivable	-	-
Others (Note 10.3)	56,034,431	42,764,190
	1,875,417,932	1,272,271,523
Classification status of other assets		
Unclassified	1,875,417,932	1,272,271,523
Doubtful	-	-
Bad/Loss	-	-
	1,875,417,932	1,272,271,523
10.1 Advance payment of corporate income tax		
Opening balance	997,712,713	783,484,117
Settlement during the year	(26,599,050)	(272,412,051)
Income tax paid during the year	549,110,895	482,175,105
Income tax withheld during the year on:		
L/C commission	3,207,281	3,295,290
Interest on government treasury bills/bonds/Fixed term deposits	8,996,395	621,919
Dividend on shares of CDBL	3,769,790	548,333
Closing balance (Note 10.1.1)	1,536,198,024	997,712,713
10.1.1 Closing balance of Advance payment of corporate income tax		
2013	256,006,011	-
2012	507,093,987	224,638,687
2011	429,132,955	429,132,955
2010	343,965,071	343,965,071
	1,536,198,024	997,736,713
10.2 Interest receivable from other banks		
Bangladesh Bank	57,904	44,724
Other	22,501	48,661
	80,405	93,385
10.3 Others		
Deferred tax assets	53,463,623	40,123,290
Receivable from VISA, etc	2,570,808	2,640,900
	56,034,431	42,764,190

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At 31 Dec 2013	At 31 Dec 2012
11 Borrowings from other banks, financial institutions and agents		
In Bangladesh	200,945,237	134,927,339
Outside Bangladesh (Commercial Bank Of Ceylon, Colombo)	491,393,286	865,411,606
	692,338,523	1,000,338,945
In Bangladesh		
Call loan from	-	-
Repo from Bangladesh Bank	-	85,860,000
	-	85,860,000
Term borrowings from		
Bangladesh Bank (Refinance-SME)	4,468,535	6,294,576
Pubali Bank Ltd	41,286,702	42,772,763
United Commercial Bank Ltd	155,190,000	-
	200,945,237	49,067,339
	200,945,237	134,927,339
Analysis by security		
Secured	-	-
Unsecured	692,338,523	1,000,338,945
	692,338,523	1,000,338,945
Grouping by maturity		
Repayable on demand	151,115,886	153,321,606
Others	541,222,637	847,017,339
	692,338,523	1,000,338,945
12 Deposits and other accounts		
12.1 Current and other accounts		
Current deposit	4,021,800,828	3,490,106,255
Margin accounts	248,617,760	258,919,825
	4,270,418,588	3,749,026,080
Current and other accounts		
Current accounts		
Local currency		
Inter-bank	-	-
Others	2,586,188,861	2,075,225,135
	2,586,188,861	2,075,225,135
Foreign currency		
Inter-bank	-	-
Others	1,435,611,967	1,414,881,120
	1,435,611,967	1,414,881,120
	4,021,800,828	3,490,106,255
Margin accounts		
Letters of guarantee	39,277,155	30,548,610
Letters of credit	195,936,636	214,446,248
Others	13,403,969	13,924,967
	248,617,760	258,919,825
	4,270,418,588	3,749,026,080

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At	At
	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
12.2 Bills payable		
Payment orders issued	122,439,575	145,490,252
Inward remittance payable	-	-
	<u>122,439,575</u>	<u>145,490,252</u>
12.3 Savings bank deposits		
Local currency		
Inter-bank	-	-
Others	1,599,575,942	1,438,180,302
	<u>1,599,575,942</u>	<u>1,438,180,302</u>
Foreign currency		
Inter-bank	-	-
Others	116,530,803	205,643,825
	<u>116,530,803</u>	<u>205,643,825</u>
	<u>1,716,106,745</u>	<u>1,643,824,127</u>
12.4 Fixed deposits		
Local currency		
Inter-bank	670,000,000	790,000,000
Others	10,766,086,181	10,576,221,946
	<u>11,436,086,181</u>	<u>11,366,221,946</u>
Foreign currency		
Inter-bank	232,785,000	395,475,000
Others	1,717,531,888	919,617,330
	<u>1,950,316,888</u>	<u>1,315,092,330</u>
	<u>13,386,403,069</u>	<u>12,681,314,276</u>
12.5 Other deposits		
Stale drafts-foreign currency	14,205,991	13,995,349
Stale pay orders-local currency	17,079,951	12,293,465
	<u>31,285,942</u>	<u>26,288,814</u>
	<u>19,526,653,919</u>	<u>18,245,943,549</u>
12.6 Maturity analysis of other deposits		
Repayable on demand	6,140,250,850	5,564,629,273
Repayable within 1 month	2,563,734,085	3,518,521,040
Over 1 month but within 6 months	5,728,060,219	5,475,701,764
Over 6 months but within 1 year	3,624,420,060	2,140,303,291
Over 1 year but within 5 years	567,403,705	361,313,181
Over 5 years but within 10 years	-	-
Unclaimed deposit for 10 years or more held by the Bank	-	-
	<u>18,623,868,919</u>	<u>17,060,468,549</u>
12.7 Maturity analysis of inter-bank deposits		
Repayable on demand	-	-
Repayable within 1 month	882,785,000	1,185,475,000
Over 1 month but within 6 months	20,000,000	-
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Unclaimed deposits for 10 years or more held by the Bank	-	-
	<u>902,785,000</u>	<u>1,185,475,000</u>
	<u>19,526,653,919</u>	<u>18,245,943,549</u>

