

Bank Alfalah Limited

Bangladesh Operations

**Auditor's Report and Financial Statements
as at and for the year ended 31 December 2013**



Rahman Rahman Huq

Chartered Accountants

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**Independent Auditor's Report
to the management of
Bank Alfalah Limited
Bangladesh Operations**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements and Internal Controls

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Bank Companies Act, 1991 and the rule 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 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 Controls:
 - i) internal audit, internal control and risk management arrangements of the Bank 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;
- c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- d) the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;
- e) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- h) the information and explanation required by us have been received and found satisfactory; and
- i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 1,500 (2012: 1,400) person hours for the audit of the books and accounts of the Bank.

Dhaka, 25 March 2014 ~~REH~~



Bank Alfalah Limited
Bangladesh Operations


Balance Sheet
as at 31 December 2013

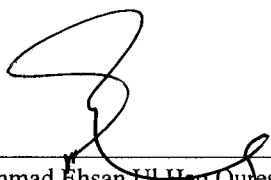
<u>PROPERTY AND ASSETS</u>	<u>Note</u>	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
Cash	4		
In hand (including foreign currencies)		118,294,910	133,549,732
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		2,734,053,469	3,090,144,757
		2,852,348,379	3,223,694,489
Balance with other banks and financial institutions	5		
In Bangladesh		731,839,782	360,606,989
Outside Bangladesh		8,551,748	55,946,837
		740,391,530	416,553,826
Money at call and on short notice	6	-	320,000,000
Investments	7		
Government securities		4,523,963,836	3,467,908,325
Others		60,000,000	90,000,000
		4,583,963,836	3,557,908,325
Loans and advances/investments	8		
Loans, cash credit, overdrafts etc./investments		5,941,742,207	4,997,734,816
Bills purchased and discounted		639,095,665	504,860,509
		6,580,837,872	5,502,595,325
Fixed assets including premises, furniture and fixtures	9	48,768,541	44,898,186
Other assets	10	421,956,135	351,919,166
Non-banking assets		-	-
Total assets		<u>15,228,266,293</u>	<u>13,417,569,317</u>
<u>LIABILITIES AND CAPITAL</u>			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	1,350,000,000	-
Deposits and other accounts	12		
Current accounts and other accounts		891,629,537	500,502,955
Bills payable		45,436,667	110,391,393
Savings bank deposits		1,801,165,291	1,318,204,052
Fixed deposits		5,676,496,471	6,165,014,747
		8,414,727,966	8,094,113,147
Other liabilities	13	1,056,959,727	682,215,273
Total liabilities		<u>10,821,687,693</u>	<u>8,776,328,420</u>
Capital/shareholders' equity			
Head office fund	14	4,423,756,326	4,479,334,485
Other reserves	15	27,617,387	37,225,516
Accumulated profit/(loss)	16	(44,795,113)	124,680,896
Total shareholders' equity		<u>4,406,578,600</u>	<u>4,641,240,897</u>
Total liabilities and shareholders' equity		<u>15,228,266,293</u>	<u>13,417,569,317</u>

OFF-BALANCE SHEET ITEMS

	Note	2013 Taka	2012 Taka
Contingent liabilities			
Acceptances and endorsements		1,035,328,181	692,317,221
Letters of guarantee	17	583,167,204	591,563,010
Irrevocable letters of credit	18	631,844,844	1,179,749,559
Bills for collection		323,170,927	292,197,600
Value of Bangladesh Sanchaypatra		153,125,000	-
		2,726,636,156	2,755,827,390
Other commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		428,623,800	321,463,600
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		428,623,800	321,463,600
		3,155,259,956	3,077,290,990
Total off-balance sheet items including contingent liabilities		3,155,259,956	3,077,290,990


The annexed notes 1 to 50 form an integral part of these financial statements.



Abu Noyem Md. Khasru
Head of Finance


Muhammad Ehsan Ul Haq Qureshi
Country Operations Head


S.A.A. Masrur
Country Head

As per our report of same date.

Dhaka, 25 March 2014 


Auditor
Rahman Rahman Huq
Chartered Accountants

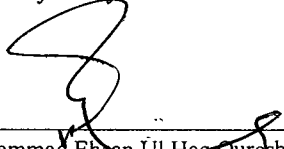
Bank Alfalah Limited
Bangladesh Operations

Profit and Loss Account
for the year ended 31 December 2013

	<u>Note</u>	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
Interest income/profit on investments	20	789,810,716	984,168,053
Interest paid/profit shared on deposits and borrowings etc.	21	(822,729,773)	(782,550,011)
Net interest/(expenses)/net profit on investments		(32,919,057)	201,618,042
Investment income	22	518,612,626	95,416,103
Commission, exchange and brokerage	23	117,420,053	130,614,372
Other operating income	24	36,261,137	33,033,791
		<u>672,293,816</u>	<u>259,064,266</u>
Total operating income (A)		639,374,759	460,682,308
Salaries and allowances	25	213,714,957	192,645,517
Rent, taxes, insurance, electricity etc.	26	110,903,298	94,700,566
Legal expenses	27	315,565	1,650,044
Postage, stamp, telecommunication etc.	28	9,453,278	9,362,232
Stationery, printing, advertisements etc.	29	10,588,984	10,627,319
Country Head's salary and allowances	30	17,112,131	15,850,159
Amortization of preoperating expenses		7,500	371,234
Auditors' fees		600,000	474,375
Depreciation and repair of Bank's assets	31	37,050,727	38,756,344
Other expenses	32	26,699,857	28,197,491
		<u>426,446,297</u>	<u>392,635,281</u>
Total operating expenses (B)		426,446,297	392,635,281
Profit before provision (C=A-B)		212,928,462	68,047,027
Provision for loans and advances/investments	13.1		
General provision		5,895,387	(7,325,026)
Specific provision		319,649,221	54,050,490
		<u>325,544,608</u>	<u>46,725,464</u>
Provision for off-balance sheet items released		(2,132,895)	(2,123,923)
Provision for diminution in value of investments		-	-
Other provisions		-	-
		<u>323,411,713</u>	<u>44,601,541</u>
Total provision (D)		323,411,713	44,601,541
Total (loss)/profit before tax (E=C-D)		(110,483,251)	23,445,486
Provision for taxation	33		
Current		61,019,405	7,122,000
Deferred		(2,026,647)	(9,604,906)
		<u>58,992,758</u>	<u>(2,482,906)</u>
Total provision made/(reversed) for taxation (F)		58,992,758	(2,482,906)
Net (loss)/profit after tax (E-F)		(169,476,009)	25,928,392

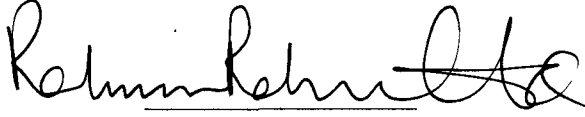
The annexed notes 1 to 50 form an integral part of these financial statements.



Abu Noyem Md. Khasru
Head of Finance


Muhammad Ehsan Ul Haq Qureshi
Country Operations Head


S.A.A. Masrur
Country Head

As per our report of same date.


Rahman Rahman Huq
Auditor

Dhaka, 25 March 2014 

Rahman Rahman Huq
Chartered Accountant

Bank Alfalah Limited
Bangladesh Operations

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

<u>Particulars</u>	Head office <u>fund</u> <u>Taka</u>	<u>Other reserve</u> <u>Taka</u>	Accumulated <u>profit/(loss)</u> <u>Taka</u>	<u>Total</u> <u>Taka</u>
Balance as at 1 January 2012	4,542,869,945	-	98,752,504	4,641,622,449
Exchange difference	(63,535,460)	-	-	(63,535,460)
Unrealised gain on Government securities	-	37,225,516	-	37,225,516
Net profit for the year	-	-	25,928,392	25,928,392
Balance as at 31 December 2012	<u>4,479,334,485</u>	<u>37,225,516</u>	<u>124,680,896</u>	<u>4,641,240,897</u>
Exchange difference	(55,578,159)	-	-	(55,578,159)
Adjustment for decrease in revaluation reserve	-	(9,608,129)	-	(9,608,129)
Net loss for the year	-	-	(169,476,009)	(169,476,009)
Balance as at 31 December 2013	<u>4,423,756,326</u>	<u>27,617,387</u>	<u>(44,795,113)</u>	<u>4,406,578,600</u>



Bank Alfalah Limited
Bangladesh Operations

Cash Flow Statement
for the year ended 31 December 2013

	Note	2013 Taka	2012 Taka
A) Cash flows from operating activities:			
Interest receipts	34	755,994,729	974,570,635
Interest payments	35	(853,724,675)	(760,438,979)
Fees and commission receipts	36	32,461,018	34,895,480
Payments to employees	37	(223,017,088)	(202,004,872)
Payments to suppliers	38	(133,485,355)	(114,984,826)
Income taxes paid	39	(6,754,666)	(3,150,878)
Receipts from other operating activities	40	435,070,282	213,694,681
Payments for other operating activities	41	(41,722,311)	(38,483,533)
<i>Operating (loss)/profit before changes in operating assets and liabilities</i>		(35,178,066)	104,097,708
 Increase/decrease in operating assets and liabilities:			
Loans and advances to customers	42	(1,078,242,547)	338,209,620
Other assets	43	(34,862,511)	(32,441,762)
Deposits from other banks	44	319,762,308	101,516,557
Deposits from customers	45	852,511	442,467,755
Other liabilities	46	33,914,760	19,094,406
		(758,575,479)	868,846,576
<i>Net cash (used to)/from operating activities</i>		(793,753,545)	972,944,284
 B) Cash flows from investing activities			
Proceeds from sale/redemption of securities	47	213,371,008	734,328,966
Payment for purchase of securities	48	(1,083,761,257)	(1,141,947,144)
Purchase of fixed assets and intangible assets		(28,417,533)	(16,072,956)
Sale of fixed assets	49	2,925,334	15,000
<i>Net cash used in investing activities</i>		(895,882,448)	(423,676,134)
 C) Cash flows from financing activities		-	-
 D) Net (decrease)/increase in cash and cash equivalents (A+B+C)		(1,689,635,993)	549,268,150
 E) Cash and cash equivalents at beginning of the year		6,709,462,011	6,223,729,321
 F) Effects of exchange rate fluctuations on cash and cash equivalents held		(55,578,159)	(63,535,460)
 G) Cash and cash equivalents at end of the year (D+E+F)		4,964,247,859	6,709,462,011
 Cash and cash equivalents at end of the year represent:			
Cash in hand (including foreign currencies)		118,294,910	133,549,732
Call borrowing		(1,350,000,000)	-
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		2,734,053,469	3,090,144,757
Balance with other banks and financial institutions		740,391,530	416,553,826
Money at call and on short notice		-	320,000,000
Treasury bills		2,721,291,550	2,590,048,836
Bangladesh Bank bill		-	159,103,360
Prize bond		216,400	61,500
		4,964,247,859	6,709,462,011



Bank Alfalah Limited
Bangladesh Operations

Notes to the Financial Statements
as at and for the year ended 31 December 2013

1. Reporting entity

Bank Alfalah Limited, Bangladesh Operations (the Bank) are branches of Bank Alfalah Limited (the parent company) incorporated in Pakistan. The Bank is domiciled in Bangladesh. The address of the Bank's country office is 168 Gulshan Avenue, Dhaka-1212.

The Bank started its operation in Bangladesh on 16 May 2005 by acquiring Shamil Bank of Bahrain's Dhaka branch operations as a branch of the parent company. The Bank has 7 (2012:5) branches as on 31 December 2013. Except 1 Islamic Banking Branch, the rest 6 (2012:4) branches run on commercial conventional basis.

1.1 Principal activities of the Bank

The Bank primarily is involved in providing all kinds of commercial banking services to the customers. The Bank offers services for all commercial banking needs of the customers, which includes deposit banking, loans and advances, export import financing, etc.

2. Basis of preparation

2.1 Statement of compliance

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

i) Investment in shares and Securities

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

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



ii) Revaluation gain/loss on Government securities

BFRS: As per requirement of BAS 39 where T-bills and T-bonds will fall under the category of “held for trading”, any change in the fair value of held for trading assets is recognized through profit and loss account.

Securities designated as held to maturity are measured at amortized cost method and interest income is recognized through the profit & loss account.

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

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 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. 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) 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 will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to include 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.

v) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorize, recognize, 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 financial statements.



vi) 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, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per BRPD 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 derecognized in the seller's book and recognized in the buyer's book.

vii) Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized 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 recognized for the guarantee except the cash margin.

viii) Cash and cash equivalent

BFRS: Cash and cash equivalent items should be reported as cash item as per BAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, prize bond and Bangladesh Bank bills are not shown as cash and cash equivalent. Money at call and on short notice is shown as face item in balance sheet, and treasury bills, prize bonds and Bangladesh Bank bills are shown in investments.

ix) Non-banking asset

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

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

x) 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.



