

**MCB BANK LIMITED - SRI LANKA BRANCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014**



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT

TO THE MANAGEMENT OF MCB BANK LIMITED – SRI LANKA BRANCH

Report on the Financial Statements

We have audited the accompanying financial statements of MCB Bank Limited – Sri Lanka Branch (“the Bank”) which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other comprehensive income, 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 information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

CHARTERED ACCOUNTANTS
Colombo
29 May 2015

MCB BANK LIMITED - SRI LANKA BRANCH
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2014	2013
<i>For the year ended 31 December</i>			
<i>All amounts in Sri Lankan Rupees</i>			
	Note		
Interest Income		1,170,320,515	1,354,034,111
Interest Expenses		(450,989,321)	(435,115,728)
Net Interest Income	7	719,331,194	918,918,383
Fee and Commission Income		79,743,535	81,509,743
Fee and Commission Expenses		-	-
Net fee and Commission Income	8	79,743,535	81,509,743
Other Operating Income (Net)	9	36,504,058	(67,633,672)
Total Operating Income		835,578,787	932,794,454
Impairment charges for Loans and Other Losses	10	(59,314,809)	(42,543,845)
Net Operating Income		776,263,978	890,250,609
Personnel Expenses	11	(213,592,314)	(191,002,170)
Other Expenses	12	(231,020,047)	(226,878,311)
Operating Profit Before Value Added Tax		331,651,617	472,370,128
Value Added Tax on Financial Services		(59,241,785)	(71,249,908)
Profit Before Income Tax		272,409,832	401,120,220
Tax Expense	13	(81,100,941)	(123,547,606)
Profit for the Year		191,308,891	277,572,614
Other Comprehensive Income, Net of Tax			
Actuarial Gains (Losses) on Defined Benefit Plans	28	1,404,667	(4,055,830)
Deferred Tax effect on actuarial gain (Gains)		(393,307)	1,904,974
Net Change in Fair Value of Available-for-Sale Financial Assets (Net of tax)		(16,104,207)	16,652,568
Surplus from revaluation of Property, plant & equipment		57,744,964	-
Deferred Tax effect on above Surplus from revaluation of Property, plant & equipment		(16,168,590)	-
Other Comprehensive Income for the Year, net of Tax		26,483,527	14,501,712
Total Comprehensive Income for the Year		217,792,418	292,074,326

The notes to the financial statements are an integral part of these financial statements.

MCB BANK LIMITED - SRI LANKA BRANCH
STATEMENT OF FINANCIAL POSITION

<i>As at 31 December</i>		2014	2013
<i>All amounts in Sri Lankan Rupees</i>	Note		
ASSETS			
Cash and Cash Equivalents	14	151,229,556	119,773,796
Balances with Central Banks	15	771,594,612	417,441,816
Placements with Banks	16	898,378,232	698,714,223
Derivative Financial Instruments	17	6,499,587	3,653,074
Customer Loans and receivables	18	10,336,085,387	8,915,018,769
Financial Investments – Available-for-Sale	19	2,409,140,409	2,158,145,468
Financial Investments – Held-to-Maturity	20	1,611,905,557	1,177,662,789
Property, Plant and Equipment	21	194,499,780	115,938,024
Intangible Assets	22	16,109,578	18,343,617
Other Assets	23	119,583,435	101,808,416
Total Assets		16,515,026,133	13,726,499,992
LIABILITIES			
Due to Banks	24	2,564,523,677	1,580,527,181
Derivative Financial Instruments	17	546,287	13,161,528
Customer Deposits	25	8,669,858,884	7,445,894,516
Other Borrowings	26	141,111,716	83,060,761
Current Tax Liabilities		2,091,178	50,843,467
Deferred Tax Liabilities	27	26,937,588	6,174,837
Other Liabilities	28	724,862,840	382,622,857
Total Liabilities		12,129,932,170	9,562,285,147
EQUITY			
Assigned Capital	29	3,395,800,820	3,395,800,820
Statutory Reserve Fund	30	129,835,120	120,269,675
Retained Earnings		779,157,346	444,590,101
Other Reserves		80,300,677	203,554,249
Total Equity		4,385,093,963	4,164,214,845
Total Equity and Liabilities		16,515,026,133	13,726,499,992
Commitments and Contingencies	31	11,059,000,827	8,482,125,935

The notes to the financial statements are an integral part of these financial statements.

The Management is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Management by:

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 Muhammad Azam Naeem
 Senior Vice President
 29 May 2015
 Colombo

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 Azfar Alam Nomani
 Country General Manager

MCB BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
All amounts in Sri Lankan Rupees

