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# **BANKING** *on the GO*

THE CITY BANK LIMITED / ANNUAL REPORT 2013

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*Everyone is talking about “connections” these days. We make the connections for our customers. Day and night, we make things happen to them and for them. Our newest tool is “Citytouch– Internet Banking”, which makes these connections possible all over the world, beyond 24/7. You connect to Citytouch and you manage your bank and card accounts on the go. And, of course, you do many more. We help our customers do more, learn more and achieve more.*

***BANKING on the GO.***

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*work at your* LEISURE

OVERCROWDED SCHEDULES are often overwhelming. Get away from your regular surroundings. Just like your time, you are a priority customer. Our lounge is open to you.



*give* YOURSELF  
a BREAK

DON'T STRESS over trivial matters. Suddenly remember that credit bill you were supposed to pay? Handle the issue with Citytouch at your fingertips; stress-free.





## *act on the* **MOVE**

**MAKE EVERY MINUTE COUNT** even between your daily meetings. Why not pay your child's school fees while you commute? Citytouch makes it easy to touch up your affairs.

**city touch**  
city touch



## *buy in* **COMFORT**

**GIVE MORE** to your family. Spend quality time with your loved ones but also give them that little extra something to remind them of what they mean to you. Never leave their side while you shop online with Citytouch.

**city touch**  
city touch





at every CORNER

NO ONE HAS THE TIME to visit banks anymore. Your money has to be available at all times. And it is. Wherever you are, wherever you walk, wherever you drive... your money is at hand.

city touch

city touch

city bank



## CHAIRMAN'S MESSAGE

### TO OUR SHAREHOLDERS

*After the events of the past year, I think it's important to begin this message a little differently. I'd like to start with a simple thank you.*

I feel privileged to welcome you to the 31st Annual General Meeting (AGM) of the Bank (CBL) and share with you our successes, challenges and the future directions in response to ever changing global, national economic and social environment and its impact on the banking industry as reflected in the Annual Report along with audited Financial Statements for the year 2013.

#### ECONOMY-MAN-MADE OBSTACLES

For the last two consecutive fiscal years, the economy of Bangladesh has been experiencing lower growth compared to its potential. It achieved 6% growth in FY 2013 (ended 30 June 2013). Man-made obstacles such as political contention,

Man-made obstacles such as political contention, deepening uncertainty centering on political transition and the inadequate improvements in the enabling infrastructure i.e. power, gas and other facilities continued to pull down the pace of our economy. However, more than 11% growth of exports with flat level of imports and a satisfactory growth of inward remittances (12.6%) in FY 2013 contributed to a large surplus (USD 5.1 billion) in Balance of Payments (BoP). Gross foreign exchange reserve shot up to USD 18 billion by the year end 2013 and the large surplus of BoP put pressure on the exchange rate towards appreciation. Bangladesh Bank intervened frequently to prevent such large appreciations.



#### MAN-MADE OBSTACLES

Uncertainty centering political transition and non-stop strikes and blockades predominantly defined the business climate of 2013



#### UPWARD INFLATIONARY TREND

Central Bank targeted to bring down average inflation to 7% from 10.6% of last fiscal year



## INFLATION – A TOUGH ROAD

Average inflation, as you know, experienced a consistently upward trend in 2013. The rise in food inflation pushed up average inflation from 6.06% in January 2013 to 7.53% in December 2013. Higher distribution costs due to frequent and non-stop nationwide strikes and sharp rise of food inflation in India (which is correlated with Bangladesh food inflation) are major reasons behind such upward trend of inflation. The second half yearly (H2, FY 2014) monetary stance of Bangladesh Bank targeted a monetary growth path aiming to bring down average inflation to 7% which was 10.6% in the last fiscal year, while ensuring that credit growth is sufficient to stimulate inclusive economic growth.

## BANKING – THE POST-TURMOIL LANDSCAPE

Banks in Bangladesh faced one of the worst years in recent past in 2013 in terms of falling credit demand, rising NPL, weakening governance, lower profitability and deteriorating trustworthiness. Extending credit and maintenance of asset quality were major challenges in 2013 mainly due to a pervasive sense of uncertainty centering political transition, non-stop strikes and blockades, subdued economic activities and spillover effects of certain large scale financial scams. Non-performing loan (NPL) rose to 12.8% in September 2013 which was 4.05% higher than that of corresponding period last year. However, the NPL scenario of the scheduled banks has improved in December 2013 just because of flexible loan rescheduling policy allowed by the Central Bank to mitigate sufferings of business houses for political unrest. The ample liquidity has piled up in the banking industry mainly due to low private sector credit demand caused mainly by political uncertainties and infrastructure bottlenecks. In order to ensure good health of the banking system and to bring all banks under strict monitoring and control mechanism, a number of remedial measures have been taken by

Bangladesh Bank. These include amendment of Bank Company Act 1991, issuance of new corporate governance guidelines for Board of Directors, Chief Executive Officers and Advisors and Consultants of the bank companies, and implementation of credit and risk management training and a number of reform measures at the administrative level.

## CITY BANK – ALWAYS A STRONG BRAND

We achieved satisfactory growth in profit after tax (19.5%) despite the decrease in operating profit by 9.2% over last year. The Bank has continued to deliver consistent financial performance despite several challenges like excessive liquidity, growth of NPL and subdued economic activities. We remained highly vigilant to maintain the quality of loan portfolio throughout the period and managed to keep our NPL ratio at 8.1% at year-end 2013 compared to 7.5% of previous year-end. Efficient balance sheet management has produced satisfactory result in core banking activities. Our excess liquid assets were invested in safer vehicles i.e. govt. T-Bills /Bonds in absence of adequate credit demand from private sector which eventually gave us lesser investment income due to lower trend of yield on govt. T- Bills & Bonds than that of the yield on advance. Growth of total revenue stood at 3.9% whereas normal growth of operating expenses recorded a positive growth of 19%, but all this and other unavoidable factors led to a 9% reduction in our operating profit. However, on the brighter side of things, significant reduction (16.6%) of provision against loans eventually helped to achieve a 19.5 % growth of Profit After Tax (PAT) in 2013. Consequently our Earnings per Share (EPS) has increased to BDT 1.31 in 2013 against BDT 1.1 in 2012. Board has recommended a Bonus Dividend @ 20 percent or BDT 2.0 dividend per share (DPS) for the year 2013 after a mandatory transfer of BDT 0.52 per share to statutory reserve. These bonuses have been issued from the balance of share premium and retained

19.5

PERCENT  
Growth in profit after tax (PAT) in 2013



**OUR VISION**  
The Financial Supermarket with a winning culture offering enjoyable experiences

earnings of current year and previous years at a proportion of 12% & 8% respectively.

## HOLISTIC APPROACH IS THE KEY

As a responsible corporate citizen, as always, we at City Bank are committed to creating value and generating benefits for the society we operate in. In line with our corporate philosophy, we have placed special emphasis on ‘adaptability’ as a key element of sustainable growth: adaptability in a changing environment, the attitude to embrace new technology and solving the important issues in a more holistic way. Adaptability as a core component of sustainable development recognizes that growth must be both inclusive and environmentally sound to reduce poverty and build shared prosperity for our society to continue to meet the needs of future generations. We keep our shareholders’ interest on top of our agenda when determining our corporate strategy. Our success in achieving consistent business and financial performance testifies that the vision in our corporate strategy is being executed. Being a values-driven bank, we believe in responsible leadership and strong control and compliance practices. As much as we emphasize thinking creatively and moving quickly, our highest priority has always been doing things the right way. We are dedicated to strengthening our regulatory compliance program across the company. The aim is not just to clean up errors after they happen, but to prevent them from happening at all at the outset. We have yet to go a long way and I expect my respected shareholders will be with me in this journey.

## SO MANY MORE TOOLS

In 2013, we launched Citytouch – the strongest Internet Banking platform this country has seen so far; Citygem – Priority Banking services with a focus on managing the wealth of high net worth individuals; Domestic Airport Lounge – which made us go beyond serving the American Express cardmembers at the international airport only; American Express Platinum Credit Card – the best ever global card solution for the

“selected few”; a full-fledged remittance company in Malaysia named CBL Money Transfer Sdn. Bhd. with two branches. It was not only the launches of new products and business advancement tools, but also the extension of platforms that defined the year: 2 new branches were added to our branch network; 47 new ATMs joined the fleet, thus taking the total to 213; and moreover we have joined the global Facebook community which, in no time, garnered us with more than 100,000

“IN LINE WITH OUR CORPORATE PHILOSOPHY, we have placed special emphasis on ‘adaptability’ as a key element of sustainable growth”

“likes” and has become an active tool for our marketing promotions. A number of automation of our banking system also took place that includes full restructuring of the Bank’s GL with the expert help of PricewaterhouseCoopers, India. We want to lead in the digital age, to drive commerce, to provide meaningful value to customers throughout Bangladesh, and to continue to be a great place to work.

## PERFECTLY POSITIONED TO WIN

As we remain grateful and resolute as before, I would like to take this opportunity to express my sincere gratitude to all our stakeholders



**MORE TOOLS**  
Citytouch Internet Banking, Citygem Priority Banking, remittance company in Malaysia, lounge at domestic airport, Amex Platinum Card – all newly launched in 2013



**CUSTOMER SATISFACTION REDEFINED**  
The epic journey of Citygem shook the market like never before



## LETTER OF TRANSMITTAL

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To  
**All Shareholders**  
Bangladesh Securities and Exchange Commission  
Registrar of Joint Stock Companies & Firms  
Dhaka Stock Exchange Limited  
Chittagong Stock Exchange Limited

Dear Sir(s),

Sub: Annual Report for the year ended December 31, 2013

We are pleased to present before you the Bank's Annual Report 2013 along with the audited Financial Statements (Consolidated and Separated) as at and for the year ended December 31, 2013.

Financial Statements of the Bank comprise those of CBL On-Shore (main operation) and Off-Shore Banking Unit whereas Consolidated Financial Statements comprise Financial Statements of the Bank and those of its subsidiaries (City Brokerage Ltd., City Bank Capital Resources Ltd. and CBL Money Transfer Sdn. Bhd) presented separately. Analyses of this report, unless explicitly mentioned otherwise, are based on the financials of the Bank, not the consolidated financials.

Yours sincerely

  
**MD. KAFI KHAN**  
Company Secretary

including shareholders, customers and regulators especially Bangladesh Bank, Securities & Exchange Commission, Dhaka and Chittagong Stock Exchange, RJSC, Large Tax Payer Unit, Vat Commissionerate and external auditors for their continued support and judicious guidance. I am grateful to my fellow Members of the Board of Directors for their valuable support and constant cooperation. My sincere appreciation goes to Team City Bank and its leader Mr. Sohail R K Hussain, the new Managing Director & CEO. Mr. Hussain took over following the departure of Mr. K Mahmood Sattar who made an immense contribution in setting up the building blocks of success in his 6 years with the Bank. We believe in the strength of our people, and our people in turn believe in the core values of the Bank. That has always been the case with City Bank where the value pillars drive business and the business happens in order to ensure long-term and sustainable growth and the wellbeing of all our stakeholders.

Wishing you all a brilliant 2014.

Best regards,



**RUBEL AZIZ**  
Chairman







### CITY BANK LAUNCHES CITYTOUCH – INTERNET BANKING SERVICES

City Bank launched its new internet banking service named "Citytouch". Bank's Chairman Mr. Rubel Aziz inaugurated the service at a press event. Citytouch is a full-fledged banking solution powered by state-of-the-art technology that can be downloaded onto customers mobile devices like cell phones, pads, laptops, desktops etc. directly from Android, Apple, Blackberry and Nokia apps stores. It can also be used by visiting [www.citytouch.com.bd](http://www.citytouch.com.bd).



## FORWARD LOOKING STATEMENT

Some of the information on this Annual Report may contain projections or other forward-looking statements regarding future events or the future financial performance of the bank. We wish to caution you that these statements are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of revenues, earnings, cash flows. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors, which are:

- National political and economic conditions;
- Changes in monetary & fiscal policy budget;
- The effect of changes to our credit rating;
- Amendments to, and interpretations of, risk-based capital guidelines and reporting instructions;
- The risk that the Bank's risk management models may not take into account all relevant factors;

- Changing customer demand or preferences for business, including the effects of economic conditions on the business;
- Changing government policy issues viz.
  - Withholding Tax, VAT on banking services
  - Corporate tax rate
  - CRR and SLR of the banks
  - Lending rates to finance essential items;
  - Provisioning requirement would change the ROA and ROE;
- Volatility in interest rates and currency values;
- Volatility in capital market;
- Changes in international prices of essential which is putting pressure on foreign exchange market resulting in volatility in the Foreign Exchange market;
- International embargo on certain countries is likely to affect remittances and trade;
- The accuracy and completeness of information the Bank receives on customers and counterparties;
- The Bank's ability to expand existing distribution channels and to develop and realize revenues from new distribution channels;

The preceding list of important factors is not exhaustive. When relying on forward looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward looking statements, whether written or oral, that may be made from time to time by or on its behalf.

## CORPORATE PROFILE

Formal Inauguration  
MARCH 27, 1983

Registered Office  
136, BIR UTTAM SHAWKAT  
SARAK (GULSHAN AVENUE)  
GULSHAN-2, DHAKA-1212  
BANGLADESH

Website  
www.thecitybank.com

Chairman  
RUBEL AZIZ

Vice Chairperson  
MEHERUN HAQUE

Managing Director & CEO  
SOHAIL R. K. HUSSAIN

Company Secretary  
MD. KAFI KHAN

Authorized Capital  
TK. 10,000,000,000

Paid Up Capital  
TK. 6,950,778,030

Reserves  
TK. 11,573,996,673

Total Asset  
TK.147,471,618,878

Listing with Dhaka Stock  
Exchange Ltd.  
FEBRUARY 03, 1987

Listing with Chittagong Stock  
Exchange Ltd.  
DECEMBER 27, 1995

Total Manpower  
2,647

Number of Branches  
91

Number of Islamic Branch  
01

Number of SME Service Center  
01

Number of SME/Agri Branches 11

Number of ATM Booths  
213

Number of CDM Terminals  
20

Auditors  
RAHMAN RAHMAN HUQ  
CHARTERED ACCOUNTANTS

Tax Consultants  
ACNABIN  
CHARTERED ACCOUNTANTS &  
K.M HASAN & CO.  
CHARTERED ACCOUNTANTS

Legal Retainer

LAW VALLEY

Credit Rating Agency

CREDIT RATING AGENCY OF  
BANGLADESH LTD. (CRAB)



# OUR PRIDE

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We salute the founding fathers of this institution. It was the visionary entrepreneurship of 12 young businessmen who braved the immense uncertainties and risks with courage and zeal in order to set up the country's first private commercial bank in 1983. They are always in our memory and we wholeheartedly pay tribute to the grand step they took toward making a history. They are (from left to right): Mr. Monowar Ali, Mr. Ibrahim Mia (Late), Mr. Abdul Hadi (Late), Mr. M. A. Hashem, Mr. Anwar Hossain, Mr. Abdul Barik Choudhury (Late), Mr. Deen Mohammad, Mr. A.B.M. Feroz, Mr. Md. Ali Hossain, Mr. Azizul Haque Chowdhury, Mr. N. A. Chowdhury (Late) and Mr. A. K. Mehmood.





## BOARD OF DIRECTORS



**RUBEL AZIZ**  
Chairman

A renowned industrialist and entrepreneur, Mr. Rubel Aziz has been in the business for a long time. He has set up and successfully executed a good number of industrial undertakings. He joined the bank's Board on December 14, 1998 and has been serving it ever since. Mr. Aziz is also serving as the Chairman of the Board of Directors of the Bank since December 2011. Mr. Aziz graduated as Bachelor of Business Administration from the UK. He is also presently the Managing Director of Partex Group, Chairman of the Executive Committee of IDLC Finance Limited, Advisor to Banani Club and Banani Society, Members of the Trustee Board of IBAIS University and former Chairman of Janata Insurance Co. Ltd. He is also a member of the National Committee, Bangladesh of United World College (UWC). He served for two terms as elected President of the Gulshan Club, the most premium social club of the country. He takes keen interest in the digitalization of every process of the bank and in mixing and working with the bank's core team including teams of faraway branches.



**MEHERUN HAQUE**  
Vice Chairperson

Mrs. Haque joined the Board on December 20, 2001. She is serving as its Vice Chairperson since December 2011. She is a successful business personality and holds Director positions in Phoenix Insurance Co. Ltd. and Phoenix Finance & Investment Ltd. She is also a member of the Executive Committee of the Board of Directors of the Bank. Mrs. Haque is an active social worker and takes keen interest in different benevolent and philanthropic activities.



**DEEN MOHAMMAD**  
Director

Mr. Mohammad, one of the most renowned industrialists of the country, first joined the Board in the year 1984. He returned to the Board in March 2012. He is the founder Chairman of the Bank and held the positions of bank's Chairman several times. He is also the Chairman of Phoenix Finance & Investment Ltd. Mr. Mohammad started trading business in 1960. Two years later, he made his mark in the industrial sector. Slowly, he became one of the top figures of the industrial and trading sector. He has been working with various government committees over the years, such as, the Consultative Committee for the Ministry of Energy and Mineral Resources. He was a member of the Executive Committee of Dhaka Chamber of Commerce and Industry. Mr. Mohammad is also a dedicated social worker. He was the President of Lalbagh Sporting Club, Rahmotgonj Sporting Club and so on. He is currently the Chairman of the Executive Committee of the Bank.



**AZIZ AL KAISER**  
Director

Mr. Kaiser, Director of City Bank, is a prominent entrepreneur of the country. He comes with a sound academic and entrepreneurial background. A graduate from US International University, London, UK, Mr. Kaiser is involved in diverse area of businesses like Shipping, Food, Telecom, ICT, Bank, Leasing, Real Estate, etc. Mr. Kaiser is the immediate past Chairman of City Bank. He also holds Managing Director and Director positions in a number of Partex Star Group Companies. He is also a member of the Executive Committee of the Board of Directors of City Bank. He is the Chairman of the City Bank subsidiary in Malaysia namely CBL Money Transfer Sdn. Bhd. Mr. Kaiser has keen interest in cricket and he was one of the Directors of Bangladesh Cricket Board and Chairman of Marketing & Commercial Committee, Bangladesh Cricket Board.



**HOSSAIN MEHMOOD**  
Director

Mr. Mehmood is the representative Director of A-One Polymer Ltd. He is an industrial entrepreneur and has been in the business for a long time. He successfully set up and executed a good number of industrial undertakings. He is the immediate past Vice Chairman of the Bank. Mr. Mehmood is director of a number of companies of Anwar Group of Industries and also holds Managing Director positions of Hossain Dyeing & Printing Mills Limited, Mehmood Industries (Pvt.) Limited and Anwar Silk Mills Limited. He is also a member of the Executive Committee of the Board of Directors of City Bank. Mr. Mehmood has sound academic background. He holds an Associate Degree in Textile Engineering and Management from University of New Hampshire, USA.



**MOHAMMAD SHOEB**  
Director

Mr. Shoeb has been a Director of the bank from 1990 to 2007. He was Vice Chairman of the bank several times. He returned to the bank's board in May 2012. He is also the Chairman of Phoenix Insurance Co. Ltd. and is holding director positions in various companies, like Rangdhanu Spinning Mills Ltd., Phoenix Spinning Mills Ltd., Phoenix Textiles Mills Ltd., Phoenix Securities Ltd., etc. Mr. Shoeb is widely accredited with introducing the IT infrastructure in the companies he served. He facilitated the online banking service for City Bank and also introduced the first international dual currency credit card in the banking industry.



**HOSSAIN KHALED**  
Director

Mr. Hossain Khaled is a versatile newage business personality. He obtained his BBA in Accounting from the University of Toledo, Ohio and MBA degree in International Banking from A & M University (TAMU), Texas, USA. Mr. Khaled joined the family conglomerate of Anwar Group of Industries during the year 2000. Since then he has held and led successfully many portfolios among which few noteworthy ones are his being the youngest President of Dhaka Chamber of Commerce & Industry and Co-Chairman of Bangladesh Better Business Forum. Mr. Khaled is also holds director positions of number of companies of Anwar Group. He is also one of the members of the Executive Committee of the Board of Directors of City Bank. He is also Convenor of the bank's Audit Committee.



**RAFIQUL ISLAM KHAN**  
Director

Mr. Khan joined the City Bank Board on November 25, 2000. He is the Chairman of Pakiza Group of Industries. He is one of the renowned cloth merchants of the country. Mr. Khan is also Director of Phoenix Finance & Investments Ltd., Phoenix Securities Ltd., Phoenix Insurance Co. Ltd. and Phoenix Medical Center Ltd.



**RAJIBUL HUQ CHOWDHURY**  
Director

Mr. Rajibul Huq Chowdhury is a Director of the City Bank Limited since October 18, 2001 and also one of the members of the Executive Committee of the Board of Directors of the Bank. Mr. Chowdhury is a very prominent business entrepreneur in the country. He is involved in the business sector of chemicals, garments, knitting, dyeing, printing and machineries. Mr. Chowdhury is a Proprietor, Managing Director and Director of the various concerns of Aziz Group. He is one of the Director of ASM Chemical Industries Limited a famous basic chemical production unit in the country. Mr. Rajib is well educated, laborious, honest and religious minded. He patronizes many educational institutions and involved with various social forums.



**AZIZ AL MAHMOOD**  
Director

Mr. Mahmood joined the Board on June 21, 2011. He completed his graduation from the US International University, London, UK. Mr. Mahmood joined Partex Star Group at an early age. With his inherent quality of leadership and pragmatic outlook, he became one of the Group's directors within a short time. Mr. Mahmood's diverse leadership qualities as Managing Director of Partex Star Group's key units have made quick turnarounds possible even under a competitive environment. Mr. Mahmood is also actively engaged with number of social, philanthropic and charitable institutions.



**TABASSUM KAISER**  
Director

Mrs. Tabassum Kaiser joined the Board on March 6, 2002. At present she is also serving as Director in various companies like, Janata Insurance Co. Ltd., GSP Finance Company (BD) Ltd., Fairhope Housing Ltd. and Partex Agro Ltd. Mrs. Kaiser is an MBA from North South University, Bangladesh.



**EVANA FAHMIDA MOHAMMAD**  
Director

Ms. Evana joined the Board on November 9, 2000. She holds Diploma in Business Studies major in Management from Padworth International College, in Reading, Berkshire, England. She is a successful business personality and holds Director positions in Phoenix Finance & Investment Ltd., Phoenix Securities Ltd. and Rangdhanu Spinning Mills Ltd. Ms. Evana is an active social worker and takes keen interest in different benevolent and philanthropic activities.





**SYEDA SHAIREEN AZIZ**  
Director

Mrs. Aziz, Director of the Bank, joined the Board on April 30, 2012. At present she is also serving as Director in various companies like Partex Corp. Ltd., Sattar Glass Factory Limited and so on. Mrs. Aziz did her graduation in Business Administration.



**SOHAIL R. K. HUSSAIN**  
Managing Director & CEO

Mr. Sohail R. K. Hussain was appointed Managing Director & CEO in Nov, 2013. He joined City Bank as Deputy Managing Director & CBO in 2007. Prior to his joining City Bank, Mr. Hussain, in his 23 years banking career, served ANZ Grindlays Bank, Standard Chartered Bank and Eastern Bank Limited in many capacities including Head of Corporate Banking, SME Banking and Treasury Division. He represents City Bank in the Board of IIDFC and City Brokerage Limited and City Bank Capital Resources Limited. He is a post graduate (MBA) in Marketing from Institute of Business Administration (IBA), University of Dhaka.

## EXECUTIVE COMMITTEE

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### Chairman

Deen Mohammad

### Member

Rubel Aziz

Aziz Al Kaiser

Meherun Haque

Hossain Mehmood

Hossain Khaled

Rajibul Huq Chowdhury

## SHARIAH SUPERVISORY COMMITTEE

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### Chairman

M. Azizul Huq

### Member

Prof. Maulana Muhammad Salahuddin

Md. Zainul Abedin

Prof. ANM Rafiqur Rahman

Md. Fariduddin Ahmed

Muhammad Nazrul Islam

## MANAGING DIRECTOR & CEO'S MESSAGE

It is indeed a pleasure for me to present the performance of the Bank for the year 2013. City Bank passed another eventful year in terms of its expansion and consolidation drives despite the tumultuous political and economic situation that prevailed throughout the year. Our triumphant journey continued as usual along the line of improving upon the trend-setting innovative banking practices for which we are famous and well reputed already. On this august occasion, I sincerely offer my heartfelt gratitude to the Board of Directors of the bank for appointing me the Managing Director and CEO of this great institution. I congratulate our valued clients, patrons, well-wishers and honorable shareholders for their active support, cooperation and strong association with us without which it would not have been possible for the management team to take the Bank to the enviable level where it is now. City Bank is one of the most respected and top banking brands in the country today. It is a matter of pride for me to be able to sit at the helm of affairs of such an institution. I will surely do my best to repay the trust and confidence of all of you.

In 2013, in view of the prevailing macro market situation, our focus was on the improvement of asset quality and creation of selective new assets with the aim of maintaining a sound and safe portfolio. Simultaneously, good liquidity and lower cost of fund throughout the year gave us additional strength. Like before, our effort has been to bring stable and predictable earnings. Our endeavor was to achieve meaningful

long-term goal ensuring fundamental growth in every aspect. Needless to say, in 2013 we kept our focus on core business and never took the sight away from macro market conditions and from cautious calculation of associated risk factors.

If I may now pinpoint a few macro economic aspects of the past year, I would start by saying that despite various stresses faced by the financial sector, some positive developments also took place in the macro field in general and in the banking industry in particular. Gross international foreign exchange reserves continued to increase throughout the year and attained a healthy level of meeting more than six months' import payments. Inflationary pressure was in

**“IN 2013, IN VIEW OF THE PREVAILING MACRO MARKET SITUATION, our focus was on the improvement of asset quality.”**

a tolerable single digit level. Liquidity position in the banking system also improved considerably as evidenced from significant decline in call money rate. Though call money rate started at double digit in the beginning of 2013, it immediately reduced to single digit within a

**citytouch**  
INTERNET BANKING  
The strongest Internet Banking platform in the country



**AMEX PLATINUM CREDIT CARD**  
The best ever global card solution

couple of months and continued at below 7 per cent level throughout the year. Exchange rate of USD/BDT also witnessed a similar trend. It started at 79.50 at the beginning but within a month BDT gradually gained against USD and maintained 77.75 level during the rest of the year. Bangladesh Bank being the Central Bank of the country actively fosters a stable and efficient financial system as part of its commitment to promoting the country's economic growth and sustainable development. Bangladesh Bank introduced macro-prudential oversight for supervising the banking system and performance of banks and non-bank financial institutions in a broad spectrum.

During the year 2013, we continued our efforts to further improve the deposit mix targeting a good reduction in the cost of funds. Our long-term endeavor to reach to the larger number of clients by providing easy access to technology driven services to the masses continued as well during the year under review. Our networks have expanded through the introduction of different and innovative modes of delivery channels that currently include 213 ATMs, the newly launched internet banking platform called "Citytouch", 20 Cash Deposit Machines (CDMs), Priority Banking and Wealth Management services called "Citygem", two separate state-of-the-art Call Centers for cards and retail / SME clientele and also City Wallet- the basic mobile banking solution for urban based customers. In 2013 we have also acquired a new business in Malaysia namely CBL Money Transfer Sdn. Bhd., in order to support the country's much needed supply of greenback. We also have put major efforts to change the deposit mix and to maintain a healthy and comfortable liquidity position. The deposits grew by BDT 13.40 billion in 2013 from BDT 94.1 billion to BDT 107.5 billion. That basically tells you that under a highly competitive market condition, we were able to achieve 14.2% growth in deposit

mobilization. This competition was intensified further with the opening of 9 new banks during the year in question. We succeeded not only in deposit mobilization but also in containing the market heat of higher interest rate by reaching favor able deposit mix as evidenced in our relatively low cost of funds. Our aggregate cost of funds was 7.6% at the end of 2013, just marginally higher than 7.5% of the previous year. Besides deposit, the loans and advances stood at BDT 89.9 billion at the end of 2013 from BDT 83.3 billion in 2012, thus having grown by 7.9 %. The Bank continued to diversify its lending portfolio in 2013. It successfully distributed portfolios across different sectors in order to reduce client specific and industry specific concentration and overall portfolio risk.

However, the rate of return on loans and advances increased to 15.1% in 2013 from 14.9% of 2012. Classified loan as a percentage of total loans increased to 8.1% as of 31 December 2013 from 7.5% as of 31 December 2012. Bank has maintained additional provision of BDT 807 billion despite the concerns of profitability. The amount of default loans in the banking industry doubled in 2013 mainly due to new classification system, sluggish business conditions and some scams. Under the pressure of the forces of overall macro economic and industry situation, our Operating Profit decreased by 9.2%, but the Profit After Tax increased by 19.5% from BDT 762.7 billion to BDT 911.2 billion.

We are proud to announce that City Bank received a major award - "Achievement Award" - from Association of Chartered Certified Accountants known as ACCA (a UK based global professional body represented in 173 countries) recently. They recognized the Bank for its contribution to the development of the finance professionals and promoting transparency and corporate governance. Center for NRB, a forum of non resident Bangladeshis,



**ACHIEVEMENT AWARD FROM ACCA**  
ACCA, UK recognized us for development of finance professionals

**11.7** PERCENT  
Capital Adequacy Ratio at the end of 2013



has also applauded the Bank as one of the "Top 10" banks who made significant contribution to channelize workers' foreign remittance through official banking channel in the country.

We are currently working on launching full-fledged bank-led-agent-managed mobile banking services, drive up ATMs, EMV / chip cards, prepaid card, country's first Business to Business card, remittance companies in other countries and so on. I am happy to note here that in the credit card space, our Bank has already become the market leader in acquiring business and is poised to reach the top spot in issuing business soon too.

In maintaining adequate capital against overall risk exposure of the Bank, our guiding philosophy has been to strengthen risk management and internal control. Bank's regulatory capital as on 31 December 2013 stood at BDT 16.7 billion. As at the end of 2013, Capital Adequacy Ratio – under Basel II – was 11.7% against Bangladesh Bank's minimum requirement of 10.0%. Meanwhile, we received approval from Bangladesh Securities & Exchange Commission for obtaining BDT 3 billion Subordinated Bond for strengthening Tier-II capital and total capital adequacy ratio in compliance with existing BASEL-II and upcoming BASEL-III requirements.

On the CSR front, as an institution that dearly believes in its community development responsibilities, City Bank has partnered with Eminence, a leading not-for-profit organization that focuses on social development. We also partnered with Partners for World Health (a US based not-for-profit organization working in the area of community health) and we organized the First Global Conference on Community Health, 2013 by participating as a Platinum Sponsor. As an institution bent on contributing to the society, we also promoted rural health workers by providing them with

hands-on training and knowledge with the help of medical professionals from USA. Apart from that, the Bank also has undertaken few praiseworthy initiatives that include supporting the Rana Plaza victims, assisting the under privileged children in association with SEDF Trust, promoting Bangladesh Hockey Team, assisting the women of a village in the border area of Jessore to make them self sufficient and so on. Service Excellence is one of the core values that we cherish and believe in. Service quality is the anchor of our culture, which determines whether customers will be repeat customers for us or not. To ensure that they do and to confirm the trust and confidence of them, we conduct mystery shop surveys every year. The feedbacks received from such surveys are then processed to bring about further service improvements. We did the same in 2013 and we not only received an overall higher-than-market-average rating from the mystery shoppers but also successfully retained our ISO certifications on processes and procedures.

As a bank we always focus on attracting, developing and motivating the very best individuals and encouraging our internal talents. Building a robust and productive workforce is crucial to our highly technology oriented work environment. We always keep that in mind and continuously run training programs for the ones that need catching up. Recently we have started recruiting Management Trainees every year. The future leaders of this Bank are very likely to come out from that pool. I believe this regular recruitment of Management Trainees will ensure continuity of the leadership over the years.

2013 was undoubtedly a challenging year for Bangladesh economy and 2014 will, no doubt, offer its share of new challenges. With our excellent track record of over 31 years of ethical and prudent banking, we want to emerge as one of the most trusted partners of progress to trade and business of the country. As we look



**WORLD HEALTH**  
City Bank partnered with Partners for World Health, US and organized the First Global Conference on Community Health, 2013

**B2B**

**BUSINESS TO BUSINESS CARD FROM AMERICAN EXPRESS**  
City Bank is on its way to introduce the country's first card – a complete payment solution – for business houses.

forward, we are committed to build a shared prosperity for our society to continue to meet the needs of future generations. The combined experiences of the senior management team have given us strength to see us through difficult times. We are confident that we are on the right track and we draw our strength from our tradition of ethical business practices. Our objectives are simple enough: to continue to improve our operational efficiency and to offer innovative products and services to cater to the contemporary needs and tastes of the customer base. Given the uncertainties of the external environment, our approach in 2014 will be conservative especially in the areas of managing the balance sheet and maintaining asset quality.

I express my gratitude to the Chairman and the Board of Directors of City Bank for their prudent stewardship and cooperation all along. A great debt is owed to our customers and shareholders who believed in us and remained loyal to City Bank brand throughout. Last but certainly not the least, I thank my team for their constant enterprise, dedication, and commitment to be the part of a winning team.

**SOHAIL R. K. HUSSAIN**  
Managing Director & CEO



## MANAGEMENT COMMITTEE



**SOHAIL R. K. HUSSAIN**  
Managing Director  
& Chief Executive Officer

Mr. Sohail R. K. Hussain was appointed Managing Director & CEO in Nov, 2013. He joined City Bank as Deputy Managing Director & CBO in 2007. Prior to his joining City Bank, Mr. Hussain, in his 23 years banking career, served ANZ Grindlays Bank, Standard Chartered Bank and Eastern Bank Limited in many capacities including Head of Corporate Banking, SME Banking and Treasury Division. He represents City Bank in the Board of IIDFC and City Brokerage Limited and City Bank Capital Resources Limited. He is a post graduate (MBA) in Marketing from Institute of Business Administration (IBA), University of Dhaka.



**FARUQ M. AHMED**  
Additional Managing Director  
& Chief Risk Officer and CAMLCO

Mr. Faruq Mainuddin joined City Bank as Additional Managing Director & CRO in 2011. Prior to his joining City Bank, he was Deputy Managing Director of AB Bank. He worked there as Head of SME, Head of Credit Risk Management and Country Manager of AB Bank, Mumbai, India. He received gold medal for securing 1st position in Banking Diploma examination Part I in 1987. Besides his Banking career, he is the author of 14 books so far and was awarded "IFIC Bank Literary Award 2011" for best translation of the literary biography of Poet Jibananda Das. He is also a member of Bangladesh Economic Association.



**MASHRUR AREFIN**  
Deputy Managing Director  
Chief Operating Officer & CCO

Mr. Mashrur Arefin started his career as an MTO in ANZ Grindlays Bank, Dhaka in 1995. He worked as Head of Credit & Collections for Standard Chartered Bank, Qatar. He also worked for ANZ Banking group in Melbourne, Australia and worked as Director & Head of Retail Banking for American Express Bank, Bangladesh and was the Head of Consumer Banking of Eastern Bank Limited and Head of Retail/Priority Banking of Citi NA Bangladesh. He is an M.A. in English from University of Dhaka, Bangladesh and MBA from Victoria University, Melbourne, Australia. He is a director of CBL Money Transfer Sdn. Bhd, Malaysia and also of City Bank Capital Resources Limited.



**BADRUDDUZA CHOUDHURY**  
Deputy Managing Director  
& Head of Branch Banking

Mr. Badrudduza Choudhury joined City Bank as Head of Credit in 2002. He started his career as Probationary Officer with IFIC Bank in 1984. Prior to joining City Bank, Mr. Choudhury worked in Dutch Bangla Bank in various managerial capacities at head office and branches. He has career track of more than 30 years in different local private banks in senior management roles in various capacities. He has also worked abroad in IFIC Bank's Karachi office as its Head of Credit and Marketing Division. He is a post graduate in Public Administration from University of Dhaka.



**SHEIKH MOHAMMAD MAROOF**  
Deputy Managing Director  
& Head of Wholesale Banking

Mr. Sheikh Mohammad Maroof started his career with American Express Bank, Bangladesh as Management Trainee in 1995. He worked as Director and Head of Treasury and FMS in American Express Bank, Bangladesh. Prior to his joining City Bank, Mr. Maroof worked for Eastern Bank Limited as Head of Treasury from 2005 to 2007. He is also a Director of City Brokerage Limited and City Bank Capital Resources Limited. He has expertise in Structured Finance and Corporate banking, Money Market, Capital Market and FX dealing. He is a post graduate (Masters in Commerce) in Finance from University of Dhaka.



**MD. MAHBUBUR RAHMAN**  
Chief Financial Officer

Mr. Md. Mahbubur Rahman joined City Bank as CFO in 2011. Prior to his joining City Bank, he served in various important roles in multinational and local corporates and development organization such as Leads Corporation Ltd, Grameenphone, World Bank. He is a fellow member of The Institute of Chartered Accountants of Bangladesh (ICAB).





**MD. ABDUL WADUD**  
Head of Credit Risk Management

Mr. Md. Abdul Wadud started his career in 1996 with Eastern Bank Limited as a Management Trainee Officer. Prior to joining City Bank, Mr. Wadud was Executive Vice President & Head of Structured Finance of Eastern Bank Limited. He also worked as Branch Manager and Unit Head of Corporate Banking in EBL. Currently, in addition to heading the Credit Risk Management Division, Mr. Wadud is also responsible for Special Asset Management Division with dotted line management responsibility of Credit Administration Division of the bank. He is a post graduate (M.Sc) in Statistics from Jahangirnagar University, Dhaka and MBA from Victoria University, Melbourne, Australia.



**KAZI AZIZUR RAHMAN**  
Chief Information Officer

Mr. Kazi Azizur Rahman started his career with Grabowsky & Poort B.V., a Dutch company as System Engineer/Programmer. Prior to his joining City Bank, Mr Aziz was Vice President and Manager, Service Management Unit of IT Division of Eastern Bank Limited. Mr Aziz also worked with Net-Linx Americas Inc. in Edmonton, Canada as Oracle DBA/Data Analyst. He also worked with British American Tobacco Company, Bangladesh as System Administration Manager and served as Information System Officer in BIRDEM. He is a Bachelor of Science in Engineering from Newport University, India.



**ZABED AMIN**  
Head of Business - Branch Banking

Mr. Zabed Amin completed his M.A. from Chittagong University in 1990 and started his career as a Management Trainee at ANZ Grindlays Bank back in June, 1991. During his professional career spanning over two decades, he served in senior positions of Grindlays Bank, Standard Chartered Bank, BRAC Bank and then joined City Bank in July, 2008 as its Head of Branches. He has been leading the Retail business division as its Head since 2011 and recently took over the charge of the business side of entire Branch Banking. He is also a writer with two books of poetry and one novel publications.



**NASIM AHMED**  
Head of Internal Control & Compliance

Mr. Nasim Ahmed started his career with American Express Bank, Dhaka in 1973. Prior to his joining City Bank, Mr. Ahmed worked for American Express Bank in Bahrain, Albank Alsaudi Alhollandi (a joint venture of ABN-AMRO Bank of the Netherlands) in Saudi Arabia and Albank Alsaudi Alfransi (a joint venture of Credit Agricole Indosuez Bank of France) in Saudi Arabia. He was Head of Internal Control & Compliance and Chief Anti-Money Laundering Compliance Officer of Premier Bank Limited prior to joining City Bank. He is a graduate in Commerce from University of Dhaka; also he is an EMBA in Banking and Financial Institutions from the Sam Houston State University, Huntsville, USA.



**MAHIA JUNED**  
Head of Operations

Ms. Mahia Juned started her career in 1994 with Citibank, N.A., Bangladesh as an Operations Officer. She left Citibank, N.A. in 2001 as Resident Vice President & Head of Operations looking after operations of trade services, trade finance, treasury operations, Financial Institutions and cash management. She joined City Bank in December 2007 as Head of Project Management and subsequently became Head of Operations in 2011. She is a BBA from Assumption University, Bangkok, Thailand. She has been inducted as the first female member in the Management Committee in 2013.



**MD. MONZUR MOFIZ**  
Head of Commercial Banking

Md. Monzur Mofiz started career with Padma Architect and Engineers Ltd. as Structural Engineer in 1992. Prior to his joining City Bank, he was Executive Vice President & Head of Corporate Finance of AB Bank Ltd. He also has experience of working in Credit Risk Management Division and Engineering Division at AB Bank Ltd. Mr. Monzur also worked as Assistant Engineer at the Education Engineering Directorate, Ministry of Education and Assistant Engineer at Sonali Bank. He has more than 20 years of working experience. He is a graduate in Civil Engineering from Bangladesh University of Engineering and Technology (BUET) and MBA in Finance from Institute of Business Administration (IBA), University of Dhaka.

## REPORT ON AUDIT COMMITTEE

### AUDIT COMMITTEE OF THE BOARD

The Audit Committee (AC) of the Board of The City Bank Limited was formed by the Board of Directors to provide independent oversight of the company's financial reporting, non financial corporate disclosures, internal control system and compliance to governing rules and regulations in compliance with Bangladesh Bank's guidelines and Bangladesh Securities and Exchange Commission (BSEC) Notification on Corporate Governance.

### COMPOSITION AND QUALIFICATIONS

The existing composition of the Audit Committee as reconstituted in 419th Board Meeting held on 5 December 2011 by the Board of Directors is as follows:

Name	Status with Committee	Status with Bank	Educational Qualification	Meeting Attendance
Mr. Hossain Khaled	Convener	Director	MBA	3/4
Mr. Rajibul Huq Chowdhury	Member	Director	MBA	4/4
Mr. Mohammad Shoeb	Member	Director	BBA	4/4
Mr. Rafiqul Islam Khan	Member	Director	HSC	2/4
Mr. Aziz Al Mahmood	Member	Director	BBA	1/4

The Company Secretary acts as Secretary of the Audit Committee of the Board.

### ROLES AND RESPONSIBILITIES OF BOARD AUDIT COMMITTEE

Audit Committee is mainly responsible for the following:

#### Internal Control And Compliance Activities:

- To evaluate whether management has communicated the importance of internal control and risk management to ensure that all employees understand their roles and responsibilities;
- To review whether internal control strategies, processes recommended by internal and external auditors have been implemented by the management;
- To review the existing risk management procedures in order to ensure an effective internal check and control system;
- To review the corrective measures taken by the management with regard to reports relating to fraud-forgery, deficiencies in internal control and external auditors and inspectors of the regulatory authority and inform the Board on a regular basis;
- To appraise, improve and reinforce the Bank's system risk analysis and to ensure that they work in a cost-effective manner;
- Guide implementation of Corporate Governance in the organization;
- Recommend to the Board the appointment and removal of the Head of Internal Control and Compliance.

#### Compliance Activities:

- To establish a compliance culture across the organization through effective control;
- To establish regulatory guidelines and instructions within the organization;
- To ensure adherence to legal and regulatory requirements;
- To establish, guide and review internal process control system and documentation;
- To establish Regulatory and external auditors recommendation(s) in the organization;
- To monitor effectiveness of compliance system of the organization and to guide for improvement.

#### Monitoring Activities

- To monitor effectiveness of internal control system(s) on an ongoing basis;
- To review Quarterly Operations Report and Exception Report;
- To review Credit Documentation Discrepancy Report;
- To guide monitoring team on surprise inspection(s);
- To guide management for improvement of monitoring procedure and activity.

#### Internal Audit & Inspection Activities:

- To review and approve "Internal Audit Charter";

- To guide and approve "Internal Audit Plan";
- To guide and review "Internal Audit Process and Procedure";
- To guide bank management body for ensuring compliance on audit recommendation(s) and scope of development;
- To review compliance status of audit recommendation;
- To review annual assessment of the performance of audit and inspection activity;
- To recommend audit findings to be placed to the Board of Directors.

#### External Audit:

- To review external auditors' management report and financial audit report;
- To guide bank's management for ensuring compliance with audit recommendation;
- Assist the Board regarding the appointment of the external auditors.

#### Financial Reporting:

- To review the annual financial statements and determine whether those are complete and consistent with the accounting standards set by the regulatory authority;
- To meet with management and the external auditors for reviewing the financial statements before submission;
- To improve the financial reporting quality by ensuring significant adjustments resulting from audit and compliance with accounting standards and also to ensure that the expenses are not hidden and the off-balance sheet activities do not have any material effect on the situation;
- To discuss earnings, press releases as well as financial information provided to analysts and rating agencies;
- To discuss with management the company's major financial risk exposures and the steps that management has taken to monitor and control such exposures;
- To oversee compliance with the statutory financial reporting obligations of the Bank and permit processes and policies;
- To assist in financial planning and budgeting as per financial audit;
- To guide bank's management in view of optimum usage and allocation of financial resources.

#### MEETINGS OF BOARD AUDIT COMMITTEE

The Audit Committee of the Bank held four meetings during the year 2013 and had detail discussions and review sessions with Head of Internal Control & Compliance, External Auditors etc., regarding their findings, observations and remedial suggestions on issue of the bank affairs

that need improvement. The Audit Committee instructed management to follow those remedial suggestions and monitored those accordingly.

Dates of Audit Meetings held during the year 2013 are:

Meeting	Date of Meeting Held
39th Audit Committee Meeting	February 25, 2013
40th Audit Committee Meeting	April 17, 2013
41th Audit Committee Meeting	May 22, 2013
42th Audit Committee Meeting	December 11, 2013

During the year under review, the Committee, inter alia, focused on following activities:

- Review Internal Audit Plan for the year 2013 and Internal Control & Compliance Guidelines and Policies;
- Review Draft Financial Statements and after discussing with the External Auditors, recommended it to the Board for their consideration;
- Review the Management Letter issued by the External Auditors, management responses thereto and corrective measures taken by the bank to avoid recurrence of the lapses mentioned therein;
- Review the overall financial health of the Bank;
- Review sector wise exposures of the bank for identifying possible profitable sectors;
- Review CSR (Corporate Social Responsibilities) activities of the Bank and advised area of emphasize to be given;
- Review internal mechanism to identify divisionwise cost and necessary measures to avoid lapses of existing mechanism;
- Review fixed assets policy of the Bank;
- Review fraudulent transaction which occurred during the year 2013;
- Review Bangladesh Bank Comprehensive Inspection on December 31, 2012 and its implementation status.

#### ACKNOWLEDGEMENT

The Audit Committee expresses its sincere thanks to the Members of the Board, Management and the Auditors for their excellent support to the Committee when they carried out their duties and responsibilities.



**HOSSAIN KHALED**  
Convener, Audit Committee





EVA is equal to profit after tax plus the provision for loans and other assets less written off during the year minus cost of equity where cost of equity is the opportunity cost that the shareholders forego. This cost of equity is calculated considering risk free rate based on weighted averaged rate of sanchaya patras issued by Bangladesh Government plus 2% risk premium. City Bank management is concerned for maximizing of wealth of its shareholders and other equity providers.

Particulars	Amount in BDT Million	
	2013	2012
	Taka	Taka
Shareholders' Equity	18,525	17,961
Add: Provision for Loans and Advances	5,336	4,965
	<b>23,861</b>	<b>22,927</b>
Average Shareholders' Equity	23,394	21,732
Earnings		
Profit after Tax	911	763
Add: Provision for Loans and Others	2,340	2,805
	<b>3,251</b>	<b>3,567</b>
Average cost of equity (based on weighted average rate of Sanchay Patra issued by the Bangladesh Government plus 2% risk premium)	12.90%	13.46%
	<b>3,018</b>	<b>2,925</b>
<b>Economic Value Added</b>	<b>233</b>	<b>642</b>

### REMUNERATIVE DIVIDEND POLICY

The Bank continued to pay a substantial dividend to its shareholders while ploughing back sufficient profits to augment the funding needs and capital adequacy requirements. The Bank is careful of the need to strike a reasonable balance between these aspects in maintaining sustainable growth, commensurate with the risks undertaken by its investors. This prudent dividend policy has contributed in building the Bank's shareholders' funds to the present level and it is considered as one of the major funding sources of the Bank's expansion.

Considering the performance of the bank over the past year, the Board of Directors has recommended 20% stock dividend, i.e, 1(one) bonus share against 5 (five) shares held for the year 2013.

### MAINTAINING A SATISFACTORY LIQUIDITY

The Bank maintains liquid assets to carry out the day-to-day operations and fulfill the statutory requirements imposed by the regulator. The Asset and Liabilities Committee (ALCO) of the Bank monitors the situation carefully and provides direction to maintain an optimum trade-off between liquidity and profitability.

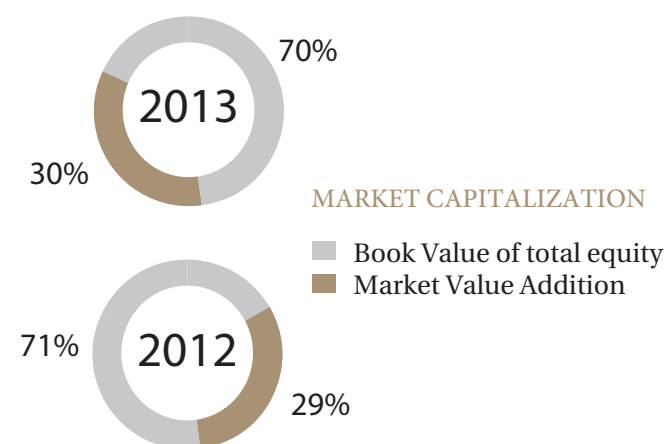
Our policy is to carry a positive mismatch primarily in 1-30 days category in interest earning assets and interest bearing liabilities. Our liquidity remained at optimum level during the year. The liquid assets ratio stood at 28.84% (required 19% of total demand & time deposits) in December 2013.

### OPTIMUM UTILIZATION OF RESOURCES

The Bank is mindful of mobilizing the scarce resources such as capital, deposits and borrowings at attractive terms. The Bank is vigilant in mobilizing the resources in the most cost efficient manner and is cognizant of the need for prudent investment of funds for the improvement of profitability. Hence, it carefully analyses the lending propositions and makes sure follow up action is in place before disbursement of funds.

Cost/income ratio reported by the Bank which is the lowest among any local commercial bank, testifies the optimum utilization of resources.

The Bank's shareholders' equity stood at BDT 18,525 million as at December 31, 2013, mainly due to the initiatives taken, such as prudent dividend policy, tax planning and controlled capital and revenue expenditure over the years.



### MARKET VALUE ADDED STATEMENT

Market Value Added (MVA) Statement reflects the company's performance evaluated by the market through the share price. This amount is derived from the difference between market capitalization and book value of shares outstanding. It signifies the enhancement of financial solvency as perceived by the market.

Particulars	Amount in BDT Million	
	2013	2012
No. of Shares Outstanding	695,077,803	631,888,912
Market Value Per Share (Taka)	20.20	26.80
Face Value Per Share (Taka)	10.00	10.00
Total Market Capitalization	14,041	16,935
Book Value of Paid Up Capital	6,951	6,319
Market Value Added	7,090	10,616

### SHAREHOLDERS' INFORMATION – DISTRIBUTION OF SHAREHOLDERS IN 2013

Shareholding range on the basis of shareholdings at 31 December 2013

Shareholding range	Number of shareholders	Shares	Percentage (%)
01 - 500 shares	48,105	6,367,175	0.92%
501 - 5,000 shares	25,861	42,013,813	6.04%
5,001 - 10,000 shares	2,699	19,014,079	2.74%
10,001 - 20,000 shares	1,152	16,064,813	2.31%
20,001 - 30,000 shares	340	8,339,353	1.20%
30,001 - 40,000 shares	170	5,895,040	0.85%
40,001 - 50,000 shares	82	3,662,701	0.53%
50,001 - 100,000 shares	167	11,691,344	1.68%
100,001 - 1,000,000 shares	213	59,767,184	8.60%
Over 1,000,000 shares	92	522,262,301	75.14%
	<b>78,881</b>	<b>695,077,803</b>	<b>100.00%</b>

### EXCHANGE LISTING

The issued ordinary shares of City Bank are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company. The audited Income Statement for the year ended 31 December 2013 and the audited Balance Sheet of the Bank as at 31 December 2013 have been submitted to Dhaka Stock Exchange and Chittagong Stock Exchange within four months of the Balance Sheet date. Stock exchange code for The City Bank Limited shares is "CITYBANK".

### SHARE TRADING

Market price of shares of The City Bank Limited in Dhaka Stock Exchange was BDT 20.20 on close of the business of

the 31 December 2013. The Bank's market capitalization at 31 December 2013 was BDT. 14,041 million which is 0.68% of total market capitalization of DSE. (Source of information: Today's Share Market as on 30 December, 2013).

### FINANCIAL CALENDAR

Particulars	Submission Date to BSEC	Publication Date on Dailies /Website
Audited Consolidated Results for the 4th quarter ended 31 December 2012	April 30, 2013	April 30, 2013
Unaudited consolidated results for the 1st quarter ended 31 March 2013	May 15, 2013	May 15, 2013
Unaudited consolidated results for the 2nd quarter ended 30 June 2013	July 31, 2013	July 31, 2013
Unaudited consolidated results for the 3rd quarter ended 30 September 2013	Oct 30, 2013	Oct 30, 2013
Notice of Annual General Meeting	25 March 2014	25 March 2014
Annual General Meeting	Will be held on	29 May 2014

Notice of Annual General Meeting 25 March 2014

Annual General Meeting Will be held on 29 May 2014

### STOCK DETAILS

Particulars	Dhaka Stock Exchange Ltd. (DSE)	Chittagong Stock Exchange Ltd. (CSE)
Stock Symbol	CITYBANK	CTBNK
Company Code	11102	22006
Listing Year	1986	1995
Market Lot	50	50
Market Category	A	A
Electronic Share	Yes	Yes



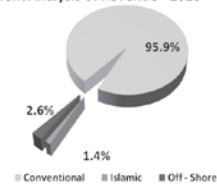
## SEGMENT ANALYSIS

### Business Segment

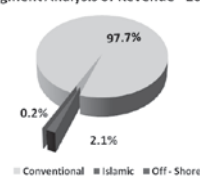
Fig. in Million

Particulars	2013				2012			
	Consumer & Commercial Banking		Off-Shore	Total	Consumer & Commercial Banking		Off-Shore	Total
	Conventional	Islamic			Conventional	Islamic		
Total Operating Profit (Profit before Unallocated Expenses and tax)	8,535	127	234	8,896	8,367	179	14	8,560
Allocated Expenses	(4,689)	(42)	(19)	(4,750)	(3,952)	(41)	-	(3,993)
Provision against loans & advances	(2,167)	(27)	(41)	(2,235)	(2,634)	(10)	-	(2,644)
Provision against Off Balance Sheet exposures	(105)	-	-	(105)	(154)	(7)	-	(161)
Provision for gratuity	-	-	-	-	-	-	-	-
Provision for diminution in value of investments	-	-	-	-	-	-	-	-
Other provision	-	-	-	-	-	-	-	-
Profit before tax	1,574	58	175	1,806	1,627	121	14	1,763
Income tax expenses including deferred tax	(895)	-	-	(895)	(1,000)	-	-	(1,000)
Net profit	679	58	175	911	627	121	14	763
Segment assets	135,026	4,465	7,981	147,472	121,682	5,837	2,667	130,186
Segment liabilities	135,026	4,465	7,981	147,472	121,682	5,837	2,667	130,186

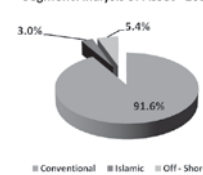
Segment Analysis of Revenue - 2013



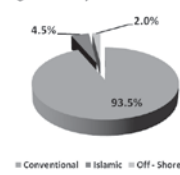
Segment Analysis of Revenue - 2012



Segment Analysis of Asset - 2013



Segment Analysis of Asset - 2012



## DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is appointed to act for and on behalf of the shareholders to oversee the day to day affairs of the business. The Board is directly accountable to the shareholders and each year the company will hold an Annual General Meeting (AGM), at which the directors must provide a report to the shareholders on the performance of the company, what its future plans and strategies are and also submit themselves for re-election to the board.

The report of the Company's affairs and the Audited Financial Statements duly certified by is generally to be laid down before the Annual General Meeting for discussion. In preparing the Annual Report, the Board of Directors is required to ensure that:

- Financial statement of the bank present a true and fair view of the state of affairs, the result of its operation, cash-flows and changes in equity;
- Proper books of accounts have been maintained as required by relevant laws;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- International accounting standards, as applicable in Bangladesh, have been followed in preparation of the financial statements;
- The internal control system is sound in design and effectively implemented and monitored;
- There are no significant doubts upon the bank's ability to continue as a going concern;
- There is no significant deviation of the operating results from that of last year;
- Key operating and financial data of the preceding 5 years- please refer to "Performance at a glance" above;
- There was a 20% proposed dividend ;
- Number of Board meetings held during the year and attendance by each director (please refer to " Corporate Governance section);

- Shareholding patterns of the bank:
  - Parent/subsidiary/ associated companies and other related parties - not applicable;
  - Shares held by directors, CEO, CFO, Company Secretary, Head of ICC and their spouses and minor children - please refer to " Corporate Governance section".

The Directors to the best of their knowledge and belief are satisfied to perform the related responsibilities of the Board of Directors guided by the Companies Act, 1994, The Bank Company Act, 1991, Guidelines issued by the Bangladesh Bank and Securities and Exchange Commission.

**MR. RUBEL AZIZ**  
Chairman  
On behalf of Board of Directors

## MANAGING DIRECTOR & CEO AND CHIEF FINANCIAL OFFICER'S STATEMENT OF RESPONSIBILITIES

The Board of Directors is appointed to act for and on the financial statements of The City Bank Limited drawn up as at 31 December 2013. These statements prepared under the historical cost convention and in accordance with the First Schedule (Sec-38) of the Bank Companies Act, 1991, BRPD Circular # 14 dated 25 June 2003, other Bangladesh Bank Circulars, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act, 1994, The Securities and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges' listing regulations and other laws and rules applicable in Bangladesh. In addition to foregoing directives and standards, the operation of Islamic Banking Branch is accounted for in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain. The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Bank (material departures, if any, have been disclosed and explained in the notes to the financial statements). There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involve

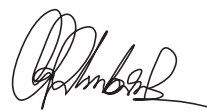
a high degree of judgment and complexity were discussed with our external auditors and the audit committee.

The Board of Directors and the Management of the Bank accept responsibility for the integrity and objectivity of these financial statements. 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. The most significant areas where estimates and judgments have been made are on provision for loans and advances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The financial statements of the Bank were audited by Messrs Rahman Rahman Huq, Chartered Accountants, and their report is given on page ..... of the Annual Report.

The Audit Committee of the Bank meets periodically with the internal audit team and the external auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm that the Bank has complied with all applicable laws, regulations and guidelines.



**MD. MAHBUBUR RAHMAN**  
Chief Financial Officer



**SOHAIL R.K. HUSSAIN**  
Managing Director & CEO

## DIRECTORS' REPORT

(Under Section 184 of Companies Act 1994)

*The Board of Directors of City Bank has the pleasure of presenting the 31st Annual Report and Audited Financial Statements for the year 2013 along with the Report of the Auditors to the shareholders. Along with those, in this Directors' Report, we have drawn a pen picture of the current world economy, Bangladesh economy, the business activities and some financial and projects/ initiatives related highlights of the Bank. An overview of this Report would indicate continuous growth of the Bank amidst stiff competitions and adversities both at the domestic and international levels.*

### GLOBAL ECONOMIC OUTLOOK

Global growth was in low gear, the drivers of activity were changing and downside risks persisted. Advanced economies were gradually strengthening but fell short of required repairs of financial sector, pursuance of fiscal consolidation and spurring job growth. Simultaneously the growth of the emerging economy has slowed. This seemingly unavoidable convergence led to tension, with emerging market economies facing the dual challenges of slowing growth dynamics and new policy challenges. Other legacies of the crises still linger and might come back to the front. The architecture of the financial system is evolving and its future shape is still unclear. These issues will continue to haunt the world of business and commerce.

*The global economy was growing more slowly than anticipated and growth was projected to remain subdued at 2.9 percent in 2013 (Table). The growth in advanced economies is now expected to pick up gradually following a weak 1.2 percent growth in 2013. In emerging market and developing economies, the growth rate was expected to slow down to 4.5 percent in 2013. However, global activity is expected to strengthen moderately but downside risks to global growth prospects still dominate the outlook.*

IMF's latest World Economic Outlook Update (WEO Update October 2013) anticipated that average growth rate of world economy (2.9 percent) will be lower than the July 2013 WEO Update projections of 3.1 percent. The WEO



forecast was revised downward mainly because of slower growth in China and in a growing number of emerging market economies, for both cyclical and structural reasons.

GDP growth (year-on-year, in percent)

	2012	2013p	2014p
World	3.2	2.9	3.6
Advanced Economics	1.5	1.2	2
Other Advanced Economics	1.9	2.3	3.1
Euro Area	-0.6	-0.4	1
USA	2.8	1.6	2.6
Emerging Market and Developing Economies	4.9	4.5	5.1
China	7.7	7.6	7.3
India	3.2	3.8	5.1

Source: IMF World Economic Outlook (October 2013); p stands for projection.

Growth rate of the United States was projected to decline from 2.8 percent in 2012 to 1.6 percent in 2013. However, activity in the US is regaining pace, helped by a recovering real estate sector, higher household wealth, easier bank lending conditions and more borrowing. In Japan, growth was projected to pick up at 2.0 percent in 2013, the same as in 2012, in response to the Bank of Japan's quantitative and qualitative monetary easing and the government's fiscal stimulus. In the euro area, economic growth was expected to contract by 0.4 percent in 2013, dampened by still tightening credit conditions in the periphery.

In emerging market economies, the reasons for weaker growth may include tightening capacity constraints, stabilizing or falling commodity prices, less policy support and slowing credit. The forecast for growth rate for China was reduced to 7.6 percent in 2013, which would affect commodity exporters among the emerging market and developing economies.

In advanced economies, consumer prices were anticipated to ease from 2.0 percent in 2012 to

1.4 percent in 2013. In the United States, the CPI inflation was projected to fall from 2.1 percent in 2012 to 1.4 percent in 2013. Moreover, in the euro area, inflation was projected to fall from 2.5 percent in 2012 to 1.5 percent in 2013. In emerging and developing economies, inflation was projected to increase slightly from 6.1 percent in 2012 to 6.2 percent in 2013.

The growth rate of world trade volume was projected to rise from 2.7 percent in 2012 to 2.9 percent in 2013 (WEO, October 2013). This was lower than the projection of WEO Update, July 2013. The growth rates of exports and imports for the advanced economies were expected to increase to 2.7 and 1.5 percent in 2013 from 2.0 and 1.0 percent in 2012 respectively. However, the projected growth rates of exports and imports for emerging market and developing economies were expected to decline to 3.5 and 5.0 percent in 2013 from 4.2 and 5.5 percent in 2012 respectively.

According to the IMF Global Financial Stability Report (GFSR, October 2013), financial stability risks are broadly under control. Accommodative monetary policies and precautionary policy measures have eased monetary and financial conditions and reduced near-term stability risks. Commitments by the European Central Bank (ECB) to provide additional debt relief for Greece have greatly decreased redenomination risk. Moreover, initiatives by the ECB have reduced sovereign liquidity risk, which helped boost the resilience in economies of Italy and Cyprus. Overall, financial market conditions have improved and are benefiting the broader economy; however, the transmission is slow and incomplete.

Despite global growth projected to recover from slightly below 3.0 percent in 2013 to 3.6 percent in 2014, the overall balance of risks to near and medium global growth outlook is still dominated by downside risks. Although near

term tail risks in advanced economies have diminished, key advanced economies should maintain a supportive macroeconomic policy mix, anchored by credible plans for medium term public debt sustainability. The main downside risks are related to the possibility of a longer growth slowdown in emerging market economies, especially given risks of lower potential growth, slowing credit and weak external conditions.

## BANGLADESH ECONOMY

The Bangladesh economy achieved growth of 6.0 percent during the year despite the political unrest in the country. Strong foreign remittance and export growth along with slow-moving import growth and the slackening in the private sector credit growth have caused the economy to slow down a little for the year 2013. Overall, Bangladesh economy has been performing well in the South Asian region.