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

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

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

xii) Presentation of intangible asset

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

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

xiii) Off-balance sheet items

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

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. L/C, L/G, etc.) must be disclosed separately in face of balance sheet.

xiv) 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.

xv) Loans and advances 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 3.27 Compliance of BFRSs)

The financial statements were authorised for issue by the senior management of the Bank (Bangladesh Operations) on 25 March 2014.

2.2 Basis of measurement

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

- Government Treasury Bills and Bonds designated as 'Held for Trading (HFT)' at present value using marking to market concept with gain crediting revaluation reserve
- Government Treasury Bills and Bonds designated as 'Held to Maturity (HTM)' at present value using amortisation concept
- Investment in shares of listed companies
- Investment in unquoted shares



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 these financial statements in conformity with Bangladesh Bank Circulars and BFRSs requires management to make judgements, 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 3.7, 3.11.3 and 3.12.

2.5 Reporting period

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

2.6 Cash flow Statement

Cash flow statement has been prepared in accordance with the BRPD Circular No. 14 dated 25 June 2003 issued by the Banking Regulation & 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.

2.8 Liquidity Statements

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term which has been given in the Statement.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.



3.1 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Bank 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 profit or loss except for exchange differences on "Head office fund", which is recognised directly in equity.

3.2 Interest on loans and advances/profit on investments

Interest on loans and advances/profit on investments is calculated on daily product basis and accrued at the end of each month, but charged to customers' accounts on quarterly basis. Interest on loans and advances/profit on investment is taken into income account proportionately from profit receivable account. Overdue charge/compensation on classified investments is transferred to interest/profit suspense account instead of income account.

Interest accrued on loans and advances/profit accrued on investments fall under Sub Standards (SS) and Doubtful (DF) category are credited to interest suspense/profit suspense account instead of income account. Interest/profit is not charged on bad and loss loans as per guideline of Bangladesh Bank. Such interest/profit is kept in separate memorandum account.

Interest/profit on classified loans and advances/investments are credited to income on a cash receipt basis.

3.3 Investment income

Income on investments is recognised on accrual basis. Investment income includes coupon profit on treasury bonds and profit on fixed deposit with other banks.

3.4 Fees and commission income

The Bank earns fees and commissions from diverse range of services provided to its customers. Commission on Letter of Guarantee is recognised on accrual basis. Other fees and commission income is recognised on a realisation basis.

3.5 Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex dividend date for equity securities. Dividends are presented in investment income.

3.6 Lease payments

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



3.7 Tax

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

3.7.1 Current tax

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates as prescribed in the Income Tax Ordinance (ITO) 1984 and relevant Special Regulatory Orders (SRO) and any adjustment to tax payable in respect of previous years. Currently the income tax rate applicable for banks is 42.5%; additionally, banks have to pay excess profit tax at 15% on so much of their profits as exceeds 50% of the aggregate of their capital and reserves as defined in section 16C of the Income Tax Ordinance (ITO) 1984.

The estimation of current tax provision involves making judgments regarding admissibility of certain expenses as well as estimating the amount of other expenses for tax purposes.

3.7.2 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.

Deferred tax relating to unrealised surplus on revaluation of held to maturity (HTM) and held for trade (HFT) securities are recognised directly in other reserve as a part of equity and is subsequently recognised in profit and loss account on maturity or disposal of the security.



3.7.3 Tax exposures

In determining the amount of current and deferred tax, the Bank 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.

3.8 Cash and cash equivalents

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

3.9 Investments

All investment securities are initially recognised at cost, including acquisition charges associated with the investment. Premiums are amortised and discounts are accredited.

Held to Maturity

Investments which have, 'fixed or determinable payments' and are intended to be held to maturity are classified as 'Held to Maturity'.

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.

Revaluation

As per the DOS Circular letter no. 5 dated 26 May 2008, HFT securities are revaluated each week using Marking to Market concept and HTM securities are amortised once a year according to Bangladesh Bank guidelines.

Value of investments has been shown as under:

Government Treasury Bills and Bonds (HFT)	At present value (using marking to market concept)
Government Treasury Bills and Bonds (HTM)	At present value (using amortisation concept)
Bangladesh Bank Bills (HFT)	At present value (using marking to market concept)
Prize Bond	At cost
Senior secured bond	At cost less redemption

Details are shown in Note 7.



3.10 Loans, Advances/Investments and provisions

- a) Loans and advances of conventional Banking/Investments of Islamic Banking branches are stated in the Balance Sheet on gross value.
- b) Provision for loans and advances is made on the basis of periodical review by the management and of instructions contained in Bangladesh Bank BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013). The rates of provision for different classifications are given below:

<u>Particulars</u>	<u>Rate</u>
General provision on:	
All unclassified loans and advances/investments except following:	1%
Small and medium enterprise financing	0.25%
Consumer financing	5%
Housing finance and loans for professionals to set up business under consumer financing scheme	2%
Loan to BHs/MBs/SDs against shares	2%
Unclassified agricultural loans	5%
Special mention account (other than SME loan)	5%
Special mention account (for SME loan)	0.25%
Specific provision on:	
Substandard loans and advances/investments	20%
Doubtful loans and advances/investments	50%
Bad/loss loans and advances/investments	100%

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

Details are shown in Note 8.

3.11 Fixed assets and depreciation

3.11.1 Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

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.



3.11.2 Subsequent costs

The cost of replacing a component of an item of fixed assets 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 Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

3.11.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed of. Asset category-wise depreciation rates for the current and comparative years are as follows:

<u>Category of assets</u>	<u>Rate of depreciation</u>
Furniture, fixture and fittings	10%
Office equipments	20%
Staff equipments	20%
Computer and related equipments	25%
Motor vehicles	25%
Leasehold improvement	20%

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

3.12 Intangible assets - Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. In case of acquisition of software, amortisation is charged from the month of acquisition, whereas amortisation on disposed off software is charged up to the month prior to the disposal. The estimated useful life of software is five years as such amortisation is charged at the rate of 20% per annum.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.13 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 to financial statements at the gross value of the outstanding balance. Details are shown in Note 12.



3.14 Other liabilities

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxation, interest payable, profit payable, interest suspense, profit suspense, accrued expenses. 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. Details are shown in Note 13.

3.15 Head office fund

This represents amounts deposited with Bangladesh Bank in foreign currency as a part of minimum capital requirements.

According to subsection 3 of Section 13 of the Bank Companies Act, 1991 as amended by BRPD Circular no. 11 dated 14 August 2008, BRPD Circular no. 10 dated 10 March 2010 and BRPD Circular no. 24 dated 3 August 2010 all banks are required to deposit with Bangladesh Bank the higher of Tk. 4,000 million and minimum capital requirement calculated as 10% (2012: 10%) of risk weighted assets.

Details are shown in Note 14.

3.16 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.

3.17 Interest paid on borrowing and other deposits (Conventional banking)

Interest paid and other expenses are recognised on accrual basis.

3.18 Profit shared on deposits (Islamic Banking)

Profit shared to mudaraba deposits is recognised on accrual basis as per provisional rate.



3.19 Employee benefits

3.19.1 Provident Fund

Each eligible employee contributed @ 10% of the basic salary to the Provident Fund Account while the Bank contributed an equal amount, which is kept in a savings/term deposit account. The fund is registered with National Board of Revenue.

3.19.2 Gratuity Fund

The Bank operates an approved funded gratuity scheme covering eligible employees whose period of employment with the Bank is five years or more. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme. The Banks liability on this account stands as on 31st December 2013 was fully provided in accounts considering the staffs accumulated gratuity entitlements for their service with the bank. The Gratuity Fund had been approved by the National Board of Revenue in February 2011.

3.19.3 Short-term 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 Bank 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.

3.20 Provisions and accrued expenses

In compliance with BAS-37, provisions and accrued expenses are recognized in the financial statements when the Bank has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.21 Provision for Off-Balance Sheet Exposures

In compliance with Bangladesh Bank guidelines Off-Balance Sheet items are disclosed under contingent liabilities. As per 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.

Details are shown in note 13.2.

3.22 Provision for 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).



3.23 Impairment of non-financial assets

The carrying amounts of 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.

3.24 Reconciliation of inter-bank/inter-branch account

Books of accounts 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 in case of inter-branch transactions as at the reporting date are not material.



3.25 Core Risk Management

According to BRPD Circular No. 17 (7 October 2003) and BRPD Circular No.4 (5 March 2007) banks require 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 of the bank are discussed below:

Risk management

The Bank has in place an approved integrated Risk Management framework for managing Credit Risk, Market Risk, Liquidity Risk and Operational Risk as evidenced by its Board approved Risk Management Policy and "Risk Management & Internal Control manual". As a policy the reporting line of the risk management function has been kept completely independent of the business divisions.

Following is the governance structure and important policies on Risk Management of the Bank:

- The Board of Directors through its sub-committee called Board Risk Management Committee (BRMC) overseas the overall risk of the Bank.
- RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.
- As part of its mandate the Central Management Committee (CMC) is entrusted with overseeing the operational risk of the bank.
- The Bank has an established Risk Management Division for Bangladesh Operations in line with the similar set up of RMD in Head Office. It reports to the Credit Head with dotted reporting to RMD at Head Office. As part of RMD, Treasury Middle Office (TMO) is monitoring day-to-day trading activities of the dealing room. TMO focuses on Market Risk in the portfolio. Risk Management Division at Head Office has been actively engaged in off-site review of the TMO for Bangladesh Operations and has been extending full support in addressing risk related issues. MIS has been developed for addressing Market Risk Management, Credit Risk Management and Operational Risk Management and as per RMD provided guidelines Treasury deals, counterparty risk limits etc. are provided to RMD on a daily basis.
- An independent risk review function exists at the Bank in the form of Internal Audit Group that reports directly to the Board Audit Committee.
- After conducting the Basel II gap analysis, the Bank has extensively pursued the implementation of Basel II with the help of external consultants and has complied with the Pillar-I requirements of Basel II accord. Moreover, in light of Bangladesh Bank Circulars and Guidelines, significant progress has also been made in respect of advanced approaches of Basel II. The Bank is now pursuing Standardized Approach (SA) for calculating of Credit & Market Risk, and Basic Indicator Approach (BIA) for calculating Operational Risk. However, the bank is planning to shift from BIA to The Standardized Approach (TSA) with prior approval from the Central Bank for defining capital charge for operational risk by mapping its business lines.
- RMU prepares a Risk Management Paper (RMP) in every month as part of regulatory requirement and which is discussed in the monthly meeting. The RMPs are prepared after receiving data/information from various units and these are compiled/refined with taking care of its validation & accuracy through cross matching of data with the statement of affairs.
- Stress Test exercise is being conducted by the RMD for the bank covering all core risk areas in gauging out the shock absorbing capacity in minor, moderate, and major level to see whether the bank could sustain in these three stress situation.

3.25.1 Credit risk

Credit Risk is most simply defined as the potential loss which may arise when a bank's borrower or counter party fails to meet its obligations in accordance with agreed terms. Bank Alfalah Limited has standards, policies and procedures dedicated to controlling and monitoring risk from all such activities. The goal of credit risk management is to maximize the bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The standardized approach is applied for risk weighted exposure as per directive of Bangladesh Bank.

Credit Risk Management process encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Bank's experience, a key to effective credit risk management is a well thought out business strategy. The Bank's focus over the coming years will be to further enhance risk models, processes and system infrastructure, in line with its ambitions to bring maximum sophistication to risk management function.

The Bank, in line with Bangladesh Bank Guidelines, has migrated to Basel II framework as on January 01, 2009 with the standardized approach. The bank has designed Credit Risk Management activities by addressing major risk areas. Credit Risk is one of the major risks, which can be assumed as potential loss arising from the failure of a counter party to perform contractual responsibility. The processes have been set for fine-tuning of systems & procedures, Information Technology capabilities, and Risk Governance Structure to meet the requirements of the Advanced Approaches as well.

The Credit Risk Management comprises of the Credit Risk Department that looks after all the aspects of credit risk and conducts portfolio analysis on a regular basis. Board Risk Management Committee ensures the Board level oversight of risks embedded in Bank's operations. Besides assisting the Board of Directors in determining the strategic direction of the Bank by providing them the risk perspective, it ensures implementation of the credit risk policy/strategy/ credit plan approved by the Board and to monitor credit risk on a bank-wide basis and ensure compliance with limits approved by the bank.

