

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2020



## Commercial Bank of Ceylon PLC Bangladesh Operations

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

 **COMMERCIAL BANK**

OUR INTEREST IS IN YOU

**Independent Auditor's Report  
To the management of  
Commercial Bank of Ceylon PLC-Bangladesh Operations**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Commercial Bank of Ceylon PLC - Bangladesh Operations (the "Bank") which comprise the balance sheet as at 31 December 2020 and profit and loss account, statement of changes in equity and cash flow statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and other applicable laws and regulations as explained in note-2.

**Basis for Opinion**

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

**Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on other Legal and Regulatory Requirements**

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements and considering the reports of the Management to Bangladesh Bank on antifraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:
  - (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in notes 37 and 38 of the financial statements appeared to be materially adequate;
  - (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank;
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred were for the purpose of the Bank's business for the year;
- (vii) the financial statements have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (viii) adequate provisions have been made for loans and advances and other assets which are in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,200 person hours; and
- (xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.



**Howladar Yunus & Co.**

**Chartered Accountants**

Registration No: -

Signed by: Muhammad Farooq FCA

Managing Partner

Enrolment No. 0521

DVC No.: 2102280521AS548634

Date: 28 February 2021

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**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Profit and Loss Account**  
**For the year ended as on 31 December 2020**

	Notes	2020 Amounts in BDT	2019 Amounts in BDT
Interest income	18	3,809,708,690	4,191,536,345
Less: Interest paid on deposits and borrowings, etc.	19	2,373,554,699	2,260,417,229
<b>Net interest income</b>		<b>1,436,153,991</b>	<b>1,931,119,116</b>
Investment income	20	1,364,706,514	485,887,986
Commission, exchange and brokerage	21	1,087,872,662	1,223,906,631
Other operating income	22	15,040,133	24,675,364
<b>Total operating income</b>		<b>3,903,773,300</b>	<b>3,665,589,097</b>
Salary and allowances	23	564,313,887	518,476,754
Rent, taxes, insurance, electricity, etc.	24	66,353,076	56,739,030
Legal expenses	25	1,560,847	1,773,434
Postage, stamps, telecommunication, etc.	26	12,839,595	14,116,369
Stationery, printing and advertisements, etc.	27	12,785,674	18,783,901
Chief executive's salary and fees	28	13,483,536	12,655,835
Directors' fees		-	-
Auditors' fees		448,500	448,500
Charges on loan losses		-	-
Depreciation and repairs of Bank's assets	29	211,555,185	182,194,950
Other expenses	30	377,896,054	374,156,441
<b>Total operating expenses</b>		<b>1,261,236,354</b>	<b>1,179,345,214</b>
<b>Profit before provisions</b>		<b>2,642,536,946</b>	<b>2,486,243,883</b>
<b>Provision for loans and advance</b>		<b>141,503,340</b>	<b>68,650,040</b>
Specific provision		3,340	5,650,040
General provision	31	141,500,000	63,000,000
Provision for diminution in value of investment		-	-
Other provisions		-	-
<b>Total provision</b>		<b>141,503,340</b>	<b>68,650,040</b>
<b>Profit/(Loss) before taxes</b>		<b>2,501,033,606</b>	<b>2,417,593,843</b>
Provision for taxation	13.4.1	912,000,000	875,000,000
Current tax		919,881,105	953,657,558
Deferred tax		(7,881,105)	(78,657,558)
<b>Net profit after taxation</b>		<b>1,589,033,606</b>	<b>1,542,593,843</b>

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

  
**Binoy G. Roy**  
 Financial Controller

  
**Kapila Liyanage**  
 Chief Operating Officer

  
**Varuna Kolumunna**  
 Chief Executive Officer

  
**Howladar Yunus & Co., Chartered Accountants**  
**Muhammad Farooq FCA**  
**Managing Partner**  
 Enrolment No. 0521  
 DVC No.: 2102280521AS548634

Signed as per our annexed report of same date.

Dated: Dhaka  
 28 February 2021



**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Cash Flow Statement**  
**For the year ended as on 31 December 2020**

	Notes	2020 Amounts in BDT	2019 Amounts in BDT
<b>Cash flows from operating activities</b>			
Interest receipts in cash		3,836,398,287	4,089,322,737
Interest payments		(2,387,016,051)	(1,944,879,943)
Dividend receipts		5,140,625	8,567,708
Fees and commission receipts in cash		477,322,271	447,352,777
Recoveries on loans previously written off		-	-
Recoveries on loans provisions		14,738,500	23,133,875
Cash Payments to employees		(550,000,124)	(501,885,410)
Cash Payments to suppliers		(91,978,345)	(221,700,010)
Receipts from other operating activities	32	610,550,391	776,553,854
Income taxes paid		(511,668,429)	703,493,116
Payments for other operating activities	33	(760,761,225)	(541,987,466)
Interest receipts from investment		1,359,565,889	477,320,278
<b>Operating profit before changes in operating assets and liabilities</b>		<b>2,002,291,789</b>	<b>3,315,291,516</b>
<b>(Increase)/Decrease in operating assets and liabilities</b>			
Statutory Deposits		-	-
Purchase/sale of trading securities		-	-
Loans and advances to other Banks		-	-
Loans and advances to customers		(7,397,895,200)	(8,988,427,284)
Other assets	34	(195,117,174)	69,714,805
Deposits from other Banks		5,024,527,660	278,664,527
Deposits from customers		5,617,642,099	11,232,036,973
Other liabilities account of customer	35	(211,982,211)	(1,697,505,307)
<b>Net cash from operating activities (a)</b>		<b>4,839,466,963</b>	<b>4,209,775,230</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of securities		(2,940,922,457)	(8,359,715,576)
Payments for purchase of shares		-	-
Purchase/sale of property, plant and equipment		(136,391,196)	(3,473,264)
Gains on disposal of property, plant and equipment		301,633	1,541,489
<b>Net cash from investing activities (b)</b>		<b>(3,077,012,020)</b>	<b>(8,361,647,351)</b>
<b>Cash flows from financing activities</b>			
Remittance received from Head Office, Colombo		-	-
Dividend paid/ profit remitted to HO		(295,557,500)	-
<b>Net cash from financing activities (c)</b>		<b>(295,557,500)</b>	<b>-</b>
<b>Net increase/(decrease) in cash (a+b+c)</b>		<b>1,466,897,443</b>	<b>(4,151,872,121)</b>
Effects of exchange rate changes on cash and cash equivalent		-	-
Cash and cash equivalents at beginning of the year (*)		<b>7,892,963,107</b>	<b>12,044,835,228</b>
Cash and cash equivalents at end of the year (*)		<b>9,359,860,550</b>	<b>7,892,963,107</b>
<b>(*) Cash and cash equivalents :</b>			
Cash		343,513,532	288,323,366
Prize bonds		185,200	1,018,500
Money at call and on short notice		330,000,000	1,670,000,000
Balance with Bangladesh Bank and its agent Bank(s)		2,404,168,095	3,831,809,837
Balance with other Banks and financial institutions		6,281,993,723	2,101,811,404
		<b>9,359,860,550</b>	<b>7,892,963,107</b>

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

  
**Binoy G. Roy**  
 Financial Controller

  
**Kapila Liyanage**  
 Chief Operating Officer

  
**Varuna Kolamunna**  
 Chief Executive Officer

  
**Howladar Yunus & Co., Chartered Accountants**  
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**Managing Partner**  
 Enrolment No. 0521  
 DVC No.: 2102280521AS548634

Signed as per our annexed report of same date.

Dated: Dhaka  
 28 February 2021

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2020**

Particulars	Amounts in BDT				
	Paid-up capital/ Deposit kept with Bangladesh Bank	Statutory reserve	Gains/loss on revaluation of securities	Profit and Loss	Total
<b>Opening balance at 01 January 2020</b>	4,729,877,290	-	9,301,128	6,641,711,812	11,380,890,230
Changes in accounting policy	-	-	-	-	-
Restated balance	4,729,877,290	-	9,301,128	6,641,711,812	11,380,890,230
Transfer from Deposit kept with Bangladesh Bank to Profit and Loss	(10,049,700)	-	-	10,049,700	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-
Adjustment of last year's revaluation on investments	-	-	(9,301,128)	-	(9,301,128)
Surplus/(deficit) on account of revaluation of investments	-	-	20,029,528	-	20,029,528
Currency translation differences	-	-	-	-	-
Net gains and losses not recognised in profit and loss statement	-	-	-	-	-
Net profit for the year	-	-	-	1,589,033,606	1,589,033,606
Dividends/Profit remittance	-	-	-	(295,557,500)	(295,557,500)
Issue of share capital/(Capital brought from Head Office, Colombo)	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>4,719,827,590</b>	<b>-</b>	<b>20,029,528</b>	<b>7,945,237,618</b>	<b>12,685,094,736</b>

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



**Binoy G. Roy**  
Financial Controller



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer



**Howladar Yunus & Co., Chartered Accountants**  
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Signed as per our annexed report of same date.

Dated: Dhaka  
28 February 2021



**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Liquidity Statement (analysis of maturity of assets and liabilities)**  
**As at 31 December 2020**

Particulars	Amounts in BDT					Total
	Up to 1 month maturity	1-3 months maturity	3-12 months maturity	1-5 years maturity	Above 5 years maturity	
<b>Assets:</b>						
Cash in hand	2,747,681,627	-	-	-	-	2,747,681,627
Balance with other Banks and financial institutions	3,298,594,095	422,225,000	2,561,174,628	-	-	6,281,993,723
Money at call and on short notice	-	330,000,000	-	-	-	330,000,000
Investments	9,601,860	249,038,007	9,687,833,306	6,214,280,606	78,810,120	16,239,563,899
Loans and advances	10,988,196,505	10,173,935,201	25,228,326,230	7,173,082,925	1,831,061,650	55,394,602,511
Fixed assets including premises, furniture and fixtures	812,796,144	19,400.00	2,113,811	113,735,769	5,852,594	934,517,718
Other assets	4,762,901,458	-	-	-	-	4,762,901,458
Non-Banking assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>22,619,771,689</b>	<b>11,175,217,608</b>	<b>37,479,447,975</b>	<b>13,501,099,300</b>	<b>1,915,724,364</b>	<b>86,691,260,936</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other Banks, financial institutions and agents	8,175,812,617	844,450,000	5,444,410,529	289,793,925	-	14,754,467,071
Deposits	29,885,170,519	4,525,545,115	12,311,407,839	4,280,660,961	-	51,002,784,434
Other accounts	-	-	-	-	-	-
Provision and other liabilities	8,248,914,695	-	-	-	-	8,248,914,695
<b>Total Liabilities</b>	<b>46,309,897,831</b>	<b>5,369,995,115</b>	<b>17,755,818,368</b>	<b>4,570,454,886</b>	<b>-</b>	<b>74,006,166,200</b>
<b>Net Difference in Liquidity</b>	<b>(23,690,126,142)</b>	<b>5,805,222,493</b>	<b>19,723,629,607</b>	<b>8,930,644,414</b>	<b>1,915,724,364</b>	<b>12,685,094,736</b>

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



**Binoy G. Roy**  
Financial Controller



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

**Commercial Bank of Ceylon PLC - Bangladesh Operations**  
**Notes to the financial statements**  
**As at and for the year ended 31 December 2020**

## **1. The Bank and its activities**

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

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

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

## **2. Significant accounting policies**

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

The financial statements of the Bank comprise balance sheet, profit and loss account, cash flow statement, statement of changes in equity, liquidity statement and relevant explanatory notes and disclosures thereto that are prepared on a going concern basis under historical cost convention and in accordance with the First Schedule (Section 38) of the Banking Companies Act 1991, BRPD Circular No. 14 dated 25 June 2003, other relevant circulars issued by Bangladesh Bank, International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh and other laws and rules applicable in Bangladesh.

#### **2.1.1 Statement of compliance**

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

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

**i) Investment in shares and securities**

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

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

**Bank's Methodology:**

Methods of valuation of investment are as follows:

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

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

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

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

**Bank's Methodology:**

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

**Held to Maturity (HTM)**

Investment classified as HTM is a non-derivative financial instrument with fixed or determinable future receipt on maturity that the Bank's management has the intention and ability to hold till maturity. This particular investment has been revalued as marked to market as at 31 December 2020, the revaluation gains on such securities have been shown in the financial statements as part of equity.