### Agriculture Sector

Although nearly half of Bangladeshis are employed in the overall agriculture sector, which constitutes about 18.70% of GDP, it experienced a lower growth of 2.17% in FY13 compared to 3.11% in FY12. This is largely due to the base effect of two consecutive years of record growth and lower output due to the falling price of paddy/rice as well as weather related disruptions (e.g. cyclone Mahasen) in the coastal areas. The production of food grains is increased by 0.9% to 35.10 mmt in FY13 which was 34.80 mmt in FY12. Within the agriculture sector, the highest growth was achieved in the fishing sub-sector followed by the forest and related services sub-sector.

### Industry Sector

The country's industrial base remains very positive. The industrial sector in FY13 comprises 31.99% of GDP. Overall industrial

growth is estimated at 9.0% in FY13, higher than 8.90% growth in FY12, mainly driven by faster growth of mining and quarrying, construction and small scale industries. Higher remittance inflows (12.60% in FY13) and a significant increase in public investment (e.g. construction of fly-over's in Dhaka and Chittagong cities, construction of highways and other public investments) may have fueled healthy construction growth in the country during the period. The manufacturing sub-sector decelerated the growth of manufacturing, which declined slightly to 9.3% in FY13 compared to 9.4% in FY12 due to subdued domestic and external demand. The growth rate of large and medium scale industry which comprises 14.28% of GDP declined to 10.32% in FY13 compared to 10.52% growth in FY12.

### Service Sector

The service sector has expanded rapidly during last two decades. Almost half of the GDP is generated by the service sector which comprises 49.30% of GDP, experienced growth of 5.73% in FY13 from 5.96% in FY12, largely due to the moderate growth of wholesale and retail trade. The growth rate of wholesale and retail trade went down to 4.69% in FY13 from 5.63% in FY12. Due to lower profitability in the banking sector, financial intermediation achieved a lower growth of 9.0% in FY13 compared to 11.0% in FY12. This is partly due to frequent national strikes and supply bottlenecks during the last fiscal year. Most of the service sectors remain unchanged compared to FY12 but the education sub-sector exhibited an impressive growth of 9.7% in FY13, significantly higher than the 7.2% of FY12, possibly due to the growth of new institutions of higher education.

## FISCAL SECTOR

### Expenditure

The current expenditure in the revised FY13 budget was 15.2% higher than the actual FY12

2.9%

#### WORLD TRADE VOL. GROWTH

The growth rate of world trade volume was projected to rise from 2.7 percent in 2012 to 2.9 percent in 2013 (WEO, October 2013)



#### IMF GLOBAL FINANCIAL SUSTAINABILITY REPORT

(GFSR October, 2013) states that financial sustainability risks are broadly under control

6.0%

#### GDP GROWTH

The Bangladesh economy achieved growth of 6.0 percent during the year despite the political unrest in the country



#### INDUSTRIAL SECTOR GROWTH

Growth rate of large and medium scale industry which comprises 14.28% of GDP declined to 10.32%

budget. The total public expenditure in the revised FY13 budget amounted to Tk. 1,893.3 billion, mainly by increased ADP expenditure. ADP of Tk. 523.7 billion in the revised FY13 budget turned out 39.6% higher than the actual FY12 ADP, but it fell short of the target by 4.8%. The actual utilization of ADP during FY13 was 96.0% of the revised allocation. Total ADP expenditure increased by 45.3%, while current expenditure increased by only 2.0%. Total government expenditure is estimated at Tk. 1679.1 billion which is 13.3% higher than FY12 and 88.7% of FY13 budget. At the same time, the other expenditure category which includes subsidies on petroleum and electricity increased by 57.2% to Tk. 340.2 billion in FY13 which is also higher than the FY13 budget.

### Revenue

During FY13, revenue collection was 95.3% of the annual budgeted amount which was Tk. 1,396.7 billion and almost equal to the target. The revenue collection in the revised FY13 budget is increased by 21.8% over the actual FY12 revenue. The tax revenue which constitutes 83.6% of the total revenue receipts increased by 22.7% compared to 19.7% growth in FY12. The non-tax revenue displayed lower growth rate of 17.4% in the FY13 compared to 44.8% increase in the preceding fiscal year. The total revenue receipts as percentage of GDP rose to 13.5% in FY13 compared to 12.5% in FY12.

### External Sector

In the external sector, the surplus current account balance in FY13 reflected the increasing inflows of remittances shored up by continued export expansion and declining imports. Import growth was sluggish in FY13, mainly because of the significant fall in food import demand, lower petroleum imports and slower demand of manufacturing output import. Remittance growth of 12.6% in FY13 is higher

than the 10.2% growth in FY12. With a higher growth in export of Bangladesh in international market and growth in remittance, the value of Taka become appreciated and stood at 77.75 per USD in February, 2014.

### Export

Total exports in FY13 had a strong growth over the same period of FY12. Aggregate exports increased by 11.2% in FY13 to USD 27,027.40 million from USD 24,301.90 million in FY12. Export earnings increased to USD 29,113 million upto December 2013. This growth was mainly due to increased exports of jute goods, leather, frozen food, woven garments and knitwear products while exports of raw jute, tea and terry towels declined compared to FY12. But unless there is full stability in politics and government, export will suffer and once export receipts fall, it will affect financial sector, employment and related service sectors seriously.

### Import

Import payments remained sluggish during the year. Import payments in FY13 were USD 33,576.0 million registering a positive growth of 0.8% compared to USD 33,309.0 million in FY12. Overall import payment was USD 33.97 billion up to December 2013. This reflects the higher domestic production, and lower imports of food grains. Imports of intermediate goods mainly used for manufacturing output decreased by 1.3%. Overall opening of LCs for imports decreased by 2.8% during FY13.

### Remittance

Remittance inflows play an effective role in poverty alleviation, supporting development process and in humanizing standards of living. Remittance growth of 12.6% which was USD 14,

338 million in FY13 is higher than USD 12,734 million in FY12, though this growth did slow during the second half of the year. This slowdown is a function of a 34% drop in the number of migrant workers between July- April FY13 relative to the same period in FY12.

### Balance of Payment

The exports earnings increased to USD 27,027.40 million from USD 24,301.90 million and import payments increased marginally to USD 33,576 million from USD 33,309 million in FY13 over FY12. Trade deficit declined to USD 7,010 million in FY13 from USD 9,320 million in FY12. During the first quarter of FY14 export earnings had a growth of 17% and at the same time import payment declined to 11%, which ultimately reduced the trade deficit. The rate of growth of workers' remittance inflows increased by 12.60%, which was USD 14,338 million in FY13 from USD 12,734 million in FY12, also strengthening the current account balance. As a result, current account balance moved to a surplus of USD 2,525 million as compared to a deficit of USD 447 million in FY12. The overall balance of payments registered a huge surplus of USD 5,128 million in FY13 compared to a surplus of USD 494 million in FY12.

### Inflation Rate

Average inflation, using the 1995/96 base year, has been declining steadily over the past fifteen months, from a peak of 10.96% in February 2012 to 7.51% in November 2013. This decline was driven by a steady fall in point to point food and non-food inflation until October 2012. Since then food inflation began to rise and in June 2013, it was 8.53%. Non-food inflation fell from a peak of 13.96% in March 2012 to 6.79% a year later. However, point to point nonfood inflation has increased

to 6.99% in June 2013 and core inflation (non-food, non-fuel) has also increased since March 2013. The rise in food inflation is pushing up average inflation which bottomed out at 6.06% in January 2013 and has risen to 6.78% in June 2013.

### Exchange Rate

The value of Taka is appreciating gradually. To avoid excessive volatility of exchange rate, Bangladesh Bank continued its interventions in FY13 by net purchase of foreign currencies amounting to USD 4.54 billion during FY13. With a higher growth in export, strong growth in the flow of remittance and sluggish payments of import, the value of Taka appreciated by 5.2% in FY13 and real exchange rate data indicates a marginal impact on export competitiveness. The nominal exchange rate of Taka increased to Tk. 77.77 per US dollar as of end June 2013 compared to Tk. 81.82 per US dollar as of end June 2012 and stood at Tk. 77.75 per US dollar in February, 2014.

### Monetary Policy

Bangladesh Bank has decided to keep policy rates unchanged and contain reserve money growth to 15.5% and broad money growth to 17.2% by December 2013. Bangladesh Bank employs repo, reverse repo, BB bill rates as policy instruments for influencing financial and real sector prices. Repo rates and reserve requirement ratios remain unchanged following the fifty basis point rate cut in January 2013. Effective from 1 February, 2013 Bangladesh Bank has revised downward the repo and reverse repo rates by 50 basis points and set them at 7.25% and 5.25%, respectively. Moreover, the growing liquidity in the banking system suggests that an easing of reserve requirement ratios is also unnecessary.



**EDUCATION SUB-SECTOR**  
exhibited impressive 9.7% growth in FY13, much higher than 7.2% of 2012



**REMITTANCE GROWTH**  
In 2013, remittance grew 12.6%. It was 10.2% in 2012



**TAKA APPRECIATED**  
Value of Taka appreciated by 5.2% in FY13



**LIQUIDITY GROWING**  
Growing liquidity in banking system makes easing of reserve requirement ratios unnecessary



### Money Supply

Broad money (M2) recorded a 16.7% growth in FY13 compared to 17.4% in FY12, which was increased to 17.2% by December 2013. Reserve money (RM) grew by 15.5% in June, 2013 compared with 8.99% growth during the same period of the preceding year. The lower than projected growth of RM during the year was due to excess government borrowing from Bangladesh Bank. During FY13, domestic credit growth fell short of the program rate due to shortfalls in private sector credit growth, while credit to public sector crossed the program level. Total domestic credit grew by 11% where the public sector declined from 18.7% to 11.7% and private sector from 19.7% to 10.9% in FY13.

### Interest Rate

The interest rates offered by the commercial banks slightly narrowed down to 8.2% in FY13 from 8.5% in FY12. The lending rate was 13.7% compared to 13.8% in FY12. The interest rate spread stood at 5.5% for all banks from 5.4% in FY12.

### Call Money Rate

In the call money market, Bangladesh Bank's policy measures resulted in stable weighted average interest rate ranging from 7.2% to 11.5% during FY13 which was 9.8% to 19.7% in FY12. During FY13 the average volume of trade in the call money market increased by Tk. 367.7 billion, which was 36.1% higher than that of FY12.

### Foreign Exchange Reserve

Improved external balances are reflected in the accumulation of international reserves. This reached 15.32 billion in FY13 which is sufficient to cover 5.5 months projected import payments. This was 47.8% higher than 10.36 billion in FY12. At the end of December, 2013

the reserve stood at USD 18.07 billion. It is mentionable that the balance of foreign currency reserve becomes the second highest position in South Asia. The main reason is that during the first nine months of 2013, the overseas employment of female workers increased remarkably to 41,064 from 27,515 in 2012 according to the Bureau of Manpower and Training (BMET) data.

### OUTLOOK – THE CHALLENGES

#### Central Bank's Forecast :

– GDP is slightly revised up for FY14 ranging between 5.8% and 6.1%. The International Monetary Fund (IMF) projected 5.5% growth and Asian Development Bank (ADB) 5.8%. This is because Bangladesh tends to experience significant violence due to political transition.

– To achieve the desired GDP growth, private sector credit growth is targeted at 16.5%.

– Inflation is targeted to decline to 7% which will be a major challenge.

Although the world economy is projected to gain strength this year with signs of rebound in developing countries and high-income economies, the growth in Bangladesh would slow down mainly for political turmoil and unrest in the garment sector. However, the projected pickup would depend on macroeconomic stability, sustained policy reforms and progress in reducing supply-side constraints.

### BANKING INDUSTRY IN 2013

Banking sector indicators for Q2FY14 showed an improvement compared to Q2FY13 as well as Q1FY14 due mainly to relaxation of loan rescheduling policy in December 2013 for reasons of business disruptions caused by nationwide strikes at the time. Gross non-

performing loans (NPL) fell from 12.8 percent at the end of Q1FY14 to 8.3 percent at the end of Q2FY14. The ratio of net NPL of the sector has also decreased from 5.0 percent at the end of September 2013 to 2.0 percent at the end of December 2013 due partly to the new loan-rescheduling rules and decreased shortfall in actual provision maintained by the banks. During Q2FY14, the capital adequacy ratio (CAR) increased to 11.5 percent from 9.1 percent in Q1FY14. Among the profitability measures, return on asset (ROA) in the banking sector improved from 0.6 percent at the end of December 2012 to 0.9 percent at the end of December 2013 primarily due to increase in non-interest income of the sector (especially from investments in Government securities) and small provision deduction requirement for bad debt by the SCBs. Return on equity (ROE) of the banking industry also increased to 10.8 percent at the end of December 2013 from 8.20 percent at the end of December 2012.

During Q2FY14, the industry capital adequacy ratio (CAR) increased to 11.5 percent from 9.1 percent in Q1FY14 – a minimum of 10% is the regulatory requirement. One of the reasons for this improvement is the better capital position of SCBs and PCBs. The CAR for SCBs and PCBs increased to 10.8 percent and 12.5 percent at the end of December 2013 from 1.3 percent and 11.6 percent respectively at the end of September 2013. The CAR of FCBs remained virtually unchanged at 20.3 percent at end of December 2013. During Q2FY14, CAR for specialized banks (SBs) slightly improved to (-) 9.7 percent from (-) 10.2 percent in Q1FY14.

The ratio of gross NPL to total loans of the banking sector had been increasing since Q3FY12 before it fell by about 4.0 percentage points from 12.8 percent at the end of September 2013 to 8.9 percent at the end of December 2013. There was overall improvement as the ratios for SCBs, SBs, PCBs and FCBs decreased to 19.8 percent, 26.8

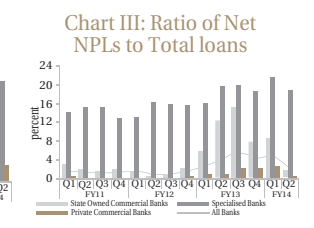
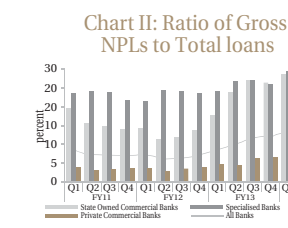
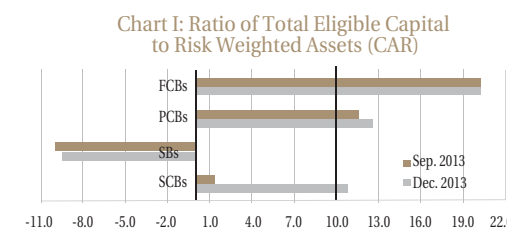
percent, 4.5 percent and 5.5 percent respectively at end-December 2013 from 28.8 percent, 29.4 percent, 7.3 percent and 6.0 percent respectively at end-September 2013. Similarly, the net NPL ratio for all banks decreased from 5.0 percent at the end of September 2013 to 2.0 percent at the end of December 2013 partly due to the decrease of gross NPL as well as decreased shortfall in actual provision maintained by banks (Table 3, Chart III and Table 1). Provision shortfall of the sector as a whole decreased sharply from Tk. 32.8 billion at the end of September 2013 to Tk. 2.6 billion at the end of December 2013. In Q2FY14 gross NPL ratio for SCBs fell by 9.0 percentage points and this group of banks also maintained a provision surplus of Tk. 14.5 billion. As a result, net NPL ratios for SCBs decreased from 9.0 percent at the end of September 2013 to 1.7 percent at the end of December 2013. Net NPL ratios of SBs, PCBs and FCBs have also decreased from 22.3 percent, 2.8 percent and 1.7 percent respectively to 19.7 percent, 0.6 percent and -0.4 percent respectively during the period.

Return on Assets (ROA) improved from 0.64 percent at the end of December 2012 to 0.90 percent at the end of December 2013. This was primarily due to an approximately 18.0 percent increase in non-interest income (especially from investments in Government securities) and small provision deduction requirement for bad debt by SCBs in 2013. In 2013, SCBs required provision for bad debt of only Tk. 5.9 billion, compared with Tk. 46.6 billion for 2012 in light of the loan rescheduling discussed above.

The ROA for SCBs and PCBs improved from (-) 0.6 percent and 0.9 percent at the end of December 2012 to 0.6 percent and 1.0 percent respectively at the end of December 2013. However, the ratio for FCBs and SBs declined from 3.3 percent and 0.01 percent to 3.0 percent and (-) 0.4 percent during the same period. Return on Equity (ROE)

**47.8** PERCENT  
FX reserve in 2013 was 47.8% higher than that of 2012. The balance is the 2nd highest in South Asia.

**16.5** PERCENT  
Private sector credit growth targeted at 16.5% to achieve desired GDP growth



**Table 1: Comparative Position of Classified Loan and Provision Maintained**

(billion Taka)

Quarter	Items	SCBs	SBs	PCBs	FCBs	All Banks
Q4 FY13	Total classified loan	238.5	77.6	196.1	10.9	523.1
	Required provision	149.7	34.8	104.9	9.6	299.0
	Provision maintained	145.7	15.4	103.3	9.5	274.4
	Excess(+)/shortfall(-)	-2.9	-19.4	-1.1	-0.2	-24.6
Q1 FY14	Total classified loan	241.7	87.8	223.1	14.5	567.1
	Required provision	151.4	39.2	117.6	12.1	320.3
	Provision maintained	146.7	17.4	114.3	9.1	287.5
	Excess(+)/shortfall(-)	-4.7	-21.8	-3.3	-3.0	-32.8
Q2 FY14	Total classified loan	166.1	83.6	143.2	13.0	405.9
	Required provision	107.8	38.2	94.8	11.6	252.4
	Provision maintained	122.3	17.4	97.8	12.3	249.8
	Excess(+)/shortfall(-)	14.5	-20.8	3.0	0.7	-2.6

**Table 2: Profitability Position of Banks**

(In billion Taka)

Bank Groups	Net Intt. Income	Total Non Interest Income	Operating Income	Non-Intt. Exp (Operating Exp.)	NIBPT	Bad Debt Prov.	Tax Prov.	NIAPT	Total Assets	Return on Assets (ROA)	Capital/Equity (Adjusted Total Capital)	Return on Equity (ROE)
1	2	3	4=2+3	5	6=4-5	7	8	9=6-7-8	10	11	12	13
Dec-13												
SCBs	-5.4	65.1	59.7	33.1	26.7	5.9	8.3	12.5	2108.5	0.6%	143.3	8.7%
SBs	3.8	5.9	9.6	8.0	1.6	2.3	0.9	-1.6	454.8	-0.4%	5.2	-35.0%
PCBs	118.2	124.2	242.5	114.4	128.1	34.0	46.9	47.2	4948.2	1.0%	440.9	10.7%
FCBs	15.7	24.6	40.3	10.6	29.7	3.9	11.3	14.5	488.7	3.0%	82.4	17.6%
All Banks	132.3	219.8	352.1	166.0	186.1	46.1	67.4	72.5	8000.2	0.9%	671.7	10.8%
Dec-12												
SCBs	14.9	56.2	71.1	28.6	42.6	46.3	6.5	-10.2	1831.9	-0.6%	86.0	-11.9%
SBs	4.7	4.3	9.0	6.7	2.2	0.7	1.3	0.2	385.4	0.1%	-20.5	-1.1%
PCBs	114.7	107.2	221.8	97.7	124.1	37.0	47.0	40.2	4371.5	0.9%	395.3	10.2%
FCBs	19.6	18.7	38.3	10.0	28.3	2.5	11.4	14.4	441.8	3.3%	83.6	17.3%
All Banks	153.8	186.4	340.2	142.9	197.3	86.4	66.2	44.7	7030.7	0.6%	544.3	8.2%

NIBPT = Net Income Before Provision & Tax/Operating Profit  
NIAPT = Net Income After Provision & Tax

**Table 3: Deposit and Advance Position of Scheduled Banks (end of the month)**

Bank Group	Year-on year growth of deposit (excluding interbank)		Year-on year growth of advances (excluding interbank)		Advance Deposit Ratio (ADR)	
	Dec. 13	Sep. 13	Dec. 13	Sep. 13	Dec. 13	Sep. 13
	SCBs	18.7%	18.1%	-4.8%	-3.2%	56.1%
SBs	31.7%	28.5%	15.0%	15.1%	76.7%	79.4%
PCBs	14.8%	15.8%	11.1%	10.6%	76.7%	77.0%
FCBs	9.5%	8.1%	0.4%	4.3%	64.6%	65.8%
All	16.2%	16.5%	7.1%	7.4%	70.7%	71.7%

**Table 4: Liquidity Position of Scheduled Banks**

(Tk. in billion)

	As of end June, 2013 <sup>a</sup>			As of end December, 2013 <sup>p</sup>		
	Total Liquid asset	Required liquidity (SLR)	Liquidity: excess(+)/shortfall(-)	Total Liquid asset	Required liquidity (SLR)	Liquidity: excess(+)/shortfall(-)
	SCBs	534.7	264.3	270.3	702.2	290.2
SBs	50.8	30.7	20.1	52.0	35.9	16.1
PCBs (other than Islamic)	795.2	475.4	319.8	856.2	511.0	345.2
Private Banks (Islamic)	218.4	113.0	105.4	214.2	121.6	92.7
FCBs	142.7	64.0	78.8	157.8	66.8	91.0
All	1741.7	947.3	794.4	1982.5	1025.4	957.0

**CITY BANK – SIGNIFICANT EVENTS**

**Issuance of Tier-II Subordinated Bond**

In 2013, CBL Board in its 455<sup>th</sup> meeting recommended for issuance of Tier-II Subordinated Bond for BDT 3,000 million, which was subsequently approved by bank's shareholders in an Extra Ordinary General Meeting.

**Present Status of Tier-II Subordinated Bond Issue**

After completing all internal formalities, we have applied to Bangladesh Securities And Exchange Commission (BSEC) for getting its consent and still awaiting BSEC's response.

**Addition of New Subsidiary**

In 2013, a new subsidiary company named CBL Money Transfer Sdn. Bhd., Malaysia, a private company limited by shares incorporated under the laws of Malaysia was added to our legacy. The new subsidiary is carrying on money services business under the Money Services Business Act of Malaysia, 2011 and principally it is engaged as inbound and outbound remittance service provider. CBL is currently holding 87.20% shares of this new subsidiary company.

**Launch of Priority Banking**

In 2013, CBL launched Citygem – Priority Banking Services to its valued customers and running its activities as country's number one premium banking platform. Till December, 2013, CBL had 3 priority centers – 1 in Dhaka and 2 in Chittagong. Through Priority Banking, we wish to book the large individual customers' deposit accounts and also plan to offer wealth management services through our other subsidiaries like City Brokerage and City Capital Resources. At state-of-the art premises designed to meet the standards of 5-star luxury, we intend to give customers the ultimate banking experience. Essentially a world-class combination of the latest financial products & services, wealth management solutions as well as other special advisory services have surely prompted the envy of those unable to enjoy the same.

of the banking industry increased to 10.8 percent at the end of December 2013 from 8.2 percent at the end of December 2012. The ROE or SCBs increased to 8.7 percent at the end December 2013 from (-) 11.9 percent at the end of December 2012 mainly due to the positive net income and small bad debt provision deduction for the year 2013. This ratio for PCBs and FCBs slightly improved from 10.2 percent and 17.3 percent to 10.7 percent and 17.6 percent respectively during this period (Table 2). However, ROE for SBs decreased from (-) 1.1 percent to (-) 35.0 percent during the same period.

At the end of Q2FY14, the growth rate (year-on-year) of deposits remained higher than that of advances. As a result, Advance-Deposit Ratio (ADR) remained far below the approved ceiling as well as its average value for the last eight years. The growth rate of deposit decreased marginally from 16.5 percent at the end-September 2013 to 16.2 percent at end-December 2013. On the other hand, the growth of advances continued its declining trend of FY13 and it came down from 7.4 percent at the end of Q1FY14 to 7.1 percent at the end of Q2FY14. The Advance-Deposit Ratio (ADR) decreased to 70.7 percent at the end December 2013 from 71.7 percent at the end of previous quarter (Table 3). Accordingly, the liquidity position of all bank groups except SBs and Islamic Banks improved at the end of December 2013 compared to that in June 2013, leading to a further easing of money market conditions.

Monthly interest rate spread for all banks, measured as the difference between monthly weighted average rate of advances and deposit, came down to 4.95 percent in October 2013 from 5.01 percent in September 2013 but rose again to 5.06 percent by the end of Q2FY14. In Q2FY14, due to low investment demand and easing money market conditions banks were forced to cut both deposit and lending rates. However, bank wise data shows that most banks reduced their weighted average deposit rates more than their weighted average lending rates which caused the increase in spread. Monthly weighted average call money rate rose from 7.43 percent in September 2013 to 7.78 percent in October 2013 and then it decreased to 7.11 percent in December 2013.





**g.**  
**citygem**  
Priority Banking



### CITY BANK LAUNCHES CITYGEM – PRIORITY BANKING

City Bank commenced its "Citygem" journey from three lounges located in Dhaka & Chittagong. These are state-of-the-art lounges offering extraordinary facilities like virtual office for customers' own business meetings, complimentary luncheon privileges, reserved parking with valet service, exclusive locker with powder room etc. Chairman of City Bank, Mr. Rubel Aziz, noted that "it is perhaps first time in the history of banking in Bangladesh that a bank has geared itself to offer boutique priority banking services of true international quality and class."



### Launch of Internet Banking – Citytouch

In 2013, CBL launched Citytouch Internet Banking in its continuous endeavor to offer customer satisfaction. Through Citytouch, CBL provides one of the best Internet Banking services in the country. Customers can enjoy banking services through CBL Internet Banking from their PCs, Tabs or Smart Phones with complete security and confidentiality. A wide array of services are available, e.g. viewing account details, opening fixed deposit, managing loans, instant mobile recharge, utility bill payments, online payment including other bank fund transfer, request for Cheque book and more.

### PERFORMANCE OF CITY BANK – FINANCIAL OVERVIEW

In 2013 world financial markets underwent another spell of volatility, triggered by uncertainty over the outlook for US economic growth and renewed sovereign debt strains in some euro-area countries. The ensuing portfolio reallocation contributed to a fall in the yields on government securities of countries not involved in the public debt crisis, a stock market correction and a modest increase in the risk premiums on bank and corporate bonds.

Bangladesh's financial system has benefited from sustained economic development of the country over the past years. Benefited from accelerated GDP growth in FY13, the banks have further strengthened their funding base over the year, leaving them better placed to meet future credit demand and support economic growth. Despite the worldwide economic recession, City Bank managed to deliver sound growth during the year 2013. Some of the highlights are given below.

### Achievements

#### Interest Income

During 2013, City Bank earned BDT 13,613 million as interest income, recording a growth of BDT 1,170 million (9%) over previous year. The growth in interest income was attributable to real growth in overall asset portfolio and efficient utilization of fund.

#### Interest Expense

Interest/profit paid on deposits and borrowings during 2013 was BDT 8,593 million, an increase over 2012 by BDT 921 million (12%). Interest expenses increased due to the increment of deposit volume by 13,398 million and increase of cost of deposit.

#### Net Interest Income

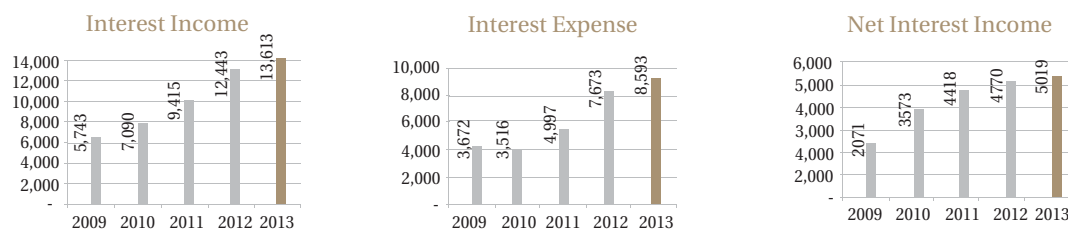
Net Interest Income (NII) during the year was recorded at BDT 5,019 million, recording a growth of BDT 249 million or 5% over 2012. This growth was due to a combination of efficiencies achieved both in interest income and interest expense.

#### Investment Income

Investment income during 2013 was recorded at BDT 1,654 million compared to BDT 1,819 million of 2012, posting a negative growth of BDT 165 million i.e. (9%) due to lower investing activities and prudent treasury activities.

#### Commission, Exchange & Brokerage

At the end of year a large volume of fee based income such as Letter of Credit (L/C), Letter of Guarantee (L/G), Accepted Bills, Non-Residence Bangladeshi (NRB) operation etc increased very significantly. Due to this reason, income from commission, exchange and brokerage during 2013 increased by BDT 212 million (17%) compared to 2012.



### Total Operating Income

Total operating income posted a healthy growth of BDT 336 million or 4% from BDT 8,560 million in 2012 to BDT 8,896 million in 2013. This growth was due to the respective growth in net interest income, commission, exchange & brokerage income.

### Operating Costs

During 2013 the bank's total operating expenditures increased 19% over previous year's. The bank has gone through restructuring of its operations and has put in place systems and processes for compliance of its internal and external rules and regulations. The bank has undertaken the following initiatives for the restructuring:

- Recruitment of significant number of qualified and professional employees including management trainees to develop future leaders of the bank.

- Renewal of many of its existing branches' rent agreements at significantly higher rates, relocation of old branches, opening of new branches, SME Service centers, ATM booths, DST centers and occupying new floor spaces for Head Office.

In order to run the operations smoothly under the restructured environment, the bank's operating expenses increased significantly by BDT 757 million from BDT 3,993 million in 2012 to BDT 4,750 million in 2013. The increased costs were contributed primarily by increase in head count and payroll expenses (BDT 350 million increases in Salaries & Allowances), increase in rents and utilities (BDT 74 million increase in rent, tax, insurance, electricity etc.). It was also due to the growth of depreciation and repair expenses by BDT 63 million owing to renovation, relocation of branches, building of new ATM booths as well as investments in IT infrastructure, and to other expenses of BDT 249 million.

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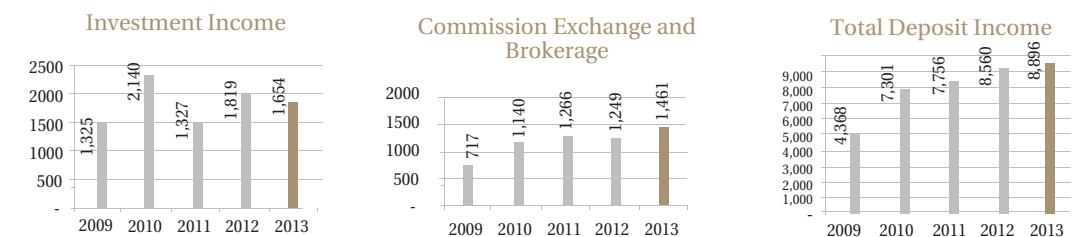
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### Operating Profit

Operating profit of the bank for the year 2013 stood at BDT 4,146 million compared to 4,567 million in the year 2012 representing a reduction of 9.2% over last year. Growth of operating revenue recorded at BDT 336 million, whereas





growth of operating expenses was BDT 757 million. Incremental growth of operating revenue was offset by the growth of operating expenses and caused no impact on operating profit.

### Profit Before Tax

Profit before tax (PBT) of the bank stood at BDT 1,806 million in 2013 compared to BDT 1,763 million in 2012, 2.5% growth over last year. Total provision was kept at BDT 2,340 million (decreased 17%) against loans and advances, off-balance sheet items, diminution in value of investments and other provisions compared to BDT 2,805 million of 2012.

### Profit After Tax

Profit After tax (PAT) of the bank stood at BDT 911 million in 2013 compared to BDT 763 million in 2012, 19.4% growth over last year. PAT has increased by BDT 148 million despite the lower operating income and lower provision requirement due to strong recovery effort.

### Earnings Per Share

In the year under review, Earning per Share (EPS) stood at BDT 1.31 which was BDT 1.10 in the previous year.

### Dividend

Taking into account results achieved in 2013 and to enhance capital base of the bank required for future business growth, the Board of Directors of the bank recommended 20% stock dividend subject to shareholders and regulatory bodies' approval.

### Balance Sheet

#### Total Assets

The Bank's total assets at December 31, 2013 stood at BDT 147,472 million, which was BDT 130,186 million at 2012. This satisfactory increase

in Total Assets is comprised of growth in Cash 25%, Investments 31% and Loans & Advances 8%.

### Loans and advances

Loans and advances of the bank as on December 31, 2013 stood at BDT 89,879 million compared to BDT 83,333 million of previous year's and increased in growth by 8%.

### Deposits and Other Accounts

Total deposit of the bank as on December 31, 2013 stood at BDT 107,497 million compared to BDT 94,099 million of previous year, a growth of BDT 13,398 million i.e 14%. In 2013 growth of fixed deposits was 17% and Savings deposit was 11% of the total deposit mix.

Total borrowings from other banks, financial institutions and agents of the bank at December 31, 2013 stood 7,904 million, increased by BDT 2,537 million (47%).

### Shareholder's Equity

The paid up capital of the bank increased to BDT 632 million in 2013 from BDT 6,319 million of 2012 through issuance of 10% bonus share. Statutory Reserve stood at BDT 3,385 million as on December 31, 2013 compared to BDT 3,023 million as on December 31, 2012 reflecting an increase of BDT 361 million and growth 12%.

## PERFORMANCE OF SUBSIDIARIES

### City Brokerage Limited

City Brokerage Limited ('the Company') was incorporated in Bangladesh as a private limited company on 31 March 2010 vide registration no. C-83616/10 under the Companies Act 1994. The legal status of the Company has been converted into public limited company from

private limited in June 2012 in compliance with Bangladesh Securities and Exchange Commission Rules 2000. Previously, the Bank launched its brokerage division on 4 August 2009, which was subsequently separated from the Bank on 15 November 2010. On 31 December 2013 the Bank held 99.9963% shares of the Company.

### Highlight of Financial Performance

#### Capital

Total capital of City Brokerage Limited stood at 1,600 Million i.e. BDT 1,000 Million new capital was injected in 2013.

#### Net Operating Profit

Total Net Operating profit of City Brokerage Limited decreased by BDT 479 million from previous year and stood loss of BDT 448 million due to:

- Booking of provision for unrealized loss on investment in securities at 20% out of total requirement of BDT 983 million;
- Transfer of unrealized interest income to interest suspense;
- Decline in Asset quality, extended as margin loan to customer;
- Deterioration of capital market situation.

### City Bank Capital Resources Limited

City Bank Capital Resources Limited (CBCRL) was incorporated in Bangladesh as a private limited company on 17 August 2009 vide registration no. C-79186/09 under the Companies Act, 1994. The registered office of CBCRL is at 10 Dilkusha Commercial Area, Jibon Bima Tower, Dhaka -1000. CBCRL delivers a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. On 31 December 2013, the Bank held 99.9933% shares of CBCRL.

### Highlight of Financial Performance

#### Margin Loan

Margin loan portfolio trend was positive in 2013. At the end of 2012, Margin loan was BDT 22 million that came to BDT 138 million at the end of 2013 reflecting 528% growth.

#### Investment

Total investment of City Bank Capital Resources Limited as on 31 December 2013 stood at BDT 509 million, reflecting a growth of 607%.

#### Capital

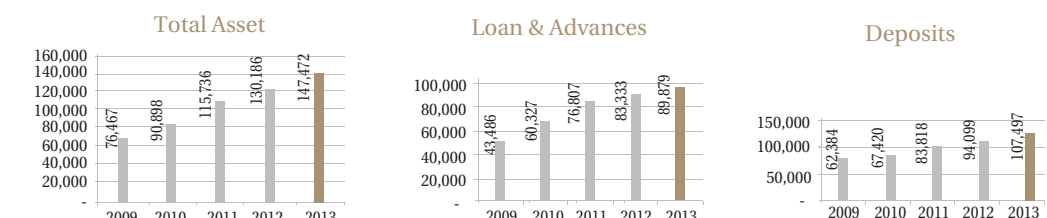
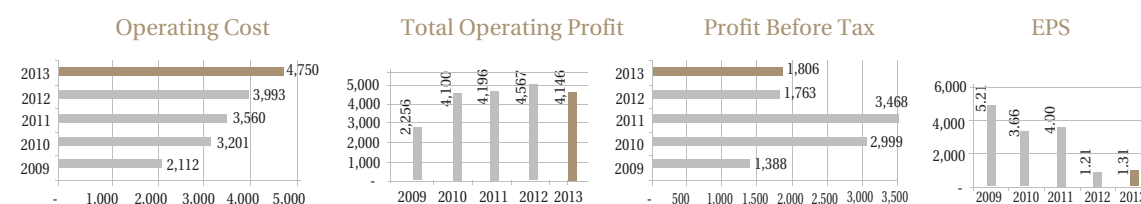
Total capital of City Bank Capital Resources Limited stood at 750 million i.e. BDT 650 million new capital was injected in 2013.

#### Net Operating Profit

Total net operating profit of City Bank Capital Resources Limited was BDT 34 million during 2013. In comparison with previous year, total net operating profit increased by BDT 33 million i.e. registering a growth of @ 2,568%.

### CBL Money Transfer Sdn. Bhd., Malaysia

CBL Money Transfer Sdn. Bhd. (CMTS) is a private company limited by shares incorporated under the laws of Malaysia and registered with the Companies Commission of Malaysia with Registration No. 769212M carrying on money services business under the Money Services Business Act 2011 under a Class B License No. 00127 from the Bank Negara Malaysia. CMTS is principally engaged as inbound and outbound remittance service provider. The Bank entered into an agreement on 4 April 2013 to purchase 75% of ordinary shares of CMTS with an agreement to acquire 100% shares of CMTS ultimately and the company became and started as subsidiary of the Bank since 5 August 2013. On 31 December 2013, the Bank held 87.20% shares of CMTS.





CITY BANK LAUNCHES ITS REMITTANCE COMPANY IN MALAYSIA



Honourable Governor of Bangladesh Bank, Dr. Atiur Rahman inaugurated CBL Money Transfer in Malaysia on 9<sup>th</sup> Sept, 2013. His Excellency A.K.M. Atiqur Rahman, High Commissioner of Bangladesh to Malaysia, Mr. Rubel Aziz, Chairman, City Bank, Mr. Aziz Al Kaiser, Chairman, CBL Money Transfer & Director, City Bank, Mrs. Meherun Haque, Vice Chairperson, Mr. Deen Mohammad, former Chairman & Director, bank's directors

CITY BANK LAUNCHES ITS REMITTANCE COMPANY IN MALAYSIA



Mr. Mohammad Shoeb, Mr. Aziz Al Mahmood, Mrs. Tabassum Kaiser, Ms. Evana Fahmida Mohammad, Mrs. Syeda Shaireen Aziz and Mr. K Mahmood Sattar, former MD & CEO, City Bank were present on the inaugural function. The company has started its operation with two branches—one in Kuala Lumpur and the other in Malacca.





## DIVISIONAL PERFORMANCE OF CITY BANK

### I. Corporate Banking

Despite many challenges in 2013, CBL Corporate Banking achieved balanced growth by leveraging strong customer relationship and by providing innovative solutions to meet growing financing need. Driven by relationship management teams, the division offers full-fledged, innovative, customized solutions and services to its clients. This particular division acts as a single point solution provider for all banking services to the corporate clients including project financing, working capital, trade, supply chain, cash management solutions, payroll, syndication, merger, acquisition and advisory services. Corporate Banking Division is comprised of 5 clusters and under those clusters there are 10 corporate relationship units – 06 in Dhaka and 04 in Chittagong, located at Gulshan and Agrabad respectively. To facilitate and support business units, we have Structured Finance Unit and Transaction Banking. Transaction Banking is supported by Corporate Product & Transactional Support Unit and Cash Management Unit.

#### Achievements of 2013

Corporate Banking achieved satisfactory milestones in 2013. The total corporate portfolio registered a modest growth of 3.78% from that of 2012. The portfolio stands at BDT 50,427.62 million at the end of 2013. Islami Banking wing under Wholesale Banking has also achieved BDT 1,140.80 million additional asset portfolio in 2013. To secure this position, Wholesale Banking worked with a number of multilaterals and successfully achieved their goals. In 2014, the growth will increase further with the increase in number of multilaterals. New clients booked in 2013 are all large and reputable business houses with good credit track record. Following best practices in risk management, Corporate Banking Division (CBD) has significantly diversified its portfolio. The largest sectors financed under CBD are: RMG, Textile & Spinning, Power, Telecom, Steel, Trading, Renewable Energy, Construction, Ship-building, Ship-breaking and Infrastructural Development etc.

Besides above, Corporate Banking has marked a US\$ 765.77 million import business and US\$ 360.41 million export business in 2013.

Corporate Banking also grabbed a corporate deposit of Tk. 20,724.85 million at the close of 2013.

#### Cash Management Unit

Cash Management provides solutions such as collection services, centralized and decentralized payment solutions, issue management, account services, liquidity management, cash pickup, courier service, capital market services, remittance information, foreign exchange & money market information for large corporate houses and institutional clients along with information management through detailed automated reporting formats. Our client spectrum covers a wide array of cash management solutions to institutions ranging from local corporate, multinational companies, NGOs, corporations and govt. autonomous bodies.

With the momentum and rising market reputation the Cash Management Unit targets to develop innovative products and solutions for a diverse, low risk portfolio providing secured and streamlined cash supply at low cost for other business units of the bank.

#### Structured Finance

During 2013 our Structured Finance Unit completed the followings significant deals:

- Borrowing of USD 20 million from FMO for CBL Off-Shore Banking Unit;
- Lending of USD 40 million and BDT 5,908 million to BSRM
- Lending of BDT 1,011.57 million to Six Seasons Food & Beverages Ltd.
- Appointed as the Trustee for Mercantile Bank Ltd. to facilitate the issuance of Bond to the tune of BDT 3,000 million.

#### Offshore Banking Unit

CBL Offshore Banking Unit (OBU) had significant contributions towards revenue generation during 2013, which was reflected through increase of OBU's asset book in 2013. Loan book size of Offshore Banking Unit as on December 31, 2013 stood at BDT 7,747 million, which was BDT 2,626 million at the end of 2012. Loan book of OBU as on December 31, 2013 was 8.62% of the total portfolio of the bank.

### II. Treasury

CBL has a seasoned and well-trained treasury team capable of providing all kinds of treasury solutions through wide range of treasury products. To provide superior service with respect to pricing and cater the best possible solution to the customers, CBL Treasury has three separate desks:

1. Foreign Exchange Desk
2. Asset Liability Management and Money Market Desk
3. Portfolio and Investment Desk

In 2013, CBL Treasury has played around with its specific priorities set at the beginning of the year. We acted to optimize our priorities through following means in maximizing overall profitability of CBL Treasury:

- **Exploring new opportunities especially in the fields of derivatives:** We had significant success in the area of new avenue creation in money market. In case of overall derivative portfolio, especially in SWAP and Repurchase Agreements, we were able to double our overall portfolio. Spread was hit downward because of flat market scenario but volume compensated sufficiently.

- **Closely monitoring market behavior to catch significant business prospects out of volatility:** 2013 was not a year of volatility. Market was flat and overall economic activity was slow due to political uncertainty. First quarter of 2013 experienced some small bumps but later on overall economy became so sluggish that it could not put any pressure on the overall liquidity and interest rate structure. Our main strategy in 2013 was to increase the treasury asset duration and decrease treasury liability duration. In this way, we were able to enhance the spread in the down market.

- **Maximizing portfolio size as well as portfolio returns by discovering new investment opportunities:** In Bangladesh, T-Bill and T-Bond rates move along the inter-bank rates with a time lag of 2-3 month period and 5-6 month period respectively. As inter-bank rate started to slide after first quarter and expectation was flat, it was almost obvious since the middle of 2013 that overall interest rate structure

of GSEC will be downward. So, taking this fact into consideration, CBL treasury took considerable long position in GSEC which eventually yielded substantial earnings in this category. Taking the right position in the right time was the key to achieve huge success in this area.

- **Building rapport with external and internal counterparts:** Treasury business, in all over the world, is relationship based. It is no different in Bangladesh and we put optimum effort in building rapport with all of our interbank and corporate counterparts. In 2013, we continually engaged ourselves in various client calls and conferences which has contributed to improving our business relationships.

- **Money Market:** Total turnover vide various money market instruments accounted for around BDT 2,282.15 billion in 2013 which is 33.18% higher than BDT 1,713.64 billion in 2012. Higher spread accompanied by new avenues of business brought a desirable performance from the money market business. However, active participation in trading of secondary government securities has also contributed to the growth of revenue, generated from money market business.

- **Foreign Exchange :** Throughout the year, CBL treasury always kept its open position within its set limit of USD 29.46 million. CBL treasury makes forecast about future exchange rate movement on a regular basis and maintains its open position according to its future projection – that is when treasury's forecast is BDT will depreciate against USD and the projected depreciation rate of BDT is more than the money market funding rate, it maintains and holds position long. When treasury's projection is appreciation of BDT against USD, it maintains its position short.

#### Significant areas of contribution to Operating Results:

- **Interest on Treasury Bills and Bonds:** An amount of BDT 117 million was higher than that of 2012.

- **Gain on sale of shares and debentures:** BDT 54 million was higher than that of 2012.

### III. Commercial Banking

With an aspiration to cope with the ever changing business dynamics and in order to strive with excellence, a new business division, namely Commercial Banking Division, has come into force on 2nd April 2013 aiming to cater to the "Missing Middle" of the industry.

The division understands the financial needs of growth-focused, fast-paced enterprises that are emerging in their respective industry domains. Commercial Banking Division is dedicated to serve this specialized segment of clients requiring credit limit beyond Tk. 10 crore with a maximum turnover of Tk 200 crore, and provide a strong backbone as partners to clients throughout their lifecycle, and be a key strategic value driver.

Commercial Banking focuses on segments like key emerging sectors such as RMG/textiles, leather, jute, pharmaceuticals, food processing, agro based industry etc., thereby laying the foundation of long-term growth. Commercial Banking Relationship Managers aim to deliver the highest standards of service to their customers by following a 'tailor made' approach through careful evaluation of client-specific financial needs and providing customized solutions to them. These include structured products based on the customer's risk profile and growth requirements as well as common banking products and services like working capital, term funding and trade.

Alongside its industrial focus, Commercial Banking is focused on selected business potential areas too. At the initial stage, the focus areas are: Dhaka, Chittagong, Khulna, Dinajpur, and Bogra. In these areas, 06 Commercial Banking units are operating.

By the end of Dec 2013, the outstanding loan exposure of the Division was around Tk 230 crore and the amount of deposit was TK 83 crore. Moreover in 2013 the division has handled around Tk 300 crore non funded business.

### IV. Branch Banking

We have restructured our business divisions by merging Retail Banking and SME Banking and formed Branch Banking Division. Branch Banking covers the branch

network and serve the SME and Retail clients all over the country through this network.

### SME Banking

SME financing is now at the focal point of the banking sector for its significant role in socioeconomic development. Financing the SME's has opened a door for the banks to channel their investment in a socially desirable way. Besides, it has created an opportunity for the banks to diversify its investment portfolio and minimize the risk thereagainst. The essence of SME financing under the present days banking context has guided the bank in offer tailor-made financial products and services for the clients belonging to SME business segments. Moreover, the span of SME activities of the bank also covers entrepreneurship development, SME client promotion etc. In line with the Banks' greater intention to contribute to the poverty eradication and economic development, CBL has been sincerely putting its efforts to amplify its SME related activities. In the year 2013, the SME portfolio stood at Tk. 13,236.52 million as compared to Tk. 9,804.70 million at the end of 2012. The Medium segment recognition criteria has been set in accordance with Bangladesh Bank definition. During 2013, CBL has signed an agreement with Bangladesh Bank for getting refinance from Asian Development Bank Fund, managed by Bangladesh Bank. Under this agreement CBL can have fund for financing Brick Klin Efficiency Improvement Project. We are also sponsoring and participating in various road-shows, fairs, seminars, symposiums for the development of the sector and generating significant result of these efforts at the entrepreneurs' end.

### Retail Banking

For better management of our large customer base and distribution network, CBL Retail Banking operates through several value centers and departments. Working together seamlessly, we ensured top class banking experience for our valued customers. The value centers are:

- Branches & Priority Banking
- Liability and Asset Business
- Alternative Delivery Channels

### Branches

CBL serves its customer base through branches as the key touch points. Till the end of 2013, a total of 103 branches, 1 SME Service Center and 3 Priority Banking Centers were in operation to serve the customers of CBL. In 2013, CBL has opened 2 new branches to reach out to the new market segments across the country.

### Liability and Asset Value Centre

To tap new deposit segments, CBL revamped and launched 2 new deposit product suits titled 'City Savings Delight' and 'City Bunon' with lucrative features. As a direct result of these initiatives, the Current and Savings account portfolio of the bank grew by 9% over the year.

### Priority Banking

During the year 2013, CBL launched Citygem – Priority Banking Services for its high net worth customers and is running its activities as country's number one premium banking service. Till December, 2013 CBL had 3 priority centers – 1 in Dhaka and 2 in Chittagong.

### Alternative Delivery Channel

As an endless endeavor to provide the customers with top class banking experience, Alternative Delivery Channel (ADC) is offering customers with a range of convenient banking options. Today, CBL provides one of the best Internet Banking services in the country through its newly launched product named Citytouch. Customers can enjoy banking services through CBL Internet Banking from their PC, Tab or Smart Phone with complete security and confidentiality. A wide array of services are available, e.g. viewing account details, opening Fixed Deposit, managing loans, instant mobile recharge, utility bill payments, online payment including other bank fund transfer, request for Cheque book, and more. CBL opened 47 new ATM booths in 2013. With this addition, now CBL has one of the largest network of 213 ATMs. We plan to increase this in number to increase customer convenience and reduce branch footfall.

In 2013, this unit also ensured there are on-site ATM at each of our branches. They also organized countrywide Training on Anti

Skimming. During the political strikes running for more than 3 months, the team ensured that not a single ATM goes out of cash as was common with the ATMs of other banks at that time. It was also the year when the 2nd Call Center of the bank (Retail Call Center) was launched. This center now handles average 1300 calls per day and also helps all other departments running their campaigns, e.g., Call Center staff placed total 186,312 calls under Account Data Update Program and 20,093 calls to sell CityMaxx cards.

### V. Cards Business

The journey to excellence, which CBL started in 2004 by launching the first Dual Currency VISA credit card in the market, reached a supreme height with the introduction of American Express cards in 2009. The momentum has been soaring throughout in which CBL Cards has marketed pioneering products and concepts catering to the diverse needs of a dynamic market.

In line with the long term goals and vision, CBL has demonstrated its prominence in the cards industry both in furnishing new features to delight cardmembers as well as dominate the market in terms of issuing and acquiring numbers.

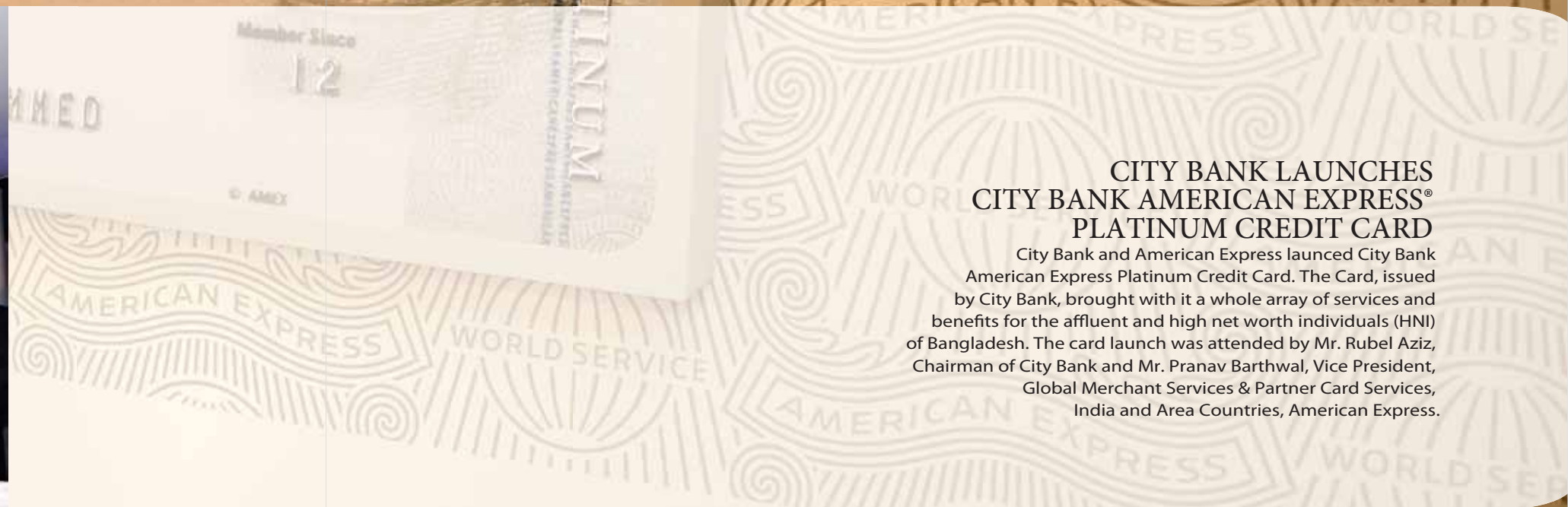
City Bank currently holds the second position in credit card market in terms of number of issued cards combining both Amex and VISA cards. Besides this, we are the number one card acquirer in the market both in terms of number of POS terminals and volume those generate.

2013 was also the year when we focussed on selling more CityMaxx Account Card (essentially a debit product that keeps on paying interest for up to 15 days after the money has been spent at POS terminals and also offers Cash Back facilities) with the ultimate aim of booking more current and savings accounts for the bank.

The total billed business on our issued cards in 2013 was BDT 9,750 million in which the contribution of American Express was more than 84%. The bank's merchants acquiring team added 1,383 new merchants in the acceptance network in 2013, which resulted in total 1,642 new POs machines deployment and the year ended with more than 3,000 merchants in our network with 6,500 POS machines installed across Bangladesh.



# INTRODUCING City Bank American Express® Platinum Credit Card



## CITY BANK LAUNCHES CITY BANK AMERICAN EXPRESS® PLATINUM CREDIT CARD

City Bank and American Express launched City Bank American Express Platinum Credit Card. The Card, issued by City Bank, brought with it a whole array of services and benefits for the affluent and high net worth individuals (HNI) of Bangladesh. The card launch was attended by Mr. Rubel Aziz, Chairman of City Bank and Mr. Pranav Barthwal, Vice President, Global Merchant Services & Partner Card Services, India and Area Countries, American Express.



The political hurdles of the year could not deter us from launching American Express Platinum Card, Card Cheque and B2B card pilot projects. Also, as part of our continuous effort to add value to cardmembers, we came up with new platforms and features like EasyPay (bill payment system through auto debit instruction), City Airmile Rewards, and card services on Citytouch platform. We also introduced the country's first passenger lounge at Dhaka's domestic airport and named it "City Bank American Express Lounge". The major strategic and tactical partnerships that happened in 2013 offer a glimpse of how active the card division is in terms of securing customer happiness through widening the card facilities and benefits horizon. These Are: partnerships with Malaysia Airlines, Malindo Airlines, Singapore Airline, Jet Airways, Bangkok Airways, Samsung, Transcom Group, Rahimafroz Group, Navana Group, British Council, Meghna Group, Central Hospital, Shomorita Hospital, US Commission and many more.

## VI. Islamic Banking

"City Manarah" is the brand name for Islamic Banking of City Bank. Islamic Banking now has a strong footing after its relaunch in 2010. We have established online network of City Manarah accounts across Bangladesh. Now 104 branches are providing online services to Islamic banking customers. Basic principles of Islamic banking - sharing of profit and loss and prohibition of interest in any form - are always held high by "City Manarah". The entire products under "City Manarah" are strictly guided by Shariah and vetted by Shariah Supervisory Committee. This committee is headed by Janab. M. Azizul Huq, a renowned Islamic banker along with six other reputed members having outstanding strength in the field of the Quran, Hadith & Fiqh al-Muamalat. The Bank has also appointed a Muraqib (Shariah Auditor) to perform oversight on Sharaih Compliance.

This year the Bank has taken a number of significant steps to provide full range of Islamic Banking service and products. We have Manarah Personal Finance and Manarah Auto Finance under retail banking and we have Murabaha, Quard and HPSM (Hire Purchase

Sherkatul Melk) based products to cater the working capital and other capital need of our SME and Corporate customers. As on December 31, 2013 Islamic banking deposit portfolio stood at BDT 4,056.55 million while total investment stood at BDT 1,548.40 million. We have ended the calendar year with an operating profit of BDT 84.91 million and profit before tax of BDT 57.61 million.

## VII. Credit Risk Management

City Bank emphasized on rigorous and round the year practice on Credit Risk Management by adopting the spirit of Core Risk Guidelines of Bangladesh Bank, Bank's Internal Policies and gathered experiences and industry best practices. The Bank diagrammed its Credit Risk Management Division (CRMD) back in 2007 through centralization of credit approval process which was later successfully implemented in 2008 in full through launching of Credit Policy Manual (CPM), the core document of credit risk management. CPM contains broad spectrum of guidelines for lending activities of the Bank followed by Credit Instruction Manuals (CIM) covering most of the important risk avenues like Past Due/ SMA Management, Credit Information Bureau (CIB), Temporary Enhancements, Environmental Risk Management (ERM), Loan Call Back, Early Alert etc.

City Bank's credit approval process is designed with the aim of combining an appropriate level of authority with timely and responsive decision-making and better customer service. The process for each division is customized to the risk profile and service requirements of its customers and product portfolio. Credit risk is managed through a framework set by policies and procedures established by the Board. The responsibility is clearly segregated between origination of business and approval of the transaction. Board of Directors has sole authority to approve any credit exposure within maximum allowable ceiling as per regulatory guideline and to sub- delegate such authority to the Managing Director and CEO. City Bank has adopted individual authority based approval structure to ensure better accountability.

In 2013, the banking industry experienced adverse scenarios like:

- Political unrest which was intensified in the last quarter of 2013.
- Negative effect of loan scam like Hallmark Group, Bismillah Group etc.
- Increase in NPL due to loan defaults in Chittagong region.

However, City Bank proactively managed its portfolio to keep its Non Performing Loan (NPL) down despite the adverse business and socioeconomic scenario. In 2013, City Bank CRM adopted the following initiatives to improve credit portfolio, strengthen its risk strategy aligning with the adverse business scenarios and to adopt the global best practices:

- External Credit Rating for Corporate Clients was initiated with greater focus to ensure BASEL II compliance and to minimize capital adequacy requirements.
- In 2013 City Bank restructured its SME business segment into SME and Commercial units with a view to tapping potential emerging businesses other than Corporate and also to facilitate booking of large business houses outside Dhaka and Chittagong region. Matching with the Business unit segregation CRM-SME was also restructured into SME and Commercial units.
- As part of continuous endeavour to improve product and process, CRM initiated automation of Credit Memorandum and Credit Approval Process. 'Electronic Credit Memorandum (ECM)' software is under process of development. The ECM is expected to be launched within next few months after completion of users acceptance test (UAT).
- To ensure faster credit approvals, better risk management and a healthy loan portfolio, Relationship Managers (RMs) and Branch Managers (BMs) need to be acquainted with credit processing procedures and standards of the Bank. With this objective SME and Commercial segments of CRMD conducted Road Show and Workshop for RMs and BMs. These sessions were mainly on Credit Policy Manual (CPM), Credit Instruction Manual (CIM), Credit Memorandum/ AFL/ CM, Financial Spread Sheet (FSS), Credit Risk Grading (CRG) etc.

- As a continuous process to improve policies to cope with changing business scenario and regulatory requirement, CRM actively participated in the review process of CPM and inputs from CRM has been incorporated in the amended CPM.

- For assessing credit risks inherent in credit proposals in a better way an 11 scale Credit Risk Grading Model has been developed, which is an expansion of existing 8 scale CRG Model stipulated by Bangladesh Bank.

- CRM implemented Environment Risk Management in credit approval process as per Bangladesh Bank guidelines.

- CRM has also started the process for introducing following improvements in credit approval and monitoring process:

- Score based approval model for standalone OD/ WC limit up to Tk.50.00 Lac

- Implementation of automated Early Alert System (synchronization of Early Alerts with core banking software)

- Sector-wise lending cap in conjunction with Risk Management Division (RMD) to avoid/ minimize concentration in few industries/ business and to diversify asset portfolio

- Sector wise CRG for important industries (including Telecom, RMG/ Textile, Power, Trading etc.)

- Focus Group / Committee to improve policy and processes including: (1) Loan Appraisal & Approval Process through modification of AFL, CM, risk assessment tools, approval memo etc; (2) Portfolio Monitoring Process for limit expiry, past due, SMA/ CL management, follow up for documentation deferral and covenant compliance; (3) CPM Review; (4) Deteriorating Account Monitoring Process; (5) Overhead Expense Control Process etc.

## VIII. Information Technology

The application of Information and Communication Technology (ICT) concepts and techniques has become a subject of fundamental importance and indeed a prerequisite for local and global competitiveness. The adoption of ICT improves the banks' image and leads to a wider,



faster and more efficient service platform. It has also made work easier and more interesting, improved the competitive edge of the bank, improved relationship with customers and assisted in solving basic operational problems.

City Bank has traditionally been a technology – savvy institution. In 2013, with the launch of Citytouch Internet Banking, now recognized as the country's most respected internet banking brand, that savviness was proved once again. Our IT Division ran this project successfully through partnering with other departments like ADC, Operations, Branch Banking and Project Management Office. Now IT is working on providing Citytouch facilities at the ATMs. In addition to this, in 2013, IT successfully closed the bank's GL restructuring project with the help of PWC, India; and also a number of major initiatives at Cards, Finance, CRM, OBU, Islamic Banking and Operations. IT also played the lead role in producing the software for the bank's newly launched subsidiary remittance company in Malaysia in 2013.

#### XI. Human Resources

Human Resources, the greatest strength of CBL, must have the ability to go beyond and constantly bring about changes for achieving the Bank's "Vision". Human Resource Division has the responsibility of energizing, developing, retaining and attracting talents. It ensures that this basic principle is followed at all times across the organization: "Right Person in Right Place with Right Position". It's all about living with our vision, values, codes, leadership, and governing principles in our daily lives and delivering upon the brand promise – "The Financial Supermarket with Winning Culture offering Enjoyable Experiences".

#### Gender Positioning

CBL is very keen to create and offer equal opportunities in employment, learning & development and career advancement for both genders. Out of total number of 2,647 employees, 367 employees are female and rest 2,280 employees are male. As such, a profound commitment towards gender equality is reflected in the Bank's employment policy and service rules.

#### Training & Development

The principal activities of training & development

are to boost the knowledge and competency vis-à-vis enhance the efficiency of its existing talents. With this focus in mind CBL designed and implemented training and development plans to ensure that all individuals have at all times the necessary knowledge, skills and competencies and that they are continuously being developed for performance excellence in their current jobs and future responsibilities. During the year 2013, 153 training programs were arranged for CBL employees and the types of trainings were functional, leadership, soft-skills and general.

#### Future Plan

For ensuring sustainability and achieving bank's goals, the bank currently concentrates in the following areas:

- Continuous development of employee through training and learning programs;
- System based performance appraisal.

#### X. Internal Control and Compliance (ICC)

Internal Control & Compliance (ICC) operates independently as a division consisting of three units:

- Audit & Inspection
- Monitoring and
- Compliance

Prime responsibility of ICC is to determine risks by evaluating overall Business, Operations and Credit Portfolios of CBL. Key objective of ICC is to assist and guide in all aspects of the bank using resources for identification of weaknesses and taking appropriate measures to overcome the same in order to be a compliant bank.

ICC has a unique reporting line to the bank's Board of Directors through the Audit Committee and to the Managing Director & CEO. Thus it acts as a bridge between the Board and the Bank's management.

An effective organizational structure has been established by exercising durable Internal Control culture within CBL. Our status on establishing internal control in the bank is in line with regulatory requirements, which is detailed out in Corporate Governance Report of this Annual Report.

#### Contribution to National Exchequer

In the year 2013, the Bank made provision of BDT 895 million for corporate tax. Beside this, during the year, Bank has deposited BDT 1,023 million as corporate tax for the profit made in 2012, BDT 1,247 million as source & other tax, BDT 231 million as VAT and BDT 106 million as excise duty to Government Exchequer. In total, Bank has contributed BDT 2,607 million to the Govt. Exchequer through paying tax & VAT on its income and collecting revenue for the Government.

#### Attendance in the Board Meeting during period 1st January 2013 to 31st December 2013

During the year 2013, total 21 number of Board Meetings were held and detail information of that is provided in Corporate Governance section.