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At	At
	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
13 Other liabilities		
Accumulated general provision against loans and advances and Off-Balance Sheet items (Note 13.1)	270,650,000	270,650,000
Specific provision (13.1.2)	30,310,484	43,715,908
Interest suspense account (Note 13.2)	21,259,590	15,469,906
Interest payable on deposits	447,457,729	343,754,218
Interest payable on borrowings	574,143	635,168
Provision for corporate taxation (Note 13.3)	1,892,848,470	1,334,508,137
Sundry creditors	3,157,039	3,533,017
Expenses payable	100,447,948	85,710,820
Provision for gratuity (Note 13.4)	101,664,472	79,029,144
Commission and brokerage payable	1,360,432	593,886
Others	50,297,862	72,910,101
	<u>2,920,028,169</u>	<u>2,250,510,305</u>
13.1 Accumulated general provision against loans and advances and Off-Balance sheet items		
Opening balance	270,650,000	216,650,000
<u>Less</u> Fully provided, written off during the year	-	-
<u>Less</u> Recovery of provision no longer required	-	-
<u>Add.</u> Provision for the year	-	54,000,000
Closing balance	<u>270,650,000</u>	<u>270,650,000</u>
Required Provision	<u>268,066,196</u>	<u>269,129,182</u>
13.1.1 General provision		
Opening balance	270,650,000	216,650,000
<u>Add.</u> Provision for the year (Note 13.1.1.1)	-	54,000,000
<u>Add.</u> Transferred from specific provision during the year	-	-
<u>Less</u> Transferred to specific provision during the year	-	-
Closing balance (Note 13.1.1.2)	<u>270,650,000</u>	<u>270,650,000</u>
13.1.1.1 General provision against		
Loans and advances	4,800,000	39,700,000
Off-Balance Sheet items	(4,800,000)	14,300,000
	<u>-</u>	<u>54,000,000</u>
13.1.1.2 General provision against		
Loans and advances	180,950,000	176,150,000
Off-Balance Sheet items	89,700,000	94,500,000
	<u>270,650,000</u>	<u>270,650,000</u>
13.1.2 Specific provision		
Opening balance 2013	43,715,908	18,322,820
<u>Less</u> Fully provided, written off during the year	-	-
<u>Add.</u> Recovery of advance previously written off	-	-
<u>Add.</u> Specific provision during the year	3,853,062	27,536,237
<u>Less</u> Recovery of provision no longer required	(17,258,486)	(2,143,149)
Closing balance 2013	<u>30,310,484</u>	<u>43,715,908</u>
Required Provision	<u>30,310,484</u>	<u>43,715,908</u>

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At <u>31 Dec 2013</u>	At <u>31 Dec 2012</u>
13.2 Interest suspense account		
Opening balance	15,469,906	10,501,814
<u>Add</u> : Amount transferred to interest suspense account during the year	6,505,784	5,535,333
<u>Less</u> : Transferred to income during the year	(716,100)	(567,241)
<u>Less</u> : Amount waived/written off during the year	-	-
Closing balance	21,259,590	15,469,906
13.3 Provision for corporate taxation		
Opening balance	1,334,508,137	1,083,272,632
<u>Add</u> : Provision during the year (Note 13.3.1)	584,939,383	523,647,556
<u>Less</u> : Settlement during the year	(26,599,050)	(272,412,051)
Closing balance (Note 13.3.2)	1,892,848,470	1,334,508,137
Submission of corporate income tax return of the Bank has been filled up to the assessment year 2013-14. Corporate income tax return for the income year ended 31 December 2013 has not yet been due for filing. However, tax clearance certificate from National Board of revenue(NBR) was received up to 2009(Assessment Year 2010-2011)Provision for corporate income tax for the year ended 31 December 2013 has been made after considering necessary taxable allowances and disallowances as per tax laws.		
13.3.1 Provision made during the year		
Current tax	558,340,333	523,647,556
Deferred tax	(13,340,333)	(20,647,556)
	545,000,000	503,000,000
13.3.2 Provision for corporate taxation relating to the years		
Current year provision	558,340,333	
Excess provision carry forward	26,599,050	
2013	584,939,383	-
2012	523,647,556	523,647,556
2011	440,928,646	440,928,646
2010	343,332,885	369,931,935
	1,892,848,470	1,334,508,137
13.4 Provision for gratuity		
Opening balance	79,029,144	38,115,557
<u>Less</u> : Payment made during the year	(3,784,552)	(1,968,944)
<u>Add</u> : Provision made during the year	26,419,880	42,882,531
Closing balance	101,664,472	79,029,144

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At	At
	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
14 Paid-up capital / Deposit kept with Bangladesh Bank		
Fund deposited with Bangladesh Bank (Note 14.1)	-	1,082,818,260
Investment in treasury bills/bonds	4,551,827,557	3,011,798,080
	<u>4,551,827,557</u>	<u>4,094,616,340</u>
14.1 Since Commercial Bank of Ceylon PLC, Bangladesh Operations is a branch of a banking company incorporated outside Bangladesh, the amount of deposit against equity kept with Bangladesh Bank under section 13(4) of the Bank Companies Act 1991 has been shown under this head as per BRPD circular 14 dated 25 June 2003.		
The Bank's deposits against equity with Bangladesh Bank at 31 December 2013 represents investment in treasury bills/bonds of Taka 4,551,827,557 .		
14.2 Capital Adequacy Ratio (CAR)		
In terms of section 13(3) of the Bank Companies Act 1991 and BRPD circular no. 11 dated 14 August 2008, required capital of the Bank at 31 December 2013 should be Taka 4,000,000,000 or 10% of risk weighted assets whichever is higher as against available capital of Taka 5,922,808,672 (core capital Taka 5,648,532,393 and supplementary capital Taka 274,276,279). Details are shown below :		
Total Assets including Off-Balance Sheet items	39,810,309,142	37,674,965,379
Total Risk Weighted Assets	23,770,600,000	25,107,000,000
10% of Risk Weighted Assets	2,377,060,000	2,510,700,000
Required capital as per BRPD circular (A)	4,000,000,000	4,000,000,000
Actual capital maintained :		
Core capital (Tier I)		
Paid-up capital/Deposit kept with Bangladesh Bank	4,551,827,557	4,094,616,340
Statutory reserve	-	-
Other reserve	-	-
Retained earnings	1,096,704,836	707,184,764
	<u>5,648,532,393</u>	<u>4,801,801,104</u>
Supplementary capital (Tier II)		
General provision on unclassified loans and Off-Balance Sheet items	270,650,000	270,650,000
Exchange equalization account	-	-
Revaluation reserve (up to 50% of revaluation reserve)	3,626,279	4,708,790
	<u>274,276,279</u>	<u>275,358,790</u>
Total Capital (B)	<u>5,922,808,672</u>	<u>5,077,159,894</u>
Capital Surplus / (shortfall) (B-A)	<u>1,922,808,672</u>	<u>1,077,159,894</u>
Capital Adequacy Ratio (CAR)	24.92%	20.22%