**Held for Trading (HFT)**

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

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

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

Bangladesh Bank: As per BRPD circular No. 56 (10 December 2020), BRPD circular No. 52 (20 October 2020), BRPD circular No. 17 (28 September 2020), BRPD Circular No. 16 (21 July 2020), BRPD circular No. 13 (15 June 2020), BRPD circular No. 04 (19 March 2020), BRPD circular No. 07 (19 March 2020), BRPD circular No. 24 (17 November 2019), BRPD circular No. 06 (19 May 2019), BRPD circular No. 04 (16 May 2019), BRPD circular No. 03 (21 April 2019), BRPD circular No. 01 (20 February 2018), BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013) a general provision at 0.25% to 2% under different categories of unclassified loans (good/standard loans) as well as a special general provision for COVID-19 has to be maintained regardless of objective evidence of impairment. Also specific provision for sub-standard loans, doubtful loans and bad losses has to be provided at 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

#### Bank's Methodology:

As per BRPD circular No. 56 (10 December 2020), BRPD circular No. 52 (20 October 2020), BRPD circular No. 17 (28 September 2020), BRPD Circular No. 16 (21 July 2020), BRPD circular No. 13 (15 June 2020), BRPD circular No. 04 (19 March 2020), BRPD circular No. 07 (19 March 2020), BRPD circular No. 24 (17 November 2019), BRPD circular No. 06 (19 May 2019), BRPD circular No. 04 (16 May 2019), BRPD circular No. 03 (21 April 2019), BRPD circular No. 01 (20 February 2018), BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013) a general provision at 0.25% to 2% under different categories of unclassified loans (good/standard loans) as well as a special general provision for COVID-19 has to be maintained regardless of objective evidence of impairment. Also specific provision for sub-standard loans, doubtful loans and bad losses has to be provided at 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

At each balance sheet date and periodically throughout the year, the Bank reviews loans and advances to assess whether objective evidence that impairment of a loan or portfolio of loans has arisen supporting a change in the classification of loans and advances, which may result in a change in the provision required in accordance with BRPD circular No. 56 (10 December 2020), BRPD circular No. 52 (20 October 2020), BRPD circular No. 17 (28 September 2020), BRPD Circular No. 16 (21 July 2020), BRPD circular No. 13 (15 June 2020), BRPD circular No. 04 (19 March 2020), BRPD circular No. 07 (19 March 2020), BRPD circular No. 24 (17 November 2019), BRPD circular No. 06 (19 May 2019), BRPD circular No. 04 (16 May 2019), BRPD circular No. 03 (21 April 2019), BRPD circular No. 01 (20 February 2018), BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013). The guidance in the circular follows a formulaic approach whereby specified rates are applied to the various categories of loans as defined in the circular. The provisioning rates are as follows:

<b>General provision on:</b>	<b>2020</b>	<b>2019</b>
Unclassified general loans and advances/investments	1.00%	1.00%
Unclassified small and medium enterprise financing	0.25%	0.25%
Unclassified loans/investment for housing finance and on loans for professionals	1.00%	1.00%
Unclassified consumer financing other than housing finance and loans for professionals	2.00%	5.00%
Unclassified agricultural loans	1.00%	1.00%
Special general provision- COVID-19	1.00%	-
<b>Specific provision on:</b>		
Substandard loans and advances/investments other than doubtful	20%	20%
Doubtful loans and advances/investment other than substandard	50%	50%
Substandard and doubtful agricultural loans	5%	5%
Bad/loss loans and advances/investments	100%	100%

BRPD circular No.14 (23 September 2012) as amended by BRPD circular No. 19 (27 December 2012) also provides scope for further provisioning based on qualitative judgments. In these circumstances impairment losses are calculated on individual loans considered individually significant based on which specific provisions are raised. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach, the higher of the two is recognised in liabilities under "Provision for loans and advances" with any movement in the provision charged/released in the profit and loss account. Classified loans are categorised into sub-standard, doubtful and bad/loss based on the criteria stipulated by Bangladesh Bank guideline.

#### **Loan write-off**

Loans are normally written off, when there is no realistic prospect of recovery of these amounts and in accordance with BRPD circular No.01 (06 February 2019), BRPD circular No.13 (07 November 2013) and BRPD circular No. 02 (13 January 2003). A separate Debt Collection Unit (DCU) has been set up which monitors loans written off and legal action taken through the money loan court. These write-offs do not undermine or affect the amount claimed against the borrower by the Bank.

#### **iv) Recognition of interest in suspense**

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

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

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

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

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

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

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

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

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

**vii) Financial guarantees**

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

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

**viii) Cash and cash equivalents**

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

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

**ix) Non-Banking asset**

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

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

**x) Cash flow statement**

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

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

**Bank's Methodology:**

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

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

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

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



**xii) Presentation of intangible asset**

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

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

**xiii) Off-balance sheet items**

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

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

**Bank's Methodology:**

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

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

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

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

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

**Bank's Methodology:**

Loans and advances have been shown at gross amounts at 31 December 2020.

**xv) Name of Financial Statements**

**IFRS:** As per IAS 1: Presentation of Financial Statement, components of financial statements are defined as statement of financial position and statement of profit or loss and other comprehensive income.

Bangladesh Bank: As per BRPD 14, statement of financial position is defined as 'Balance Sheet' whilst statement of profit or loss and other comprehensive income is defined as 'Profit & Loss Account'.

**Bank's Methodology:**

Name of Financial Statements have been given as per Bangladesh Bank's guidelines.

**2.2 Consolidation**

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

**2.2.1 Offshore Banking Unit (OBU)**

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

## 2.3 Foreign currency transactions

- (a) Foreign currency transactions are converted into equivalent BDT currency at the ruling exchange rates on the respective dates of such transactions as per IAS 21: "The effects of Changes in Foreign Exchange Rates".
- (b) Assets and liabilities in foreign currencies at 31 December 2020 have been converted into BDT currency at average prevailing buying and selling rates of concerned foreign currencies at that date except balances with other Banks and financial institutions which have been converted as per directions of Bangladesh Bank vide its circular no. BRPD(R) 717/2004-959 dated 21 November 2004.
- (c) Differences arising through transactions of foreign currencies buying and selling on different dates of the year have been adjusted by debiting /crediting exchange gains or loss account.
- (d) Forward contracts outstanding at 31 December 2020 have been shown in the Balance Sheet under off-balance sheet items.

## 2.4 2.4.1 Fixed assets (property, plant and equipment) and depreciation

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

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

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

## 2.4.2 Intangible assets

Intangible assets include purchased computer software which are stated at cost less any impairment losses and amortisation calculated on a straight-line basis. In accordance with the provisions of IAS 38 the cost of purchased software which is not an integral part of the related hardware is booked under intangible assets. Intangible assets with finite useful life are amortised, generally on straight-line basis, over their useful lives as follows:

Computer software	5 years	20% pa
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Intangible assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may be impaired. Modification, up-gradation and maintenance costs are charged to the profit and loss account as incurred.

## 2.5 Stock of stationery

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

## 2.6 Deposits

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

## 2.7 Employee benefits

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

**(a) Provident fund**

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

**(b) Staff gratuity**

The Bank runs an unfunded gratuity scheme under which gratuity is paid to its staff upon their severance. However, the Bank's liability on this account stands fully provided in accounts and BDT 27,979,299 was thus provided in current year's Profit and Loss Statement considering the staff's accumulated gratuity entitlements for their service with the Bank as per the actuarial valuation.

**2.8 Provision for taxation**

**(a) Current tax**

Provision for corporate income tax is made @ 40% as prescribed in the Finance Act 2020 on accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws.

**(b) Deferred tax**

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

Deferred tax is calculated using the tax rates as prescribed in the Income Tax Ordinance (ITO) 1984 and relevant Statutory Regulatory Orders (SRO) and BRPD circular No. 11 dated 12 December 2011 issued by the Banking Regulation and Policy Department of Bangladesh Bank.

**2.9 Reconciliation of books of account**

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

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

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

**2.11 Provisions for other assets**

BRPD circular No.14 (25 June 2001) requires a provision of 100% on relevant other assets which are outstanding for one year and above. The Bank maintains provision in line with this circular unless no provision is required based on objective assessment.

## 2.12 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

- Provisions on loans and advances
- Income tax
- Post-employment benefits
- Allocation of head office expenses to the Bank
- Allocation of operating expenses to OBU

## 2.13 Statement of changes in equity

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

## 2.14 Statement of liquidity analysis

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

## 2.15 Revenue recognition

- a. In term of provision of IFRS 15 Revenue from Contracts with customer, the interest income is recognised on an accrual basis and BRPD circular no. 14 dated 23 September 2012 was followed properly.

In accordance with BRPD circular No. 14 (23 September 2012) as amended by BRPD circular No. 19 (27 December 2012) interest accrued on sub-standard loans and doubtful loans are credited to an "Interest Suspense Account" which is included within "Other liabilities". Interest from loans and advances ceases to be accrued when they are classified as bad/loss. It is then kept in interest suspense in a memorandum account. Interest received on sub-standard loans, doubtful loans and bad/loss loans are retained in the "Interest Suspense Account" until the loan is no longer considered to be impaired.

- b. Interest income on investments in government and other securities and bonds is accounted for on an accrual basis and as per Bangladesh Bank guidelines.
- 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
- e. Interest expenses for all deposits are recognised in the profit and loss account on an accrual basis.

## 2.16 Leases

The Bank has applied IFRS 16 Leases for the first time with the date of initial application of 01 January 2019. As IFRS 16 supersedes IAS 17 Lease, the Bank has made recognition, measurement and disclosure in the financial statements-2020 both as Lessee and Lessor as per IFRS 16.

### Bank as lessee:

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

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

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

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

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

The Bank assessed all lease contracts live in 2020 and recognised as RoU of assets of all leases, except short term and low value of assets as per IAS 16 and IFRS 16. As leases under IFRS 16 has been first time adopted by the Bank, the Bank has followed modified retrospective approach of adoption with the date of initial application of 01 January 2019. Therefore, the Bank considered a cut-off date beginning of the year 2020 and reassessed unadjusted advance payment and remaining lease period of each contract, and recognised those in the financial statements for the year ended 31 December 2020 without giving retrospective impact in earlier presentation. The RoU assets are presented in the note 9.0 of these financial statements.

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

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

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

## 2.17 Reporting period

These financial statements cover one calendar year from 01 January 2020 to 31 December 2020.