#### Attendance in the Boards EC Meeting during period 1st January 2013 to 31st December 2013

During the year 2013, no Executive Committee Meeting was held.

#### Attendance in the Board's Audit Committee Meeting during period 1st January 2013 to 31st December 2013

During the year 2013, total 4 number of Audit Committee Meetings were held and detail information of that is provided in Corporate Governance section.

#### SHAREHOLDING PATTERN OF THE BANK

##### A. Shares held by directors and their spouse

Information is provided in Corporate Governance section.

##### B. Shares held by CEO, CFO, Company Secretary and Head of Internal Audit

Information is provided in Corporate Governance section.

##### C. Detail of shares held by top Executives of the Bank

Information is provided in Corporate Governance section.

There is no shareholder in the bank who is holding 10% or more voting interest in City Bank. Hence, the corresponding BSEC rule does not apply.

#### ACKNOWLEDGEMENT

For the unrelenting support and assistance, the Board of Directors of the Bank would like to convey its thanks to all honorable sponsors and shareholders, valued clients and well-wishers of The City Bank Limited.

The Board also takes the pleasure to pass on earnest appreciation and profound thanks to Government of Peoples Republic of Bangladesh, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd. and Registrar of Joint Stock Companies & Firms for their suggestions and directions extended to the bank.



#### RUBEL AZIZ

Chairman

## CORPORATE GOVERNANCE

Corporate Governance is the system of principles, policies, procedures and clearly defined responsibilities and accountability designed by key stakeholders to overcome the conflicts of interest inherent in the corporate form. Corporate in today's business world is subject to a variety of conflicts of interest due to its inherent complexities in forms and structures. So Corporate Governance must be there in order to:

- Eliminate or mitigate conflicts of interest, particularly those between management and shareholders
- Ensure that the assets of the company are used efficiently and effectively and in the best interest of its shareholders and stakeholders

From the view point of conflicts of interest, two relationships (between management and shareholders and directors and shareholders) are the primary focus of most of the systems of corporate governance. Board of Directors is a critical component of the check and balance system that lies at the heart of corporate governance system. Board member owes a duty to make decisions based on what ultimately is best for the long term interests of the shareholders. In order to do this effectively, Board members need a combination of three things:

- Independence
- Experience and
- Resources

### CORPORATE GOVERNANCE PRACTICE AT CITY BANK

The Bank is guided in its corporate governance practices mainly by two regulatory bodies: Bangladesh Bank (Central Bank of Bangladesh) and Bangladesh Securities and Exchange Commission (BSEC).

However, the Bank's corporate governance philosophy encompasses not only regulatory and legal requirements but also various internal rules, policies, procedures and practices based on the best practices of local and global banks. At the Bank we attach a simple meaning to Corporate Governance, which is due diligence in observing responsibilities by Board as well as management to safeguard interests of key stakeholders, i.e. depositors, shareholders, employees and the society as a whole. Two very important pillars of good Corporate Governance structure are:

- Transparency and
- Accountability

And these two pillars are backed by strong internal control and compliance structure and MIS capabilities in CBL.

### BOARD OF DIRECTOR

The Board of Directors is currently constituted with 14 directors among whom 13 (thirteen) are Non Executive directors including the Chairman and 1 (one) is Managing Director (Ex-Officio). Board members include persons of high caliber, with academic and professional qualification in the field of business and professionals. This gives strength for effective discharge of duties and responsibilities by the Board. The Board approves the Bank's budget and business plan and reviews those on monthly basis so as to give directions as per changing economic and market environment. The Board reviews the policies and manuals of the various segments of businesses in order to establish operations. The Board and the Executive Committee review the policies and guidelines issued by Bangladesh Bank regarding credit and other operations of the banking industry. The management operates within the policies, manuals and limits approved by the Board. Regular meeting of the Board is held, at least once a month.

### APPOINTMENT OF DIRECTORS

The members of the BoD of CBL are appointed according to the provision of Companies Act 1994, Bank Company Act 1991 (Amended up to 2013), Corporate Governance Guidelines of BSEC, Guidelines of Bangladesh Bank and Articles of Association of the Bank.

The BoD is comprised of experienced members with diverse professional experience and knowledge such as business, banking and finance, IT, accounting, marketing, administration, engineering which make the Board very proficient and balanced in directing Bank to achieve its desired objectives.

### BOARD OF DIRECTORS MEETING

The Board of Directors holds meeting on a regular basis. At each meeting, management provides information, references and detailed working papers for each agenda to all directors for consideration at least three days before the meeting. The Chairman of the Board of Directors allocates sufficient time for the directors to consider each agenda in a prudent way and allows them to freely discuss, inquire and express opinions on the topics of interest at the meeting in order to fulfill the directors' duties to the best of their abilities at the meeting.

During the year 2013, 21 Board Meetings were held and attendance record of those meetings is as follows:

Name	Status with the Bank	Total No. of Meetings Held	No. of Meeting Attendance
Mr. Rubel Aziz	Chairman	21	20
Mrs. Meherun Haque	Vice Chairperson	21	17
Mr. Aziz Al Kaiser	Director	21	12
Mr. Hossain Mehmood	-Do-	21	14
Ms. Evana Fahmida Mohammad	-Do-	21	15
Mr. Hossain Khaled	-Do-	21	12
Mr. Rajibul Huq Chowdhury	-Do-	21	17
Mr. Deen Mohammad	-Do-	21	20
Ms. Tabassum Kaiser	-Do-	21	06
Mr. Rafiqul Islam Khan	-Do-	21	15
Mr. Mohammad Shoeb	-Do-	21	18
Mr. Aziz Al Mahmood	-Do-	21	13
Mrs. Syeda Shaireen Aziz	-Do-	21	19

The directors who could not attend the meeting were granted leave of absence by the Board.

### OWNERSHIP COMPOSITION

As on December 31, 2013 Directors of the Bank held 31.22% of total shares as opposed to 31.22% at year end 2012.

Composition	31-12-2013		31-12-2012	
	No. of Shares Held	% of Total Shares	No. of Shares Held	% of Total Shares
Director	216,995,228	31.22%	197,268,393	31.22%
General Public	409,319,725	58.89%	339,242,077	53.69%
Financial Institutions	68,762,850	9.89%	95,378,442	15.09%
	<b>695,077,803</b>	<b>100.00%</b>	<b>631,888,912</b>	<b>100.00%</b>

### DIRECTORS' SHAREHOLDING STATUS

As per BSEC Notification dated November 22, 2011 and December 7, 2011, each director other than Independent and Depositors Director(s) of any listed company shall hold minimum 2% (two percent) shares of the paid up capital by May 21, 2012. Otherwise, there shall be a casual vacancy of director(s).

And all directors of a company, listed with any stock exchange shall all time jointly hold minimum 30% (thirty percent) shares of the paid up capital of the company.

All the eligible directors of the Bank have taken required number of shares to comply with the above notification. Share holding structure of directors is as follows:

Name	Status with Bank	No. of Shares Held	Percentage of Holdings
1. Mr. Rubel Aziz	Chairman	17,505,908	2.49%
2. Mrs. Meherun Haque	Vice Chairperson	14,080,000	2.01%
3. Mr. Deen Mohammad	Director	34,920,517	4.97%
4. Mr. Aziz Al-Kaiser	Director	20,446,208	2.91%
5. Mr. Mohammad Shoeb	Director	17,520,085	2.50%
6. Ms. Evana Fahmida Mohammad	Director	14,080,000	2.01%
7. Mrs. Syeda Shaireen Aziz	Director	14,078,570	2.01%
8. Mr. Rafiqul Islam Khan	Director	14,120,341	2.01%
9. Mr. Hossain Mehmood	Director	14,042,242	2.00%
10. Mr. Hossain Khaled	Director	14,058,917	2.00%
11. Mr. Rajibul Haque Chowdhury	Director	14,052,527	2.00%
12. Mrs. Tabassum Kaiser	Director	14,042,530	2.00%
13. Mr. Aziz Al-Mahmood	Director	14,047,383	2.00%
14. Mr. Sohail R. K. Hussain	Managing Director & CEO	Nil	Nil



### SHAREHOLDINGS BY CEO, CFO, COMPANY SECRETARY, HEAD OF ICC AND THEIR SPOUSE

Name	Designation	No. of Shares	Name of Spouse	No. of Shares
Mr. Sohail R. K. Hussain	Managing Director & CEO	Nil	Mrs. Sabera Zareen Chowdhury	Nil
Mr. Md. Mahbubur Rahman	Chief Financial Officer	Nil	Mrs. Sanjeda Afrin Ashraf	Nil
Mr. Md. Kafi Khan	Company Secretary	Nil	Mrs. Nargis Sultana	Nil
Mr. Nasim Ahmed	Head of ICC	Nil	Mrs. Falak Ara Nasim	Nil

### SHAREHOLDINGS BY TOP 5 SALARIED EXECUTIVES

Name	Designation	No. of Shares
Mr. Faruq M. Ahmed	Additional Managing Director & CRO	Nil
Mr. Mashrur Arefin	Deputy Managing Director & COO	Nil
Mr. Sheikh Mohammad Maroof	Deputy Managing Director & Head of Wholesale Banking	Nil
Mr. Badrudduza Choudhury	Deputy Managing Director & Head of Branch Banking	Nil
Mr. Mohammed Zabed Amin	Head of Business– Branch Banking	Nil

There is no shareholder holding 10% or more voting interest in City Bank. Hence, the corresponding BSEC rule does not apply.

### SEPARATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ROLES

In compliance with Bangladesh Bank BRPD Circular No.06, February 04, 2010 and clause 1.4 of BSEC Corporate Governance Guidelines dated August 7, 2012, we report that the Chairman of the Board Mr. Rubel Aziz has been elected from among the directors and there are clear and defined roles and responsibilities of the Chairman and the Chief Executive Officer Mr. Shohail R. K. Hussain

The Chairman of the Board approves the agenda for the Board Meetings, assisted by the Managing Director and the Company Secretary. Regular agenda items include approving credit beyond CEO's authority and aspects of the Bank's corporate strategy, financial performance, core risk and credit policy, corporate governance, CSR and organizational structure, human resources policy, customer and service strategies, procurement policy, etc.

On the other hand, CEO, being the head of management team, is accountable to the Board and its committee to run and manage the Bank in accordance with the prescribed policies, principles and strategies, established by the Board and rules, regulations and guidelines from Central Bank, BSEC and other regulatory authority. Management's primary responsibilities are:

- Manage the operation of the Bank safeguarding interests of customers and other stakeholders in compliance with the highest standards of ethics and integrity;

- Implement the policies and strategic direction, established by Board;
- Establish and maintain a strong system of internal control;
- Ensure the Bank's compliance with applicable legal and regulatory requirement.

### RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD

The overall responsibilities of the Chairman are to:

- Ensure that the Board sets and implement the Bank's direction and strategy effectively;
- Act as the Bank's led representative, explaining aims and policies to the shareholders;
- Ensure no participation in or interfere in the administrative or operational and routine affairs of the Bank.

The Specific responsibilities of the Chairman, among others, are to:

- Provide all over leadership to the Board, supplying vision, mission and imagination, working closely with the CEO;
- Take leading role in determination of composition and structure of the Board, which will involve in regular assessment of the:

- Size of the Board
- Interaction, harmony and involvement of the directors
- Set the Board's agenda and plan Board Meeting;
- Chair all Board Meetings, directing debate towards consensus;
- Ensure that the Board receives appropriate, accurate, timely and clear information;
- Chair the AGM and other shareholders' meetings to foster effective dialogue with shareholders;
- Ensure that the views of the shareholders are communicated to the Board as a whole;
- Work with Chairman of Board Committee;
- Conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the Board.

### BENEFITS PROVIDED TO DIRECTORS AND MANAGING DIRECTOR

- Directors are entitled to fees for attending the Board/ Executive Committee meetings (Notes to the Financial Statement No. 35.a)
- Managing Director is paid salaries and allowances as per approval of the Board and Bangladesh Bank (Notes to the Financial Statement No.34)

The Bank has fully complied with Bangladesh Bank Circular and Guidelines.

### APPOINTMENT OF EXTERNAL AUDITORS

The Board of Directors of the Bank in its 30th Annual General Meeting held on June 16, 2013 appointed Rahman Rahman Huq, Chartered Accountants(a member firm of KPMG International) as the statutory auditor for the year 2013.

### SERVICES NOT PROVIDED BY EXTERNAL AUDITORS

As per BSEC guidelines, we declare Rahman Rahman Huq, Chartered Accountants, involved in statutory audit was not involved in any of the followings during the year 2013:

- Appraisal or valuation services or fairness opinions;
- Designing and implementing financial information system;

- Bookkeeping or other related services;
- Broker-Dealer services;
- Actuarial services;
- Internal Audit services;
- Any other services that the Audit committee determines.

No partner or employee of Rahman Rahman Huq, Chartered Accountants possess any share of the Bank during the tenure of their audit assignment at the Bank.

### CENTRAL BANK INSPECTIONS

Bangladesh Bank carried out a comprehensive inspection of the Bank's Head Office and 51 branches (among 104 branches) based on 31-03-2013, 30.06.13 and 30.09.13 and 8 Core Risks based on 30.06.2011 financials along with Foreign Exchange and Trade. They submitted their detail inspection report during 2013, which was placed to the Audit Committee of the Board first and then to the Board. Major findings of the inspection were discussed in a meeting participated by the Board, Bangladesh Bank Representatives and related management personnel of the Bank. The Board took the observation with utmost importance and instructed management to comply with Bangladesh Bank's suggestion for improvement.

Bangladesh Bank also completed their comprehensive inspection at our 7 branches based on 31.12.2013 financials and information and the report thereon is not yet received.

### RELATED PARTY TRANSACTION

The Bank in its ordinary course of business accomplished financial transaction with some entities or persons that fall within the definition of 'Related Party' as contained in BAS-24 (Related Party Disclosure) and as defined in Bangladesh Bank BRPD Circular 14, 2013. As on the reporting date, the Bank had funded line to its subsidiary (City Brokerage Ltd.), funded and non-funded exposure to current and ex-directors and credit card limits to few of its directors.

### BOARD COMMITTEE AND ITS RESPONSIBILITIES

To ensure proper accountability and transparency through Due Diligence the Bank has two Board Committed namely Audit Committee and Executive Committee mainly to oversee and direct operations, performance and strategic direction of the Bank.

Detail information of AC is provided in Report on Audit Committee.

### EXECUTIVE COMMITTEE (EC)

Composition and detail information of EC is given below:

Name	Status with Committee	Status with Bank	Meeting Attendance
Mr. Deen Mohammad	Chairman	Director	No EC Meeting was held in 2013
Mr. Rubel Aziz	Member	Chairman	do
Mrs. Meherun Haque	Member	Vice Chairperson	do
Mr. Aziz Al-Kaiser	Member	Director	do
Mr. Hossain Mehmood	Member	Director	do
Mr. Hossain Khaled	Member	Director	do
Mr. Rajibul Haque Chowdhury	Member	Director	do

EC is entrusted the following broader responsibilities and functions:

- Establish and periodically review the Bank's overall credit and lending policies and procedures;
- Develop and implement uniform and minimum acceptable credit standards for the Bank;
- Approve all revision, restructure and amendments made to the Credit proposals initially approved by this committee.

### MANAGEMENT COMMITTEES AND THEIR RESPONSIBILITIES

In an effective CG Structure, bank management has a collective mandate under the leadership of MD & CEO to carry out daily operations to the best interest of the stakeholders. The Management team of CBL is headed by the Managing Director, Mr. Sohail R. K. Hussain. Several management committees have been formed to handle the banking operation and identify and manage risk. The committees are MANCOM, ALCO, RMU, Investment Committee and Purchase Committee. Managing Director leads the three most important Committees, MANCOM, ALCO and Investment Committee.

#### MANAGEMENT COMMITTEE (MANCOM)

MANCOM is considered the highest decision and policy making authority of the Bank which consists of CEO and different business and support unit head. Routine works of the committee are:

- Monthly business and financial performance analyses;
- Monthly business review and analyses of each business unit (Corporate, SME, Retail and Treasury) performance

#### RISK MANAGEMENT UNIT

Bank Risk Management Unit (RMU) with AMD & CRO in the chair to ensure proper and timely identification, management and mitigation of risks exposed by the Bank in a comprehensive way.

#### ASSETS LIABILITY COMMITTEE (ALCO)

ALCO was full engaged with full activity in setting strategies and revamping previously taken strategies to cope with current market scenario.

#### INVESTMENT COMMITTEE (IC)

The five members committee looks after investment in capital market and meets as and when required. They oversee and monitor to ensure that the investment decisions are carried out as per approved strategy and investment policy. This committee regularly monitors Bank's holdings of shares and capital market exposures and ensures keeping investment within prescribed limit (currently 25% of prescribed Capital) set by Central Bank.

#### PURCHASE COMMITTEE

The five members purchase committee plays an instrumental role in the procurement procedure of the Bank.

### ACHIEVEMENT OF BUSINESS TARGETS BY THE MANAGEMENT IN 2013

Particulars	Amount in BDT Million		
	Budget 2013	Actual 2013	Achievement of Budget
Operating Profit	6,003	4,146	69.1%
Deposit	138,719	107,497	77.5%
Advance	119,235	89,879	75.4%

### INTERNAL CONTROL: THE WATCH DOG OF TRANSPARENCY AND ACCOUNTABILITY

Internal Control & Compliance (ICC) operates independently as a division consists of three units (Audit & Inspection, Monitoring and Compliance) with prime responsibility to determine risks evaluating overall Business, Operations & Credit Portfolios of City Bank. The key objective of ICC is to assist & guide in all aspects of the bank using adequate resources for identification of weaknesses and taking appropriate measures to overcome the same to be a complied bank.

The ICC has a unique reporting line to the bank's Board of Directors through the Audit Committee and to the Managing Director & CEO, thus acts as a bridge between the board and the bank's management. An effective organizational structure has been established by exercising durable Internal Control culture within City Bank. Our status on establishing internal control in the bank in line with regulatory requirements is described below in brief:

- The Board of Directors is actively concerned with sound corporate governance and diligently ensures that the bank is appropriately and effectively managed and controlled.
- The Management Committee (MANCOM) actively controls the overall management of the Bank and decides the extent of the Internal Control System, which is appropriate for the Bank.
- The bank has formulated and updated from time to time its Internal Control policies and manuals.
- Internal Control & Compliance Division has been structured as per prescribed organization structure of managing core risk in the bank.
- The Audit Committee of the Board of Directors regularly monitors the effectiveness of internal control system within the bank.

- External Auditors evaluate the internal control system while conducting their statutory audit.
- Each year, ICCD submits an annual report on the health of the bank to the Managing Director & CEO and Audit Committee of the Board of Directors for onward submission to the Board of Directors to assess the strength of the bank on the basis of core fundamental yardsticks.
- A robust Risk Based Internal Audit (RBIA) has been implemented. Risk assessment by Internal Control focuses on compliance with the bank's policies together with regulatory requirements, social, ethical and environmental risks so as to ensure profit maximization through risk minimization and to determine the future growth of the bank.
- Risk grading of branches have been implemented since 2009 and updated from time to time. Risk grading of a number of Head Office divisions has already been implemented and is in the process to cover all divisions based on overall risk profiling and risk matrix.
- Key operational risk areas of four core lines of business (Retail, SME, Corporate and Treasury & Market Risk) and their segments are identified through regular audit process.
- All core risk guidelines provided by Bangladesh Bank have been duly implemented and compliance is routinely monitored by ICC to determine effectiveness.



**BANGLADESH BANK'S GUIDELINES FOR CORPORATE GOVERNANCE AND OUR COMPLIANCE STATUS**

**Status of Compliance of Bangladesh Bank's Guidelines for Corporate Governance**

(BRPD circular No 6 dated 04.02.2010)

SI No.	Particulars	Compliance Status
1.	Responsibilities and authorities of the board of directors:	
(a)	Work-planning and strategic management	
(i)	The board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	Complied
(ii)	The board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall appraise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other senior executives and have it evaluated at times.	
(b)	Lending and risk management	
(i)	The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedulement and write-off thereof shall be made with the board's approval under the purview of the existing laws, rules and regulations. The board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval.	Complied
(ii)	The board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.	
(c)	Internal control management	
	The board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its audit committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.	Complied
(d)	Human resources management and development	
(i)	Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the board. The chairman or the directors shall in no way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the board of directors shall be included in the selection committees for recruitment and promotion to different levels. Recruitment and promotion to the immediate two tiers below the CEO shall, however, rest upon the board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e. policies for recruitment and promotion.	Complied
(ii)	The board shall focus its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board shall get these programs incorporated in its annual work plan.	
(e)	Financial management	
(i)	The annual budget and the statutory financial statements shall finally be prepared with the approval of the board. It shall at quarterly rests review/ monitor the positions in respect of bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan. Loss provision and steps taken for recovery of defaulted loans including legal measures.	
(ii)	The board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be adopted with the approval of the board.	Complied

SI No.	Particulars	Compliance Status
(f)	Formation of supporting committee	
	For decision on urgent matters an executive committee, whatever name called, may be formed with the directors. There shall be no committee or sub-committee of the board other than the executive committee and the audit committee. No alternate director shall be included in these committee.	Complied
(g)	Appointment of CEO	
(i)	The Board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank.	Complied
(ii)	The Board shall ensure fulfilling any other responsibility (ies) appropriately assigned by the Central Bank.	Complied
2.	Responsibilities of the Chairman and Board of Director	
(a)	As the Chairman of the Board of directors (or chairman of any committee formed by the board or any director) does not personally possess the jurisdiction to apply policy making or executive authority, he shall not participate in or interfere into the administrative or operational and routine affairs of the bank.	Complied
(b)	The Chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be appraised to Bangladesh Bank through the Board along with the statement of the CEO.	Complied
(c)	The Chairman may be offered an office-room, a personal secretary/assistant, a telephone at the office and a vehicle in the business-interest of the bank subject to the approval of the board.	Complied
3.	Responsibilities of Adviser	
	The adviser, whatever name called, shall advise the board of directors or the CEO on such issues only for which he is engaged in terms of the conditions of his appointment. He shall neither have access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the bank including financial, administrative or operational affairs.	No such Adviser at the Bank.
4.	Responsibilities and authorities of CEO	
	The CEO of the bank, whatever name called, shall discharge the responsibilities and effect the authorities as follows:	
(a)	In terms of the financial, business and administrative authorities vested upon him by the Board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administration and financial management.	Complied
(b)	The CEO shall ensure compliance of the Bank companies Act. 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank.	Complied
(c)	The CEO shall clearly include any violation from Bank Companies Act, 1991 and/or any other related laws/regulations in the Memo presented to the meeting of the Board or any other Committee(s) engaged by the Board.	Complied
(d)	The CEO shall report to Bangladesh Bank of issues in violation of the Bank Companies Act. 1991 or of other laws/regulations and, if required, may apprise the board post facto.	Complied
(e)	The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policies and sanction strength of employees as approved by the board. The Board or the Chairman of any committee of the Board or any director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.	Complied
5.	Meetings of the Board of Directors	
	One meeting of the Board of Directors per month can be held usually but it can be more than one upon necessity. No less than one meeting of the Board in three months to be held.	Complied
6.	Number of members of Executive Committee (EC) of the Board	
	Number of members of EC cannot exceed 7 members as per BRPD Circular. Letter No. 2 dated February 15, 2010 and more than one member from one family shall not be included in the EC as per BRPD Circular Letter No. 4 dated March 14, 2010	Complied
7.	Training of the Directors	
	The Directors of the Board will acquire appropriate knowledge of the Banking Laws and other relevant laws, rules and regulations to effectively discharge the responsibilities as a director of the Bank.	Complied

**STATUS OF COMPLIANCE OF BANGLADESH BANK'S GUIDELINES  
FOR CORPORATE GOVERNANCE**

The Bangladesh Securities and Exchange Commission (BSEC) issued Corporate Governance (CG) Guidelines in 2012, which is being followed by Banks on "Comply" basis. Status of compliance of the Bank with the CG guidelines are as follows:

(Report under Condition No.7)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.0	Board of Directors			
1.1	Board's size shall not be less than 5 and more than 20	✓		
1.2	Independent Director			
1.2 (i)	Independent director: At least 1/5th of the total number of directors		✓	We are in the process of appointment of independent directors.
1.2 (ii)	For the purpose of this clause "independent director" means a director.	NA		
1.2 (ii)a)	Independent director does not hold any share or holds less than one percent (1%) shares of total paid up capital.	NA		
1.2 (ii)b)	Independent Director is not a sponsor of the company and is not connected with the company's Sponsor Or Director Or Shareholder who holds 1% or more shares of the company (certain family members are also required to comply with this requirement).	NA		
1.2 (ii)c)	Independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	NA		
1.2 (ii)d)	Independent directors are not the members, directors or officers of any stock exchange.	NA		
1.2 (ii)e)	Independent director is not the shareholder, director or officers of any member of Stock Exchange or an Intermediary of the capital market.	NA		
1.2 (ii)f)	Independent director is/was not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	NA		
1.2 (ii)g)	Independent directors is not the independent director in more than 3 (three) listed companies.	NA		
1.2 (ii)h)	Independent director is not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBF).	NA		
1.2 (ii)i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	NA		
1.2 (iii)	The independent director shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.		✓	
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	NA		
1.2 (v)	The Board shall lay down a Code of Conduct of all Board Members and Annual Compliance of the Code to be recorded.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.2 (vi)	The tenure of office of an Independent Directors shall be for a period of 3 (three) years which may be extended for 1(one) term only.	NA		
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance.	NA		
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites.	NA		
1.3 (iii)	In special cases above qualification may be relaxed by the Commission	NA		
1.4	Separate Chairman and CEO and their clearly defined roles and responsibilities.	✓		
1.5	Directors Report to Shareholders			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	✓		
1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	✓		Please refer to note No. 46 of Financial Statements
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	NA		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	NA		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	✓		
1.5 (x)	Remuneration to directors including independent directors.	✓		Please refer to note No. 35.a of Financial Statements
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	✓		
1.5 (xii)	Proper books of account of the company have been maintained.	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.	✓		



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	NA		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:			
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi) c)	Executives (top five salaried employees of the company other than stated in 1.5(xxii)b);	✓		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
1.5 (xxii)	In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:			
1.5 (xxii) a)	a brief resume of the Director;	✓		
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas.	✓		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		Annexure-E of Financial Statements
2.0	Chief Financial Officer, Head of Internal Audit & Company Secretary			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	✓		
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	✓		
3.0	Audit Committee:			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	✓		
3.1 (ii)	Constitution of Audit Committee with Board Members including one Independent Director.	NA		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Filling of Casual Vacancy in Committee	✓		
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director.	NA		
3.2	Chairman of the Audit Committee			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	NA		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process.	✓		Refer to Audit Committee's Report
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.			
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function.	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue, the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.	NA		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii) a)	Report on conflicts of Interests.	Nil		
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	Nil		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	Nil		
3.4.2	Reporting of anything having material financial impact to the Commission.	Nil		
3.5	Reporting to the Shareholders and General Investors.	Nil		
4.0	External/Statutory Auditors should not be engaged in:			
4 (i)	Appraisal or valuation services or fairness opinions.	✓		
4 (ii)	Financial information systems design and implementation.	✓		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		
4 (iv)	Broker-dealer services.	✓		
4 (v)	Actuarial services.	✓		
4 (vi)	Internal audit services.	✓		
4 (vii)	Any other service that the Audit Committee determines.	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company.	✓		
5.0	Subsidiary Company			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	NA		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5 (iv)	The Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the Subsidiary Company also.	✓		
5 (v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the Subsidiary Company.	✓		
6.0	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):			
6 (i)	They have reviewed financial Statements for the year and that to the best of their knowledge and belief:	✓		
6 (i) a)	These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	✓		
6 (i) b)	These financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
7.0	Reporting and Compliance of Corporate Governance:			
7 (i)	The company shall obtain a Certificate from a Professional Accountant/Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		Please refer to following page.
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		



## CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES TO THE SHAREHOLDERS OF THE CITY BANK LIMITED

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by The City Bank Limited (the "Bank") as stipulated in the BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 and subsequent modification SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013 as at 31st December 2013.

### The Bank' Responsibilities

The compliance of conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the Bank's management.

### Our Responsibilities

Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by the Bank for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

### Conclusion

To the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of corporate governance except condition on independent directors stipulated in the above mentioned BSEC notifications dated 7 August 2012 as subsequently modified on 21 July 2013 and reported on the attached status of compliance statement.



**Manzoor Alam, FCA**  
Senior Partner  
ICAB Enrolment Number 132  
For Hoda Vasi Chowdhury & Co  
Chartered Accountants

Dhaka, 21 April 2014

## CHIEF RISK OFFICER'S REPORT ON RISK MANAGEMENT

Chief Risk Officer's (CRO) report on risk management practices at The City Bank Limited (CBL) is made in line with best practices and premised on the commitment of the Board of Directors to adhere to sound corporate governance standards within the industry. Market Disclosure provides qualitative and quantitative disclosure while CRO report is aimed at providing detail of risk management structure and relevant information to all stakeholders and thereby continues to boost the confidence of the market in the Bank.

CBL is committed to its stakeholders to attain a sustainable business growth commensurate with its strategy through implementation of a robust Enterprise Risk Management (ERM) framework within the organization. The main objective of this ERM is to inculcate the risk culture at every part of its operation, so that risk elements (whether credit, market, operation or other pillar II risk elements) remain within its acceptable level and the bank is not exposed to any threats for exceeding its tolerance parameters.

Bank has Risk Management Unit (RMU), a committee to oversee the risk management activities across the bank, comprising of member of senior management, headed by CRO. Activities of Risk Management Unit (RMU) are supported by Risk Management Division (RMD) of the bank.

### Board's Risk Management Committee

In line with requirement of Section 15 of Banking Company Act, 1991 (Amendment up to 2013) and subsequent BRPD Circular No. 11/2013 dated 27/10/2013; Board of The City Bank Ltd has already formed Board's Risk Management Committee (BRMC). Mr. Hossain Khaled is the Chairman of the Committee while Mr. Rubel Aziz, Mr. Hossain Mahmood, Mr. Mohammad Shoeb and Mr. Rajibul Haq Chowdhury are the members of the Committee. 1st meeting of the BRMC was held on February 20, 2014.

### CREDIT RISK

CBL Credit team operates in a comprehensive and robust framework for the identification, analysis and monitoring of credit risks arising within each business.

Credit risk of Corporate, SME, Branch and Commercial Banking business segment is being managed by Credit Risk Management (CRM) Division while the same of Small and Retail business segment is being managed by a separate division namely Credit and Collection of Small and Retail Business. Credit Risk management process are guided by Credit Policy Manual (CPM) which is supported by a number of Credit Instruction Manuals (CIMs). CPM was adopted in February, 2008 which is reviewed regularly, last review been completed in December, 2013. Key aspects of this framework are discussed below:

**Analysis and Approval of Exposures:** Boards delegated discretions to approve credit to CEO of the Bank, who further sub-delegates credit authorities to appropriate individuals. Credit proposals are initiated by respective business segments and are independently assessed by respective credit risk division and finally approved or declined by appropriate approval authority. All credit exposures are reviewed at least once a year.

**Measuring Credit Risk:** For Corporate and SME loan, Bank follows Credit Risk Grading Model (CRGM) recommended by Bangladesh Bank. CBL is at final stage to implement 11-scales CRGM, where number of rating slabs is increased in performing credit segment. Sectoral business strategy has already been adopted and sector-wise lending cap is recommended. Bank is in the process of development of internal risk rating models to facilitate migration to Foundation Internal Rating Based (IRB) approach of credit risk assessment.

**Analysis of Credit Risk: Portfolio Comparison:** In 2013, loans and advances portfolio grew by 7.86% compared to that of 2012 and reached at BDT 8,987.86 crore. Exposure in the corporate segment has increased while exposure in Retail and Islami Banking business has reduced. Among non-funded credit facilities, Bank Guarantee business has increased while LC business has decreased. In the credit portfolio, it is noticed that, continuous loan increased to 42% from 25% of the total funded portfolio while fixed term loan reduced to 32% from 52%. Major portion of continuous loan is cash based loan, which carries the risk of fund diversion. However, reduction of concentration in fixed term loan is an improvement recorded as bank operates in money market. As on December 31, 2013, it was found that 34% of the total funded and non-funded exposure was rated by External Credit Assessment Institutions (ECAI) which was 20% in 2012. Total large loan exposure of the Bank was BDT 3,715.42 crore (73 relationships) which was 32.63% of total loans and advances as on December, 2013.

47.38% of large loan exposure was funded while 52.62% was non-funded. The total large loan exposure was within Bangladesh Bank prescribed ceiling. An exposure of BDT 3,211.15 crore was concentrated within top 20 borrowers as on December, 2013 (BDT 1,832.14 crore funded and BDT 1,379.01 crore non-funded 20.38% and 28.75% of respective portfolio).

Of the total portfolio, BDT 144.78 crore (1.61%) and BDT 725.10 crore (8.07%) was classified as SMA and non-performing loan respectively. Mentionable that SMA and NPL ratio were 4.08% and 7.48% respectively on December, 2012. SMA portfolio of corporate improved substantially (to 1.24% from 5.02%) and slight deterioration was recorded in SME (Small) segments and Cards. NPL portfolio of corporate improved marginally (to 7.61% from 7.93%) and deterioration was recorded in SME (Small), Cards and Islami banking. Portfolio comparison over last three years is shown below:

Classification	(Amount in crore Tk.)		
	Dec-13	Dec-12	Dec-11
Standard	8117.98	7,370.28	7,244.45
Special Mention Account (SMA)	144.78	339.91	187.66
<b>Total Unclassified</b>	<b>8,262.76</b>	<b>7,710.19</b>	<b>7,432.11</b>
Sub Standard(SS)	150.38	87.10	71.01
Doubtful (DF)	140.82	41.83	35.81
Bad/Loss	433.90	494.15	157.61
Total Classified	725.10	623.08	264.43
Write off during the year	293.96	86.84	43.19
<b>Total Portfolio</b>	<b>8,987.86</b>	<b>8,333.27</b>	<b>7,696.54</b>
<b>% of Classification</b>	<b>8.07%</b>	<b>7.48%</b>	<b>3.43%</b>
<b>% of SMA</b>	<b>1.61%</b>	<b>4.08%</b>	<b>2.44%</b>

#### Breakdown of Portfolio (December, 2013)

Segments	Amount in Tk. Crore	% of Total Portfolio
Corporate	5,026.16	55.92%
Commercial	230.43	2.56%
SME (Medium)	723.73	8.05%
SME (Small)	604.23	6.72%
Retail	1,045.82	11.65%
Card	427.92	4.76%
Off Shore Banking Unit	774.74	8.62%
Islami Banking	154.84	1.72%
<b>Total</b>	<b>8,987.86</b>	<b>100.00%</b>

**Credit concentrations:** Investment in power sector increased to 9% in 2013 compared to 2% of 2012. CBL exposure to City Brokerage Ltd has been reduced to 3.33% of the portfolio, which shall be reduced to regulatory requirement within due date.

**Status of client rating (Credit Exposure):** In line with central bank's guideline CBL is pursuing for external credit rating of its client base for the purposes of assessing weight of its exposure. As on December 31, 2013, it is seen that 27% of the total funded exposure was rated by external rating agency which was 15% in 2012. Also rating was obtained for 7% of non-funded exposure which was 5% previous year.

**Status of write off, reschedule cash recovery:** During the year 2013, Bank rescheduled 52 contracts worth BDT 292.48 crore in Corporate and SME segments. In 2013 the Bank wrote off BDT 293.96 crore from its asset book.

With the restructuring of the recovery units, CBL attained a 16% growth in credit recoveries compared to last year. The snapshot of recovery over the year is shown below:

Particulars	(Amount in Crore Tk.)					
	2013				2012	
	1st Q	2nd Q	3rd Q	4th Q	Total	Total
Recovery from Classified accounts	27.13	92.48	50.83	111.95	282.39	71.22
Recovery from Rescheduled A/cs	1.99	2.21	5.89	11.77	21.86	56.05
Recovery from Written-off A/es	14.53	5.68	8.78	6.61	35.6	14.81
<b>Total Recovery</b>	<b>43.65</b>	<b>100.37</b>	<b>65.51</b>	<b>30.33</b>	<b>339.85</b>	<b>142.08</b>

#### MARKET RISK

Market risk exposure of CBL is explicit in portfolios of securities/equities and instruments that are actively traded. Conversely implicit exposures of CBL are risks like interest rate risk due to mismatch of loans and deposits. Besides, market risk also arises from activities categorized as off-balance sheet item.

**Market Risk Management System:** The Bank has reinstated and reviewed Asset Liability Management (ALM) Policy for effective management of Interest Rate Risk, Liquidity Risk. Liquidity risk is managed through Gap and Duration Analysis, based on residual maturity/behavioral pattern of assets and liabilities on a daily basis as per regulatory requirement. Various processes and policies including Investment policy and Value at Risk (VaR) and Stress

Testing policy are in place. The Asset Liability Management Committee (ALCO)/Board monitors adherence to prudential limits fixed by the Bank and determines the strategy in light of market environment as articulated in the ALM policy. Investment Committee(IC) is the supervisor of portfolio investment activities. System of reviewing market risk independently is in place.

**Capital Allocation for market Risk elements:** Market risk is computed using Standardized Approach, under which capital requirement is calculated for the risk elements to which CBL is exposed i.e. interest rate risk, ForEx risk and equity risk. Following is the Capital Requirement for Market Risk Elements.

**Outcomes of Market Risk:** Seventy seven percentage of CBL investment portfolio (BDT. 2,894.33 crore) is concentrated in fixed income securities, while 8% and 15% are concentrated in subsidiaries and equity respectively. Interest Rate Sensitive Ratio for 12 months' time band is 0.79 (i.e.<1%) implies that bank has more interest rate sensitive liabilities than assets. This implies that an increase in market interest rate could cause a decline in net interest income and hence the economic value of capital. Against 1% increase in interest rate in both asset and liability portfolio may cause a net loss of BDT 18.84 crore of the Bank and downside risk.

As of Dec 31, 2013 Capital Market Exposure stood at Tk. 985.46 Crore (81.95% of capital components ) as, which is required to bring down gradually to 25% of capital components by July 21, 2016.

**Outcome of Value at Risk (VaR) as of Dec 31, 2013:** Value at Risk (VaR) estimates potential losses due to consequences of movements in market rates and prices over a specified time horizon and to a given level of confidence, Bank is considering setting of threshold for Daily/Monthly Stop Loss Limits for trading position.

#### VaR for the year of 2013

(1 Day VaR at 99% confidence level)

Portfolio	(Amount in Crore Tk.)			
	Maximum Value	Minimum Value	Average Value	Year end 31.12.13
Equity Trading Portfolio	3.74	2.01	2.79	3.04
Equity Trading Portfolio*	29.86	16.45	21.24	19.22
Excluding FX Net Open Position (NOP)	0.32	0.02	0.09	0.05

\*Including strategic holding of equity portfolio.

#### OPERATIONAL RISK

Operational risk is the risk related to losses due to inadequate or failed internal processes, staff and systems or external events; it also includes legal risk. CBL emphasizes on risk identification and assessment process to ensure both inherent and residual risks are effectively highlighted. This enables the Bank to focus on fewer but more fundamental risks.

**Control and Mitigation:** At present, operational risk is largely managed through Internal Controls and Compliance Division, while the regulatory compliance is overseen by Operational Compliance and Service Quality Department. Bank has put in place many measures to control/mitigate operational risk including system of delegated authority covering credit and expenditure, issuance of instructions from time to time, maintenance of Risk Log and Risk Register to obtain a Risk Matrix, preventive vigilance, continuous training process, Risk Based Internal Audit, various policies etc.

**Operational Risk Assessment Approaches:** CBL applies the Basic Indicator Approach (BIA) in order to determine the capital requirement for operational risk. According to BIA capital is charged at 15% of average positive Gross Income (GI) of previous three years for operational risk.

Bank is in the process of designing 'Risk Control Self Assessment (RCSA)' method with a view to measuring and managing inherent and residual risk within the organization against various processes, which will be implemented in different phases. This method is expected to deliver risk control points and risk boundaries for each of the existing process gradually. Bank is also considering adoption of an integrated 'Operational Risk Management Policy'.

**Internal Fraud:** During the year 2013, 9 internal fraud instances occurred worth of BDT. 0.41 Crore and 4 internal fraud instances (without financial impact) took place, which were duly resolved and recovered.

**External Fraud:** Total 12 financially impacted external fraud incidents were reported worth BDT. 0.52 Crore while 1 external fraud incident were reported which did not have financial impact. 3 incidents were identified related to presentation of fake notes worth BDT. 1,600, which took place at branches outside city area.

**Document deferral/ lapse:** A total of 153 instances of documents deferred/lapsed were recorded. Common instances are execution of PariPassu Security Sharing Agreement (PPSSA, 25 instances), collection of Insurance Premium



Paid Receipt, copies of Insurance Policy (25 instances), collection of tax return/trade license/TIN (14 instances), collection of Registered Mortgage Deed (10 instances), and collection of Deed of hypothecation (9 instances) etc.

Reconciliation Status: Unadjusted or un-reconciled Suspense amounting BDT. 15.53 crore was recorded, among which BDT. 3.90 crore has more than 1 year aging. During the year, no penalty was imposed by Bangladesh Bank due to violation of rules and regulations.

### PILLAR II AND ALL OTHER RISKS

Bangladesh Bank released Process Document for Supervisory Review Process – Supervisory Review Evaluation Process (SRP-SREP) Dialogue on Internal Capital Adequacy Assessment Program (ICAAP) towards implementation of 2nd pillar of Basel II. CBL already have SRP team and policy guideline on ICAAP to calculate Adequate Capital Requirement which is additional to Minimum Capital Requirement (MCR) in place. CBL has developed models for assessing pillar II risk elements like Residual risk for credit and market, credit concentration risk, liquidity risk, interest rate risk in banking book, settlement risk, reputation risk, strategic risk, pension obligation risk, compliance risk etc.

### COMPLIANCE TO RISK BASED CAPITAL ADEQUACY REQUIREMENT IN 2013

After the end of parallel run period of 1 year in 2009, the

banking industry in Bangladesh entered into the regime of Basel II compliance. In compliance of MCR under Pillar-I risk elements; CBL was well ahead of minimum required target through 2013. Following is the MCR result both in Solo and in consolidated basis:

### ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Environmental and Social (E&S) Compliance requirements are being overseen by Risk Management Division (RMD). Bank has a separate Green Banking Cell (GBC), comprising of representatives from relevant divisions. Last year, CBL recorded substantial development in implementing “E&S Risk Management Framework” across the Organization. A comprehensive policy guideline has been adopted for incorporating environmental and social risk issues in credit approval process of the Bank. As a part of awareness development, Green Banking Cell (GBC) has taken various initiatives including adoption of own Green Banking Slogan “Go Green; Think Green & Act Green”, introduced screensavers in desktop computers and laptops of CBL employees. As a part of green initiatives, in 2013 the Bank has installed solar panels in 2 more branches located in Bow Bazar and Jubilee Road in addition to 9 branches. During the year 2013, the Banks’ credit budget was BDT 492 crore for Green Finance against which credit allocation was BDT 416.35 crore.

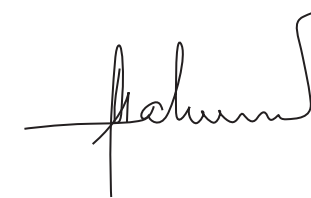
(Amount in Crore Tk.)

	Dec-13		Dec-12	
	Consolidated Basis	Solo Basis	Consolidated Basis	Solo Basis
A. 1. Tier-I Capital (Core Capital)	1,216.81	1,295.78	1,212.68	1,203.63
2. Tier-II Capital (Supplementary Capital)	362.38	373.93	362.55	362.55
3. Tier-III Capital				
4. Total Eligible Capital (1+2+3)	1,635.53	1,669.71	1,575.23	1,566.18
B. Risk Weighed Assets for				
Credit Risk	12,138.71	12,215.70	11,324.62	11,377.71
Market Risk	917.99	812.14	936.02	828.67
Operational Risk	1,325.06	1,309.86	1,206.20	1,185.86
Total Risk Weighted Assets (RWA)	14,381.76	14,337.71	13,466.84	13,392.24
Capital Adequacy Ratio (CAR) (A4/B)*100	11.37%	11.65%	11.70%	11.69%
Core Capital to RWA (A1/B)*100	8.77%	9.04%	9.00%	8.99%
Supplementary Capital to RWA(A2/B)*100	2.60%	2.61%	2.69%	2.71%
Minimum Capital Requirement (MCR)	1,438.18	1,433.77	1,346.68	1,339.22

### CONCLUSION

In today's economy, leaders in the financial institutions are faced with critical challenges in finding new and better ways to increase top-line revenues, maintain necessary capital ratios, improve margins, strengthen balance sheets and enhance efficiencies. Regulatory changes, compliance, economic volatility, and issues involving data security, distressed lending and troubled assets add even more concern. Competition in financial industry is intensified as numbers of corporations are shifting from bond debt market to equity market for funding.

Recently, BASEL III, an updated version of BASEL II, came as regulatory response to the banking crisis, which envisages updating shortcomings of the earlier version. Bangladesh has started preparations to implement the Basel-III framework in line with the global standard. The Basel-III is regulatory standard on bank capital adequacy and liquidity agreed upon by the members of the Basel Committee on Banking Supervision, which was developed in response to the deficiencies in financial regulation revealed by the late-2000s financial crisis. Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are two considerations of BASEL III in addition to existing considerations of BASEL II. The aggregate effect of all of these requirements will vary from bank to bank, and among large banks almost all will have to deal with its far-reaching implications.



**Faruq M. Ahmed**  
Additional Managing Director &  
Chief Risk Officer and CAMLCO

## CBL GREEN REPORT CARD FOR THE YEAR 2013

Green Banking is an ethical banking, a socially responsible banking or a sustainable banking which promotes environment friendly practices and reduces carbon footprint from the banking activities. Green Banking considers all the social and environmental factors with a view to protecting the environment and conserve natural resources. To enhance Green Banking practices in the country, Bangladesh Bank provided an indicative 'Green Banking Policy' and developed a Strategy Framework for the banks which is scheduled to be implemented gradually latest by June, 2015.

CBL has a Green Banking Cell (GBC) for implementing Green Banking activities and initiatives across the organization consisting of representatives from relevant divisions. CBL is also compliant with the environmental and social standards of IFC and FMO-DEG financing.

In 2013, CBL undertook number of initiatives in line with the recently adopted motto "Go Green: Think Green and Act Green". As part of building staff awareness, GBC introduced screensavers in all desktop computers and laptops of CBL employees. In 2013, GBC also developed a "Green Practice Guideline" for Bank staff and employees. As a part of green initiatives, in 2013 the Bank has installed solar panels in 2 more branches located in Bow Bazar and Jubilee Road in addition to 9 branches of the previous year.

Bank also arranged few training programs for its employees during 2013 on environment related issues. Additionally, the topic 'Green Banking' has been included in every comprehensive training program of the Bank. To create awareness among CBL employees on environmental and Green Banking issues, GBC continued publishing its quarterly e-newsletters.

In 2013, the Bank also developed a comprehensive policy guideline for implementation of environmental and social risk management in its credit approval process.

This policy is designed to provide guidance on environmental and social risk management procedures that need to be followed throughout the credit approval process for any proposed loan.

In 2013, the Bank's credit budget was BDT 492.00 crore for Green Finance against which actual credit allocation was BDT 416.35 crore. During this year, Bank also allocated required fund for Climate Risk Fund; and created Marketing, Training and Capacity Building Fund from its own source.

**“IN 2013, THE BANK ALSO DEVELOPED A COMPREHENSIVE policy guideline for implementation of environmental and social risk management in its credit approval process.”**

In the upcoming year, CBL plans to develop industry specific guidelines for high risk areas of finance and to introduce Green Banking products in line with Central Bank's requirement and green office guideline. In the final assesment, Bank is committed to review existing financing system constantly as well as office practices and cultures to ensure reduction of carbon footprint through energy savings, reduction of utilization of fossil fuels, other natural resources and reduction of greenhouse gas emission in the days to come.



**GO GREEN**  
Go Green asks you to think green and act green



**ENVIRONMENTAL RESPONSIBILITY**  
We have a commitment towards making the earth live longer

## CORPORATE SOCIAL RESPONSIBILITY

Being a responsible partner of the society is integral to the success of any business. It is imperative to understand that certain actions can bring in long term changes into the society. In order to create a sustainable business, doing the right thing by all the stakeholders has no alternative.

City Bank has a belief that giving back to the society will not only benefit the underprivileged but also be beneficial to the organization in the long run. The various CSR activities taken up by the bank have helped create a positive reputation, brand value, customer loyalty, employee motivation and retention.

2013 has been a good year for City Bank in CSR activities. This year, the bank has focused on diverse areas of social development ranging from community health to disaster management, sports, education, and support for underprivileged women and children etc. Some of the major CSR activities of 2013 are noted below:

### FIRST GLOBAL CONFERENCE ON COMMUNITY HEALTH

For physicians and health practitioners, it is imperative to be updated at all times regarding their particular field. For that having a network of international experts can prove to be a great asset for these professionals. And when the medical professionals of a community have a better knowledge base enriched with insights from world class experts, the overall community health scenario improves automatically.

City Bank has always felt that enabling the healthcare professional with international knowledge base will benefit the community in both long term and short term. That is why City Bank partnered with Eminence, a leading not-for-profit organization focusing on social development,

and also with Partners for World Health (a US based not-for-profit organization working in the area of community health), and organized the First Global Conference on Community Health, 2013 by participating as a Platinum Sponsor.

The aim of this conference was to strengthen the existing Health Information Systems of communicable diseases, chronic diseases, maternal and child health issues and nutrition. Around 200 professionals from Bangladesh and abroad attended the program and were able to create a network on sharing knowledge regarding quality, patient safety, technology and innovation and the best practices on community health.

The physicians and nurses at the rural hospitals of Bangladesh do not get access to the latest developments in the healthcare field. This not only limits their capabilities but also the overall community health suffers due to this lack of knowledge.

Believing that this can be changed and the rural community health scene can be improved, City Bank partnered with Eminence BD and organized a Medical Mission that consisted of a team of international healthcare professionals.

This was a clinical interchange between physicians, nurses and health professionals of different countries that focused on enabling Bangladeshi physicians and nurses to improve their skill-set. Medical professionals from USA with various specializations provided free services including surgery, hands-on-training and awareness program on patient care. The program also conducted cancer screening training sessions for nurses, provided cancer screening tests to 100 slum dwelling women.

### SUPPORT TO THE VICTIMS OF SAVAR RANA PLAZA TRAGEDY

April 24, 2013 was an unbearably sad day for the nation. A building called Rana Plaza in Savar collapsed due to structural problem and human negligence. It housed several garment factories and was occupied by a few thousand



**PRIME MINISTER'S DISASTER FUND**  
City Bank stood beside the victims of Rana Plaza tragedy. The employees donated their one day salary to the Prime Minister's Fund. The total amount donated was BDT 2,111,665



garments workers at the time of the collapse. More than 1,100 people died, thousands were injured. A lot of families lost their only earning members. Many workers became handicapped.

Immediate support to rescue was there but the families of the deceases and injured needed long term support to survive. To stand beside the victims, City Bank employees donated their one day salary to the Prime Minister Fund. The total amount stood at BDT 2,111,665/- (BDT Twenty one lac, eleven thousand, six hundred & sixty five only).

To support the victims in the long run, Bangladesh Association of Banks (BAB) came forward and decided to donate a handsome amount to “Prime Minister’s Disaster Fund”. On May 13th 2013, at the program organized by BAB, City Bank’s Chairman Mr. Rubel Aziz handed over the cheque of BDT 1,00,00,000 (BDT ten million) to Honorable Prime Minister Sheikh Hasina in presence of Bangladesh Bank Governor and other high officials. The amount donated by the bank’s employees was also handed over to Honorable Prime minister on the same day.

### SUPPORT TO SEID TRUST FOR THE UNDERPRIVILEGED CHILDREN WITH DISABILITIES

Children are the future of the nation. And all children have certain basic rights like education, healthcare and social inclusion. Children with disabilities deserve these rights too. But certain social attitudes in our country sometimes prevent these special children the bright future they could have by exclusion from normal society.

SEID Trust is a non-government voluntary development organization working for social inclusion and promoting rights of underprivileged children with disabilities including intellectual and multiple disabilities as well as autism since 2003. Currently they run four separate centers for this particular purpose that provide services to more than 450 children with disabilities.

City Bank has been providing support for the development of children with disabilities in association with SEID Trust since 2005. As part of CSR, City Bank has been providing a grant of Tk. 500,000/- (Taka five lac only) every year to bear the operating expenses of one of the four centers run by SEID Trust which houses around 145 autistic children. This is an ongoing partnership between the organizations.

### SUPPORT TO BANGLADESH HOCKEY TEAM

Sports play an integral role in the holistic development of the society. When it comes to participating in international event, national teams get the exceptional opportunity to uphold the name of their country on an international platform.

In 2013, Bangladesh National Hockey Team got the opportunity to participate in the World Hockey League at Delhi, India. But due to insufficient funds, the team had to opt for traveling to Delhi by bus and train which would have had impact on their performance. But City Bank extended its hands and provided a fund of BDT 500,000/- which enabled the hockey team to travel by air to Kolkata in order to participate in the event at their full athletic capacity.

### SPONSORING NSU LUNABOTICS TEAM TO PARTICIPATE AT NASA

Technological developments are indicators to the development of the nation. These developments only happen when the young and brilliant minds can thrive and gain international exposures. This in turn ensures that innovations take place in the society which ultimately ushers in a new era of development.

Bangladesh has been performing well day by day in that particular segment. In 2013, a team from North South University, along with three other teams, was selected to participate in the prestigious 4th Annual NASA Lunabotics Mining Competition which was held at the NASA Kennedy Space Center, Florida, USA. The team was looking for



**SUPPORT TO THE VICTIMS OF PILKHANA TRAGEDY**  
Since 2009, we have been standing beside a martyred army officers family. In 2013, our MD & CEO offered a cheque of TK. 480,000 to the Prime Minister

sponsorship from business organizations in order to bear various expenses of participation. City Bank has always been eager to support such endeavors and thus provided the team with a grant of BDT 250,000. These funds helped them partially in bearing the team’s expenses of participation and uphold the name of Bangladesh on an international platform.

### SATKANIA LOHAGORA SOMITY

Support to Satkania Lohagara Somity, an organization that has been working for the betterment of the underprivileged people from Shatkania and Lohagara Upazilas situated in Chittagong district since 2007, approached City Bank with a plan of rehabilitation of the destitute people of that particular community. The plan was as follows:

- Distributing 52 rickshaw vans among 52 unemployed youth of the area
- Providing 21 extremely poor families with roof tins for rehabilitation
- Distributing 118 sewing machines to 118 widowed women in order to provide them a self-dependent livelihood.

City Bank has always been proactive in supporting the less fortunate to stand on their feet. Thus when approached by Satkania Lohagara Somity, it showed genuine interest and granted them BDT 500,000 for carrying out their rehabilitation activity.

### CONTINUED SUPPORT FOR LIVELIHOOD PROJECT FOR DEPRIVED WOMEN IN BASHATPUR, JESSORE

Bashatpur is a village of Jessore district under Sharsha Upazila, close to country’s international borders. In this village, girls and women of a certain age used to migrate to the neighboring country for their livelihood through the

manovering of local traffickers. They used to become victims of harassment and violence during their journey and in their work place. They used to come back with ill health and no savings. In order to improve the quality of lives of these marginalized women and provide them with a livelihood, City Bank partnered with Management and Resource Development Initiative (MRDI) to jointly establish a training center to provide training to these women on sewing and embroidery. Each year 40 women receive both the trainings. The plan is that the products made by these women will be sold to various boutiques and gift shops, which will in turn bring in income for these women.

City Bank continues to provide support to this initiative. In 2013, BDT 11,87,000 (BDT eleven lac eighty seven thousand only) was donated by the bank for further development and continuation of operation of the center. The center at present is in production and supporting its own operating cost by selling its product to local and corporate houses (see photo below).



**FINISHED GOODS**  
The women of Bashatpur, with the help of City Bank, are now on their way to attain self-sufficiency. The products shown in the photo are made by those women and sold commercially



**RURAL HEALTH**  
Enabling rural health workers with hands-on-training & knowledge sharing. Medical Mission Program (March 24–29, 2013) in Jamalpur Sadar Hospital Sponsored by CBL

**FINANCIAL STATEMENTS *of* 2013.**

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## INDEPENDENT AUDITOR'S REPORT

To The Shareholders of The City Bank Limited

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of The City Bank Limited and its subsidiaries (the "Group") as well as the separate financial statements of The City Bank Limited (the "Bank"), which comprise the consolidated balance sheet and the separate balance sheet as at 31 December 2013, and the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROLS

Management is responsible for the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Banking Companies Act, 1991 and the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the consolidated financial statements of the Group and also separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2013, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Banking Companies Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the consolidated financial statements of the Group and the financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and

- forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:
- i) internal audit, internal control and risk management arrangements of the Group and the Bank as disclosed in note 48 of the financial statements appeared to be materially adequate; and
  - ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities other than matters disclosed in these financial statements;
- c) financial statements of the subsidiaries of the Bank have been audited by other auditors and have been properly reflected in the consolidated financial statements;
  - d) in our opinion, proper books of account as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books;
  - e) the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate profit and loss account of the Bank dealt with by the report are in agreement with the books of account;
  - f) the expenditure incurred was for the purposes of the Bank's business;
- g) the consolidated financial statements of the Group and the separate financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
  - h) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
  - i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
  - j) the information and explanation required by us have been received and found satisfactory; and
  - k) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 3,140 person hours for the audit of the books and accounts of the Bank.