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	At 31 Dec 2013	At 31 Dec 2012
15 Retained earnings		
Opening balance	707,184,764	320,250,546
<u>Add:</u> Profit after taxation	846,731,289	648,016,519
<u>Add:</u> Capital from Head Office	-	-
<u>Less:</u> Profit remittance	-	(254,046,875)
<u>Less:</u> Amount transferred to paid-up capital/Deposit kept with Bangladesh Bank	(457,211,217)	(7,035,426)
Closing balance	1,096,704,836	707,184,764
16 Contingent liabilities		
16.1 Claims lodged with the Bank which are not recognized as loan	-	-
16.2 Letter of guarantees		
Directors	-	-
Government	1,926,114,051	2,057,758,312
Banks and other financial institutions	167,935,535	1,034,429
Others	371,464,819	186,125,819
	<u>2,465,514,405</u>	<u>2,244,918,560</u>
<u>Less:</u> Margin on guarantees	39,277,155	30,548,610
	2,426,237,250	2,214,369,950
16.3 Irrevocable letters of credit		
Inward bills unsettled	3,321,934,144	3,127,952,420
Documentary credits	3,151,546,692	4,053,549,844
Shipping guarantee	2,800	4,700
	<u>6,473,483,636</u>	<u>7,181,506,964</u>
<u>Less:</u> Margin on letters of credit	195,936,636	214,446,248
	6,277,547,000	6,967,060,716
16.4 Bills for collection		
Cheques for collection	550,290	21,147,105
Outward collection	1,843,785,067	1,910,632,033
	<u>1,844,335,357</u>	<u>1,931,779,138</u>
16.5 Other contingent liabilities		
Litigation pending against the Bank:		
Corporate Branch	73,791,683	73,791,683
	<u>73,791,683</u>	<u>73,791,683</u>
	10,621,911,290	11,187,001,487
17 Other commitments		
Forward assets purchased and forward deposits placed	393,592,290	179,952,410
	<u>393,592,290</u>	<u>179,952,410</u>

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	Year ended 31 Dec 2013	Year ended 31 Dec 2012
18 Interest income		
Interest on loans and advances		
General loan	1,313,937,234	1,129,726,898
Overdrafts	463,536,560	451,518,500
Trust receipts	211,961,699	216,067,330
Import loans	12,658,357	9,504,500
Pre-shipment loan	5,492,966	1,912,225
Inland bills purchased	16,461,862	14,527,691
House building loan-others	5,808,164	3,194,359
Credit cards	6,058,416	3,937,937
Staff loans	6,164,204	5,049,450
	2,042,079,462	1,835,438,890
Interest on		
Accounts with foreign banks	32,060,312	39,883,661
Deposits with other banks	50,800,305	256,511,465
	82,860,617	296,395,126
	2,124,940,079	2,131,834,016
19 Interest paid on deposits, borrowings, etc		
Interest on		
Fixed deposits	1,187,122,629	1,057,793,252
Short notice deposit / Money Market A/C	73,755,813	55,740,401
Savings deposits	49,713,637	42,922,316
Foreign currency deposits	20,104,075	13,215,961
	1,330,696,154	1,169,671,930
Interest on		
Borrowings from banks	20,699,766	6,061,632
Borrowings from foreign banks	1,065,126	-
	21,764,892	6,061,632
	1,352,461,046	1,175,733,562
20 Investment income		
Interest and Profit on treasury bills	223,257,614	101,988,865
Interest and Profit on treasury bonds	427,150,178	236,743,523
Capital gain on treasury bills and bonds	40,278,215	19,593,654
Interest on Banglalink bonds	6,832,500	9,600,000
Dividend from CDBL share	8,567,706	10,281,249
	706,086,213	378,207,291
21 Commission, exchange and brokerage		
Commission	259,761,663	227,298,042
Exchange gain less losses arising from dealing in foreign currencies	273,724,767	286,177,799
	533,486,430	513,475,841

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	Year ended 31 Dec 2013	Year ended 31 Dec 2012
22 Other operating income		
Recovery of other provision/ written off bad debts	17,258,486	2,143,149
Profit on disposal of fixed assets	614,654	1,752,283
Profit less loss from interest fluctuation	-	-
Income from non banking assets	-	-
	17,873,140	3,895,432
23 Salary and allowances		
Salaries	207,153,319	193,806,757
Leave Fair Assistance	15,743,305	14,663,012
Bonus	91,747,870	81,451,091
Bank's contribution to provident fund	9,190,849	7,822,239
Gratuity	26,419,880	42,882,531
Other allowances	7,231,482	8,095,834
Overtime	-	46,464
Medical Expenses	3,576,225	3,751,511
	361,062,930	352,519,439
24 Rent, taxes, insurance, lighting, etc		
Rent, rates and taxes	70,826,772	59,636,235
Lease rent	1,390,245	2,086,442
Insurance	14,975,353	12,526,020
Lighting	9,811,897	8,489,865
Water charges	587,566	611,282
	97,591,833	83,349,844
25 Legal and professional fees		
Law charges	930,010	361,027
Other professional fees	244,113	2,666,779
	1,174,123	3,027,806
26 Postage, stamps and telecommunication, etc		
Telephone	2,657,427	2,250,378
Swift charges	2,884,376	2,249,217
Postage and courier	4,688,299	3,500,720
Telegram, telex, fax and e-mail	-	-
	10,230,102	8,000,315
27 Stationery, printing, advertisements, etc		
Publicity and advertisement	5,681,193	4,653,856
Printing and stationery	5,953,960	7,202,484
Newspapers and periodicals	269,856	295,830
	11,905,009	12,152,170
28 Chief Executive's salary and allowances		
Salary	4,671,450	4,903,700
Bonus	2,915,313	2,858,325
Other allowances	1,326,615	3,147,318
	8,913,378	10,909,343

Commercial Bank of Ceylon PLC - Bangladesh Operations
 Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	Year ended 31 Dec 2013	Year ended 31 Dec 2012
29 Depreciation and repairs of Bank's assets		
Depreciation (Annex B)	32,791,411	30,710,265
Repairs and maintenance of:		
Equipment and computers	19,353,784	22,177,012
Premises, furniture and fixtures	6,857,250	8,266,073
Vehicles	6,603,180	7,191,441
	65,605,625	68,344,791
30 Other expenses		
Fees and charges for services	39,933,862	36,069,396
Traveling and conveyance	5,563,399	7,858,346
Entertainment	940,020	995,258
Security services	12,216,548	10,339,220
Training, seminar and workshop	879,882	2,023,992
Cash carrying expenses	6,311,201	5,992,610
Loss on disposal of fixed assets	137	6,948,324
Donation and subscription	300,000	491,250
Staff welfare	4,982,854	4,616,978
Sundry expenses	6,396,062	5,159,430
	77,523,965	80,494,804
31 Provision against loans and advances		
General provision for:		
Unclassified loans	4,800,000	39,700,000
Off-Balance Sheet items	(4,800,000)	14,300,000
	-	54,000,000
32 Receipts from other operating activities		
Other operating income	17,873,140	3,895,432
Income from commission, exchange and brokerage	533,486,430	513,475,841
Less: Fees and commission	(259,761,663)	(227,298,042)
Recovery of loans previously written off	(17,258,486)	(2,143,149)
Gain on disposal of property, plant and equipment	(614,654)	(1,752,283)
	273,724,767	286,177,799
33 Payments for other operating activities		
Total operating expenses	(634,340,465)	(619,126,262)
Less: Payments to employees	343,556,428	320,546,251
Less: Payments to suppliers	119,726,944	103,502,329
Less: General and other provisions	(3,853,062)	(81,536,237)
	(174,910,155)	(276,613,919)