## **2.18 Regulatory and legal compliance**

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

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

## **2.19 New accounting standards not yet**

The Bank has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2020 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

### **(a) IFRS 17 Insurance contract**

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

## **2.20 General**

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



	2020 Amounts in BDT	2019 Amounts in BDT
<b>3 Cash</b>		
<b>3.1 Cash in hand</b>		
In local currency	319,590,184	270,565,375
In foreign currencies	23,923,348	17,757,991
	<b>343,513,532</b>	<b>288,323,366</b>
<b>3.2 Balance with Bangladesh Bank and its agent Bank(s)</b>		
<b>Balance with Bangladesh Bank:</b>		
In local currency ( note 3.2.1)	2,177,652,135	2,547,059,143
In foreign currencies ( note 3.2.2)	226,513,827	1,284,745,371
	<b>2,404,165,962</b>	<b>3,831,804,514</b>
<b>Balance with agent Bank(s):</b>	<b>2,133</b>	<b>5,323</b>
In local currency	2,133	5,323
In foreign currencies	-	-
	<b>2,404,168,095</b>	<b>3,831,809,837</b>
	<b>2,747,681,627</b>	<b>4,120,133,203</b>
<b>3.2.1 In local currency</b>		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	2,177,652,135	2,547,059,143
	<b>2,177,652,135</b>	<b>2,547,059,143</b>
<b>3.2.2 In foreign currencies</b>		
Lien portion (against the Bank's required equity)	-	-
Non-lien portion	226,513,827	1,284,745,371
	<b>226,513,827</b>	<b>1,284,745,371</b>
<b>3.3 Cash Reserve Requirement and Statutory Liquidity Reserve</b>		
Cash reserve ratio (CRR) and statutory liquidity ratio (SLR) have been calculated and maintained in accordance with section 33 of the Banking Companies Act 1991 and Bangladesh Bank MPD's circular no. 03, 01, 01, 03 and 02 dated April 03, 2018, March 23, 2020, April 09, 2020 and December 10, 2013 and read with Bangladesh Bank Order no. BRPD(p-3)/744(27/2020-4086) dated 18 June 2020.		
CRR is required @ 4% and 2% on time and demand liabilities of the Bank for DBU and OBU respectively. This has been maintained with Bangladesh Bank in current account. SLR @ 13% on the same liabilities is also maintained in the form of treasury bills and bonds including balance with Bangladesh Bank. Both the reserves are maintained by the Bank as per statutory requirements, as shown below:		
<b>3.3.1 Cash Reserve</b>		
Required reserve	2,152,138,000	2,897,043,000
Actual reserve maintained	2,361,821,000	2,993,555,000
<b>Surplus</b>	<b>209,683,000</b>	<b>96,512,000</b>
<b>3.3.2 Statutory Liquid Reserve</b>		
Required reserve	7,357,972,000	6,847,556,000
Actual reserve maintained	18,248,400,000	12,473,566,000
<b>Surplus</b>	<b>10,890,428,000</b>	<b>5,626,010,000</b>
<b>4 Balance with other Banks and financial institutions</b>		
In Bangladesh (note 4.1)	914,445,748	1,373,727,508
Outside Bangladesh (note 4.2)	5,367,547,975	728,083,896
	<b>6,281,993,723</b>	<b>2,101,811,404</b>
<b>4.1 In Bangladesh</b>		
Islami Bank Bangladesh Limited	844,500,000	844,500,000
Midland Bank Limited	63,713,753	272,601,604
Standard Chartered Bank	4,514,880	1,599,107
Prime Bank Limited	1,717,115	1,691,797
Agrani Bank	-	168,890,000
Modhumoti Bank Limited	-	84,445,000
	<b>914,445,748</b>	<b>1,373,727,508</b>

#### 4.2 Outside Bangladesh

Name of the Banks	Nature	Location	Currency name	At 31 December 2020			At 31 December 2019		
				Amount in foreign currency	Conversion rate	Equivalent BDT	Amount in foreign currency	Conversion rate	Equivalent BDT
Kookmin Bank	Nostro	Seoul	USD	59,635	84.80	5,057,141	92,915	84.90	7,888,474
Standard Chartered Bank	Nostro	Karachi	USD	141,225	84.80	11,976,170	169,747	84.90	14,411,484
Commercial Bank of Ceylon	Nostro	Colombo	USD	327,246	84.80	27,751,125	650,252	84.90	55,206,377
CommerzBank AG	Nostro	Frankfurt	EUR	-	104.28	-	795,485	95.08	75,634,365
Credit Agricole S.A.	Nostro	Paris	EUR	273,874	104.28	28,559,896	57,812	95.08	5,496,697
Standard Chartered Bank	Nostro	London	GBP	771,519	115.54	89,140,077	280,732	111.34	31,257,293
Bank of Montreal	Nostro	Toronto	CAD	45,815	66.46	3,044,826	33,008	64.98	2,144,804
National Australia	Nostro	Melbourne	AUD	283,007	65.17	18,444,881	255,426	59.38	15,168,026
Bank of Tokyo Mitsubishi	Nostro	Tokyo	JPY	16,198,450	0.82	13,312,599	26,580,497	0.78	20,727,285
Standard Chartered Bank	Nostro	Hong Kong	HKD	31,049	10.94	339,634	147,079	10.90	1,603,467
Bank of New Zealand	Nostro	Wellington	NZD	16,645	61.11	1,017,146	18,759	57.11	1,071,314
Standard Chartered Bank	Nostro	New York	USD	644,129	84.80	54,623,448	3,663,145	84.90	311,000,984
ICICI Bank	Nostro	Mumbai	USD	-	84.80	-	1,906,393	84.90	161,852,802
Standard Chartered Bank	Nostro	Singapore	SGD	73,234	64.09	4,693,623	155,703	62.95	9,801,073
Commercial Bank of Ceylon	Placement	Colombo	USD	54,300,000	84.80	4,604,748,600	-	84.90	-
Wells Fargo NA	Placement	New York	USD	3,400,000	84.80	288,326,800	-	84.90	-
CitiBank NA (OBU)	Placement	New York	USD	2,500,000	84.80	212,005,000	-	84.90	-
Standard Chartered Bank (OBU)	Nostro	London	GBP	39,009	115.54	4,507,009	46,507	111.34	5,178,193
National Australia (OBU)	Nostro	Melbourne	AUD	-	65.17	-	162,356	59.38	9,641,258
<b>Total</b>						<b>5,367,547,975</b>			<b>728,083,896</b>

	2020 Amounts in BDT	2019 Amounts in BDT
<b>4.3 Grouping by maturity</b>		
Receivable on demand	268,749,570	731,424,800
Payable to customers on demand	-	-
	268,749,570	731,424,800
Below 3 months	3,443,144,525	908,620,233
Over 3 months but below 1 year	2,570,099,628	461,766,371
Over 1 year but below 5 years	-	-
Over 5 years	-	-
	<b>6,281,993,723</b>	<b>2,101,811,404</b>
<b>4.4 Account-wise breakdown</b>		
Current and other accounts	268,749,570	731,424,800
Placement (term)	6,013,244,153	1,370,386,604
	<b>6,281,993,723</b>	<b>2,101,811,404</b>
<b>5 Money at call on short notice</b>		
Standard Bank Limited	330,000,000	-
Jamuna Bank Limited	-	910,000,000
Dhaka Bank Limited	-	600,000,000
Modhumoti Bank Limited	-	160,000,000
	<b>330,000,000</b>	<b>1,670,000,000</b>
<b>6 Investments</b>		
Government (note 6.1)	16,230,147,239	13,290,058,082
Others (note 6.2)	9,416,660	9,416,660
	<b>16,239,563,899</b>	<b>13,299,474,742</b>
<b>6.1 Government:</b>		
Treasury bonds (note 6.1.1)	13,178,065,387	5,427,941,494
Treasury bills (note 6.1.2)	3,051,896,652	7,861,098,088
Prize bonds	185,200	1,018,500
	<b>16,230,147,239</b>	<b>13,290,058,082</b>
<b>6.1.1 Treasury bonds</b>		
HTM	4,743,430,280	4,753,473,167
HFT	8,434,635,107	674,468,327
	<b>13,178,065,387</b>	<b>5,427,941,494</b>
<b>6.1.2 Treasury bills</b>		
HTM	-	1,895,726,069
HFT	3,051,896,652	5,965,372,019
	<b>3,051,896,652</b>	<b>7,861,098,088</b>
<b>6.2 Others:</b>		
Central Depository Bangladesh Limited (CDBL) (note 6.2.1)	9,416,660	9,416,660
Commercial papers	-	-
	<b>9,416,660</b>	<b>9,416,660</b>
<b>Total</b>	<b>16,239,563,899</b>	<b>13,299,474,742</b>

			2020 Amounts in BDT	2019 Amounts in BDT
a.(i)	Disclosure regarding outstanding Repo as on 31 December 2020			
Sl no.	Counter party name	Agreement Date	Reversal Date	Amount
1	Agrani Bank	30-Dec-20	03-Jan-21	466,487,220

a.(ii) Disclosure regarding outstanding Reverse Repo as on 31 December 2020

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

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

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
<b>Securities sold under repo:</b>			
i) with Bangladesh Bank	494,332,000	2,504,469,594	70,901,376
ii) with other Banks and FIs	149,606,100	1,065,031,660	14,958,373
<b>Securities purchased under reverse repo:</b>			
i) from Bangladesh Bank	-	-	-
ii) from other Banks and FIs	102,786,170	5,845,593,275	1,366,291,227

6.2.1 Central Depository Bangladesh Limited (CDBL)

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

6.3 Value of investment at 31 December 2020

Particulars	Quantity	Face Value	Cost	Market Value	Market Value
Treasury bonds	66	12,800,000,000	13,206,070,810	13,178,065,387	4,753,473,167
Treasury bills	7	3,066,000,000	3,034,609,988	3,051,896,652	6,717,158,931
Treasury bonds (Reverse Repo)	-	-	-	-	674,468,327
Treasury bills (Reverse Repo)	-	-	-	-	1,143,939,157
Prize bonds	1,852	185,200	185,200	185,200	1,018,500
CDBL shares	3,427,083	34,270,830	9,416,660	9,416,660	9,416,660
		<b>15,900,456,030</b>	<b>16,250,282,658</b>	<b>16,239,563,899</b>	<b>13,299,474,742</b>

6.4 Maturity grouping

Repayable on demand	185,200	1,018,500
Below 3 months	249,038,007	4,708,366,955
Over 3 months but below 1 year	9,687,833,306	3,827,199,460
Over 1 year but below 5 years	6,214,280,606	4,674,689,131
Over 5 years	78,810,120	78,784,036
	<b>16,230,147,239</b>	<b>13,290,058,082</b>

	2020 Amounts in BDT	2019 Amounts in BDT
<b>7 Loans and advances</b>		
<b>7.1 Maturity grouping</b>		
Repayable on demand	3,558,644,987	4,169,575,782
Below 3 months	17,603,486,719	19,565,127,351
Over 3 months but below 1 year	25,228,326,230	16,757,311,309
Over 1 year but below 5 years	7,173,082,925	5,410,284,303
Over 5 years	1,831,061,650	2,094,408,566
	<b>55,394,602,511</b>	<b>47,996,707,311</b>
<b>7.2 Broad category-wise break-up</b>		
<b>i) Within Bangladesh</b>		
Loans (general)	35,648,006,585	28,869,007,484
Overdrafts	3,496,740,781	4,105,003,365
Loans against trust receipt	1,901,871,676	2,632,098,441
Packing credit	42,329,125	56,084,714
Import loan	111,646,689	34,329,963
Credit card	61,904,206	64,572,417
Staff loan	96,533,965	99,106,529
	<b>41,359,033,027</b>	<b>35,860,202,913</b>
<b>Loans against accepted bills</b>		
<b>ii) Inland bills</b>	141,710,552	304,788,510
Foreign bills	13,893,858,932	11,831,715,888
	<b>14,035,569,484</b>	<b>12,136,504,398</b>
<b>Outside Bangladesh</b>	-	-
<b>Total (i+ii)</b>	<b>55,394,602,511</b>	<b>47,996,707,311</b>
<b>7.3 Significant concentration</b>		
Directors and others	-	-
Managing Director or Chief Executive Officer	-	-
Other executives	96,533,965	99,106,529
Industries	37,392,346,908	32,445,567,572
Other clients	17,905,721,638	15,452,033,210
	<b>55,394,602,511</b>	<b>47,996,707,311</b>
<b>7.4 Advance to customers for more than 10% of Bank's total capital</b>		
Number of clients	25	28
Amount of outstanding advances	18,864,890,000	18,702,870,000
Amount of classified advances	-	-
	<b>18,864,890,000</b>	<b>18,702,870,000</b>
<b>7.5 Economic sector-wise distribution</b>		
Industry	37,392,346,908	32,445,567,572
Trading	3,903,766,352	4,630,926,743
Agriculture	296,628,771	29,290,515
Others	13,801,860,480	10,890,922,481
	<b>55,394,602,511</b>	<b>47,996,707,311</b>