Dhaka  
25 March, 2014



**Rahman Rahman Huq**  
Chartered Accountants

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

		<i>Figures in Taka</i>	
PROPERTY AND ASSETS	Notes	2013	2012
<b>Cash</b>			
In hand (including foreign currencies)	4	3,140,947,220	2,387,407,570
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	4.a.1	7,281,465,282	5,949,910,653
		<u>10,422,412,502</u>	<u>8,337,318,223</u>
<b>Balance with other banks and financial institutions</b>	5		
In Bangladesh		3,263,726,466	2,592,776,354
Outside Bangladesh		399,856,895	357,798,700
		<u>3,663,583,361</u>	<u>2,950,575,054</u>
<b>Money at call and short notice</b>	6	3,956,729,167	3,549,179,167
<b>Investments</b>	7		
Government		21,985,302,692	15,697,273,822
Others		5,664,808,169	5,730,894,968
		<u>27,650,110,861</u>	<u>21,428,168,790</u>
<b>Loans and advances/investments</b>	8		
Loans, cash credits, overdrafts, etc./investments		86,008,995,489	79,085,621,831
Bills purchased and discounted	9	4,858,653,956	3,849,358,122
		<u>90,867,649,445</u>	<u>82,934,979,953</u>
<b>Fixed assets including premises, furniture and fixtures</b>	10	6,851,347,927	5,957,809,664
<b>Other assets</b>	11	3,765,101,345	4,725,693,872
<b>Non-banking assets</b>	12	382,622,964	430,149,002
<b>Total assets</b>		<u>147,559,557,572</u>	<u>130,313,873,725</u>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	13	8,164,496,951	5,595,620,560
<b>Deposits and other accounts</b>	14		
Current deposits and other accounts		10,726,153,314	9,983,403,397
Bills payable		838,533,143	1,172,149,548
Savings bank deposits		18,606,964,869	16,705,636,955
Fixed deposits		76,884,375,052	65,989,157,865
Bearer certificate of deposit		-	-
		<u>107,056,026,378</u>	<u>93,850,347,764</u>
<b>Other liabilities</b>	15	14,145,023,885	12,815,890,174
<b>Total liabilities</b>		<u>129,365,547,214</u>	<u>112,261,858,498</u>
<b>Capital/shareholders' equity</b>			
Paid up capital	16	6,950,778,030	6,318,889,120
Statutory reserve	17	3,384,692,023	3,023,446,512
Share premium	18	1,924,634,700	1,924,634,700
Other reserve	19	5,578,357,360	5,936,570,307
Surplus in profit and loss account	20	349,728,341	848,393,437
Total shareholders' equity		<u>18,188,190,454</u>	<u>18,051,934,076</u>
Non controlling interest	21	5,819,904	81,151
<b>Total equity</b>		<u>18,194,010,358</u>	<u>18,052,015,227</u>
<b>Total liabilities and shareholders' equity</b>		<u>147,559,557,572</u>	<u>130,313,873,725</u>

		<i>Figures in Taka</i>	
OFF- BALANCE SHEET ITEMS	Notes	2013	2012
<b>Contingent liabilities</b>	22		
Acceptances and endorsements		17,147,774,288	13,733,063,904
Letters of guarantee	22.1	12,447,680,450	6,171,212,207
Irrevocable letters of credit	22.2	9,404,782,280	9,912,795,625
Bills for collection	22.3	6,424,461,406	7,924,994,306
Other contingent liabilities		-	-
<b>Total</b>		<u>45,424,698,424</u>	<u>37,742,066,042</u>
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed	22.4	2,536,878,100	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Other commitments		-	-
<b>Total</b>		<u>2,536,878,100</u>	<u>-</u>
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<u>47,961,576,524</u>	<u>37,742,066,042</u>

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



Managing Director & CEO



Director



Director



Chairman

*Signed as per annexed report of even date*

Dhaka  
25 March, 2014

*Rahman Rahman Huq*  
Rahman Rahman Huq  
Chartered Accountants



CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013

		<i>Figures in Taka</i>	
	Notes	2013	2012
Interest income/profit on investments	24	13,407,567,626	12,427,897,727
Interest paid/profit shared on deposits and borrowings etc.	25	(8,607,183,800)	(7,693,325,847)
<b>Net interest income/profit on investments</b>		<b>4,800,383,826</b>	<b>4,734,571,880</b>
Investment income	26	1,675,290,499	1,866,946,491
Commission, exchange and brokerage	27	1,615,094,656	1,388,120,908
Other operating income	28	762,175,257	728,055,761
		<b>4,052,560,412</b>	<b>3,983,123,160</b>
<b>Total operating income (A)</b>		<b>8,852,944,238</b>	<b>8,717,695,040</b>
<b>Operating expenses</b>			
Salaries and allowances	29	2,454,346,593	2,080,282,042
Rent, taxes, insurance, electricity, etc.	30	549,534,363	468,351,579
Legal expenses	31	20,203,027	25,149,182
Postage, stamp, telecommunication, etc.	32	66,196,663	57,241,746
Stationery, printing, advertisements, etc.	33	258,693,287	239,024,516
Chief Executive's salary and fees	34	17,630,000	15,937,836
Directors' fees	35	1,382,216	1,070,000
Auditors' fees		1,278,285	862,750
Depreciation and repair	36	583,139,093	518,330,797
Other expenses	37	945,349,335	691,013,007
<b>Total operating expenses (B)</b>		<b>4,897,752,862</b>	<b>4,097,263,455</b>
<b>Profit before provision (C = A-B)</b>		<b>3,955,191,376</b>	<b>4,620,431,585</b>
Provision for loans and advances/investments	38	(2,420,518,891)	(2,644,021,721)
Provision for off-balance sheet exposures		(105,000,000)	(160,500,000)
Other provision		(12,298,774)	-
<b>Total provision (D)</b>		<b>(2,537,817,665)</b>	<b>(2,804,521,721)</b>
<b>Total profit before tax (E = C+D)</b>		<b>1,417,373,711</b>	<b>1,815,909,864</b>
<b>Provision for taxation (F)</b>	39		
Current tax expense		(957,099,018)	(973,228,473)
Deferred tax income / (expense)		29,952,724	(48,227,576)
<b>Total provision for tax</b>		<b>(927,146,294)</b>	<b>(1,021,456,049)</b>
<b>Net profit after tax (G = E+F)</b>		<b>490,227,417</b>	<b>794,453,815</b>

		<i>Figures in Taka</i>	
	Notes	2013	2012
<b>Net profit after tax attributable to:</b>			
Equity holders of the bank		491,149,924	794,450,643
Non-controlling interest		(922,507)	3,172
		<b>490,227,417</b>	<b>794,453,815</b>
<b>Appropriations</b>			
Statutory reserve		361,245,511	352,547,031
General reserve		-	-
		<b>361,245,511</b>	<b>352,547,031</b>
<b>Retained surplus for the year</b>		<b>129,904,413</b>	<b>441,903,612</b>
<b>Earnings per share (EPS)</b>	44	<b>0.71</b>	<b>1.14</b>

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



Managing Director & CEO



Director



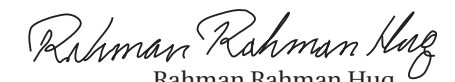
Director



Chairman

Signed as per annexed report of even date

Dhaka  
25 March, 2014

  
Rahman Rahman Huq  
Chartered Accountants

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2013

Particulars	Attributable to the equity holders of the Bank									
	Paid-up capital	Statutory reserve	Share Premium	Asset revaluation reserve	General reserve	Revaluation gain/(loss) on investment	Surplus in profit and loss account	Total	Non controlling interest	Total equity
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 1 January 2013	6,318,889,120	3,023,446,512	1,924,634,700	3,713,428,368	11,394,928	2,211,747,011	848,393,438	18,051,934,077	81,151	18,052,015,228
Prior year adjustment	-	-	-	-	-	-	(4,998)	(4,998)	-	(4,998)
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	(336,853,449)	-	(336,853,449)	-	(336,853,449)
Currency translation differences	-	-	-	-	-	-	(7,056,100)	(7,056,100)	-	(7,056,100)
Adjustment for sale of revalued assets	-	-	-	(10,979,000)	-	-	-	(10,979,000)	-	(10,979,000)
Adjustment of revaluation reserve with retained earnings	-	-	-	-	-	-	10,380,498	10,380,498	-	-
for charging depreciation of revalued carrying amount	-	-	-	(10,380,498)	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	-	-	491,149,924	491,149,924	(922,507)	490,227,417
Dividend (bonus share)	631,888,910	-	-	-	-	-	(631,888,910)	-	-	-
Acquisition of shares in subsidiary	-	-	-	-	-	-	-	-	6,661,260	6,661,260
Appropriation made during year	-	361,245,511	-	-	-	-	(361,245,511)	-	-	-
<b>Balance as at 31 December 2013</b>	<b>6,950,778,030</b>	<b>3,384,692,023</b>	<b>1,924,634,700</b>	<b>3,692,068,870</b>	<b>11,394,928</b>	<b>1,874,893,562</b>	<b>349,728,341</b>	<b>18,188,190,454</b>	<b>5,819,904</b>	<b>18,194,010,358</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2012

Particulars	Attributable to the equity holders of the Bank									
	Paid-up capital	Statutory reserve	Share Premium	Asset revaluation reserve	General reserve	Revaluation gain/(loss) on investment	Surplus in profit and loss account	Total	Non controlling interest	Total equity
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 1 January 2012	5,055,111,300	2,670,899,481	1,924,634,700	3,655,749,663	11,394,928	2,937,032,664	1,659,887,148	17,914,709,884	77,978	17,914,787,862
Prior year adjustment	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	68,059,203	-	(725,285,653)	-	(657,226,450)	-	(657,226,450)
Currency translation differences	-	-	-	-	-	-	-	-	-	-
Adjustment of revaluation reserve with retained earnings	-	-	-	-	-	-	10,380,498	10,380,498	-	-
for charging depreciation of revalued carrying amount	-	-	-	(10,380,498)	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	-	-	794,450,643	794,450,643	-	794,450,643
Dividend (bonus share)	1,263,777,820	-	-	-	-	-	(1,263,777,820)	-	-	-
Acquisition of shares in subsidiary	-	-	-	-	-	-	-	-	3,173	3,173
Appropriation made during year	-	352,547,031	-	-	-	-	(352,547,031)	-	-	-
<b>Balance as at 31 December 2012</b>	<b>6,318,889,120</b>	<b>3,023,446,512</b>	<b>1,924,634,700</b>	<b>3,713,428,368</b>	<b>11,394,928</b>	<b>2,211,747,011</b>	<b>848,393,438</b>	<b>18,051,934,077</b>	<b>81,151</b>	<b>18,052,015,228</b>

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



**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2013

		<i>Figures in Taka</i>	
	Notes	2013	2012
<b>A) Cash flows from operating activities</b>			
Interest receipts/investment income receipts in cash		13,849,255,317	12,305,441,430
Interest payments/profit paid on deposits		(7,741,336,885)	(7,006,422,827)
Dividend receipts		89,344,391	76,879,106
Fees and commission receipts in cash		1,046,110,520	978,078,648
Recoveries of loans previously written-off		228,336,832	136,636,224
Cash payments to employees		(2,380,204,284)	(2,006,219,878)
Cash payments to suppliers		(98,989,417)	(76,784,335)
Income taxes paid		(1,065,299,472)	(1,337,580,397)
Receipts from other operating activities	40	2,410,456,888	2,239,724,938
Payments for other operating activities	41	(2,144,111,547)	(1,346,301,752)
Cash generated from operating activities before changes in operating assets and liabilities (i)		4,193,562,343	3,963,451,157
<b>Increase/decrease in operating assets and liabilities</b>			
Loans and advances to customers		(7,932,669,491)	(5,969,554,998)
Other assets	42	553,030,263	(528,052,547)
Deposits from other banks/borrowings		10,359,745,637	1,943,010,321
Deposits from customers		5,414,809,366	11,151,380,552
Other liabilities	43	(2,165,996,320)	(947,169,487)
Cash generated from operating assets and liabilities (ii)		6,228,919,455	5,649,613,841
<b>Net cash flow from operating activities (i+ii)</b>		<b>10,422,481,798</b>	<b>9,613,064,998</b>
<b>B) Cash flows from investing activities</b>			
Sale of securities		132,195,952	-
Payment for purchase of securities		(214,515,337)	(2,800,190,628)
Purchase/sale of property, plant and equipment		(1,269,572,301)	(263,160,342)
<b>Net cash used in investing activities</b>		<b>(1,351,891,686)</b>	<b>(3,063,350,970)</b>
<b>C) Cash flows from financing activities</b>		-	-
D) Net increase in cash and cash equivalents (A+B+C)		9,070,590,112	6,549,714,028
E) Effects of exchange rate changes on cash and cash equivalents		568,988,606	410,042,260
F) Cash and cash equivalents at beginning of the year		18,100,781,144	11,141,024,856
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>		<b>27,740,359,862</b>	<b>18,100,781,144</b>
<b>Cash and cash equivalents at end of the year consists of:</b>			
Cash in hand (including foreign currencies)		3,140,947,220	2,387,407,570
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		7,281,465,282	5,949,910,653
Balance with other banks and financial institutions		3,663,583,361	2,950,575,054
Money at call and short notice		3,956,729,167	3,549,179,167
Government Securities		9,697,634,832	3,263,708,700
		<b>27,740,359,862</b>	<b>18,100,781,144</b>

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

**BALANCE SHEET**  
AS AT 31 DECEMBER 2013

		<i>Figures in Taka</i>	
	Notes	2013	2012
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
In hand (including foreign currencies)	4.a	3,140,858,752	2,387,327,965
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	4.a.1	7,281,465,282	5,949,910,653
		<b>10,422,324,034</b>	<b>8,337,238,618</b>
<b>Balance with other banks and financial institutions</b>	5.a		
In Bangladesh		3,161,718,629	2,584,184,757
Outside Bangladesh		338,532,625	357,798,700
		<b>3,500,251,254</b>	<b>2,941,983,457</b>
<b>Money at call and short notice</b>	6	3,956,729,167	3,549,179,167
<b>Investments</b>	7.a		
Government		21,985,302,692	15,697,273,822
Others		4,506,557,038	4,594,134,480
		<b>26,491,859,730</b>	<b>20,291,408,302</b>
<b>Loans and advances/investments</b>	8.a		
Loans, cash credits, overdrafts, etc./investments		85,019,975,947	79,483,309,101
Bills purchased and discounted	9	4,858,653,956	3,849,358,122
		<b>89,878,629,903</b>	<b>83,332,667,223</b>
<b>Fixed assets including premises, furniture and fixtures</b>	10.a	6,809,072,120	5,921,396,308
<b>Other assets</b>	11.a	6,030,129,706	5,381,609,735
<b>Non-banking assets</b>	12	382,622,964	430,149,002
<b>Total assets</b>		<b>147,471,618,878</b>	<b>130,185,631,812</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	13.a	7,903,962,756	5,366,611,677
<b>Deposits and other accounts</b>	14.a		
Current deposits and other accounts		10,797,050,474	10,159,694,436
Bills payable		838,533,143	1,172,149,548
Savings bank deposits		18,606,964,869	16,705,636,955
Fixed deposits		77,254,054,249	66,061,145,126
Bearer certificate of deposit		-	-
		<b>107,496,602,735</b>	<b>94,098,626,065</b>
<b>Other liabilities</b>	15.a	13,546,278,684	12,758,967,198
<b>Total liabilities</b>		<b>128,946,844,175</b>	<b>112,224,204,940</b>
<b>Capital/shareholders' equity</b>			
Paid up capital	16.2	6,950,778,030	6,318,889,120
Statutory reserve	17	3,384,692,023	3,023,446,512
Share premium	18	1,924,634,700	1,924,634,700
Other reserve	19	5,578,357,360	5,936,570,307
Surplus in profit and loss account	20.a	686,312,590	757,886,233
<b>Total shareholders' equity</b>		<b>18,524,774,703</b>	<b>17,961,426,872</b>
<b>Total liabilities and shareholders' equity</b>		<b>147,471,618,878</b>	<b>130,185,631,812</b>

OFF- BALANCE SHEET ITEMS	Notes	Figures in Taka	
		2013	2012
<b>Contingent liabilities</b>	22		
Acceptances and endorsements		17,147,774,288	13,733,063,904
Letters of guarantee	22.1	12,447,680,450	6,171,212,207
Irrevocable letters of credit	22.2	9,404,782,280	9,912,795,625
Bills for collection	22.3	6,424,461,406	7,924,994,306
Other contingent liabilities		-	-
<b>Total</b>		<b>45,424,698,424</b>	<b>37,742,066,042</b>
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed	22.4	2,536,878,100	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Other commitments		-	-
<b>Total</b>		<b>2,536,878,100</b>	<b>-</b>
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b>47,961,576,524</b>	<b>37,742,066,042</b>

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




Managing Director & CEO



Director



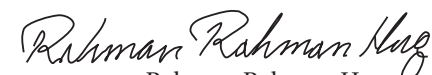
Director



Chairman

Signed as per annexed report of even date

Dhaka  
25 March, 2014

  
Rahman Rahman Huq  
Chartered Accountants

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Figures in Taka	
		2013	2012
Interest income/profit on investments	24.a	13,612,919,677	12,442,964,209
Interest paid/profit shared on deposits and borrowings etc.	25.a	(8,593,433,437)	(7,672,887,094)
<b>Net interest income/profit on investments</b>		<b>5,019,486,240</b>	<b>4,770,077,115</b>
Investment income	26.a	1,653,992,828	1,819,365,941
Commission, exchange and brokerage	27.a	1,461,165,852	1,249,074,628
Other operating income	28.a	761,276,475	721,605,044
		<b>3,876,435,155</b>	<b>3,790,045,613</b>
<b>Total operating income (A)</b>		<b>8,895,921,395</b>	<b>8,560,122,728</b>
Salaries and allowances	29	2,377,759,372	2,027,332,040
Rent, taxes, insurance, electricity, etc.	30.a	512,683,886	438,739,311
Legal expenses	31.a	19,024,532	24,718,198
Postage, stamp, telecommunication, etc.	32.a	61,602,499	56,256,858
Stationery, printing, advertisements, etc.	33.a	256,293,475	237,079,106
Chief Executive's salary and fees	34	17,630,000	15,937,836
Directors' fees	35.a	1,165,000	890,000
Auditors' fees		1,111,525	756,750
Depreciation and repair of Bank's assets	36.a	569,798,210	507,138,743
Other expenses	37.a	932,625,340	684,017,009
		<b>4,749,693,839</b>	<b>3,992,865,851</b>
<b>Total operating expenses (B)</b>		<b>4,749,693,839</b>	<b>3,992,865,851</b>
<b>Profit before provision (C = A-B)</b>		<b>4,146,227,556</b>	<b>4,567,256,877</b>
Provision for loans and advances/investments	38.a	(2,235,000,000)	(2,644,021,721)
Provision for off-balance sheet exposures		(105,000,000)	(160,500,000)
Other provision		-	-
<b>Total provision (D)</b>		<b>(2,340,000,000)</b>	<b>(2,804,521,721)</b>
<b>Total profit before taxes (E = C+D)</b>		<b>1,806,227,556</b>	<b>1,762,735,156</b>
<b>Provision for taxation (F)</b>	39.a		
Current tax expense		(925,000,000)	(951,772,424)
Deferred tax income / (expense)		29,952,724	(48,227,576)
<b>Total provision for tax</b>		<b>(895,047,276)</b>	<b>(1,000,000,000)</b>
<b>Net profit after tax (G = E+F)</b>		<b>911,180,280</b>	<b>762,735,156</b>



2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

	Notes	2013	2012
<i>Figures in Taka</i>			
<b>Appropriations</b>			
Statutory reserve		361,245,511	352,547,031
General reserve		-	-
		<u>361,245,511</u>	<u>352,547,031</u>
<b>Retained surplus for the year</b>		<u>549,934,769</u>	<u>410,188,125</u>
<b>Earnings per share (EPS)</b>	44.a	1.31	1.10

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



Managing Director & CEO



Director



Director



Chairman

Signed as per annexed report of even date

Dhaka  
25 March, 2014

  
Rahman Rahman Huq  
Chartered Accountants

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013

Particulars	Paid-up capital	Statutory reserve	Share Premium	Asset revaluation reserve	General reserve	Revaluation gain/(loss) on investment	Surplus in profit and loss account	Total equity
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 1 January 2013	6,318,889,120	3,023,446,512	1,924,634,700	3,713,428,368	11,394,928	2,211,747,011	757,886,233	17,961,426,872
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	(336,853,449)	-	(336,853,449)
Adjustment for sale of revalued assets	-	-	-	(10,979,000)	-	-	-	(10,979,000)
Adjustment of revaluation reserve with retained earnings for charging depreciation of revalued carrying amount	-	-	-	(10,380,498)	-	-	10,380,498	-
Net profit/(loss) for the year	-	-	-	-	-	-	911,180,280	911,180,280
Dividend (bonus share)	631,888,910	-	-	-	-	-	(631,888,910)	-
Appropriation made during year	-	361,245,511	-	-	-	-	(361,245,511)	-
<b>Balance as at 31 December 2013</b>	<b>6,950,778,030</b>	<b>3,384,692,023</b>	<b>1,924,634,700</b>	<b>3,692,068,870</b>	<b>11,394,928</b>	<b>1,874,893,562</b>	<b>686,312,590</b>	<b>18,524,774,703</b>

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012

Particulars	Paid-up capital		Statutory reserve		Share Premium		Asset revaluation reserve		General reserve		Revaluation gain/(loss) on investment		Surplus in profit and loss account		Total equity		
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	
Balance as at 1 January 2012	5,055,111,300	2,670,889,481	1,924,634,700	3,655,749,663	11,394,928	2,937,032,664	1,601,095,430	17,855,918,166									
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	68,059,203	-	(725,285,653)	-	(657,226,450)	-	-	-	-	-	-	-	-	-
Adjustment of revaluation reserve with retained earnings for changing depreciation of revalued carrying amount	-	-	-	(10,380,498)	-	-	10,380,498	-	-	-	-	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	-	-	762,735,156	-	-	-	-	-	-	-	-	-	-
Dividend (bonus share)	1,263,777,820	-	-	-	-	-	(1,263,777,820)	-	-	-	-	-	-	-	-	-	-
Appropriation made during year	-	352,547,031	-	-	-	-	(352,547,031)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2012</b>	<b>6,318,889,120</b>	<b>3,023,446,512</b>	<b>1,924,634,700</b>	<b>3,713,428,368</b>	<b>11,394,928</b>	<b>2,211,747,011</b>	<b>757,886,233</b>	<b>17,961,426,872</b>									

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in Taka

	Notes	2013	2012
<b>A) Cash flows from operating activities</b>			
Interest receipts/investment income receipts in cash		13,673,680,414	12,306,559,146
Interest payments/profit paid on deposits		(7,346,659,569)	(6,999,844,689)
Dividend receipts		68,046,720	75,688,910
Fees and commission receipts in cash		892,521,220	839,032,368
Recoveries of loans previously written off	15.a.1	228,336,832	136,636,224
Cash payments to employees		(2,302,928,372)	(1,939,409,260)
Cash payments to suppliers		(96,847,733)	(74,870,725)
Income taxes paid	11.a.3	(1,023,391,989)	(1,322,887,070)
Receipts from other operating activities	40.a	2,408,832,722	2,200,832,631
Payments for other operating activities	41.a	(2,081,710,349)	(1,305,652,684)
Cash generated from operating activities before changes in operating assets and liabilities (i)		4,419,879,896	3,916,084,851
<b>Increase/decrease in operating assets and liabilities</b>			
Loans and advances to customers		(6,545,962,680)	(6,525,635,892)
Other assets	42.a	613,761,514	(537,888,686)
Deposits from other banks/borrowings		10,328,220,326	1,714,001,438
Deposits from customers	14.a	5,607,107,421	11,669,230,721
Other liabilities	43.a	(2,475,784,447)	(900,565,667)
Cash generated from operating assets and liabilities (ii)		7,527,342,134	5,419,141,914
<b>Net cash from operating activities (i+ii)</b>		<b>11,947,222,030</b>	<b>9,335,226,765</b>
<b>B) Cash flows from investing activities</b>			
Proceeds from sale of securities		153,686,595	136,922,245
Payment for purchase of securities		(214,515,341)	(2,632,141,704)
Purchase/sale of property, plant and equipment		(1,257,128,099)	(261,080,433)
Investment in subsidiaries		(1,713,080,473)	-
<b>Net cash used in investing activities</b>		<b>(3,031,037,318)</b>	<b>(2,756,299,892)</b>
<b>C) Cash flows from financing activities</b>			
<b>D) Net increase in cash and cash equivalents (A+B+C)</b>		<b>8,916,184,712</b>	<b>6,578,926,873</b>
<b>E) Effects of exchange rate changes on cash and cash equivalents</b>		<b>568,644,632</b>	<b>410,042,260</b>
<b>F) Cash and cash equivalents at beginning of the year</b>		<b>18,092,109,943</b>	<b>11,103,140,810</b>
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>		<b>27,576,939,287</b>	<b>18,092,109,943</b>
<b>Cash and cash equivalents at end of the year consists of:</b>			
Cash in hand (including foreign currencies)		3,140,858,752	2,387,327,965
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		7,281,465,282	5,949,910,653
Balance with other banks and financial institutions		3,500,251,254	2,941,983,457
Money at call and short notice		3,956,729,167	3,549,179,167
Government securities		9,697,634,832	3,263,708,700
		<b>27,576,939,287</b>	<b>18,092,109,943</b>

The annexed notes form an integral part of these financial statements



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2013

### 1. REPORTING ENTITY

#### 1.1 STATUS OF THE BANK

The City Bank Limited ("the Bank") was incorporated as a public limited company in Bangladesh under The Companies Act 1913. It commenced its banking business from 14 March 1983 under the license issued by Bangladesh Bank. The Bank has 92 (2012: 90) branches, 11 (2012: 11) SME/Agri branches and 1 SME centre in Bangladesh as at 31 December 2013. The Bank had no overseas branches as at 31 December 2013. Out of the above 92 branches, one branch is designated as Islamic Banking Branch complying with the rules of Islamic Shariah, the modus operandi of which is substantially different from other branches run on conventional basis. It has 210 (2012: 163) ATMs as at 31 December 2013. The Bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company. The registered office of the Bank is located at 136, Bir Uttam Mir Shawkat Sarak (Gulshan Avenue), Gulshan-2, Dhaka-1212.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2013 comprise the Bank and its subsidiaries (collectively the 'Group' and individually 'Group entities').

#### 1.2 PRINCIPAL ACTIVITIES OF THE BANK

The principal activities of the Bank are to provide a comprehensive range of financial services including commercial banking, consumer banking, trade services, SME, retail, custody and clearing services to its customers. There have been no significant changes in the nature of the principal activities of the Bank during the financial period under audit.

#### 1.3 ISLAMIC BANKING

The Bank obtained permission for Islamic Banking branch from Bangladesh Bank vide letter no. BL/DA/6852/2003 dated 16 July 2003. Through the Islamic Banking Branch the Bank extends all types of Islamic Shariah Compliant finance like lease, hire purchase shirkatul melk (HPSM), bai muazzal, household scheme etc. and different types of deposit like mudaraba/manarah savings deposits, mudaraba/manarah term deposits, al-wadeeah current deposits, monthly/ quarterly profit paying scheme etc.

#### 1.4 OFF-SHORE BANKING

Off-shore Banking Unit (OBU) is a separate business unit of the Bank, governed under the rules and guidelines of Bangladesh

Bank. The Bank obtained the Off-shore Banking Unit permission vide letter No. BRPD(P-3)744(101)/2010-4129 dated 10 November 2009. OBU provides varied financial needs of 100% foreign owned/joint venture industrial units and foreign entities located in Export Processing Zones of Bangladesh. Separate financial Statements of Off-shore Banking Unit are shown in Annexures H(1) and H(2).

#### 1.5 THE CITY BROKERAGE LIMITED

The City Brokerage Limited ('the Company') was incorporated in Bangladesh as a private limited company on 31 March 2010 vide registration no. C-83616/10 under the Companies Act 1994. The legal status of the Company has been converted into public limited company from private limited company in June 2012 in compliance with Bangladesh Securities and Exchange Commission Rules 2000. Previously the Bank launched its brokerage division on 4 August 2009 which was subsequently separated from the Bank on 15 November 2010. On 31 December 2013 the Bank held 99.9963% shares of the Company.

The financial statements, audited by S.F. Ahmed & Co, Chartered Accountants, have been enclosed in Appendix A.

#### 1.6 CITY BANK CAPITAL RESOURCES LIMITED

City Bank Capital Resources Limited (CBCRL) was incorporated in Bangladesh as a private limited company on 17 August 2009 vide registration no. C-79186/09 under the Companies Act, 1994. The registered office of CBCRL is at 10 Dilkusha Commercial Area, Jibon Bima Tower, Dhaka -1000. CBCRL delivers a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. On 31 December 2013 the Bank held 99.9933% shares of CBCRL.

The financial statements, audited by S.F. Ahmed & Co, Chartered Accountants, have been enclosed in Appendix B.

#### 1.7 CBL MONEY TRANSFER SDN. BHD.

CBL Money Transfer Sdn. Bhd. (CMTS) is a private company limited by shares incorporated under the laws of Malaysia and registered with the Companies Commission of Malaysia with Registration No. 769212M carrying on money services business under the Money Services Business Act 2011 under a Class B License No. 00127 from the Bank Negara Malaysia. CMTS is principally engaged as inbound and outbound remittance service provider.

The Bank entered into an agreement on 4 April 2013 to purchase 75% of ordinary shares of CMTS with an agreement to acquire 100% shares of CMTS ultimately and the company became and started as subsidiary of the Bank since 5 August 2013. On 31 December 2013 the Bank held 87.20% shares of CMTS.

The financial statements, audited by Nasharuddin Wong & Co, Chartered Accountants, have been enclosed in Appendix C.

### 2. BASIS OF PREPARATION

#### 2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group and financial statements of the Bank as at and for the year ended 31 December 2013 have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987. In case any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of BFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail. Material departures from the requirements of BFRS are as follows:

#### I) INVESTMENT IN SHARES AND SECURITIES

**BFRS:** As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the reporting date is taken to profit and loss account or revaluation reserve respectively.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the reporting date 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 on portfolio basis.

#### II) REVALUATION GAIN/LOSS ON GOVERNMENT SECURITIES

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

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

### III) PROVISION ON LOANS AND ADVANCES

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

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

#### IV) RECOGNITION OF INTEREST IN SUSPENSE

**BFRS:** Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is not recognised in the financial statements.

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

#### V) OTHER COMPREHENSIVE INCOME

**BFRS:** As per BAS 1 Other Comprehensive Income is a component of financial statements or the elements of Other Comprehensive Income are to be included in a Single Comprehensive Income (OCI) Statement.

**Bangladesh Bank:** Bangladesh Bank has issued templates for financial statements which are required to 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 Comprehensive Income (OCI) Statement. As such the company does not prepare the other comprehensive income statement. However elements of OCI, if any, are shown in the statements of changes in equity.

## VI) FINANCIAL INSTRUMENTS – PRESENTATION AND DISCLOSURE

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

### VII) REPO TRANSACTIONS

**BFRS:** When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a deposit as opposed to a sale, and the underlying asset continues to be recognised in the entity's financial statements. Such transactions do not satisfy the derecognition criteria specified in BAS 39. Such transactions will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense. Same rule applies to the opposite side of the transaction (Reverse REPO).

**Bangladesh Bank:** As per Bangladesh Bank circulars/ guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets are derecognised in the seller's book and recognised in the buyer's book.

### VIII) FINANCIAL GUARANTEES

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

**Bangladesh Bank:** As per BRPD 14, financial guarantees such as L/C, L/G will be treated as Off-Balance Sheet items. No liability is recognised for the guarantee except the cash margin.

### IX) CASH AND CASH EQUIVALENT

**BFRS:** As per BAS 7 cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Therefore, some items like Balance with Bangladesh Bank on account of CRR/SLR are not part of cash and cash equivalent as those are not readily available.

**Bangladesh Bank:** As per Bangladesh Bank circulars/ guidelines, balance with Bangladesh Bank is part of cash and cash equivalent regardless of any restriction. Furthermore, some cash and cash equivalent items such as 'money at call and on short notice', Treasury bills, Prize bond are not presented as cash and cash equivalent. Instead money at call and on short notice is presented as a face item in balance sheet, and Treasury bills, Prize bonds are presented as investment.

### X) NON-BANKING ASSET

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

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

### XI) CASH FLOW STATEMENT

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

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

### XII) BALANCE WITH BANGLADESH BANK: (CRR)

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

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

### XIII) PRESENTATION OF INTANGIBLE ASSET

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

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

### XIV) OFF-BALANCE SHEET ITEMS

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

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

### XV) DISCLOSURE OF APPROPRIATION OF PROFIT

**BFRS:** There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

**Bangladesh Bank:** As per BRPD 14, an appropriation of profit should be disclosed in the face of profit and loss account.

## XVI) LOANS AND ADVANCE NET OF PROVISION

**BFRS:** Loans and advances should be presented net of provisions.

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

(Also refer to note 3.16 for Compliance of BFRSs)

### 2.2 BASIS OF MEASUREMENT

The financial statements of the Group have been prepared on historical cost basis except for the following:

- Government Treasury Bills and Bonds designated as 'Held for Trading (HFT)' are present at value using marking to market concept with gain crediting to revaluation reserve.
- Government Treasury Bills and Bonds designated as 'Held to Maturity (HTM)'
- Investment in shares of listed companies are prepared at market value with gain credited to revaluation reserve.
- Fixed assets (land and building) are carried at revalued amount.

### 2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Bangladesh Taka (Taka/Tk) which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Taka has been rounded to the nearest integer.

### 2.4 USE OF ESTIMATES AND JUDGEMENTS

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 - as explained in note 3.3.3
- Employee benefits - as explained in note 3.12.2 and 3.12.3
- Income tax - as explained in note 3.13

### 2.5 REPORTING PERIOD

These financial statements cover one calendar year from 1 January 2013 to 31 December 2013.

## 2.6 CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with BAS 7 Cash Flow Statements considering the requirements specified in BRPD circular No. 14 dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank.

### 2.7 STATEMENT OF CHANGES IN EQUITY

The Statement of changes in equity reflects information about the increase or decrease in net assets or wealth. Statement of changes in equity is prepared principally in accordance with BAS-1 "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank's BRPD Circular No. 14 dated 25 June 2003.

### 2.8 LIQUIDITY STATEMENTS

The liquidity statement of assets and liabilities as on the reporting date has been prepared on the following basis:

- balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- investments are on the basis of their respective maturity.
- loans and advances are on the basis of their repayment maturity.
- fixed assets are on the basis of their useful lives.
- other assets are on the basis of their realisation/ amortisation.
- borrowing from other banks, financial institutions and agents, etc. are as per their maturity/repayments.
- deposits and other accounts are on the basis of their maturity term.
- provision and other liability on the basis of their repayment/adjustments schedule.

Details are shown in Annexures A and A/1.

### 2.9 FINANCIAL STATEMENTS FOR OFFSHORE BANKING UNIT (OBU)

Reporting currency of Offshore Banking Unit is US Dollar. However, foreign currency transactions are converted into equivalent Taka using the ruling exchange rates on the dates of respective transactions as per BAS 21 'The Effects of changes in Foreign Exchange Rates'. Foreign currency balances held in US Dollar are converted into Taka at weighted average rate of Inter Bank market as determined by Bangladesh Bank on the closing date of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policy set out below have been applied consistently to all periods presented in these consolidated



financial statements of the Group and those of the Bank have been applied consistently by the group entities.

### 3.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of The City Bank Limited and its three subsidiaries, City Brokerage Limited, City Bank Capital Resources Limited and CBL Money Transfer Sdn. Bhd., made for the year ended 31 December 2013. The consolidated financial Statements have been prepared in accordance with BFRS 10 'Consolidated Financial Statements'.

#### 3.1.1 SUBSIDIARIES

Subsidiaries are the entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### 3.1.2 NON-CONTROLLING INTEREST

The Group elects to measure any non-controlling interests in the subsidiaries either:

- at fair value; or
- at their proportionate share of the acquires identifiable net assets, which are generally at fair value.

#### 3.1.3 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing these consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.2 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the profit and loss statement.

### 3.3 ASSETS AND BASIS OF THEIR VALUATION

#### 3.3.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, balances held with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, money at call and on short notice, investments in treasury bills, Bangladesh Bank bill and prize bonds.

#### 3.3.2 INVESTMENTS

All investments are initially recognised at cost including acquisition charges associated with the investment. Premiums are amortised and discount accredited using the effective or historical yield method. Accounting treatment of government treasury bills and bonds (categorised as HFT and HTM) are made in accordance with Bangladesh Bank DOS circular letter no. 5, dated 26 May 2008 and DOS circular letter no. 05 dated 28 January 2009.

#### HELD TO MATURITY

Investments which have 'fixed or determinable payments' and are intended to be held to maturity are classified as 'Held to Maturity'. These are measured at amortised cost at each yearendby taking into account any discount or premium in acquisition. Any increase or decrease in value of such investments are booked under equity and in the profit and loss statement respectively.

#### HELD FOR TRADING

Investment classified in this category are acquired principally for the purpose of selling or repurchasing in short trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognised in the profit and loss statement and revaluation reserve as per Bangladesh Bank's guideline.

#### INVESTMENT IN QUOTED SHARES

These securities are bought and held primarily for the purpose of selling them in future or held for dividend income. These are valued and reported at market price as per Bangladesh Bank's guidelines. Booking of provision for Investment in securities (gain/loss net off basis) are made as per DOS Circular no.4 dated 14 November 2011.

#### INVESTMENT IN UNQUOTED SHARES

Investment in unquoted shares are recognised at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unquoted shares.

Value of investments has been shown as under:

Government Treasury Bills and Bonds (HFT) and Bangladesh Bank bill	At present value (using marking to market concept)
Government Treasury Bills and Bonds (HTM) and Bangladesh Bank bill	At present value (using amortised cost concept)
Prize Bond	At cost
BHBFC-debenture	At redeemable value
Unquoted shares	At cost or book value as per last audited balance sheet, whichever is lower
Quoted shares	At market price

#### 3.3.3 LOANS AND ADVANCES/INVESTMENTS AND PROVISIONS FOR LOANS AND ADVANCES/INVESTMENTS

a) Loans and advances of conventional Banking/ investments of Islamic Banking branches are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not sell in the normal course of business.

b) At each balance sheet date and periodically throughout the year, the Bank reviews loans and advances/ investments 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.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 formula based approach whereby specified rates are applied to the various categories of loans as defined in the circular. The provisioning rates are as follows:

Particulars	Rate
<b>General provision on Unclassified loans (Standard and SMA):</b>	
Unclassified general loans and advances/ investments	1%
Unclassified small and medium enterprise financing	0.25%
Unclassified loans/investment for housing finance and on loans for professionals	2%
Unclassified consumer financing other than housing finance and loans for professionals	5%
Unclassified agricultural loans	5%
<b>Specific provision on:</b>	
Substandard loans and advances/investments	20%
Doubtful loans and advances/investment	50%
Bad / loss and advances/investments	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 above, 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.

Provisions for short term agricultural and micro-credits

All credits except 'Bad/Loss' (i.e. Doubtful, Substandard, irregular and regular credit)	5%
Bad/Loss	100%

c) Loans and advances are written off to the extent that

- i) there is no realistic prospect of recovery, and
- ii) against which legal cases are filed, where required and classified as bad/loss as per guidelines of Bangladesh Bank.

These write off however will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such written off accounts are maintained and followed up.

d) Amounts receivable on credit cards are included in advances to customers at the amounts expected to be recovered.

#### 3.3.4 STAFF LOAN

House building and car loan are provided to the permanent staff at a subsidised rate. Criteria and detail of type wise staff loan are given below:

**House building loan:** A permanent staff completing 5 years of service can avail house building loan subject to getting approval from Managing Director, CEO and recommended by the concerned divisional head.

**Car loan:** All permanent staff from AVP can avail car loan subject to getting approval from Managing Director, CEO and recommended by the concerned divisional head.

#### 3.3.5 FIXED ASSETS (PROPERTY, PLANT AND EQUIPMENT)

##### RECOGNITION AND MEASUREMENT

Items of fixed assets excluding land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land and building are carried at revalued amounts.

Cost includes expenditure that are directly attributable to the acquisition of asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner.

When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed asset, and is recognised in other income/other expenses in profit or loss.

#### SUBSEQUENT COSTS

The cost of replacing a component of an item of fixed assets are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced parts are derecognised. The costs of the day to day servicing of fixed assets are recognised in the profit and loss statement as incurred.

#### DEPRECIATION

Depreciation on fixed assets are recognised in the profit and loss statement on straight line method over its estimated useful lives. In case of acquisition of fixed assets, depreciation is charged from the month of acquisition, whereas depreciation on disposed off fixed assets are charged up to the month prior to the disposal. Asset category wise depreciation rates for the current and comparative periods are as follows:

Category of assets	Rate of depreciation
Land	Nil
Building	2.5%
Furniture and fixtures	10%
Office equipment and machinery	20%
Software	5%
Vehicles	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted, if appropriate.

#### 3.3.6 NON- BANKING ASSETS

Bank has recognised the Non-Banking Assets equivalent to the final liability receivable from the client. No reserve has been created for excess of market value over adjusted liabilities.

#### 3.3.7 PROVISIONS FOR OTHER ASSETS

BRPD circular No.14 (25 June 2001) requires a provision of 100% on other assets which are outstanding for one year and above. The Bank maintains provisions in line with this circular unless it assesses there is no doubt of recovery on items of other assets in which case no provision is kept.

#### 3.3.8 INTANGIBLE ASSETS AND ITS AMORTISATION

Intangible assets comprise separately identifiable intangible items arising from use of franchise of AMEX and the use of Finacle from Infosys. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight line method over its estimated useful economic life.

#### 3.3.9 RECONCILIATION OF INTER-BANK AND INTER-BRANCH ACCOUNT

Account with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly. Un-reconciled entries/balances in the case of inter-branch transactions on the reporting date are not material.

#### 3.4 LIABILITIES AND BASIS OF THEIR VALUATION

##### 3.4.1 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

Borrowings from other banks, financial institutions and agents includes refinance from Bangladesh Bank against agro-based credit, SME Loan etc., interest-bearing borrowings against securities from Bangladesh Bank and call borrowing from other banks. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in note 13.

##### 3.4.2 DEPOSITS AND OTHER ACCOUNTS

Deposits and other accounts include non interest-bearing current deposit redeemable at call, interest bearing on demand and short-term deposits, savings deposit and fixed deposit. These items are brought into financial statements at the gross value of outstanding balance. Details are shown in note 14.

##### 3.4.3 PROVISION FOR LIABILITIES

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations in accordance with BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

##### 3.4.4 PROVISION FOR OFF-BALANCE SHEET EXPOSURE

BRPD circular No.14 (23 September 2012) requires a general provision for off-balance sheet exposures to be calculated at 1% on all off-balance sheet exposures as defined in BRPD circular No.10 (24 November 2002). Accordingly the Bank has recognised a provision of 1% on the following off-balance sheet items:

- Acceptance and endorsements
- Letters of guarantee
- Irrevocable letters of credit
- Foreign exchange contracts

##### 3.4.5 PROVISIONS ON BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (NOSTRO ACCOUNTS)

Provisions for unsettled transactions on nostro accounts made are reviewed semi-annually by management and certified by our external auditors in accordance with Bangladesh Bank Foreign

Exchange Policy Department (FEPD) circular No. 677 (13 September 2005).

#### 3.4.6 OTHER LIABILITIES

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxation, interest payable, interest suspense, accrued expenses, obligation under finance lease etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, Income Tax Ordinance 1984 and internal policy of the Bank.

#### 3.5 CAPITAL/SHAREHOLDERS' EQUITY

##### 3.5.1 AUTHORISED CAPITAL

Authorised capital is the maximum amount of share capital that the Bank is authorised by its Memorandum and Articles of Association.

##### 3.5.2 PAID UP CAPITAL

Paid up capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding-up of the Bank, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

##### 3.5.3 SHARE PREMIUM

Share premium is the capital that the Bank raises upon issuing shares for a price in excess of the nominal value of shares. The share premium shall be utilised in accordance with provision of section 57 of the Companies Act 1994 and as directed by Securities and Exchange Commission in this respect.

##### 3.5.4 STATUTORY RESERVE

Statutory reserve has been maintained at the rate of 20% of profit before tax in accordance with provisions of section 24 of the Bank Companies Act 1991. Such transfer shall continue until the reserve balance equals its paid up capital together with the share premium.

##### 3.5.5 REVALUATION RESERVE FOR GOVERNMENT SECURITIES

Revaluation reserve for government securities arises from the revaluation of treasury bills, Bangladesh Bank bills and treasury bonds (HFT and HTM) in accordance with the DOS circular no. 5 dated 26 May 2008 and DOS(SR) 1153/120/2010 dated 8 December 2010.

##### 3.5.6 REVALUATION RESERVE FOR FIXED ASSETS

Revaluation reserve for fixed assets arises from the revaluation of any class of fixed assets when the market price of the assets increased significantly from the carrying value. When an asset's

carrying amount is increased as a result of revaluation, the increased amount is recognised directly to equity under the heading of revaluation surplus/reserve as per BAS 16 "Property, Plant and Equipment". The Bank revalued its land and buildings during the year 2011 and accordingly created an asset revaluation reserve.

#### 3.5.7 CAPITAL MANAGEMENT

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve the following objectives:

To comply with the capital requirements set by the regulators;

To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

To maintain a strong capital base to support the development of its business.

Capital is managed in accordance with the Board approved Capital Management Planning. Senior management develops the capital strategy and oversee the capital management planning of the Bank. The Bank's finance, treasury and risk management departments are key participators in implementing the Bank's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal matrix.

#### 3.6 CONTINGENT LIABILITIES

##### A contingent liability is:

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

A present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated. Contingent assets are not recognised in the financial statements as this may result in the recognition of income which may never be realised.

#### 3.7 REVENUE RECOGNITION

##### 3.7.1 INTEREST INCOME

Interest on loans and advances is calculated on daily product basis and accrued at the end of each month, but charged to customers' accounts on quarterly basis.



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.

### 3.7.2 PROFIT ON INVESTMENT (ISLAMIC BANKING)

Mark-up on investment is taken into income account proportionately from profit receivable account. Overdue charge/compensation on classified investments are transferred to profit suspense account instead of income account.

### 3.7.3 INVESTMENT INCOME

Income on investments are recognised on accrual basis. Investment income includes discount on treasury bills and Bangladesh Bank bills, interest on treasury bonds and fixed deposit with other banks. Capital gain on investments in shares are also included in investment income. Capital gain is recognised when it is realised.

### 3.7.4 FEES AND COMMISSION INCOME

The Bank earns commission and fee income from a diverse range of service provided to its customers. Commission and fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed
- income earned from services provided is recognised as revenue as the services are provided
- Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

### 3.8 INTEREST PAID ON BORROWING AND OTHER DEPOSITS (CONVENTIONAL BANKING)

Interest paid and other expenses are recognised on accrual basis

### 3.9 PROFIT SHARED ON DEPOSITS (ISLAMIC BANKING)

Profit shared to mudaraba deposits are recognised on accrual basis.

### 3.10 DIVIDENDS

Dividend income is recognised when the right to receive income is established. Dividends are presented under investment income.

### 3.11 LEASE PAYMENTS

Payments made under operating leases are recognised in the profit and loss statement on a straight-line basis over the terms of the lease.

Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3.12 EMPLOYEE BENEFITS

#### 3.12.1 PROVIDENT FUND

Provident Fund benefits are given to the permanent staff of the

Bank in accordance with the registered provident Fund rules. The Commissioner of Income Tax, Taxes Zone - 4, Dhaka, has approved the Provident Fund as a recognised fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The reorganisation took effect on 31 October 1987. The Provident Fund is operated by a Board of Trustees consisting of 6 members of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Provident Fund. The Bank also contributes equal amount to the Provident Fund. Contributions made by the Bank are charged as expense and the Bank bears no further liability. Interest earned from the investments is credited to the members' account on yearly basis. Members are eligible to get both the contribution after 5 years of continuous service from the date of their membership.

#### 3.12.2 GRATUITY FUND

Gratuity Fund benefits are given to the staff of the Bank in accordance with the approved Gratuity Fund rules. National Board of Revenue has approved the Gratuity Fund as a recognised gratuity fund with effect from 3 June 2012. The Gratuity Fund is operated by a Board of Trustee consists of 7 members of the Bank. Employees are entitled to get gratuity benefit after completion of minimum 5 years of service in the Bank. Provision for gratuity is made annually covering all its permanent eligible employees. A valuation of gratuity scheme had been made in 2013 by a professional Actuarial & Pension Consultants, Z. Halim & Associates to assess the adequacy of the liabilities provided for the scheme as per BAS 19 'Employee Benefits'. On continuing fund basis valuation, the Bank has been maintaining adequate provision against gratuity scheme.

#### 3.12.3 OTHER EMPLOYEE BENEFITS

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The Bank has following short term employee benefit schemes:

##### Hospitalisation insurance

The Bank has a health insurance scheme to its confirmed employees and their respective dependants at rates provided in health insurance coverage policy.

##### Life insurance

The Bank has a group life insurance scheme to its confirmed employees and the benefit of the scheme is available to the family of the employee on the occurrence of natural death of the employee during the tenure of his/her service.

### 3.13 TAX EXPENSE

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit and loss statement except to the extent that it relates to items recognised directly in equity.

### 3.13.1 CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Details are shown in note 15.a.5.

### 3.13.2 DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.13.3 TAX EXPOSURES

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's and the Bank's non-financial assets, other than deferred tax assets, are reviewed at each

reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.15 EARNINGS PER SHARE

The Group and the Bank present basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

No diluted earnings per share is required to be calculated for the period.

### 3.16 COMPLIANCE OF BANGLADESH FINANCIAL REPORTING STANDARD (BFRS)

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

Name of the standards	BFRS/BAS Ref.	Implementation status by the Bank
First-time Adoption of Bangladesh Financial Reporting Standards	BFRS-1	Not applicable
Share-based Payment	BFRS-2	Not applicable
Business Combinations	BFRS-3	Applied
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied with some departure (note 2.1)
Operating Segments	BFRS-8	Applied with some departure (note 3.19)
Consolidated Financial Statements	BFRS-10	Applied
Joint Arrangements	BFRS-11	Not applicable
Disclosure of Interest in Other Entities	BFRS-12	Applied
Fair Value Measurement	BFRS-13	Applied with some departure (note 2.1)
Presentation of Financial Statements	BAS-1	Applied with some departure (note 2.1)
Inventories	BAS-2	Not Applicable
Statement of Cash Flows	BAS-7	Applied with some departure (note 2.1)
Accounting Policies, Changes in Accounting Estimates and Errors	BAS-8	Applied
Events after the Reporting Period	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income Taxes	BAS-12	Applied
Property, Plant and Equipment	BAS-16	Applied
Leases	BAS-17	Applied
Revenue	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Costs	BAS-23	Not Applicable
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Not Applicable
Separate Financial Statements	BAS-27	Applied
Investments in Associates and Joint Venture	BAS-28	Not Applicable
Interests in Joint Ventures	BAS-31	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied with some departure (note 2.1)
Earnings per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairment of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition and Measurement	BAS-39	Applied with some departure (note 2.1)
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable

### 3.17 NEW ACCOUNTING STANDARDS

Except for the changes below, the Bank has consistently applied the accounting policies as set out in note - 3 to all periods presented in these financial statements.

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013. The effects of the changes are also explained below.

#### (a) BFRS 10 Consolidated Financial Statements

As a result of BFRS 10, the Group has changed/assessed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. BFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

The change did not have a material impact on the Group's financial statements.

#### (b) BFRS 11 Joint Arrangements

The Bank does not have any such arrangement; as such this standard does not have any impact on these financial statements.

#### (c) BFRS 12 Disclosure of Interests in Other Entities

As a result of BFRS 12, the Group has expanded disclosures about its interests in subsidiaries (see note - 1.5, 1.6 and 1.7)

#### (d) BFRS 13 Fair Value Measurement

BFRS 13 provides a new definition of fair value and requires new disclosures in the financial statements. Refer to Note 3.1 for how this has impact on these financial statements.

#### (e) Disclosures - Offsetting financial assets and financial liabilities (Amendments to BFRS 7)

As a result of the amendments to BFRS 7, expanded disclosures about offsetting financial assets and financial liabilities are required. Refer to Note 3.1 for how this has impacted these financial statements.

#### (f) BAS 19 Employee Benefits (2011)

As a result of BAS 19 Employee Benefits, the Bank has changed its accounting policy with respect to the basis for determining the income or expense related to post employment benefit plans.

Under BAS 19 (effective from 1 January 2013), the Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises interest cost on defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling.

#### (g) Recoverable Amounts Disclosures for Non-Financial Assets (Amendments to BAS 36) (2013)

The Bank does not have material impairment of non-financial assets; as such these amendments have no material impact on the financial statements.

#### (h) Novation of Derivatives and Continuation of Hedge Accounting (Amendments to BAS 39)

The Bank does not apply hedge accounting; as a result these amendments have no material impact on these financial statements.

### 3.18 OFFSETTING

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under BFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

### 3.19 SEGMENT REPORTING

The Group and the Bank have no identified operating segment and as such presentation of segmental reporting is not made in the financial statements as per BFRS 8. However, geographical and business segments wise limited disclosures are furnished in note 45.

Inter-segment transactions are generally based on inter-branch fund transfer measures as determined by the management. Income, expenses, assets and liabilities are specifically identified with individual segments. Based on such allocation, segmental balance sheet as on 31 December 2013 and segmental profit and loss account for the year ended 31 December 2013 have been prepared.



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		<i>Figures in Taka</i>	
		2013	2012
4	CONSOLIDATED CASH IN HAND		
	The City Bank Limited (note 4.a)	3,140,858,752	2,387,327,965
	City Brokerage Limited	77,500	77,500
	City Bank Capital Resources Limited	566	2,105
	CBL Money Transfer Sdn. Bhd.	10,402	-
		<u>3,140,947,220</u>	<u>2,387,407,570</u>
4.a	Cash in hand - The City Bank Limited		
	Local currency	3,003,920,308	2,054,135,267
	Foreign currency	136,938,444	333,192,698
		<u>3,140,858,752</u>	<u>2,387,327,965</u>
4.a.1	Balance with Bangladesh Bank and its agent bank(s)		
	Local currency	6,666,972,860	5,495,357,200
	Foreign currency	259,607,994	52,067,926
		<u>6,926,580,854</u>	<u>5,547,425,126</u>
	Sonali Bank Limited as agent of Bangladesh Bank (local currency)	354,884,428	402,485,527
		<u>7,281,465,282</u>	<u>5,949,910,653</u>
4.a.2	Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)		
	Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 33 of Banking Companies Act, 1991, BRPD circular no.11 and 12, dated 25 August 2005 and MPD circular no.116/2010-1713 dated 1 December 2010.		
	The minimum Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 6% has been calculated and maintained with Bangladesh Bank in current account and 13% Statutory Liquidity Ratio, excluding CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including foreign currency balances with Bangladesh Bank. Both reserves maintained by the Bank are in excess of the statutory requirements, as shown below:		
	a) Cash Reserve Requirement (CRR)		
	Required reserve	5,680,914,754	5,286,733,860
	Actual reserve maintained	6,701,759,235	5,560,945,131
	Surplus	<u>1,020,844,481</u>	<u>274,211,271</u>
	b) Statutory Liquidity Ratio (SLR)		
	Required reserve (including CRR)	19,494,057,428	16,538,738,093
	Actual reserve maintained (including CRR) (note 4.a.3)	32,063,899,641	23,152,326,336
	Surplus	<u>12,569,842,213</u>	<u>6,613,588,243</u>
4.a.3	Held for Statutory Liquidity Ratio (SLR)		
	Cash in hand	3,003,920,308	2,043,318,775
	Balance with Bangladesh Bank and its agent bank(s)	7,074,677,041	5,411,733,739
	Government securities and bonds	21,985,302,292	15,697,273,822
		<u>32,063,899,641</u>	<u>23,152,326,336</u>
5	CONSOLIDATED BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS		
	In Bangladesh		
	The City Bank Limited (note 5.a)	3,161,718,629	2,584,184,757
	City Brokerage Limited	269,036,011	361,408,149
	City Bank Capital Resources Limited	477,859,434	117,682,791
		<u>3,908,614,074</u>	<u>3,063,275,697</u>

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		<i>Figures in Taka</i>	
		2013	2012
	Mutual indebtedness:		
	Deposit with The City Bank Limited - City Brokerage Limited	(242,181,728)	(352,816,552)
	Deposit with The City Bank Limited - City Bank Capital Resources Limited	(403,843,184)	(117,682,791)
		<u>(646,024,912)</u>	<u>(470,499,343)</u>
	Adjustments for Consolidation - City Brokerage Limited	1,137,304	-
	Total in Bangladesh	<u>3,263,726,466</u>	<u>2,592,776,354</u>
	Outside Bangladesh		
	The City Bank Limited (note 5.a)	338,532,625	357,798,700
	CBL Money Transfer Sdn. Bhd.	61,324,270	-
	Total outside Bangladesh	<u>399,856,895</u>	<u>357,798,700</u>
	Grand total	<u>3,663,583,361</u>	<u>2,950,575,054</u>
5.a	Balance with other banks and financial institutions - The City Bank Limited		
	In Bangladesh (note 5.a.1)	3,161,718,629	2,584,184,757
	Outside Bangladesh (note 5.a.2)	338,532,625	357,798,700
		<u>3,500,251,254</u>	<u>2,941,983,457</u>
5.a.1	In Bangladesh		
	Current accounts		
	Janata Bank Limited	7,648,885	16,134,428
	Agrani Bank Limited	97,573,524	114,413,105
	United Commercial Bank Limited	6,595	2,368,170
	Rupali Bank Limited	320,147	5,289,595
	Islami Bank Bangladesh Limited	1,187	2,762
	Pubali Bank Limited	1,028	1,833
	Bangladesh Krishi Bank	2,916	3,416
	Sonali Bank Limited	144,593,928	99,508,663
	Sub total	<u>250,148,210</u>	<u>237,721,972</u>
	Short notice deposit accounts		
	Social Islami Bank Limited	-	30,180
	Dutch-Bangla Bank Limited	3,358,260	4,960,378
	Standard Chartered Bank	103,817,726	22,648,269
	Rupali Bank Limited	60,243,957	68,309,556
	AB Bank Limited	7,624,070	1,602,458
	Trust Bank Limited	14,458,007	12,613,406
	Bank Alfalah Limited	109,999,770	-
	Sub total	<u>299,501,790</u>	<u>110,164,247</u>
	Savings accounts		
	Social Islami Bank Limited	743,527	718,954
	Southeast Bank Limited	511,325,102	335,579,585
	Sub total	<u>512,068,629</u>	<u>336,298,539</u>

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Figures in Taka

		2013	2012
Fixed deposit receipts			
Bangladesh Industrial Finance Company Limited		-	150,000,000
Export Import Bank of Bangladesh Limited		550,000,000	550,000,000
Social Islami Bank Limited		200,000,000	200,000,000
Jamuna Bank Limited		250,000,000	200,000,000
Southeast Bank Limited		400,000,000	400,000,000
AB Bank Limited		400,000,000	400,000,000
Lankabangla Finance Limited		100,000,000	-
Premier Leasing & Finance Limited		100,000,000	-
Prime Finance & Investment Limited		100,000,000	-
Sub total		2,100,000,000	1,900,000,000
Total		3,161,718,629	2,584,184,757
5.a.2 Outside Bangladesh (Nostro accounts)			
<b>Current accounts</b>	<b>Currency</b>	<b>2013 Taka</b>	<b>2012 Taka</b>
Mashreq Bank, New York, USA	USD	24,237,116	50,075,378
Habib American Bank, New York, USA	USD	8,725,264	4,451,156
HSBC, London, UK	GBP	2,260,010	523,804
Citibank N.A. New York, USA	USD	(3,949,576)	(137,908,329)
Citibank N.A. Australia	AUD	4,211,073	2,302,255
HSBC, New York, USA	USD	(21,404,505)	282,696,581
Standard Chartered Bank, New York, USA	USD	41,833,063	95,352,096
Standard Chartered Bank, Frankfurt	EURO	1,474,921	4,414,026
Deutschebank, Frankfurt, Germany	EURO	(7,621,357)	(522,633)
Arab National Bank, Riyadh	SAR	338,734	347,477
Bank of Tokyo Mitsubishi Ltd., Japan	JPY	362,039	77,346
Deutschebank Bank Trust Comp. USA	USD	42,621,734	(6,050,169)
Standard Chartered Bank, Kolkata, India	ACUD	10,862,370	7,470,625
Bank of Tokyo Mitsubishi Ltd., Kolkata, India	ACUD	642,939	653,937
HSBC, Mumbai, India	ACUD	271,915	4,467,606
AB Bank Ltd., Mumbai, India	ACUD	11,675,076	3,020,766
Sonali Bank Ltd., Kolkata, India	ACUD	853,989	3,268,156
NIB Bank Limited, Karachi, Pakistan	ACUD	467,410	479,448
Standard Chartered Bank, Nepal	ACUD	10,918,016	15,123,818
Commerz Bank AG. Frankfurt, Germany	USD	6,920,110	19,301
Commercial Bank of Ceylon, Colombo, Sri Lanka	ACUD	3,469,079	1,384,943
Bank of Bhutan, Bhutan	ACUD	1,924,467	1,974,031
HSBC, Karachi, Pakistan	ACUD	5,633,551	1,019,124
Commerz Bank AG. Frankfurt, Germany	EURO	3,018,833	(3,546,507)
Commerz Bank AG. Frankfurt, Germany	CHF	3,122,063	4,511,461
WACHOVIA Bank N.A , New York, USA	USD	-	(40,253,530)
Mashreq Bank, Mumbai, India	ACUD	18,505,108	13,813,053
Mashreq Bank, Mumbai, India	EURO	459,410	349,940
HDFC Bank Ltd, Mumbai, India	ACUD	(1,159,936)	6,596,639
Banca Popolare Di Vicenza, Italy	EURO	1,160,447	-
Mashreq Bank, New York, USA (For OBU Operation)	USD	126,687,592	1,182,266
Commerz Bank AG. Frankfurt, Germany (For OBU Operation)	USD	503,962	-
Commerz Bank AG. Frankfurt, Germany (For OBU Operation)	EURO	10,684	-
Sub total		299,035,601	317,294,065

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		2013 Taka	2012 Taka
<b>Term deposits</b>	<b>Currency</b>		
Mashreq Bank, New York, USA	USD	38,875,000	39,876,200
Sonali Bank, Kolkata, India	ACUD	622,024	628,435
Sub total		39,497,024	40,504,635
Total		338,532,625	357,798,700
Details are shown in Annexure-B.			
5.a.3 Maturity grouping of balance with other banks and financial institutions			
Payable on demand		3,190,439	24,969,582
Up to 1 month		293,429,785	745,737,637
Over 1 month but not more than 3 months		1,010,129,399	572,262,042
Over 3 months but not more than 1 year		1,605,708,287	1,348,387,069
Over 1 year but not more than 5 years		587,793,344	250,627,128
Over 5 years		-	-
		3,500,251,254	2,941,983,457
6 <b>MONEY AT CALL AND SHORT NOTICE</b>			
<b>Banking companies</b>			
ICB Islamic Bank Limited (note 6.1)		98,979,167	99,179,167
Uttara Bank Limited		-	200,000,000
Prime Bank Limited		-	60,000,000
National Bank of Pakistan		230,000,000	50,000,000
Eastern Bank Limited		77,750,000	760,000,000
Mercantile Bank Limited		-	500,000,000
Citibank, N.A.		-	200,000,000
Bangladesh Small Industries and Commerce Bank Limited		-	100,000,000
Southeast Bank Limited		500,000,000	50,000,000
		906,729,167	2,019,179,167
<b>Non-banking financial institutions</b>			
International Leasing and Financial Services Limited		80,000,000	100,000,000
LankaBangla Finance Limited		100,000,000	300,000,000
Prime Finance and Investment Limited		100,000,000	180,000,000
Investment Corporation of Bangladesh		1,600,000,000	700,000,000
Union Capital Limited		200,000,000	230,000,000
Delta Brac Housing Finance Corporation Limited		100,000,000	20,000,000
Bangladesh Industrial Finance Company Limited		150,000,000	-
Premier Leasing & Finance Limited		60,000,000	-
Industrial Promotion and Development Company of Bangladesh Limited		60,000,000	-
MIDAS Financing Limited		50,000,000	-
Phoenix Finance & Investments Limited		100,000,000	-
IDLC Finance Limited		450,000,000	-
		3,050,000,000	1,530,000,000
		3,956,729,167	3,549,179,167



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6.1 This represents a call loan with ICB Islamic Bank Limited, formerly The Oriental Bank Limited, since 2007. Bangladesh Bank has issued a notification dated 2 August 2007- BRPD(R-1)651/991002007-447 and approved a scheme of reconstruction of the former The Oriental Bank Limited in which payment of liabilities of the bank has been finalised and based on the schedule of payment the Bank (CBL) has already received first eight instalments.

Figures in Taka

	2013	2012
<b>7 CONSOLIDATED INVESTMENTS</b>		
Government securities		
The City Bank Limited (note 7.a.ii.a)	21,985,302,692	15,697,273,822
Others		
The City Bank Limited (note 7.a.ii.b)	4,506,557,038	4,594,134,480
City Brokerage Limited (note 7.b)	1,044,235,918	1,136,760,488
City Bank Capital Resources Limited (note 7.c)	114,015,213	-
	<u>5,664,808,169</u>	<u>5,730,894,968</u>
	<u>27,650,110,861</u>	<u>21,428,168,790</u>
<b>7.a Investments - The City Bank Limited</b>		
i) Investment classified as per Bangladesh Bank Circular		
Held for Trading (HFT)	3,900,777,783	698,948,997
Held to Maturity (HTM)	12,271,535,564	12,433,101,220
Reverse Repo	5,812,989,345	2,565,223,605
Other Securities	4,506,557,038	4,594,134,480
	<u>26,491,859,730</u>	<u>20,291,408,302</u>
ii) Investment securities are classified as follows		
a) Government bonds		
Prize bonds	7,274,400	6,158,300
Government bonds - (note 7.a.2)	21,978,028,292	15,691,115,522
	<u>21,985,302,692</u>	<u>15,697,273,822</u>
b) Other investments		
Debenture of Bangladesh Welding Electrodes Limited	368,000	368,000
Orascom bond	120,000,000	180,000,000
Mutual fund	52,284,940	68,000,000
Shares (note 7.a.3)	4,333,904,098	4,345,766,480
	<u>4,506,557,038</u>	<u>4,594,134,480</u>
	<u>26,491,859,730</u>	<u>20,291,408,302</u>
<b>7.a.1 Maturity grouping of investments</b>		
On demand	7,274,400	6,158,300
Over 1 month but not more than 3 months	7,991,117,680	3,193,670,728
Over 3 months but not more than 1 year	1,290,737,668	1,697,297,443
Over 1 year but not more than 5 years	2,318,408,565	4,121,909,599
Over 5 years	14,884,321,417	11,902,372,232
	<u>26,491,859,730</u>	<u>20,921,408,302</u>

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	2013	2012
<b>7.a.2 Government bonds</b>		
Name of the bonds		
30 days Bangladesh Bank Bill	1,988,316,000	557,465,208
91 days Treasury Bill	2,006,845,798	144,153,016
182 days Treasury Bill	309,754,133	324,374,338
364 days Treasury Bills	4,854,550,477	199,619,689
1 Year Islamic bonds	-	86,000,000
2 Years Islamic bonds	120,000,000	10,000,000
2 years Treasury bonds	160,145,592	-
5 years Treasury bonds	1,144,006,918	1,149,450,915
10 years Treasury bonds	9,588,068,498	11,080,101,140
15 years Treasury bonds	1,646,167,047	2,031,390,398
20 years Treasury bonds	150,173,829	93,560,818
Debentures of Bangladesh House Building Finance Corporation (bearing interest rate @ 5.5%) (note 7.a.4)	10,000,000	15,000,000
	<u>21,978,028,292</u>	<u>15,691,115,522</u>
<b>7.a.3 Investment in shares</b>		
Quoted		
IDLC Finance Limited	2,870,395,772	3,225,992,075
Mutual Trust Bank Limited	6,852,846	8,370,180
Shahjalal Islami Bank Limited	3,529,243	4,989,267
BRAC Bank Limited	43,296,451	40,189,824
Trust Bank Limited	28,171,000	32,012,500
Mercantile Bank Limited	18,566,442	19,661,750
AB Bank Limited	11,773,258	13,460,858
Dhaka Bank Limited	25,776,868	29,313,402
Standard Bank Limited	13,817,324	15,320,678
Pubali Bank Limited	12,090,260	12,276,264
Rupali Bank Limited	1,641,215	1,816,990
United Commercial Bank Limited	306,787,260	-
Investment Corporation of Bangladesh	2,093,613	2,161,322
Heidelberg Cement (BD) Limited	-	31,711,060
Beximco Limited	20,472,567	35,604,506
Rangamati Food Products Limited	890,100	890,100
Goldenson Limited	-	507,000
Beximco Pharmaceuticals Limited	25,030,066	25,777,111
ACI Limited	7,421,148	5,091,672
Grameen Phone Limited	115,638,040	170,730,000
Somorita Hospital Limited	8,341	-
Usmani Glass Steel Limited	-	1,010,880
National Tubes Limited	1,288,800	752,400
BSRMS Steels Limited	11,209,779	10,551,660
Continental Insurance Company Limited	733,700	824,780
Pragati Life Insurance Company Limited	3,693,639	3,985,238
Northern General Insurance Company Limited	-	990,763
Pravati Insurance Company Limited	1,792,720	1,872,136
Mercantile Insurance Company Limited	1,217,093	1,282,050
Sub Total	<u>3,534,187,545</u>	<u>3,697,146,466</u>

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	2013	2012
Peoples Insurance Company Limited	1,686,720	1,380,500
Standard Insurance Limited	399,461	375,375
Agrani Insurance Company Limited	520,784	554,400
Sonar Bangla Insurance Limited	456,456	518,100
Dhaka Electricity Supply Company Limited	24,907,892	30,751,011
Titas Gas Transmission & Distribution Co. Limited	88,115,355	104,184,518
Power Grid Company of Bangladesh Limited	40,539,840	42,689,680
Perfume Chemical Ind. Limited	1,855	1,960
Raspit Inc. (BD) Limited	1,281,000	695,400
German Bangla Joint Venture Foods Limited	75,600	75,600
	<b>3,692,172,508</b>	<b>3,878,373,010</b>
Unquoted Ordinary Share		
Central Depository Bangladesh Limited	6,277,770	6,277,770
KARMA Sangsthan Bank Limited	10,000,000	10,000,000
Industrial & Infrastructural Development Finance Company Limited	42,453,820	33,115,700
Venture Investment Partners Bangladesh Limited	18,000,000	18,000,000
	<b>76,731,590</b>	<b>67,393,470</b>
Unquoted redeemable preference Shares		
Unique Hotel & Resort Limited	75,000,000	90,000,000
Desh Cambridge Kumargaon Power Limited	70,000,000	70,000,000
Khulna Power Company Limited	120,000,000	240,000,000
United Power Generation and Distribution Company Limited	300,000,000	-
	<b>565,000,000</b>	<b>400,000,000</b>
Total	<b>4,333,904,098</b>	<b>4,345,766,480</b>
Details are shown in Annexure-C.		
7.a.4	Debentures of Bangladesh House Building Finance Corporation - at redeemable value	
	Opening balance	15,000,000
	Redeemed during the year	5,000,000
	Closing balance	10,000,000
7.b	Investments - City Brokerage Limited Membership	
	Dhaka Stock Exchange Limited	580,999,000
	Chittagong Stock Exchange Limited	19,001,000
		<b>600,000,000</b>
	Investments in shares (note 7.b.1)	444,235,918
		<b>1,044,235,918</b>
7.b.1	This represents investment made by the City Brokerage Limited in purchase of shares of various companies listed in Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited(CSE) through its dealer account. The market value of the investment is Taka 388,368,068 (2012: 543,002,442) as on 31 December 2013. Provision for unrealised loss on investment in securities has been made @ 20% of total requirement. As per BSEC Circular Ref: SEC/CMRRCD/2009-193/155 dated 9 December 2013, minimum requirement of making such provision is 20% of total required amount at the end of this accounting year.	