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

	Amounts in Taka	
	Year ended 31 Dec 2013	Year ended 31 Dec 2012
34 Other assets		
Receivable from Bangladesh Bank against Sanchayapatras	13,429,580	12,495,058
Advance rent and advertisement	94,414,141	94,715,686
Prepaid expenses	5,914,609	7,421,573
Stock of stationery, stamps, printing materials, etc	3,044,809	2,653,059
Receivable from Head Office	1,909,000	2,278,500
Security deposit	3,713,293	3,547,791
Others	56,034,431	42,764,190
	178,459,863	165,875,857
Increase during the year	(12,584,006)	(5,760,933)
35 Other liabilities		
Accumulated provision against loans and advances and off-balance sheet items	270,650,000	270,650,000
Specific provision	30,310,484	43,715,908
Provision for corporate taxation	1,892,848,470	1,334,508,137
Exchange equalization account	-	-
Gain on revaluation of treasury bills/bonds	7,252,558	9,417,579
Sundry creditors	3,157,039	3,533,017
Expenses payable	100,447,948	85,710,820
Provision for gratuity	101,664,472	79,029,144
Interest suspense account	21,259,590	15,469,906
Dividends/Profit remittance, etc	-	(254,046,875)
Commission and brokerage payable	1,360,432	593,886
Others	50,297,862	72,910,101
	2,479,248,855	1,661,491,623
<u>Less:</u> Current year's corporate tax provision	(545,000,000)	(503,000,000)
Decrease during the year	18,710,357	(329,466,778)

Commercial Bank of Ceylon PLC - Bangladesh Operations**Notes to the financial statements for the year ended 31 December 2013****36 Audit committee**

Audit committee of the Bank consists of the following members:

SL. No.	Name	Designation	Educational and Professional Qualifications
1	Ajith Naranpanawe	Country Manager	GCE A Level, Intermediate of Banking Diploma of Institute of Bankers, Srilanka.
2	Dilan Rajapakse	Chief Operating Officer	GCE Advance Level, Passed Diploma Examination of Institute of Bankers in Srilanka (Associate of Institute of Bankers-Srilanka), Passed Stage II of CIMA -UK.
3	Dilip Das Gupta	Senior General Manager	Bachelors, Passed Part one and Two subjects of Final Part of Institute of Bankers, London.
4	S. Kutubuddin Ahmed	General Manager	Masters in Management, Associate member of Institute of Bankers, Bangladesh. Part I of Institute of Bankers, London, UK. Qualified for Proficiency in Commercial Law and Economics from London Chamber of Commerce & Industry.
5	Mahmood Rashid	Assistant General Manager - Head of Internal Control and Compliance	Masters from University of Dhaka, Diploma (Part I) of Institute of Bankers, Bangladesh.
6	Mosharaf Hossain	Manager -Head of Internal Audit	Masters in Business Administration specializing in Banking & Insurance from University of Dhaka, Fellow Member of Institute of Chartered Accountants of Bangladesh (ICAB).

Four meetings were held during the year 2013 where among others, following issues were discussed:

- (i) Summary of entire audit issues, status and follow up of outstanding recommendations.
- (ii) Head Office audit issues status and follow up of outstanding recommendations.
- (iii) Bangladesh Bank comprehensive inspection report as well as special inspection report.
- (iv) Appointment of external auditors.
- (v) Review of Internal Control System

37 Core risks management of the Bank

Bangladesh Bank has issued guidelines in managing core risks by BRPD circular no.17 dated 07 October 2003 and updated by BRPD circular no. 04 dated 05 March 2007 for effective management of six core risk areas of banking business namely:

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

According to the management of the Bank through an internal memo has circulated the necessary guidelines to

concerned departments/branches/booths for their implementation.

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

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

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 Country Manager (CM)/ECC/Head Office approval authority holder.

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. The committee reviews cost of liquidity, capital adequacy, loan deposit ratio, wholesale borrowing guideline, liquidity changing 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 & 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's guidelines and prepare and enforce foreign exchange authorized 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, namely, Audit & Inspection, Compliance and monitoring wing thus ensure sound, sustainable and secured growth.

The Bank has already implemented internal control procedures manual.

Internal control and Compliance Department undertakes regular and surprise audits of the branches and departments to review the operations and compliance of statutory requirements. Ensure all financial statements are drawn up in conformity with Bank Company Act 1991 (Amendmended upto 2013), in accordance with BAS/BFRS and BRPD circular no.14 dated 15th June 2003.

37.5 Money laundering risks

A detailed operating instructions circular has been issued covering KYC procedures, suspicious transactions reporting, etc. The Bank has implemented a manual to cope up with money laundering risks. To minimize such risks, Bank has designated Chief Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions through system based tools.

AML/CFT Policy guideline/circular provides necessary instruction for combating terrorism financing have been adopted in line with Money Laundering Prevention Act 2012 and Anti terrorism Act 2013.

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.

It 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 functional.

However, there was no significant observation on our core risk management as per Bangladesh Bank Inspection.

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

37.7 Internal Audit

Bank has established an independent Internal Audit department for conducting audit of various department/branch/booths in line with the approved Annual Audit Plan. In general, all the department/branch/booth is audited at least once in a year. Observations are responded by the respective Department/Branches within the given timeframe. Online monitoring (transaction level) is also being performed by the department. Major findings and recommendations made by the internal auditor are being discussed in the Audit Committee Meeting. Moreover, Colombo Inspection Department have their own plan of auditing CBC Bangladesh operations time to time.

37.8 Fraud and Forgeries

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

38 Risk Management Unit (RMU)

The Bank has established an independent Risk Management Unit (RMU). Under the overall guidance of the Country Manager, RMU is headed by the Chief Risk Officer of the Bank while the designated management members are responsible for each core risk areas. RMU 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. RMU prepares the Risk Management Paper which includes details risk observations received from each relevant risk head and discuss thoroughly in the monthly RMU meeting.