	2020 Amounts in BDT	2019 Amounts in BDT
<b>7.6 Geographical location-wise distribution</b>		
<b>Urban</b>		
Dhaka region	48,218,597,827	40,401,225,969
Chattagram region	6,385,100,055	6,866,317,147
Sylhet region	790,904,629	729,164,195
	<b>55,394,602,511</b>	<b>47,996,707,311</b>
<b>Rural</b>		
Dhaka region	-	-
Chattagram region	-	-
Sylhet region	-	-
	<b>55,394,602,511</b>	<b>47,996,707,311</b>
<b>7.7 Classification of loans and advances as per Bangladesh Bank 's BRPD circulars</b>		
<b>Unclassified:</b>	<b>55,058,425,662</b>	<b>47,638,633,676</b>
Standard	55,052,739,136	47,578,115,214
Special mentioned account (SMA)	5,686,526	60,518,462
<b>Classified:</b>	<b>336,176,849</b>	<b>358,073,635</b>
Sub-standard	3,060,323	3,025,830
Doubtful	-	-
Bad/ Loss	333,116,526	355,047,805
	<b>55,394,602,511</b>	<b>47,996,707,311</b>
<b>7.8 Particulars of loans and advances</b>		
(i) Loans considered good in respect of which the banking company is fully secured	55,058,425,662	47,638,633,676
(ii) Loans considered good against which the banking company holds no security other than the debtor's personal guarantee	-	-
(iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the	244,351,905	154,897,477
(iv) Loans adversely classified; provision not maintained there against	-	-
(v) Loans due by Directors or Officers of the Bank or any of them either separately or jointly with any other persons	96,533,965	99,106,529
(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 advance including temporary advance made at any time during the year to directors or managers or officers of the banking companies or any of them either separately or jointly with any other person	107,104,000	109,740,000
(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private company, as members	-	-



	2020 Amounts in BDT	2019 Amounts in BDT
(ix) Due from Banking companies	-	-
(x) (a) Amount of provision kept against loan classified as 'bad/loss' on the date of preparing the balance sheet	336,176,849	358,073,635
(b) (Decrease)/increase in provision	3,340	5,650,040
(c) Interest creditable to the interest suspense account	41,374,266	48,395,840
(xi) Loan written off	165,733,103	165,733,103
Opening balance	165,733,103	165,733,103
Add : Bad debts written off during the year	-	-
Less : Bad debts previously written off recovered during	-	-
Bad debts written off / settled	-	-
<b>Closing balance</b>	<b>165,733,103</b>	<b>165,733,103</b>
(xii) Cases filed for recovery of written off bad debts	<b>131,807,438</b>	<b>131,807,438</b>
<b>8 Bills purchased and discounted</b>		
Payable in Bangladesh	141,710,552	304,788,510
Payable outside Bangladesh	13,893,858,932	11,831,715,888
	<b>14,035,569,484</b>	<b>12,136,504,398</b>
<b>8.1 Maturity grouping</b>		
Payable within 1 month	1,937,551,979	1,946,004,618
Over 1 month but below 3 months	4,784,549,795	4,052,480,997
Over 3 months but below 6 months	6,562,678,817	5,880,168,238
6 months and over	750,788,893	257,850,545
	<b>14,035,569,484</b>	<b>12,136,504,398</b>
<b>9 Fixed assets including premises, furniture and fixtures</b>		
Furniture and fixtures	54,603,272	57,095,771
Interior decorations	94,472,958	89,654,590
Equipment and computers	185,824,919	178,863,962
Computer software	70,916,889	47,921,169
Motor vehicles	50,169,124	50,169,124
Right of use asset	1,066,886,139	786,213,581
<b>Total</b>	<b>1,522,873,301</b>	<b>1,209,918,197</b>
<b>Less: Accumated Depreciation</b>	<b>588,355,583</b>	<b>411,791,675</b>
<b>Written down value</b>	<b>934,517,718</b>	<b>798,126,522</b>
Details are shown in Annex B.		
<b>10 Other assets</b>		
<b>Income generating</b>		
In Bangladesh	-	-
Outside Bangladesh	-	-
	-	-

**Non-income generating:**

Advance payment of corporate income tax (note 10.1)  
 Receivable from Bangladesh Bank against Sanchaya Patras  
 Other income receivable  
 Prepaid expenses  
 Stock of stationery, stamps, printing materials, etc  
 Receivable from Head Office  
 Security deposit  
 Interest receivable from other Banks (note 10.2 )  
 Others (note 10.3)

2020 Amounts in BDT	2019 Amounts in BDT
4,104,028,581	3,592,360,152
68,081,121	33,226,796
226,223,679	252,146,377
9,662,439	4,958,609
7,813,271	8,279,952
108,500	240,000
4,225,633	4,135,633
102,369	869,268
342,655,865	186,588,665
<b>4,762,901,458</b>	<b>4,082,805,452</b>
4,762,901,458	4,082,805,452
-	-
-	-
<b>4,762,901,458</b>	<b>4,082,805,452</b>

**Classification status of other assets**

Unclassified  
 Doubtful  
 Bad/Loss

**10.1 Advance payment of corporate income tax**

Opening balance	3,592,360,152	4,295,853,268
<u>Less:</u> Settlement during the year	(575,612,240)	(1,776,583,730)
<u>Add:</u> Income tax paid during the year	1,032,536,456	1,036,763,107
<u>Add:</u> Income tax withheld during the year on:		
L/C commission	4,892,999	4,991,306
Interest on government treasury bills/bonds/	48,823,089	29,622,659
Dividend on shares of CDBL	1,028,125	1,713,542
Closing balance (note 10.1.1)	<b>4,104,028,581</b>	<b>3,592,360,152</b>

**10.1.1 Closing balance of advance payment of corporate income tax**

2020	519,725,566	-
2019	1,036,707,889	1,044,765,026
2018	935,094,998	935,094,998
2017	656,173,186	656,173,186
2012	514,093,987	514,093,987
2011	442,232,955	442,232,955
	<b>4,104,028,581</b>	<b>3,592,360,152</b>

**10.2 Interest receivable from other Banks**

Bangladesh Bank	98,076	852,350
Others	4,293	16,918
	<b>102,369</b>	<b>869,268</b>

**10.3 Others**

Deferred tax assets (note 10.3.1)	164,202,715	156,321,610
Forward Equalisation, Sundry Debtors, etc	178,453,150	30,267,055
	<b>342,655,865</b>	<b>186,588,665</b>

	2020 Amounts in BDT	2019 Amounts in BDT		
<b>10.3.1 Deferred tax assets on</b>				
Gratuity provision	76,990,381	67,272,012		
Fixed assets	19,961,896	15,905,096		
Specific Provision	67,250,438	73,144,502		
	<b>164,202,715</b>	<b>156,321,610</b>		
<b>Increase / (Decrease) in Deferred Tax Assets</b>	<b>7,881,105</b>	<b>78,657,558</b>		
<b>Calculation of Deferred Tax Assets :</b>				
<b>Particulars</b>	<b>Carrying Amount</b>	<b>Tax Base</b>	<b>(Taxable) / Deductable Temporary</b>	<b>Deferred Tax Assets / (Liabilities)</b>
Gratuity provision	192,475,952	-	192,475,952	76,990,381
Fixed assets	121,729,720	171,634,460	49,904,740	19,961,896
Specific provision	168,126,095	-	168,126,095	67,250,438
				<b>164,202,715</b>
<b>11 Borrowings from other Banks, financial institutions and agents</b>				
In Bangladesh (note 11.1)			7,085,324,454	10,979,290
Outside Bangladesh (note 11.2)			7,669,142,617	9,733,470,436
			<b>14,754,467,071</b>	<b>9,744,449,726</b>
<b>11.1 In Bangladesh</b>				
<b>Call borrowings from:</b>				
Eastern Bank Limited			1,688,900,000	-
United Commercial Bank Limited			1,266,675,000	-
State Bank of India			844,450,000	-
National Credit and Commerce Bank Limited			591,115,000	-
Jamuna Bank Limited			506,670,000	-
Woori Bank			253,335,000	-
			<b>5,151,145,000</b>	-
<b>Term borrowings from:</b>				
Bangladesh Bank (Refinance )			1,934,179,454	10,979,290
			<b>1,934,179,454</b>	<b>10,979,290</b>
			<b>7,085,324,454</b>	<b>10,979,290</b>
<b>11.2 Outside Bangladesh</b>				
Commercial Bank of Ceylon			5,504,761,214	6,815,089,880
ICICI Bank			961,371,431	1,688,900,000
Sunrise Bank			422,225,000	-
Wells Fargo NA			199,373,973	53,635,277
Citi N. A. (OBU)			235,144,477	109,344,749
Kumari Bank			253,335,000	253,335,000
Standard Chartered Bank			48,658,135	1,447,772
CommerzBank AG			25,443,262	-
Axis Bank			17,608,479	68,601,758
National Australia (OBU)			1,221,646	-
Laxmi Bank			-	743,116,000
			<b>7,669,142,617</b>	<b>9,733,470,436</b>
<b>Analysis by security</b>				
Secured			-	-
Unsecured			14,754,467,071	9,744,449,726
			<b>14,754,467,071</b>	<b>9,744,449,726</b>

**Grouping by maturity**

Repayable on demand

Others

2020 Amounts in BDT	2019 Amounts in BDT
697,026,617	285,319,436
14,057,440,454	9,459,130,290
<b>14,754,467,071</b>	<b>9,744,449,726</b>

**12 Deposits and other accounts**
**12.1 Current and other accounts**

Current accounts (note 12.1.1)

Margin accounts (note 12.1.2)

18,148,597,406	12,039,812,465
1,353,492,046	611,541,147
<b>19,502,089,452</b>	<b>12,651,353,612</b>

**Current and other accounts**
**12.1.1 Current accounts**

Local currency

Inter-Bank

Others

21	-
12,381,088,899	9,084,084,510
<b>12,381,088,920</b>	<b>9,084,084,510</b>

Foreign currencies

Inter-Bank

Others

14,510,294	-
5,752,998,192	2,955,727,955
5,767,508,486	2,955,727,955
<b>18,148,597,406</b>	<b>12,039,812,465</b>

**12.1.2 Margin accounts**

Letters of guarantee

Letters of credit

Others

164,247,126	98,353,023
1,178,024,502	494,024,682
11,220,418	19,163,442
<b>1,353,492,046</b>	<b>611,541,147</b>
<b>19,502,089,452</b>	<b>12,651,353,612</b>

**12.2 Bills payable**

Payment orders issued

Inward remittance payable

167,124,992	212,600,561
-	-
<b>167,124,992</b>	<b>212,600,561</b>

**12.3 Savings Bank deposits**

Local currency

Inter-Bank

Others

-	-
4,301,863,863	3,592,836,323
<b>4,301,863,863</b>	<b>3,592,836,323</b>

Foreign currency

Inter-Bank

Others

-	-
286,450,328	139,018,756
<b>286,450,328</b>	<b>139,018,756</b>
<b>4,588,314,191</b>	<b>3,731,855,079</b>

**12.4 Fixed deposits**

Local currency

Inter-Bank

Others

-	-
23,579,231,113	24,458,669,960
<b>23,579,231,113</b>	<b>24,458,669,960</b>

	2020 Amounts in BDT	2019 Amounts in BDT
Foreign currency		
Inter-Bank	-	-
Others	3,123,855,000	4,280,329,848
	<b>3,123,855,000</b>	<b>4,280,329,848</b>
	<b>26,703,086,113</b>	<b>28,738,999,808</b>
<b>12.5 Other deposits</b>		
Stale drafts-foreign currencies	13,200,351	11,392,023
Stale pay orders-local currency	28,969,335	24,430,937
	<b>42,169,686</b>	<b>35,822,960</b>
	<b>51,002,784,434</b>	<b>45,370,632,020</b>
<b>12.6 Maturity analysis of customer deposits</b>		
Repayable on demand	24,299,698,321	16,631,632,212
Repayable within 1 month	5,570,961,883	4,284,878,192
Over 1 month but within 6 months	10,433,022,087	16,673,074,399
Over 6 months but within 1 year	6,403,930,867	5,163,404,866
Over 1 year but within 5 years	4,280,660,961	2,617,642,351
Over 5 years but within 10 years	-	-
Unclaimed deposit for 10 years or more held by the Bank	-	-
	<b>50,988,274,119</b>	<b>45,370,632,020</b>
<b>12.7 Maturity analysis of inter-Bank deposits</b>		
Repayable on demand	14,510,315	-
Repayable within 1 month	-	-
Over 1 month but within 6 months	-	-
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Unclaimed deposits for 10 years or more held by the Bank	-	-
	<b>14,510,315</b>	<b>-</b>
	<b>51,002,784,434</b>	<b>45,370,632,020</b>
<b>13 Other liabilities</b>		
Accumulated general provision against loans and advances and Off-Balance		
Sheet items (note 13.1)	732,000,000	630,500,000
Special general provision for COVID-19*	40,000,000	-
Specific provision (note 13.2)	168,126,095	182,861,255
Interest suspense account (note 13.3)	41,374,266	48,395,840
Interest payable on deposits	841,455,737	836,196,315
Interest payable on borrowings	58,322,445	77,043,219
Provision for corporate taxation (note 13.4)	4,771,307,366	4,427,038,501
Sundry creditors	5,650,717	741,832
Expenses payable	190,277,129	165,502,719
Provision for gratuity (note 13.5)	192,475,952	168,180,029
Commission and brokerage payable	22,863,895	3,812,396
Provision for head office expenses (note 30.1)	277,892,617	268,621,538
Lease liability	735,033,766	591,883,512
Others	172,134,710	172,309,502
	<b>8,248,914,695</b>	<b>7,573,086,658</b>

\*Required special general provision for COVID-19 as per BRPD circular no. 56 dated 10 December 2020 was BDT 39,980,973.