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	2013	2012
7.c	Investments - City Bank Capital Resources Limited	
	Investments in quoted shares (note 7.c.1)	85,015,213
	Investments in unlisted securities (note 7.c.2)	29,000,000
		<b>114,015,213</b>
7.c.1	During the year, CBCRL made unrealised loss on its investment in quoted shares for an amount of Taka 5,626,019. As per BSEC Circular Ref: SEC/CMRRCD/2009-193/155 dated 09 December 2013, loss on own portfolio can be charged in five equal installments @ 20% per quarter upto 2014. As such, CBCRL has charged 20% of its unrealised loss of Taka 1,125,204 ie. 20% of Taka 5,626,019 this year.	
7.c.2	This represent investment made by CBCRL in purchase of AND Telecom Limited's shares.	
8	CONSOLIDATED LOANS AND ADVANCES/INVESTMENTS	
	Loans/investments, cash credits, overdrafts, etc.	
	The City Bank Limited (note 8.a)	85,019,975,947
	City Brokerage Limited (note 8.b)	3,244,074,033
	City Bank Capital Resources Limited (note 8.c)	137,682,211
		<b>88,401,732,191</b>
	Mutual indebtedness:	
	Loan from The City Bank Limited - City Brokerage Limited*	(2,391,029,485)
	Loan from The City Bank Limited - City Bank Capital Resources Limited	(1,707,217)
		<b>(2,392,736,702)</b>
		<b>86,008,995,489</b>
	Bills purchased and discounted (note 9)	
	The City Bank Limited	4,858,653,956
		<b>90,867,649,445</b>
	*City Brokerage Limited availed loan facilities @14.50% p.a. from its parent company for extending margin financing to its customers.	
8.a	Loans and advances/investments - The City Bank Limited	
	Loans/investments, cash credits, overdrafts, etc. (note 8.a.1)	85,019,975,947
	Bills purchased and discounted (note 8.a.2)	4,858,653,956
		<b>89,878,629,903</b>
8.a.1	Loans/investments, cash credits, overdrafts, etc.	
	Inside Bangladesh	
	Secured overdrafts	350,070,915
	Quard against TDR	2,387,000
	Cash credits	12,105,324,361
	House building loans	691,828,405
	Loans against trust receipt	6,979,888,798
	Loans against imported merchandise	19,667,672
	Payment against document	32,472,179
	Consumer credit schemes	627,831
	Lease finance/Izara (note 8.a.5)	53,334,531
	Sub Total	<b>20,235,601,692</b>
		<b>21,659,280,209</b>



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		<i>Figures in Taka</i>	
		2013	2012
	Hire purchase shirkatul melk	178,102,036	1,994,933,708
	Industrial credits	39,419,202,424	32,461,894,214
	Export development fund	2,276,227,796	745,492,948
	Staff loans (note 8.a.14)	1,545,899,029	1,306,443,467
	City card loans	4,279,224,782	3,678,999,277
	Small and medium enterprise loans	5,279,815,667	5,173,296,725
	Transportation loans	553,460,084	175,858,144
	Bai-muajjal, Bi Salam, Murabah	1,367,072,903	1,212,090,619
	City Drive	332,347,475	562,005,729
	City solution	5,734,612,925	6,517,386,056
	City Express	2,154,422,234	3,452,180,748
	City Gems	662,162	-
	Other loans and advances	1,663,324,738	543,447,257
		<b>85,019,975,947</b>	<b>79,483,309,101</b>
	Outside Bangladesh	-	-
	Total	<b>85,019,975,947</b>	<b>79,483,309,101</b>
8.a.2	Bills purchased and discounted		
	Payable Inside Bangladesh		
	Inland bills purchased	1,331,221,099	1,887,157,741
	Payable Outside Bangladesh		
	Foreign bills purchased and discounted	3,527,432,857	1,962,200,381
		<b>4,858,653,956</b>	<b>3,849,358,122</b>
8.a.3	Performing loans and advances/investments		
	Gross loans and advances/investments	89,878,629,903	83,332,667,223
	Non-performing loans and advances/investments	(7,251,011,770)	(6,230,781,000)
		<b>82,627,618,133</b>	<b>77,101,886,223</b>
8.a.4	Residual maturity grouping of loans and advances/investments including bills purchased and discounted		
	Repayable on demand	2,652,293,605	4,855,906,569
	Not more than 3 months	28,362,445,135	23,242,014,939
	More than 3 months but not more than 1 year	25,220,078,564	29,125,537,160
	More than 1 year but not more than 5 years	24,471,108,598	22,527,169,794
	More than 5 years	9,172,704,001	3,582,038,761
		<b>89,878,629,903</b>	<b>83,332,667,223</b>
8.a.5	Lease finance/Izara		
	Lease rental receivable within 1 year	22,339,820	40,305,450
	Lease rental receivable within 5 years	39,391,229	74,735,653
	Lease rental receivable after 5 years	-	-
	Total lease/Izara rental receivable	61,731,049	115,041,103
	Unearned interest receivable	(8,396,518)	(34,714,499)
	Net lease/Izara finance	53,334,531	80,326,604
8.a.6	Loans and advances/investments		
	Loans	72,562,193,671	69,014,096,042
	Cash credits	12,105,324,361	10,108,571,688
	Overdrafts	352,457,915	360,641,371
		<b>85,019,975,947</b>	<b>79,483,309,101</b>
	Bills purchased and discounted (note 8.a.2)	4,858,653,956	3,849,358,122
		<b>89,878,629,903</b>	<b>83,332,667,223</b>

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		<i>Figures in Taka</i>			
		2013		2012	
8.a.7	Concentration of loans and advances/investments including bills purchased and discounted				
	Advances to allied concerns of directors	268,949,764		267,214,000	
	Advances chief executive and other senior executives	69,512,875		80,957,079	
	Advances to customer groups	13,221,338,061		16,307,498,730	
	Industrial loans and advances/investments	68,033,131,884		53,142,470,984	
	Others loans and advances/investments	8,285,697,319		13,534,526,430	
		<b>89,878,629,903</b>		<b>83,332,667,223</b>	
8.a.8	Industry-wise loans and advances				
		% of total loan	2013 Taka	% of total loan	2012 Taka
	Agricultural industries	3.86%	3,467,991,958	1.27%	1,061,315,783
	Large and medium industries	33.60%	30,196,838,279	43.30%	36,085,397,611
	Small and cottage industries	1.94%	1,747,919,190	0.33%	270,838,141
	Commerce and trade industries	16.34%	14,690,270,172	13.16%	10,964,662,410
	Insurance, real estate and service industries	18.82%	16,918,787,857	20.53%	17,106,952,559
	Transportation and communications industries	6.46%	5,809,880,220	8.87%	7,390,849,404
	Others	18.97%	17,046,942,227	12.54%	10,452,651,315
		<b>100%</b>	<b>89,878,629,903</b>	<b>100%</b>	<b>83,332,667,223</b>
8.a.9	Geographical location-wise loans and advances				
	Inside Bangladesh				
		% of total loan	2013 Taka	% of total loan	2012 Taka
	Urban:				
	Dhaka	73.27%	65,857,226,481	67.14%	55,951,836,199
	Chittagong	19.79%	17,789,125,328	23.93%	19,938,681,427
	Sylhet	0.37%	336,005,672	0.51%	425,181,139
	Rajshahi	1.71%	1,539,187,740	1.27%	1,055,161,663
	Khulna	1.10%	987,879,650	3.39%	2,827,855,841
	Rangpur	1.26%	1,134,972,587	1.06%	879,246,196
	Barisal	0.15%	131,592,164	0.15%	124,459,749
		<b>97.66%</b>	<b>87,775,989,622</b>	<b>97.44%</b>	<b>81,202,422,214</b>
	Rural:				
	Dhaka	1.35%	1,209,151,397	1.37%	1,137,752,003
	Chittagong	0.79%	713,783,672	0.90%	750,334,303
	Sylhet	0.08%	67,856,887	0.09%	76,535,513
	Rajshahi	0.12%	111,848,325	0.20%	165,623,190
		<b>2.34%</b>	<b>2,102,640,281</b>	<b>2.56%</b>	<b>2,130,245,009</b>
	Total inside Bangladesh	<b>100%</b>	<b>89,878,629,903</b>	<b>100%</b>	<b>83,332,667,223</b>
	Outside Bangladesh	-	-	-	-
	Grand total	<b>100%</b>	<b>89,878,629,903</b>	<b>100%</b>	<b>83,332,667,223</b>

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8.a.10 Sector-wise loans and advances		2013		2012	
	% of total loan	Taka	% of total loan	Taka	
Public sector	0.21%	188,043,182	0.29%	240,527,656	
Private sector	99.79%	89,690,586,721	99.71%	83,092,139,567	
	100%	89,878,629,903	100%	83,332,667,223	

8.a.11 Securities against loans/investments including bills purchased and discounted		Figures in Taka	
	2013	2012	
Collateral of movable/immovable assets	60,926,095,216	42,069,248,970	
Local banks and financial institutions guarantee	4,858,653,956	10,820,576,005	
Foreign banks guarantee	-	2,038,195,283	
Export documents	2,308,699,975	8,430,231,798	
Fixed Deposit Receipts (FDR)	2,906,886,134	3,519,788,093	
FDR of other banks	-	186,849,128	
Government guarantee	188,043,182	682,334,220	
Personal guarantee	12,714,501,723	10,196,385,333	
Other securities	5,975,749,717	5,389,058,393	
	89,878,629,903	83,332,667,223	

8.a.12 Detail of large loan/investments			
As at 31 December 2013 there were 25 (31 December 2012: 23) borrowers or group with whom amount of outstanding loans and advances/investments exceeded 10% of the total capital of the Bank. Total capital of the Bank was Taka 16,697.10 million as at 31 December 2013 (Taka 15,681.76 million as at 31 December 2012).			
Number of borrowers or groups	25	23	
Amount of outstanding advances/investments (Taka)	19,454,941,023	17,767,586,265	
Amount of classified advances/investments therein (Taka)	-	-	

8.a.13 Particulars of loans and advances/investments			
i) Loans/investments considered good in respect of which the Bank is fully secured	71,188,378,463	67,747,223,497	
ii) Loans/investments considered good against which the Bank holds no security other than the debtors' personal guarantee	12,714,501,723	10,196,385,333	
iii) Loans/investments considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	5,975,749,717	5,389,058,393	
iv) Loans/investments adversely classified; provision not maintained there against	-	-	
	89,878,629,903	83,332,667,223	
v) Loans/investments due by directors or officers of the banking company or any of them either separately or jointly with any other persons	1,814,848,793	1,573,657,467	
vi) Loans/investments due from companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or in case of private companies as members	252,810,930	264,500,000	

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		2013	2012
vii) Maximum total amount of advances/investments, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either separately or jointly with any other person.		1,814,848,793	1,573,657,467
viii) Maximum total amount of advances/investments, including temporary advances/investments granted during the year to the companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in the case of private companies, as members		-	-
ix) Due from other banking companies		-	-
x) Classified loans and advances/investments			
(a) Classified loans and advances/investments on which interest has not been charged		4,338,970,844	4,941,486,000
Increase of specific provision		235,629,893	2,308,107,076
Amount of loans written off		2,939,625,983	868,350,051
Amount realised against loans previously written off		228,336,832	148,063,355
(b) Provision on classified loans and advances/investments		3,645,233,805	3,409,603,912
(c) Provision kept against loans/investments classified as bad debts		2,185,721,028	2,833,666,000
(d) Interest credited to Interest Suspense Account		948,942,600	1,234,467,367
xi) Cumulative amount of written off loans/investments			
Opening balance		5,381,451,123	4,661,164,427
Amount written off during the year		2,939,625,983	868,350,051
Amount realised against loans/investments previously written off		(228,336,832)	(148,063,355)
Closing balance		8,092,740,274	5,381,451,123
The amount of written off/classified loans/investments for which law suits have been filed		8,531,840,000	6,023,370,000

8.a.14 Staff loan			
Provident fund	385,684,462	341,791,694	
House building scheme	852,567,802	732,088,414	
Vehicle scheme	261,415,038	198,028,619	
Consumer credit and other scheme	46,231,727	34,534,740	
	1,545,899,029	1,306,443,467	

8.a.15 Classification of loans and advances/investments			
	% of total loan	2013 Taka	% of total loan
Unclassified			
Standard including staff loan	90.32%	81,179,776,080	88.44%
Special mention account (SMA)	1.61%	1,447,842,053	4.08%
	91.93%	82,627,618,133	92.52%
Classified			
Sub-standard	1.67%	1,503,755,429	1.05%
Doubtful	1.57%	1,408,285,497	0.50%
Bad/Loss	4.83%	4,338,970,844	5.93%
	8.07%	7,251,011,770	7.48%
	100%	89,878,629,903	100%



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		2013	2012
8.a.16	Particulars of required provision for loans and advances/investments		
	General provision on unclassified loans		
	Loans/investments (excluding SMA)	1,049,538,650	997,632,000
	Special mention account (SMA)	44,385,276	165,844,000
	Required provision for unclassified loans and advances/investments	1,093,923,926	1,163,476,000
	A. Total provision maintained for unclassified loans	1,200,000,000	1,170,000,000
	B. Excess provision	106,076,074	6,524,000
		Base for provision Taka	% of required provision
	Specific provision on classified loans		
	Sub-standard	1,092,067,031	20%
	Doubtful	1,079,728,616	50%
	Bad/Loss	2,185,721,028	100%
	Required provision for classified loans and advances/investments	2,943,998,742	3,103,696,100
	C. Total provision maintained for classified loans	3,645,233,805	3,409,603,912
	D. Excess provision	701,235,063	305,907,812
	Total required provision for loans and advances/investments	4,037,922,668	4,267,172,100
	Total provision maintained for loans and advances/investments (A+C)	4,845,233,805	4,579,603,912
	Total excess provision (B+D)	807,311,137	312,431,812
8.b	Loans and advances/investments - The City Brokerage Limited		
	Margin loan was given to several individuals and institutions for doing share trading business through the City Brokerage Limited.		
8.c	Loans and advances/investments - City Bank Capital Resources Limited		
	Margin loan was given to several individuals and institutions for doing share trading business through CBCRL.		
9	<b>BILLS PURCHASED AND DISCOUNTED (NOTE 8.A.2)</b>		
	Payable in Bangladesh	1,331,221,099	1,887,157,741
	Payable outside Bangladesh	3,527,432,857	1,962,200,381
		4,858,653,956	3,849,358,122
9.1	Maturity grouping of bills purchased and discounted		
	Payable within one month	2,070,944,752	1,507,489,961
	Over one month but less than three months	1,247,189,932	275,549,000
	Over three months but less than six months	1,540,519,272	2,066,319,161
	Six months or more	-	-
		4,858,653,956	3,849,358,122
10	<b>CONSOLIDATED FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES</b>		
	The City Bank Limited (note 10.a)	6,809,072,120	5,921,396,308
	City Brokerage Limited (note 10.b)	29,579,052	33,473,746
	City Bank Capital Resources Limited (note 10.c)	7,276,541	2,939,610
	CBL Money Transfer Sdn. Bhd. (note 10.d)	5,420,214	-
		6,851,347,927	5,957,809,664

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		2013	2012
10.a	Fixed assets including premises, furniture and fixtures - The City Bank Limited		
	Cost/Revaluation		
	Land	3,454,038,400	3,454,038,400
	Building	1,924,527,344	1,408,497,923
	Work-in progress - building	248,160,155	-
	Furniture and fixtures	809,939,425	593,854,752
	Office equipment and machinery	1,434,038,880	1,211,135,846
	Bank's vehicles	204,471,225	190,578,069
	Leased assets	12,940,000	12,940,000
	Software	226,355,464	205,204,930
	Work-in progress - software	11,151,078	-
		8,325,621,971	7,076,249,920
	Accumulated depreciation and amortisation	(1,516,549,851)	(1,154,853,612)
	Written down value	6,809,072,120	5,921,396,308
	See Annexure - D for details.		
10.b	Fixed assets including premises, furniture and fixtures - City Brokerage Limited		
	Cost		
	Furniture and fixtures	20,178,562	19,332,316
	Office equipment and machinery	25,594,311	22,370,651
	Vehicles	4,789,476	4,789,476
	Software	2,827,800	2,802,800
		53,390,149	49,295,243
	Accumulated depreciation and amortisation	(23,811,097)	(15,821,497)
	Written down value	29,579,052	33,473,746
10.c	Fixed assets including premises, furniture and fixtures - City Bank Capital Resources Limited		
	Cost		
	Furniture and fixtures	471,121	60,200
	Office equipment and machinery	1,458,260	973,335
	Software	2,200,000	2,200,000
	Vehicle	4,589,429	-
		8,718,810	3,233,535
	Accumulated depreciation and amortisation	(1,442,269)	(293,925)
	Written down value	7,276,541	2,939,610
10.d	Fixed assets including premises, furniture and fixtures - CBL Money Transfer Sdn. Bhd.		
	Cost		
	Furniture and fixtures	6,152,701	-
	Office equipment and machinery	5,310,103	-
		11,462,804	-
	Accumulated depreciation	(6,042,590)	-
	Written down value	5,420,214	-

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		<i>Figures in Taka</i>	
		2013	2012
11	CONSOLIDATED OTHER ASSETS		
	The City Bank Limited (note 11.a)	6,030,129,706	5,381,609,735
	City Brokerage Limited (note 11.b)	125,463,306	60,021,318
	City Bank Capital Resources Limited (note 11.c)	74,870,269	10,538,623
	CBL Money Transfer Sdn. Bhd. (note 11.d)	2,664,291	-
		<u>6,233,127,572</u>	<u>5,452,169,676</u>
	Goodwill arising on investment in subsidiaries	11,049,616	70,000
	Mutual indebtedness:		
	Payable to City Bank Limited - City Brokerage Limited	(5,179)	-
	Payable to City Bank Limited - City Bank Capital Resources Limited	(30,000)	(25,421,540)
	Payable to City Bank Limited - CBL Money Transfer	(11,309,040)	-
	Payable to City Brokerage Limited - City Bank Capital Resources Limited	(53,513,847)	(1,124,264)
	Investment in subsidiaries	(2,413,080,473)	(700,000,000)
		<u>(2,477,938,539)</u>	<u>(726,545,804)</u>
	Adjustments for Consolidation - City Brokerage Limited	(1,137,304)	-
	Total consolidated other assets	<u>3,765,101,345</u>	<u>4,725,693,872</u>
11.a	Other assets- The City Bank Limited		
	Income generating other assets		
	Interest income receivable (note 11.a.1)	655,007,978	777,378,852
	Investment in subsidiaries (note 11.a.2)	2,413,080,473	700,000,000
	Non income generating other assets		
	Stationery and stamps	18,770,058	21,653,534
	Advance deposits and advance rent	252,589,960	273,340,407
	Prepaid expenses	41,178,157	39,491,069
	Advance payment of tax (note 11.a.3)	2,044,014,666	2,372,442,780
	Branch adjustments accounts	-	20,747,986
	Accounts receivables (note 11.a.4)	424,672,866	945,003,780
	Advance against advertisement	28,123,376	26,408,314
	Receivable from City Brokerage Limited	5,178	-
	Receivable from City Bank Capital Resources Limited	30,000	25,548,192
	Protested bill	5,842,887	5,842,887
	Intangible assets (note 11.a.5)	135,505,067	173,751,934
	Advance payment to CBL Money Transfer Sdn. Bhd. (note 11.a.7)	11,309,040	-
		<u>6,030,129,706</u>	<u>5,381,609,735</u>
11.a.1	Interest income receivable represents amount of interest receivable from call loans, debentures, STD accounts and various loan accounts.		
11.a.2	Investment in subsidiary		
	In Bangladesh		
	City Brokerage Limited	1,600,000,000	600,000,000
	City Bank Capital Resources Limited	750,000,000	100,000,000
		<u>2,350,000,000</u>	<u>700,000,000</u>
	Outside Bangladesh		
	CBL Money Transfer Sdn. Bhd.	63,080,473	-
		<u>2,413,080,473</u>	<u>700,000,000</u>

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		<i>Figures in Taka</i>	
		2013	2012
11.a.3	Advance payment of tax		
	Opening balance	2,372,442,780	4,173,194,833
	Paid during the Year	1,023,391,989	1,322,887,070
	Adjustment for previous years tax liability	(1,351,820,103)	(3,123,639,123)
	Closing balance	<u>2,044,014,666</u>	<u>2,372,442,780</u>
11.a.4	Account receivable includes amount paid against opening of proposed branches, advance against hardware, cash remittance, DD paid without advice, advance against TA/DA, suspense others etc.		
11.a.5	Intangible assets		
	Users license	34,595,218	37,226,841
	Royalty	100,909,849	136,525,093
		<u>135,505,067</u>	<u>173,751,934</u>
11.a.6	Movement of intangible assets		
	Opening balance	173,751,934	213,177,527
	Amortisation during the year	(38,246,867)	(39,425,593)
	Closing balance	<u>135,505,067</u>	<u>173,751,934</u>
11.a.7	The Bank made advance payment to customer on behalf of CBL Money Transfer Sdn. Bhd.		
11.b	Other assets - City Brokerage Limited		
	Advances, deposits and prepayments	17,547,582	19,341,257
	Receivable from DSE	80,615,498	-
	Receivable from CSE	(6,893,172)	(5,353,779)
	Advance payment of tax	34,193,398	46,033,840
		<u>125,463,306</u>	<u>60,021,318</u>
11.c	Other assets - City Bank Capital Resources Limited		
	Advances, deposits and prepayments	387,500	387,500
	Advance income tax	2,564,940	1,347,007
	Stamps in hand	8,500	8,500
	Account receivable	71,909,329	8,795,616
		<u>74,870,269</u>	<u>10,538,623</u>
11.d	Other assets - CBL Money Transfer Sdn. Bhd.		
	Advances, deposits and prepayments	2,664,291	-
12	NON - BANKING ASSETS		
	Income generating:		
	Share	142,450,000	185,000,000
	Non-income generating:		
	Land	240,172,964	245,149,002
		<u>382,622,964</u>	<u>430,149,002</u>
	The City Bank Limited has been awarded absolute ownership on 18 mortgage property through verdict of honourable court under section 33 (7) of Artha Rin Adalat Ain, 2003. Bank also acquired some lien shares as settlement of loan. Theses have been recorded at Taka 382,622,964 as non-banking assets.		



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		<i>Figures in Taka</i>	
		2013	2012
13	CONSOLIDATED BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS		
	The City Bank Limited (note 13.a)	7,903,962,756	5,366,611,677
	City Brokerage Limited (note 13.b)	2,651,563,680	3,477,707,429
		<b>10,555,526,436</b>	<b>8,844,319,106</b>
	Mutual indebtedness		
	Loan from The City Bank Limited-City Brokerage Limited	(2,391,029,485)	(3,248,698,546)
		<b>8,164,496,951</b>	<b>5,595,620,560</b>
13.a	Borrowings from other banks, financial institutions and agents		
	In Bangladesh (note 13.a.1)	4,405,212,756	3,133,544,477
	Outside Bangladesh (note 13.a.2)	3,498,750,000	2,233,067,200
		<b>7,903,962,756</b>	<b>5,366,611,677</b>
13.a.1	In Bangladesh		
	Habib Bank Limited	100,000,000	-
	International Finance Investment and Commerce Bank Limited	272,125,000	-
	AB Bank Limited	-	159,504,800
	BRAC Bank Limited	816,375,000	-
	Dutch-Bangla Bank Limited	466,500,000	-
	Bangladesh Bank (for Islami Banking Branch)	-	1,200,000,000
	Bangladesh Bank against Assured Liquidity Support	-	507,885,000
	Refinance against EDF loan from Bangladesh Bank	2,221,877,019	684,809,648
	Refinance against SME loan from Bangladesh Bank	528,335,737	581,345,029
		<b>4,405,212,756</b>	<b>3,133,544,477</b>
13.a.2	Outside Bangladesh		
	International Finance Corporation	1,943,750,000	1,993,810,000
	United Bank of UAE	-	239,257,200
	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO)	1,555,000,000	-
		<b>3,498,750,000</b>	<b>2,233,067,200</b>
13.a.3	Borrowings secured/unsecured from other banks, financial institutions and agents		
	Secured	-	1,707,885,000
	Unsecured	7,903,962,756	3,658,726,677
		<b>7,903,962,756</b>	<b>5,366,611,677</b>
13.a.4	Maturity grouping of borrowings from other banks, financial institutions and agents		
	Payable on demand	691,636,530	507,885,000
	Up to 1 month	402,678,064	483,328,825
	Over 1 month but within 3 months	1,055,597,487	447,648,050
	Over 3 months but within 1 year	4,165,359,270	3,462,673,778
	Over 1 year but within 5 years	1,588,691,405	465,076,024
	Over 5 years	-	-
		<b>7,903,962,756</b>	<b>5,366,611,677</b>

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13.b City Brokerage Limited has taken overdraft loans from Mutual Trust Bank Limited and The City Bank Limited for extending margin financing and prefunding support for foreign trade of foreign clients at the rates of 18.00% and 14.50% respectively subject to revisions by the banks' management from time to time.

		<i>Figures in Taka</i>	
		2013	2012
14	CONSOLIDATED DEPOSITS AND OTHER ACCOUNTS		
	The City Bank Limited (note 14.a)	107,496,602,735	94,098,626,067
	City Brokerage Limited	258,389,828	198,899,252
	City Bank Capital Resources Limited	7,853,786	23,321,792
	CBL Money Transfer Sdn. Bhd.	222,959	-
	Inter-company indebtedness (note 14.b)	(699,538,759)	(470,499,346)
	Adjustments for Consolidation - City Brokerage Limited	(7,346,450)	-
	Adjustments for Consolidation - City Bank Capital Resources Limited	(157,721)	-
		<b>107,056,026,378</b>	<b>93,850,347,765</b>
14.a	Deposits and other accounts - The City Bank Limited		
	Local bank deposits (note 14.a.1)	10,869,567,156	3,078,697,909
	Customer and other deposits	96,627,035,579	91,019,928,158
		<b>107,496,602,735</b>	<b>94,098,626,067</b>
14.a.1	Local bank deposits	<b>2013</b>	
	Name of Bank	CD Taka	SND Taka
		FDR Taka	Mudaraba saving deposit Taka
		Total Taka	
	Bank Alfalah Limited	-	300,000,000
	Trust Bank Limited	38,960	1,024,589
	Dutch-Bangla Bank Limited	-	1,000,000,000
	Prime Bank Limited	273,674	-
	Islami Bank Bangladesh Limited	162,162	-
	Southeast Bank Limited	-	22,392,157
	Al Arafah Islami Bank Limited	-	290,010,706
	Jamuna Bank Limited	-	250,000,000
	Bangladesh Krishi Bank	656,789	-
	Bank Asia Ltd.	-	204,708
	Pubali Bank Ltd.	-	409,895
	BRAC Bank Ltd.	-	8,932,811
	Social Islami Bank Limited	-	200,000,000
	Export Import Bank of Bangladesh Ltd.	-	550,000,000
	AB Bank Limited	305	953,221
	Eastern Bank Limited	-	308,381
	Standard Bank Ltd.	-	77,851
	Commercial Bank of Ceylon	42,273	-
	Modhumoti Bank Ltd.	-	3,076,453,564
	NRB Bank Ltd.	-	3,237,312,216
	The Farmers Bank Ltd.	-	300,000,000
	Midland Bank Ltd.	-	300,000,000
		<b>1,174,163</b>	<b>6,348,185,692</b>
		<b>3,711,640,000</b>	<b>808,567,301</b>
		<b>10,869,567,156</b>	<b>3,078,697,909</b>

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		<i>Figures in Taka</i>	
		2013	2012
14.a.2	Deposits and other accounts		
	Current deposits and other accounts		
	Current, Al-wadeeah and Manarah current deposits	7,734,279,862	7,418,666,373
	Foreign currency deposits	566,969,257	741,323,799
	Security deposits receipts	4,315,614	4,404,496
	Sundry deposits (note 14.a.3)	2,491,485,741	1,995,299,768
		<u>10,797,050,474</u>	<u>10,159,694,436</u>
	Bills payable		
	Pay orders issued	823,269,109	1,152,742,452
	Pay slips issued	4,707,501	5,096,883
	Demand draft	10,556,533	14,310,213
		<u>838,533,143</u>	<u>1,172,149,548</u>
	Savings bank deposits (note 14.a.4)	18,606,964,869	16,705,636,955
	Fixed deposits		
	Fixed deposits/Mudaraba/Manarah fixed deposits	60,152,707,487	55,384,227,305
	Short notice deposits/Mudaraba/Manarah short notice deposits	13,725,878,426	6,959,107,698
	Non resident deposits	19,591,446	22,141,085
	Scheme deposits (note 14.a.5)	3,355,876,890	3,695,669,038
		<u>77,254,054,249</u>	<u>66,061,145,126</u>
	Total deposits and other accounts	<u>107,496,602,735</u>	<u>94,098,626,065</u>
14.a.3	Sundry deposits		
	Sundry creditors	279,897,192	280,264,706
	Foreign currency	799,525	799,525
	Margin on letters of credit	774,258,656	614,660,815
	Margin on letters of guarantee	204,649,152	196,911,252
	Interest payable on three stage deposits	11,743,834	7,876,590
	Sanchaypatra	1,350,000	1,300,000
	Unclaimed foreign DD	2,073,186	1,662,810
	Security money- suppliers	23,949,103	16,816,960
	Security money- staff	1,013,810	1,013,810
	Security deposits NRB	27,852,946	39,158,432
	Unclaimed balances	214,972	214,222
	Hajj deposits	194,597	194,597
	Margin on inland bills purchased	185,000	185,000
	Foreign bills purchased awaiting remittance	482,733,230	311,179,570
	Imprest fund - cash incentive	71,017	67,017
	Key deposits	1,198,650	1,200,150
	Risk fund (Consumer Credit Schemes and lease finance)	94,678	94,678
	Lease deposits	739,592	1,918,592
	Agent commission on consumer credit schemes	233,750	233,750
	CIB service charges	1,184,215	284,325
	Auto debit receipt/payment (Credit Card)	107,415	4,494,663
	Interest payable on City Shomriddhi	400,718,373	339,848,046
	Sundry deposit - ATM	190,315,972	139,679,264
	Charges against credit rating	2,131,010	1,746,134
	Sub Total	<u>2,407,709,875</u>	<u>1,961,804,908</u>

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		<i>Figures in Taka</i>	
		2013	2012
	Payable against cash advance	1,511,815	1,140,462
	Payable against legal expenses	1,931,425	8,050
	Payable against SP and others	43,410,000	2,200,000
	Sundry deposits - City Card - local	9,673,633	1,727,468
	Sundry deposits - City Card - international	186,635	143,382
	Sundry deposits - Amex Card- local	11,649,580	12,713,035
	Charge Back - Amex Card - international	2,424,851	837,483
	Sundry deposits - local settlement	-	5,753,914
	Sundry deposits - foreign settlement	61,813	-
	Sundry deposits - Master Cards	5,772,805	3,303,953
	Charge back - Master Cards	124,646	-
	VAT on LC Commission	14,064	25,546
	Others	7,014,599	5,641,567
	Total	<u>2,491,485,741</u>	<u>1,995,299,768</u>
14.a.4	Savings bank deposits		
	Savings bank deposits	17,613,762,107	16,550,797,702
	Mudaraba/manarah savings deposits	993,202,762	154,839,253
		<u>18,606,964,869</u>	<u>16,705,636,955</u>
14.a.5	Scheme deposits		
	City Bank sanchaya scheme	2,918,669	4,976,159
	Bonus deposit scheme	200,000	200,000
	Deposit pension scheme (note 14.a.5.1)	38,495,794	51,982,357
	Three stage scheme deposit	82,584,642	927,741,108
	Monthly benefit scheme	16,500,000	35,200,000
	Education savings scheme	540,652	513,737
	Junior savers scheme	251,649,293	228,576,160
	Lakpati savings scheme	78,831,346	156,452,703
	Marriage savings scheme	51,651,954	45,896,880
	Mudaraba monthly deposit scheme	27,789,193	9,172,720
	City Shomriddhi	2,643,844,262	2,051,995,525
	City Projonmo	159,989,230	182,961,689
	Manarah Hajj Deposit Scheme	881,855	-
		<u>3,355,876,890</u>	<u>3,695,669,038</u>
14.a.5.1	Deposit pension scheme was closed from the year 1995 and its interest was 15% p.a.		
14.a.6	Sector-wise deposits		
	Government	143,882,031	156,621,945
	Deposit money banks	10,869,567,156	3,078,697,909
	Other public	1,621,549,034	1,616,138,973
	Foreign currency	566,969,257	741,323,799
	Private	94,294,635,257	88,505,843,442
		<u>107,496,602,735</u>	<u>94,098,626,067</u>



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		<i>Figures in Taka</i>	
		2013	2012
14.a.7	Maturity analysis of inter-bank deposits		
	Payable on demand	105,839,479	42,002,915
	Up to 1 month	2,581,913,512	1,670,690,415
	Over 1 month but within 3 months	2,491,591,868	242,002,915
	Over 3 months but within 1 year	5,690,222,297	1,124,001,665
		<u>10,869,567,156</u>	<u>3,078,697,909</u>
14.a.8	Maturity analysis of deposits		
	Bills payable:		
	Payable on demand	6,762,364	1,172,149,548
	Up to 1 month	202,870,922	-
	Over 1 month but within 6 months	628,899,857	-
	Over 6 months but within 1 year	-	-
	Over 1 year but within 5 years	-	-
	Over 5 years but within 10 years	-	-
	Over 10 years	-	-
		<u>838,533,143</u>	<u>1,172,149,548</u>
	Other deposits:		
	Payable on demand	2,946,517,728	2,722,293,702
	Up to 1 month	7,966,130,464	6,943,139,385
	Over 1 month but within 6 months	15,753,172,850	14,850,091,542
	Over 6 months but within 1 year	18,442,144,569	11,913,320,977
	Over 1 year but within 5 years	53,509,191,976	40,877,527,598
	Over 5 years but within 10 years	8,040,912,005	15,599,913,544
	Over 10 years	-	20,189,770
		<u>106,658,069,592</u>	<u>92,926,476,518</u>
		<u>107,496,602,735</u>	<u>94,098,626,067</u>
14.b	City Brokerage Limited and City Bank Capital Resource Limited maintained current deposit and fixed deposit receipt accounts with its parent company, The City Bank Limited. Account wise outstanding balances are as follows:		
	Inter-company indebtedness among Holding company & Subsidiaries:		
	City Brokerage Limited - current accounts	242,181,728	352,816,552
	City Bank Capital Resources Limited - current accounts	34,163,987	45,695,531
	City Bank Capital Resources Limited -fixed deposits receipt accounts	369,679,197	71,987,263
		<u>403,843,184</u>	<u>117,682,794</u>
	Inter-company indebtedness among Subsidiaries:		
	Payable to City Bank Capital Resources Limited - City Brokerage Limited	53,513,847	-
	Total inter-company indebtedness	<u>699,538,759</u>	<u>470,499,346</u>
15	CONSOLIDATED OTHER LIABILITIES		
	The City Bank Limited (note 15.a)	13,546,278,684	12,758,967,198
	City Brokerage Limited (note 15.b)	561,587,733	55,234,342
	City Bank Capital Resources Limited (note 15.c)	18,123,002	28,234,439
	CBL Money Transfer Sdn. Bhd. (note 15.d)	24,581,731	-
		<u>14,150,571,150</u>	<u>12,842,435,979</u>

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		<i>Figures in Taka</i>	
		2013	2012
	Mutual indebtedness:		
	Payable to City Bank Limited - City Brokerage Limited	(5,179)	-
	Payable to City Bank Limited - City Bank Capital Resources Limited	(30,000)	(25,421,540)
	Payable to City Bank Limited - CBL Money Transfer SDN BHD	(11,309,040)	-
	Payable to City Brokerage Limited - City Bank Capital Resources Limited	(1,707,217)	(1,124,265)
		<u>(13,051,436)</u>	<u>(26,545,805)</u>
	Adjustments for Consolidation - City Brokerage Limited	7,346,450	-
	Adjustments for Consolidation - City Bank Capital Resources Limited	157,721	-
		<u>7,504,171</u>	<u>-</u>
	Total consolidated other liabilities	<u>14,145,023,885</u>	<u>12,815,890,174</u>
15.a	Other liabilities - The City Bank Limited		
	Provision for loans and advances/investments (note 15.a.1)	4,845,233,805	4,579,603,912
	Provision for outstanding Off-Balance Sheet exposures (note 15.a.2)	490,563,933	385,563,933
	Interest suspense account (note 15.a.3)	948,942,600	1,234,467,367
	Other provision (note 15.a.5)	303,794,539	249,660,267
	Provision for income tax (note 15.a.6)	2,542,011,488	2,998,784,315
	Interest and other expenses payable	3,976,809,231	2,927,777,304
	Branch adjustment account	32,617,114	-
	Provision for nostro account	8,692,635	8,692,635
	Others	397,613,339	374,417,465
		<u>13,546,278,684</u>	<u>12,758,967,198</u>
15.a.1	Provision for loans and advances/investments		
	Movement in specific provision on classified loans/investments:		
	Provision held at the beginning of the year	3,409,603,912	1,101,496,836
	Fully provided debts written off during the year	(2,192,331,319)	(700,472,337)
	Fully waived during the year	(5,375,620)	(2,078,532)
	Recoveries of amounts previously written off	228,336,832	136,636,224
	Specific provision made during the year	2,205,000,000	2,644,021,721
	Transfer from provision for unclassified accounts	-	230,000,000
	Provision held at the end of the year	<u>3,645,233,805</u>	<u>3,409,603,912</u>
	Movement in general provision on unclassified loans/investments:		
	Provision held at the beginning of the year	1,170,000,000	1,400,000,000
	Transfer to provision for classified accounts	-	(230,000,000)
	Transfer from other provision	-	-
	General provision made during the year	30,000,000	-
	Provision held at the end of the year	<u>1,200,000,000</u>	<u>1,170,000,000</u>
		<u>4,845,233,805</u>	<u>4,579,603,912</u>
15.a.2	Provision on off-balances sheet exposures		
	As per BRPD circular no. 14 dated 23 September 2012 banks are advised to maintain general provision against outstanding off-balance sheet exposures @ 1% and in order to comply with the circulars, bank maintained provision of Taka 490,563,933 (2012: Taka 385,563,933) against requirement of Taka 489,406,693 (2012: Taka 385,538,231) as on 31 December 2013.		

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		<i>Figure in Taka</i>	
		2013	2012
	Opening balance	385,563,933	179,208,667
	Addition during the year	105,000,000	160,500,000
	Transfer from other provision	-	45,855,266
	Closing balance	490,563,933	385,563,933
15.a.3	Interest suspense account		
	Interest suspense account on classified loans and advances	617,292,968	946,235,872
	Interest suspense on special mention account	36,250,541	72,556,450
	Interest suspense on standard loans	295,399,091	215,675,045
		948,942,600	1,234,467,367
15.a.4	Movement of interest suspense account		
	Opening balance	1,234,467,367	687,102,925
	Amount transferred to "interest suspense" account during the year	1,199,645,003	1,341,269,081
	Amount recovered from "interest suspense" account during the year	(558,196,633)	(551,427,999)
	Amount waived during the year	(179,678,474)	(74,598,925)
	Amount written off during the year	(747,294,663)	(167,877,714)
	Closing balance	948,942,600	1,234,467,367
15.a.5	Other provision		
	Opening balance	249,660,267	335,327,181
	Addition during the year	102,500,000	90,000,000
	Transfer to provision for off-balance sheet exposure	-	(45,855,266)
	Transfer to general provision on unclassified loans	-	-
	Adjustment during the year	(48,365,728)	(129,811,648)
	Closing balance	303,794,539	249,660,267
15.a.6	Provision for income tax		
	Opening balance	2,998,784,315	5,154,714,243
	Adjustment for settlement of tax	(1,351,820,103)	(3,155,929,928)
	Current tax (note 15.a.6.1)	925,000,000	951,772,424
	Adjustment of deferred tax liability/(asset) (note 15.a.6.2)	(29,952,724)	48,227,576
	Closing balance	2,542,011,488	2,998,784,315
15.a.6.1	Provision for current tax of Tk 925,000,000 has been made @ 42.50%, as prescribed by Finance Act, of the accounting profit of the bank after considering some of the add backs to income and disallowances of expenditure as per Income Tax Ordinance, 1984.		
	Corporate tax position of the bank has been shown in Annexure-E		
15.a.6.2	Deferred tax liability		
	Opening balance	132,935,830	84,708,254
	Addition/(adjustment) during the year	(29,952,724)	48,227,576
	Closing balance	102,983,106	132,935,830

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		Book value	Tax base	Taxable/ (deductible) temporary difference	Deferred tax liability/ (assets)
		Taka	Taka	Taka	Taka
	Fixed assets	3,355,033,720	2,562,779,111	792,254,609	336,708,209
	Unrealised gain on share	1,836,954,266	-	1,836,954,266	183,695,427
	Provision against classified loan	(982,165,952)	-	(982,165,952)	(417,420,530)
	Balance as at 31 December 2013				102,983,106
	Balance as at 31 December 2012				132,935,830
	Profit for the year includes deferred tax income of Taka 29,952,724 which is not distributable as dividend as per BRPD circular no. 11 dated 12 December 2011.				
		<i>Figure in Taka</i>			
		2013			2012
15.b	Other liabilities - City Brokerage Limited				
	Interest suspense	327,575,701			-
	Provision for loans and advances	185,518,891			-
	Provision for investments.	11,173,570			-
	Accounts payable	4,248,862			1,231,287
	Accrued expenses	69,000			911,161
	Payable to The City Bank Limited	5,179			-
	Provision for taxation and VAT	32,996,530			53,091,894
		561,587,733			55,234,342
15.c	Other liabilities - City Bank Capital Resources Limited				
	Payable to The City Bank Limited	30,000			25,421,540
	Payable to City Brokerage Limited	1,707,217			1,124,264
	VAT and TDS Payable	777,528			525,000
	Accrued expenses	1,519,630			236,683
	Other payables	2,874,776			-
	Provision for taxation	11,213,851			926,952
		18,123,002			28,234,439
15.d	Other liabilities - CBL Money Transfer Sdn. Bhd.				
	Settlement Obligation	13,629,023			-
	Accrued expenses	1,529,247			-
	Others payable	9,423,461			-
		24,581,731			-
16	SHARE CAPITAL				
16.1	Authorised: 1,000,000,000 ordinary shares of Taka 10.00 each		10,000,000,000		10,000,000,000
16.2	Issued, subscribed and fully paid up:				
		No. of shares			
	Ordinary shares of Taka 10.00 each issued for cash	240,463,470	2,404,634,700	2,404,634,700	
	Ordinary shares of Taka 10.00 each issued as bonus shares:				
	Up to 31 December 2012	391,425,442	3,914,254,420	3,914,254,420	
	From 1 January - 31 December 2013	63,188,891	631,888,910	-	
		695,077,803	6,950,778,030	6,318,889,120	



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The Bank offered 1:1 right share during the year 2010 and on the record date the outstanding number of shares was 19,639,125 as the bonus for 2009 was credited before the record date for right share. During the course of right exercise the honourable High Court issued an injunction order against 392,778 shares. The verdict of the Court was to restrain exercise of right shares against the said 392,778 shares and also asked to maintain provision for future dividend, which may be declared on the aforementioned shares. Accordingly, the Bank maintained a reserve of BDT 30,931,350 till 31 December 2013 for subsequent declared stock dividend for the prejudice shares, which is shown under surplus in profit and loss account.

16.3 Percentage of shareholdings at the closing date

Particulars	2013		2012	
	Taka	Percentage(%)	Taka	Percentage(%)
Sponsors and general public	6,263,149,530	90.11%	5,365,104,700	84.91%
Financial institutions	687,628,500	9.89%	953,784,420	15.09%
	<b>6,950,778,030</b>	<b>100.00%</b>	<b>6,318,889,120</b>	<b>100.00%</b>

16.4 Classification of shareholders by holding

	2013			2012	
	Number of share holders	No. of Shares	% of total holding	Number of share holders	% of total holding
01 - 500 shares	48,105	6,367,175	0.92%	45,186	1.16%
501 - 5,000 shares	25,861	42,013,813	6.04%	24,400	6.08%
5,001 - 10,000 shares	2,699	19,014,079	2.74%	2,009	2.27%
10,001 - 20,000 shares	1,152	16,064,813	2.31%	910	2.04%
20,001 - 30,000 shares	340	8,339,353	1.20%	244	0.97%
30,001 - 40,000 shares	170	5,895,040	0.85%	112	0.62%
40,001 - 50,000 shares	82	3,662,701	0.53%	66	0.48%
50,001 - 100,000 shares	167	11,691,344	1.68%	132	1.53%
100,001 - 1,000,000 shares	213	59,767,184	8.60%	215	9.47%
Over 1,000,000 shares	92	522,262,301	75.14%	90	75.39%
	<b>78,881</b>	<b>695,077,803</b>	<b>100.00%</b>	<b>73,364</b>	<b>100.00%</b>

16.5 Consolidated Capital Adequacy Ratio

As per Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel II all scheduled banks calculated capital Adequacy Ratio based on 'Solo' basis as well as on 'Consolidated' basis. All amounts are stated in Taka crores except for those, if any, stated otherwise.

Figure in BDT Crore

	2013	2012
Core capital (Tier-I)		
Paid up capital	695.08	631.89
Non-repayable Share premium account	192.46	192.46
Statutory reserve	338.47	302.34
Non controlling interest in subsidiaries	0.58	0.01
General reserve	1.14	1.14
Surplus in profit and loss account/Retained earnings (note 20)	34.97	84.84
	<b>1,262.70</b>	<b>1,212.68</b>
Deductions from Tier-1 (Core Capital)		
Book value of goodwill and value of any contingent assets which are shown as assets	1.10	0.01
	<b>1,261.60</b>	<b>1,212.68</b>

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Figure in BDT Crore

	2013	2012
Supplementary capital (Tier-II)		
General provision maintained against unclassified loan/ investments (note 15.a.1)	120.00	117.00
General provision maintained against outstanding off balance sheet exposures	49.06	38.56
Assets revaluation reserve (up to 50%)	184.60	185.67
Revaluation Reserve for equity instruments (up to 10%)	18.37	21.82
Revaluation reserve for HTM securities (up to 50%)	1.09	1.48
Revaluation reserve for HFT (up to 50%)	0.81	0.02
	<b>373.93</b>	<b>364.55</b>
Total capital	<b>1,635.53</b>	<b>1,577.23</b>
Total assets	<b>14,755.96</b>	<b>13,031.39</b>
Total risk weighted assets (note 16.5.1)	<b>14,381.76</b>	<b>13,475.88</b>
Required capital (10% of risk weighted assets)	<b>1,438.18</b>	<b>1,347.59</b>
Surplus	<b>197.35</b>	<b>229.64</b>
Capital adequacy ratio	<b>11.37%</b>	<b>11.70%</b>
Ratio of Core Capital to Risk Weighted Assets	<b>8.77%</b>	<b>9.00%</b>
Ratio of Supplementary capital to Risk Weighted Assets	<b>2.60%</b>	<b>2.70%</b>
16.5.1 Risk weighted assets		
A. Credit Risk		
On-Balance sheet	8,955.32	8,966.67
Off-Balance sheet	3,183.38	2,367.20
	<b>12,138.71</b>	<b>11,333.87</b>
B. Market Risk	917.99	936.02
C. Operational Risk	1,325.06	1,205.98
Total Risk weighted assets (A+B+C)	<b>14,381.76</b>	<b>13,475.88</b>
16.5.a Capital Adequacy Ratio - The City Bank Limited		
Core capital (Tier-I)		
Paid up capital	695.08	631.89
Non-repayable Share premium account	192.46	192.46
Statutory reserve	338.47	302.34
General reserve	1.14	1.14
Surplus in profit and loss account/Retained earnings (note 20.a)	68.63	75.79
	<b>1,295.78</b>	<b>1,203.63</b>
Supplementary capital (Tier-II)		
General provision maintained against unclassified loan/ investments (note 15.a.1)	120.00	117.00
General provision maintained against outstanding off balance sheet exposures	49.06	38.56
Assets revaluation reserve (up to 50%)	184.60	185.67
Revaluation Reserve for equity instruments (up to 10%)	18.37	21.82
Revaluation reserve for HTM securities (up to 50%)	1.09	1.48
Revaluation reserve for HFT (up to 50%)	0.81	0.02
	<b>373.93</b>	<b>364.55</b>
Total capital	<b>1,669.71</b>	<b>1,568.18</b>

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Figure in BDT Crore

	2013	2012
Total assets	14,747.16	13,018.56
Total risk weighted assets (note 16.5.a.1)	14,337.71	13,401.28
Required capital (10% of risk weighted assets)	1,433.77	1,340.13
Surplus	235.94	228.05
Capital adequacy ratio	11.65%	11.70%
Ratio of Core Capital to Risk Weighted Assets	9.04%	8.98%
Ratio of Supplementary capital to Risk Weighted Assets	2.61%	2.72%
16.5.a.1 Risk weighted assets		
A. Credit Risk		
On- Balance sheet	9,032.32	9,019.76
Off-Balance sheet	3,183.38	2,367.20
	12,215.70	11,386.96
B. Market Risk	812.14	828.67
C. Operational Risk	1,309.86	1,185.65
Total Risk weighted assets (A+B+C)	14,337.71	13,401.28

Figure in Taka

	2013	2012
17 STATUTORY RESERVE		
Opening balance	3,023,446,512	2,670,899,481
Addition during the year (20% of pre-tax profit)	361,245,511	352,547,031
Closing balance	3,384,692,023	3,023,446,512

18 SHARE PREMIUM		
192,463,470 Ordinary Shares @ Taka 10	1,924,634,700	1,924,634,700

Share premium was received against issue of 192,463,470 right shares during the year 2010.

19 OTHER RESERVE		
General reserve	11,394,928	11,394,928
Revaluation reserve for HTM securities	21,807,000	29,686,061
Revaluation reserve for HFT securities	16,132,296	463,902
Revaluation reserve for equity Shares (note 19.1)	1,836,954,266	2,181,597,048
Asset revaluation reserve (note 19.2)	3,692,068,870	3,713,428,368
	5,578,357,360	5,936,570,307

19.1 Quoted shares were valued at market price as per guidelines of Bangladesh Bank and due to valuation at market price, revaluation reserve for equity shares were created. As the revaluation reserve for equity shares is unrealised gain, this is booked as a component of shareholders' equity.

19.2 During the year 2011 land and buildings of the Bank were revalued at fair value by a professional surveyor which was in compliance with regulatory requirement.

Movement of assets revaluation reserve		
Opening balance	3,713,428,368	3,655,749,663
Adjustment for previous year	-	68,059,203
Adjustment during the year	(21,359,498)	(10,380,498)
Closing balance	3,692,068,870	3,713,428,368

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Figure in Taka

	2013	2012
20 CONSOLIDATED SURPLUS IN PROFIT AND LOSS ACCOUNT		
The City Bank Limited (note 20.a)	686,312,590	757,886,233
Post acquisition retained surplus from City Brokerage Limited	(359,075,420)	89,000,025
Non-controlling interest	7,903	(10,998)
	(359,067,517)	88,989,027
Post acquisition retained surplus from City Bank Capital Resources Limited	35,727,446	1,518,329
Non-controlling interest	(2,433)	(152)
	35,725,013	1,518,177
Post acquisition retained deficit from CBL Money Transfer Sdn. Bhd.	(7,093,630)	-
Non-controlling interest	907,985	-
	(6,185,645)	-
Add: Foreign exchange revaluation effect	(7,056,100)	-
	349,728,341	848,393,437

20.a Movement of surplus in profit and loss account		
Opening balance	757,886,233	1,601,095,430
Transfer from asset revaluation reserve (note 20.a.1)	10,380,498	10,380,498
Profit for the year	911,180,280	762,735,156
Transfer to statutory reserve	(361,245,511)	(352,547,031)
Transfer to paid up capital for issue of bonus shares	(631,888,910)	(1,263,777,820)
Closing balance	686,312,590	757,886,233

Profit for the year includes deferred tax income of Taka 29,952,724 which is not distributable as dividend as per BRPD circular no. 11 dated 12 December 2011.

20.a.1 As per BAS 16 "Property, Plant and Equipment" revaluation surplus transferred directly to retained earnings when the surplus is realised. The whole surplus will be realised on the retirement or disposal of the assets. Some surplus will be realised as the assets are used by the user and the amount of surplus realised is the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets on its original cost. The realised revaluation surplus is to be transferred to retained earnings directly. In accordance with BAS 16, transfer of Taka 10,380,498 (2012: 10,380,498) from revaluation surplus to surplus in profit and loss account was made.

21 NON CONTROLLING INTEREST		
Share capital	12,501,837	70,000
Surplus in profit and loss account/retained earnings	(6,681,933)	11,151
	5,819,904	81,151

22 CONTINGENT LIABILITIES

22.1 Letters of guarantee		
Local	4,979,100,309	3,917,847,534
Foreign	1,190,765,163	124,999,000
Shipping Guarantee	6,482,464,130	2,325,276,925
	12,652,329,602	6,368,123,459
Margin on guarantee	(204,649,152)	(196,911,252)
	12,447,680,450	6,171,212,207



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		<i>Figures in Taka</i>	
		2013	2012
	Money for which the Bank is contingently liable in respect of guarantees given favouring:		
	Government	3,667,760,384	3,646,537,787
	Banks and other financial institutions	2,132,972,697	251,209,694
	Others	6,851,596,521	2,470,375,978
		<u>12,652,329,602</u>	<u>6,368,123,459</u>
	Margin on guarantee	(204,649,152)	(196,911,252)
		<u>12,447,680,450</u>	<u>6,171,212,207</u>
22.2	Irrevocable Letters of Credit		
	In land	658,320,929	688,969,549
	General	8,245,383,951	8,366,515,910
	Back to Back LC	1,275,336,056	1,471,970,981
		<u>10,179,040,936</u>	<u>10,527,456,440</u>
	Margin on LC	(774,258,656)	(614,660,815)
		<u>9,404,782,280</u>	<u>9,912,795,625</u>
22.3	Bills for collection		
	Outward local bills for collection	321,500	1,121,500
	Outward foreign bills for collection	1,538,183,627	905,862,187
	Inward local bills for collection	2,861,234,180	4,901,104,734
	Inward foreign bills for collection	2,024,907,099	2,117,090,885
		<u>6,424,646,406</u>	<u>7,925,179,306</u>
	Margin on bill collection	(185,000)	(185,000)
		<u>6,424,461,406</u>	<u>7,924,994,306</u>
22.4	Forward assets purchased and forward deposits placed		
	Forward sales/contracts	2,536,878,100	-
		<u>2,536,878,100</u>	<u>-</u>
22.5	Letter of comfort		
	The Bank issued a letter of comfort in favour of its subsidiary, City Brokerage Limited to Mutual Trust Bank Limited for getting an overdraft loan.		
22.6	Suit filed by the bank		
	No law suit has been filed by the bank against contingent liabilities.		
23.	<b>INCOME STATEMENT - THE CITY BANK LIMITED</b>		
	Income:		
	Interest, discount and similar income (note 23.1)	14,969,571,988	13,682,965,051
	Dividend income	68,046,720	75,688,911
	Fees, commission and brokerage (note 23.2)	892,521,220	839,032,368
	Gains less losses arising from dealing in securities (note 26.a)	163,402,857	499,329,736
	Gains less losses arising from investment securities (note 26.a)	65,890,940	4,346,452
	Gains less losses arising from dealing in foreign currencies (note 27.a)	568,644,632	410,042,260
	Other operating income (note 28.a)	761,276,475	721,605,044
	Profit less losses on interest rate changes	-	-
		<u>17,489,354,832</u>	<u>16,233,009,822</u>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
	Expenses:		
	Interest/profit paid on deposits, borrowings etc.	8,593,433,437	7,672,887,094
	Administrative expenses (note 23.3)	3,453,619,174	2,985,263,134
	Other operating expenses (note 37.a)	932,625,340	684,017,009
	Depreciation on banking assets (note 36.a)	363,449,325	323,585,708
		<u>13,343,127,276</u>	<u>11,665,752,945</u>
	Income over expenditure	4,146,227,556	4,567,256,877
23.1	Interest, discount and similar income		
	Interest income (note 24.a)	13,612,919,677	12,442,964,209
	Interest income on treasury bills/reverse repo/bonds (note 26.a)	1,356,096,611	1,239,171,842
	Interest on debentures (note 26.a)	555,700	829,000
		<u>14,969,571,988</u>	<u>13,682,965,051</u>
23.2	Fees, commission and brokerage		
	Commission (note 27.a)	892,521,220	839,032,368
	Brokerage (note 27.a)	-	-
		<u>892,521,220</u>	<u>839,032,368</u>
23.3	Administrative expenses		
	Salary and allowances	2,377,759,372	2,027,332,040
	Rent, taxes, insurance, electricity, etc. (note 30.a)	512,683,886	438,739,311
	Legal expenses (note 31.a)	19,024,532	24,718,198
	Postage, stamp, telecommunication, etc. (note 32.a)	61,602,499	56,256,858
	Stationery, printing, advertisement, etc. (note 33.a)	256,293,475	237,079,106
	Chief Executive's salary and fees (note 34)	17,630,000	15,937,836
	Directors' fees (note 35.a)	1,165,000	890,000
	Auditors' fees	1,111,525	756,750
	Repair of Bank's assets (note 36.a)	206,348,885	183,553,035
		<u>3,453,619,174</u>	<u>2,985,263,134</u>
24.	<b>CONSOLIDATED INTEREST INCOME/PROFIT ON INVESTMENT</b>		
	The City Bank Limited (note 24.a)	13,612,919,677	12,442,964,209
	City Brokerage Limited	133,249,430	442,529,081
	City Bank Capital Resources Limited	42,325,473	9,591,522
		<u>13,788,494,580</u>	<u>12,895,084,812</u>
	Inter-company transactions		
	The City Bank Limited with City Brokerage Limited	(352,310,939)	(457,595,563)
	City Bank Capital Resources Limited	(28,616,015)	(9,591,522)
		<u>(380,926,954)</u>	<u>(467,187,085)</u>
		<u>13,407,567,626</u>	<u>12,427,897,727</u>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
24.a	Interest income/profit on investment - The City Bank Limited		
	Interest on loans against imported merchandise/Murabaha	1,505,087	1,816,764
	Interest on loans against trust receipts	1,416,971,091	1,902,210,471
	Interest on packing credits	3,482,834	4,370,231
	Interest on Interest on EDF	30,908,205	19,337,711
	Interest on house building loans	92,869,703	5,438,986
	Interest on industrial credits	2,131,044,517	1,695,581,358
	Interest on transport loans	42,559,287	34,062,277
	Interest on lease finance/izara	10,384,189	14,332,260
	Interest on demand loans	112,790,272	176,242,583
	Interest on payment against documents	7,030,402	23,330,421
	Interest on cash credits/bai-muajjal	1,504,883,457	1,475,845,851
	Interest on hire purchase shirkatul melk	138,738,754	243,024,951
	Interest on fully and partly secured overdrafts	56,252,836	76,198,120
	Interest on consumer credit schemes	22,189	30,952
	Interest on small and medium enterprise loans	799,917,744	697,857,561
	Interest on staff loans	80,528,647	69,826,276
	Interest on documentary bills purchased	729,650,127	430,270,292
	Interest on credit cards	949,495,185	931,842,694
	Interest on cash incentives	-	527,362
	Interest on city drive	75,056,452	105,542,174
	Interest on city solution	1,140,072,832	1,171,482,978
	Interest on city express	341,873,036	385,092,618
	Interest on double loans	10,862,400	9,293,856
	Interest on short term loan	3,353,694,153	2,438,749,484
	Total interest/profit on loans and advances/investments	<u>13,030,593,399</u>	<u>11,912,308,231</u>
	Interest on balance with other banks and financial institutions	306,636,789	235,885,412
	Interest on call loans	274,306,833	293,656,431
	Interest on foreign bank accounts	1,382,656	1,114,135
	Total interest/profit on placement of funds	<u>582,326,278</u>	<u>530,655,978</u>
		<u>13,612,919,677</u>	<u>12,442,964,209</u>
25.	CONSOLIDATED INTEREST/PROFIT PAID ON DEPOSITS, BORROWINGS ETC.		
	The City Bank Limited (note 25.a)	8,593,433,437	7,672,887,094
	City Brokerage Limited	394,677,317	487,625,838
		<u>8,988,110,754</u>	<u>8,160,512,932</u>
	Inter-company transactions		
	City Brokerage Limited	(352,310,939)	(457,595,563)
	City Bank Limited with City Bank Capital Resources Limited	(28,616,015)	(9,591,522)
		<u>(380,926,954)</u>	<u>(467,187,085)</u>
		<u>8,607,183,800</u>	<u>7,693,325,847</u>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
25.a	Interest/profit paid on deposits, borrowings etc. - The City Bank Limited		
	a) Interest/profit paid on deposits:		
	Savings bank deposits	537,715,526	454,318,006
	Mudaraba/Manarah savings deposits	23,081,950	96,458,422
	Short notice deposits	751,646,116	470,766,121
	Mudaraba short notice deposits	1,400,689	11,735,352
	Fixed deposits	5,776,060,972	5,555,791,145
	Mudaraba term deposits	377,395,985	303,644,920
	Deposits under scheme	388,830,650	425,342,234
	Mudaraba monthly benefit scheme	1,049,174	485,268
	b) Interest/profit paid on local bank accounts	614,890,484	241,227,859
	c) Interest/profit paid on borrowing from Bangladesh Bank	103,869,164	96,508,603
	d) Interest paid on borrowings from outside Bangladesh for off shore banking	17,492,727	16,609,164
		<u>8,593,433,437</u>	<u>7,672,887,094</u>
26.	CONSOLIDATED INVESTMENT INCOME		
	The City Bank Limited (note 26.a)	1,653,992,828	1,819,365,941
	City Brokerage Limited	9,454,581	47,580,550
	City Bank Capital Resources Limited	11,843,090	-
		<u>1,675,290,499</u>	<u>1,866,946,491</u>
26.a	Investment income - The City Bank Limited		
	Interest on treasury bills/Reverse repo/bonds	1,356,096,611	1,239,171,842
	Interest on debentures	555,700	829,000
	Dividend on shares	68,046,720	75,688,911
	Gain on Government securities	163,402,857	499,329,736
	Gain on sale of shares and debentures	58,725,006	4,346,452
	Gain on repo	7,165,934	-
		<u>1,653,992,828</u>	<u>1,819,365,941</u>
27.	CONSOLIDATED COMMISSION, EXCHANGE AND BROKERAGE		
	The City Bank Limited (note 27.a)	1,461,165,852	1,249,074,628
	City Brokerage Limited	132,930,613	128,235,390
	City Bank Capital Resources Ltd	18,770,526	10,810,890
	CBL Money Transfer Sdn. Bhd.	2,227,665	-
		<u>1,615,094,656</u>	<u>1,388,120,908</u>
27.a	Commission, exchange and brokerage - The City Bank Limited		
	Letters of credit	212,033,652	262,874,777
	Letters of guarantee	48,784,605	40,745,639
	Export bills	17,022,574	11,532,071
	Bills purchased	111,667	65,341
	Accepted bills	195,663,073	142,130,042
	OBC, IBC etc.	560,948	1,019,001
	PO, DD, TT, TC, etc.	2,142,275	4,470,171
	NRB operation	20,423,275	23,493,384
	Other fees and charges (note 27.a.1)	390,914,779	350,139,978
	Other commissions	4,864,372	2,561,964
		<u>892,521,220</u>	<u>839,032,368</u>
	Exchange gain including gain from foreign currency dealings (note 27.a.2)	568,644,632	410,042,260
		<u>1,461,165,852</u>	<u>1,249,074,628</u>