Healthy asset portfolio has been build up in terms of credit evaluation system comprises of well-designed credit appraisal, maintaining asset quality, assessing risk in lending to a particular customer, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. For this purpose two separate units have been formed within the credit division these are 1) Credit Risk Unit 2) Risk Management Unit. Credit Risk Unit is entrusted with the activities mentioned above whereas Risk Management Unit assesses/evaluates the Market and Operational risks under Basel II accord. The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, geography, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted frequently.

A sophisticated Internal Credit Rating System has been developed by the Bank; which is capable of quantifying counter-party & transactional risk in accordance with best practices. The system takes into consideration qualitative and quantitative factors of the counter party, transaction structure & security and generates an internal rating vis-à-vis anticipated customer behavior. The system is continuously reviewed for best results in line with the Central Bank's guidelines for Internal Credit Rating. Moreover, the system is backed by secured database with backup support and is capable for generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system is statistically tested and validated for compliance.



A centralized Credit Administration Division is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Proactive credit risk management practices in the form of integrated Bank-wide Risk Management and internal Control Framework, adherence to Basel II accord, constitute the important risk management measures the bank is engaged in for mitigating these exposures. The current focus is on augmenting the Bank's abilities to quantify risk in a consistent, reliable and valid fashion, which will further ensure advanced level of sophistication in the Credit Risk measurement and management in the years ahead.

3.25.2 Asset Liability Management

For better management of asset and liability, the Bank has an established Asset Liability Management Committee (ALCO) which meets at least once a month to discuss the overall status of the Bank.

The committee's primary function/responsibility is to ensure the ALM management in line with ALM guidelines provided by Bangladesh Bank and the Bank's own Liquidity Policy Guidelines for the strategic management of asset and liabilities. ALCO regularly reviews the bank's overall asset liability position, overall economic position, the bank's liquidity position, capital adequacy, balance sheet risk and makes necessary changes when required. Besides these all regulatory requirements including CRR, SLR, RWA are reviewed by ALCO.

3.25.3 Foreign Exchange Risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

Off-Balance sheet financial instruments are contracts which are the resultant outcome of the import and export transactions. The buy and sell transactions are matched in view of their maturities in the different predetermined time buckets.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the BB. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.



3.25.4 Internal Control & Compliance

This financial statement is presented in compliance of effective internal control, corporate governance, transparency & accountability, which has altogether become significant for the assurance of the smooth performance of the bank. As such, effective internal control has been deemed as the foundation of safe and sound banking at Bank Alfalah. In this regard the bank has prepared and implemented appropriate control structures in line with the Bangladesh Bank Prudential Regulations on “Internal Control & Compliance”.

Furthermore, the primary objective of internal control at the bank is to at-least enable it to perform better through the efficient use of resources. While, the internal control system of the bank ensures compliance along with laid down procedures that identifies weaknesses to take appropriate mitigation measures in a timely fashion.

Primarily, the bank has adopted an effective organizational structure to exercise and imbibe a strong control & compliance culture through all levels of operations by implementing Bangladesh Bank’s Guidelines, and, as well, the bank’s policies continue to strengthen internal control dynamically over time. While, its main objectives are listed as under:

- The performance of first level and continuous independent verification(s) of control measures set in place to manage risks across the multifarious functions of the bank.
- Reviews of internal control strategies including those processes and remedies recommended by external auditors having been implemented.
- Reviews of existing risk management and mitigation procedures so as to ensure the effective implementation of the internal control system as a whole.
- Ensures full compliance of regulatory requirements.
- The reporting of major lapses and ensuring subsequent corrective measures on a timely fashion.

Furthermore, it is ensured that regular and continued monitoring has been carried through-out the financial year for quality assurance and effectiveness of all control policies & procedures, and more-so to evaluate the application of Internal Control & Audit Policies for refurbishment and reviews. Additionally, Internal Control ensures the Management & Mitigation of Financial Risk, including reviews of existing rules & regulations, both internal and external, and that of other obligations from Controlling Authority; not limited to disclosures & processes imbibing the Financial Statements of the Bank.

Additionally Planning, Organizing & Supervising business performance metrics and the Audit & Inspection of Branches, including the monitoring of risk based business transactions have all been duly performed by the different divisions of the bank in Bangladesh.

Notable that Audit & Inspection Division of the Bank’s Head Office carries out Internal Audits to ensure compliance of regulatory directives as well as the synchronization and adherence to laid-out Policies & Procedures.



3.25.5 Money Laundering Risk

To implement Bangladesh Bank's Prudential Guidelines for managing core risks, the bank has long established the Anti Money Laundering Division (AMLDD) that is centralized at the Country Office under the auspices of the CAMLCO. Additionally, the AMLDD is continuously taking necessary steps to make the bank fully adherent and even fully compliant with Anti Money Laundering (AML) issues including the continued Combating of Terrorist Financing (CTF) as per the legislations, guidelines and that of the compliance of circulars relating the same.

In line with AML the bank ensures that business at branches is conducted in conformity along with the high ethical standards expected of them and that banking laws and regulations of Regulatory Authorities: that of the Government of Bangladesh and that of any other authority/agency assigned by the Central Bank or the Ministry of Finance or that of any assigned agent, especially regarding anti-money laundering and the related "Know Your Customer," are being strictly adhered to. In this regard, Branches do not offer services or provide assistance in transactions, which in their opinions could possibly be associated with money being derived from suspect illegal/criminal activities.

Especially, the Bank has adopted a stringent policy to monitor and mitigate the risks of suspicious accounts that are suspect of being used for money laundering.

Furthermore, bank has adopted another stringent policy to monitor and mitigate the risks of Money Laundering and Terrorist Financing, as under:

- Implementation of AML, CTF, KYC policies and the development of related software for acute and timely transactional monitoring.
- Arrangement of a number of training sessions in 2012 whereby all employees have been trained, while new employees are being brought/re-freshed into the awareness of the issues of AML, being trained on a continuous basis throughout the financial year.
- A broad based schedule of branch inspection is in place to ensure sound business practices and the related compliance of AML and CTF regulations on a continuous basis.



3.25.6 Information and communication technology

Today's business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demand from customers. Business organizations, especially the banking industry of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Information and Communication Technology (ICT) is at the centre of this global change curve. The application of information and communication technology concepts, techniques, policies and implementation strategies to banking services has become a subject of fundamental importance and concern to all banks and indeed prerequisites for local and global competitiveness.

Bank Alfalah Limited has started its operations in Bangladesh on May 16th, 2005 after taking over the operations of Shamil Bank of Bahrain in Bangladesh. Since inception, the Bank's management is committed to implement the new proven Information Technology, to provide high standard of customer services to its valued customers.

IT Infrastructure in Bank Alfalah Limited Bangladesh

Currently all seven branches across the country has its own branch banking system running in each branch's are interconnected via high speed communication links to provide any branch banking services to its customers in Bangladesh. The client can withdraw, deposit money from any branch and also can request for transfer of fund and other Banking services through its modern Banking Application System.

Core Banking System

All branches of Bank Alfalah Bangladesh with its own Branch Banking Application are interconnected with high speed communication links with 100 % redundancy to provide uninterrupted banking services to its valued Customers. A customer can withdraw, deposit money from any branch and request for different banking services irrespective of maintaining account in any branch.

BACH (Bangladesh Automated Cheque Clearing House)

With the implementation of BACH (Bangladesh Automated Clearing House) in Dhaka and also in Sylhet and Chittagong zone the customer are now getting the benefit of BACH, the clearing high value cheques are cleared same day and regular value cheques within 24hrs, previously its use to take 7/8 days from sylhet and Chittagong to get the funds. Bank Alfalah has successfully implemented the Automated Clearing House System and has been successfully processing BACH transactions and providing the un-interrupted services to its customers.

BEFTN (Bangladesh Electronic Fund Transfer Network)

Bank Alfalah has successfully implemented the BEFTN (Bangladesh Electronic Fund Transfer Network). Bank is using the EFTN to send and receive the funds among the schedules banks in Bangladesh. Full fledged use of EFT will greatly help the Banks to send and receive both local and foreign remittances even at the remote branches of the Banks within shortest possible time. Bank is in the process of implementation of Remittance Module.

E-Banking

Internet Banking: The Bank is in the process of implementing the Internet Banking in Bangladesh. Through Internet Banking a customer can check his account balance, make utility bill payments, request for cheque books, transfer of funds etc.

CIB on-line Project: Bank Alfalah Limited Has successfully implemented the CIB project with the guidance of Bangladesh Bank CIB on-line implementation team. The concerned staffs have been given necessary training and all CIB reporting are done on-line and with the traditional method both till the final cut over instruction is received from Bangladesh Bank.



Launch of ATM: To provide 24/7 round the clock banking services to its customers, Bank Alfalah Limited Bangladesh has successfully Launched E-banking Project in Bangladesh. The Bank has signed an agreement with OMNIBUS to provide greater coverage to its customer to access to ATM and POS machines across Bangladesh.

Launch of Consumer Products: The Bank is in the process of issuing credit cards as part of its consumer product launch in Bangladesh. Also, planning to introduce various consumer loans to meet the market demands.

24/7 Call Centre Service for Customer Support: To provide support for its Debit cards and in future credit cards and to ATM's customers the Bank has launched its 24/7 state of art call centre services in Bangladesh. Bank Alfalah is the first Bank in Bangladesh has introduced on-line ATM PIN generation i.e. customer can generate the ATM PIN through the on-line Call Centre through there registered telephone number. Also, clients can get various Bank product information's from Call Centre Agents.

SMS and Internet Banking: Bank is also planning to start SMS and Internet Banking in the near future to bring banking service needs to its customers from the comfort of home.

SMS Alert Services: Bank's IT Team have developed software for SMS Alert services for both Debit and Credit Cards which has been successfully launched. The SMS alert is generated as soon as ATM withdrawal or Debit cards transactions are done via POS machines and SMS is sent to the client registered mobile phone number.

DMS (Document Management System Implementation): Bank Alfalah Bangladesh has implemented the Document Management System which is one of the most advanced system to scan all important documents and store it in the Archive Server. The Scanned document could be viewed from any branch of the Bank if access to the document is provided to the individual. Also, handling clients query, Central Bank and regulatory requirements could be done in a minimum time. This will improve the client services and transaction turnaround time and better control over sensitive documents of the bank.

The IT Team : The Bank IT team is comprised of talented both young and experience personal having more then 23 years of experience in IT/ Operations filed in an International Bank.

3.26 Corporate Social Responsibility

Bank Alfalah supports a broad range of initiatives in the areas of education, health, the community and the environment. Bank Alfalah ever since inception in 2005 has been moderately taking part in promoting various initiatives and sponsored numerous social initiatives like the National Children's Immunization Program, Educational and Extracurricular endeavors, Promotion of Culture & Heritage, support for Women Entrepreneurs, Promoting sports among young generation through sponsorship, patronizing career planning workshop for young graduates and Metropolis Beautification initiatives etc. This continuous effort in CSR by the bank portrays its image and core belief as being the "Caring Bank".



Bank Alfalah continued sponsoring their school scholarship program in this period, which started from 2010 in collaboration with Shahab Murshid Development Foundation (SMDF) - a nonprofit organization which is in operation since 2005 to support the development and well being of children, especially from poor disadvantaged backgrounds through education and health interventions. During the year 2013 bank has provided Tk. 1,000,000 to SMDF as scholarship to 50 poor and needy students, Tk. 120,000 to setup a Stitching and Tailoring Training Institute in Bon Loudob of Shundorban at Khulna to empower women of that area as well as to create a positive impact on the local economy of Bon Loudob which is a remote area of Shundarban and Tk. 300,000 to NeoStar Innovation and Square InformatiX, targeting students of higher secondary school level and belonging to financially underprivileged family.

The objective of this project is to nurture the potentials of these students through honing their basic IT skills through a carefully designed IT Capacity building training course curriculum, which understandably will be a pre-requisite for their self development and advancement in their future life/career besides their academic acumen.

The bank had initiated a project of Tk. 347,500 in Southkhali, a village under Shoronkhola thana of Bagerhath district, under which poor individuals and farmers of that area are provided with motivational session towards Palm Plantation, get sufficient training and then the interested farmers are provided with 5,000 Nos of Palm Trees. Following the tragedy that took place in Savar after collapse of Rana Plaza, which is considered to be the deadliest garment factory accident in history of Bangladesh, as well as the deadliest accidental structural failure in modern human history had resulted in a death toll of 1,127 and approximately 2,500 more injured, who were rescued alive from the rubles of the building.

Almost one third of the injured had become permanently disabled due to amputation and will be unable to get back to normal life or livelihood, thus in dire need of long term rehabilitation and treatment. Bangladesh Red Crescent Society, in collaboration with the International Federation of Red Cross and Red Crescent Societies (IFRC) and the international Committee of Red Cross (ICRC) is working together to generate a fund to support the long term rehabilitation program of these victims. Bank Alfalah had donated BDT 500,000 to this fund in aid of their cause.