39 Post balance sheet events

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

40 Related party disclosure

No transactions exist those required to be disclosed as per Bangladesh Accounting Standard (BAS) - 24 "Related Party Disclosures".

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

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

Sl No.	Name of BAS	No. of BAS	Status
1	Presentation of Financial Statements	1	Applicable
2	Inventories	2	Applicable
3	Statement of Cash Flows	7	Applicable
4	Accounting Policies, Changes in Accounting Estimates and Errors	8	Applicable
5	Events after the Reporting Period	10	Applicable
6	Contractor Contracts	11	Not Applicable
7	Income Taxes	12	Applicable
8	Segment Reporting	14	Applicable

9	Property, Plant and Equipment	16	Applicable
10	Leases	17	Applicable
11	Revenue	18	Applicable
12	Employees Benefits	19	Applicable
13	Accounting for Government Grants and Disclosure of Government Assistance	20	Not Applicable
14	The Effects of Changes in Foreign Exchanges Rates	21	Applicable
15	Borrowing Costs	23	Applicable
16	Related Party Disclosures	24	Applicable
17	Accounting for Investments	25	Applicable

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

SI No.	Name of BAS	No. of BAS	Status
18	Accounting and Reporting by Retirement Benefit Plans	26	Applicable
19	Consolidation and Separate Financial Statements	27	Applicable
20	Investment in Associates	28	Applicable
21	Disclosures of Financial Statements of Banks and similar Financial Instructions	30	Applicable
22	Interest in Joint Ventures	31	Not Applicable
23	Earning Per Share	33	Not Applicable
24	Interim Financial Reporting	34	Applicable
25	Impairment of Assets	36	Applicable
26	Provisions, Contingent Liabilities and Contingent Assets	37	Applicable
27	Intangible Assets	38	Not Applicable
28	Financial Instruments: Recognition and measurement	39	Applicable
29	Investment Property	40	Not Applicable
30	Agriculture	41	Not Applicable

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

* N/A = Not Applicable

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

42 Others

Assets and liabilities other than balances with other banks and financial institutions at 31 December 2013 denominated in foreign currencies have been converted to local currency, Bangladesh Taka, at the following exchange rates :

<u>Currency</u>	<u>Abbreviation and unit</u>	<u>Equivalent Taka</u>
United Arab Emirate Dirham	AED 1.00	20.9276
Australian Dollar	AUD 1.00	68.6949
Canadian Dollar	CAD 1.00	72.4544
Danish Kroner	DKK 1.00	14.2926

European Currency	EUR	1.00	106.6117
Hong Kong Dollar	HKD	1.00	10.0069
Indian Rupee	INR	1.00	1.2521
Japanes Yen	JPY	1.00	0.7368
Kuwaiti Dinar	KWD	1.00	270.7904
New Zealand Dollar	NZD	1.00	63.1391
Pound Sterling	GBP	1.00	128.2954
Quatar Riyal	QAR	1.00	21.3085
Singapore Dollar	SGD	1.00	61.1393
Swedish Kroner	SEK	1.00	11.8930
Swiss Franc	CHF	1.00	86.9412
Thai Baht	THB	1.00	2.3303
Malaysian Ringgit	MYR	1.00	23.3065
Saudia Arabian Riyal	SAR	1.00	20.3895
US Dollar	USD	1.00	77.5950

Commercial Bank of Ceylon PLC - Bangladesh Operations

Notes to the financial statements for the year ended 31 December 2013

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 2013 was USD 6,455,706.74 equivalent to Taka 500,903,564.21 against the approved limit of USD 9,550,000.00

46 Credit rating

The Bank has been awarded "AAA" (Triple A) for long term and ST-1 for short term rating" by the Credit Rating Information and Services Limited (CRISL) on 20 June 2013

47 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (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 2013 the bank has undertaken wide range of CSR activities covering Financial Inclusions, Social and Community projects.

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

A. Organization:

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

B. Market Environment:

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

C. Financial inclusion:

Description of initiatives	Amount of Investment	No. of beneficiaries
i. Self-employment credit and SME lending programs, taken up solo or in association with locally active Micro Finance Institutions (MFIs), designed to create productive new on- firm / off -firm employment.	Investment of BDT 612.83 Mio in SME lending programme.	151 borrowers

ii. Financing programs for installation of biomass processing plants, solar panels in rural households, for waste recycling plants in locations populated by urban poor and Effluent Treatment Plant (ETPs) in manufacturing establishments.	LC opened for ETP Machinery for our client amounting USD 342,260.00	2 Clients
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D. 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 : Monthly Scholarship of Tk. 2,000.00 plus Annual grant of Taka 3,500.00 for 2 Years to 30 No's poor & meritorious H.S.C level Students of Notre Dame College, Dhaka.	BDT 348,000.00	29 Students
i.b) Donated to Bangladesh Protibondhi Foundation for purchasing specialized school furniture for disabled children in Kishorgonj.	BDT 200,000.00	N/A
ii. Health :Donated to Bangladesh Thalassaemia Hospital on June 18,2013	BDT 100,000.00	N/A
iii. Disaster Management: Donated to Rana Plaza Victims.	BDT 509,830.27	N/A

Commercial Bank of Ceylon PLC - Bangladesh Operations
Notes to the financial statements for the year ended 31 December 2013

48 Highlights of Activities

Sl.	Particulars	Year 2013	Year 2012
1	Paid-up capital / Deposit kept with Bangladesh Bank	4,551,827,557	4,094,616,340
2	Total capital for the purpose of CAR	5,922,808,672	5,077,159,894
3	Capital adequacy ratio (CAR)	24.92%	20.22%
4	Capital surplus/(shortfall)	1,922,808,672	1,077,159,894
5	Total assets	28,794,805,562	26,308,011,482
6	Total deposits	19,526,653,919	18,245,943,549
7	Total loans and advances	16,858,065,924	16,344,622,727
8	Total contingent liabilities and commitments	11,015,503,580	11,366,953,897
9	Credit-deposit ratio (%)	86.33%	89.58%
10	Ratio of classified loans against total loans and advances (%)	0.51%	0.79%
11	Profit after tax and provision	846,731,289	648,016,519
12	Loans classified during the year	86,518,981	128,551,563
13	Provision kept against classified loans	30,310,484	43,715,908
14	Provision surplus/(deficit)	-	-
15	Cost of fund	7.72%	8.99%
16	Interest earning assets	25,371,187,251	23,781,270,512
17	Non-interest earning assets	3,423,618,311	2,526,740,970
18	Return on investment (*)	12.20%	9.63%
19	Return on average investment	10.94%	9.84%
20	Return on assets (*)	2.94%	2.46%
21	Income from investment	706,086,213	378,207,291
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

(*) Calculated on the basis of yearend investment and asset balances respectively.