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THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
27.a.1	Other fees and charges		
	Service and other charges	357,614,516	270,978,622
	Structured finance fee	32,715,024	65,813,075
	Management fee	585,239	13,348,281
		<u>390,914,779</u>	<u>350,139,978</u>
27.a.2	Net exchange gain		
	Exchange gain	579,568,546	423,967,432
	Exchange loss	(10,923,914)	(13,925,172)
		<u>568,644,632</u>	<u>410,042,260</u>
28.	CONSOLIDATED OTHER OPERATING INCOME		
	The City Bank Limited (note 28.a)	761,276,475	721,605,044
	City Brokerage Limited	269,815	6,450,717
	City Bank Capital Resources Ltd	100	-
	CBL Money Transfer Sdn. Bhd.	628,867	-
		<u>762,175,257</u>	<u>728,055,761</u>
28.a	Other operating income - The City Bank Limited		
	Rental income	275,750	792,700
	Swift recoveries	14,588,843	10,440,494
	Profit from sale of fixed assets	5,773,545	1,157,872
	Credit card income (note 28.a.1)	689,717,807	507,215,729
	Rebate received from foreign banks	19,284,591	16,059,352
	Others	31,635,939	185,938,897
		<u>761,276,475</u>	<u>721,605,044</u>
28.a.1	Credit card income		
	Card issue fees	226,111,914	60,126,545
	Late payment fees	84,475,086	81,581,942
	Merchant commission	317,879,542	257,542,701
	Interchange fees	17,233,280	17,394,587
	Mark-up, excess limit, cash advance fees etc.	44,017,985	90,569,954
		<u>689,717,807</u>	<u>507,215,729</u>
29.	CONSOLIDATED SALARIES AND ALLOWANCES		
	The City Bank Limited	2,377,759,372	2,027,332,040
	City Brokerage Limited	53,975,410	38,157,006
	City Bank Capital Resources Limited	18,010,203	14,792,996
	CBL Money Transfer Sdn. Bhd.	4,601,608	-
		<u>2,454,346,593</u>	<u>2,080,282,042</u>
30.	CONSOLIDATED RENT, TAXES, INSURANCE, ELECTRICITY ETC.		
	The City Bank Limited (note 30.a)	512,683,886	438,739,311
	City Brokerage Limited (note 30.b)	30,904,414	28,049,584
	City Bank Capital Resources Limited	2,145,607	1,562,684
	CBL Money Transfer Sdn. Bhd.	3,800,456	-
		<u>549,534,363</u>	<u>468,351,579</u>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
30.a	Rent, taxes, insurance, electricity etc. - The City Bank Limited		
	Rent	294,629,474	239,030,510
	Rates and taxes	29,561,666	44,609,687
	Insurance	113,341,489	90,989,107
	Power and electricity	75,151,257	64,110,007
		<u>512,683,886</u>	<u>438,739,311</u>
30.b	Rent, taxes, insurance, electricity etc. - City Brokerage Limited		
	Rent	13,619,233	13,420,689
	Rates and taxes	15,411,018	13,439,009
	Insurance	93,932	136,753
	Power and electricity	1,780,231	1,053,134
		<u>30,904,414</u>	<u>28,049,584</u>
31.	CONSOLIDATED LEGAL EXPENSES		
	The City Bank Limited (note 31.a)	19,024,532	24,718,198
	City Brokerage Limited	288,055	128,663
	City Bank Capital Resources Limited	890,440	302,321
		<u>20,203,027</u>	<u>25,149,182</u>
31.a	Legal expenses - The City Bank Limited		
	Legal expenses	18,872,028	24,656,305
	Others	152,504	61,893
		<u>19,024,532</u>	<u>24,718,198</u>
32.	CONSOLIDATED POSTAGE, STAMPS, TELECOMMUNICATION ETC.		
	The City Bank Limited (note 32.a)	61,602,499	56,256,858
	City Brokerage Limited (note 32.b)	3,721,996	943,831
	City Bank Capital Resources Limited	575,950	41,057
	CBL Money Transfer Sdn. Bhd.	296,218	-
		<u>66,196,663</u>	<u>57,241,746</u>
32.a	Postage, stamps, telecommunication etc. - The City Bank Limited		
	Postage/courier service	15,291,325	17,125,489
	Telegram, telex, fax and e-mail	11,789,102	9,818,705
	Telephone - office	28,749,982	24,285,759
	Telephone - residence	5,772,090	5,026,905
		<u>61,602,499</u>	<u>56,256,858</u>
32.b	Postage, stamps, telecommunication etc. - City Brokerage Limited		
	Postage	36,486	6,643
	Telegram, telex, fax and e-mail	2,911,456	-
	Telephone bill	774,054	937,188
		<u>3,721,996</u>	<u>943,831</u>
33.	CONSOLIDATED STATIONERY, PRINTING AND ADVERTISEMENTS ETC.		
	The City Bank Limited (note 33.a)	256,293,475	237,079,106
	City Brokerage Limited	1,142,608	1,587,952
	City Bank Capital Resources Limited	882,545	357,458
	CBL Money Transfer Sdn. Bhd.	374,659	-
		<u>258,693,287</u>	<u>239,024,516</u>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
33.a	Stationery, printing and advertisements etc. - The City Bank Limited		
	Office and security stationery (note 33.a.1)	74,238,131	59,062,159
	Computer consumable stationery	22,609,602	15,808,566
	Publicity and advertisement (note 33.a.2)	159,445,742	162,208,381
		<u>256,293,475</u>	<u>237,079,106</u>
33.a.1	Office and security stationery		
	Office stationery	47,643,959	44,308,177
	Security stationery	26,594,172	14,753,983
		<u>74,238,131</u>	<u>59,062,160</u>
33.a.2	Publicity and advertisement		
	Advertisement Sponsorship-Magazine	52,939,861	21,357,049
	Advertisement Sponsorship-Others	40,418,835	17,775,990
	Advertisement-Television and radio	22,009,039	17,263,635
	Advertisement-Miscellaneous	44,078,007	105,811,707
		<u>159,445,742</u>	<u>162,208,381</u>
34.	CHIEF EXECUTIVE'S SALARY AND FEES		
	Basic salary	11,200,000	11,797,836
	Festival bonus and other allowances	6,430,000	4,140,000
		<u>17,630,000</u>	<u>15,937,836</u>
35.	CONSOLIDATED DIRECTORS' FEES		
	The City Bank Limited (note 35.a)	1,165,000	890,000
	City Brokerage Limited	120,000	180,000
	CBL Money Transfer Sdn. Bhd.	97,216	-
		<u>1,382,216</u>	<u>1,070,000</u>
35.a	Directors' fees - The City Bank Limited		
	Meeting fees	1,165,000	890,000
	Each Director is paid Taka 5,000 for each meeting attended.		
36.	CONSOLIDATED DEPRECIATION AND REPAIR		
	The City Bank Limited (note 36.a)	569,798,210	507,138,743
	City Brokerage Limited (note 36.b)	11,407,934	10,508,458
	City Bank Capital Resources Limited (note 36.c)	1,355,019	683,596
	CBL Money Transfer Sdn. Bhd.	577,930	-
		<u>583,139,093</u>	<u>518,330,797</u>
36.a	Depreciation and repair of bank's assets - The City Bank Limited		
	Depreciation	363,449,325	323,585,708
	Repairs and maintenance:		
	Premises	14,219,329	15,960,374
	Furniture and fixtures	639,119	750,291
	Office equipment-IT Support	53,394,716	38,943,423
	Vehicle	122,460,451	111,218,926
	Others	15,635,270	16,680,021
		<u>206,348,885</u>	<u>183,553,035</u>
	See Annexure D for detail of depreciation.	569,798,210	507,138,743

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
36.b	Depreciation and repair - City Brokerage Limited		
	Depreciation:		
	Furniture and fixtures	1,177,812	2,822,617
	Office equipment	5,710,003	4,687,430
	Vehicle	957,895	957,895
	Software	143,890	132,223
		<u>7,989,600</u>	<u>8,600,165</u>
	Repairs:		
	Furniture and fixtures/office equipment	2,851,329	1,515,174
	Vehicle	567,005	393,119
		<u>3,418,334</u>	<u>1,908,293</u>
		<u>11,407,934</u>	<u>10,508,458</u>
36.c	Depreciation and repair - City Bank Capital Resources Limited		
	Depreciation:		
	Furniture and fixtures	6,372	1,131
	Office equipment	249,085	173,623
	Vehicle	764,900	-
	Software	110,004	110,004
		<u>1,130,361</u>	<u>284,758</u>
	Repairs:		
	Furniture and fixtures/office equipment	-	126,180
	Vehicle	224,658	272,658
		<u>224,658</u>	<u>398,838</u>
		<u>1,355,019</u>	<u>683,596</u>
37.	CONSOLIDATED OTHER EXPENSES		
	The City Bank Limited (note 37.a)	932,625,340	684,017,009
	City Brokerage Limited	10,097,426	6,363,937
	City Bank Capital Resources Limited	2,485,253	632,061
	CBL Money Transfer Sdn. Bhd.	141,316	-
		<u>945,349,335</u>	<u>691,013,007</u>
37.a	Other expenses - The City Bank Limited		
	Entertainment	21,896,452	20,391,250
	Books, magazines and newspapers etc	584,521	426,996
	Medical	3,745,476	1,725,594
	Cash carrying charges	1,152,039	1,669,351
	Subscription to institutions	7,176,491	3,370,424
	Donations	27,918,599	5,275,361
	Professional fees	12,187,097	10,142,450
	Travelling expenditure and conveyance - Staff	37,158,036	21,891,993
	Local conveyance	7,903,116	7,761,173
	Business development	82,524,284	65,315,775
	Annual general meeting	15,657,581	22,829,416
	Bond/right issue	27,500,000	-
	Security	98,471,450	84,141,155
	Sub Total	<u>343,875,142</u>	<u>244,940,938</u>



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		<i>Figures in Taka</i>	
		2013	2012
	Online communication - IT enabled	29,708,067	38,376,399
	Vehicle rental	10,145,360	3,877,422
	Staff activities and welfare	49,564,641	49,698,519
	Washing and cleaning	15,959,602	8,405,581
	Credit card (note 37.a.1)	344,567,575	178,616,458
	Annual technical service fees - IT Support	49,480,845	39,796,922
	Amortisations	37,877,424	35,615,244
	CIB Charges	1,223,820	2,635,840
	Remittance charges	586,793	237,645
	Loss on sale of stationery	-	1,329,456
	Fuel	20,103,627	18,273,454
	Others (note 37.a.2)	29,532,444	62,213,131
	<b>Total</b>	<b>932,625,340</b>	<b>684,017,009</b>
37.a.1	Credit card expenses		
	Card processing and personalisation	135,539,194	3,510,056
	VISA international expenses	50,204,129	45,596,039
	ATM expenditure - IT support	21,561,954	11,448,077
	Other expenditure - cards	137,262,299	118,062,286
		<b>344,567,575</b>	<b>178,616,458</b>
37.a.2	Others include NRB bank charges and fraud forgeries etc.		
38.	CONSOLIDATED PROVISION FOR LOANS AND ADVANCES/INVESTMENTS		
	The City Bank Limited (note 38.a)	2,235,000,000	2,644,021,721
	City Brokerage Limited	185,518,891	-
		<b>2,420,518,891</b>	<b>2,644,021,721</b>
38.a	Provision for loans and advances/investments - The City Bank Limited		
	Provision for classified loans and advances/investments	2,205,000,000	2,644,021,721
	Provision for unclassified loans and advances/investments	30,000,000	-
		<b>2,235,000,000</b>	<b>2,644,021,721</b>
39.	CONSOLIDATED PROVISION FOR TAXATION		
	Current tax:		
	The City Bank Limited (note 39.a)	925,000,000	951,772,424
	City Brokerage Limited	20,885,167	20,711,959
	City Bank Capital Resources Limited	11,213,851	744,090
		<b>957,099,018</b>	<b>973,228,473</b>
	Deferred tax:		
	The City Bank Limited (note 39.a)	(29,952,724)	48,227,576
	Income tax on profit	927,146,294	1,021,456,049

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THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
39.a	Provision for Taxation - The City Bank Limited		
	Current tax:		
	Provision for income tax has been made according to Income Ordinance, 1984. During the year, an amount of BDT 925,000,000 (2012: BDT 951,772,424) has been provided for current income tax.		
	Deferred tax:		
	Deferred tax is provided using the Balance sheet method for timing difference arising between the tax base of assets and liabilities and their carrying values for reporting purposes as per Bangladesh Accounting Standard (BAS) - 12. During the period net amount of BDT 29,952,724 (2012: 48,227,576) had been provided as deferred tax income.		
	The charged for taxation is based upon profit for the year comprises:		
	Current tax on taxable income @ 42.50%	925,000,000	951,772,424
	Adjustment prior year	-	-
		<b>925,000,000</b>	<b>951,772,424</b>
	Net deferred tax liability/(asset) originated for temporary differences	(29,952,724)	48,227,576
	Income tax on profit	<b>895,047,276</b>	<b>1,000,000,000</b>
40.	CONSOLIDATED RECEIPTS FROM OTHER OPERATING ACTIVITIES		
	The City Bank Limited (note 40.a)	2,408,832,722	2,200,832,631
	City Brokerage Limited	269,815	38,892,307
	City Bank Capital Resources Limited	100	-
	CBL Money Transfer Sdn. Bhd.	1,354,251	-
		<b>2,410,456,888</b>	<b>2,239,724,938</b>
40.a	Receipts from other operating activities - The City Bank Limited		
	Interest on bonds, debentures and treasury bills	1,647,556,247	1,479,227,588
	Rent recovered	275,750	792,700
	Postage/telex/fax/swift charge recoveries	14,588,843	10,440,494
	Income from sale of Bank's property	5,773,545	1,157,872
	Credit card income	689,717,807	507,215,729
	Rebate received from foreign banks	19,284,591	16,059,352
	Miscellaneous earnings	31,635,939	185,938,896
		<b>2,408,832,722</b>	<b>2,200,832,631</b>
41.	CONSOLIDATED PAYMENTS FOR OTHER OPERATING ACTIVITIES		
	The City Bank Limited (note 41.a)	2,081,710,349	1,305,652,684
	City Brokerage Limited	48,610,225	37,666,107
	City Bank Capital Resources Limited	6,367,908	2,982,961
	CBL Money Transfer Sdn. Bhd.	7,423,065	-
		<b>2,144,111,547</b>	<b>1,346,301,752</b>

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		<i>Figures in Taka</i>	
		2013	2012
41.a	Payments for other operating activities - The City Bank Limited		
	Rent, taxes, insurance and electricity	483,560,259	433,502,615
	Legal expenses	19,024,532	24,340,970
	Postage, stamp and telecommunication	54,927,784	54,074,120
	Advertisement expenses	161,637,744	93,764,564
	Directors' fees	1,165,000	777,500
	Auditors' fees	1,111,525	756,750
	Repair to Bank's assets	192,962,307	174,387,183
	Other expenses	1,167,321,198	524,048,982
		<u>2,081,710,349</u>	<u>1,305,652,684</u>
42.	CONSOLIDATED INCREASE/(DECREASE) OF OTHER ASSETS		
	The City Bank Limited (note 42.a)	613,761,514	(537,888,686)
	City Brokerage Limited	(65,436,812)	19,197,197
	City Bank Capital Resources Limited	(10,787,799)	(9,361,058)
	CBL Money Transfer Sdn. Bhd.	15,493,360	-
		<u>553,030,263</u>	<u>(528,052,547)</u>
42.a	Increase/(decrease) of other assets - The City Bank Limited		
	Stationery and stamps	2,883,476	4,947,374
	Advance deposits and advance rent	20,750,447	(19,276,398)
	Prepaid expenses	(1,687,088)	(30,835,830)
	Branch adjustment account	20,747,986	9,748,991
	Account receivables	520,330,914	(532,936,755)
	Advance against advertisement	(1,715,062)	3,291,555
	Receivable from City Brokerage Ltd.	(5,178)	6,674,920
	Receivable from City Bank Capital Resources Ltd.	25,518,192	(18,928,136)
	Intangible assets	38,246,867	39,425,593
	Advance payment to CBL Money Transfer	(11,309,040)	-
		<u>613,761,514</u>	<u>(537,888,686)</u>
43.	CONSOLIDATED INCREASE/(DECREASE) OF OTHER LIABILITIES		
	The City Bank Limited (note 43.a)	(2,475,784,447)	(900,565,667)
	City Brokerage Limited	329,751,114	(70,475,225)
	City Bank Capital Resources Limited	(23,411,705)	23,871,405
	CBL Money Transfer Sdn. Bhd.	3,448,718	-
		<u>(2,165,996,320)</u>	<u>(947,169,487)</u>
43.a	Increase/(decrease) of other liabilities - The City Bank Limited		
	Loans written off and waived	(2,197,706,939)	(702,550,869)
	Interest suspense account	(285,524,767)	547,364,442
	Other provision	(48,365,728)	(129,811,648)
	Provision for gratuity	-	(494,875,798)
	Others	55,812,987	(120,691,794)
		<u>(2,475,784,447)</u>	<u>(900,565,667)</u>

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		<i>Figures in Taka</i>			
		2013			
		2013	2012		
44.	CONSOLIDATED EARNINGS PER SHARE (EPS)				
	(i) Net profit after tax - Taka	491,149,924	794,450,643		
	(ii) Weighted average number of shares	695,077,803	695,077,803		
	Consolidated earnings per share - Taka (i/ii)	<u>0.71</u>	<u>1.14</u>		
	Bonus factor has been considered for previous year's EPS computation.				
44.a	Earnings per share (EPS) - The City Bank Limited				
	(i) Net profit after tax - Taka	911,180,280	762,735,156		
	(ii) Weighted average number of shares	695,077,803	695,077,803		
	Earnings per share - Taka (i/ii)	<u>1.31</u>	<u>1.10</u>		
	Bonus factor has been considered for previous year's EPS computation.				
45.	SEGMENT REPORTING		2013		
		Conventional Taka	Islamic Taka	Offshore Taka	Total Taka
	Total operating profit (profit before unallocated expenses and tax)	8,534,821,603	126,760,274	234,339,518	8,895,921,395
	Allocated expenses	(4,688,827,594)	(41,852,269)	(19,013,976)	(4,749,693,839)
	Provision against loans and advances	(2,167,144,446)	(27,293,609)	(40,561,945)	(2,235,000,000)
	Provision against off-balance sheet exposures	(105,000,000)	-	-	(105,000,000)
	Profit before tax	1,573,849,563	57,614,396	174,763,598	1,806,227,556
	Net profit	678,802,287	57,614,396	174,763,598	911,180,280
	Segment assets	135,026,210,811	4,464,900,586	7,980,507,481	147,471,618,878
	Segment liabilities	135,026,210,811	4,464,900,586	7,980,507,481	147,471,618,878



46. RELATED PARTY DISCLOSURES

i) Particulars of Directors of the Bank as on 31 December 2013

Sl. no.	Name of the persons	Designation	Present Address	Percentage (%) of shares as at 31 December 2013
1	Mr. Rubel Aziz	Chairman	House no.9, Road no.55 Gulshan-2, Dhaka-1212	2.49%
2	Ms. Meherun Haque	Vice Chairman	House no.3, Road no. 58/59 Gulshan-2, Dhaka-1212	2.01%
3	Mr. Aziz Al Kaiser	Director	Bloomingdale 24 Dutabas Road Baridhara, Dhaka	2.91%
4	Mr. Hossain Mehmood (Representative of A-One Polymer Limited)	Director	Managing Director A-One Polymer Limited Baitul Hossain Building, 27 Dilkusha C/A, Dhaka-1000	2.00%
5	Ms. Evana Fahmida Mohammad	Director	23/A, Shyamoli Dhaka-1207	2.01%
6	Mr. Hossain Khaled	Director	Anwar Group of Industries Baitul Hossain Building 27, Dilkusha C/A, Dhaka-1000.	2.00%
7	Mr. Rajibul Huq Chowdhury	Director	688/3, Baro Mogh Bazar Dhaka	2.00%
8	Mr. Deen Mohammad	Director	23 Shyamoli, Mohammadpur Dhaka-1207	4.97%
9	Ms. Tabassum Kaiser	Director	Bloomingdale 24 Dutabas Road Baridhara, Dhaka	2.00%
10	Mr. Rafiqul Islam Khan	Director	House no.97, Road no.11/A Dhanmondi, Dhaka	2.01%
11	Mr. Mohammad Shoeb	Director	23 Shyamoli, Mohammadpur Dhaka-1207	2.50%
12	Mr. Aziz Al Mahmood	Director	House no.12, Road no.1 Baridhara, Dhaka.	2.00%
13	Mrs. Syeda Shaireen Aziz	Director	House no.9, Road no.55 Gulshan-2, Dhaka-1212	2.01%
14	Mr. Sohail R K Hussain	CEO & MD	The City Bank Ltd. 136 Gulshan Avenue, Gulshan-2 Dhaka-1212	Nil

For directors interest in different entities refer to Annexure-F.

ii) Related party transactions

During the year 1 January 2013 to 31 December 2013, the Bank concluded business deals with the following organizations:

Name of the organizations	Relationship	Nature of transactions	Transaction value for the year ended		Balance outstanding as at	
			2013 Taka	2012 Taka	2013 Taka	2012 Taka
City Brokerage Ltd.	Subsidiary Company	Share Capital	1,000,000,000	-	1,600,000,000	600,000,000
City Brokerage Ltd.	Subsidiary Company	Loan	1,210,020,000	325,000,000	2,392,456,956	3,248,698,546
City Brokerage Ltd.	Subsidiary Company	Interest on Loan	352,310,939	457,595,563	N/A	N/A
City Brokerage Ltd.	Subsidiary Company	Inter Company Expenses	29,491,718	37,494,284	5,178	(5,696,331)
City Bank Capital Resources Ltd	Subsidiary company	Share Capital	650,000,000	-	750,000,000	100,000,000
City Bank Capital Resources Ltd	Subsidiary company	Interest on Deposits	28,616,015	9,591,522	N/A	N/A
City Bank Capital Resources Ltd	Subsidiary company	Inter Company Expenses	77,611,682	22,261,030	30,000	23,696,216
CBL Money Transfer SDN BHD	Subsidiary company	Share Capital	63,080,473	-	63,080,473	-
Janata Insurance Company Ltd.	Director Interest	Insurance Coverage	187,203	339,706	N/A	N/A
City General Insurance Company Ltd.	Director Interest	Insurance Coverage	6,818,492	5,152,246	N/A	N/A
Phoenix Insurance Company Ltd.	Director Interest	Insurance Coverage	11,088,990	8,287,274	N/A	N/A

iii) Statement of debts due by companies or firms in which the Directors (including Ex-Directors) of the Bank have interests as on 31 December 2013

A) Statement of funded debts due by the Directors of the banking company as at 31 December 2013

(Figures in Lakh Taka)

Sl. No.	Names of Directors	Present status with the bank	Name of the institution	Types of facility	Outstanding as at 31 December 2013	Classification status	Value of eligible security
1	Mr. Rubel Aziz	Chairman	Self	Credit Card	1.74	Unclassified	Marked as lien of \$25 thousand in RFCDA/C
2	Ms. Meherun Haque	Vice Chairperson	Self	-Do-	0.63	-Do-	-
3	Mr. Rajibul Huq Chowdhury	Director	Self	-Do-	0.06	-Do-	-
4	Ms. Evana Fahmida Mohammad	-Do-	Self	-Do-	3.90	-Do-	-
5	Mr. Hossain Khaled	-Do-	Self	-Do-	0.16	-Do-	-
6	Mrs. Syeda Shaireen Aziz	-Do-	Self	-Do-	0.24	-Do-	-

B) Statement of other funded debts due by the Directors of the banking company as at 31 December 2013

(Figures in Lakh Taka)

Sl. No.	Names of Directors	Present status with the bank	Name of the institution	Types of facility	Outstanding as at 31 December 2013	Classification status	Value of eligible security
1	Mrs. Evana Fahmida Mrs. Mehrun Haque Mr. Mohammad Shoeb Mr. Deen Mohammad	Director	Rupayan Housing Estate Ltd.	STL	2,528.11	Doubtful	Registered mortgage of 49.85 katha land at Siddeshwary, Dhaka with a value of Taka 9,970.00 Lakh

C) Statement of non-funded debts due by the companies or firms in which the Directors of the banking company have interests as at 31 December 2013

(Figures in Lakh Taka)

Sl. No.	Names of Directors	Present status with the bank	Name of the institution	Types of facility	Outstanding as at 31 December 2013	Classification status	Value of eligible security
1	Mr. Hossain Khaled & Mr. Hossain Mehmood	Director	Monowar Industries (Pvt) Ltd.	BG	0.12	Unclassified	Margin 0.01
2	Mr. Hossain Khaled & Mr. Hossain Mehmood	Director	Eulon Plastic Private Ltd.	BG	5.62	-Do-	Margin 0.56
3	Mr. Rajibul Huq Chowdhury	Director	Shahida Trading Corporation	BG	4.11	-Do-	100% margin

D) Statement of funded debts due by the companies or firms in which the Ex-Director of the banking company have interests as at 31 December 2013

Sl. No.	Name of Ex-Director	Present Status with the Bank	Name of the Institution	Types of Facility	Outstanding as on 31-12-2013	Amount of Provision Created	Status of Classification	Amount of Share Holding	Nature of Security with value	Remarks
1	Mr. Zakaria Hossain Choudhury and Mrs. Hosne Ara Begum	Ex. Director	A M Traders	CC(Pledge)	Tk. 120.28	-	BLW	-	-	Money Suit No. 60/2006. Stayed as per order of High Court Division. Account has been written off.
			Ahsan Traders	CC (Pledge)	Tk. 35.04	-	BLW	-	-	Artha Rin Exe. No. 152/05. The proceeding of the execution suit is stayed by the order of High Court. Bank has filed E.A.T No. 239/05, which is pending for hearing till date.
2	Mr. A.B.M. Feroj Chowdhury	Ex. Director	M/s R.P. Electrical Industries	Term Loan	Tk. 46.24	-	BLW	-	20 post dated Cheque	Artha Ex. 93/05 Stayed. The Court has passed an order on 20.07.2005 regarding detention to the convict borrower by Civil Jail for 6(Six) month from the date of Arrest. written off.
3	Mr. Saleh Ahmed Chowdhury	Ex. Director	Saleh Fashion Ltd.	CC(Hypo)	Tk. 39.70	-	BL	-	a) Hypo. of machineries installed in the factory worth 24.00 Lac. b) Mortgage of Land & factory worth Tk. 26.80 lac. c) Mortgage of 5 katha land with 2 storied building worth Tk.1.00 crore d) 1st charge created with RISC	Artha Exe No. 07/2009 Stayed as per Appellate Division.
4	Mr. Azizul Haque Chowdhury	Ex. Director	M/s Hasan Enterprise	LIM	Tk. 530.23	-	BLW	-	100% margin	Artha Exe Cas no.196/04Next dt on 04.05.2014 for Return of Warrant of Arrest
5	Mr. Anwar Hossain & Mr. Monowar Hossain	Ex. Director	M/s Shahida Trading Corporation	BG	Tk. 4.11	-	UC	-	Margin Tk. 0.57	-
			Monowar Industries (Pvt) Ltd and related Business	BG	Tk. 5.75	-	UC	-	Margin Tk. 0.57	-



47 Events after reporting period

Board of Directors in its 455th meeting held on 25 March 2014 decided to recommended 20% stock dividend subject to approval of shareholders and regulatory authorities.

48 GENERAL

48.1 Core risk management

BRPD circular no.17 (7 October 2003) and BRPD circular no.4 (5 March 2007) require banks to put in place an effective risk management system. Bangladesh Bank monitors the progress of implementation of these guidelines through its on-site inspection teams through routine inspection. The risk management systems in place at the Bank are discussed below.

48.1.1 Credit risk

It arises mainly from lending, trade finance, leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his/her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers/executives, involved in credit related activities. Separate Corporate/SME/Retail divisions have been formed at Head Office which are entrusted with the duties of maintaining effective relationship with customers, marketing of credit products, exploring new business opportunities etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the Credit Risk Management (CRM) Division. These are (a) Credit Risk Management Unit (b) Credit Administration Unit and (c) Credit Monitoring and Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending, sanctioning credit, formulating policy/strategy for lending operation, etc. For retail lending, a separate Retail Finance Centre (RFC) has been formed to assess risk, approve and monitor retail loans.

A thorough risk assessment is done before sanction of any credit facility at risk management units. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the credit facility etc. The assessment process starts at the relationship level and ends at Credit Risk Management Unit when it is approved/declined by the competent authority. Credit approval authority has been delegated to the individual executives. Proposal beyond their delegation are approved/declined by the Executive Committee and/or the Board of Directors of the Bank.

In determining Single borrower/Large loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at yearly intervals to ensure compliance of Bank's and Regulatory polices. Loans are classified as per Bangladesh Bank's guidelines.

48.1.2 Asset liability management risk

For better management of asset and liability risk, the Bank has an established Assets Liability Committee (ALCO) which meets at least once a month. The members of ALCO as at 31 December 2013 were as follows:

Mr. Sohail R K Hussain	Managing Director & Chief Executive Officer
Mr. Badrudduza Choudhury	DMD & Head of Branch Banking
Mr. Sheikh Mohammad Maroof	DMD & Head of Wholesale Banking
Mr. Zabed Amin	Head of Retail Banking
Mr. Mohammad Mahbubur Rahman	Chief Financial Officer
Mr. Mohammad Azizur Rahman Shuman	Head of Risk Management Division
Ms. Parul Das	Head of Finance

The ALCO's primary function is to formulate policies and guidelines for the strategic management of the bank using pertinent information that has been provided through the ALCO process together with knowledge of the individual businesses managed by members of the committee. ALCO regularly reviews the Bank's overall asset and liability position, forward looking asset and liability pipeline, overall economic position, the Banks' liquidity position, capital adequacy, balance sheet risk, interest risk and makes necessary changes in its mix as and when required.

The Bank has a specified liquidity and funding ratio to maintain to ensure financial flexibility to cope with unexpected future cash demands. ALCO monitors the liquidity and funding ratio on an ongoing basis and ascertains liquidity requirements under various stress situations. In order to ensure liquidity against all commitments, the Bank reviews the behaviour patterns of liquidity requirements. The Bank has an approved Liquidity Contingency Plan (LCP) which is reviewed and updated on an annual basis by the ALCO. All regulatory requirements including CRR, SLR and RWA are reviewed by ALCO.

48.1.3 Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements.

Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. The Bank maintains various nostro accounts in order to conduct operations in different currencies including BDT. The senior management of the Bank set limits for handling nostro account transactions. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days are reviewed by the management for its settlement.

As at 31 December 2013, no unadjusted entry was noted, therefore no provision is kept in accordance with (FEPD) circular No. 677 (13 September 2005).

48.1.4 Internal control and compliance

Effective internal controls are the foundation of safe and sound banking. A properly designed and consistently enforced system of operational and financial internal control helps a bank's management safeguard the bank's resources, produce reliable financial reports and comply with laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

Internal Control and Compliance (ICC) operates independently as a division consists of three units (Audit & Inspection, Monitoring and Compliance) with prime responsibility to determine risks by evaluating overall Business, Operations & Credit Portfolios of the Bank. The key objective of ICC is to assist and guide in all aspects of the bank using adequate resources for identification of weaknesses and taking appropriate measures to overcome the same to be a compliant bank.

ICC has a unique reporting line to the bank's Board of Directors through the Audit Committee and to the Managing Director & CEO, thus it acts as a bridge between the board and the Bank's management. An effective organizational structure has been established by exercising durable Internal Control culture within the Bank.

48.1.5 Reputation risk arising from money laundering incidences

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has a designated Chief Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been established and Transaction profile has been introduced. Training are continuously given to all the category of Officers and Executives for developing awareness and skill for identifying suspicious activities/transactions.

48.1.6 Information technology

The Bank's IT has gone through a gigantic transformation from where it started. After several years of continuous efforts, standardization of both back-end as well as front-end operation of bank is complete. Now through wide array of customizable products and services, IT can bring about equivalent contribution to profits.

Relevant hardware, software and networking gears are in place to support operations of online branches, internet banking, SMS service, call center, Tele Banking, POS and ATM network. These devices are providing superior performance resulting in better end-user satisfaction. To ensure uninterrupted and smooth customer service in all branches and SME centers, IT division continuously work on performance tuning for database and application, networking and server hardware on regular basis. Continuous investments are going on to do the necessary upgradation on hardware and software to increase the Bank's centralised online banking and other peripheral service requirements

48.2 Audit Committee

According to BRPD circular no.12 (23 December 2002), all banks are advised to constitute an audit committee comprising members of the Board. The audit committee will assist the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the Board for effective functioning of the Bank. The committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

The Bank, being a listed entity bank, have a board of directors from whom to select an audit committee. The Audit Committee of the Board of Directors consisted of five members of the Board, which meets on a regular basis with the senior management of the Bank, and with the internal and external auditors to consider and review the nature and scope of the reviews and the effectiveness of the systems of internal control and compliance as well as the financial statements of the Bank. All audit reports issued by internal and external auditor and all inspection/audit reports issued by Bangladesh Bank are sent to the audit committees.

48.2.1 Particulars of audit committee

Pursuant to the BRPD Circular no. 12 dated 23 December 2002, the Audit Committee of the Board of Directors consisted of the following 5 (five) members of the Board:

Name	Status with bank	Status with committee	Educational qualification
Mr. Hossain Khaled	Director	Convener	MBA
Mr. Mohammad Shoeb	Director	Member	BBA
Mr. Rafiqul Islam Khan	Director	Member	HSC
Mr. Rajibul Huq Chowdhury	Director	Member	MBA
Mr. Aziz Al Mahmood	Director	Member	BBA

48.2.2 Meetings held by audit committee with senior management to consider and review the Bank's Financial Statements:

During the period under review the committee held several meetings to oversee/review various functions including reviewing the quarterly financial statements in compliance with the Bangladesh Bank circular.

Meetings held by the committee during the period by date:

- 39th Committee Meeting held on 25 February 2013
- 40th Committee Meeting held on 17 April 2013
- 41st Committee Meeting held on 22 May 2013
- 42nd Committee Meeting held on 11 December 2013

48.2.3 Steps taken for implementation of an effective internal control procedure of the Bank :

Through circular the committee placed its report regularly to the Board of Directors of the Bank mentioning its review results and recommendations on internal control system, compliance of rules and regulations and establishment of good governance within stipulated time.

48.3 Interest rate risk

Interest rate risk may arise either from trading portfolio or from non-trading portfolio. The trading portfolio of the Bank consists of Government treasury bills and bonds of different maturities. Interest rate risk arises from mismatches between the future yield of an asset and their funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis and Treasury Division actively manages the Balance Sheet gap profitably on a regular basis.

48.4 Equity risk

Equity risk arises from movement in market value of equities held. The risks are monitored by Special Banking Wing under a well designed policy framework. The market value of equities held was however higher than the cost price at the balance sheet date. (Annexure-C)

48.5 Operational risk

Operational risk may arise from error and fraud due to lack of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and Compliance Division undertakes periodic and special audit of the branches and departments at the Head Office for review of the operation and compliance of statutory requirements. The Audit Committee of the Board subsequently reviews the reports of the Internal Control and Compliance Division.

48.6 Implementation of BASEL -II

To comply with international best practice and to make the Bank's capital more risk-sensitive as well as to build the banking industry more shock absorbent and stable, Bangladesh Bank provided revised regulatory capital framework "Risk Based Capital Adequacy for Banks" which is effected from January 2009. According to the BRPD circular no. 09 dated 31 December 2008 following specific approaches are suggested for implementing BASEL II:

- i) Standardized Approach for calculating Risk weighted Assets (RWA) against Credit Risk;
- ii) Standardized (Rule Based ) Approach for calculating Risk weighted Assets (RWA) against Market Risk;
- iii) Basic Indicator Approach for calculating Risk weighted Assets (RWA) against Operational Risk;

Under the Standard Approach of the Risk Based Capital Adequacy Framework (BASEL-II), credit rating is to be determined on the basis of risk profile assessed by the Credit Rating Agency of Bangladesh Limited (CRAB) duly recognised by Bangladesh Bank.

Internal Capital Adequacy Assessment Process (ICAAP)

Internal Capital Adequacy Assessment Process (ICAAP) represents the Bank's own assessment of its internal capital requirements. The Bank's approach to calculating its own internal capital requirement has been to take the minimum capital required for credit risk, market risk and operational risk under Pillar-I as the starting point, assess whether this is sufficient to cover those risks and then identify other risks (Pillar-II) and assess prudent level of capital to meet them.

The assessment is undertaken using time series of data and Bangladesh Bank's guidelines on Risk Based Capital Adequacy to assess the likelihood of occurrence and potential impact. Purposes of Internal Capital Adequacy Assessment Process are to:

- i) inform the Board of Directors about
  - assessing risks
  - initiatives to mitigate identified risks
  - capital requirement to support the operations in light of identified risks
- ii) comply with Bangladesh Bank's requirement.

48.7 Exchange rates

The assets and liabilities as at 31 December in foreign currencies have been converted to BDT at the following rates:

Figures in Taka

Currency Type	2013	2012
USD 1 =	77.7500	79.7524
ACU 1 =	77.7500	79.7524
GBP 1 =	128.0892	128.9556
AUD 1 =	68.8204	82.6913
EUR 1 =	106.8402	105.4446
CHF 1 =	87.1295	87.3425
JPY 1 =	0.7385	0.9268
SAR 1 =	20.7308	21.2659

48.8 Credit Rating of the Bank

As per the BRPD instruction circular no.6 dated 5 July 2006, the Bank has done its credit rating by Credit Rating Agency of Bangladesh Limited (CRAB) based on the financial statements dated 31 December 2012.

Particulars	Date of Rating	Long term	Short term
Entity Rating	30-Jun-13	AA3	ST-2
		Very strong capacity & very high quality	Strong capacity for timely repayment

48.9 Fraud and administrative error

During the year 2013, total no. and amount of fraud forgeries, detected in the Bank were 25 and BDT 6,684,060 respectively. Out of 25 cases, 10 no. of instances were occurred by bank's employees and the rests were administrative errors. An amount of BDT 2,088,155 has already been recovered out of total detected fraud amount and adequate provisions have been maintained against the rest amount. Administrative actions have already been taken against alleged officials and out of 25 instances, 20 cases have already been settled.

48.10 Number of employees

The number of employees engaged for the whole year or part thereof who received a total remuneration of Taka 36,000 p.a. or above were 2,647 at the end of December 2013 as against 2,765 at the end of December 2012.

48.11 Previous year's figures have been rearranged, wherever necessary, to conform with the current year's presentation.




Managing Director & CEO



Director



Director



Chairman

Dhaka  
25 March, 2014

Annexure-A

CONSOLIDATED LIQUIDITY STATEMENT

(Analysis of maturity of assets and liabilities)  
AS AT 31 DECEMBER 2013

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets</b>						
Cash in hand	4,741,497,748	-	-	-	5,680,914,754	10,422,412,502
Balance with other banks and financial institutions	306,828,480	1,025,935,731	1,620,526,725	710,292,424	-	3,663,583,360
Money at call and short notice	3,857,750,000	-	8,979,167	90,000,000	-	3,956,729,167
Investments	7,274,400	8,096,967,906	1,290,737,668	2,741,809,470	15,513,321,417	27,650,110,861
Loans and advances/investments	2,652,293,605	28,362,445,135	26,209,098,106	24,471,108,598	9,172,704,001	90,867,649,445
Fixed assets including premises, furniture and fixtures	-	-	-	-	6,851,347,927	6,851,347,927
Other assets	485,428,794	599,309,201	2,141,358,646	478,702,178	60,302,527	3,765,101,347
Non banking assets	-	-	-	382,622,964	-	382,622,964
<b>Total assets (A)</b>	<b>12,051,073,027</b>	<b>38,084,657,973</b>	<b>31,270,700,312</b>	<b>28,874,535,634</b>	<b>37,278,590,626</b>	<b>147,559,557,573</b>

**Liabilities**

Borrowings from other banks, financial institutions and agents	691,636,530	402,678,064	1,316,131,682	4,165,359,270	1,588,691,405	8,164,496,951
Deposits	10,642,660,032	15,710,536,428	18,402,172,924	7,710,479,737	52,094,375,902	104,560,225,023
Other accounts	249,214,502	292,777,982	1,953,808,870	-	-	2,495,801,354
Provision and other liabilities	399,286,451	1,986,296,354	4,556,146,892	6,544,377,353	658,916,835	14,145,023,886
<b>Total liabilities (B)</b>	<b>11,982,797,515</b>	<b>18,392,288,828</b>	<b>26,228,260,369</b>	<b>18,420,216,360</b>	<b>54,341,984,142</b>	<b>129,365,547,214</b>
<b>Net liquidity gap (A - B)</b>	<b>68,275,512</b>	<b>19,692,369,145</b>	<b>5,042,439,943</b>	<b>10,454,319,274</b>	<b>(17,063,393,516)</b>	<b>18,194,010,359</b>

As at 31 December 2012

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets</b>						
Cash in hand	2,841,918,223	-	-	-	5,495,400,000	8,337,318,223
Balance with other banks and financial institutions	794,029,562	591,313,356	1,389,236,506	175,995,630	-	2,950,575,054
Money at call and short notice	3,450,000,000	-	100,000	99,079,167	-	3,549,179,167
Investments	3,122,688,813	77,140,214	2,114,057,932	4,141,909,599	11,972,372,232	21,428,168,790
Loans and advances/investments	4,855,906,569	23,242,014,939	28,727,849,890	22,527,169,794	3,582,038,761	82,934,979,953
Fixed assets including premises, furniture and fixtures	-	-	-	-	5,957,809,664	5,957,809,664
Other assets	171,911,090	402,768,887	429,487,686	343,862,680	3,377,663,528	4,725,693,872
Non banking assets	-	-	-	185,000,000	245,149,002	430,149,002
<b>Total assets (A)</b>	<b>15,236,454,257</b>	<b>24,313,237,396</b>	<b>32,660,732,014</b>	<b>27,473,016,871</b>	<b>30,630,433,187</b>	<b>130,313,873,725</b>

**Liabilities**

Borrowings from other banks, financial institutions and agents	507,885,000	483,328,825	676,656,933	3,462,673,778	465,076,024	5,595,620,560
Deposits	9,762,917,691	14,877,739,764	11,586,706,049	15,599,913,544	40,027,770,949	91,855,047,996
Other accounts	1,125,353,348	-	869,946,420	-	-	1,995,299,768
Provision and other liabilities	833,530,961	3,632,436,442	3,374,616,878	708,187,145	4,267,118,749	12,815,890,174
<b>Total liabilities (B)</b>	<b>12,229,687,000</b>	<b>18,993,505,030</b>	<b>16,507,926,279</b>	<b>19,770,774,467</b>	<b>44,759,965,721</b>	<b>112,261,858,498</b>
<b>Net liquidity gap (A - B)</b>	<b>3,006,767,257</b>	<b>5,319,732,365</b>	<b>16,152,805,735</b>	<b>7,702,242,404</b>	<b>(14,129,532,534)</b>	<b>18,052,015,227</b>



2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

Annexure-A/1

LIQUIDITY STATEMENT

(Analysis of maturity of assets and liabilities)  
AS AT 31 DECEMBER 2013

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets</b>						
Cash in hand	4,741,409,280	-	-	-	5,680,914,754	10,422,324,034
Balance with other banks and financial institutions	296,620,224	1,010,129,399	1,605,708,287	587,793,344	-	3,500,251,254
Money at call and short notice	3,857,750,000	-	8,979,167	90,000,000	-	3,956,729,167
Investments	7,274,400	7,991,117,680	1,290,737,668	2,318,408,565	14,884,321,417	26,491,859,730
Loans and advances/investments	2,652,293,605	28,362,445,135	25,220,078,564	24,471,108,598	9,172,704,001	89,878,629,903
Fixed assets including premises, furniture and fixtures	-	-	-	-	6,809,072,120	6,809,072,120
Other assets	485,428,794	599,309,201	1,993,306,531	478,702,178	2,473,383,001	6,030,129,705
Non banking assets	-	-	-	382,622,964	-	382,622,964
<b>Total assets (A)</b>	<b>12,040,776,303</b>	<b>37,963,001,415</b>	<b>30,118,810,217</b>	<b>28,328,635,649</b>	<b>39,020,395,293</b>	<b>147,471,618,877</b>
<b>Liabilities</b>						
Borrowings from other banks, financial institutions and agents	691,636,530	402,678,064	1,055,597,487	4,165,359,270	1,588,691,405	7,903,962,756
Deposits	10,670,196,054	15,753,172,850	18,442,144,569	8,040,912,005	52,094,375,903	105,000,801,381
Other accounts	249,214,502	292,777,982	1,953,808,870	-	-	2,495,801,354
Provision and other liabilities	392,536,043	1,972,795,537	4,426,711,818	6,095,318,452	658,916,835	13,546,278,684
<b>Total liabilities (B)</b>	<b>12,003,583,129</b>	<b>18,421,424,432</b>	<b>25,878,262,744</b>	<b>18,301,589,727</b>	<b>54,341,984,143</b>	<b>128,946,844,175</b>
<b>Net liquidity gap (A - B)</b>	<b>37,193,174</b>	<b>19,541,576,983</b>	<b>4,240,547,473</b>	<b>10,027,045,922</b>	<b>(15,321,588,851)</b>	<b>18,524,774,702</b>

As at 31 December 2012

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets</b>						
Cash in hand	2,841,838,618	-	-	-	5,495,400,000	8,337,238,618
Balance with other banks and financial institutions	794,029,562	582,721,759	1,389,236,506	175,995,630	-	2,941,983,457
Money at call and short notice	3,450,000,000	-	100,000	99,079,167	-	3,549,179,167
Investments	3,122,688,813	77,140,214	1,697,297,443	4,121,909,599	11,272,372,232	20,291,408,302
Loans and advances/investments	4,855,906,569	23,242,014,939	29,125,537,160	22,527,169,794	3,582,038,761	83,332,667,223
Fixed assets including premises, furniture and fixtures	-	-	-	-	5,921,396,308	5,921,396,308
Other assets	171,911,090	402,768,887	413,679,494	343,862,680	4,049,387,584	5,381,609,735
Non banking assets	-	-	-	185,000,000	245,149,002	430,149,002
<b>Total assets (A)</b>	<b>15,236,374,651</b>	<b>24,304,645,800</b>	<b>32,625,850,603</b>	<b>27,453,016,871</b>	<b>30,565,743,887</b>	<b>130,185,631,812</b>
<b>Liabilities</b>						
Borrowings from other banks, financial institutions and agents	507,885,000	483,328,825	447,648,050	3,462,673,778	465,076,024	5,366,611,677
Deposits	9,712,229,286	14,850,091,542	11,913,320,977	15,599,913,544	40,027,770,947	92,103,326,297
Other accounts	1,125,353,348	-	869,946,420	-	-	1,995,299,768
Provision and other liabilities	833,530,962	3,632,436,442	3,579,081,531	446,799,515	4,267,118,748	12,758,967,198
<b>Total liabilities (B)</b>	<b>12,178,998,596</b>	<b>18,965,856,809</b>	<b>16,809,996,978</b>	<b>19,509,386,837</b>	<b>44,759,965,719</b>	<b>112,224,204,940</b>
<b>Net liquidity gap (A - B)</b>	<b>3,057,376,055</b>	<b>5,338,788,990</b>	<b>15,815,853,625</b>	<b>7,943,630,034</b>	<b>(14,194,221,831)</b>	<b>17,961,426,872</b>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

Annexure-B

BALANCE WITH OTHER BANKS - OUTSIDE BANGLADESH (NOSTRO ACCOUNT)

AS AT 31 DECEMBER 2013

Name of the Banks	Account type	31 December 2013			31 December 2012			
		Currency type	FC amount	Exchange rate	Equivalent Taka	FC amount	Exchange rate	Equivalent Taka
Mashreq Bank, New York, USA	CD	USD	311,731.39	77.7500	24,237,116	627,885.53	79.7524	50,075,378
Habib American Bank, New York, USA	CD	USD	112,222.05	77.7500	8,725,264	55,812.19	79.7524	4,451,156
HSBC, London, UK	CD	GBP	17,644.03	128.0892	2,260,010	4,061.90	128.9556	523,804
Citibank N.A. New York, USA	CD	USD	(50,798.40)	77.7500	(3,949,576)	(1,729,206.01)	79.7524	(137,908,329)
Citibank N.A. Australia	CD	AUD	61,189.32	68.8204	4,211,073	27,841.57	82.6913	2,302,255
HSBC, New York, USA	CD	USD	(275,299.10)	77.7500	(21,404,505)	3,544,678.04	79.7524	282,696,581
Standard Chartered Bank, New York, USA	CD	USD	538,045.83	77.7500	41,833,063	1,195,601.59	79.7524	95,352,096
Standard Chartered Bank, Frankfurt	CD	EURO	13,804.93	106.8402	1,474,921	41,861.09	105.4446	4,414,026
Deutschebank, Frankfurt, Germany	CD	EURO	(71,334.17)	106.8402	(7,621,357)	(4,956.47)	105.4446	(522,633)
Arab National Bank, Riyadh	CD	SAR	16,339.63	20.7308	338,734	16,339.63	21.2659	347,477
Bank of Tokyo Mitsubishi Ltd., Japan	CD	JPY	490,236.00	0.7385	362,039	83,455.00	0.9268	77,346
Deutschebank Bank Trust Comp. USA	CD	USD	548,189.50	77.7500	42,621,734	(75,861.91)	79.7524	(6,050,169)
Standard Chartered Bank, Kolkata, India	CD	ACUD	139,708.94	77.7500	10,862,370	93,672.73	79.7524	7,470,625
Bank of Tokyo Mitsubishi Ltd., Kolkata, India	CD	ACUD	8,269.31	77.7500	642,939	8,199.59	79.7524	653,937
HSBC, Mumbai, India	CD	ACUD	3,497.30	77.7500	271,915	56,018.45	79.7524	4,467,606
AB Bank Ltd., Mumbai, India	CD	ACUD	150,161.75	77.7500	11,675,076	37,876.80	79.7524	3,020,766
Sonali Bank Ltd., Kolkata, India	CD	ACUD	10,983.78	77.7500	853,989	40,978.78	79.7524	3,268,156
NIB Bank Limited, Karachi, Pakistan	CD	ACUD	6,011.71	77.7500	467,410	6,011.71	79.7524	479,448
Standard Chartered Bank, Nepal	CD	ACUD	140,424.64	77.7500	10,918,016	189,634.64	79.7524	15,123,818
Commerz Bank AG, Frankfurt, Germany	CD	ACUD	89,004.63	77.7500	6,920,110	242.01	79.7524	19,301
Commercial Bank of Ceylon, Colombo, Sri Lanka	CD	ACUD	44,618.38	77.7500	3,469,079	17,365.54	79.7524	1,384,943
Bank of Bhutan, Bhutan	CD	ACUD	24,751.99	77.7500	1,924,467	24,751.99	79.7524	1,974,031
HSBC, Karachi, Pakistan	CD	ACUD	72,457.25	77.7500	5,633,551	12,778.60	79.7524	1,019,124
Commerz Bank AG, Frankfurt, Germany	CD	EURO	28,255.59	106.8402	3,018,833	(33,633.84)	105.4446	(3,546,507)
WACHOVIA Bank N.A., New York, USA	CD	CHF	35,832.44	87.1295	3,122,063	51,652.53	87.3425	4,511,461
Mashreq Bank, Mumbai, India	CD	USD	0.00	-	-	(504,731.27)	79.7524	(40,253,530)
Mashreq Bank AG, Frankfurt, Germany	CD	ACUD	238,007.82	77.7500	18,505,108	173,199.21	79.7524	13,813,053
Mashreq Bank, Mumbai, India	CD	EURO	4,299.97	106.8402	459,410	3,318.71	105.4446	349,940
HDFC Bank Ltd, Mumbai, India	CD	ACUD	(14,918.79)	77.7500	(1,159,936)	82,713.99	79.7524	6,596,639
Banca Popolare Di Vicenza, Italy	CD	EURO	10,861.52	106.8402	1,160,447	0.00	-	-
Mashreq Bank, New York, USA (For OBU Operation)	CD	USD	1,629,422.40	77.7500	126,687,592	14,824.21	79.7524	1,182,266
Commerz Bank AG, Frankfurt, Germany (For OBU Operation)	CD	USD	6,481.82	77.7500	503,962	0.00	-	-
Commerz Bank AG, Frankfurt, Germany (For OBU Operation)	CD	EURO	100.00	106.8402	10,684	0.00	-	-
Mashreq Bank, New York, USA	TD	USD	500,000.00	77.7500	38,875,000	500,000.00	79.7524	39,876,200
Sonali Bank, Kolkata, India	TD	ACUD	8,000.31	77.7500	622,024	7,879.82	79.7524	628,435
					<b>4,848,203.77</b>			<b>4,570,266</b>
					<b>338,532,625</b>			<b>357,798,700</b>

Annexure-C

**INVESTMENT IN SHARES**  
AS AT 31 DECEMBER 2013

Sl. no.	Name of the company	Type of shares	Face value	Number of shares	Cost of holding	Average cost	Quoted rate per share as at 31 Dec 2013	Total market value as at 31 Dec 2013
			Taka		Taka	Taka	Taka	Taka
<b>Quoted Ordinary Share</b>								
1	IDLC Finance Limited	A	10	45,634,273	748,890,324	16.41	62.90	2,870,395,772
2	Mutual Trust Bank Limited	A	10	420,420	20,896,707	49.70	16.30	6,852,846
3	Shahjalal Islami Bank Limited	A	10	210,074	6,131,438	29.19	16.80	3,529,243
4	BRAC Bank Limited	A	10	1,328,112	62,054,292	46.72	32.60	43,296,451
5	Trust Bank Limited	A	10	1,408,550	63,849,536	45.33	20.00	28,171,000
6	Mercantile Bank Limited	A	10	1,111,763	37,621,008	33.84	16.70	18,566,442
7	AB Bank Limited	A	10	449,361	40,660,844	90.49	26.20	11,773,258
8	Dhaka Bank Limited	A	10	1,371,110	53,706,970	39.17	18.80	25,776,868
9	Standard Bank Limited	A	10	933,603	23,965,596	25.67	14.80	13,817,324
10	Pubali Bank Limited	A	10	372,008	23,140,398	62.20	32.50	12,090,260
11	Rupali Bank Limited	A	10	25,172	2,773,450	110.18	65.20	1,641,215
12	United Commercial Bank Limited	A	10	12,222,600	213,882,300	17.50	25.10	306,787,260
13	Investment Corporation of Bangladesh	A	100	1,433	3,729,350	2,602.48	1,461.00	2,093,613
14	Beximco Limited	A	10	635,794	100,801,276	158.54	32.20	20,472,567
15	Rangamati Food Products Limited	Z	10	64,500	645,000	10.00	13.80	890,100
16	Goldenson Limited	A	10	-	-	-	-	-
17	Beximco Pharmaceuticals Limited	A	10	530,298	48,714,140	91.86	47.20	25,030,066
18	ACI Limited	A	10	43,272	11,905,073	275.12	171.50	7,421,148
19	Grameen Phone Limited	A	10	575,600	41,258,413	71.68	200.90	115,638,040
20	Somorita Hospital Limited	A	10	95	-	-	87.80	8,341
21	National Tubes Limited	A	10	18,000	2,252,945	125.16	71.60	1,288,800
22	BSRMS Steels Limited	A	10	163,170	29,505,429	180.83	68.70	11,209,779
23	Continental Insurance Company Limited	A	10	25,300	1,039,300	41.08	29.00	733,700
24	Pragati Life Insurance Company Limited	A	10	68,655	8,500,484	123.81	53.80	3,693,639
25	Pravati Insurance Company Limited	A	10	63,347	2,311,715	36.49	28.30	1,792,720
26	Mercantile Insurance Company Limited	A	10	45,584	1,693,150	37.14	26.70	1,217,093
27	Peoples Insurance Company Limited	A	10	50,200	2,133,520	42.50	33.60	1,686,720
28	Standard Insurance Limited	A	10	10,062	374,023	37.17	39.70	399,461
29	Agrani Insurance Company Limited	A	10	19,360	677,450	34.99	26.90	520,784
30	Sonar Bangla Insurance Limited	A	10	18,480	610,500	33.04	24.70	456,456
31	Dhaka Electricity Supply Company Limited	A	10	426,505	66,247,720	155.33	58.40	24,907,892
32	Titas Gas Transmission & Distribution Co. Limited	A	10	1,193,975	116,783,548	97.81	73.80	88,115,355
33	Power Grid Company of Bangladesh Limited	A	10	767,800	61,666,976	80.32	52.80	40,539,840
34	Perfume Chemical Ind. Limited	Z	10	28	3,500	125.00	66.25	1,855
35	Raspit Inc. (BD) Limited	Z	10	366,000	6,153,414	16.81	3.50	1,281,000
36	German Bangla Joint Venture Foods Limited	Z	10	21,000	210,000	10.00	3.60	75,600
<b>Unquoted Ordinary Share</b>								
1	Central Depository Bangladesh Limited		10	2,284,721	6,277,770	2.75	2.75	6,277,770
2	KARMA Sangsthan Bank Limited		100	100,000	10,000,000	100.00	100.00	10,000,000
3	Industrial & Infrastructural Development Finance Company Limited		100	732,911	42,453,820	57.92	57.92	42,453,820
4	Venture Investment Partners Bangladesh Limited		100	187,200	18,000,000	96.15	96.15	18,000,000
<b>Unquoted redeemable preference Shares</b>								
1	Unique Hotel & Resort Limited		100	750,000	75,000,000	100.00	100.00	75,000,000
2	Desh Cambridge Kumargaon Power Limited		100	700,000	70,000,000	100.00	100.00	70,000,000
3	Khulna Power Company Limited		1,000	120,000	120,000,000	1,000.00	1,000.00	120,000,000
4	United Power Generation and Distribution Company Ltd.		10	30,000,000	300,000,000	10.00	10.00	300,000,000
				<b>2,446,521,379</b>				<b>4,333,904,098</b>

Annexure-D

**SCHEDULE OF FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES**  
AS AT 31 DECEMBER 2013

Particulars	Balance as at 1 January 2013		Additions during the year		Adjustments during the year		Disposals during the year		Balance as at 31 December 2013		Depreciation/Amortisation		Written down value as at 31 December 2013	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
<b>Own assets</b>														
Land	3,454,038,400	-	-	(518,400)	-	-	-	-	3,453,520,000	-	-	-	-	3,453,520,000
Building	1,408,497,923	516,029,421	516,029,421	518,400	-	-	-	-	1,925,045,744	35,212,460	39,884,984	-	75,097,445	1,849,948,299
Work-In-Progress-Building	-	248,160,155	248,160,155	-	-	-	-	-	248,160,155	-	-	-	-	248,160,155
Furniture and fixtures	593,854,752	216,198,018	216,198,018	-	-	(113,345)	-	-	809,839,425	228,142,050	64,243,179	(98,317)	292,286,912	517,652,513
Office equipment and machinery	1,211,135,846	224,786,014	224,786,014	-	-	(1,882,980)	-	-	1,434,038,880	741,458,731	209,516,287	(1,654,770)	949,320,248	484,718,632
Software	205,204,930	21,150,534	21,150,534	-	-	-	-	-	226,355,464	40,014,496	11,119,790	-	51,134,286	175,221,178
Work-In-Progress-Software	-	11,151,078	11,151,078	-	-	-	-	-	11,151,078	-	-	-	-	11,151,078
Bank's vehicles	190,578,069	13,978,156	13,978,156	-	-	(85,000)	-	-	204,471,225	97,085,876	38,685,085	-	135,770,961	68,700,263
<b>Sub-total</b>	<b>7,063,309,920</b>	<b>1,251,453,376</b>	<b>1,251,453,376</b>	<b>-</b>	<b>(2,081,325)</b>	<b>(85,000)</b>	<b>(2,081,325)</b>	<b>(85,000)</b>	<b>8,312,681,971</b>	<b>1,141,913,613</b>	<b>363,449,325</b>	<b>(1,753,087)</b>	<b>1,503,609,852</b>	<b>6,809,072,119</b>
<b>Leased assets</b>														
Vehicles	12,940,000	-	-	-	-	-	-	-	12,940,000	12,939,999	-	-	-	12,939,999
<b>Sub-total</b>	<b>12,940,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,940,000</b>	<b>12,939,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,939,999</b>
<b>Grand total</b>	<b>7,076,249,920</b>	<b>1,251,453,376</b>	<b>1,251,453,376</b>	<b>-</b>	<b>(2,081,325)</b>	<b>(85,000)</b>	<b>(2,081,325)</b>	<b>(85,000)</b>	<b>8,325,621,971</b>	<b>1,154,853,612</b>	<b>363,449,325</b>	<b>(1,753,087)</b>	<b>1,516,549,851</b>	<b>6,809,072,120</b>

**SCHEDULE OF FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES**  
AS AT 31 DECEMBER 2012

Particulars	Cost/Revaluation			Depreciation/Amortisation			Written down value as at 31 December 2012 Taka	
	Balance as at 1 January 2012 Taka	Additions during the year Taka	Adjustments during the year Taka	Disposals during the year Taka	Balance as at 1 January 2012 Taka	Charged during the year Taka		Disposals/adjustments during the year Taka
<b>Own assets</b>								
Land	3,465,588,400	-	(1,550,000)	-	3,454,038,400	-	-	3,454,038,400
Building	1,408,497,923	-	-	-	1,408,497,923	35,212,440	(68,059,183)	1,373,285,463
Furniture and fixtures	532,645,356	61,209,396	-	-	593,854,752	54,965,878	-	365,712,702
Office equipment and machinery	1,091,738,343	123,166,361	-	(3,768,858)	1,211,135,846	192,302,723	(3,655,252)	469,677,114
Software	172,667,277	32,537,654	-	-	205,204,931	9,199,743	-	165,190,435
Bank's vehicles	169,635,796	21,367,273	-	(425,000)	190,578,069	31,904,925	(424,989)	93,492,192
<b>Sub-total</b>	<b>6,840,773,095</b>	<b>238,280,683</b>	<b>(11,550,000)</b>	<b>(4,193,858)</b>	<b>7,063,309,920</b>	<b>323,585,708</b>	<b>(72,139,434)</b>	<b>5,921,396,308</b>
<b>Leased assets</b>								
Vehicles	12,940,000	-	-	-	12,940,000	-	-	12,939,999
<b>Sub-total</b>	<b>12,940,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,940,000</b>	<b>-</b>	<b>-</b>	<b>12,939,999</b>
<b>Grand total</b>	<b>6,853,713,095</b>	<b>238,280,683</b>	<b>(11,550,000)</b>	<b>(4,193,858)</b>	<b>7,076,249,920</b>	<b>323,585,708</b>	<b>(72,139,434)</b>	<b>5,921,396,309</b>

**STATEMENT OF TAX POSITION**  
AS AT 31 DECEMBER 2013

Annexure-E

Accounting year	Assessment year	Tax provision made on the basis of accounts	Tax as per assessment	Excess/ (shortage) of provision	Tax paid	Excess/ (shortage) of tax paid	Present status
2003	2004-2005	190,000,000	264,849,320	(74,849,320)	117,624,734	(147,224,586)	Reference application filed to High Court
2004	2005-2006	442,791,678	315,574,683	127,216,995	271,852,018	(43,722,665)	Awaiting filing of reference application to High Court



2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

Annexure-F

**NAME OF DIRECTORS AND THEIR INTEREST IN DIFFERENT ENTITIES**  
AS AT 31 DECEMBER 2013

Sl no.	Name of Directors	Status with CBL	Entities where they have interest	% of Interest
1	Mr. Rubel Aziz	Chairman	Managing Director	
			Partex Beverage Limited	0.20%
			Partex Plastics Limited	37.50%
			Partex Accessories Limited	37.50%
			Partex Plastics Furniture Limited	37.50%
			Partex Jute Mills Limited	75.00%
			Partex Properties Limited	35.00%
			Partex Foundry Limited	40.00%
			New Horizon Farms Limited	50.00%
			New Era Milk Processing Limited	50.99%
			Director	
			Amber Cotton Mills Limited	2.08%
			Partex Real Estate Limited	15.00%
			Partex Rotor Mills Limited	35.00%
			Partex Sugar Mills Limited	35.00%
			Partex Denim Limited	15.00%
			Partex Rotor Spinning Mills Limited	37.50%
			Partex Energy Limited	37.50%
			Dhaka Com. Limited	15.00%
			Partex Spinning Mills Limited	25.00%
			Partex Ceramics Limited	25.00%
2	Mrs. Meherun Haque	Vice-Chairperson	Phoenix Insurance Co. Limited	-
			IDLC Finance Limited	-
3	Mr. Deen Mohammad	Director	Chairman	
			Phoenix Finance & Investment Ltd.	3.15%
			Apollo Ispat Limited	5.48%
			Phoenix Spinning Mills Limited	37.30%
			Rangdhanu Spinning Mills Limited	7.20%
			Phoenix Securities Limited	0.50%
			Director	
			Phoenix Insurance Co. Limited	2.89%
			Chairman & Managing Director	
			Phoenix Textile Mills Limited	60.00%
Eastern Dyeing & Calendaring Works Limited	42.00%			
4	Mr. Aziz Al-Kaiser	Director	Vice-Chairman	
			Partex Star Group	
			Managing Director	
			Star Particle Board Mills Limited	75.00%
			Partex PVC Inds. Limited	75.00%
			New Light Star Apparels Ltd.	85.00%
			Corvee Maritime Co. Limited	75.00%
			Partex Furniture Inds. Limited	75.00%
			Partex Builders Limited	75.00%
			Partex Laminates Limited	75.00%
			Partex Limited	10.00%
Fairhope Housing Limited	80.00%			

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

Sl no.	Name of Directors	Status with CBL	Entities where they have interest	% of Interest
			Director	
			Danish Condensed Milk (BD) Limited	15.00%
			Danish Foods Limited	15.00%
			Danish Milk Bangladesh Limited	15.00%
			Rubel Steel Mills Limited	15.00%
			Danish Distribution Network Limited	15.00%
			Voice Tel Limited	25.00%
			GSP Finance Company (BD) Limited	5.80%
5	Mr. Hossain Mehmood (Representative of A-One Polymer Limited)	Director	A-One Polymer Limited	-
6	Ms. Evana Fahmida Mohammad	Director	Vice-Chairman	
			Phoenix Finance & Investment Ltd.	2.00%
			Director	
7	Mr. Hossain Khaled	Director	Phoenix Securities Limited	0.50%
			Rangdhanu Spinning Mills Limited	-
			Director	
			Anwar Group of Industries	-
			Bangladesh Finance & Investment Company Limited	-
			City General Insurance Company Limited	-
			Anwar Landmarks	20.00%
			Anwar Silk Mills Limited	19.61%
			Mehmood Industries (Pvt.) Limited	26.92%
			Anwar Jute Spinning Mills Limited	20.85%
			Anwar Galvanizing Limited	5.68%
			Anwar Ispat Limited	33.33%
			AG Automobiles Limited	36.00%
			Hossain Dyeing & Printing Mills Limited (Unit-1&2)	19.51%
8	Mr. Rajibul Huq Chowdhury	Director	Managing Director	
			Aziz Super Garments Limited	-
			Marina Knit Fashion Limited	-
			Khushi Apparels Limited	-
			Ratna Fashion Limited	-
			Proprietor	
			R.H. Corporation	-
			Ratna Printing Industries	-
			Director	
			A.S.M Chemical Industries Limited	10.00%
9	Mrs. Syeda Shaireen Aziz	Director	Director	
			Partex Corp. Limited	20.00%
10	Mrs. Tabassum Kaiser	Director	Sattar Glass Factory Limited	20.00%
			Director	
11	Mr. Rafiqul Islam Khan	Director	Fairhope Housing Limited	20.00%
			GSP Finance Company (BD) Ltd.	5.80%
			Partex Agro Limited	50.00%
			Chairman & Managing Director	
			Pakiza Dyeing & Printing Industries Limited	35.00%
			Pakiza Textile Mills Limited	75.00%
			Pakiza Spinning Mills (Pvt.) Ltd.	75.00%
			Garden Textile Mills (Pvt.) Limited	75.00%
			Pakiza Cotton Spinning Mills (Pvt.) Ltd	75.00%
			Momtex Limited	-

Sl no.	Name of Directors	Status with CBL	Entities where they have interest	% of Interest
			Director	
			Phoenix Insurance Co. Limited	-
			Phoenix Finance & Investment Ltd.	-
			Phoenix Securities Limited	-
			Phoenix Medical Center Limited	-
			Partner	
			Pakiza Fabrics	50.00%
			Pakiza Textile	50.00%
12	Mr. Mohammad Shoeb	Director	Chairman	
			Phoenix Insurance Co. Limited	3.84%
			Vice-Chairman	
			Phoenix Finance & Investment Ltd.	2.60%
			Phoenix Securities Limited	0.50%
			Director	
			Rangdhanu Spinning Mills Ltd.	6.86%
			Phoenix Spinning Mills Limited	4.00%
			Phoenix Textile Mills Limited	2.50%
13	Mr. Aziz Al Mahmood	Director	Managing Director	
			Danish Condensed Milk (BD) Limited	75.00%
			Danish Foods Limited	75.00%
			Danish Milk Bangladesh Limited	75.00%
			Rubel Steel Mills Limited	75.00%
			Danish Distribution Network Limited	75.00%
			Danish Dairy Firm Limited	75.00%
			Director	
			Star Particle Board Mills Limited	15.00%
			Partex PVC Inds. Limited	15.00%
			Corvee Maritime Co. Limited	15.00%
			Voice Tel Limited	15.00%
			Phoenix Insurance Co. Ltd	4.50%
			Partex Furniture Inds. Limited	15.00%
			New Light Star Apparels Ltd.	15.00%
			Partex Laminates Limited	15.00%
			Partex Limited	15.00%

## REPORT OF SHARIAH SUPERVISORY COMMITTEE 2013

During the year 2013, The Shariah Supervisory Committee of The City Bank Limited met in 03 formal meetings and reviewed different operational issues of Islamic banking including those referred to it by the Board of Directors and the Management of the Bank, and gave opinions and decisions related to Shariah.