The bank has installed two water filtering facility in two different mosques of Uttara for supply of fresh drinking water & for oju. The bank has also constructed one passenger shade at a heavily utilized bus stop of Uttara to ease the suffering of bus commuters by providing them shed from scorching heat of the sun during summer and heavy rainfall during monsoon. The bank has also distributed 200 handheld umbrellas and 100 fixed umbrellas amongst the traffic polices of different points of the city covering Dhaka, Chittagong and Sylhet in aid to relive their suffering from different weather conditions during their long trichinous duty hours on the streets.

The bank has also provided Metropolitan police force of Dhaka, Chittagong and Sylhet with 10 Nos. of Road Block and Barricade accessories as per their requirement supporting their daily activities. All this CSR projects aiming community development was conducted through a cumulative CSR funding to the tune of Tk.743,815. Besides, in view of the prevailing energy crisis in the country as well as to adhere with the directives and suggestions of the Honorable Governor of Bangladesh Bank, we have installed and maintaining the first ever solar energy powered ATM booth in Bangladesh which has set a good example of green energy utilization and will encourage other banks to follow suit.



3.27 Compliance of Bangladesh Financial Reporting Standard (BFRS)

Name of the standards	Ref.	Status
First-time adoption of Bangladesh Financial Reporting	BFRS-1	Not applicable
Share based Payment	BFRS-2	Not applicable
Business Combinations	BFRS-3	Not applicable
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued	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 3.30)
Consolidated Financial Statements	BFRS-10	Not Applicable
Joint Arrangements	BFRS-11	Not Applicable
Disclosure of Interests in Other Entities	BFRS-12	Not Applicable
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	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	Applied
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Not Applicable
Consolidated and Separate Financial Statements	BAS-27	Not Applicable
Investments in Associates	BAS-28	Not Applicable
Financial Reporting in Hyperinflationary Economies	BAS-29	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied with some departure note 2.1
Earnings Per Share	BAS-33	Not Applicable
Interim Financial Reporting	BAS-34	Applied
Impairments of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied with some departure see note 2.1
Financial Instruments: Recognition and Measurement	BAS-39	Applied with some departure see note 2.1
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable

3.28 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	27-Jun-13	A2	ST-2

Credit Rating Agency of Bangladesh Limited (CRAB) has upgraded Long Term Rating from A3 to A2 (Pronounced Single A two) and retained “ST-2” rating in the Short Term of Bank Alfalah Limited (Bangladesh Operations) based on audited financials for the year ended 31 December 2012 and other relevant information.

Commercial Banks rated A2 in the long term belonging to “strong capacity & high quality” cohort. Banks rated “A2” have strong capacity to meet their financial commitments. A2 rated banks are judged to be of high quality and are subject to low credit risk. Commercial Banks rated in the short term ST-2 category are considered to have the strong capacity for timely repayment of obligations. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds. The rating reflects the Bank’s sound capital adequacy, improved asset quality as well as increased net interest margin.

3.29 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank 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 Bank’s trading activity.

3.30 Operating segments

The Bank has no identified operating segment and as such presentation of segmental reporting is not made in the financial statements as per BFRS 8.

3.31 AML

The six core risks have been given due importance and meticulous monitoring of the risks had been embedded in the day to day operations of the bank for effective control of the same. Bangladesh Bank recommendations on AML and ICT were fully implemented which resulted in better ratings for AML and ICT during the year 2013.



3.32 Green Banking

Global warming, which is one of the most burning & discussed issues, has the worst impact on the climate of the planet as a whole. The rapid change in climate will be too great to be adapted by the eco-systems, since the change have already made direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. As such, issue of global warming calls for a global response. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. society demands that business also take responsibility in safeguarding the planet. In line with the same and Central bank's suggested frame work for Green Banking initiatives, Bank Alfalah Limited is actively involved in the following activities to address the issue:

- We are gradually moving towards green financing and incorporated Environmental Risk Grading in our Credit Approval process.
- We have replaced conventional lighting equipments and energy efficient bulbs and equipments.
- Introduced and implemented "Green Office Guideline": addressing possible avenues of reduced in-house Carbon footprint in the bank.
- We have powered one of our ATM Booths with renewable solar power (fully) and planning to convert all our ATM Booths to green ATMs.
- We have adopted a policy to allocate a portion of our Debit Card income to be donated for preservation of Royal Bengal Tiger of Sundarban and to popularize the idea we have branded our Debit Cards and ATM booths with Royal Bengal Tiger to create awareness amongst our clients.
- We put emphasis on green projects while considering any CSR project: we have recently completed a few CSR projects at Sundarban Area to ensure fresh water supply of the inhabitants and improvement of local economy.
- Funded a 3 year long Palm Tree Plantation project in the cyclone affected coastal area addressing the effect of global warming on coastal people. The project will help the inhabitants of the region to cope with such natural calamity as well as will gain financially from the palm plantation harvests.

3.33 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 (2011)**

The Bank is a branch and does not have any subsidiaries; as such this standard does not have any impact on these 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

The Bank does not have material interest in other entities; as a result this standard has no significant impact on these financial statements.

(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 2.1 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 2.1 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.

3.34 General

Figures of previous year have been rearranged, whenever necessary, to conform the current year's presentation.



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
4. Cash		
In hand:		
Local currency	115,598,229	131,436,772
Foreign currencies	2,696,681	2,112,960
	<u>118,294,910</u>	<u>133,549,732</u>
Balance with Bangladesh Bank:		
Local currency	519,359,520	492,458,898
Foreign currencies	2,214,693,949	2,597,685,859
	<u>2,734,053,469</u>	<u>3,090,144,757</u>
	<u>2,852,348,379</u>	<u>3,223,694,489</u>

- 4.1** Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) have been calculated and maintained in accordance with section 33 of the Bank Companies Act 1991, MPD Circular nos. 4 and 5 dated 1 December 2010.

The statutory 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 19% Statutory Liquidity Requirement, including CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both reserves maintained by the Bank, are shown below:

	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
4.2 a) Cash Reserve Requirement (CRR) for Conventional Banking		
6% of average Demand and Time Liabilities:		
Required reserve	294,141,516	275,998,575
Actual reserve held	321,239,676	297,146,438
Surplus	<u>27,098,160</u>	<u>21,147,863</u>
b) Cash Reserve Requirement (CRR) for Islamic Banking		
6% of average Demand and Time Liabilities:		
Required reserve	191,098,884	194,416,620
Actual reserve held	195,000,000	195,000,000
Surplus	<u>3,901,116</u>	<u>583,380</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
4.3 a) Statutory Liquidity Requirement (SLR) for Conventional Banking		
19% of required Average Demand and Time Liabilities:		
Required reserve	931,448,134	873,995,488
Actual reserve held	<u>2,741,712,872</u>	<u>1,457,262,014</u>
Surplus	<u>1,810,264,738</u>	<u>583,266,526</u>
Held for Statutory Liquidity Requirement:		
Cash in hand	76,074,722	82,319,390
Balance with Bangladesh Bank as per statement	321,239,676	297,146,438
Treasury bills (HFT)	1,517,186,202	895,372,204
Treasury bonds (HTM) without lien	155,800,000	-
Treasury bonds (HFT)	671,195,872	23,259,122
Bangladesh Bank Bill (HFT)	-	159,103,360
Prize bond	216,400	61,500
	<u>2,741,712,872</u>	<u>1,457,262,014</u>
b) Statutory Liquidity Requirement (SLR) for Islamic Banking		
11.5% of required Average Demand and Time Liabilities:		
Required reserve	366,272,861	372,631,855
Actual reserve held	<u>366,273,000</u>	<u>372,632,000</u>
Surplus	<u>139</u>	<u>145</u>
Held for Statutory Liquidity Requirement:		
Cash in hand	42,220,188	51,230,342
Balance with Bangladesh Bank as per statement	195,000,000	195,000,000
Foreign currency used in BDT	<u>129,052,812</u>	<u>126,401,658</u>
	<u>366,273,000</u>	<u>372,632,000</u>
5. Balance with other banks and financial institutions		
In Bangladesh (Note 5.1)	731,839,782	360,606,989
Outside Bangladesh (Note 5.2)	<u>8,551,748</u>	<u>55,946,837</u>
	<u>740,391,530</u>	<u>416,553,826</u>

Also refer to note 5.3 for maturity wise grouping



5.1 Inside Bangladesh

Current account with:

Janata Bank Limited - Foreign Exchange Branch
Islami Bank Bangladesh Limited
Sonali Bank Limited
The Trust Bank Limited
Brac Bank Limited
Standard Chartered Bank

2013 Taka	2012 Taka
7,390	5,768
28,936	29,573
14,986	16,251
18,758	15,647
2,080,463	2,293,862
3,256,703	1,614,654
5,407,236	3,975,755

Mudaraba saving deposit:

Dhaka Bank Limited
Prime Bank Limited

29,843	28,636
6,288	6,183
36,131	34,819

Term deposit:

ICB Islamic Bank Limited
National Bank of Pakistan
The City Bank Limited

6,396,415	6,596,415
420,000,000	350,000,000
300,000,000	-
726,396,415	356,596,415
731,839,782	360,606,989

5.2 Outside Bangladesh

Current account:

Standard Chartered Bank, New York
Standard Chartered Bank, Kolkata
Bank Alfalah Limited, Karachi
Standard Chartered Bank, London
Standard Chartered Bank, Frankfurt
Commerzbank, Frankfurt
HSBC, New York
Union De Banques Arabes ET Francaises Japan

5,400,229	25,196,381
328,276	7,813,289
704,988	723,145
322,035	675,765
872,749	277,412
893,314	367,826
-	20,855,147
30,157	37,872
8,551,748	55,946,837

Details are shown in Annexure-C.

5.3 Maturity-wise groupings of balance with other banks and financial institutions

On demand	13,951,595	59,922,592
Not more than 3 months	720,043,520	350,034,819
More than 3 months but less than 1 year	6,396,415	6,596,415
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	740,391,530	416,553,826



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
6. Money at call and on short notice		
Mutual Trust Bank Limited	-	50,000,000
Southeast Bank Limited	-	20,000,000
National Bank of Pakistan	-	150,000,000
Prime Bank Limited	-	100,000,000
	<u>-</u>	<u>320,000,000</u>

7. Investments

a) Government securities:

Bangladesh Bank bill	-	159,103,360
Treasury bills HFT	1,517,186,202	895,372,204
Treasury bills HTM	1,204,105,348	1,694,676,632
Treasury bonds HFT	671,195,872	23,259,122
Treasury bonds HTM	1,131,260,014	695,435,507
Prize bonds	216,400	61,500
	<u>4,523,963,836</u>	<u>3,467,908,325</u>

b) Senior secured bond - Orascom Telecom Bangladesh Limited

60,000,000	90,000,000
<u>60,000,000</u>	<u>90,000,000</u>
<u>4,583,963,836</u>	<u>3,557,908,325</u>

Please refer to notes 7.1 and 7.2 for classification as per Bangladesh Bank Circular and maturity wise grouping of investments.

	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
7.1 Investments classified as per Bangladesh Bank Circular		
Held-for-trading (HFT) securities (Note 7.1.1)	2,188,598,474	1,077,796,186
Held-to-maturity (HTM) securities (Note 7.1.2)	2,335,365,362	2,390,112,139
Others (Note 7.1.3)	60,000,000	90,000,000
	<u>4,583,963,836</u>	<u>3,557,908,325</u>

7.1.1 Held-for-trading (HFT) securities

Bangladesh Bank bill	-	159,103,360
Treasury bills	1,517,186,202	895,372,204
Treasury bonds	671,195,872	23,259,122
Prize bonds	216,400	61,500
	<u>2,188,598,474</u>	<u>1,077,796,186</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
7.1.2 Held-to-maturity (HTM) securities		
Treasury bills	1,204,105,348	1,694,676,632
Treasury bonds	<u>1,131,260,014</u>	<u>695,435,507</u>
	<u>2,335,365,362</u>	<u>2,390,112,139</u>

Except one treasury bond amounting Taka 155,800,000, the above HTM securities are lien with Bangladesh Bank for capital purpose.