	2020 Amounts in BDT	2019 Amounts in BDT
<b>13.1 Accumulated general provision against loans and advances and Off-balance sheet items</b>		
Opening balance	630,500,000	567,500,000
Less: Fully provided, written-off during the year	-	-
Less: Recovery of provision no longer required	-	-
Add: Provision for the year	101,500,000	63,000,000
Closing balance	<b>732,000,000</b>	<b>630,500,000</b>
<b>Required Provision</b>	<b>718,974,627</b>	<b>609,716,324</b>
<b>13.1.1 General provision</b>		
Opening balance	630,500,000	567,500,000
Add: Provision for the year (note 13.1.1.1)	101,500,000	63,000,000
Add: Transferred from specific provision during the year	-	-
Less: Transferred to specific provision during the year	-	-
Closing balance (note 13.1.1.2)	<b>732,000,000</b>	<b>630,500,000</b>
<b>13.1.1.1 General provision for the year against</b>		
Loans and advances	62,000,000	90,000,000
Off-balance sheet items	39,500,000	(27,000,000)
	<b>101,500,000</b>	<b>63,000,000</b>
<b>13.1.1.2 General provision against</b>		
Loans and advances	538,000,000	476,000,000
Off-balance sheet items	194,000,000	154,500,000
	<b>732,000,000</b>	<b>630,500,000</b>
Required Provision (Loans and advances)	530,947,531	469,775,796
Required Provision (Off-balance sheet items)	188,027,096	139,940,528
	<b>718,974,627</b>	<b>609,716,324</b>
<b>13.2 Specific provision</b>		
Opening balance	182,861,255	200,345,090
Less: Fully provided, written-off during the year	-	-
Add: Recovery of advance previously written-off	-	-
Add: Specific provision during the year	3,340	5,650,040
Less: Recovery of provision no longer required	(14,738,500)	(23,133,875)
Closing balance	<b>168,126,095</b>	<b>182,861,255</b>
<b>Required provision</b>	<b>168,126,095</b>	<b>182,861,255</b>
<b>13.3 Interest suspense account</b>		
Opening balance	48,395,840	68,668,365
Add: Amount transferred to interest suspense account during the year	213,494	4,794,205
Less: Transferred to income during the year	(7,235,068)	(25,066,730)
Less: Amount waived/written-off during the year	-	-
Closing balance	<b>41,374,266</b>	<b>48,395,840</b>



## 13.4 Provision for taxation

	2020 Amounts in BDT	2019 Amounts in BDT
Opening balance	4,427,038,501	5,249,964,673
Add: Provision during the year (note 13.4.1)	919,881,105	953,657,558
Less: Settlement during the year	(575,612,240)	(1,776,583,730)
Closing balance (note 13.4.2)	<b>4,771,307,366</b>	<b>4,427,038,501</b>

Filing of corporate income tax return of the Bank has been made up to the assessment year 2020-21. Corporate income tax return for the income year ended 31 December 2020 has not yet been due for filing. However, tax clearance certificate from National Board of revenue (NBR) was received up to 2016 (Assessment Year 2017-2018), except 2011 and 2012. Provision for corporate income tax for the year ended 31 December 2020 has been made after considering necessary taxable allowances and disallowances as per tax laws.

### 13.4.1 Provision made during the year

Current tax	919,881,105	953,657,558
Deferred tax	(7,881,105)	(78,657,558)
	<b>912,000,000</b>	<b>875,000,000</b>

### 13.4.2 Provision for taxation

Current year provision	971,417,309	-
Provision carried forward	-	-
2020	971,417,309	
2019	1,037,190,224	1,037,190,224
2018	935,094,998	935,094,998
2017	770,963,344	770,963,344
2012	575,202,852	575,202,852
2011	481,438,639	481,438,639
2016	-	627,148,444
	<b>4,771,307,366</b>	<b>4,427,038,501</b>

## 13.5 Provision for gratuity

Opening balance	168,180,029	158,055,499
Less: Payment made during the year	(3,501,376)	(19,122,649)
Add : Provision made during the year	27,797,299	29,247,179
Closing balance	<b>192,475,952</b>	<b>168,180,029</b>

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

Fund deposited with Bangladesh Bank	-	-
Investment in treasury bills/bonds (note 14.1)	4,719,827,590	4,729,877,290
	<b>4,719,827,590</b>	<b>4,729,877,290</b>

- 14.1** Since Commercial Bank of Ceylon PLC, Bangladesh Operations is a branch of a Banking company incorporated outside Bangladesh, the amount of deposit against equity kept with Bangladesh Bank under section 13(4) of the Banking Companies Act 1991 has been shown under this head as per BRPD circular no. 14 dated 25 June 2003.

The Bank's deposits against equity with Bangladesh Bank at 31 December 2020 represents investment in treasury bills/bonds of BDT 4,719,827,590.

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

In terms of section 13 (2) of the Banking Companies Act, 1991 and Bangladesh Bank BRPD circulars no. 01,14 ,10, 05 and 18 dated 08 January 1996,16 November 1996, 25 November 2002, 14 May 2007,21 December 2014 and 03 April 2018 respectively, required capital of the Bank at 31 December 2020 should be BDT 4,000,000,000 or 10% of risk weighted assets whichever is higher as against available capital of BDT 13,276,225,015 (Tier I Capital BDT 12,504,225,015 and Tier II Capital BDT 772,000,000). Details are shown below:

	2020 Amounts in BDT	2019 Amounts in BDT
Total assets including off-balance sheet items	112,872,354,244	98,481,241,900
Total risk weighted assets	38,175,204,867	36,343,253,869
10% of risk weighted assets	3,817,520,487	3,634,325,387
<b>Required capital as per BRPD circular (a)</b>	<b>4,000,000,000</b>	<b>4,000,000,000</b>
<b>Actual capital maintained:</b>		
<b>Tier I</b>		
Paid-up capital/Deposit kept with Bangladesh Bank	4,719,827,590	4,729,877,290
Statutory reserve	-	-
Other reserve	-	-
Retained earnings	7,945,237,618	6,641,711,812
Regulatory adjustments (deferred tax assets)	(160,840,193)	(152,664,385)
	<b>12,504,225,015</b>	<b>11,218,924,717</b>
<b>Tier II</b>		
General provision on unclassified loans and off-balance sheet items (Allowable as per Basel III)	772,000,000	630,500,000
Revaluation reserve as of 31 December 2014 (up to 50% of revaluation reserve) less phase-in deductions as per Basel III	-	-
	<b>772,000,000</b>	<b>630,500,000</b>
<b>Total capital (b)</b>	<b>13,276,225,015</b>	<b>11,849,424,717</b>
<b>Capital surplus / (shortfall) (b-a)</b>	<b>9,276,225,015</b>	<b>7,849,424,717</b>
<b>Capital to Risk Weighted Assets Ratio (CRAR)</b>	<b>34.78%</b>	<b>32.60%</b>

## 15 Surplus in profit and loss account

<b>Opening balance</b>	6,641,711,812	5,037,450,883
Add: Profit after taxation	1,589,033,606	1,542,593,843
Add: Capital from Head Office	-	-
Less: Profit remittance	(295,557,500)	-
Add: Transfer from Deposit kept with Bangladesh Bank to Profit and Loss	10,049,700	61,667,086
<b>Closing balance</b>	<b>7,945,237,618</b>	<b>6,641,711,812</b>

## 16 Contingent liabilities

<b>16.1 Claims lodged with the Bank which are not recognized as loan</b>	-	-
	-	-
<b>16.2 Letter of guarantees</b>		
Directors	-	-
Government	5,024,883,738	6,418,426,457
Banks and other financial institutions	578,265,737	436,818,255
Others	502,718,479	584,127,061
	<b>6,105,867,954</b>	<b>7,439,371,773</b>
Less: Margin on guarantees	164,247,126	98,353,023
	<b>5,941,620,828</b>	<b>7,341,018,750</b>

	2020 Amounts in BDT	2019 Amounts in BDT
<b>16.3 Irrevocable letters of credit</b>		
Inward bills unsettled	4,269,222,867	4,946,841,719
Documentary credits	12,403,852,228	7,128,449,950
Shipping guarantee	1,200	1,700
	<b>16,673,076,295</b>	<b>12,075,293,369</b>
Less: Margin on letters of credit	1,178,024,502	494,024,682
	<b>15,495,051,793</b>	<b>11,581,268,687</b>
<b>16.4 Bills for collection (*)</b>		
Cheques for collection	44,936,469	44,936,469
Outward collection	4,125,540,658	3,969,126,277
	<b>4,170,477,127</b>	<b>4,014,062,746</b>
(*) The above amount represents cheques in hand for clearing and different outward bills sent on collection basis against which Bank is not taking any responsibilities. Hence, there is no chance for creating any liabilities for Bank in future.		
<b>16.5 Other contingent liabilities</b>		
Litigation pending against the Bank	64,638,549	64,638,549
	<b>64,638,549</b>	<b>64,638,549</b>
	<b>25,671,788,297</b>	<b>23,000,988,732</b>
<b>17 Other commitments</b>		
Forward assets purchased and forward deposits placed	509,305,011	1,411,194,534
	<b>509,305,011</b>	<b>1,411,194,534</b>

	2020 Amounts in BDT	2019 Amounts in BDT
<b>18 Interest income</b>		
<b>Interest on loans and advances</b>		
General loan	2,867,338,095	2,944,176,358
Overdrafts	374,858,342	410,832,650
Trust receipts	178,535,710	229,739,599
Import loans	2,506,853	2,348,297
Pre-shipment loan	3,417,041	3,947,864
Inland bills purchased	9,043,030	9,628,635
House building loan-others	37,303,003	40,227,679
Credit cards	11,285,020	10,126,706
Staff loans	5,555,106	6,048,407
	<b>3,489,842,200</b>	<b>3,657,076,195</b>
<b>Interest on</b>		
Accounts with foreign Banks	21,212,291	34,737
Deposits with other Banks	298,654,199	534,425,413
	<b>319,866,490</b>	<b>534,460,150</b>
	<b>3,809,708,690</b>	<b>4,191,536,345</b>
<b>19 Interest paid on deposits and borrowings, etc</b>		
<b>Interest on</b>		
Fixed deposits	1,791,858,578	1,643,364,516
Short notice deposit / Money market A/C	160,845,196	112,736,495
Savings deposits	95,903,373	98,200,601
Foreign currency deposits	84,734,686	151,078,254
	<b>2,133,341,833</b>	<b>2,005,379,866</b>
<b>Interest on</b>		
Borrowings from local Banks	45,506,191	20,534,180
Borrowings from foreign Banks	168,578,473	188,170,938
	<b>214,084,664</b>	<b>208,705,118</b>
Interest expenses on lease liability	26,128,202	46,332,245
	<b>2,373,554,699</b>	<b>2,260,417,229</b>
<b>20 Investment income</b>		
Interest and profit on treasury bills	419,108,152	244,607,877
Interest and profit on treasury bonds	578,470,557	231,714,178
Capital gain on treasury bills and bonds	361,987,180	998,223
Dividend from CDBL shares	5,140,625	8,567,708
	<b>1,364,706,514</b>	<b>485,887,986</b>
<b>21 Commission, exchange and brokerage</b>		
Commission	477,322,271	447,352,777
Exchange gain less losses arising from dealing in foreign currencies	610,550,391	776,553,854
	<b>1,087,872,662</b>	<b>1,223,906,631</b>
<b>22 Other operating income</b>		
Recovery of other provision/ written off bad debts	14,738,500	23,133,875
Profit on disposal of fixed assets	301,633	1,541,489
Profit less loss from interest fluctuation	-	-
Income from recovery of loans	-	-
	<b>15,040,133</b>	<b>24,675,364</b>