The duty of the Shariah Supervisory Committee is to provide independent opinions and necessary guidelines by observing and reviewing the activities of the Bank and also to conduct Shariah related training for the manpower of the Bank and to make the clients aware of Shariah compliance. On the other hand, the responsibility of the bank is to ensure that the bank conducts its business under Islamic Banking operations in accordance with rules and principles of Shariah.

Besides, the Muraqib (Shariah Auditor) of the Shariah Supervisory Committee inspected all running issues, products during the year 2013. He also conducted Shariah Audit to the Islamic Banking Branch and other business units in the year and submitted report to the Committee.

The Committee, after reviewing the Shariah Inspection Reports, Balance Sheet and Profit & Loss Account of Islamic Banking of the Bank for the Year 2013, furnishes the following opinion:

1. The agreements for investment and transactions entered into by Islamic banking branch during the period concerned have been made in accordance with the principles of shariah.
2. Mode wise elementary features and process of investments (Bai-Murabaha/ Muajjal & HPSM) are being done by ensuring possession on the goods.
3. Distribution of profit to the Murabaha depositors based on Profit Sharing Ratio (PSR) was in accordance with Shariah.
4. As per Shariah principles, Doubtful and Compensation amount have been kept separate and not included in Bank's income.

5. Bank management has been advised to arrange regular training & workshop for the officials to increase their professional skills and to organize awareness program for the clients regarding Shariah compliance issues.

To the best of our knowledge no gross violation and lapses in the Islamic banking operations of the bank have so far been detected and the bank management has been advised to keep maintaining the spirit of Shariah to uphold the quality of Shariah compliance in the days to come.

May Allah (SWT) give us strength to achieve His satisfaction through implementation of Shariah in every sphere of life.



Md. Abdullah Sharif  
Member Secretary  
Shariah Supervisory Committee



M. Azizul Huq  
Chairman  
Shariah Supervisory Committee

Annexure-G(1)

**BALANCE SHEET OF ISLAMIC BANKING BRANCH**  
AS AT 31 DECEMBER 2013

	Notes	2013	2012
<i>Figures in Taka</i>			
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
Cash in hand (including foreign currencies)	1	2,323,240	4,084,992
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)		235,677,384	295,859,158
		238,000,624	299,944,150
<b>Balance with other banks and financial institutions</b>	2		
In Bangladesh		2,429,692,470	2,087,900,997
Outside Bangladesh		-	-
		2,429,692,470	2,087,900,997
<b>Placement with banks &amp; other financial institutions</b>		-	-
<b>Investments in shares &amp; securities</b>	3		
Government		120,000,000	96,000,000
Others		-	-
		120,000,000	96,000,000
<b>Investments</b>	4		
General investments etc.		1,547,561,938	3,211,412,327
Bills purchased and discounted		845,525	-
		1,548,407,463	3,211,412,327
<b>Fixed assets including premises, furniture and fixtures</b>	5	15,143,849	18,925,523
<b>Other assets</b>	6	113,656,180	122,425,577
<b>Non-banking assets</b>		-	-
<b>Total assets</b>		4,464,900,586	5,836,608,574
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities:</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	7	-	1,200,000,000
<b>Deposits and other Accounts</b>			
Mudaraba and Manarah savings deposits		993,202,762	287,570,539
Mudaraba term deposits		3,003,358,351	3,830,195,096
Al-wahdia and Manarah current deposits and other accounts		54,079,446	107,444,851
Bills payable		5,919,333	3,326,841
		4,056,559,892	4,228,537,327
<b>Other liabilities</b>	8	408,340,694	408,071,247
<b>Total liabilities</b>		4,464,900,586	5,836,608,574
<b>Capital/shareholders' equity</b>			
Paid up capital		-	-
Statutory reserve		-	-
Share premium		-	-
Other reserve		-	-
Surplus in profit and loss account/Retained earnings		-	-
<b>Total shareholders' equity</b>		-	-
<b>Total liabilities and shareholders' equity</b>		4,464,900,586	5,836,608,574

*Figures in Taka*

	Notes	2013	2012
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>			
Acceptances and endorsements		211,207,045	43,950,101
Letters of guarantee		193,918,228	45,641,925
Irrevocable letters of credit		150,356,792	554,063,836
Bills for collection		4,023,923	7,227,255
Other contingent liabilities		-	-
		559,505,988	650,883,117
<b>Other commitments:</b>		-	-
<b>Total Off-Balance Sheet items including contingent liabilities</b>		559,505,988	650,883,117

Annexure-G(2)

**PROFIT AND LOSS ACCOUNT OF ISLAMIC BANKING BRANCH**  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013	2012
<i>Figures in Taka</i>			
Profit and investment income		570,706,222	635,855,202
Profit paid on deposits and borrowings etc.		(452,294,922)	(465,461,139)
<b>Net investment income</b>		118,411,300	170,394,063
Commission, exchange and brokerage	9	6,964,366	7,311,984
Other operating income	10	1,384,608	919,279
<b>Total operating income</b>		126,760,274	178,625,326
Salaries and allowances		16,304,410	19,295,732
Rent, taxes, insurance, electricity etc.		13,602,822	12,944,167
Legal expenses		7,500	-
Postage, stamp, telecommunication etc.		159,828	124,532
Stationery, printing, advertisement etc.		346,777	998,047
Depreciation and repair of Bank's assets		6,089,078	6,435,399
Other expenses	11	5,341,854	900,091
<b>Total operating expenses</b>		41,852,269	40,697,968
<b>Net operating profit</b>		84,908,005	137,927,358
Provision for loans and advances/investments		(27,293,609)	(10,416,951)
Provision for Off-Balance Sheet exposures		-	(6,804,484)
<b>Total provision</b>		(27,293,609)	(17,221,435)
<b>Total profit before taxes</b>		57,614,396	120,705,923



NOTES TO THE FINANCIAL STATEMENTS OF ISLAMIC BANKING BRANCH

		<i>Figures in Taka</i>	
		2013	2012
1.	CASH		
1.1	Cash in hand		
	In local currency	2,323,240	4,084,992
	In foreign currency	-	-
		<u>2,323,240</u>	<u>4,084,992</u>
1.2	Balance with Bangladesh Bank and its agent bank(s)		
	In local currency	235,677,384	295,859,158
	In foreign currency	-	-
		<u>235,677,384</u>	<u>295,859,158</u>
2.	BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS		
	In Bangladesh (Note - 2.1)	2,429,692,470	2,087,900,997
	Outside Bangladesh	-	-
		<u>2,429,692,470</u>	<u>2,087,900,997</u>
2.1	In Bangladesh		
	Mudaraba savings deposit accounts		
	Social Islami Bank Ltd.	743,527	718,954
	South East Bank Ltd.	511,325,102	335,579,585
		<u>512,068,629</u>	<u>336,298,539</u>
	Mudaraba Short Notice Deposits		
	AB Bank Ltd.	7,624,070	1,602,458
	Bank Alfalah Ltd.	109,999,770	-
		<u>117,623,840</u>	<u>1,602,458</u>
	Mudaraba term deposit accounts		
	Social Islami Bank Ltd.	200,000,000	200,000,000
	Export Import Bank of Bangladesh Ltd.	550,000,000	550,000,000
	South East Bank Ltd.	400,000,000	400,000,000
	AB Bank Ltd.	400,000,000	400,000,000
	Jamuna Bank Ltd.	250,000,000	200,000,000
		<u>1,800,000,000</u>	<u>1,750,000,000</u>
		<u>2,429,692,469</u>	<u>2,087,900,997</u>
3.	INVESTMENTS IN SHARES & SECURITIES		
	i) Investment classified as per Bangladesh Bank Circular		
	Held to Maturity (HTM)	120,000,000	96,000,000
		<u>120,000,000</u>	<u>96,000,000</u>
	ii) Investment securities are classified as follows		
	a) Government bond		
	1 year Islamic bond	-	86,000,000
	2 years Islamic bond	120,000,000	10,000,000
		<u>-</u>	<u>-</u>
	b) Other investments	-	-
		<u>120,000,000</u>	<u>96,000,000</u>

*Figures in Taka*

		2013	2012
4	INVESTMENTS		
	i) Investments		
	Inside Bangladesh		
	Bai-muazzal	65,113,911	63,184,035
	Murabaha	1,301,958,991	1,148,906,584
	Hire purchase shirkatul melk (HPSM)	178,102,036	1,994,933,708
	Quard	2,387,000	4,388,000
		<u>1,547,561,938</u>	<u>3,211,412,327</u>
	Outside Bangladesh	-	-
		<u>1,547,561,938</u>	<u>3,211,412,327</u>
	ii) Bills purchased and discounted		
	Payable Inside Bangladesh		
	Inland bills purchased	845,525	-
	Payable Outside Bangladesh	-	-
	Foreign bills purchased and discounted	-	-
		<u>845,525</u>	<u>-</u>
		<u>1,548,407,463</u>	<u>3,211,412,327</u>
5	FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES		
	Cost		
	Furniture and fixtures	14,699,649	14,610,099
	Office equipment and machinery	16,921,396	16,624,095
		<u>31,621,045</u>	<u>31,234,194</u>
	Accumulated depreciation	(16,477,196)	(12,308,670)
		<u>15,143,849</u>	<u>18,925,524</u>
6	OTHER ASSETS		
	Stationery and stamps	201,086	364,433
	Advance deposits and advance rent	25,392,023	29,047,703
	Advance tax	6,888,074	3,211,985
	Profit receivable from Investment	81,174,997	89,680,000
	Account receivable (Note - 6.1)	-	121,457
		<u>113,656,180</u>	<u>122,425,578</u>
6.1	Suspense account includes amount outstanding against sundry debtors.		
7	BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS		
	In Bangladesh (Note- 7.1)	-	1,200,000,000
	Outside Bangladesh	-	-
		<u>-</u>	<u>1,200,000,000</u>
7.1	In Bangladesh		
	Bangladesh Bank for 100 Days	-	200,000,000
	Bangladesh Bank for 5 Months	-	400,000,000
	Bangladesh Bank for 6 Months	-	600,000,000
		<u>-</u>	<u>1,200,000,000</u>
8	OTHER LIABILITIES		
	Profit suspense account	933,857	350,777
	Expense payable	384,580	204,080
	Profit payable account	117,405,105	121,891,017
	Provision for investment	75,681,730	48,388,121
	Provision for Off-Balance Sheet Exposures	5,672,830	6,804,484
	Profit Payable to Head Office	57,614,396	120,705,923
	Profit mark up account	113,079,013	78,656,301
	Sub Total	<u>370,771,511</u>	<u>377,000,703</u>

		<i>Figures in Taka</i>	
		2013	2012
	Unrealized Compensation	6,443,967	8,301,300
	Realized Compensation	7,272,861	3,958,440
	Branch adjustment account	23,489,192	13,943,594
	Others	363,163	4,867,210
	<b>Total</b>	<b>408,340,694</b>	<b>408,071,247</b>
<b>9</b>	<b>COMMISSION, EXCHANGE AND BROKERAGE</b>		
	Commission on letters of credit	1,478,558	4,105,371
	Commission on letters of guarantee	96,500	80,720
	Commission on export bills	21,137	26,572
	Commission on bills purchased	40,395	63,537
	Commission on accepted bills	3,133,531	144,615
	Commission on OBC, IBC etc.	1,275	1,504
	Commission on PO, DD, TT, TC, etc.	15,500	30,600
	Other Fees and charges (Note - 9.1)	2,091,182	2,858,065
	Other commission	86,288	1,000
		<b>6,964,366</b>	<b>7,311,984</b>
	Exchange gain	-	-
	Brokerage	-	-
		<b>6,964,366</b>	<b>7,311,984</b>
<b>9.1</b>	<b>Other Fees and charges</b>		
	Service charges on deposits	818,034	770,336
	Cheque book issue fees	165,510	157,925
	Investment processing fees	1,027,000	1,888,304
	Clearing return	71,388	38,400
	Charges on account closing and transfer	9,250	3,100
		<b>2,091,182</b>	<b>2,858,065</b>
<b>10</b>	<b>OTHER OPERATING INCOME</b>		
	Postage/telex/SWIFT/fax recoveries	575,916	386,981
	Locker rent	59,500	31,250
	Miscellaneous earnings (Note - 10.1)	749,192	501,048
		<b>1,384,608</b>	<b>919,279</b>
<b>10.1</b>	<b>Miscellaneous earnings includes earning from early settlement of loan, issuing various certificate and bank statements on demand of customers.</b>		
<b>11</b>	<b>OTHER EXPENSES</b>		
	Washing and cleaning	-	4,873
	Online communication expenses	1,228,995	-
	Training, seminar and workshop	337,445	-
	Entertainment	100,981	71,645
	Conveyance	84,018	34,995
	Newspapers	2,956	2,313
	Miscellaneous expenses	3,587,459	786,265
		<b>5,341,854</b>	<b>900,091</b>

**BALANCE SHEET OF OFF-SHORE BANKING UNIT  
AS AT 31 DECEMBER 2013**

	Notes	2013		2012
		USD	Taka	Taka
<b>PROPERTY AND ASSETS</b>				
<b>Cash</b>				
Cash in hand (including foreign currencies)		-	-	-
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)		-	-	-
<b>Balance with other banks and financial institutions</b>				
In Bangladesh		-	-	-
Outside Bangladesh	1	1,636,042	127,202,237	1,182,266
		<b>1,636,042</b>	<b>127,202,237</b>	<b>1,182,266</b>
<b>Money at call and short notice</b>				
<b>Investments in shares &amp; securities</b>				
Government		-	-	-
Others		-	-	-
		<b>1,000,000</b>	<b>77,750,000</b>	<b>-</b>
<b>Loans and advances</b>				
Loans, cash credits, overdrafts, etc.	2	54,687,178	4,251,928,074	720,896,359
Bills purchased and discounted		44,957,768	3,495,466,441	1,904,874,991
		<b>99,644,946</b>	<b>7,747,394,515</b>	<b>2,625,771,350</b>
<b>Fixed assets including premises, furniture and fixtures</b>				
		-	-	-
<b>Other assets</b>		362,196	28,160,729	39,944,774
<b>Non-banking assets</b>		-	-	-
<b>Total assets</b>		<b>102,643,183</b>	<b>7,980,507,481</b>	<b>2,666,898,390</b>
<b>LIABILITIES AND CAPITAL</b>				
<b>Liabilities:</b>				
<b>Borrowings from other banks, financial institutions and agents</b>	3	65,000,000	5,053,750,000	2,392,572,000
<b>Deposits and other Accounts</b>		-	-	-
<b>Other liabilities</b>	4	37,643,183	2,926,757,481	274,326,390
<b>Total liabilities</b>		<b>102,643,183</b>	<b>7,980,507,481</b>	<b>2,666,898,390</b>
<b>Capital/shareholders' equity</b>				
Paid up capital		-	-	-
Statutory reserve		-	-	-
Share Premium		-	-	-
Other reserve		-	-	-
Surplus in profit and loss account		-	-	-
		<b>102,643,183</b>	<b>7,980,507,481</b>	<b>2,666,898,390</b>
<b>Total liabilities and shareholders' equity</b>				
<b>OFF-BALANCE SHEET ITEMS</b>				
<b>Contingent liabilities</b>				
Acceptances and endorsements		-	-	-
Letters of guarantee		-	-	-
Irrevocable letters of credit		-	-	-
Bills for collection		-	-	-
Other contingent liabilities		-	-	-
		<b>-</b>	<b>-</b>	<b>-</b>
<b>Other commitments:</b>				
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>

**PROFIT AND LOSS ACCOUNT OF OFF-SHORE BANKING UNIT**  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013		2012
		USD	Taka	Taka
Interest income	5	5,590,859	434,689,317	52,794,793
Interest paid on borrowings		(2,608,436)	(202,805,891)	(41,315,413)
<b>Net interest income</b>		<b>2,982,423</b>	<b>231,883,426</b>	<b>11,479,379</b>
Commission and exchange	6	31,590	2,456,092	2,576,782
Other operating income		-	-	70,102
<b>Total operating income</b>		<b>3,014,013</b>	<b>234,339,518</b>	<b>14,126,264</b>
Rent, taxes, insurance, electricity, etc.		5,000	388,750	-
Legal expenses		12,776	993,330	-
Other operating expenses		226,777	17,631,896	-
<b>Total operating expenses</b>		<b>244,553</b>	<b>19,013,976</b>	<b>-</b>
<b>Net operating profit</b>		<b>2,769,460</b>	<b>215,325,543</b>	<b>14,126,264</b>
Provision for loans and advances/investments		(521,697)	(40,561,945)	-
Provision for Off-Balance Sheet exposures		-	-	-
Provision for diminution in value of investments		-	-	-
Other provision		-	-	-
<b>Total provision</b>		<b>(521,697)</b>	<b>(40,561,945)</b>	<b>-</b>
<b>Total profit before taxes</b>		<b>2,247,763</b>	<b>174,763,598</b>	<b>14,126,264</b>

**NOTES TO THE FINANCIAL STATEMENTS OF OFF-SHORE BANKING UNIT**

	2013		2012
	USD	Taka	Taka
<b>1 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS</b>			
In Bangladesh	-	-	-
Outside Bangladesh	1,636,042	127,202,237	1,182,266
	<b>1,636,042</b>	<b>127,202,237</b>	<b>1,182,266</b>
OBU maintain its own account relating Offshore Banking business separately in Mashreq Bank, New York, USA.			
<b>2 LOANS AND ADVANCES</b>			
Loans, cash credits, overdrafts, etc.			
Term Loan	54,687,178	4,251,928,074	720,896,359
Short Term Loan	-	-	-
	<b>54,687,178</b>	<b>4,251,928,074</b>	<b>720,896,359</b>
Bills purchased and discounted	44,957,768	3,495,466,441	1,904,874,991
	<b>99,644,946</b>	<b>7,747,394,515</b>	<b>2,625,771,350</b>
<b>3 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS</b>			
In Bangladesh	20,000,000	1,555,000,000	159,504,800
Outside Bangladesh	45,000,000	3,498,750,000	2,233,067,200
	<b>65,000,000</b>	<b>5,053,750,000</b>	<b>2,392,572,000</b>
<b>4 OTHER LIABILITIES</b>			
VAT Payable	8,165	634,846	651,196
Payable to main operation	36,268,014	2,819,838,091	230,415,898
Provision for loans and advances	996,449	77,473,944	36,912,000
Interest payable	370,554	28,810,600	6,347,296
	<b>37,643,183</b>	<b>2,926,757,481</b>	<b>274,326,390</b>
<b>5 INTEREST INCOME</b>			
Loan and advances	1,484,222	115,398,226	25,077,349
Bills purchased and discounted	4,106,638	319,291,091	27,717,443
	<b>5,590,859</b>	<b>434,689,317</b>	<b>52,794,792</b>
<b>6 COMMISSION, EXCHANGE AND BROKERAGE</b>			
Commission income	31,445	2,444,811	2,576,782
Exchange gain	145	11,281	-
	<b>31,590</b>	<b>2,456,092</b>	<b>2,576,782</b>



Annexure - I

HIGH LIGHTS

*Figures in million unless specified*

Sl. no.	Particulars		As at 31 December 2013	As at 31 December 2012
1	Paid-up capital	Taka	6,950.78	6,318.89
2	Total capital	Taka	16,697.08	15,772.28
3	Capital surplus/(deficit)	Taka	2,359.37	2,296.40
4	Total assets	Taka	147,471.62	130,185.63
5	Total deposits	Taka	107,496.60	94,098.63
6	Total loans and advances/investments	Taka	89,878.63	83,332.67
7	Total contingent liabilities and commitments	Taka	47,961.58	37,742.07
8	Credit deposit ratio	%	76.32%	82.68%
9	Percentage of classified loans/investments against total loans and advances/investments	%	8.07%	7.48%
10	Amount of classified loans/investments during the period	Taka	7,251.01	6,230.78
11	Provisions kept against classified loans/investments	Taka	3,645.23	3,409.60
12	Provision surplus/(deficit) against classified loans/investments	Taka	701.24	305.91
13	Cost of fund	%	6.96%	7.48%
14	Interest earning assets	Taka	130,066.87	113,699.07
15	Non-interest earning assets	Taka	17,404.75	16,486.56
16	Return on investment (ROI)	%	7.75%	9.80%
17	Return on assets (ROA)	%	0.68%	0.62%
18	Net asset value per share	Taka	26.65	25.84
19	Profit after tax and provision	Taka	911.18	762.74
20	Income from investment	Taka	1,653.99	1,819.37
21	Earnings per share*	Taka	1.31	1.10
22	Net income per share*	Taka	1.31	1.10
23	Price earning ratio	Times	15.41	22.20

\* Earnings per share for the comparative period was adjusted for bonus share of 2012, credited in 2013.

FINANCIAL STATEMENTS *of*  
CITY BROKARAGE LTD. 2013.

## AUDITORS' REPORT TO THE SHAREHOLDERS OF CITY BROKERAGE LTD

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We have audited the accompanying financial statements of City Brokerage Ltd (the company), which comprise the statement of financial position (balance sheet) as at 31 December 2013, statement of comprehensive income (profit and loss statement), statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, the Companies Act 1994 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### OPINION

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the requirements of the Companies Act 1994 and other applicable laws and regulations.

### WE ALSO REPORT THAT:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- (c) the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.



S. F. AHMED & CO  
Chartered Accountants

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 16 March 2014

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)  
AT 31 DECEMBER 2013

	Notes	2013	2012
Figures in Taka			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	27,130,025	30,905,829
Intangible assets	4	2,449,027	2,567,917
Membership fees	5	600,000,000	600,000,000
Investment in securities	6	444,235,918	536,760,488
		<u>1,073,814,970</u>	<u>1,170,234,234</u>
<b>Current Assets</b>			
Advance payment of corporate income tax	7	34,193,398	46,033,840
Accounts receivable	8	3,317,839,103	2,823,746,068
Advances, deposits and prepayments	9	17,504,839	19,341,257
Cash and cash equivalents	10	269,113,511	361,485,649
		<u>3,638,650,851</u>	<u>3,250,606,814</u>
<b>Total Assets</b>		<u>4,712,465,821</u>	<u>4,420,841,048</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	11	1,600,000,000	600,000,000
Retained earnings		(359,075,420)	89,000,025
		<u>1,240,924,580</u>	<u>689,000,025</u>
<b>Current Liabilities</b>			
Short term loan	12	2,651,563,680	3,477,707,429
Payable to clients	13	258,389,828	198,899,252
Accounts payable	14	4,254,041	1,231,287
Accrued expenses		69,000	69,000
Provision for employees' provident fund		-	842,162
Interest suspense account		327,575,701	-
Provision for diminution in value of investment		11,173,570	-
Provision for loans loss - margin loan		185,518,891	-
Provision for corporate income tax	15	32,996,530	53,091,894
		<u>3,471,541,241</u>	<u>3,731,841,024</u>
<b>Total Shareholders' Equity and Liabilities</b>		<u>4,712,465,821</u>	<u>4,420,841,048</u>

See annexed notes

for City Brokerage Ltd



Managing Director & CEO



Director



Chairman/Director

Signed in terms of our report of even date annexed



S. F. AHMED & CO  
Chartered Accountants

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 16 March, 2014

STATEMENT OF COMPREHENSIVE INCOME  
(PROFIT AND LOSS STATEMENT)  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013	2012
Figures in Taka			
<b>Revenue</b>			
Brokerage commission	16	132,242,313	128,235,390
Capital gain/(loss) on investment		(3,388,664)	46,390,355
Dividend Income		12,843,245	1,190,195
Other operating income	17	958,115	6,450,717
Total operating income		<u>142,655,009</u>	<u>182,266,657</u>
<b>Less: Operating expenses</b>			
Direct cost	18	8,363,181	6,385,231
Other operating expenses	19	103,354,662	79,594,201
		<u>111,717,843</u>	<u>85,979,432</u>
<b>Operating profit</b>		<u>30,937,166</u>	<u>96,287,225</u>
<b>Fair value adjustments for fall in values of investment in securities</b>			
		11,173,570	-
<b>Loan loss provision</b>			
		185,518,891	-
<b>Finance income - interest on margin loan</b>			
		133,249,430	442,529,081
<b>Finance cost - interest on borrowed fund</b>			
		(394,677,316)	(487,625,838)
<b>Net finance income</b>		<u>(261,427,886)</u>	<u>(45,096,757)</u>
Profit before corporate income tax		(427,183,181)	51,190,468
Income tax expenses	15.1	(20,885,167)	(20,711,959)
<b>Profit after tax</b>		<u>(448,068,348)</u>	<u>30,478,509</u>
<b>Other comprehensive income</b>			
		-	-
<b>Total comprehensive income for the year</b>		<u>(448,068,348)</u>	<u>30,478,509</u>

See annexed notes

for City Brokerage Ltd



Managing Director & CEO



Director



Chairman/Director

Signed in terms of our report of even date annexed

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 16 March, 2014



S. F. AHMED & CO  
Chartered Accountants



STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013


	<i>Figures in Taka</i>	
	2013	2012
<b>Cash flows from Operating activities</b>		
Profit before tax	(427,183,181)	51,190,468
Adjustment for non-cash item:		
Depreciation and amortisation	7,989,600	8,600,166
Provision for loans loss	185,518,891	-
Provision for diminution in value of investment	11,173,570	-
Interest suspense account	327,575,701	-
	<u>105,074,581</u>	<u>59,790,634</u>
Changes in working capital components:		
Increase in accounts receivable	(79,118,851)	(3,720,158)
Increase in margin loan to clients	(414,974,184)	256,323,491
Decrease in advances, deposits and prepayments	1,836,418	1,740,169
Decrease in advance income tax	11,840,442	(13,640,249)
Decrease in short term loan	(826,143,749)	261,604,446
Increase in accounts payable	3,022,354	(17,308,528)
Provision for expenses	59,490,576	(3,836,291)
	<u>(1,244,046,994)</u>	<u>481,162,881</u>
<b>Net cash from/(used in) operating activities</b>	<u>(1,138,972,413)</u>	<u>540,953,515</u>
<b>Cash flows from investing activities</b>		
Investment in shares	50,695,181	(294,155,710)
Acquisition of property, plant and equipment	(4,069,906)	(1,023,472)
Payment for intangible assets	(25,000)	(450,000)
<b>Net cash from /(used in) investing activities</b>	<u>46,600,275</u>	<u>(295,629,182)</u>
<b>Cash flows from financing activities</b>		
Issue of share capital	1,000,000,000	-
<b>Net cash from financing activities</b>	<u>1,000,000,000</u>	<u>-</u>
Net changes in cash and cash equivalents	(92,372,138)	245,324,332
Opening cash and cash equivalents	361,485,649	116,161,316
<b>Closing cash and cash equivalents</b>	<u>269,113,511</u>	<u>361,485,649</u>

See annexed notes

for City Brokerage Ltd

  
Managing Director & CEO

  
Director

  
Chairman/Director  
Signed in terms of our report of even date annexed

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 16 March, 2014

  
S. F. AHMED & CO  
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Figures in Taka</i>		
Particulars	Share capital	Retained earnings	Total
Year ended 31 December 2012:			
Balance at 01 January 2012	600,000,000	58,521,516	658,521,516
Net profit for the year	-	30,478,509	30,478,509
<b>Balance at 31 December 2012</b>	<u>600,000,000</u>	<u>89,000,025</u>	<u>689,000,025</u>
Year ended 31 December 2013:			
Balance at 01 January 2013	600,000,000	89,000,025	689,000,025
Prior year's adjustment	-	(7,096)	(7,096)
Share issued during the year	1,000,000,000	-	1,000,000,000
Net profit for the year	-	(448,068,348)	(448,068,348)
<b>Balance at 31 December 2013</b>	<u>1,600,000,000</u>	<u>(359,075,420)</u>	<u>1,240,924,581</u>

for City Brokerage Ltd

  
Managing Director & CEO

  
Director

  
Chairman/Director  
Signed in terms of our report of even date annexed

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 16 March, 2014

  
S. F. AHMED & CO  
Chartered Accountants

**NOTES TO FINANCIAL STATEMENTS OF CITY BROKERAGE LTD.**

For The Year Ended 31 December 2013

**1. COMPANY AND ITS ACTIVITIES**

**1.1 STATUS OF THE COMPANY**

City Brokerage Ltd (the company) was incorporated in Bangladesh on 31 March 2010 as a private limited company under the Companies Act 1994 vide certificate of incorporation no. C-83616/10. It is a subsidiary company of The City Bank Limited, a banking company incorporated in Bangladesh under the Banking Companies Act 1991. Though the company was incorporated on 31 March 2010 but it started its operation from 15 November 2010. The registered office of the company is situated at Jiban Bima Tower, 10 Dilkusha Commercial Area, Dhaka 1000. The company has three branches each located at Gulshan, Dhanmondi and Nikunja, Dhaka and two other branches at Chittagong and Sylhet. The legal status of the company has been converted into public limited company from private limited company in June 2012 in compliance with Bangladesh Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorised Representatives) Rules 2000.

**1.2 NATURE OF BUSINESS**

The main objectives of the company for which it was incorporated are to carry on the business of stockbroker/stock dealers and other related business in connection with securities dealing. Other objectives of the company are to buy, sell, hold or otherwise acquire or invest the capital of the company in shares, stocks and fixed income securities.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the company have been prepared in accordance with International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS), under historical cost convention on a going concern basis and the requirements of Companies Act 1994 and Securities and Exchange Rules 1987.

**2.2 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION**

These are stated at cost less accumulated depreciation. Depreciation is charged on the items of property, plant and equipment using straight-line method in

accordance with BAS 16. Full month's depreciation is charged on additions irrespective of date of their acquisition and no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

Category of asset	Rate
Furniture and fixtures	10%
Office equipment	20%
Motor vehicle	20%

**2.3 INTANGIBLE ASSETS AND AMORTISATION**

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the company and the cost of asset can be measured reliably in accordance with BAS 38 "Intangible Assets". Accordingly, these are stated in the statement of financial position at cost less amortisation.

**2.4 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, bank balances, cheques awaiting for collection and fixed deposits which are held and are available for use by the company without any restriction.

**2.5 EVENTS AFTER REPORTING PERIOD**

No events were occurred after the date of statement of financial position that could affect the financial position of the company or required disclosure.

**2.6 ACCRUAL**

The expenses, irrespective of capital or revenue nature, accrued/ due but not paid have been provided in the books of account of the company.

**2.7 EMPLOYEES PROVIDENT FUND**

Provident fund benefits are given to the permanent employees of the company in accordance with the Provident Fund Rules which are recognised by National Board of Revenue (NBR). The fund is operated by a Board of Trustees consisting of four members (all members are from management of the company). All confirmed employees of the company are contributing 10% of their basic salary as subscription to the Fund. The company also contributes equal amount of the employees' contribution.

**2.8 EMPLOYEES GRATUITY FUND**

Gratuity fund benefits are given to the permanent employees of the company in accordance with the Gratuity Fund Rules which are recognised by National Board of Revenue (NBR). The fund is operated by a Board of Trustees consisting of four members (all members are from management of the company).

Figures in Taka

	2013	2012
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>		
Cost	50,562,349	46,492,443
Less: Accumulated depreciation	23,432,324	15,586,614
Net book value	27,130,025	30,905,829
Details are in Annex A.		
<b>4. INTANGIBLE ASSETS</b>		
Cost of software	2,827,800	2,802,800
Less: Accumulated amortisation	378,773	234,883
Net book value	2,449,027	2,567,917
<b>5. MEMBERSHIP FEES</b>		
Dhaka Stock Exchange Ltd (DSE)	580,999,000	580,999,000
Chittagong Stock Exchange Ltd (CSE)	19,001,000	19,001,000
	600,000,000	600,000,000
<b>6. INVESTMENT IN SECURITIES</b>	444,235,918	536,760,488
This represents investment made by the company in purchase of shares of various listed companies by Dhaka Stock Exchange Ltd (DSE) and Chittagong Stock Exchange Ltd (CSE) through its dealer account. The market value of the investment is Taka 388,368,068 as at 31 December 2013. Provision for unrealised loss on investment in securities has been made at 20% of total requirement. As per BSEC's directive no. SEC/CMRRCD/2009-193/155 dated 09 December 2013, minimum requirement of making such provision is 20% of total required amount at the end of this accounting year.		
<b>7. ADVANCE PAYMENT OF CORPORATE INCOME TAX</b>	34,193,398	46,033,840
The above amount represents income tax withheld from the transactions of traded securities @ 0.05% which is the final tax liability of the company under section 82C of the IT Ordinance 1984.		
<b>8. ACCOUNTS RECEIVABLE</b>		
Receivable from		
DSE	80,615,498	(31,858,723)
CSE	(6,893,172)	26,462,198
Clients (note 8.1)	3,244,074,032	2,829,099,848
Receivable against expenses	42,745	42,745
	3,317,839,103	2,823,746,068
<b>8.1 Receivable from clients</b>		
The above amount is receivable from 1,674 individual and institutional clients against margin loan for investing in securities through the company.		
<b>9. ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
Advance to/against		
Office rent	10,244,617	13,193,314
Insurance	21,111	51,710
Corporate guarantee fee (note 9.1)	5,731,433	5,731,433
Employees	1,247,778	111,800
Supplies	80,000	210,000
Management expenses	130,000	-
Deposit to Grameen Phone	36,000	36,000
Others	13,900	7,000
	17,504,839	19,341,257

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
9.1	Corporate guarantee fee		
	This represents amount of fee payable to the City Bank Ltd, the parent company of City Brokerage Ltd, as corporate guarantee fee.		
10.	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents consist of the bank balances with Principal Office of The City Bank Ltd, cheque deposited with bank for clearing and petty cash held at head office and branches. Account-wise outstanding balance at 31 December 2013 is given below:		
	Bank balances with:		
	The City Bank Ltd account nos-		
	1101132314001	210,378,875	279,063,426
	1101132315001	22,704,279	46,623,216
	1101132310001	7,961,271	243,763
	Standard Chartered Bank - 01111058801	9,142,912	2,332,594
	HSBC - 001-061985-011	17,107,556	6,257,003
	Mutual Trust Bank Ltd - 00220210005086	1,118	2,000
		<u>267,296,011</u>	<u>334,522,001</u>
	Cheques awaiting for collection	1,740,000	26,886,148
	Petty cash	77,500	77,500
		<u>269,113,511</u>	<u>361,485,649</u>
11.	SHARE CAPITAL		
	Authorised capital		
	500,000,000 shares of Taka 10 each	5,000,000,000	5,000,000,000
	Issued, subscribed and paid-up capital		
	The City Bank Ltd		
	159,994,000 shares of Taka 10 each fully paid-up	1,599,940,000	599,940,000
	Individual		
	6,000 shares of Taka 10 each fully paid-up	60,000	60,000
		<u>1,600,000,000</u>	<u>600,000,000</u>
12.	SHORT TERM LOAN	2,651,563,680	3,477,707,429
	The City Bank Ltd:		
	This loan was taken from The City Bank Ltd in the form of overdraft where the overdraft facility limit is Taka 245 crore for margin financing and prefunding support for foreign trade of foreign clients bearing interest @ 14.50% per annum subject to revision by bank management from time to time.		
	Mutual Trust Bank Ltd (MTBL):		
	This loan was taken from MTBL in the form of overdraft (general) for margin financing and prefunding support for foreign trade of foreign clients bearing interest @ 18.00% per annum subject to revision by bank management from time to time.		
13.	PAYABLE TO CLIENTS	258,389,828	198,899,252
	This represents sale proceeds of clients' securities which is being held for buy of marketable securities or refund to the clients as per their instructions.		
14.	ACCOUNTS PAYABLE		
	The City Bank Ltd (note 14.1)	5,179	553,377
	Central Depository Bangladesh Ltd	(199,775)	677,910
	Commission payable	4,448,637	-
		<u>4,254,041</u>	<u>1,231,287</u>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
14.1	Payable to The City Bank Ltd		
	Opening balance	553,377	58,309,786
	Less: Paid during the year	548,198	57,756,409
	Closing balance	<u>5,179</u>	<u>553,377</u>
15.	PROVISION FOR CORPORATE INCOME TAX		
	Opening balance	53,091,894	36,529,838
	Add: Provision made during the year (note 15.1)	20,885,167	20,711,959
		<u>73,977,061</u>	<u>57,241,797</u>
	Less: Paid during the year	40,980,531	4,149,903
	Closing balance	<u>32,996,530</u>	<u>53,091,894</u>
15.1	Provision made during the year		
	Provision for corporate income tax is made on various sources of income following applicable tax rates on those income as computed below:		
		Source of income/Taka	Applicable tax rate (%)
	Nature of income		Provision/ Taka
	Brokerage Commission	132,242,313	(**)
	Business Income		17,957,225
	Dividend income	12,843,245	20.00
	Other operating income	958,115	37.50
	Net finance income	(261,427,886)	37.50
	Capital gains on sale of shares	(3,388,664)	10.00
		<u>(118,772,877)</u>	<u>20,885,167</u>
	(**) The above amount represents income tax withheld from the transactions of traded securities @ 0.05% which is the final tax liability of the company under section 82C of the IT Ordinance 1984.		
16.	BROKERAGE COMMISSION FROM		
	Dhaka Stock Exchange Ltd	127,083,868	123,591,828
	Chittagong Stock Exchange Ltd	5,158,445	4,643,562
		<u>132,242,313</u>	<u>128,235,390</u>
17.	OTHER OPERATING INCOME		
	Account opening fee	258,900	279,200
	BO account maintenance fee	429,400	366,800
	Others	269,815	5,804,717
		<u>958,115</u>	<u>6,450,717</u>
18.	DIRECT COST		
	Hawla charges	1,214,752	1,045,314
	Laga charges	7,148,429	5,339,917
		<u>8,363,181</u>	<u>6,385,231</u>
19.	OPERATING EXPENSES		
	Salary and allowances	50,120,170	38,157,006
	Office rent	13,619,233	10,872,990
	Depreciation	7,845,710	8,467,943
	Corporate guarantee fee	6,900,600	6,899,999
	Third party service fee	3,855,240	3,663,503
	Business development	3,453,328	3,116,000
	Sub-total	<u>85,794,281</u>	<u>71,177,441</u>



2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

Figures in Taka

	2013	2012
Internet expenses	2,911,456	2,547,700
Printing and stationery	925,583	1,532,637
Office maintenance	2,851,329	1,515,174
Traveling and conveyance	4,441,639	1,289,768
Utilities	1,780,231	1,135,590
Telephone and mobile	774,054	937,188
Entertainment	1,111,751	901,877
Training expenses	158,300	540,078
Subscription and fees	828,110	479,007
Car maintenance	216,321	393,119
Board meeting fees	120,000	180,000
Insurance premium	93,932	136,753
Amortisation of software	143,890	132,223
Legal and professional fees	288,055	128,663
Bank charges	147,237	71,323
Audit fee	60,000	60,000
Newspaper and periodicals	62,853	57,901
Board meeting expenses	41,445	49,107
Fuel	350,684	-
Advertisement and publicity	217,025	31,800
Postage and courier	36,486	6,643
Unrealised loss on investment	-	(3,709,791)
<b>Total</b>	<b>103,354,662</b>	<b>79,594,201</b>

20. CONTINGENT LIABILITY AND COMMITMENTS

The Company has given bank guarantees to DSE and CSE against the requirements of Member's Margin Regulation 2000 of DSE and CSE. Details of which are given below:

Bank guarantee no. and date	In favour of	Amounts in Taka
101SD0002310 dated 15 November 2013	Dhaka Stock Exchange Ltd	500,000,000
101SD0002410 dated 15 November 2013	Chittagong Stock Exchange Ltd	100,000,000

21. OTHERS

- 21.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- 21.2 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
- 21.3 Previous period's figures have been re-arranged, wherever, considered necessary, to conform with current period presentation without causing any impact on the operating results for the period and value of assets and liabilities at the end of that period as shown in the financial statements under reporting.

for City Brokerage Ltd

  
Director

  
Chairman/Director

  
Managing Director & CEO

Dhaka, Bangladesh  
Dated, 16 March, 2014

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

Annex A

Figures in Taka

DETAIL OF PROPERTY, PLANT AND EQUIPMENT  
AT 31 DECEMBER 2013

Particulars	Cost				Depreciation				Net book value at 31 Dec. 2013
	Balance at 01 Jan 2013	Additions	Sale/ disposal	Total at 31 Dec. 2013	At 01 Jan 2013	Charged for the year	Adjustment	Total at 31 Dec. 2013	
1	2	3	4	5 = 2+3-4	6	7	8	9=6+7-8	10=5-9
Furniture and fixtures	19,332,316	846,246	-	20,178,562	4,619,428	1,177,812	-	5,797,240	14,381,322
Office equipment	22,370,651	3,223,660	-	25,594,311	9,370,694	5,710,003	-	15,080,697	10,513,614
Motor vehicle	4,789,476	-	-	4,789,476	1,596,492	957,895	-	2,554,387	2,235,089
<b>Total at 30 Dec. 2013</b>	<b>46,492,443</b>	<b>4,069,906</b>	<b>-</b>	<b>50,562,349</b>	<b>15,586,614</b>	<b>7,845,710</b>	<b>-</b>	<b>23,432,324</b>	<b>27,130,025</b>
<b>Total at 31 Dec. 2012</b>	<b>45,468,971</b>	<b>1,023,472</b>	<b>-</b>	<b>46,492,443</b>	<b>7,118,671</b>	<b>8,467,943</b>	<b>-</b>	<b>15,586,614</b>	<b>30,905,829</b>

**FINANCIAL STATEMENTS *of***  
**CITY BANK CAPITAL RESOURCES LIMITED 2013.**

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**AUDITORS' REPORT**  
TO THE SHAREHOLDERS OF  
CITY BANK CAPITAL RESOURCES LIMITED

We have audited the accompanying financial statements of City Bank Capital Resources Limited (the company), which comprise the statement of financial position (balance sheet) as at 31 December 2013, statement of comprehensive income (profit and loss statement), statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, the Companies Act 1994 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITORS' RESPONSIBILITY**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**OPINION**

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the requirements of the Companies Act 1994 and other applicable laws and regulations.

**WE ALSO REPORT THAT:**

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

  
S. F. AHMED & CO  
Chartered Accountants

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 03 March 2014

**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**  
AT 31 DECEMBER 2013

	Notes	2013	2012
Figures in Taka			
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	4,901,888	858,781
Capital work-in progress	4	403,828	-
Investment in unquoted shares	5	29,000,000	-
Intangible assets	6	1,970,825	2,080,829
<b>Total non-current assets</b>		<b>36,276,541</b>	<b>2,939,610</b>
<b>Current assets</b>			
Margin loan		137,682,211	21,911,428
Investments	7	509,031,463	71,987,263
Inter-company receivable	8	53,513,847	4,668,599
Other receivables	9	18,395,482	4,127,017
Advances, deposits and prepayments	10	2,952,440	1,734,507
Cash and cash equivalents	11	53,852,250	45,706,136
<b>Total current assets</b>		<b>775,427,693</b>	<b>150,134,950</b>
<b>Total assets</b>		<b>811,704,234</b>	<b>153,074,560</b>
<b>Equity and Liabilities</b>			
Capital and Reserves			
Share capital	12	750,000,000	100,000,000
Retained earnings	13	35,727,446	1,518,329
<b>Total equity</b>		<b>785,727,446</b>	<b>101,518,329</b>
<b>Current liabilities</b>			
Inter-company payable	14	1,737,217	26,545,804
Other liabilities	15	11,506,090	23,846,792
Provision for expenses	16	1,519,630	236,683
Provision for taxation	17	11,213,851	926,952
<b>Total liabilities</b>		<b>25,976,788</b>	<b>51,556,231</b>
<b>Total shareholders' equity and liabilities</b>		<b>811,704,234</b>	<b>153,074,560</b>

See annexed notes

for City Bank Capital Resources Limited

  
Chairman

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 03 March 2014

  
Managing Director & CEO

Signed in terms of our report of even date annexed

  
S. F. AHMED & CO  
Chartered Accountants



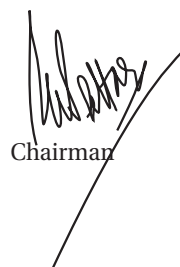
STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS STATEMENT)  
FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in Taka


	Notes	2013	2012
<b>Operating Income</b>			
Fees and commission income	18	28,003,484	10,785,842
Investment income	19	44,921,605	9,591,522
Other income	20	14,100	25,048
<b>Total operating income</b>		<b>72,939,189</b>	<b>20,402,412</b>
<b>Operating expenses</b>			
Salaries and allowances		17,298,748	14,780,496
Rent, taxes, insurance, utilities, etc	21	1,269,453	1,091,487
Repairs, maintenance and depreciation	22	1,355,019	410,938
Legal and professional fees		890,440	302,321
Stationery, printing and advertising		882,545	357,458
Postage, stamp and telecommunication		575,950	442,689
Travelling and conveyance		430,522	142,190
Audit fee		46,000	46,000
CDBL charges		576,547	247,377
License and renewal fee		151,177	179,825
Cleaning, security services and support staff		711,455	12,500
Entertainment expenses		232,908	114,932
Business development and promotional expenses		61,123	-
Bank charges		148,430	94,846
Provision for diminution in value of investment		1,125,204	-
Other expenses		1,760,700	195,114
<b>Total operating expenses</b>		<b>27,516,221</b>	<b>18,418,173</b>
<b>Profit before tax</b>		<b>45,422,968</b>	<b>1,984,239</b>
Income tax expense	17	(11,213,851)	(744,090)
<b>Profit after tax</b>		<b>34,209,117</b>	<b>1,240,149</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>34,209,117</b>	<b>1,240,149</b>

See annexed notes

for City Bank Capital Resources Limited



Chairman



Managing Director & CEO

Signed in terms of our report of even date annexed



S. F. AHMED & CO  
Chartered Accountants

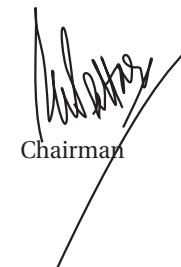
House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 03 March 2014

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013

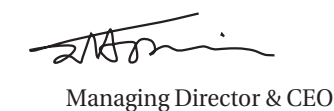
Figures in Taka

	2013	2012
<b>Cash flows from operating activities</b>		
Cash received from:		
Fees and commission from portfolio management service	17,150,736	2,587,599
Fees from corporate advisory service	12,077,070	2,509,571
Cash paid for:		
Operating expenses	(27,235,765)	(2,218,783)
Bank charges	(148,429)	(94,846)
Cash generated from operating activities before changes in operating assets and liabilities	<b>1,843,612</b>	<b>2,783,541</b>
Margin loan	(115,770,783)	(21,911,428)
Customer deposits	(12,613,146)	19,365,210
Paid to The City Bank Limited	(20,908,690)	-
	<b>(149,292,619)</b>	<b>(2,546,218)</b>
Cash generated from operating activities	<b>(147,449,007)</b>	<b>237,323</b>
Income tax paid and deducted at source	(2,144,885)	(1,053,078)
<b>Net cash used in operating activities</b>	<b>(149,593,892)</b>	<b>(815,755)</b>
<b>Cash flows from investing activities</b>		
Investment in fixed deposit	(363,072,601)	(67,349,697)
Dividend income	315,210	-
Interest income	18,687,980	9,591,522
Proceeds from sale of shares (own portfolio)	11,122,880	-
Investment in quoted shares	(125,250,000)	-
Investment in unquoted shares	(29,000,000)	-
Acquisition of property plant and equipment	(5,063,464)	(624,420)
<b>Net cash used in investing activities</b>	<b>(492,259,995)</b>	<b>(58,382,595)</b>
<b>Cash flows from financing activities</b>		
Share capital	650,000,000	-
<b>Net cash from financing activities</b>	<b>650,000,000</b>	<b>-</b>
Net changes in cash and cash equivalents	<b>8,146,114</b>	<b>(59,198,350)</b>
Cash and cash equivalents at beginning of the year	<b>45,706,136</b>	<b>104,904,486</b>
<b>Cash and cash equivalents at ending of the year</b>	<b>53,852,250</b>	<b>45,706,136</b>

for City Bank Capital Resources Limited



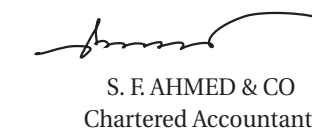
Chairman



Managing Director & CEO

Signed in terms of our report of even date annexed

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 03 March 2014



S. F. AHMED & CO  
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013

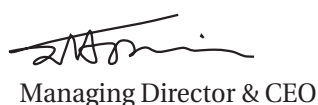
Figures in Taka

Particulars	Share capital	Retained earnings	Total
Year ended 31 December 2012			
Balance at 01 January 2012	100,000,000	278,180	100,278,180
Net profit for the year	-	1,240,149	1,240,149
<b>Balance at 31 December 2012</b>	<b>100,000,000</b>	<b>1,518,329</b>	<b>101,518,329</b>
Year ended 31 December 2013			
Balance at 01 January 2013	750,000,000	1,518,329	751,518,329
Net profit for the year	-	34,209,117	34,209,117
<b>Balance at 31 December 2013</b>	<b>750,000,000</b>	<b>35,727,446</b>	<b>785,727,446</b>

for City Bank Capital Resources Limited



Chairman



Managing Director & CEO

Signed in terms of our report of even date annexed

House # 51 (3rd Floor), Road # 9, Block # F  
Banani, Dhaka 1213, Bangladesh  
Dated, 03 March 2014



S. F. AHMED & CO  
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS OF  
CITY BANK CAPITAL RESOURCES LTD.  
FOR THE YEAR ENDED 31 DECEMBER 2013

1. REPORTING ENTITY

City Bank Capital Resources Limited (the company), a fully owned subsidiary of The City Bank Limited is a private company limited by shares was incorporated in Bangladesh on 17 August 2009 vide registration no. C-79186/09 under the Companies Act 1994. Subsequently the company obtained merchant banking license vide registration certificate no. MB-54/2010 from Bangladesh Securities & Exchange Commission on 06 December 2010. The registered office of the company is situated at Jiban Bima Tower, 10 Dilkusha Commercial Area, Dhaka 1000.

NATURE OF BUSINESS

City Bank Capital Resources Limited delivers a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENT

The financial statements of the company include the statement of financial position (balance sheet), statement of comprehensive income (profit and loss statement), statement of cash flows, statement of changes in equity and notes to the accounts. These financial statements have been prepared under historical cost convention on a going concern basis in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and Bangladesh Securities and Exchange Rules 1987.

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on historical cost basis except for financial instruments at fair value through profit or loss measured at fair value.

2.3 BASIS OF ACCOUNTING

The financial statements except for cash flow information have been prepared on accrual basis of accounting.

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Bangladesh Taka (Taka/BDT) currency, which is the company's functional currency. All financial information presented in Taka have been rounded to the nearest integer.

2.5 USE OF ESTIMATES AND JUDGEMENT

The preparation of the financial statements in conformity with BFRSs requires management to use 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 period in which the estimate is revised and in any future periods affected.

2.6 REPORTING PERIOD

The financial period of the company has been determined to be from 1 January to 31 December each period. These financial statements cover one (1) year from 01 January 2013 to 31 December 2013.

2.7 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

2.8 PROPERTY, PLANT AND EQUIPMENT RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured initially at cost and subsequently at cost less accumulated depreciation in compliance with Bangladesh Accounting Standard (BAS) 16 property, plant and equipment. The cost of acquisition of an asset comprises its purchase price and any direct cost for bringing the asset to its working condition for its intended use. Expenditures incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### Subsequent Cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss account as incurred.

### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. For addition to property, plant and equipment, depreciation is charged from the month of capitalisation and no depreciation is charged in the month of disposal.

The rates at which property, plant and equipment are depreciated for current and comparative years are as follows:

Category of asset	Rate
Office equipment	20% - 33%
Furniture and fittings	10% - 20%
Motor car	20%

### 2.9 INTANGIBLE ASSETS AND AMORTISATION

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the company and the cost of asset can be measured reliable in accordance with BAS-38 "Intangible Assets". Accordingly these are stated in the statements of financial position at cost less amortisation. Currently the company has a software "Mbank" which is considered as an intangible asset and is therefore amortised at the rate of 5% per annum.

### 2.10 INVESTMENTS

The Company holds investment securities which are both actively traded in a quoted market and those which are unquoted.

#### (a) Investment in quoted shares

Investment in quoted shares are initially measured at cost. Subsequently they are measured at fair value at each reporting date. As per BSEC Circular Ref: SEC/CMRRCD/2009-193/155 dated 09 December 2013 unrealised loss on

fair value measurement can be charged to statement of comprehensive income @ 20% in five equal quarterly installments upto 2014 and the Company complied this directive.

#### (b) Investment in unquoted shares

Investment in shares which is not actively traded in a quoted market is measured at cost since the fair value can not be measured reliably.

### 2.11 FINANCIAL RISK MANAGEMENT

"The company's management has overall responsibility for the establishment and oversight of the company's risk management framework. The company's management policies are established to identify and analyse the risk faced by the company to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has provided in separate notes the information about the company's exposure of each of the following risks:"

The company's objectives, policies and processes for measuring and managing risks and the company's management of capital. The company has an exposure of the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 2.12 ADVANCES, DEPOSITS AND PREPAYMENTS

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment or expenses. Deposits are measured at payment value. Prepayments are initially measured at cost. After initial recognition, prepayments are carried at cost less charges to statement of comprehensive income.

### 2.13 REVENUE RECOGNITION

As per Bangladesh Accounting Standard (BAS) 18 "Revenue", revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

### Interest:

Interest is charged on client's balance (due to us) on daily basis at the applicable rate.

### Management fee:

Management fee is charged on client's portfolio value (at market price) on daily basis at the applicable rate.

### Income from advisory:

Fee based income is recognised when a service is rendered in line with the related agreement.

### Dividend income:

Dividend income has been recognised on the basis of declaration of dividend and subsequently approved in Annual General Meeting.

### 2.14 PROVISION FOR EXPENSES

Provision for expenses is recognised when the company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be measured.

### 2.15 PROVISION FOR TAXATION

Provision for current income tax is made at the rate of 37.5% on accounting profit of the company without considering taxable allowances and disallowances.

### 2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and with banks on current and deposit accounts which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

### 2.17 CURRENCY

The amounts in the financial statements have been rounded off to the nearest Taka.

### 2.18 EVENTS AFTER REPORTING PERIOD

Events after the reporting period that provide additional information about the company's position at the reporting period are reflected in the financial statements. Events after the reporting period that are not adjusting event are disclosed in the note when material.

No material event had occurred after the reporting period, which could substantially effect the values reported in the financial statements.