	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
7.1.3 Others		
Senior secured bond - Orascom Telecom Bangladesh Limited	<u>60,000,000</u>	<u>90,000,000</u>
	<u>60,000,000</u>	<u>90,000,000</u>

7.2 Maturity wise groupings of investment

On demand	216,400	61,500
Not more than three months	1,036,336,483	1,228,488,413
More than three months but not more than one year	1,781,655,068	1,550,663,783
More than 1 year but less than 5 years	1,710,975,274	763,425,898
Above five years	<u>54,780,611</u>	<u>15,268,731</u>
	<u>4,583,963,836</u>	<u>3,557,908,325</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
8. Loans and advances/investments		
Loans, cash credit, overdrafts etc./Investments (Note 8.1)	5,941,742,207	4,997,734,816
Bills purchased and discounted (Note 8.10)	639,095,665	504,860,509
	<u>6,580,837,872</u>	<u>5,502,595,325</u>

Also refer to notes 8.2 to 8.9 and 8.11 for further analysis, classification and provision for loans and advances/investments, maturity wise grouping, etc.

	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
8.1 Loans, cash credit, overdrafts etc./Investments		
In Bangladesh		
<i>Conventional Banking</i>		
Current finance	2,353,039,323	2,658,136,643
Term finance	1,361,950,372	737,874,359
Own acceptance purchased	-	456,935
Staff loan	10,944,320	6,651,166
Loan against trust receipts	381,360,222	127,545,947
	<u>4,107,294,237</u>	<u>3,530,665,050</u>
<i>Islamic Banking</i>		
Morabaha (LPO)	1,445,948,453	1,091,886,265
Trust receipts	102,219,042	141,580,601
Own acceptance purchased	181,266,792	150,124,460
Morabaha manual	40,761,848	40,761,848
Staff morabaha	64,251,835	42,716,592
	<u>1,834,447,970</u>	<u>1,467,069,766</u>
	<u>5,941,742,207</u>	<u>4,997,734,816</u>
Outside Bangladesh	-	-
	<u>5,941,742,207</u>	<u>4,997,734,816</u>

8.2 Maturity-wise grouping of loans and advances/investments

On demand	1,416,915,625	-
Not more than three months	1,406,239,874	2,604,650,873
More than three months but not more than one year	3,579,529,500	2,580,691,562
More than one year but not more than five years	178,152,873	317,252,890
Above five years	-	-
	<u>6,580,837,872</u>	<u>5,502,595,325</u>

8.3 Loans and advances on the basis of significant concentration

Advances to executives and other officers	75,196,155	49,367,758
Industrial loans and advances	6,505,641,717	5,453,227,567
	<u>6,580,837,872</u>	<u>5,502,595,325</u>

8.4 Loans and advances allowed to each customer exceeding-10% of Bank's total capital

Total outstanding amount to such customers at end of the year	Nil	Nil
Amount of classified loans and advances thereon	Nil	Nil
Measures taken for recovery	Not Applicable	Not Applicable



8.5 Sector-wise classification of loans and advances/investments

	2013		2012	
	% of total loan	Taka	% of total loan	Taka
Agriculture, forestry, hunting and fishing	1.65%	108,586,320	6.32%	347,979,438
Automobile and transportation equipment	1.10%	72,711,782	1.52%	83,488,636
Chemical and pharmaceuticals	9.00%	592,565,460	6.97%	383,594,801
Cement	0.75%	49,399,868	0.90%	49,558,006
Sugar	0.43%	28,070,717	1.02%	56,343,339
Construction	0.91%	59,800,087	4.61%	253,789,439
Electronics and electrical appliances	0.97%	64,022,000	1.59%	87,298,190
Financial institution	4.88%	320,833,905	9.98%	548,983,793
Garments (Knit and woven)	0.00%	-	0.64%	35,343,339
Information technology and telecom	0.00%	-	3.60%	198,021,974
Iron and steel	22.84%	1,503,279,074	20.19%	1,110,930,752
Footwear and leather garments	3.03%	199,477,000	1.89%	104,003,767
Paper, printing and packaging	2.02%	132,890,049	1.86%	102,428,664
Power/electricity, gas, water, sanitary	0.00%	-	1.85%	101,628,731
Wholesale and retail trade	2.76%	181,649,419	0.66%	36,438,436
Exports and imports	7.88%	518,793,323	16.26%	894,818,486
Transport, storage and communication	2.60%	171,145,453	0.50%	27,428,374
Textile, yarn and spinning	7.62%	501,205,605	10.32%	568,126,929
Services	0.06%	3,806,000	0.16%	8,952,336
Others	31.49%	2,072,601,810	9.15%	503,437,894
	100%	6,580,837,872	100%	5,502,595,325

8.6 Geographical location-wise loans and advances/investments

	2013		2012	
	% of total loan	Taka	% of total loan	Taka
Dhaka Division	71.20%	4,685,490,637	72.73%	4,002,079,563
Chittagong Division	27.30%	1,796,375,129	25.74%	1,416,179,914
Sylhet Division	1.50%	98,972,106	1.53%	84,335,848
	100%	6,580,837,872	100%	5,502,595,325

8.7 Grouping of loans and advances as per classification rules of Bangladesh Bank

Status	2013		2012	
	% of total loan	Taka	% of total loan	Taka
Unclassified:				
Standard including staff loan	90.80%	5,975,574,324	93.04%	5,119,400,075
Special Mention Account (SMA)	0.41%	26,790,427	0.80%	44,021,745
	91.21%	6,002,364,751	93.84%	5,163,421,820
Classified:				
Substandard	0.23%	15,068,845	3.58%	197,067,683
Doubtful	0.88%	57,911,904	1.07%	58,801,874
Bad or loss	7.68%	505,492,372	1.51%	83,303,948
	8.79%	578,473,121	6.16%	339,173,505
	100.00%	6,580,837,872	100.00%	5,502,595,325

8.8 Particulars of required provision for loans and advances/investments

	2013		2012	
	<u>Base for provision Taka</u>	<u>Required provision Taka</u>	<u>Base for provision Taka</u>	<u>Required provision Taka</u>
Unclassified:				
All unclassified loans (other than SME loan and special mention account)	5,603,391,458	56,033,915	4,557,723,374	45,577,234
SME finance	398,973,293	997,433	551,132,983	1,377,832
Special Mention Account (SMA)	-	-	42,967,072	2,148,354
	6,002,364,751	57,031,348	5,151,823,429	49,103,420
Classified:				
Substandard	5,510,014	1,102,003	150,312,070	30,062,414
Doubtful	51,846,282	25,923,141	37,762,428	18,881,214
Bad or loss	365,382,498	365,382,498	25,847,334	25,847,334
	422,738,794	392,407,642	213,921,832	74,790,962
	6,425,103,545	449,438,990	5,365,745,261	123,894,382
Total provision maintained		449,438,991		123,894,383
Surplus provision		1		1

8.9 Particulars of loans and advances/investments

	<u>2013 Taka</u>	<u>2012 Taka</u>
i) Debts considered good in respect of which the banking company is fully secured	6,578,758,234	5,500,091,964
ii) Debts considered good for which the banking company holds no other security than the debtor's personal security	2,079,638	2,503,361
iii) Debts considered good and secured by personal liabilities of one or more parties in addition to the personal security of the debtors	-	-
iv) Debts adversely classified; provision not maintained	-	-
	6,580,837,872	5,502,595,325
v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other person.	-	-
vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies as members	-	-
vii) Maximum total amount of Advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons.	75,196,155	49,367,758
viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies as members	-	-
ix) Due from Banking Companies	-	-



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
x) Total amount of advances on which Profit is not credited to income:	578,473,121	324,393,376
(a) Movement of Classified loans and advances:		
Opening balance	339,173,505	98,542,485
Increase/(decrease) during the year	239,299,616	240,631,020
Closing balance	578,473,121	339,173,505
(b) Provision against the debt classified as bad/loss at the date of balance sheet	365,382,498	25,847,334
(c) Amount of interest/profit charged in suspense account upto 31 December	76,950,411	41,675,992
xi) Cumulative amount of written off loans and advances	-	-

8.10 Bills purchased and discounted

Bills purchased and discounted excluding treasury bills:

Inside Bangladesh	639,095,665	504,860,509
Out side Bangladesh	-	-
	<u>639,095,665</u>	<u>504,860,509</u>

8.11 Maturity grouping of bills discounted and purchased

Within one month	276,119,406	263,667,222
More than one month but less than three months	235,719,644	146,013,846
More than three months but less than six months	127,256,615	95,179,441
More than six months	-	-
	<u>639,095,665</u>	<u>504,860,509</u>

9. Fixed assets including premises, furniture and fixtures

Cost:

Furniture, fixture and fittings	42,755,603	38,878,490
Office equipments	48,196,148	39,906,772
Staff equipments	13,500	13,500
Computer and related equipments	103,160,740	91,149,372
Motor vehicles	25,994,910	30,899,410
Leasehold improvement	60,451,274	64,729,502
	<u>280,572,175</u>	<u>265,577,046</u>

Less: Accumulated depreciation

Furniture, fixture and fittings	30,877,396	29,358,786
Office equipments	35,135,756	32,118,595
Staff equipments	13,500	13,500
Computer and related equipments	86,325,376	72,838,054
Motor vehicles	25,564,409	29,331,826
Leasehold improvement	53,887,197	57,018,099
	<u>231,803,634</u>	<u>220,678,860</u>
	<u>48,768,541</u>	<u>44,898,186</u>

Details are shown in Annexure - D.



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
10. Other assets	<u>421,956,135</u>	<u>351,919,166</u>
10.1 Classification of other assets		
a) Income generating other assets	-	-
b) Non-income generating other assets		
i) Investment in shares of subsidiary companies:		
- In Bangladesh	-	-
- Outside Bangladesh	-	-
ii) Stationery, stamps, printing materials, etc.	5,582,537	6,263,794
iii) Advance rent and advertisement	66,204,907	37,087,064
iv) Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables (Note 10.2)	99,908,733	56,355,285
v) Security deposits	603,803	571,115
vi) Preliminary, formation and organisational expenses, renovation, development and prepaid expenses	13,970,914	5,827,497
vii) Branch adjustment (Note 10.3)	(6,945,114)	339,661
viii) Suspense account	-	-
ix) Silver	-	-
x) Others (Note 10.4)	242,630,355	245,474,750
	<u>421,956,135</u>	<u>351,919,166</u>

10.2 Income/profit receivables

On T. bill, bonds, preference shares, etc.	65,268,710	31,614,506
Deposit with financial institution	11,298,750	482,361
Mark up receivables on bill purchased and discounted	23,341,273	24,258,418
	<u>99,908,733</u>	<u>56,355,285</u>

10.3 Branch adjustment

	<u>(6,945,114)</u>	<u>339,661</u>
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All inter branch reconciliation have been prepared upto 31 December 2013. There were no significant unresponded items outstanding for more than three months.

	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
10.4 Others		
Compensation receivable	-	-
Short term receivable - account maintenance fees	1,694,231	1,520,772
Intangible asset - Software (Note 10.4.1)	13,104,057	18,492,737
Net of profit on Morabaha	(12,750,379)	(3,012,918)
Advance income tax (Note 10.4.2)	203,367,503	196,612,837
Receivable from head office	33,828,109	31,652,005
Miscellaneous	3,386,834	209,317
	<u>242,630,355</u>	<u>245,474,750</u>



10.4.1 Intangible asset - Software

	<u>Taka</u>
Cost	
Balance at 1 January 2012	21,090,273
Acquisitions	6,083,000
Balance at 31 December 2012	<u>27,173,273</u>
Balance at 1 January 2013	27,173,273
Acquisitions	-
Balance at 31 December 2013	<u>27,173,273</u>
Amortization and impairment losses	
Balance at 1 January 2012	3,918,131
Amortization for the year	4,762,405
Balance at 31 December 2012	<u>8,680,536</u>
Balance at 1 January 2013	8,680,536
Amortization for the year	5,388,680
Balance at 31 December 2013	<u>14,069,216</u>
Carrying amounts	
Balance at 1 January 2012	17,172,142
Balance at 31 December 2012	18,492,737
Balance at 31 December 2013	13,104,057

2013
Taka

2012
Taka

10.4.2 Advance income tax

Advance tax		
Balance as at 1 January	196,612,837	193,461,959
Add: Paid during the year	6,754,666	3,150,878
	<u>203,367,503</u>	<u>196,612,837</u>
Less: Adjustments made during the year	-	-
Balance as at 31 December	<u>203,367,503</u>	<u>196,612,837</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
11. Borrowings from other banks, financial institutions and agents		
Call borrowing (Note 11.1)	800,000,000	-
Term borrowing (Note 11.2)	550,000,000	-
	<u>1,350,000,000</u>	<u>-</u>
11.1 Call borrowing		
Basic Bank Limited	300,000,000	-
The Premier Bank Limited	300,000,000	-
Agrani Bank Limited	100,000,000	-
United Commercial Bank Limited	100,000,000	-
	<u>800,000,000</u>	<u>-</u>
11.2 Term borrowing		
One Bank Limited	150,000,000	-
IFIC Bank Limited	300,000,000	-
Eastern Bank Limited	100,000,000	-
	<u>550,000,000</u>	<u>-</u>
12. Deposits and Other Accounts		
Current/Al-wadeeah current accounts and other accounts		
Current/Al-wadeeah current deposits	531,662,448	354,500,412
Foreign currency deposits	230,290,098	60,055,475
Sundry deposits (Note 12.1)	129,676,991	85,947,068
	<u>891,629,537</u>	<u>500,502,955</u>
Bills payable		
Payment order - Inside Bangladesh	40,184,870	68,425,575
Demand draft payable - Outside Bangladesh	4,519,189	41,225,652
Unclaimed DD/TT/PO - Inside Bangladesh	560,000	560,000
Unclaimed DD/TT/PO - Outside Bangladesh	172,608	180,166
	<u>45,436,667</u>	<u>110,391,393</u>
Savings bank/Mudaraba savings bank deposits		
Savings deposits	639,745,376	352,857,147
Mudaraba Royal Profit deposits	408,307,500	373,808,894
Alfalsh Savings Plan (ASP)	44,586,456	40,934,353
Special Notice Deposits (SND)	436,113,408	327,172,384
Alfalsh Salary Account (ASA)	3,973,517	-
Royal Profit deposits	268,439,034	223,431,274
	<u>1,801,165,291</u>	<u>1,318,204,052</u>
Fixed deposits/Mudaraba fixed deposits		
Fixed Deposit (FDR)	3,456,334,624	3,693,285,431
Mudaraba Term Deposit (MTDR)	2,220,161,847	2,471,729,316
	<u>5,676,496,471</u>	<u>6,165,014,747</u>
	<u>8,414,727,966</u>	<u>8,094,113,147</u>

Also refer to notes 12.2 and 12.3 for further analysis and maturity wise grouping.