	2020 Amounts in BDT	2019 Amounts in BDT
<b>23 Salary and allowances</b>		
Salaries	302,587,698	280,232,167
Leave fair assistance	22,996,540	22,391,984
Bonus	169,421,225	155,385,155
Bank's contribution to provident fund	13,541,875	12,788,771
Gratuity	27,797,299	29,247,179
Other allowances	15,560,795	6,064,996
Medical expenses	12,408,455	12,366,502
	<b>564,313,887</b>	<b>518,476,754</b>
<b>24 Rent, taxes, insurance, electricity, etc</b>		
Rent, rates and taxes (Only VAT)	19,982,530	18,453,569
Lease rent	451,410	57,775
Insurance	34,552,944	26,699,383
Lighting	10,917,535	11,039,274
Water charges	448,657	489,029
	<b>66,353,076</b>	<b>56,739,030</b>
<b>25 Legal expenses</b>		
Law charges	357,493	308,430
Other professional fees	1,203,354	1,465,004
	<b>1,560,847</b>	<b>1,773,434</b>
<b>26 Postage, stamps, telecommunication, etc</b>		
Telephone	2,036,768	2,121,800
Swift charges	3,465,171	3,022,077
Postage and courier	7,337,656	8,972,492
	<b>12,839,595</b>	<b>14,116,369</b>
<b>27 Stationery, printing, advertisements, etc</b>		
Publicity and advertisement	4,229,071	6,960,276
Printing and stationery	8,311,609	11,530,891
Newspapers and periodicals	244,994	292,734
	<b>12,785,674</b>	<b>18,783,901</b>
<b>28 Chief Executive's salary and fees</b>		
Salary	7,063,271	6,550,966
Bonus	6,312,265	5,996,869
Other allowances	108,000	108,000
	<b>13,483,536</b>	<b>12,655,835</b>
<b>29 Depreciation and repairs of Bank's assets</b>		
Depreciation (Annex B).	182,488,997	151,519,087
Repairs and maintenance of:		
Equipment and computers	14,934,327	14,685,848
Premises, furniture and fixtures	7,334,198	7,437,075
Vehicles	6,797,663	8,552,940
	<b>211,555,185</b>	<b>182,194,950</b>

	2020 Amounts in BDT	2019 Amounts in BDT
<b>30 Other expenses</b>		
Fees and charges for services	55,451,681	51,865,820
Travelling and conveyance	5,477,909	8,553,195
Entertainment	7,169,932	8,486,570
Security services	14,542,721	14,851,172
Training, seminar and workshop	1,261,013	3,251,373
Cash carrying expenses	5,104,567	6,061,115
Loss on disposal of fixed assets	41,245	92,340
Donation and subscription	2,311,490	1,502,161
Sundry expenses	8,642,934	10,871,157
Head office expenses (note 30.1)	277,892,562	268,621,538
	<b>377,896,054</b>	<b>374,156,441</b>
30.1 As per FE Circular No. 15, dated: 10 June 2018, issued by Foreign Exchange Policy Department of Bangladesh Bank, provision for head office expenses has been kept @ 10% on the amount of profit before tax.		
<b>31 Provision against loans and advances</b>		
<b>General provision for:</b>		
Unclassified loans	62,000,000	90,000,000
Off-balance sheet items	39,500,000	(27,000,000)
Special general provision for COVID-19	40,000,000	-
	<b>141,500,000</b>	<b>63,000,000</b>
<b>32 Receipts from other operating activities</b>		
Other operating income	15,040,133	24,675,364
Income from commission, exchange and brokerage	1,073,134,162	1,200,772,756
Less: Fees and commission	(477,322,271)	(447,352,777)
Gain on disposal of property, plant and equipment	(301,633)	(1,541,489)
	<b>610,550,391</b>	<b>776,553,854</b>
<b>33 Payments for other operating activities</b>		
Total operating expenses	(1,261,236,354)	(1,196,922,846)
Less: Payments to employees	550,000,124	501,885,410
Less: Payments to suppliers	91,978,345	221,700,010
Less: General and other provisions	(141,503,340)	(68,650,040)
	<b>(760,761,225)</b>	<b>(541,987,466)</b>

## 34 Other assets

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

Increase /(Decrease) during the year

2020 Amounts in BDT	2019 Amounts in BDT
68,081,121	33,226,796
-	-
9,662,439	4,958,609
7,813,271	8,279,952
108,500	240,000
4,225,633	4,135,633
-	-
342,655,865	186,588,665
<b>432,546,829</b>	<b>237,429,655</b>
<b>(195,117,174)</b>	<b>69,714,805</b>

## 35 Other liabilities

Accumulated provision against loans and advances and off-balance sheet items
Special general provision for COVID-19*
Specific provision ( note 13.2)
Interest suspense account (note 13.3)
Provision for corporate taxation (note 13.4)
Sundry creditors
Expenses payable
Provision for good borrower
Provision for gratuity (note 13.5)
Commission and brokerage payable
Provision for head office expenses (note 30.1)
Gains on revaluation of treasury bills/ bonds
Others

Less: Current year's corporate tax provision  
Decrease during the year

732,000,000	630,500,000
40,000,000	-
168,126,095	182,861,255
41,374,266	48,395,840
4,771,307,366	4,427,038,501
5,650,717	741,832
190,277,129	165,502,719
-	-
192,475,952	168,180,029
22,863,895	3,812,396
277,892,617	268,621,538
20,029,528	9,301,128
315,284,964	172,309,502
6,777,282,529	6,077,264,740
<b>(912,000,000)</b>	<b>(875,000,000)</b>
<b>(211,982,211)</b>	<b>(1,697,505,307)</b>

## 36 Audit committee

Audit committee of the Bank consists of the following members:

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

Four (04) Audit Committee meetings were held during the year 2020 where among others, following issues were discussed:

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

## 37 Core risks management of the Bank

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

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

An internal memo has been circulated with the necessary guidelines to the concerned departments/branches/booths for their implementation. The status of implementation of above six guidelines are summarised below:

### 37.1 Credit risks

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

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



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

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

## **37.3 Foreign exchange risks**

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

## **37.4 Internal control and compliance risks**

Regulatory Compliance, job/service Process and controls are in place in the bank in line with Bangladesh Bank Internal Control and Compliance Guideline. The potential operational risk is mitigated through three wings of Internal Control & Compliance (ICC) Department, Audit & Inspection, Compliance and Monitoring wing thus ensure sound, sustainable and secured growth of the Bank.

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

## **37.5 Money laundering risks**

In line with the directives of Bangladesh Bank & BFIU specific policy, procedures and controls are in place for managing the Money Laundering (ML) risk and to detect the suspicious activities associated with ML for reporting them to the appropriate authorities. Bank has its independent Central Compliance Committee, AML & CFT Department and assigned CAMLCO for ensuring overall AML compliance of the Bank. In addition, BAMLCOs at branch level continuously exerts their all efforts to keep branches compliant on ML matter. Proper CDD, automated sanction screening and transaction monitoring are also in place.

Since inception, Commercial Bank of Ceylon PLC as a compliant Bank in Sri Lanka and Bangladesh believes that no customer relationship is worth compromising our commitment to combat ML.

## **37.6 Information Technology Risks**

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

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

## **37.7 Internal Audit**

Bank has established an independent Internal Audit Department for conducting audit/inspection at various department/branch/booths in line with the approved annual audit plan. In general, all the department/branch/booth are audited at least once in a year. Observations are responded by the respective Department/Branches within the given time frame. Online monitoring (transaction level) is also being performed by the department in addition to performed IS System Audit. Major findings and recommendations identified by the internal auditors are thereafter being discussed in the Audit Committee Meeting. Moreover, Colombo Inspection Department have their own plan of auditing the Bank from time to time. Colombo Inspection Department also conduct Offsite & On-site audit to mitigate operational risk. The objectives of audit is to ascertain whether the assets are properly safeguarded; effectiveness and efficiency of banking operations and information system, assess the reliability and integrity of financial and management information and reporting thereof; determine the degree of compliance with established policies, procedures, guidelines, agreements, laws, and regulations; determine the adequacy and effectiveness of the control measures adopted to safeguard the Department and the Bank against the potential risks; ascertain whether the resources have been used economically, efficiently and effectively; identify means to eliminate waste, misuse and abuse of resources.

## **37.8 Fraud and Forgeries**

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

## **38 Risk Management Committee (RMC)**

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

## **39 Post balance sheet events**

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

## **40 Related party disclosure**

### **40.1 Transactions with key management personnel**

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

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

So, there is no transactions between the Bank and the key management personnel of the Bank in 2020(2019-nil).

### **40.2 Transactions with Post employment benefit plan**

The Bank has two post employment benefit schemes, the nature of which is disclosed in note 2.7, Employee benefits. The total contribution to these schemes in 2020 by the Bank is disclosed in note 23, salaries and allowances.

### **40.3 Transactions with nostro and vostro accounts**

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

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

### **40.4 Transactions with the Off-shore Banking unit**

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

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

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

Sl. No.	Title of Standard	IAS no.	Status
1	Presentation of Financial Statements	1	Complied*
2	Inventories	2	Complied
3	Statement of Cash Flows	7	Complied*
4	Accounting Policies, Changes in Accounting Estimates and Errors	8	Complied
5	Events after the Reporting Period	10	Complied
6	Income Taxes	12	Complied
7	Property, Plant and Equipment	16	Complied
8	Employee Benefits	19	Complied
9	Accounting for Government Grants and Disclosure of Government Assistance	20	Not Applicable
10	The Effects of Changes in Foreign Exchange Rates	21	Complied
11	Borrowing Costs	23	Complied
12	Related Party Disclosures	24	Complied
13	Accounting and Reporting by Retirement Benefit Plans	26	Not Applicable
14	Consolidation and Separate Financial Statements	27	Not Applicable
15	Investment in Associates	28	Not Applicable
16	Interest in Joint Ventures	31	Not Applicable
17	Financial Instruments: Presentation	32	Complied
18	Earnings Per Share	33	Not Applicable
19	Interim Financial Reporting	34	Not Applicable
20	Impairment of Assets	36	Complied
21	Provisions, Contingent Liabilities and Contingent Assets	37	Complied
22	Intangible Assets	38	Complied
23	Investment Property	40	Not Applicable
24	Agriculture	41	Not Applicable

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

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

## 42 Others

Assets and liabilities other than balances with other Banks and financial institutions at 31 December 2020 denominated in foreign currencies have been translated to local currency, BDT, at the following exchange rates:

Currency	Abbreviation and unit		Equivalent BDT
United Arab Emirate Dirham	AED	1.00	22.7751
Australian Dollar	AUD	1.00	64.5540
Canadian Dollar	CAD	1.00	66.0036
European Currency	EUR	1.00	103.7153
Hong Kong Dollar	HKD	1.00	10.8918
Indian Rupee	INR	1.00	1.1509
Japanes Yen	JPY	1.00	0.8172
Kuwaiti Dinar	KWD	1.00	273.1434
New Zealand Dollar	NZD	1.00	60.6020
Pound Sterling	GBP	1.00	114.9314
Qatar Riyal	QAR	1.00	23.1928
Singapore Dollar	SGD	1.00	63.7441
Swedish Kroner	SEK	1.00	10.3269
Swiss Franc	CHF	1.00	95.7101
Chinese Yuan	CNY	1.00	12.9450
Malaysian Ringgit	MYR	1.00	20.9022
Saudia Arabian Riyal	SAR	1.00	22.2025
US Dollar*	USD	1.00	84.4450

\*All the amounts except for Balance with other banks and financial institutions-outside Bangladesh has been translated into BDT as per the above mentioned rate. Balance with other banks and financial institutions-outside Bangladesh has been translated into BDT using closing rate of Bangladesh Bank as instructed by Bangladesh Bank through BRPD circular letter no. BRPD(R)717/2004(959). dated November 21. 2004.