Binoy G. Roy
Financial Controller

Dilan Rajapakse
Chief Operating Officer

Ajith Naranpanawe
Country Manager

Commercial Bank of Ceylon PLC - Bangladesh Operations**Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013****1 Disclosure Policy:**

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

The major highlighted regulations of the Bangladesh Bank are:

- 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 standardized 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:

The risk based capital adequacy framework applies to Commercial Bank of Ceylon PLC, Bangladesh Operations, on " Solo Basis" as the Bank has no subsidiaries or significant investments rather operating as a foreign Branch of Commercial Bank of Ceylon PLC incorporated in Srilanka.

3 Disclosures Framework:

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

3.1 Capital Structure**Qualitative Disclosure**

The Bank's total capital as of 31 December 2013 was Taka 5,922.81 million out of which Taka 5,648.53 million was under Tier-I capital and remaining Taka 274.28 million was under Tier-II capital. The main features of our Tier-I Capital are -Out of Taka 5,648.53 Million, Taka 4,551.83 Million is Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining 1,096.70 Million is the Retained Profit as at 31 December 2013. The Bank's Tier-II Capital are consist of General Provision of Taka 270.65 Million and remaining 3.63 Million is 50% of Revaluation Gain on Treasury Bills/Bond as at 31 December 2013.

Quantitative Disclosure:**Amounts in Taka**

A) Amount of Tier-I Capital	
Fully Paid-up Capital / Capital Deposited with BB	4,551,827,557
Non-repayable Share premium account	-
Statutory Reserve	-
General Reserve	-
Retained Earnings	1,096,704,836
Minority interest in Subsidiaries	-
Non-Cumulative irredeemable Preferences shares	-
Dividend Equalization Account	-
	5,648,532,393
Amount deducted from Tier-I Capital	
• Good will	-
• Shortfall	-
• Others	-
Net Total of Tier-1 Capital	5,648,532,393
B) Total amount of Tier 2 capital (net of deductions from Tier 2 capital)	274,276,279
C) Total eligible capital (A+B)	5,922,808,672

Commercial Bank of Ceylon PLC - Bangladesh Operations**Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013****3.2 Capital Adequacy****Qualitative Disclosure of Capital Adequacy**

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

The Bank maintains a capital of Taka 5,922.81 million (Core Capital of Taka 5,648.53 million + Supplementary Capital of Taka 274.28 million) as against total risk weighted assets of Taka 23,770.60 million. The Bank's Capital Adequacy Ratio (CAR) as at 31 December 2013 is 24.92% as against the minimum requirement of 10% as of 31 December 2013 as per BRPD Circular No. 10 dated 10 March 2010. Tier-I capital was 23.76 % of RWA against minimum requirement of 5% of RWA. As a result the Bank has a buffer Capital of Taka 3,545.75 million to maintain to mitigate the additional uncertain risk which are not cover under Pillar-II of Basel-II.

Quantitative Disclosure of Capital Adequacy

	Amounts in Taka
A) Amount of Regulatory Capital to meet unforeseen loss	
Amount of Capital required to meet Credit Risk	2,045,660,000
Amount of Capital required to meet Market Risk	56,900,000
Amount of Capital required to meet Operational Risk	274,500,000
	2,377,060,000
B) Actual Capital Maintained:	
Total tier I Capital	5,648,532,393
Total tier II Capital	274,276,279
Total tier III Capital	-
	5,922,808,672
C) Some additional capital over MCR maintained by the Bank	3,545,748,672
% of Capital Adequacy required	
Tire I	5.00%
Total	10.00%
% of Capital Adequacy maintained	
Tire I	23.76%
Total	24.92%

3.3 Credit Risk**Qualitative Disclosures:**

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

Definition of past due and impaired (for accounting purposes)

According to the Bangladesh Bank's Guidelines on Risk Based Capital Adequacy, December 2010, claims that are past due for 90 days or more are clubbed under this past due category.

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

Description of approaches followed for specific allowances and statistical methods.

The Bank is following the standardized approach in line with the Bangladesh Bank guideline and no other statistical model is used apart from the supervisory one in this regard.

Discussion of the bank's credit risk management policy

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

Commercial Bank of Ceylon PLC - Bangladesh Operations**Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013**

With a view to segregate credit risk from credit marketing, as also in line with Basel-II requirement, an independent Credit Risk Department is in existence in the bank since 1997. Credit risk management focuses on the quality of customer's individual loans as well as the overall loans and advances portfolio, examining and reporting the underlying trends, concentrations and ensuring a sustainable credit risk culture throughout the Bangladesh Operation.

The 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 need 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

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

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

Maintenance of Specific Provision

Commercial Bank of Ceylon PLC, Bangladesh Operations strictly complies with its internal credit procedure prepared in line with prevailing Bangladesh Bank's guidelines including BRPD Circular No. 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 thereagainst at the end of the each quarter during the year.

Provisioning Rates

The specific provisioning rates on loans and advances is being maintained as guided by BRPD circular no. 14 dated 23 September 2012.

Base for Provision

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

Moreover, BRPD 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.

Annex A

Commercial Bank of Ceylon PLC - Bangladesh Operations

Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013

Quantitative Disclosure

Amounts in Taka

Total Exposures of Credit Risk

A) Funded Exposures

a) Domestic

23,838,600,000

b) Overseas (Nostro Balances)

-

23,838,600,000

B) Non-funded exposures

a) Domestic

-

b) Overseas

4,907,600,000

4,907,600,000

C) Broken down by Major types of Credit Exposure

a) Cash and Cash Equivalents

246,400,000

b) Claims on Bangladesh Government and Bangladesh

5,743,600,000

c) Claims on other Sovereigns & Central Banks*

-

d) Claims on Bank for International Settlements,

-

International Monetary Fund and European Central Bank

-

e) Claims on Multilateral Development Banks (MDBs)

-

f) Claims on Public Sector Entities (other than Govt. of Bangladesh) in BGD

-

g) Claims on Banks & NBFIs:

-

Maturity Over 3 Months

474,900,000

Maturity less than 3 Months

797,000,000

h) Claims on Corporate

10,801,100,000

i) Claims under Credit Risk Mitigation

1,847,600,000

j) Claims categorized as retail portfolio & Small Enterprise
(excluding Consumer Finance)