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
12.1 Sundry deposits		
Margin Accounts - Local Currency	63,141,900	73,273,549
Margin Accounts - Foreign Currency	66,535,091	12,589,419
Others	-	84,100
	<u>129,676,991</u>	<u>85,947,068</u>
12.2 Deposits from banks and others		
Inter-bank deposits (Note 12.2.1)	423,362,567	103,600,259
Other deposits	<u>7,991,365,399</u>	<u>7,990,512,888</u>
	<u>8,414,727,966</u>	<u>8,094,113,147</u>
12.2.1 Inter-bank deposits		
Jamuna Bank Limited	31,335	32,145
Pubali Bank Limited	176,862	1,175,269
AB Bank Limited	309,442,146	102,356,250
Prime Bank Limited	37,460	36,595
The City Bank Limited	<u>113,674,764</u>	<u>-</u>
	<u>423,362,567</u>	<u>103,600,259</u>
12.3 Maturity grouping of deposits		
On demand	807,389,213	610,894,348
Not more than one months	1,676,916,259	1,557,648,064
More than one months but not more than six months	3,647,429,662	3,108,437,147
More than six months but less than one year	658,691,758	1,342,949,804
More than one year but not more than five years	1,624,301,074	1,474,183,784
More than five years but not more than ten years	-	-
Above ten years	-	-
	<u>8,414,727,966</u>	<u>8,094,113,147</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
13. Other liabilities		
Provision for loans and advances/investments (Note 13.1)	449,438,991	123,894,383
Provision for off-balance sheet exposures (Note 13.2)	22,503,402	24,636,297
Interest suspense account (Note 13.3)	77,024,553	53,500,078
Provision for taxation (13.4)	237,221,062	176,201,657
Accrued expenses	3,985,721	4,437,826
Interest payable on borrowings (Note 13.5)	146,981,875	177,976,777
Deferred tax liability (Note 13.6)	8,549,277	19,531,569
Accounts payable - others	128,000	126,500
Withholding tax on interest on deposits	8,057,001	7,585,140
Withholding tax	4,206,195	5,570,595
Withholding VAT	1,480,282	1,234,377
Provision for audit and consultancy fees	821,000	1,994,625
Provision for leave fare allowance	503,796	904,657
Payable to Shamil Bank's Head Office	79,052,645	79,052,645
Excise duty	3,254,874	1,938,648
SLR Charges payable to Bangladesh Bank	118,071	160,287
Advance commission on Letter of Guarantee (L/G)	2,138,303	2,209,469
Charity fund account	9,618,894	-
Miscellaneous	1,875,785	1,259,743
	<u>1,056,959,727</u>	<u>682,215,273</u>

13.1 Provision for loans and advances/investments

A. General

Balance as at 1 January	51,135,961	58,460,987
Add: Provision made during the year		
On general loans and advances/investments etc.	24,588,365	9,644,108
On Special Mention Account (SMA)	1,995,131	19,348,172
	26,583,496	28,992,280
Less: Provision no longer required	20,688,109	36,317,306
Balance as at 31 December	<u>57,031,348</u>	<u>51,135,961</u>

B. Specific

Balance as at 1 January	72,758,422	18,707,932
Less: Interest waiver during the year	-	-
Adjustment with prior year	-	-
Provision no longer required	25,151,795	-
Write off during the year	-	-
	25,151,795	-
Add: Recoveries of amounts previously written off	-	-
Specific provision made during the year for other accounts	344,801,016	54,050,490
	344,801,016	54,050,490
Balance as at 31 December	<u>392,407,643</u>	<u>72,758,422</u>

C. Total provision on loans and advances/investments (A+B)	<u>449,438,991</u>	<u>123,894,383</u>
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	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
13.2 Provision for off-balance sheet exposures		
Balance as at 1 January	24,636,297	26,760,220
Add: Provision made during the year	17,813,791	12,253,685
	<u>42,450,088</u>	<u>39,013,905</u>
Less: Adjustments made during the year	19,946,686	14,377,608
Balance as at 31 December	<u>22,503,402</u>	<u>24,636,297</u>

13.3 Interest suspense account

Balance as at 1 January	53,500,078	39,559,432
Add: Amount transferred during the year	23,524,475	17,401,066
	<u>77,024,553</u>	<u>56,960,498</u>
Less:		
Amount of interest suspense recovered	-	2,198,382
Paid for charity	-	1,262,038
Amount written off during the year	-	-
Interest waiver during the year	-	-
	<u>-</u>	<u>3,460,420</u>
Balance as at 31 December	<u>77,024,553</u>	<u>53,500,078</u>

13.3.1 Interest/profit suspense and compensation suspenses

Interest/profit suspense	77,024,553	41,813,650
Compensation suspenses	-	11,686,428
	<u>77,024,553</u>	<u>53,500,078</u>

13.4 Provision

Balance as at 1 January	176,201,657	169,079,657
Add: Provision made during the year (Note 33)	61,019,405	7,122,000
	<u>237,221,062</u>	<u>176,201,657</u>
Less: Adjustments made during the year	-	-
Balance as at 31 December	<u>237,221,062</u>	<u>176,201,657</u>

Provision for current tax of Tk. 61,019,405 has been made @ 42.5% as prescribed by Finance Act 2013 of the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per Income Tax Ordinance and Rules 1984 and incompliance of para 46 of BAS 12 "Income Tax".



13.5 Profit/interest payable on deposit

Profit/interest payable on -

Special notice deposit

Call borrowings

Interest payable on -

30 days term deposit

90 days term deposit

180 days term deposit

360 days term deposit

2 years term deposit

3 years term deposit

	<u>2013</u>	<u>2012</u>
	<u>Taka</u>	<u>Taka</u>
	16,418	1,031,768
	1,123,611	-
	<u>1,140,029</u>	<u>1,031,768</u>
	1,483,090	4,020,141
	61,448,362	45,834,001
	23,265,493	35,263,198
	58,700,085	90,841,486
	923,762	637,867
	21,054	348,316
	<u>145,841,846</u>	<u>176,945,009</u>
	<u>146,981,875</u>	<u>177,976,777</u>



13.6 Deferred tax assets and liabilities

13.6.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2013			2012		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Fixed assets	10,009,589	-	10,009,589	7,982,942	-	7,982,942
Unrealize gain on HTM Securities (Treasury Bill)	-	(14,660,611)	(14,660,611)		(27,264,601)	(27,264,601)
Unrealize gain on HTM Securities (Treasury Bond)	-	(15,753)	(15,753)	-	(193,722)	(193,722)
Unrealize gain on HFT Securities (Treasury Bond)	-	(1,172,574)	(1,172,574)	-	(56,188)	(56,188)
Unrealize gain on HFT Securities (Treasury Bill)	-	(2,709,928)	(2,709,928)	-	-	-
	<u>10,009,589</u>	<u>(18,558,866)</u>	<u>(8,549,277)</u>	<u>7,982,942</u>	<u>(27,514,511)</u>	<u>(19,531,569)</u>

13.6.2 Movement in deferred tax balances during the year

	<u>Balance at</u>	<u>Recognised in</u>	<u>Recognised</u>	<u>Balance at</u>
	<u>1 January</u>	<u>profit or loss</u>	<u>in equity</u>	<u>31 December</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
2013				
Fixed assets	7,982,942	2,026,647	-	10,009,589
Unrealize gain on HTM Securities (Treasury Bill)	(27,264,601)	-	12,603,990	(14,660,611)
Unrealize gain on HTM Securities (Treasury Bond)	(193,722)	-	177,969	(15,753)
Unrealize gain on HFT Securities (Treasury Bond)	(56,188)	-	(1,116,386)	(1,172,574)
Unrealize gain on HFT Securities (Treasury Bill)	-	-	(2,709,928)	(2,709,928)
	<u>(19,531,569)</u>	<u>2,026,647</u>	<u>8,955,645</u>	<u>(8,549,277)</u>

2012

Fixed assets	(1,621,964)	9,604,906	-	7,982,942
Unrealize gain on HTM Securities (Treasury Bill)	-	-	(27,264,601)	(27,264,601)
Unrealize gain on HTM Securities (Treasury Bond)	-	-	(193,722)	(193,722)
Unrealize gain on HFT Securities (Treasury Bond)	-	-	(56,188)	(56,188)
	<u>(1,621,964)</u>	<u>9,604,906</u>	<u>(27,514,511)</u>	<u>(19,531,569)</u>



14. Head office fund

Fund received from Head Office

<u>2013</u>	<u>2012</u>
<u>Taka</u>	<u>Taka</u>
<u>4,423,756,326</u>	<u>4,479,334,485</u>

Details are shown in Annexure - E.

14.1 Capital adequacy ratio (CAR) the Bank

The calculation of CAR has been done as per BRPD Circular no. 10 dated 10 March 2010 and the Basel-II guideline December 2010 vide BRPD Circular no. 35 dated 29 December 2010.

	<u>2013</u>	<u>2012</u>
	<u>Taka</u>	<u>Taka</u>
Core capital (Tier-I)		
Head office fund	4,423,756,326	4,479,334,485
Accumulated (loss)profit (Note 16)	(44,795,113)	124,680,896
	<u>4,378,961,213</u>	<u>4,604,015,381</u>
Supplementary capital (Tier-II)		
General provision maintained against unclassified loan/investments	57,031,348	51,135,961
General provision on off-balance sheet items	22,503,402	24,636,297
Revaluation reserve of Government securities	13,808,686	18,612,758
	<u>93,343,436</u>	<u>94,385,016</u>
A) Total capital	<u>4,472,304,649</u>	<u>4,698,400,397</u>
B) Risk weighted assets (RWA)		
Credit Risk		
On-Balance Sheet	7,271,746,391	6,307,730,066
Off-Balance Sheet	483,077,468	320,099,278
	<u>7,754,823,859</u>	<u>6,627,829,344</u>
Market Risk	582,732,640	480,688,238
Operational Risk	537,444,477	612,831,292
Total RWA	<u>8,875,000,976</u>	<u>7,721,348,874</u>
C) 10% of RWA	<u>887,500,098</u>	<u>772,134,887</u>
D) Minimum capital requirement	<u>4,000,000,000</u>	<u>4,000,000,000</u>
E) Required capital (Higher of C and D)	<u>4,000,000,000</u>	<u>4,000,000,000</u>
F) Surplus (A-E)	<u>472,304,649</u>	<u>698,400,397</u>
	<u>2013</u>	<u>2012</u>
Capital adequacy ratio:		
On core capital - against standard of minimum 5%	49.34%	59.63%
On total capital - against standard of minimum 10%	50.39%	60.85%



15. Other reserve

Other reserve arises from the revaluation of Treasury bills and bonds (HFT & HTM) in accordance with the DOS circular no. 5 dated 26 May 2008 and DOS(SR) 1153/120/2010 dated 8 December 2010. The tax effects on revaluation gain are measured and recognised in the financial statements as per BAS 12: Income Taxes.