## 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 2020 was USD 951,041.84 equivalent to Taka 80,310,728.18 against the approved limit of USD 19,240,000.00.

## 46 Credit rating

The Bank has been awarded "AAA" (triple A) for long term and ST-1 for short term ratings" by the Credit Rating Information and Services Limited (CRISL) on 23 June 2020.

## 47 Corporate Social Responsibility (CSR)

CSR is an integral part of the Bank's culture in addition to core business activity. The Bank contributes to the underprivileged and disadvantaged through different projects. CBC has always been active in CSR projects since inception. During the year 2020 the bank has undertaken CSR activities with special focus on the worldwide Pandemic situation. In line with GBCSRD Circular letter no. 06 dated 10 June 2015 and SFD Circular letter no 03 dated 06 June 2020 the details of the activities are appended below:

## Social Projects:

Description of initiatives	Amount of investment	No. of beneficiaries
Direct social interventions conducted by the Bank, both as occasional/remedial measures or sustainable/continuous projects:		
I. a) Education: Donation to Sajida Foundation, Dhaka to set up a computer lab	BDT 18,000.00	500 Students
II. a) Health: Medical equipments (2 HFNC, 2 Video Laryngoscope, 20 Non-Rebreather, 20 CPAP Masks) donated to Mugda Medical College Hospital for treatment of COVID 19 infected patients.	BDT 982,000.00	Numerous Covid patients
II. b) Health: 10 Oxygen Cylinders with oxygen flow meters donated to Narayangonj City Corporation for treatment of COVID 19 infected patients.	BDT 140,000.00	Numerous Covid patients
II. c) Health: Medical equipments ( Virus Sterilizer, Multiparameter Patient Monitor, Refrigerator) donated to Chittagong General Hospital for treatment of COVID 19 infected patients.	BDT 687,990.00	Numerous Covid patients
III. Disaster Management: 2000 Units of blankets given to the poor people affected by cold wave in different parts of the country.	BDT 575,000.00	2,000 persons
Iv. Others: Donetion to Bangladesh Diasable Development Trust for publishing braille Magazine " Drishty Bojoyee ".	BDT 50,000.00	1,000 persons

## 48 Highlights of Activities

Sl.	Particulars	2020	2019
1	Paid-up capital / Deposit kept with Bangladesh Bank	4,719,827,590	4,729,877,290
2	Total capital for the purpose of CRAR	13,276,225,015	11,849,424,717
3	Capital to Risk Weighted Assets Ratio (CRAR)	34.78%	32.60%
4	Capital surplus/(shortfall)	9,276,225,015	7,849,424,717
5	Total assets	86,691,260,936	74,069,058,634
6	Total deposits	51,002,784,434	45,370,632,020
7	Total loans and advances	55,394,602,511	47,996,707,311
8	Total contingent liabilities and commitments	26,181,093,308	24,412,183,266
9	Credit-deposit ratio - DBU (%)	77.48%	75.33%
10	Ratio of classified loans against total loans and advances	0.61%	0.75%
11	Profit after tax and provision	1,589,033,606	1,542,651,343
12	Loans classified during the year	336,176,849	358,073,635
13	Provision kept against classified loans	168,126,095	182,861,255
14	Provision surplus/(deficit)	13,025,373	20,783,676
15	Cost of fund	5.07%	5.87%
16	Interest earning assets	78,467,923,880	66,350,121,221
17	Non-interest earning assets	8,223,337,056	7,718,937,413
18	Return on investment	6.17%	4.23%
19	Return on average investment	6.81%	6.85%
20	Return on assets	1.83%	2.08%
21	Income from investment	1,364,706,514	485,887,986
22	Earnings per share	N/A	N/A
23	Net income per share	N/A	N/A
24	Price earnings ratio	N/A	N/A



**Binoy G. Roy**  
Financial Controller



**Kapila Liyanage**  
Chief Operating Officer



**Varuna Kolamunna**  
Chief Executive Officer

**Annexure A**
**Commercial Bank of Ceylon PLC - Bangladesh Operations**
**Disclosures on Risk based Capital Requirement under Pillar III of Basel III**
**For the year ended 31 December 2020**
**Disclosure Policy:**

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

- To comply with international best practices and make the Bank's capital more risk-absorbent;
- To maintain minimum capital requirement by the Bank against credit, operational and market risk;
- To maintain capital adequacy ratio as per Bangladesh Bank's time to time Requirements;
- To adopt the credit rating agencies as external credit assessment institutions (ECAI);
- To adopt standardised approach for both credit and market risk and basic indicator approach for operational risk;
- To submit Capital Adequacy returns to Bangladesh Bank on a quarterly basis.

**2 Scope of Applications:**

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

**3 Disclosures Framework:**

Disclosures requirements as per Bangladesh Bank Basel III Guidelines are enumerated below:

**3.1 Capital Structure**
**Qualitative Disclosure**

The aim is for the capital structure to be as efficient as possible, both in terms of cost and in terms of compliance with the requirements of Bangladesh Bank. Bank's total capital as of 31 December 2020 was BDT 13,276.23 million out of which BDT 12,504.23 million was under Tier-I capital (out of that BDT 4,719.83 million was Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining BDT 7,784.40 million was Retained Profit after regulatory deduction) and remaining BDT 772.00 million was under Tier-II capital (General Provision of BDT 772.00 million).

**Quantitative Disclosure:**
**a) Amount of Tier I Capital**
**i) Common equity Tier 1 (CET 1)**

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

**Amounts in BDT**

4,719,827,590  
-  
-  
7,945,237,618  
-

**12,665,065,208**

**Amount deducted from CET 1 Capital (Regulatory Adjustments)**

- Good will
- Shortfall
- Deferred tax assets
- Others

160,840,193

**Total CET 1 Capital**

**12,504,225,015**

**ii) Additional Tier I capital**

-

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

**12,504,225,015**

**b) Total Tier II capital**

**772,000,000**

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

**13,276,225,015**

**3.2 Capital Adequacy**
**Qualitative Disclosure of Capital Adequacy**

Bank is maintaining adequate capital to cover all material risk and while doing so Bank has established an Internal Capital Adequacy Assessment Process (ICAAP) in-line with the regulatory guideline of Bangladesh Bank. The objective of the Bank's capital planning is to ensure that the Bank is adequately capitalized.

At the end of 31 December 2020 Bank maintained capital of BDT 13,276.23 million (Tier 1: going-concern capital of BDT 12,504.23 million plus Tier 2: gone-concern capital of BDT 772.00 million) against its total Risk Weighted Asset (RWA) of BDT 38,175.20 million which leads to a Capital to Risk-weighted Asset Ratio (CRAR) of 34.78%, where the minimum requirement is 10.00% as per BRPD circular no. 18 dated 21 December 2014. Tier-I capital was 32.75% of RWA against minimum requirement of 6% of RWA. As a result the Bank has a buffer Capital of BDT 9,276.23 million to maintain to mitigate the additional uncertain risks which are not covered under Pillar-II.

## Quantitative Disclosure of Capital Adequacy

a) Amount of Regulatory Capital to meet unforeseen loss:	<b>Amounts in BDT</b>	
Amount of Capital required to meet Credit Risk		3,169,671,647
Amount of Capital required to meet Market Risk		98,634,501
Amount of Capital required to meet Operational Risk		549,214,339
		<b>3,817,520,487</b>
b) Actual Capital Maintained:		
Total CET 1 Capital		12,504,225,015
Total Tier I Capital		12,504,225,015
Total Tier II Capital		772,000,000
<b>Total capital</b>		<b>13,276,225,015</b>
<b>% of Capital to risk weighted assets (CRAR)</b>	<b>Required</b>	<b>Maintained</b>
CET 1	4.50%	32.75%
Tier I	6.00%	32.75%
Tier II		2.02%
<b>Total</b>	<b>12.50%</b>	<b>34.78%</b>
c) Capital conservation buffer	2.50%	2.50%
d) Available capital under pillar 2 requirement		<b>9,276,225,015</b>

## 3.3 Credit Risk

### Qualitative Disclosures:

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

#### Definition of past due and impaired

According to the Bangladesh Bank's guidelines on Risk Based Capital Adequacy (RBCA), dated December 2014, claims that are past due for 60 days or more are clubbed under this past due category. Apart from the Basel III requirement, for accounting purpose Bank is maintaining its past due loan in accordance with the BRPD Master circular no. 14 dated 23 September 2012 on "Loan Classification & Provisioning" and its related subsequent instructions.

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

Bank is following the general and specific provision requirement in line with the regulatory guideline of Bangladesh Bank.

#### 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 management, which Bank is always exposed to. Generally loans are the largest and most obvious source of credit risk. There are other sources of credit risk both on and off the balance sheet of the Bank. Bank's objective is to develop a high quality and diversified credit portfolio comprised of corporate, SME, retail and cards in Bangladesh towards a better credit risk management.

Credit risk management of the Bank is translated through the policies and procedures covering the measurement and management of credit risk. Bank has its Credit Risk Management Policy (CRMP) approved by the Board of Directors. The CRMP defines organizational structure, role and responsibilities and the processes whereby the credit risk carried by the Bank can be identified, quantified and managed within the framework that the Bank considers consistent with its appetite and risk tolerance.

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 considered to assign an internal credit risk grading for each borrower.

There is a clear segregation of duties among the credit originators, risk function and approvers. All credit exposure limits are approved within a defined credit approval authority. Credit risk of Corporate, SME business is being assessed by Credit Risk Unit of IRMD. Credit Card and Retail Credit are assessed by the SMEF Unit of the Bank. Additionally, Internal Audit Department conducts on-site and off-site audit for all credits.



**Quantitative Disclosure**
**Amounts in BDT**
**Total exposures of credit risk**
**A) Broken down by major types of credit exposure**

a) Cash and cash equivalents	343,698,732
b) Claims on Bangladesh Government and Bangladesh	18,634,130,134
c) Claims on other sovereigns and Central Banks*	-
d) Claims on Bank for international settlements, International Monetary Fund and European Central Bank	-
e) Claims on Multilateral Development Banks (MDBs)	-
f) Claims on Public Sector Entities (other than Govt. of Bangladesh) in BGD	-
g) Claims on Banks & NBFIs:	-
Maturity Over 3 Months	4,133,018,980
Maturity less than 3 Months	4,584,520,420
h) Claims on Corporate	26,887,882,503
i) Claims under Credit Risk Mitigation	2,998,041,564
j) Claims categorized as retail portfolio and small & medium enterprise (excluding consumer finance)	1,324,116,219
k) Consumer finance	192,562,852
l) Claims fully secured by residential property	664,771,948
m) Claims fully secured by commercial real estate	1,945,359,573
n) Past due loans/NPL	341,863,375
o) Investments in premises, plant and equipment and all other fixed assets	933,147,537
p) Claims on Fixed Assets under Operating Lease	-
q) All Other Assets	-
i) Claims on GoB and BB (Advance Income Tax)	4,336,312,417
ii) Staff loan/investments	96,533,965
iii) Other assets	2,169,167,837
r) Off-balance sheet items:	-
Claims on Banks:	-
Maturity Over 3 Months	93,140,585
Maturity less than 3 Months	21,041,524
Claims on corporate	7,944,052,837
Retail portfolio and small & medium enterprises	502,152,571
	<b>78,145,515,573</b>

**B. Geographical Distribution of Exposure**
**Amounts in BDT**

Category	Dhaka	Chattagram	Sylhet	Total
<b>Balance Sheet Items</b>				
Claims on sovereigns and central Banks	18,840,297,873	114,686,611	22,844,382	18,977,828,866
Claims on Banks and NBFIs	8,717,539,400	-	-	8,717,539,400
Claims on corporate	27,520,692,833	3,868,981,018	783,473,164	32,173,147,015
Claims on retail portfolio and consumer finance	2,141,795,892	32,223,662	7,431,465	2,181,451,019
Fixed assets	924,128,955	7,118,539	1,900,043	933,147,537
Staff loan	96,533,965	-	-	96,533,965
All other assets	2,410,185,958	3,970,427,420	124,866,876	6,505,480,254
<b>Total on balance sheet items</b>	<b>60,651,174,876</b>	<b>7,993,437,250</b>	<b>940,515,930</b>	<b>69,585,128,056</b>