275,700,000

k) Consumer Finance

220,800,000

l) Claims fully secured by residential property

5,100,000

m) Claims fully secured by commercial real estate

4,200,000

n) Past due loans/NPL

79,600,000

o) Investments in premises, plant and equipment and all other fixed

97,300,000

p) Claims on Fixed Assets under Operating Lease

q) All Other Assets

i) Claims on GoB & BB (Advance Income Tax)

1,603,100,000

ii) Staff Loan/Investments

96,500,000

iii) Other Assets

1,545,700,000

r) Off-balance sheet items:-

Claims on Banks:

Maturity Over 3 Months

30,400,000

Maturity less than 3 Months

19,400,000

Claims on corporate

4,651,300,000

Retail portfolio and small enterprises

206,500,000

28,746,200,000

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

• Claims secured by financial collateral

2,627,200,000

• Net exposure after the application of haircuts

3,022,000,000

• Value of Financial Collateral after haircuts

2,337,600,000

Commercial Bank of Ceylon PLC - Bangladesh Operations

Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013

E. Industry Distribution of Exposures

Category	NBFIs	industries	Consumer	Others	Total
Balance Sheet Items					
and central banks	5,990,000,000	-	-	-	5,990,000,000
NBFIs	1,271,900,000	-	-	-	1,271,900,000
Claims on corporate	-	12,733,400,000	-	-	12,733,400,000
Claims on retail portfolio	-	-	500,700,000	-	500,700,000
Fixed assets	-	-	-	97,300,000	97,300,000
Staff loan	-	-	-	96,500,000	96,500,000
All other assets	-	-	-	3,148,800,000	3,148,800,000
items	7,261,900,000	12,733,400,000	500,700,000	3,342,600,000	23,838,600,000

Off Balance Sheet Items					
Claims on banks	49,800,000	-	-	-	49,800,000
Claims on corporate	-	4,651,300,000	-	-	4,651,300,000
Claims on retail portfolio	-	-	206,500,000	-	206,500,000
items	49,800,000	4,651,300,000	206,500,000	-	4,907,600,000
Total	7,311,700,000	17,384,700,000	707,200,000	3,342,600,000	28,746,200,000

F. Geographical Distribution of Exposure

Category	Dhaka	Chittagong	Sylhet	Total
Balance Sheet Items				
Claims on sovereigns and central banks	5,924,111,002	53,533,753	12,355,245	5,990,000,000
Claims on banks and NBFIs	1,271,900,000	-	-	1,271,900,000
Claims on corporate	10,791,672,488	1,775,667,437	166,060,075	12,733,400,000
Claims on retail portfolio and consumer finance	373,607,850	83,892,801	43,199,349	500,700,000
Fixed assets	82,320,588	13,541,626	1,437,786	97,300,000
Staff loan	96,500,000	-	-	96,500,000
All other assets	3,128,940,144	11,851,759	8,008,097	3,148,800,000
Total on balance sheet items	21,669,052,072	1,938,487,376	231,060,552	23,838,600,000

Off Balance Sheet Items				
Claims on banks	48,697,847	1,102,153	-	49,800,000
Claims on corporate	3,449,172,522	1,202,127,478	-	4,651,300,000
Claims on retail portfolio and consumer finance	188,432,396	18,067,604	-	206,500,000
Total off balance sheet items	3,686,302,765	1,221,297,235	-	4,907,600,000
Total	25,355,354,837	3,159,784,611	231,060,552	28,746,200,000

Annex A

Commercial Bank of Ceylon PLC - Bangladesh Operations

Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013

E) Gross Non-Performing Assets (NPAs)	86,518,981
Total Loans & Advances	14,740,875,347
Non-Performing Loans and advances	86,518,981
Sub-standard	13,398,919.00
Doubtful	5,872,241.00
Bad/ Loss	67,247,821.00
Non-Performing Assets (NPAs) to Outstanding Loans and advances	0.59%
F) Movement of Non-Performing Assets (NPAs)	
Opening balance	128,551,563
Addition during the year	86,456,208
Reduction during the year	128,488,790
Closing balance	86,518,981
G) Movement of specific provisions for NPAs	
Opening balance	43,715,908
Add: Provisions made during the period	3,853,062
Less :Write-off	-
Less: Write-back of excess provisions	17,258,486
Closing balance	30,310,484

3.4 Assets

Qualitative Disclosure

Assets of the Bank includes both banking book assets and trading book assets. Trading book assets consist of foreign currency in hand, balances of nostro accounts and investment in treasury bills/bonds under Held for Trading (HFT) while all other assets of balance sheet such as loans and advances, investment in treasury bills/bonds under Held to Maturity (HTM), money at call and short notice and all fixed assets are the part of banking book assets. Assets are also divided in earning assets and non earning assets. The Balance Sheet size of the Commercial Bank of Ceylon PLC, Bangladesh Operations as on 31 December 2013 expanded by 10.39% compared to 31 December 2012. All the fixed assets of the Bank are properly insured. Apart from the credit portfolio of traditional banking activities and fixed assets, the Bank has significant amount of investment in treasury bonds. Return of Assets (RoA) was 2.96% at 31 December 2013 as against 2.47% as at 31 December 2012.

Earning Assets:

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

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

Non-earning Assets:

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

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

Overall loans and advances as at 31 December 2013 stood at 14,740.88 million registering .77% negative growth compared with 31 December 2012. Overall investments as at 31 December 2013 stood at Taka 7,068.61 million registering 51.84% growth compared with 31 December 2012.

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

Assets are classified as per directives and guidelines time to time issued by Bangladesh Bank. Classified loans and advances of the Bank as at 31 December 2013 was Taka 86.524 million which is 0.59% of total loan portfolio. Classified loans and advances have decreased by 32.70% compared to the year 2012. Adequate specific provision has been kept against such classified loans and advances as per Bangladesh Bank guidelines.