Movement in other reserve during the year

	Gross Balance at 1 January <u>Taka</u>	(Adjustment)/ Transferred during the year <u>Taka</u>	Deferred tax liabilities <u>Taka</u>	Net Balance at 31 December <u>Taka</u>
2013				
Treasury bills - HTM	64,152,003	(29,656,447)	(14,660,611)	19,834,945
Treasury bonds - HTM	455,816	(418,750)	(15,753)	21,313
Treasury bonds - HFT	132,208	3,029,724	(1,172,574)	1,989,358
Treasury bill - HFT	-	8,481,683	(2,709,928)	5,771,755
	<u>64,740,027</u>	<u>(18,563,790)</u>	<u>(18,558,866)</u>	<u>27,617,371</u>

2012

Treasury bills - HTM	-	64,152,003	(27,264,601)	36,887,402
Treasury bonds - HTM	-	455,816	(193,722)	262,094
Treasury bonds - HFT	-	132,208	(56,188)	76,020
	<u>-</u>	<u>64,740,027</u>	<u>(27,514,511)</u>	<u>37,225,516</u>

2013

Taka

2012

Taka

16. Accumulated (loss)/profit

Balance as at 1 January	124,680,896	98,752,504
Net/(loss)profit for the year	<u>(169,476,009)</u>	<u>25,928,392</u>
Balance as at 31 December	<u>(44,795,113)</u>	<u>124,680,896</u>

17. Letters of guarantees

a) Claims against the Bank not acknowledged as debts	-	-
b) Money for which the Bank is contingently liable in respect of guarantees given favoring:		
Directors or officers	-	-
Government	583,167,204	591,563,010
Banks and other financial institutions	-	-
Others	-	-
	<u>583,167,204</u>	<u>591,563,010</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
18. Irrevocable letters of credit		
Usance	257,925,100	767,318,257
Sight	373,919,744	412,431,302
	<u>631,844,844</u>	<u>1,179,749,559</u>
19. Income statement		
Income:		
Interest, discount and similar income	1,106,488,544	1,063,340,487
Dividend income	-	5,770,564
Fees, commission and brokerage	32,461,018	34,895,480
Gains less losses arising from dealing securities	-	-
Gains less losses arising from investment securities	201,934,798	10,473,105
Gains less losses arising from dealing in foreign currencies	84,959,035	95,718,892
Income from non-banking assets	-	-
Other operating income	36,261,137	33,033,791
Profit less losses on interest rate changes	-	-
	<u>1,462,104,532</u>	<u>1,243,232,319</u>
Expenses:		
Interest, fees and commission	822,729,773	782,550,011
Losses on loans and advances	-	-
Administrative expenses	375,602,410	334,239,088
Other operating expenses	26,699,857	28,197,491
Depreciation on banking assets	24,144,030	30,198,702
	<u>1,249,176,070</u>	<u>1,175,185,292</u>
Income over expenditure	<u>212,928,462</u>	<u>68,047,027</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
20. Interest income/profit on investments		
Interest on loans and advances		
Current finance	291,056,739	343,410,595
Term finance	162,902,070	124,370,351
Credit card	-	-
Trust receipt	27,435,352	39,386,638
House loan - Staff	1,909,972	1,530,422
Personal loan - Staff	159,463	147,918
Self liquidating car loan- Staff	84,938	68,704
Local bill discounted	1,777,436	36,731,603
	<u>485,325,970</u>	<u>545,646,231</u>
Share of profit from financing and discounting		
Murabaha-Staff	928,471	588,608
Morabaha Financing - LPO	133,216,534	146,170,098
Profit on bill discounted	63,807,545	102,944,732
Morabaha income PAD	-	113,090
Morabaha income trust receipt	11,571,999	19,521,863
	<u>209,524,549</u>	<u>269,338,391</u>
Interest on Placements with Banks		
Interest from call money	91,894,139	154,945,651
Interest from deposits with banks	3,066,058	14,237,780
	<u>94,960,197</u>	<u>169,183,431</u>
	<u>789,810,716</u>	<u>984,168,053</u>
21. Interest paid/profit shared on deposits and borrowings etc.		
Interest on deposits		
Savings account	26,547,826	21,506,378
Royal profit deposit	7,212,620	6,262,968
Special notice deposit	290,908	2,170,807
Term deposit	425,769,485	440,566,134
	<u>459,820,839</u>	<u>470,506,287</u>
Profit shared on Modaraba Deposit		
Modaraba royal profit deposit	15,795,920	16,736,977
Special notice deposit	23,652,506	4,066,506
Modaraba term deposit	270,809,121	284,467,310
	<u>310,257,547</u>	<u>305,270,793</u>
Interest on borrowings		
Interest paid on call borrowings	52,651,387	6,772,931
Interest paid on term borrowings	-	-
	<u>52,651,387</u>	<u>6,772,931</u>
	<u>822,729,773</u>	<u>782,550,011</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
22. Investment income		
Mark-up on zero coupon bonds	10,248,750	14,400,000
Dividend income on preference share	-	5,770,564
Capital gain on sale of shares	-	-
Discount on treasury bill	183,999,183	33,301,147
Mark-up on treasury bonds	120,871,621	31,696,723
Trading gain on treasury bills	193,665,192	9,984,868
Trading gain on Bangladesh Govt. Treasury Bonds	8,269,606	488,237
Loss on revaluation of BGB HFT securities	(1,911,842)	(24,371)
Loss on revaluation of T-bill HFT	(1,904,316)	(201,065)
Capital gain on treasury bills and Bangladesh Govt. Treasury Bonds	5,830,248	-
Loss on revaluation of BGB HTM securities	(455,816)	-
	<u>518,612,626</u>	<u>95,416,103</u>
23. Commission, exchange and brokerage		
Fees, commission etc.	32,461,018	34,895,480
Exchange earnings	84,959,035	95,718,892
	<u>117,420,053</u>	<u>130,614,372</u>
24. Other operating income		
Service charges recovered	7,830,782	7,926,581
Locker rent	903,500	683,000
Dormant charges	-	20,400
Document charges	37,840	56,252
Cheque return charges	290,567	353,845
Gain on disposal of fixed assets	2,827,718	1,000
Credit/debit card fees	578,724	377,929
Charges on documentary credit	70,908	175,384
Courier charges recovered	1,234,838	1,284,320
Cheque book charges recovered	594,818	588,290
Other income	21,891,442	21,566,790
	<u>36,261,137</u>	<u>33,033,791</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
25. Salaries and allowances		
Basic salary	88,384,004	81,705,819
Housing allowance	35,353,607	32,666,518
Conveyance allowance	8,203,846	7,392,645
Leave fare allowance	11,168,865	10,595,256
Other allowances	5,960,785	6,214,392
Car allowance - Self liquidating car loan	4,341,000	3,040,000
Festival bonus	20,785,524	19,045,452
Performance bonus	8,237,685	6,923,330
The Bank's contribution to provident fund	8,353,974	7,647,538
Training	1,035,517	747,996
Rent-residence	4,482,452	4,468,428
Medical expenses	6,707,464	4,134,834
Gratuity	7,129,650	5,885,454
Business Development Officer salary	1,286,400	-
Group insurance	2,284,184	2,177,855
	<u>213,714,957</u>	<u>192,645,517</u>
26. Rent, taxes, insurance, electricity etc.		
Rent, rates and taxes	77,196,455	64,545,573
Insurance	5,874,367	5,194,675
Cleaning and maintenance	16,917,134	14,657,075
Electricity and lighting	10,915,342	10,303,243
	<u>110,903,298</u>	<u>94,700,566</u>
27. Legal expenses		
Legal fees and charges	315,565	575,994
Consultancy fees	-	1,074,050
	<u>315,565</u>	<u>1,650,044</u>
28. Postage, stamp, telecommunication etc.		
Postage and couriers	2,212,766	2,208,377
Electronic mail and on-line connectivity	4,465,432	4,967,626
Telegram, fax, telex, SWIFT and internet charge	1,364,478	987,648
Telephone charges	1,410,602	1,198,581
	<u>9,453,278</u>	<u>9,362,232</u>
29. Stationery, printing, advertisements etc.		
Table stationery	1,542,031	1,433,083
Books and periodicals	101,682	90,819
Printing stationery	3,130,888	2,428,342
Computer stationery	188,578	320,001
Publicity and advertisement	5,625,805	6,355,074
	<u>10,588,984</u>	<u>10,627,319</u>



30. Country Head's salary and allowances

	<u>2013</u>	<u>2012</u>
	<u>Taka</u>	<u>Taka</u>
Basic salary	8,164,200	7,264,200
Special allowance	3,283,800	3,283,800
Leave fare allowance	954,000	879,000
Festival bonus	1,908,000	1,758,000
Performance bonus	1,000,000	800,000
The Bank's contribution to provident fund	816,420	726,420
Medical expenses	220,361	533,389
Car allowance-Self liquidating car loan	85,000	-
Gratuity	680,350	605,350
	<u>17,112,131</u>	<u>15,850,159</u>

31. Depreciation and repair of Bank's assets

Depreciation of Bank's assets

Furniture, fixture and fittings	2,117,232	1,970,788
Office equipments	3,305,375	4,080,620
Computer and related equipments	13,493,672	14,969,796
Motor vehicles	1,137,083	2,049,396
Leasehold improvement	4,090,668	7,128,102
	<u>24,144,030</u>	<u>30,198,702</u>

Repair to Bank's assets

Furniture, fixture and fittings	308,039	87,900
Rented premises	1,387,496	184,546
Office equipments	3,264,464	2,894,579
Computer maintenance	6,524,044	3,539,297
Motor vehicles	1,422,654	1,851,320
	<u>12,906,697</u>	<u>8,557,642</u>
	<u>37,050,727</u>	<u>38,756,344</u>