**Off Balance Sheet Items**

Claims on Banks	114,182,109	-	-	114,182,109
Claims on corporate	7,529,669,962	414,382,875	-	7,944,052,837
Claims on retail portfolio and consumer finance	452,768,563	49,384,008	-	502,152,571
<b>Total off balance sheet items</b>	<b>8,096,620,634</b>	<b>463,766,883</b>	<b>-</b>	<b>8,560,387,517</b>
<b>Total</b>	<b>68,747,795,510</b>	<b>8,457,204,133</b>	<b>940,515,930</b>	<b>78,145,515,573</b>

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

Category	Bank and NBFIs	Manufacturing industries	Retail & Consumer finance	Others	Total
<b>Balance Sheet Items</b>					
Claims on sovereigns	18,977,828,866	-	-	-	18,977,828,866
Claims on Banks and NBFIs	8,717,539,400	-	-	-	8,717,539,400
Claims on corporate	-	32,173,147,015	-	-	32,173,147,015
Claims on retail portfolio	-	-	2,181,451,019	-	2,181,451,019
Fixed assets	-	-	-	933,147,537	933,147,537
Staff loan	-	-	-	96,533,965	96,533,965
All other assets	-	-	-	6,505,480,254	6,505,480,254
<b>Total on balance sheet</b>	<b>27,695,368,266</b>	<b>32,173,147,015</b>	<b>2,181,451,019</b>	<b>7,535,161,756</b>	<b>69,585,128,056</b>



**Off-balance sheet items**

Claims on Banks	114,182,109	-	-	-	114,182,109
Claims on corporate	-	7,944,052,837	-	-	7,944,052,837
Claims on retail portfolio	-	-	502,152,571	-	502,152,571
Total off balance sheet	<b>114,182,109</b>	<b>7,944,052,837</b>	<b>502,152,571</b>	<b>-</b>	<b>8,560,387,517</b>
<b>Total</b>	<b>27,809,550,375</b>	<b>40,117,199,852</b>	<b>2,683,603,590</b>	<b>7,535,161,756</b>	<b>78,145,515,573</b>

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

Residual contractual maturity	Balance sheet items	Off-balance sheet items	Total
Up to 1 month maturity	20,612,685,344	661,332,383	21,274,017,727
1-3 months maturity	6,391,399,906	2,498,864,181	8,890,264,087
3-12 months maturity	29,908,979,713	5,160,142,015	35,069,121,728
1-5 years maturity	11,796,495,335	240,048,938	12,036,544,273
Above 5 years maturity	875,567,758	-	875,567,758
<b>Total</b>	<b>69,585,128,056</b>	<b>8,560,387,517</b>	<b>78,145,515,573</b>

**E. Major Industry or Counterparty Type (past due)**
**Amounts in BDT**
**i) Amount of impaired / classified loans by major industry/ sector type**

Major industry/sector	-
Bank and NBFIs	-
Manufacturing industries	150,619,968
Retail and Consumer finance	12,303,814
Others	173,253,067
<b>Total</b>	<b>336,176,849</b>

**ii) Specific and general provision**

General provision	-
Loans and advances	578,000,000
Off-Balance sheet items	194,000,000
	772,000,000
Specific provision	<b>168,126,095</b>

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

Specific provisions made during the period	3,340
Write-back of excess specific provisions	14,738,500

**F) Gross non-performing assets ( NPAs)** **336,176,849**

Total loans & advances	38,385,095,109
Non-performing loans and advances	<b>336,176,849</b>
Special mentioned account (SMA)	-
Sub-standard	3,060,323
Doubtful	-
Bad/ Loss	333,116,526
Non-Performing Assets (NPAs) to Outstanding Loans and advances	<b>0.88%</b>

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

Opening balance	358,073,635
Add: Addition during the year	144,277
Less: Reduction during the year	22,041,063
Closing balance	<b>336,176,849</b>

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

Opening balance	182,861,255
Add: Provisions made during the period	3,340
Less: Write-off	-
Less: Write-back of excess provisions	14,738,500
Closing balance	<b>168,126,095</b>

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

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

**Quantitative Disclosures Details of Unquoted Investments**
**Amounts in BDT**
**Banking Book Assets**

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

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

## Qualitative Disclosure

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

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

### External factors cover general economic conditions:

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

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

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

Amounts in BDT Crore

Magnitude of Shock	Minor	Moderate	Major
Weighted average yield on assets (%)	10.00	10.00	10.00
Total Assets	7,814.55	7,814.55	7,814.55
Total RWA before shock	3,817.52	3,817.52	3,817.52
Total increase in RWA after shock	51.97	103.91	155.83
Total increase Capital requirement after shock	5.20	10.39	15.58
Total RWA after shock	3,869.49	3,921.43	3,973.35
Eligible capital	1,327.62	1,327.62	1,327.62
Capital adequacy ratio after shock (%)	34.21	33.66	33.22
Capital adequacy ratio before shock (%)	34.67	34.57	34.57
Changes in CRAR (%)	(0.46)	(0.91)	(1.35)

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

Amounts in BDT Crore

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	7,814.55	7,814.55	7,814.55
Total RWA before shock	3,817.52	3,817.52	3,817.52
Total increase in RWA after shock	8.63	17.26	25.88
Total increase in capital requirement after shock	0.86	1.73	2.59
Total RWA after shock	3,826.15	3,834.78	3,843.40
Eligible capital	1,327.62	1,327.62	1,327.62
Capital Adequacy Ratio after shock (%)	34.49	34.41	34.34
Capital Adequacy Ratio before shock (%)	34.57	34.56	34.57
Changes in CRAR (%)	(0.08)	(0.15)	(0.23)

### Combined Shock

Amounts in BDT Crore

Magnitude of Shock	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	34.67	34.67	34.67
Decrease in the FSV of the collateral	-0.06	-0.11	-0.23
Increase in NPLs	-0.51	-2.04	-5.12
Negative shift in NPLs categories	-0.05	-0.11	-0.22
Interest rate	0.00	0.00	0.00
FEX: Currency appreciation	-0.01	-0.02	-0.03
Equity shock	0.00	0.00	-0.01
Total change	-0.63	-2.28	-5.61
CRAR after shock (%)	33.93	32.28	28.96

## 3.6 Market Risk

### Qualitative Disclosure

Market risk is the risk of adverse revaluation or movement of any financial instrument as a consequence of changes in market prices or rates. Market risk exists in all trading, Banking and investment portfolios but for the purpose of this report, it is considered as a risk specific to trading book of the Bank.

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

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

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

#### Methods used to measure market risk:

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

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

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

#### Interest rate risk

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

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

#### Foreign exchange risk

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

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

#### Market risk on Trading Book

Amounts in BDT

The capital requirements for:

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

86,867,155
-
11,767,346
-
<b>98,634,501</b>

### 3.7 Operational risk

#### Qualitative disclosure

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

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

##### Performance gap of executives and staffs

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

##### Potential external events

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

##### Policies and processes for mitigating operational risk

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

##### Approach for calculating capital charge for operational risk

Presently Bank is following the Basic Indicator Approach (BIA) for calculating its operational risk capital charge and at 31 December

2020 Bank's operational risk capital requirement was Tk. 48.13 crore which was adequately maintained.

## Quantitative Disclosure

Capital requirements for operational risk is

Amounts in BDT

**549,214,339**

### 3.8 Liquidity ratio

#### Qualitative disclosure

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

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

##### Methods used to measure liquidity risk

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

##### Liquidity risk management system

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

##### Policies and processes for mitigating liquidity risk

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

#### Quantitative Disclosure

Liquidity coverage ratio

Net stable funding ratio

Stock of high quality liquid assets

Total net cash outflows over the next 30 calendar days

Available amount of stable funding

Required amount of stable funding

Amounts in BDT

473.19%

117.56%

14,257,810,000

3,013,125,806

54,334,342,700

46,216,648,550

### 3.9 Leverage ratio

#### Qualitative disclosure

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

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

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

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

##### Approach for calculating exposure

Leverage ratio of the Bank is calculated in line with the RBCA Guideline of BB. As at 31st December 2020 Bank's leverage ratio was 15.74% and it was calculated as follows:

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

#### Quantitative Disclosure

Leverage ratio (%)

On balance sheet exposure

Off balance sheet exposure

Total exposure

Less: Regulatory adjustments

Total exposure for the purpose of leverage ratio

Amounts in BDT

**15.74%**

71,028,907,385

8,560,387,517

79,589,294,902

160,840,193

79,428,454,709

### 3.10 Remuneration

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

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

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

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

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

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

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

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

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

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

Material Risk Takers	Composition	Number of
Senior Managers	Members of Management Committee(CEO, COO, SGM, SDGM, DGM, SAGM, AGM)	7
Other material risk takers	Head of Branches and SME Centres	16
	Head of Units, Corporate Banking	5
	Head of Departments, Units	14
Total		42

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

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

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

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

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

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

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

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

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

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

## Different forms of variable remuneration

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

## Quantitative Disclosure

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

Number of meetings held by the main body overseeing remuneration during the financial year	4
Remuneration paid to the member of the main body overseeing remuneration during the financial year	Nil*

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

Particulars	No. of employee	Amounts in BDT
Variable remuneration awarded	42	57,859,437
Guaranteed bonuses awarded	42	11,346,826
Sign-on awards	-	-
Severance payments	6	1,750,595

Particulars	BDT
Outstanding deferred remuneration:	
Cash	-
Shares and share-linked instruments and	-
Other forms	-
Deferred remuneration paid out	-

Details of remuneration awards	Cash	Shares and share-linked instruments	Other forms
Fixed	152,183,242	-	-
Variable	57,859,437	-	-
Deferred and non-deferred	-	-	-

Employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration.

Particulars	BDT
Total amount of outstanding for deferred remuneration and retained remuneration exposed to ex-post explicit	-
Total amount of reductions during the financial year due to ex-post explicit adjustments	-

## Annex B

Commercial Bank of Ceylon PLC - Bangladesh Operations  
Schedule of Fixed assets including premises, furniture and fixtures  
As at 31 December 2020

Amount in BDT

Asset category	Cost				Rate (%)	Depreciation				Written down value at 31 Dec 2020
	Opening balance as on 01 Jan 2020	Addition during the year	Disposal/ adjustment during the year	Total balance as at 31 Dec 2020		Opening balance as on 01 Jan 2020	Charge for the year	On disposal/ adjustment	Total balance as at 31 Dec 2020	
Furniture and fixtures	57,095,771	1,119,021	(3,611,520)	54,603,272	10	51,002,034	1,116,763	(3,607,519)	48,511,278	6,091,994
Interior decorations	89,654,590	4,851,218	(32,850)	94,472,958	20	63,624,695	9,528,801	(32,847)	73,120,649	21,352,309
Equipment and computers	178,863,962	9,490,038	(2,529,081)	185,824,919	20	119,433,296	20,728,032	(2,284,723)	137,876,605	47,948,314
Computer software	47,921,169	22,995,720	-	70,916,889	20	28,641,874	7,068,583	-	35,710,457	35,206,432
Motor vehicles	50,169,124	-	-	50,169,124	20	34,606,698	4,431,755	-	39,038,453	11,130,671
Right of use asset	786,213,581	280,672,558	-	1,066,886,139	-	114,483,078	139,615,063	-	254,098,141	812,787,998
<b>Total at 31 December 2020</b>	<b>1,209,918,197</b>	<b>319,128,555</b>	<b>(6,173,451)</b>	<b>1,522,873,301</b>		<b>411,791,675</b>	<b>182,488,997</b>	<b>(5,925,089)</b>	<b>588,355,583</b>	<b>934,517,718</b>
<b>Total at 31 December 2019</b>	<b>405,424,607</b>	<b>826,893,175</b>	<b>(22,399,585)</b>	<b>1,209,918,197</b>		<b>282,501,852</b>	<b>151,519,087</b>	<b>(22,229,264)</b>	<b>411,791,675</b>	<b>798,126,522</b>