Annex A

Commercial Bank of Ceylon PLC - Bangladesh Operations

Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013

Quantitative Disclosures

Amounts in Taka

i) Banking Book Assets

A. Cash in hand and balance with Bangladesh Bank excluding foreign currency (FC)

1,426,955,889

B. Balance with other banks excluding FC

11,455,280

1,438,411,169

C. Money at call and on short notice

70,000,000

70,000,000

D. Investment (HTM)

a. Government

4,563,081,655

b. Qualifying (banks, etc)

-

c. Equities

9,416,660

d. Others

40,000,000.00

4,612,498,315

E. Loans and advances

a. Past Due

SMA

-

SS

13,398,919

DF

5,872,241

BL

67,247,821

b. Unclassified

14,654,356,366

14,740,875,347

F. Risk weighted assets (RWA)

a. Below 100% RWA

-

b. 100% RWA

-

c. Above 100% RWA

-

-

G. Rating Status

a. Rated assets

-

b. Unrated assets

-

-

H. Other assets including fixed assets

3,230,647,213

3,230,647,213

i) Total Banking Book Assets

24,092,432,044

ii) Trading Book Assets

1. Foreign currencies held in hand

12,181,380

2. Foreign currencies held in Bangladesh Bank and nostro account

1,212,322,630

3. Investment (trading)

a. Govt. (part of govt. HFT, if held for Trading)

2,456,108,952

ii) Total Trading Book Assets (1+2+3)

3,680,612,962

Total Assets (i+ii)

27,773,045,006

Commercial Bank of Ceylon PLC - Bangladesh Operations

Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013

3.5 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 Taka

Banking Book Assets

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

3.6 Interest rate risk in the banking book (IRRBB)

Qualitative Disclosure

Interest rate risk refers to fluctuations in Bank's Net Interest Income and the value of its Assets and Liabilities arising from internal and external factors.

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

External factors cover general economic conditions.

Rising or falling interest rates impact the Bank depending on Balance Sheet positioning. Interest rate risk is prevalent on both the assets as well as the liability sides of the Bank's Balance Sheet.

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

Credit Shock under Basel II (Balance Sheet Exposure)

Amount in Crore Taka

<u>Magnitude of Shock</u>	<u>Minor</u>	<u>Moderate</u>	<u>Major</u>
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	2,777.30	2,777.30	2,777.30
Total RWA before Shock	2,377.06	2,377.06	2,377.06
Total increase in RWA after Shock	38.53	45.13	51.60
Total increase Capital requirement after Shock	3.85	4.51	5.16
Total RWA after Shock	2,415.59	2,422.19	2,428.66
Eligible Capital	592.28	592.28	592.28
Capital Adequacy Ratio after shock (%)	24.52	24.45	24.39
Capital Adequacy Ratio before shock (%)	24.92	24.92	24.92
Changes in CAR (%)	(0.40)	(0.46)	(0.53)

Commercial Bank of Ceylon PLC - Bangladesh Operations

Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013

Credit Shock under Basel II (Off Balance Sheet Exposure)

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	2,777.30	2,777.30	2,777.30
Total RWA before Shock	2,377.06	2,377.06	2,377.06
Total increase in RWA after Shock	(11.32)	17.56	18.60
Total increase Capital requirement after Shock	(1.13)	1.76	1.86
Total RWA after Shock	2,365.74	2,394.62	2,395.66
Eligible Capital	592.28	592.28	592.28
Capital Adequacy Ratio after shock (%)	25.04	24.73	24.72
Capital Adequacy Ratio before shock (%)	24.92	24.92	24.92
Changes in CAR (%)	0.12	(0.18)	(0.19)

Combined Shock

Magnitude of Shock	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	24.92	24.92	24.92
Decrease in the FSV of the Collateral	-0.05	-0.11	-0.22
Increase in NPLs	-0.63	-1.91	-3.23
Negative Shift in NPLs categories	0.06	0.28	0.15
Interest Rate	-0.69	-1.38	-2.06
FEX: Currency Appreciation	-0.08	-0.17	-0.25
Equity Shock	-0.02	-0.03	-0.06
Total Change	-1.41	-3.32	-5.68
CAR after shock (%)	23.51	21.60	19.23

3.7 Market RiskQualitative Disclosure

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

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

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

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

Among the above list the main type of market risk faced by the Bank are interest rate risk and foreign exchange risk.

The management of Bangladesh Operations has given significant attention to market risk in trading book, to assess the potential impact on the Bank's business due to the unprecedented volatility in financial markets.

Commercial Bank of Ceylon PLC - Bangladesh Operations**Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013****Methods used to measure market risk:**

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

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

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

Interest rate risk

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

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

Foreign exchange risk

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

In addition to daily revaluation of spot position and monthly revaluation of forward positions the treasury uses Value at Risk (VaR) to assess the market risk. VaR provides a single number to the management that reflects the maximum loss, which can occur within a confidence level over a certain period of time.

Market risk on Trading Book

The capital requirements for:

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

Amounts in Taka

	4,700,000
	-
	52,200,000
	-
	56,900,000

3.8 Operational risk**Qualitative disclosure**

The Management of Commercial Bank of Ceylon PLC has strong corporate governance and bank operational risk is well monitored as a part of overall risk management process. A sound internal process to assess the operational risk through a robust Internal Control mechanism is in place. A detailed corporate governance exercise has taken place for each and every work process flow. Existing controls have been evaluated and required measures adopted.

Operational risk Management process applied is as follows:

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

Commercial Bank of Ceylon PLC - Bangladesh Operations

Disclosures on Risk based Capital Requirement under Pillar III of Basel II for the year ended 31 December 2013

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

In addition following mitigating steps are taken:

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

Measures for Qualitative improvement as on-going basis:

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

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

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

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

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

Quantitative Disclosure

Amounts in Taka

The capital requirements for operational risk

274,500,000

Financial Statements for the year ended December 31, 2013

Annex B

Commercial Bank of Ceylon PLC - Bangladesh Operations
 Details of Fixed Assets at 31 December 2013

Amounts in Taka

Asset category	Cost				Rate (%)	Depreciation				Written down value at 31 December 2013
	At 01 January 2013	Addition during the year	Disposal/ adjustment during the year	Total at 31 December 2013		To 01 January 2013	Charge for the year	On disposal/ adjustment	Total to 31 December 2013	
Furniture and fixtures	120,967,146	10,197,567	(284,066)	130,880,647	10	50,913,052	12,779,656	(284,032)	63,408,676	67,471,971
Equipment and computers	121,116,355	15,442,615	(18,878,772)	117,680,198	20	100,350,126	13,708,305	(18,878,247)	95,180,184	22,500,014
Computer Software	14,050,505	234,410	-	14,284,915	20	8,504,302	2,856,981	-	11,361,283	2,923,632
Motor vehicles	28,010,350	-	(1)	28,010,349	20	19,753,135	3,446,469	-	23,199,604	4,810,745
Total at 31 December 2013	284,144,356	25,874,592	(19,162,839)	290,856,109		179,520,615	32,791,411	(19,162,279)	193,149,747	97,706,362
Total at 31 December 2012	280,301,961	14,767,334	(10,924,939)	284,144,356		152,746,047	30,710,265	(3,935,697)	179,520,615	104,623,741