2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
3.	PROPERTY, PLANT AND EQUIPMENT		
	Cost:		
	Opening balance	1,051,518	427,098
	Add: Addition during the year	5,063,464	624,420
	Closing balance (A)	6,114,982	1,051,518
	Depreciation:		
	Opening balance	192,737	17,983
	Add: Charged for the year	1,020,357	174,754
	Closing balance (B)	1,213,094	192,737
	Written down value (A-B)	4,901,888	858,781
	Details are shown in Annex A.		
4.	CAPITAL WORK-IN PROGRESS	403,828	-
	Capital work in progress includes payment for new office interior work of portfolio management division at Jiban Bima Tower which is yet to be commissioned for being operated in a manner intended by management.		
5.	INVESTMENT IN UNQUOTED SHARES	29,000,000	-
	In 2013, the Company invested an amount of Tk. 29,000,000 in the shares of ADN Telecom Ltd which is not for trade in near future.		
6.	INTANGIBLE ASSETS		
	Cost:		
	Opening balance	2,200,000	2,200,000
	Add: Addition during the year	-	-
	Closing balance (A)	2,200,000	2,200,000
	Amortisation:		
	Opening balance	119,171	9,167
	Add: Charged for the year	110,004	110,004
	Closing balance (B)	229,175	119,171
	Written down value (A-B)	1,970,825	2,080,829
7.	INVESTMENTS		
	Investment in quoted shares (note 7.1)	85,015,213	-
	Investment in fixed deposit	424,016,250	71,987,263
		509,031,463	71,987,263
7.1	During the year the company made unrealised loss on its investment in quoted shares for an amount of Taka 5,626,019. As per BSEC Circular Ref: SEC/CMRRCD/2009-193/155 dated 09 December 2013, loss on own portfolio can be charged in five equal installments @ 20% per quarter upto 2014. As such, the Company has charged 20% of its unrealised loss of Taka 1,125,204 ie. 20% of Taka 5,626,019 this year.		
8.	INTER-COMPANY RECEIVABLES		
	City Brokerage Limited-own portfolio	51,278,400	-
	City Brokerage Limited-client sales	2,235,447	4,668,599
		53,513,847	4,668,599

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
9.	OTHER RECEIVABLES		
	Corporate advisory fees receivable	3,000,000	3,677,070
	Capital raising fees receivable	300,000	150,000
	Interest receivable from fixed deposit	14,690,482	299,947
	Dividend receivable	405,000	-
		18,395,482	4,127,017
10.	ADVANCES, DEPOSITS AND PREPAYMENTS		
	Central Depository Bangladesh Ltd (CDBL)	200,000	200,000
	Advance against expenses	187,500	187,500
	Advance income tax	2,564,940	1,347,007
		2,952,440	1,734,507
11.	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents include various deposits accounts maintained with The City Bank Limited as stated below:		
	Cash in Hand	566	2,105
	Stamp in Hand	8,500	8,500
	Bank balances with The City Bank Limited, account nos:		
	1101215019001	50,705	11,561,395
	1101340451001	11,473,331	28,910,180
	1101340450001	18,156,180	2,012,900
	1101340446001	102	792
	1101340442001	117,694	792
	1101363680001	1,741,346	3,010,062
	1101363686001	130	122,935
	1101363683001	2,624,499	76,475
	1101363680001	19,679,197	-
		53,852,250	45,706,136
12.	SHARE CAPITAL		
	Authorised		
	10,000,000 shares of Taka 100 each	1,000,000,000	1,000,000,000
	Issued, subscribed and paid up:		
	7,500,000 (2012: 1,000,000) ordinary shares of Taka 100 each	750,000,000	100,000,000
	Name of Shareholders	No. of shares	Value of shares
	The City Bank Limited	7,499,500	749,950,000
	Sohail R.K. Hussain	500	50,000
		7,500,000	750,000,000
13.	RETAINED EARNINGS		
	Opening balance	1,518,329	278,180
	Add: Net comprehensive income for the year	34,209,117	1,240,149
	Closing balance	35,727,446	1,518,329
14.	INTER-COMPANY PAYABLE		
	City Brokerage Limited	1,707,217	1,124,264
	The City Bank Limited	30,000	25,421,540
		1,737,217	26,545,804

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
15.	OTHER LIABILITIES		
	Client sales	999,510	3,854,370
	Client deposit	6,854,276	19,467,422
	VAT payable on supplier payment	312,392	525,000
	TDS on supplier	4,000	-
	Salary withholding tax payable	461,136	-
	Provident fund payable	2,874,776	-
		<u>11,506,090</u>	<u>23,846,792</u>
16.	PROVISION FOR EXPENSES		
	Printing expense	174,566	-
	Professional fees	21,000	21,000
	CDBL expense	58,860	9,457
	Payable to BMBA	100,000	100,000
	Audit fees	40,000	77,350
	Payable to employees	-	9,257
	Payable to Banglalion	-	6,000
	Utility payable	-	13,619
	Provision for diminution in value of investment	1,125,204	-
		<u>1,519,630</u>	<u>236,683</u>
17.	INCOME TAX EXPENSE		
	Opening balance	926,952	182,862
	Add: Provision made during the year	11,213,851	744,090
		<u>12,140,803</u>	<u>926,952</u>
	Less: Paid during the year	926,952	-
	Closing balance	<u>11,213,851</u>	<u>926,952</u>
18.	FEES AND COMMISSION INCOME		
	Portfolio management department (Note 18.1)	14,703,484	5,413,446
	Corporate advisory department (Note 18.2)	13,300,000	5,372,396
		<u>28,003,484</u>	<u>10,785,842</u>
18.1	Portfolio management department		
	Interest on margin loan	9,246,958	2,789,187
	Management fees	1,380,898	569,739
	Settlement fees	4,075,627	2,054,520
		<u>14,703,484</u>	<u>5,413,446</u>
18.2	Corporate advisory department		
	Issue management fees	1,700,000	1,082,826
	Corporate advisory fees	10,450,000	3,400,000
	Capital raising fees	1,150,000	100,000
	Underwriting commission	-	789,570
		<u>13,300,000</u>	<u>5,372,396</u>
19.	INVESTMENT INCOME		
	Gain on sale of shares-own investment	11,122,880	-
	Dividend income from own portfolio investment	720,210	-
	Interest income on fixed deposit	32,187,745	9,591,522
	Interest income on STD balances	890,770	-
		<u>44,921,605</u>	<u>9,591,522</u>

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

		<i>Figures in Taka</i>	
		2013	2012
20.	OTHER INCOME		
	Documentation charge	14,000	24,500
	Miscellaneous earnings	100	548
		<u>14,100</u>	<u>25,048</u>
21.	RENT, TAXES, INSURANCE, UTILITIES ETC.		
	Rent expenses	672,774	645,118
	Insurance premium	3,980	-
	Utilities expenses	592,700	446,369
		<u>1,269,453</u>	<u>1,091,487</u>
22.	REPAIRS, MAINTENANCE AND DEPRECIATION		
	Repair and maintenance	224,658	126,180
	Depreciation expenses	1,020,357	174,754
	Amortization of intangible assets	110,004	110,004
		<u>1,355,019</u>	<u>410,938</u>
23.	RELATED PARTIES		
	Parent company (note 23.1)		
	Related party transactions (note 23.2)		
23.1	Parent company		
	The City Bank Limited has 99.99% shareholding of the Company. As a result, the controlling party of the Company is The City Bank Limited.		
23.2	Related party transactions		
	During the year, the company carried out a number of transactions with related parties in the normal course of business. The names of related parties and nature of these transactions have been set out in accordance with the provision of BAS 24: Related party disclosures.		
		Name of the party	Relationship with the entity
		Nature of transactions	
		The City Bank Ltd	Parent
		Funding	65,000,000
		Expense re-imburement	45,954,663
		Interest income	28,616,015
		9,591,522	-
		City Brokerage Ltd	Subsidiary of parent
		Own portfolio investment	125,250,000
		Share trading settlement	4,075,627
		Brokerage commission	8,810,652
		2,054,521	3,424,201
24.	FINANCIAL RISK MANAGEMENT		
	The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risks from its use of financial instruments.		
	- Credit risk (note 24.1)		
	- Liquidity risk (note 24.2)		
	- Market risk (note 24.3)		

Figures in Taka

	2013	2012
24.1 Credit risk		
Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the company's receivables from customers.		
Exposure to credit risk		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:		
Margin loan	137,682,211	21,911,428
Investments	538,031,463	71,987,263
Inter-company receivable	53,513,847	4,668,599
Other receivables	18,395,482	4,127,017
Cash and cash equivalents	53,852,250	45,706,136
	<b>801,475,253</b>	<b>148,400,443</b>
24.2 Liquidity risk		
Liquidity risk is the risk that the company will not meet its financial obligations as they fall due. The company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.		
24.3 Market risk		
Market risk is the risk that any changes in market price, such as interest rates and capital market condition will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.		
25. CONTINGENT LIABILITIES AND COMMITMENTS		
a) Bills of exchange discounted with the bank	Nil	Nil
b) Underwriting commitments outstanding	121,840,000	-
c) Other contingent liabilities	Nil	Nil
d) Capital expenditure commitments		
i) Contracted but not accounted for	Nil	Nil
ii) Approved but not accounted for	133,769	Nil
26. NUMBER OF EMPLOYEES		
The number of employees engaged for the whole year or part thereof who received total remuneration of Tk. 36,000 or above employee was 17 (2012:11).		
27.	Figures in these notes and the accompanying financial statements have been rounded off to the nearest Taka.	
28.	Previous year's figure have been rearranged, wherever considered necessary, to conform to current year's presentation without creating any impact on the operational results and value of assets and liabilities as reported in the financial statements.	

Chairman

for City Bank Capital Resources Limited

Managing Director & CEO

Dhaka, Bangladesh  
Dated, 03 March 2014

Annex A

DETAILS OF PROPERTY, PLANT AND EQUIPMENT  
AT 31 DECEMBER 2013

Figures in Taka

Particulars	Cost				Total at 31 Dec. 2013	Rate (%)	Depreciation		Written down value at 31 Dec. 2013
	At 01 Jan 2013	Addition during the year	Sale/disposal during the year	Total at 31 Dec. 2013			Charged for the year	At 1 Jan 2013	
1	2	3	4	5	6	7	8	9	10
Office equipment	991,318	466,942	-	1,458,260	20-30	249,085	-	440,691	1,017,569
Furniture and fixtures	60,200	7,093	-	67,293	10	6,372	-	7,503	59,790
Motor vehicle	-	4,589,429	-	4,589,429	20	764,900	-	764,900	3,824,529
<b>Total at 31 Dec. 2013</b>	<b>1,051,518</b>	<b>5,063,464</b>	<b>-</b>	<b>6,114,982</b>		<b>1,020,357</b>	<b>-</b>	<b>1,213,094</b>	<b>4,901,888</b>
<b>Total at 31 Dec. 2012</b>	<b>427,098</b>	<b>624,420</b>	<b>-</b>	<b>1,051,518</b>		<b>174,754</b>	<b>-</b>	<b>192,737</b>	<b>858,781</b>



**FINANCIAL STATEMENTS *of***  
**CBL MONEY TRASFER SDN. BHD., MALAYSIA 2013.**

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CBL MONEY  
TRANSFER SDN. BHD.**

(FORMERLY KNOWN AS RUSH MONEY EXPRESS SDN. BHD.)  
(INCORPORATED IN MALAYSIA)

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of CBL MONEY TRANSFER SDN. BHD. (Formerly known as Rush Money Express Sdn. Bhd.) which comprise the balance sheets as at 31 December 2013 and the income statement, statement of changes in equity and cash flow statement of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on the accompanying pages.

**DIRECTORS' RESPONSIBILITY FOR THE  
FINANCIAL STATEMENTS**

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITORS' RESPONSIBILITY**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider

internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

**OPINION**

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2013 and of its financial performance and cash flows for the year then ended.

**REPORT ON OTHER LEGAL AND  
REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**NASHARUDDIN WONG & CO**  
(NO: AF 0981)  
CHARTERED ACCOUNTANTS

**NASHARUDDIN BIN ABD.**  
CHARTERED ACCOUNTANT  
(NO: 1675/5/15(J))

Petaling Jaya  
Dated: 07 Mar 2014

**BALANCE SHEET**  
AS AT 31 DECEMBER 2013

	Note	2013 RM	2012 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	229,636	142,972
		<b>229,636</b>	<b>142,972</b>
<b>CURRENT ASSETS</b>			
Settlement assets		450,740	36,299
Other receivables, deposits and prepayment		131,537	32,571
Cash and cash equivalents	8	2,129,141	221,282
		<b>2,711,418</b>	<b>290,152</b>
<b>TOTAL ASSETS</b>		<b>2,941,054</b>	<b>433,124</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	4	4,100,000	1,800,000
Accumulated loss		(2,209,836)	(1,783,084)
<b>TOTAL EQUITY</b>		<b>1,890,164</b>	<b>16,916</b>
<b>CURRENT LIABILITIES</b>			
Settlement obligation		586,861	1,261
Other payables and accruals		64,789	23,179
Amount due to Director	5	399,240	391,768
		<b>1,050,890</b>	<b>416,208</b>
<b>TOTAL LIABILITIES</b>		<b>1,050,890</b>	<b>416,208</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,941,054</b>	<b>433,124</b>

The accompanying notes from an integral part of these financial statements.

**INCOME STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
REVENUE	2 (d)	41,323	2,679
Cost of services	2 (e)	(1,655)	(102)
GROSS PROFIT		39,668	2,577
Other income		112,275	52,500
Staff costs		(261,212)	(95,546)
Depreciation expenses		(35,136)	(42,126)
Other operating expenses		(282,347)	(205,690)
LOSS BEFORE TAXATION	6	(426,752)	(288,285)
Income tax expense	7	-	-
LOSS FOR THE YEAR		(426,752)	(288,285)

The accompanying notes from an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital RM	Accumulated Loss RM	Total RM
As at 1 January 2012	1,800,000	(1,494,799)	305,201
Loss for the year	-	(288,285)	(288,285)
Issue of shares	-	-	-
As at 31 December 2012	1,800,000	(1,783,084)	16,916
As at 1 January 2013	1,800,000	(1,783,084)	16,916
Loss for the year	-	(426,752)	(426,752)
Issue of shares	2,300,000	-	2,300,000
As at 31 December 2013	4,100,000	(2,209,836)	1,890,164

The accompanying notes from an integral part of these financial statements.



## CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>			
Loss before taxation		(426,752)	(288,285)
Adjustment for:-			
Depreciation of property, plant and equipment		35,136	42,126
Operating loss before working capital changes		(391,616)	(246,159)
Working capital changes:			
Receivables		(62,667)	12,721
Payables		176,470	(308,477)
Directors		7,472	333,060
Net cash used by operating activities		(270,341)	(208,855)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>			
Purchase of property, plant and equipment		(121,800)	-
Net cash used by investing activities		(121,800)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:-</b>			
Proceeds from issuance of share capital		2,300,000	-
Net cash generated from financing activities		2,300,000	-
NET CHANGES IN CASH AND CASH EQUIVALENTS		1,907,859	(208,855)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		221,282	430,137
CASH AND CASH EQUIVALENTS CARRIED FORWARD	8	2,129,141	221,282

The accompanying notes from an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS OF CBL MONEY TRANSFER Sdn. Bhd.

YEAR ENDED 31 DECEMBER 2013

### 1 GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia with its principal place of business at Ground Floor, Loke Yew Building, No. 2, Leboh Pasar Besar, 50050 Kuala Lumpur.

The Company is principally engaged as outbound remittance service provider. There have been no significant changes in the nature of these activities during the financial year.

The number of employees of the Company as at 31 December 2013 were 6 (2012: 5).

The holding company is The City Bank Limited, a company incorporated in Bangladesh.

The financial statements of the Company are presented in Ringgit Malaysia (RM).

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

#### (b) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is computed on the straight-line method at rate based on the estimated useful lives of the plant and equipment.

Air conditioners	10%
Computer	20%
Furniture and fittings	10%
Office equipments	10%
Renovation	10%
Signage and billboard	10%

#### (c) Revenue

The majority of the Company's revenues are comprised of consumer money transfer transaction fees that are based on the principal amount of the

money transfer and the locations from and to which funds are transferred. Consumer money transfer transaction fees are set by the Company and recorded as revenue at the time of sale. In certain consumer money transfer, transactions involving different send and receive currencies, the Company generates revenue based on the difference between the exchange rate set by the Company to the consumer and the rate at which its agents are able to acquire currency. This foreign exchange revenue is recorded at the time the related transaction fee revenue is recognized.

#### (d) Cost of services

Cost of services consists of costs directly associated with providing services to consumers, and is primarily comprised of bank charges, which are recognized at the time of sale.

#### (e) Income tax

##### i) Current tax

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of incomes taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

##### ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences, unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax is not recognise if the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

#### (f) Foreign Currencies

Transaction in foreign currencies are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each of balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rates as at the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

**(g) Impairment of Assets**

The carrying value of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying value of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately, unless the assets is carried at revalue amount. Any impairment loss of revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus of the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount.

A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expenses in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

**(h) Settlement Obligations**

Settlement obligations consist of money transfer and payment service payables and payables to agents. Money transfer payables represent amounts to be paid to transferees when they request their funds. Most agents typically settle with transferees first and then obtain reimbursement from the Company. Due to the agent funding and settlement process, payables to agents represent amounts due to agents for money transfers that have been settled with transferees. Due to the agent funding and settlement process, payables to agents represent amounts due to agents for money transfers that have been settled with transferees.

**(i) Financial Instruments**

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The purpose for which specific financial instruments are used by the Company are as follows :-

**i) Receivables**

Receivables are carried at anticipated realisable value. Bad debts are written off in the year which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the financial year end.

**ii) payables**

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash in hand and at bank.

**(k) Employees Benefits**

**i) Short term employee benefits**

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

**ii) Defined contribution plans**

Obligations for contributions to defined contribution plans are recognised as an expense in the income statements as incurred.

**3. PROPERTY, PLANT AND EQUIPMENT**

	Office equipment Computers & Air cond	Furniture & Fittings	Renovation	Signage & Billboard	Total
	RM	RM	RM	RM	RM
<b>2013</b>					
Cost					
As at 01.01.2013	140,050	27,314	182,976	13,500	363,840
Additions for the year	84,921	6,179	17,700	13,000	121,800
As at 31.12.2013	224,971	33,493	200,676	26,500	485,640
Accumulated depreciation					
As at 01.01.2013	101,574	14,566	97,415	7,313	220,868
Charge for the year	11,528	2,937	18,888	1,783	35,136
As at 31.12.2013	113,102	17,503	116,303	9,096	256,004
Net carrying amount	111,869	15,990	84,373	17,404	229,636
<b>2012</b>					
Cost					
As at 01.01.2012	146,214	27,314	182,976	13,500	370,004
Disposals for the year	(6,164)	-	-	-	(6,164)
As at 31.12.2012	140,050	27,314	182,976	13,500	363,840
Accumulated depreciation					
As at 01.01.2012	87,991	11,835	79,117	5,963	184,906
Charge for the year	19,747	2,731	18,298	1,350	42,126
Disposal for the year	(6,164)	-	-	-	(6,164)
As at 31.12.2012	101,574	14,566	97,415	7,313	220,868
Net carrying amount	38,476	12,748	85,561	6,187	142,972

**4. SHARE CAPITAL**

	Number of ordinary shares of RMI each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised:	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:-				
At the beginning of the year	1,800,000	1,800,000	1,800,000	1,800,000
Add : Issued during the year	2,300,000	-	2,300,000	-
At the end of the year	4,100,000	1,800,000	4,100,000	1,800,000

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

5 AMOUNT DUE TO DIRECTOR

The amount due to Director is interest free, unsecured and have no fixed terms of repayment.

6 LOSS BEFORE TAXATION

Loss before taxation has been determined after charging / (crediting) amongst other items the following:-

	2013 RM	2012 RM
Audit fees	5,000	3,000
Depreciation	35,136	42,126
Director's remuneration	4,000	10,700
Office rental	124,410	131,207
Rental income	(57,375)	(52,500)
Waiver of debts	(54,900)	-

7 INCOME TAX EXPENSE

Current year's provision for taxation

-	-
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INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the Company is as follows:-

Loss before taxation	(426,752)	(288,285)
Taxation of Malaysian statutory tax rate	(85,350)	(57,857)
Expenses not deductible for tax purposes	74,370	57,857
Deferred tax asset not recognised during the year	10,980	-
Tax expense for the year	-	-

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of :-

Cash and bank balances	2,010,506	108,590
Fixed deposits	118,635	112,692
	2,129,141	221,282

9 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- a) On 31 July 2013, the Company has changed its name from Rush Money Express Sdn Bhd to CBL Money Transfer Sdn Bhd.
- b) On 18 July 2013 and 12 October 2013, The City Bank Limited, a company incorporated in Bangladesh acquired a total of 87.2% equity interest in the Company from the existing shareholder and became holding company of the Company.

10 COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year.

2013 FINANCIAL STATEMENTS  
THE CITY BANK LIMITED

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM	2012 RM
REVENUE		
Transaction fees	26,750	1,636
Foreign exchange revenue	14,573	1,043
	41,323	2,679
LESS: COST OF SERVICES	(1,655)	(102)
GROSS PROFIT	39,668	2,577
ADD: OTHER INCOME		
Rental income	57,375	52,500
Waiver of debts	54,900	-
	112,275	52,500
LESS: ADMINISTRATIVE AND OPERATING EXPENSES		
Staff costs :		
Director's remuneration	4,000	10,700
Wages, salaries and allowances	217,085	82,068
EPF	7,047	2,288
Rental of house	32,000	-
SOCSCO	980	365
Medical	100	125
	261,212	95,546
Depreciation expenses	35,136	42,126



DETAILED INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONT'D)

	2013 RM	2012 RM
Other operating expenses :		
Accounting fee	7,200	7,200
Advertising	6,140	368
Audit fees - current year	5,000	3,000
Audit fees - over provision in previous year	-	(1,000)
Bank charges	1,513	922
Courier and postage	506	111
Electricity	14,507	8,996
Expatriate expenses	56,365	-
Government service tax	265	18
Insurance	-	1,012
Licensing fee	2,937	500
Maintenance of equipment	210	70
Office rental	124,410	131,207
Printing and stationery	4,937	2,864
Secretarial and filling fees	7,703	4,030
Security charges	9,600	14,435
Subscription	2,500	-
Sundry expenses	946	118
Taxation fees	1,200	1,000
Telephone and internet	13,772	11,841
Travelling and accommodation	2,716	30
Upkeep of computer	9,060	12,236
Upkeep of premises	10,860	6,732
	<u>282,347</u>	<u>205,690</u>
LOSS BEFORE TAXATION	(426,752)	(288,285)

CONSOLIDATED BASEL II  
PILLAR 3 DISCLOSURE FOR  
THE YEAR 2013

Notes to the Reader

Introduction

Banking Industry of Bangladesh entered into the Basel II regime with effect from Jan 01, 2010. City Bank has also adopted Basel II framework as part of its capital management strategy in line with the guideline.

Basel II accord is made up of three pillars:

- **Pillar 1** covers the calculation of risk-weighted assets and minimum capital requirement for credit risk, market risk

PRESENTATION OF INFORMATION

In this report, CBL information is presented on a consolidated basis. All amounts in the tables of this Pillar 3 disclosure are denominated in Bangladeshi Taka, unless stated otherwise. Certain figures in this document have been calculated using rounded figures.

Table DF-1

SCOPE OF APPLICATION  
Qualitative Disclosures

1) The name of the top Bank in the group to which the framework applies.

2) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (i) that are fully consolidated (ii) that are given a deduction treatment; and (iii) that are neither consolidated nor deducted (e.g. where the investment is risk - weighted).

3) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

and operational risk.

- **Pillar 2** (Supervisory Review Process) intends to ensure that the Banks have adequate capital to address all the risks in their business.

- **Pillar 3** speaks of ensuring market discipline by disclosing adequate information to the stakeholders.

Disclosures are intended to inform the general market participants through disclosure format (DF) prescribed by Bangladesh Bank about the scope of application of new capital adequacy framework, capital of the Bank, risk exposures of the Bank, Bank's risk assessment processes, its risk mitigation strategies and practices and capital adequacy of the bank.

The report is prepared once a year, except in exceptional circumstances, according to Disclosure Policy of CBL. It is available at CBL web site ([www.thecitybank.com](http://www.thecitybank.com)).

1) The Bank does not belong to any group.

2) Presently CBL does not have any Associates and/or Joint Venture, but has three subsidiaries.

Subsidiary: Bank has 3 subsidiaries, namely The City Brokerage Limited, City Bank Capital Resources Limited and CBL Money Transfer Sdn. Bhd. Malaysia. Percentage of holdings of the first two subsidiaries are 99.99% each and which is 87.20% for the last one. Paid up capital of the subsidiaries were BDT 160 crore, BDT 75 crore and BDT 9.69 crore respectively.

The financials are fully consolidated, which have been prepared in accordance with BAS 27: Consolidated Financial Statements and Accounting for investment in subsidiaries. Intercompany transaction and balances are eliminated; minority interest of Tk. 0.57 crore has been added in the Tier-1 capital.

3) Not applicable

Quantitative Disclosures

4. The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and name(s) of such subsidiaries 4. Not Applicable

Table DF-2

CAPITAL STRUCTURE  
Qualitative Disclosures

Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or Tier 2.

Regulatory capital base is different from Accounting capital. As per Bangladesh Bank guideline, regulatory capital consists of Tier 1, Tier 2 and Tier 3 capital. Tier-1 capital of CBL consists of Share Capital, Share Premium, Statutory Reserves, General Reserve, Retained Earnings and Minority Interest in its subsidiary with netting-off the book value of goodwill.

Tier-2 capital consists of applicable percentage of revaluation reserves (50% for fixed asset, 50% for securities and 10% for shares) and general provision. Presently the Bank does not have any debt instruments eligible for capital counting. As such, there is no Tier-3 capital instrument at this moment. Future debt instruments that will be issued by CBL shall adhere to applicable Bangladesh Bank guidelines.

Quantitative Disclosures

Sl.No.	Particulars	BDT in crore	% of total capital
<b>(a)</b>	<b>Tier-I (Core Capital)</b>		
a.1	Fully paid-up Capital	695.08	42.50%
a.2	Statutory Reserve	338.47	20.69%
a.3	Non-repayable Share Premium account	192.46	11.77%
a.4	General Reserve	1.14	0.07%
a.5	Retained Earnings	34.97	2.14%
a.6	Minority interest in subsidiaries	0.58	0.00%
a.7	Non-cumulative irredeemable preference shares	-	-
a.8	Dividend equalization account	-	-
<b>a.9</b>	<b>Sub-Total (a.1 to a.9)</b>	<b>1,262.70</b>	<b>77.20%</b>
<b>(b)</b>	<b>Tier-II (Supplementary Capital)</b>		
b.1	General Provisions (provisions for unclassified loans + provision for Off-balance sheet exposure)	169.06	10.34%
b.2	Assets Revaluation Reserves upto 50%	184.60	11.29%
b.3	Revaluation Reserve of HFT & HTM Securities upto 50%	1.90	0.12%
b.4	Revaluation reserve of equities upto 10%	18.37	1.12%
b.5	Perpetual subordinated debt (upto max. 30% of eligible Tier-I capital)	-	-
b.6	All other preference shares	-	-
<b>b.7</b>	<b>Sub-Total (b.1 to b.6)</b>	<b>373.93</b>	<b>22.86%</b>
<b>(c)</b>	<b>Tier-III (Eligible for market risk only)</b>		
c.1	Short-term subordinated debt	-	-
<b>(d)</b>	<b>Other Deductions from Capital</b>		
d.1	Book value of goodwill and value of any contingent assets which are shown as assets	1.10	0.07%
<b>(e)</b>	<b>Total Eligible Capital (a.9+b.6+c.1-d.1)</b>	<b>1,635.53</b>	<b>100.00%</b>

Table DF-3

CAPITAL ADEQUACY  
Qualitative Disclosures

Bangladesh has entered into the regime of Basel II implementation from Jan 01, 2010 after 1 year parallel run period in 2009. According to BRPD Circular # 10, dated March 10, 2010, Minimum Capital Requirement (MCR) has been fixed at 8% upto June 30, 2010, 9% upto June 30, 2011 and 10% from July 01, 2011. CBL remained fully capital compliant throughout 2013. Also as per BB directive, CBL is following Standardized Approach (SA) for credit risk, Standardized Approach (SA) for market risk and Basic Indicator Approach (BIA) for operational risk and is maintaining capital for credit, market and operational risks.

Risk Weighted Asset (RWA) for credit risk generates the maximum capital requirement of the bank. CBL is pursuing for external credit rating of its client base for the purposes of risk weighting its exposure. At the end of 2013, 20.73% of funded clientele and 6.68% of the non-funded clientele have come under external rating while it was 14.84% and 4.59% in 2012.

Particulars	% of Total RWA
RWA for Credit Risk	84.40%
RWA for Market Risk	6.38%
RWA for Operational Risk	9.21%

Minimum Capital Requirement (MCR) for the banks in Bangladesh is currently 10% of its total RWA as per Basel II guideline. CBL is well ahead of this minimum target both in Consolidated and in Solo basis as of December, 2013. CBL has Capital Adequacy Ratio (CAR) 11.37% in Consolidated basis and 11.65% in Solo basis as against the minimum regulatory requirement of 10%. Core capital is maintained on the high side. Tier-I Capital Adequacy Ratio (CAR) is 8.77% in Consolidated basis against the minimum regulatory requirement of 5%.

The surplus capital maintained by CBL will act as buffer to absorb all material risks and to support the future activities. To ensure the adequacy of capital to support the future activities, the bank draws assessment of capital requirements periodically considering future business growth.

Quantitative Disclosures

	2013 (BDT in crore)
<b>1. Capital requirements for Credit Risk</b>	<b>1,213.87</b>
1.1a Portfolios subject to standardized approach-Funded	895.53
1.1b Portfolios subject to standardized approach-Non-Funded	318.34
<b>2. Capital requirements for Market Risk (Standardized Approach)</b>	<b>91.80</b>
2.1 Interest rate risk	2.91
2.2 Foreign exchange risk (including gold)	0.57
2.3 Equity risk	88.32
<b>3. Capital requirements for Operational Risk (Basic Indicator Approach)</b>	<b>132.51</b>
Total Capital Required	1,438.18
Total Capital maintained	1,635.53
<b>4. Total and Tier-1 Capital Ratio For Consolidated Group</b>	
4.1 Total CAR	11.37%
4.2 Tier- I CAR	8.77%
<b>For Stand Alone</b>	
4.3 Total CAR	11.65%
4.4 Tier- I CAR	9.04%

Table DF-4

**CREDIT RISK: GENERAL DISCLOSURE**  
**Qualitative Disclosures**

Credit risk is defined as the probability of failure of counterparty to meet its obligation as per agreed terms. Banks are very much prone to credit risk due to its core activities i.e. lending to corporate, SME, individual, another bank/FI or to another country. The main objective of credit risk management is to minimize the negative impact through adopting proper mitigants and also limiting credit risk exposures within acceptable limit.

**Credit Risk Management at CBL**

CBL has a structured Credit Risk Management Policy known as Credit Policy Manual (CPM) approved by the Board of Directors in 2008 and reviewed annually, with last review and amendment being conducted in 2013. The Policy document defines organization structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed within the framework that the Bank considers consistent with its mandate and risk tolerance.

Besides the CPM, CBL also frames Credit Instruction Manuals (CIMs) as and when necessary to address any regulatory issues or establish control points. Bank also has a system of identifying and monitoring problem accounts at the early stages of their delinquency through implementation of 'Sales Routine', a customized tool for PD management, so that timely corrective measures are initiated. Retail and SME-S segment offer some customized products and there are separate PPGs approved by the Board for each type of customized products.

Bank manages its credit risk through continuous measuring and monitoring of risks at each obligor (borrower) and portfolio level. Bank is following the Bangladesh Bank prescribed Credit Risk Grading Model (CRGM) and has internally developed credit appraisal/approval processes. CRGM capture quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk and project risk. CBL is also at final stage to implement eleven (11) scales CRGM.

Besides, such ratings consider transaction specific credit features while assessing the overall rating of a borrower. CBL is also considering credit ratings of the client assessed by External Credit Assessment Institutions (ECAIs) while initiating any credit decision.

A well-structured delegation and sub-delegation of Credit Approval Authority is adopted at CBL for ensuring good governance and better control in credit approval. The Board of Directors and its Executive Committee hold the supreme authority for any credit approval within the organization. Board delegated lending authority to the Managing Director with further authority of sub-delegation. MD sub-delegated credit approval authority to other executives as per requirement. The concerned persons are responsible for ensuring that they exercise their authority in conformity with the approved guideline.

**Loan Classification Criterion**

Loan products are broadly divided in the following types – continuous loan, demand loan, STL and Term loan. CBL is following the BB guideline for classification of its loan products. Presently, we have 5 categories of classification on objective criterion, which are - Standard (STD), Special Mention Account (SMA), Sub-standard (SS), Doubtful (DF) and Bad-loss (BL). The objective criterion for classification is different for different types of loan products. Amongst these 5 categories, Impaired Loan encompasses the loans classified as SS, DF and BL.

**Guidelines for Loan Loss Provisions**

Loan loss provisions are made as per BB guideline. General provision is made for STD and SMA clients @ 0.25% to 5% (differs for Home loan, Loan to Stock dealers, credit cards and personal loan products) and 5% respectively. Specific provision is made for SS, DF and BL accounts @ 20%, 50% and 100% calculated on base for provision.

**Sl.No.**

**Quantitative Disclosures**

	<b>2013 (BDT in crore)</b>
<b>1. Total gross credit risk exposures broken down by major types of credit exposure</b>	
<b>1.1 Fund Based</b>	
Corporate	5,026.16
SME (Medium)	723.73
SME (Small)	604.23
Retail	891.33
Card	427.92
Staff loan	154.49
Islami Banking	321.15
OBU	774.74
<b>Total</b>	<b>8,987.86</b>
	<b>2013 (BDT in crore)</b>
<b>2. Geographic distribution of exposures, broken down in significant areas by major types of credit exposures (only funded exposure)</b>	
2.1 Overseas:	-
2.2 Domestic:	
<b>Urban</b>	<b>8,777.60</b>
Dhaka	6,585.72
Chittagong	1,778.91
Sylhet	33.60
Rajshahi	153.92
Khulna	98.79
Rangpur	113.50
Barisal	13.16
<b>Rural</b>	<b>210.26</b>
Dhaka	120.92
Chittagong	71.38
Sylhet	6.79
Rajshahi	11.18
	<b>2013 (BDT in crore)</b>
<b>3. Residual maturity grouping of loans and advances/investments including bills purchased and discounted</b>	
Repayable on Demand	265.23
Over 1 month but not more than 3 months	2,836.24
Over 3 months but not more than 1 year	2,522.01
Over 1 year but not more than 5 years	2,447.11
Over 5 years	917.27
<b>TOTAL</b>	<b>8,987.86</b>



2013 (BDT in crore)

4. Sector wise exposure of impaired loans, general and specific provisions

Sector	Standard	Special Mention Account (SMA)	Classified (SS,DF,BL)	Total Outstanding	% of Total Outstanding	Required General Provision	Required Specific Provision
Agri	257.68	2.04	3.12	262.84	2.92%	2.15	0.44
Assembling	123.71	0.00	0.04	123.75	1.38%	1.18	0.01
Brick	9.16	0.00	21.03	30.19	0.34%	0.02	5.04
Cement	32.61	0.00	0.00	32.61	0.36%	0.21	0.00
Ceramic	25.94	0.00	0.00	25.94	0.29%	0.26	0.00
Chemical	62.69	0.00	24.71	87.40	0.97%	0.58	3.60
Cold Storage	2.11	0.00	4.44	6.55	0.07%	0.01	0.78
Construction	255.47	0.51	2.35	258.32	2.87%	2.11	0.41
Edible Oil	37.71	0.00	0.10	37.82	0.42%	0.26	0.02
Fertilizer	2.37	0.00	0.00	2.37	0.03%	0.01	0.00
Food Processing	73.71	0.00	4.74	78.45	0.87%	0.63	0.71
Glass	6.24	0.00	0.00	6.24	0.07%	0.05	0.00
Hospitals	5.61	5.55	15.33	26.50	0.29%	0.03	0.47
Hotel and Restaurant	103.02	0.00	0.36	103.38	1.15%	0.93	0.14
IT	115.40	0.00	15.29	130.69	1.45%	0.81	2.48
Leasing and Securities	37.46	0.00	0.00	37.46	0.42%	0.74	0.00
Leather	95.98	0.00	0.89	96.87	1.08%	0.76	0.86
Manufacturing	352.81	0.71	10.95	364.46	4.06%	1.21	1.54
NBFI	239.10	0.00	0.00	239.10	2.66%	4.78	0.00
NGO	163.66	0.00	0.00	163.66	1.82%	8.18	0.00
Other business	80.25	1.06	39.26	120.56	1.34%	8.08	9.35
Paper & Publishing	65.95	0.00	5.82	71.77	0.80%	0.56	4.28
Personal service	1,294.84	85.77	126.82	1,507.43	16.77%	50.52	76.17
Pharma	111.24	0.00	1.52	112.76	1.25%	1.02	0.05
Power	793.34	7.19	0.00	800.54	8.91%	2.06	0.00
Real Estate	190.31	0.35	34.95	225.62	2.51%	0.84	2.77
Retail Business	30.72	1.47	11.49	43.69	0.49%	0.08	4.24
RMG	486.48	8.55	63.57	558.61	6.22%	3.42	36.40
Rubber	0.88	0.91	2.74	4.53	0.05%	0.00	0.79
Salt	0.42	0.41	0.00	0.83	0.01%	0.00	0.00
Service Industry	5.07	0.00	0.23	5.29	0.06%	0.02	0.10
Spinning	480.04	1.29	0.00	481.33	5.36%	4.48	0.00
Steel	208.60	0.00	15.20	223.80	2.49%	1.46	7.87
Steel (Ship Breaking)	449.92	10.31	79.60	539.82	6.01%	3.17	43.73
Steel (Ship Building)	99.31	0.00	0.00	99.31	1.10%	0.25	0.00
Telecom	245.16	0.00	0.00	245.16	2.73%	2.45	0.00
Textile	135.60	0.17	28.82	164.58	1.83%	0.71	13.51
Traders	1,249.44	18.47	201.12	1,469.03	16.34%	4.67	72.63
Transport	187.97	0.00	10.62	198.59	2.21%	0.70	6.00
<b>Total</b>	<b>8,117.98</b>	<b>144.78</b>	<b>725.10</b>	<b>8,987.86</b>	<b>100.00%</b>	<b>109.39</b>	<b>294.40</b>

\*\*Against required General Provision of Tk. 109.39 crore, actual provision maintained is Tk. 120 crore, i.e. Tk. 10.61 crore excess General Provisions is maintained for on balance sheet exposure. Similarly, Tk. 364.52 crore Specific Provisions is maintained against requirement of Tk. 294.40 crore. Aggregately, Tk. 484.52 crore of provision is maintained against requirement of Tk. 403.79 crore, which implies that an excess of Tk. 80.73 crore provision is maintained.

2013 (BDT in crore)  
2013

5. Non Performing Assets

Amount of NPAs (Gross)	725.10
NPAs to outstanding loans and advances	8.07%
<b>Movement of NPAs (Gross)</b>	<b>623.08</b>
Opening balance	1,032.02
Additions	(929.99)
Reductions (Cash Recovery, Rescheduling, Written off)	<b>725.10</b>
Closing balance	
<b>Movement of specific provisions for NPAs</b>	<b>340.96</b>
Opening balance	(219.23)
Less: Fully provided debts written off during the year	(0.54)
Less: Fully waived during the year	22.83
Add: Recoveries of amounts previously written off	220.50
Add: Specific provision made during the year for other accounts	-
Add: Excess amount transferred from provision for unclassified accounts	-
Less: Excess amount transferred to provision for unclassified accounts	<b>364.52</b>
Closing balance	

Table DF-5 EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS

Qualitative Disclosures

- Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and
- Investment in equity securities are broadly categorized into two parts:
  - Quoted Securities: Quoted Securities are traded in the secondary market and categorized as Trading Book Assets. These securities include Common shares, Preference shares and Mutual funds.
  - Unquoted Securities: As there is no secondary market for unquoted securities, these instruments are categorized as banking book assets.
- Quoted shares are reported in market price while the unquoted shares are reported in cost price or Net Asset Value (NAV) per share whichever is lower.

Quantitative Disclosures

BDT in crore

(a) Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Solo		Consolidated	
	At Cost	At Market Value	At Cost	At Market Value
Value of Quoted Shares	205	388.48	257.92	441.4
Value of Unquoted Shares	64.17	-	67.07	-
(b) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.			<b>Solo</b>	<b>Consolidated</b>
			5.87	8.00
(c) • Total unrealized gains (losses)			188.74	188.74
• Total latent revaluation gains (losses)			Nil	Nil
• Any amounts of the above included in Tier - II capital.			18.87	18.87

2013 (BDT in crore)

**Qualitative Disclosures**

(d) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.

	Risk Weight	Solo Basis	Consolidated Basis		
Risk Weighted Assets and Capital Charge for Unquoted shares		Amount as per Balance Sheet	Risk Weighted (RWA)	Amount as per Balance Sheet	Risk Weighted (RWA)Assets
Unquoted shares	125%	62.37	77.96	65.27	81.59
Unquoted shares (venture capital)	150%	1.80	2.70	1.80	2.70
		<b>64.17</b>	<b>80.66</b>	<b>67.07</b>	<b>84.29</b>
Capital requirement @ 10% of RWA		<b>8.07</b>		<b>8.43</b>	

**Table DF-6 INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)**  
**Qualitative Disclosures**

The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.

Interest Rate Risk is the risk which affects the Bank's financial condition due to changes of market interest rates. Changes in interest rates affect both the current earnings (earnings perspective) as also the net worth of the Bank (economic value perspective). Bank assesses the interest rate risk both in earning and economic value perspective.

**Quantitative Disclosures**

Interest rate risk in Banking book as of Dec 30, 2013 is calculated as change in Market Value (MV) of equity as below:

	Amount in BDT crore		
	1%	2%	3%
Interest rate change			
Change in market value of equity	-78.82	-157.65	-236.48

The above result implies that bank has more interest rate sensitive liabilities than interest rate sensitive assets and increase in interest rate may cause a decline in the economic value of bank's capital.

**TABLE DF-7 MARKET RISK: DISCLOSURES RELATING TO MARKET RISK IN TRADING BOOK**  
**Qualitative Disclosures**

Market Risk is defined as the possibility of loss to a Bank caused by changes/movements in the market variables such as interest rates, foreign currency exchange rates, equity prices and commodity prices. Bank's exposure to market risk arises from investments (interest related instruments and equities) in trading book (HFT categories) and the Foreign Exchange positions. The objective of the market risk management is to minimize the impact of losses on earnings and equity.

The Bank has reinstated and reviewed Asset Liability Management (ALM) Policy for effective management of interest rate risk, liquidity risk. Liquidity risk is managed through Gap and Duration Analysis, based on residual maturity/behavioral pattern of assets and liabilities on a daily basis. Various processes and policies including Investment Policy and Value at Risk (VaR) and Stress Testing policy are in place. The Asset Liability Management Committee (ALCO)/Board monitors adherence to prudential limits fixed by the Bank and determines the strategy in light of market environment as articulated in the ALM policy. Investment Committee(IC) is the supervisor of portfolio investment activities. System of reviewing market risk independently is in place.

Bank measures its market risk exposure using Value at Risk (VaR) Model which is a quantitative approach to measure potential loss for market risk. Stress Testing is used on asset and liability portfolios to assess the insensitivity on bank's capital in different situations including stressed scenario. This test also evaluates resilience capacity of the bank.

Risk tolerance limit, Management Action Triggers (MAT) and Stop loss limit are in place to limit and control loss from trading assets. Notional limit and Exposure limits are set for Trading portfolios and Foreign Exchange Open Position. Other different

control mechanism is primed to monitor foreign exchange open positions. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher, of the foreign currency positions held by the Bank.

**Quantitative Disclosures**

Capital Allocation for Market Risk is calculated using Standardized Approach as below:

Particulars	Amount in BDT Crore	
	Dec 30, 2012	Dec 30, 2013
Interest rate risk	0.15	2.91
Equity position risk	92.36	88.32
Foreign Exchange risk	1.08	0.57
Commodity risk	-	-
Total capital requirement against Market Risk	93.60	91.80

As of Dec 30, 2013; CBL investment in market related interest rate risk products (HFT investment) was high compared to previous year. As such, capital requirement for this particular segment is BDT 2.91 crore higher than the previous year. Capital requirement for Equity position decreased from that of Dec'12 due to fall in market value of the portfolio.

**Table DF-8 OPERATIONAL RISK: GENERAL DISCLOSURES**  
**Qualitative Disclosures**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risks.

Bank strictly follows KYC norms for its customer dealings and other banking operations. Incorporating revised business model; Comprehensive Operational Risk Management Policy to be approved by the Board. Supporting policies already been adopted by bank which deal with management of various areas of operational risk are (a) Operational Manual for General Banking, (b) Compliance Risk Management Policy, (c) Foreign Exchange Risk Management Policy, (d) Policy Document on Know Your Customers (KYC), Anti Money Laundering (AML) Procedures, (e) IT Business Continuity and Disaster Recovery Policy, (f) Fraud Detection and Prevention Policy, (g) Insurance Coverage on Assets Financed by CBL, etc. CBL has developed Standard Operating procedures (SOP) to minimize risk for all major operational support divisions. Process for evaluation enlistment and performance of 3rd party service providers including Surveyors, Insurance Companies are already in place.

Few other processes including Wholesale Borrowing and Funding Guidelines, Liquidity Contingency Plan, Methodology of Assessing Customer Service and Evaluation Report are under development stage.

City Bank has already drafted standard policies and procedures for operational risk management. The policy framework defines the scopes of work of related departments and their individual responsibility of the desk job related to operational risk.

CBL restructured GL to capture revenue, expense and loss related transactions under RBCA which defined 8 business lines with a view to calculate MCR for TSA (The Standardized Approach). Moreover with the vision to progress towards AMA (Advanced Measurement Approach) Operational Risk Incident Reporting System, Risk Control Self Assessment, and Key risk Indicator models etc. is under development phase.

For the current year, Bank has adopted Basic Indicator approach to assess the capital under operational risk. In terms of new capital adequacy norms, Banks' operational risk capital charge has been assessed at 15% of positive annual average Gross Income over the previous three years as defined by RBCA.

**Quantitative Disclosures**

2013 (BDT in crore)

**Capital Requirement for Operational Risk as of Dec 31, 2013:**

Year	Gross Income (GI)	Average (GI)	Capital Charge @ 15% of Average Gross Income
2011	838.30		
2012	926.47	883.38	132.51
2013	885.36		

**FROM *the* PHOTO ARCHIVE .**

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30<sup>th</sup> ANNUAL GENERAL MEETING



The 30<sup>th</sup> Annual General Meeting of City Bank was held on June 16, 2013. Mr. Rubel Aziz, Chairman of the Bank, presided over the meeting. Vice Chairperson Mrs. Meherun Haque, Directors Mr. Deen Mohammad, Mr. Rajibul Huq Chowdhury, Mr. Aziz Al Mahmood, Mrs. Syeda Shaireen Aziz and former Managing Director & CEO Mr. K Mahmood Sattar and senior executives of the bank and large number of shareholders attended the meeting.

30<sup>th</sup> ANNUAL GENERAL MEETING





## CITY BANK AMERICAN EXPRESS DOMESTIC AIRPORT LOUNGE OPENING



City Bank launched the country's first domestic airport lounge of international standard and quality at Hazrat Shahajalal International Airport, Dhaka. The lounge is named "City Bank American Express Domestic Airport Lounge". It was opened by Mr. Faruk Khan, Former Minister of Civil Aviation and Tourism as Chief Guest and Mr. Rubel Aziz, Chairman of the Bank as Special Guest.

## EXTRAORDINARY GENERAL MEETING



The Extraordinary General Meeting (EGM) of City Bank was held on November 28, 2013 at Cox's Bazar. Mr. Rubel Aziz, Chairman of the Bank presided over the meeting. A large number of shareholders attended.



CITY BANK CHAIRMAN'S SESSION WITH BUSINESS TEAMS



City Bank Chairman Mr. Rubel Aziz held a day-long session with business teams of the bank at City Bank head office. Also present was Mr. Aziz Al Kaiser, Director & Ex-Chairman of the Bank.

CITY BANK CHAIRMAN'S SESSION WITH BRANCH MANAGERS



City Bank Chairman Mr. Rubel Aziz held a day-long session with the top 50 Branch Managers on 14<sup>th</sup> February, 2013 at City Bank head office. In the session he emphasized on what should be the desired business model for the bank and how best the branches can generate SME and Retail business and support the foreign & local trade customers.





BRANCH MANAGERS' CONFERENCE - 2013



Mr. Rubel Aziz, Chairman of City Bank, presided over the bank's Branch Managers' Conference 2013 at the City Bank Centre on April 21, 2013. The theme of this year's conference was "Unleashing the Potential".

NEW BRANCH AT ALFADANGA



City Bank reached the milestone of 104 branches with the launch of its new online branch at Alfadanga in Faridpur. Mr. Rubel Aziz, Chairman of the bank, inaugurated the branch as Chief Guest while Mr. Sohail R.K. Hussain, Managing Director & CEO, Mr. Faruk M Ahmed, Additional Managing Director, Mr. Badrudduza Choudhury, Deputy Managing Director and other high officials of the bank were present.



## CHAIRMAN'S VISIT TO REGIONAL CENTERS



At the Citygem Priority Banking Centre, Chittagong



At Chittagong Airport

Chairman Mr. Rubel Aziz undertook a country wide tour of the bank's regional centers along with bank's top management. The objectives were to meet with the staff face-to-face, to listen to their concerns and suggestions and to review the business and operational practices. The visits, attended by all staff of the region, generated tremendous enthusiasm and resulted in solving some 150 issues concerning branch banking.

## CHAIRMAN'S VISIT TO REGIONAL CENTERS



At Sylhet, Bogra, Rajshahi Regional Conference in Sylhet



At Chittagong Regional Conference



Comilla Visit



CITY BANK ARRANGES STRUCTURED FINANCING FOR 108 MW GAS FIRED POWER PLANT OF REGENT ENERGY AND POWER LIMITED



City Bank organized the signing ceremony for a Structured Financing Arrangement for Regent Energy and Power Limited for raising a term loan of USD 50.2 Million & BDT 300 Million and Preference Shares of BDT 430 Million for setting up a 108 MW gas fired Independent Power Plant at Ghorashal, Narsingdi.

CITY BANK DONATED TO IBB



City Bank extended its supporting hand to Institute of Bankers, Bangladesh (IBB). A donation of BDT 44.60 lacs was made to IBB's fund to purchase their own office space. Mr. Sohail R. K Hussain, MD and CEO of the bank handed over the cheque to Dr. Md. Shaik Romijul Karim, Additional Director of IBB during a handover ceremony. City Bank also donated BDT3.75 Lac to department of Development Studies, University of Dhaka.





## ACCA'S "ACHIEVEMENT AWARD"



City Bank received the 'Achievement Award' from The Association of Chartered Certified Accountants (ACCA). This award is bestowed on organisations to recognize their outstanding contribution to the development of the accountancy and finance profession and transparency of their accounting practices. Mr. Faruq M. Ahmed, Additional Managing Director, City Bank received the award on behalf of the bank from Ms. Alexandra Chin, Vice President, ACCA in a ceremony held in Dhaka.

## CITY BANK AMERICAN EXPRESS BRINGS SAVINGS ON WORLD-CLASS HEALTH CARE IN MALAYSIA



City Bank American Express has tied up with Malaysia Healthcare Services Ltd (MHSL) and Healthtour4u Sdn Bhd (HT4U) to provide its valued Cardmembers extraordinary benefits and savings on world class healthcare in Malaysia. The inauguration of the Membership Card and exclusive offers was attended by Her Excellency Norlin Binti Othman, High Commissioner of Malaysia to Bangladesh and Sohail R. K. Hussain, MD & CEO, City Bank and Mashrur Arefin, DMD & CCO.





GLOBAL CONFERENCE ON COMMUNITY HEALTH



City Bank was the Platinum Sponsor of the 2-day event titled 'Global Conference on Community Health' organized by Eminence and Partners for World Health. The event showcased workshops and discussions on women and child health by registered doctors and nurses from Maine Medical Partners, USA. The foreign team left for their weeklong medical mission in Satkhira and Jamalpur afterwards. Governor of Bangladesh Bank Dr. Atiur Rahman graced the occasion with his presence.

CITY BANK SPONSORED "FOLK NATIONS"



City Bank was the sponsor of 'Folk Nations'. This is an exciting 3 year programme supported by British Council aimed at bringing together musicians, creative producers and practitioners from the UK and the South Asia region. 'Folk Nations' has continued to take place in partnership with City Bank, in association with Bengal Foundation, Channel I and the Daily Star.







### CITY BANK & BANGLALION SIGNED AGREEMENT

City Bank signed an agreement with Banglalion Communications Limited. Under this agreement, City Bank American Express Cardmembers will be able to give auto debit instruction for their Banglalion postpaid accounts. Mr. Faruq M. Ahmed, AMD and CRO of City Bank and Mr. Md. Shafiqul Islam, Chief Operating Officer, Banglalion Communications signed the agreement.



### CITY BANK & BIMAN BANGLADESH AIRLINES SIGNED AGREEMENT

City Bank signed an agreement with Biman Bangladesh Airlines. Under this agreement, Air travelers from Bangladesh can pay for Biman tickets through Amex Credit Card. Mr. Mashrur Arefin, DMD & CCO of City Bank and Mr. Shah Newaz, Director, Marketing & Sales of Biman Bangladesh Airlines signed the agreement on behalf of their organizations.



### CITY BANK & TVS AUTO BANGLADESH SIGNED AGREEMENT

City Bank signed an agreement with TVS Auto Bangladesh. Under this agreement, City Bank American Express Cardmembers will enjoy installment facility in buying products from TVS Auto Bangladesh. Mr. Mashrur Arefin, DMD and COO of City Bank and Mr. Reaz Ahmed, Chief Operating Officer, TVS Auto signed the agreement.

### CITY BANK & RADISSON BLU SIGNED AGREEMENT

City Bank signed a strategic partnership agreement with Radisson Blu Water Garden Hotel Dhaka. Under the agreement, City Bank American Express Platinum and Gold Cardmembers will enjoy 1 complimentary buffet for the companion at Water Garden Brasserie Restaurant round the year in breakfast, lunch and dinner. The agreement was signed by City Bank's DMD & Chief Operating Officer Mr. Mashrur Arefin and Radisson Blu, Dhaka's EAM and Director, Sales & Marketing Saeed Ahmed.



### CITY BANK & DUSAI RESORT & SPA SIGNED AGREEMENT

City Bank signed an agreement with Dusai Resort & Spa, a Luxurious 5-star quality boutique villa type resort & spa in Bangladesh nestled inside 14 acres of hills, beside the tea gardens in Moulvibazar district, Sylhet. Mr. Mashrur Arefin, DMD & COO of City Bank and Mr. Nasser Rahman, Managing Director & Chairman, Dusai Resort & Spa signed the agreement on behalf of their respective organizations.



### CITY BANK & METLIFE ALICO SIGNED AGREEMENT

City Bank signed a cash management MOU with MetLife Alico Bangladesh to facilitate premium collection of MetLife Alico policy holders. Mr. Badrudduza Choudhury, DMD and Head of Branch Banking of City Bank and Mr. Akhlakur Rahman, Chief Operating Officer of MetLife Alico Bangladesh signed the agreement.







### CITY BANK AND IFC JOINED HANDS IN "ACCESS TO FINANCE" ADVISORY PROGRAM

City Bank signed a cooperation agreement with IFC as part of IFC's "Access to Finance Advisory Service" program aimed at promoting sustainable private sector investment in developing countries. The agreement was signed by Mr. Sohail R K Hussain, MD & CEO of City Bank and Mr. Kyle F Kelhofer, Country Manager, Bangladesh, Bhutan & Nepal of IFC.



### CITY BANK & BANGLALINK SIGNED AGREEMENT

City Bank signed an MOU with Orascom Telecom Bangladesh Limited (Banglalink) to facilitate the payment of the telco giants' nationwide distributors. The agreement was signed by Mr. Sohail R. K. Hussain, Managing Director & CEO of City Bank and Mr. Amr Gawish, Finance Director of Orascom Telecom Bangladesh Ltd.



### CITY BANK & IDLC SIGNED AGREEMENT

City Bank signed a 'Term Sheet' with IDLC Finance Limited for issuing of a Coupon-Bearing Subordinated Bond worth BDT 3,000 million where IDLC would act as Arranger and Meghna Bank Limited as Co-Arranger. Mr. Sohail R K Hussain, MD & CEO of City Bank and Mr. Selim R.F. Hussain, CEO & MD of IDLC signed the Term Sheet.

### CITY BANK & QUBEE SIGNED AGREEMENT

City Bank signed an agreement with Augere Wireless Broadband Bangladesh Limited, the leading Wimax internet service provider runs under brand name Qubee. Under this agreement, American Express Cardmembers will have the option to pay their monthly internet bill through Amex Card. On behalf of City Bank the agreement was signed by Mr. Sohail R. K. Hussain, MD & CEO and for Qubee, Mr. D.S. Faisal Hyder, Chief Executive Officer of Qubee.



### CITY BANK & SCHOLASTICA SCHOOL SIGNED AGREEMENT

City Bank signed an MOU with Scholastica Limited to collect tuition fees through Internet Banking. The agreement was signed by Mr. Sohail R. K Hussain, MD & CEO of the bank, and Mr. Amer Ahmed, Director Business Development, Ascent Group.



### CITY BANK & MALINDO AIR SIGNED AGREEMENT

Traveling to Malaysia has become more rewarding as City Bank signed an agreement with Malindo Air, a Malaysia based low cost airline. In presence of Chandran Rama Muthy, CEO, Malindo Air, the agreement was signed by Mr. K Mahmood Sattar, former MD & CEO, City Bank and Mr. Ekram Hussain, MD, Tune Aviation Ltd, Bangladesh, GSA for Malindo Air.





## The City Bank Limited

Head Office: City Bank Center, 136 Bir Uttam Mir Shawkat Sarak, Gulshan-2, Dhaka-1212, Bangladesh  
Share Department: 11, Dilkusha C/A., Dhaka-1000, Bangladesh

### NOTICE OF THE 31<sup>st</sup> ANNUAL GENERAL MEETING

Notice is hereby given to all Members of The City Bank Limited ("the Company") that the 31<sup>st</sup> Annual General Meeting of the Company will be held on 29<sup>th</sup> May, 2014 at 4.00 P.M at Ocean Paradise Hotel & Resort, 28-29 Hotel Motel Zone, Kolatoli Road, Cox's Bazar to transact the following ordinary businesses and adopt necessary resolutions:

#### AGENDA

1. To receive, consider and adopt the Accounts of the Company for the year ended 31<sup>st</sup> December, 2013 along with the Auditors' Report and the Directors' Report thereon.
2. To approve 20% Stock Dividend for the year ended 31<sup>st</sup> December 2013 as recommended by the Board of Directors.
3. To appoint/re-appoint Auditors and fix their remuneration for the financial year 2014.
4. To elect/re-elect/approve the appointment of Directors (including Independent Director).
5. To consider any other relevant business with the permission of the Chair.

By order of the Board,

  
Md. Kafi Khan  
Company Secretary

Dated : Dhaka  
4<sup>th</sup> May, 2014

#### NOTES :

1. The 'Record Date' for the 31<sup>st</sup> Annual General Meeting ("AGM") scheduled on 13-04-2014.
2. Members whose names appeared in the Central Depository System/Register of Members at the close of Record Date i.e. 13-04-2014 shall be eligible to attend and vote at the AGM and will be entitled for the dividend, as approved. Votes may be given either personally or by an attorney or by a proxy or, in the case of a corporation by a representative duly authorized. As per Article 88 of the Articles of Association of the Company, a Proxy must be a member of the Company.
3. Proxy Form duly stamped and signed by the Member must be submitted to Share Department, The City Bank Limited, 11 Dilkusha C/A, Dhaka, at least 48 (forty eight) hours before the time fixed for date of AGM for attestation. Upon receipt of attested Proxy Form, the nominated person or attorney or authorized person from a Company/Corporation may attend/vote in the AGM. Attendance Slip and Proxy Form can be collected from the website of the Company: www.thecitybank.com.
4. Entrance into the Meeting Hall is restricted only to the eligible Shareholders and/or Proxy/Attorney holder. At the time of entrance into the Meeting Hall, Attendance Slip/Proxy Form has to be deposited to the registration counter duly signed. For convenience of the Hon'ble Member and the Proxy-holders, Registration counters shall remain open from 8.00 A.M. to 4.00 P.M. on the day of AGM.

#### Attention Please:

1. As per SEC Guidelines no Gift Item will be provided to any Shareholder in the ensuing AGM.
2. Annual Report 2013 of CBL is now available at CBL website: www.thecitybank.com



## The City Bank Limited

Head Office: City Bank Center, 136 Bir Uttam Mir Shawkat Sarak, Gulshan-2, Dhaka-1212, Bangladesh  
Share Department: 11, Dilkusha C/A., Dhaka-1000, Bangladesh

### PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_ being member of The City Bank Limited do hereby appoint  
Mr./Mrs./Ms. \_\_\_\_\_ of  
\_\_\_\_\_ (or failing him/her)  
Mr./Mrs./Ms. \_\_\_\_\_  
of \_\_\_\_\_ as my/our proxy to attend and vote for me/us and on my/our behalf at the 31<sup>st</sup> Annual General Meeting of the Company to be held on May 29, 2014 at 4-00 P.M and at any adjournment thereof.

As witness I put my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Revenue  
stamp  
Tk. 20/-

Witnesses : Signature of Member \_\_\_\_\_  
1. \_\_\_\_\_ Folio/BO A/c.No. \_\_\_\_\_  
2. \_\_\_\_\_ Signature of Proxy \_\_\_\_\_  
Folio/BO A/c. No. \_\_\_\_\_

#### IMPORTANT :

1. This Form of Proxy duly completed must be deposited at the Share Department, The City Bank Limited, 11 Dilkusha C/A, Dhaka-1000 at least 48 (forty eight) hours before the meeting. The proxy will not be valid if it is not duly stamped and signed. Signature of the Shareholder(s) and the Proxy must agree with the respective specimen signatures recorded with the Company.
2. A member of the Company may only be appointed as a Proxy.



## The City Bank Limited

Head Office: City Bank Center, 136 Bir Uttam Mir Shawkat Sarak, Gulshan-2, Dhaka-1212, Bangladesh  
Share Department: 11, Dilkusha C/A., Dhaka-1000, Bangladesh

### ATTENDANCE SLIP

I/We \_\_\_\_\_ (Folio/BOA/c. No) \_\_\_\_\_  
hereby record my/our attendance at the 31<sup>st</sup> Annual General Meeting of the Company being held on May 29, 2014 at 4-00PM at Ocean Paradise Hotel & Resort, 28-29 Hotel Motel Zone, Kolatoli Road, Cox's Bazar, Bangladesh.

N.B. Please present this slip duly signed at the entrance of the meeting hall.

Signature of Member/Proxy



## GLOSSARY

### ACCRUAL BASIS

Recognizing the effects of transactions and other events when they occur without waiting for the receipt or payment of cash or its equivalent.

### BILLS FOR COLLECTION

A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

### BONUS ISSUE

The issue of new shares existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into Stated Capital and hence does not involve all infusion of cash.

### CAPITAL ADEQUACY RATIO

A measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted asset exposures.

### COMMITMENTS

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

### CONTINGENCIES

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

### COST TO INCOME RATIO

Operating expenses as a percentage of total income.

### CORPORATE GOVERNANCE

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled.

### EARNINGS PER SHARE

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

### ECONOMIC VALUE ADDED (EVA)

EVA is a profitability measure designed to recognize the requirement to generate a satisfactory return on the economic capital invested in the business. If the business produces profit in excess of its cost of capital then value is created for shareholders.

### FAIR VALUE

Fair value, also called fair price, is a concept used in finance and economics, defined as a rational and unbiased estimate of the potential market price of a good, service, or asset.

### FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use all asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

### FOREIGN EXCHANGE EARNINGS

Profit earned on foreign currency transactions arising from the difference in foreign exchange rates between the transaction/last Balance Sheet date and the settlement/ Balance Sheet date. Also arises from trading in foreign currencies.

### GENERAL PROVISION

General provision in made on outstanding loan and advance without considering the quality of loans and advances according to the prescribed rate of Bangladesh Bank.

### GUARANTEE

Three party agreement involving a promise by one party (the guarantor) to fulfill the obligation of a personal owing a debt if that person fails to perform.

### HELD FOR TRADING (HFT)

Investment classified in this category are acquired principally for the purpose of selling or repurchasing in short trading or if designated as such by the management.

### HELD TO MATURITY (HTM)

Investments which have "fixed or determinable payments" and are intended to be "Held to Maturity", other than those that meet the definition of "Held at amortized cost others" are classified as held to maturity.

### INTANGIBLE ASSETS

An intangible asset is as identifiable non-monetary asset without physical substance.

### INTEREST SUSPENSE

Classified loans and advances of the banks are categorized as sub-standard, doubtful and bad/loss as per guidelines of the Bangladesh Bank. Interest accrued on sub-standard, doubtful and bad/loss loans is recorded as "interest suspense" and not taken to income. This interest is recognized as income as and when it is realized in cash by the bank.

### LOAN LOSSES & PROVISION

Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

### MARKET CAPITALIZATION

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

### MARKED-TO-MARKET

The valuation of certain financial instruments at fair value as of the balance sheet date.

### MATERIALITY

The relative significance of a transaction or all events the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

### NET INTEREST MARGIN

Net interest income, on a taxable equivalent basis, expressed as a percentage of average total assets.

### NET ASSET VALUE PER SHARE

Shareholders' funds excluding Preference Shares if any, divided by the number of ordinary shares in issue.

### NET INTEREST INCOME

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter bank borrowings.

### NON PERFORMING LOANS

All loans are classified as non-performing when a payment is 3 months in arrears.

### OFF-BALANCE SHEET TRANSACTION

Transactions that are not recognized as assets or liabilities in the Balance Sheet but which give rise to contingencies and commitments.

### PRICE EARNINGS RATIO (P/E RATIO)

Market price of a share divided by earnings per share.

### RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly as per Bangladesh Accounting Standard (BAS)-24 on "Related Party Disclosures".

### RETURN ON ASSETS (ROA)

Profit after tax divided by the average assets.

### RETURN ON EQUITY (ROE)

Profit after tax divided by the average shareholders' equity.

### RISK WEIGHTED ASSETS (RWA)

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors. Trading book multiplied by the relevant risk factor and 15% of operating income.

### REVALUATION RESERVE

Revaluation reserve in made on HFT & HTM securities using marked to market concept according to Bangladesh Bank guideline.

### STATUTORY RESERVE

A capital reserve created as per provisions of section 24 of the Bank Companies Act, 1991.

### TIER-I CAPITAL

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

### TIER-II CAPITAL

Supplementary capital representing general provisions, preference share, exchange equalization fund and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

### VALUE ADDED

Value added statement shows the total wealth created how it was distributed to meet certain obligations and reward those responsible for its creation and the portion retained for the continued operation and expansion.

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## THE CITY BANK LIMITED

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