	Assigned capital	Reserve Fund	Investment Fund Reserve	Revaluation Reserve	Available for Sale Reserve	Retained Earnings	Foreign Exchange Equilization Reserve	Total
Balance as at 1st January 2013	3,017,269,165	106,391,044	92,665,464	-	4,535,128	242,193,949	24,346,190	3,487,400,940
Restated Net Profit for the year	-	-	-	-	-	277,572,614	-	277,572,614
Restated Other comprehensive income (net of tax)	-	-	-	-	16,652,568	(2,150,856)	-	14,501,712
Total comprehensive income for the year	-	-	-	-	16,652,568	275,421,758	-	292,074,326
Transactions with Equity Holders recognized directly in Equity								
Increase of assigned capital	378,531,655	-	-	-	-	-	-	378,531,655
Transfers to Statutory Reserve	-	13,878,631	-	-	-	(13,878,631)	-	-
Transfers to Investment Fund	-	-	59,146,975	-	-	(59,146,975)	-	-
Fluctuation in Foreign Exchange Reserve	-	-	-	-	-	-	6,207,924	6,207,924
Total transactions with equity holders	378,531,655	13,878,631	59,146,975	-	-	(73,025,606)	6,207,924	384,739,579
Balance as at 31 December 2013	3,395,800,820	120,269,675	151,812,439	-	21,187,696	444,590,101	30,554,114	4,164,214,845
Balance as at 1st January 2014	3,395,800,820	120,269,675	151,812,439	-	21,187,696	444,590,101	30,554,114	4,164,214,845
Net Profit for the year	-	-	-	-	-	191,308,891	-	191,308,891
Other comprehensive income	-	-	-	57,744,964	(16,104,207)	1,404,667	-	43,045,424
Deferred Tax effect on other comprehensive income	-	-	-	(16,168,590)	-	(393,307)	-	(16,561,897)
Total comprehensive income for the year	-	-	-	41,576,374	(16,104,207)	192,320,251	-	217,792,418
Transactions with Equity Holders recognized directly in Equity								
Increase of assigned capital	-	-	-	-	-	-	-	-
Transfers to Statutory Reserve	-	9,565,445	-	-	-	(9,565,445)	-	-
Transfers to/(from) Investment Fund	-	-	(151,812,439)	-	-	151,812,439	-	-
Fluctuation in Foreign Exchange Reserve	-	-	-	-	-	-	3,086,700	3,086,700
Total transactions with equity holders	-	9,565,445	(151,812,439)	-	-	142,246,994	3,086,700	3,086,700
Balance as at 31st December 2014	3,395,800,820	129,835,120	-	41,576,374	5,083,489	779,157,346	33,640,814	4,385,093,963

The notes to the financial statements are an integral part of these financial statements

MCB BANK LIMITED - SRI LANKA BRANCH
CASH FLOW STATEMENT

For the year ended 31 December
All amounts in Sri Lankan Rupees

	2014	2013
Cash Flows From Operating Activities		
Interest and commission receipts	1,233,437,979	1,446,833,251
Interest payments	(461,344,329)	(404,440,393)
Cash payments from other operating activities	36,504,058	(67,633,672)
Cash payments to employees and suppliers	(464,835,030)	(446,349,810)
Operating profit before changes in Operating Assets and Liabilities (Note A)	343,762,678	528,409,376
Increase in Operating Assets		
Deposits held for Regulatory or Monetary Control Purposes	(354,152,796)	163,576,737
Funds Advanced to Customers	(1,482,776,329)	(1,122,991,404)
Other Short term Assets	(20,621,532)	(5,039,351)
Increase/(Decrease) in Operating Liabilities		
Deposits from customers	1,236,307,052	1,639,167,277
Other Liabilities	333,646,237	(233,991,886)
Net Cash Generated from Operations	56,165,310	969,130,749
Income Tax Paid	(133,429,328)	(74,122,401)
Net Cash Flows generated from/ (used in) Operating Activities	(77,264,018)	895,008,348
Cash Flows from Investing Activities		
Net proceeds from maturity and purchase of Financial Investments	(681,672,977)	(1,945,857,576)
Proceed from maturity of other Placements with Banks	(198,335,063)	(68,132,692)
Purchase of Property, Plant and Equipment	(51,331,957)	(55,513,941)
Proceeds from Sale of Property, Plant and Equipment	-	-
Net Cash Flows generated from Investing Activities	(931,339,997)	(2,069,504,209)
Cash flow from Financing Activities		
Capital Infusion from Head Office	-	378,531,655
Increase/(Decrease) of borrowings	1,040,059,775	829,912,471
Net cash generated from/(used in) financing Activities	1,040,059,775	1,208,444,126
Net Increase in Cash and Cash Equivalents	31,455,760	33,948,265
Cash and Cash Equivalents at the Beginning of the year	119,773,796	85,825,531
Cash and Cash Equivalents at the End of the year (Note 14)	151,229,556	119,773,796

The notes to the financial statements are an integral part of these financial statements.

MCB BANK LIMITED - SRI LANKA BRANCH
CASH FLOW STATEMENT

For the year ended 31 December
All amounts in Sri Lankan Rupees

2014

2013

Note A

Reconciliation of operating profit before changes in operating assets and liabilities

Profit before Income Tax Expense	272,409,832	401,120,220
<i>Adjustments for :</i>		
Impairment charges for loans and other losses	59,314,809	42,543,845
Amortisation of intangible assets	9,944,906	21,835,938
Depreciation of Property, Plant and Equipment	22,804,298	20,373,953
Profit on sale of Property, Plant and Equipment	-	-
Provision for employee benefit	9,798,791	8,311,817
Payment for employee benefit	(3,528,880)	(7,741,129)
Accrual for interest receivable	(16,626,071)	11,289,397
Accrual for interest payable	(10,355,007)	30,675,335
Operating profit before changes in operating assets and liabilities	<u>343,762,678</u>	<u>528,409,376</u>

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