32. Other expenses

Bank charges, brokerage and commission	873,710	390,771
Charges for Cheque Book vault	100,000	120,000
Membership fees	840,230	1,118,050
Entertainment	2,580,269	2,170,680
Security	7,930,681	5,611,682
Traveling and conveyance	3,641,035	4,373,466
Car fuel expenses	3,937,056	3,289,006
Card centre charges	1,408,196	6,293,799
Amortization of software	5,388,680	4,762,404
Loss on disposal of fixed assets	-	67,633
	<u>26,699,857</u>	<u>28,197,491</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
33. Tax expenses (credit)		
Current tax expenses	61,019,405	7,122,000
Deferred tax (credit)	(2,026,647)	(9,604,906)
	<u>58,992,758</u>	<u>(2,482,906)</u>
Reconciliation of effective tax rate:		
Profit before provision and tax as per profit and loss account	212,928,462	68,047,027
Income tax using the tax rate @ 42.5%	90,494,596	28,919,986
Factors affecting the tax charge for current period		
Non-deductible expenses	15,194,859	54,766,289
Deductible expenses	(23,731,575)	(10,080,575)
Effect of carry forward prior years tax losses	(18,460,725)	(60,734,200)
Effect of different tax rate for dividend	-	(1,298,475)
Tax exempt income	(2,477,750)	(4,451,025)
Movement of temporary difference	(2,026,647)	(9,604,906)
Total tax expenses (credit)	<u>58,992,758</u>	<u>(2,482,906)</u>
34. Interest receipts		
Interest/profit receivable as at 1 January	53,342,367	43,744,949
Interest/profit accrued during the year:		
Interest on loans and advances	485,325,970	545,646,231
Share of profit from financing and discount	209,524,549	269,338,391
Interest on placements with banks	94,960,197	169,183,431
	789,810,716	984,168,053
Interest/profit receivable as at 31 December	(87,158,354)	(53,342,367)
	<u>755,994,729</u>	<u>974,570,635</u>
35. Interest payments		
Interest/profit payable as at 1 January	177,976,777	155,865,745
Interest/profit charged during the year		
Interest on deposit	459,820,839	470,506,287
Profit shared on Modaraba Deposits	310,257,547	305,270,793
Interest on borrowings	52,651,387	6,772,931
	822,729,773	782,550,011
Interest/profit payable as at 31 December	(146,981,875)	(177,976,777)
	<u>853,724,675</u>	<u>760,438,979</u>
36. Fees and commission receipts	<u>32,461,018</u>	<u>34,895,480</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
37. Payment to employees		
Country Head's salaries and allowances	17,112,131	15,850,159
Salaries and allowances	213,714,957	192,645,517
Gratuity:		
Country Head	(680,350)	(605,350)
Employees	(7,129,650)	(5,885,454)
	<u>223,017,088</u>	<u>202,004,872</u>
38. Payments to suppliers		
Balance as at 1 January		
Accrued expenses	4,437,826	3,071,513
Accounts payable - others	126,500	157,728
Provision for audit and consultancy fees	1,994,625	1,500,000
	<u>6,558,951</u>	<u>4,729,241</u>
Charged during the year		
Stationery, printing, advertisements etc.	10,588,984	10,627,319
Rent, taxes, insurance, electricity etc.	110,903,298	94,700,566
Postage, stamp, telecommunication etc.	9,453,278	9,362,232
Legal expenses	315,565	1,650,044
Auditors' fees	600,000	474,375
	<u>131,861,125</u>	<u>116,814,536</u>
Balance as at 31 December		
Accrued expenses	(3,985,721)	(4,437,826)
Accounts payable - others	(128,000)	(126,500)
Provision for audit and consultancy fees	(821,000)	(1,994,625)
	<u>(4,934,721)</u>	<u>(6,558,951)</u>
	<u>133,485,355</u>	<u>114,984,826</u>
39. Income tax paid	<u>6,754,666</u>	<u>3,150,878</u>
40. Receipts from other operating activities		
Other operating income	36,261,137	33,033,791
Exchange earnings	84,959,035	95,718,892
Investment income	518,612,626	95,416,103
Gain on disposal of fixed assets	(2,827,718)	(1,000)
Gain on sale of securities/shares	(201,934,798)	(10,473,105)
	<u>435,070,282</u>	<u>213,694,681</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
41. Payments for other operating activities		
Repairs of Bank's assets	12,601,134	8,557,642
Other expenses	26,699,857	28,197,491
Gratuity:		
Country Head	680,350	605,350
Employees	7,129,650	5,885,454
Adjustment for amortization of software	(5,388,680)	(4,762,404)
	<u>41,722,311</u>	<u>38,483,533</u>
42. Movement of loans and advances/investments to customers		
Balance as at 31 December	6,580,837,872	5,502,595,325
Balance as at 1 January	(5,502,595,325)	(5,840,804,945)
Decrease	<u>1,078,242,547</u>	<u>(338,209,620)</u>
43. Movement of other assets		
(Increase)/decrease in other assets which are not considered elsewhere		
- Stationery, stamps, printing materials, etc.	681,257	(3,184,036)
- Advance rent and advertisement	(29,117,843)	(6,368,504)
- Preliminary, formation and organisational expenses, renovation, development and prepaid expenses	(8,176,105)	3,455,576
- Branch adjustment	7,284,775	47,536
- Others	2,844,380	(30,545,923)
Adjustments for-		
- Amortization of preliminary expenses	(7,500)	(371,234)
- Deferred tax assets	-	-
- Advance income tax - net of provision for tax	6,754,666	(3,971,122)
- Intangible asset (Computer Software)	(5,388,680)	1,320,595
- Net of profit on Morabaha	(9,737,461)	7,175,350
(Decrease)/Increase	<u>(34,862,511)</u>	<u>(32,441,762)</u>
44. Movement of deposits and other accounts from banks		
Balance as at 31 December	423,362,567	103,600,259
Balance as at 1 January	(103,600,259)	(2,083,702)
Increase	<u>319,762,308</u>	<u>101,516,557</u>
45. Movement of deposits and other accounts from customers		
Balance as at 31 December	7,991,365,399	7,990,512,888
Balance as at 1 January	(7,990,512,888)	(7,548,045,133)
Increase/(Decrease)	<u>852,511</u>	<u>442,467,755</u>



	<u>2013</u> <u>Taka</u>	<u>2012</u> <u>Taka</u>
46. Movement of other liabilities		
Increase/(decrease) in other liabilities which are not considered elsewhere		
- Interest suspense account	23,524,475	13,940,646
- Withholding tax on interest on deposits	10,090,755	2,670,427
- Withholding tax	(1,364,400)	2,058,145
- Withholding VAT	245,905	116,632
- Provision for leave fare allowance	(400,861)	543,902
- Excise duty	1,316,226	(7,919)
- SLR Charges payable to Bangladesh Bank	(42,216)	(139,742)
- Advance commission on Letter of Guarantee (L/G)	(71,166)	(600,020)
- Miscellaneous	616,042	512,335
Increase/(Decrease)	<u>33,914,760</u>	<u>19,094,406</u>
47. Proceeds from sale/redemption of securities		
Proceeds from sale of securities	183,371,008	594,328,966
Redemption of preference shares		
United Hospital Limited	-	-
STS Holding Limited	-	10,000,000
Brac Bank Limited	-	100,000,000
	-	110,000,000
Redemption of zero coupon bond		
IDLC Finance Limited	-	-
Orascom Telecom Bangladesh Limited	30,000,000	30,000,000
	30,000,000	30,000,000
Proceed from maturity of treasury bill	-	-
	<u>213,371,008</u>	<u>734,328,966</u>
48. Payment for purchase of securities		
Held-for-trading securities (Treasury Bond)	(647,936,750)	(513,211,637)
Held-to-maturity securities (Treasury Bond)	(435,824,507)	(628,735,507)
	<u>(1,083,761,257)</u>	<u>(1,141,947,144)</u>
49. Sale of fixed assets		
Sale of fixed assets	<u>2,925,334</u>	<u>15,000</u>



50. General

50.1 Related parties

Transactions with key management personnel

Key management personnel have transacted with the Bank during the year as follows:

	<u>2013</u>	<u>2012</u>
	<u>Taka</u>	<u>Taka</u>
House finance	45,872,618	7,251,133
Car finance	29,323,538	3,227,351
	<u>75,196,156</u>	<u>10,478,484</u>

Key management personnel compensation for the year comprised:

	<u>2013</u>	<u>2012</u>
	<u>Taka</u>	<u>Taka</u>
Short-term employee benefits	77,839,100	65,100,611
Providend fund	3,420,106	2,884,781
Gratuity	2,830,389	2,032,682
	<u>84,089,595</u>	<u>70,018,074</u>

Other related party transactions

As on reporting date Bank has related party transaction to only one client Warid Telecom International Limited on account of Letter of Guarantee 380.147 million with 100% cash margin.

50.2 Number of employees

The number of employees engaged for the whole year or part thereof who received a total yearly remuneration of Tk 36,000 or above were 138 (2012: 148).

50.3 Highlights on the overall activities

Highlights on the overall activities of the Bank have been furnished in Annexure - A.

50.4 Employee related fraud

There was no fraud occurred/reported to Bangladesh Bank during the year 2013.

50.5 Events after the reporting period

None.



Annexure-A

**Bank Alfalah Limited
Bangladesh Operations**

**Highlights on the overall activities
as at and for the year ended 31 December 2013**

Sl no.	Particulars		2013	2012
1	Paid-up capital	Taka	4,423,756,326	4,479,334,485
2	Total capital	Taka	4,472,304,649	4,698,400,397
3	Capital surplus	Taka	472,304,649	698,400,397
4	Total assets	Taka	15,228,266,293	13,417,569,317
5	Total deposits	Taka	8,414,727,966	8,094,113,147
6	Total loans and advances/investments	Taka	6,580,837,872	5,502,595,325
7	Total contingent liabilities and commitments	Taka	3,155,259,956	3,077,290,990
8	Credit/investment deposit ratio		78.21%	67.98%
9	Percentage of classified loans/investments against total loans and advances/investments		8.79%	6.16%
10	Operating Profit/Profit before provision	Taka	212,928,462	68,047,027
11	(Loss)/profit after tax and provision	Taka	(169,476,009)	25,928,392
12	Amount of classified loans/investments	Taka	578,473,121	339,173,505
13	Provisions kept against classified loans/investments	Taka	392,407,643	72,758,422
14	Provision surplus/(deficit) against classified loans/investments	Taka	-	-
15	Cost of fund		9.20%	10.00%
16	Interest earning assets	Taka	13,541,197,666	12,055,508,330
17	Non-interest earning assets	Taka	1,687,068,627	1,362,060,987
18	Return on investment (ROI)		11.10%	9.11%
19	Return on assets (ROA) [PAT/ Average assets]		-1.11%	0.20%
20	Income from investment	Taka	518,612,626	95,416,103
21	Earnings per share	Taka	Not applicable	Not applicable
22	Net income per share	Taka	Not applicable	Not applicable
23	Price earning ratio	Times	Not applicable	Not applicable



Bank Alfalah Limited
Bangladesh Operations

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	Above 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets:						
Cash	174,977,533	-	-	-	2,677,370,846	2,852,348,379
Balance with other banks and financial institutions	-	740,391,530	-	-	-	740,391,530
Money at call and on short notice	-	-	-	-	-	-
Investments	216,400	1,036,336,483	1,781,655,068	1,710,975,274	54,780,611	4,583,963,836
Loans and advances / investments	1,416,915,625	1,406,239,874	3,579,529,500	178,152,873	-	6,580,837,872
Fixed assets including premises, furniture and fixtures	-	-	-	48,768,541	-	48,768,541
Other assets	12,992,981	13,970,914	178,520,680	216,471,560	-	421,956,135
Non banking assets	-	-	-	-	-	-
Total assets (A)	1,605,102,539	3,196,938,801	5,539,705,248	2,154,368,248	2,732,151,457	15,228,266,293
Liabilities:						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	1,350,000,000	-	-	-	-	1,350,000,000
Deposits	2,484,305,472	3,647,429,662	658,691,758	1,624,301,074	-	8,414,727,966
Provision and other liabilities	13,743,478	9,972,186	405,224,472	628,019,591	-	1,056,959,727
Total liabilities (B)	3,848,048,950	3,657,401,848	1,063,916,230	2,252,320,665	-	10,821,687,693
Net liquidity gap (A - B)	(2,242,946,411)	(460,463,047)	4,475,789,018	(97,952,417)	2,732,151,457	4,406,578,600



Bank Alfalah Limited
Bangladesh Operations

Balance with other banks - Outside Bangladesh (Nostro Accounts)
as at 31 December 2013

Name of the Bank	Currency type	2013			2012		
		FC amount	Exchange rate	Equivalent Taka	FC amount	Exchange rate	Equivalent Taka
Standard Chartered Bank, New York	USD	69,456.32	77.75	5,400,229	315,933.00	79.75	25,196,381
Standard Chartered Bank, Kolkata	ACUD	4,222.20	77.75	328,276	97,969.00	79.75	7,813,289
Bank Alfalah Limited, Karachi	ACUD	9,067.37	77.75	704,988	9,067.00	79.76	723,145
Standard Chartered Bank, London	GBP	2,514.13	128.09	322,035	5,231.00	129.18	675,765
Standard Chartered Bank, Frankfurt	EURO	8,170.28	106.82	872,749	2,626.00	105.64	277,412
Commerzbank, Frankfurt	EURO	8,362.80	106.82	893,314	3,482.00	105.64	367,826
HSBC, New York	USD	-	-	-	261,499.00	79.75	20,855,147
Union De Banques Arabes ET Francaises Japan	YEN	40,753.00	0.74	30,157	40,753.00	0.93	37,872
				8,551,748			55,946,837



Particulars	Cost				Rate of dep.	Depreciation			Written down value as at 31 December 2012
	Balance as at 1 January 2012	Additions during the year	Disposal during the year	Balance as at 31 December 2012		Charged during the year	Adjustment for disposal during the year	Balance as at 31 December 2012	
Furniture, fixture and fittings	38,796,025	476,260	(393,795)	38,878,490	10	1,970,788	(312,162)	29,358,786	9,519,704
Office equipments	85,837,244	2,700,778	(48,631,250)	39,906,772	20	4,080,620	(17,831,458)	32,118,595	7,788,177
Staff equipments	13,500	-	-	13,500	20	-	-	13,500	-
Computer and related equipment	88,185,772	2,963,600	-	91,149,372	25	14,969,796	-	72,838,054	18,311,318
Motor vehicles	30,899,410	-	-	30,899,410	25	27,282,430	2,049,396	29,331,826	1,567,584
Leasehold improvement	60,880,184	3,849,318	-	64,729,502	20	49,889,997	7,128,102	57,018,999	7,711,403
	304,612,135	9,989,956	(49,025,045)	265,577,046		208,623,778	(18,143,620)	220,678,860	44,898,186

Annexure-E**Bank Alfalah Limited
Bangladesh Operations****Schedule of head office fund**

<u>Deposited date</u>	<u>USD Dollar</u>	<u>2013</u>	<u>2012</u>
		<u>Amount</u> <u>Taka</u>	<u>Amount</u> <u>Taka</u>
6 May 1997	2,400,000.00	191,277,677	193,680,806
30 December 2002	2,000,000.00	159,398,064	161,400,672
13 April 2005	11,480,000.00	914,944,887	926,439,855
30 June 2008	5,135,531.14	409,296,861	414,439,088
29 June 2009	6,154,068.93	490,473,336	496,635,429
30 December 2009	1,733,352.59	138,146,524	139,882,136
3 October 2011	26,602,819.90	2,120,218,977	2,146,856,499
	<u>55,505,772.56</u>	<u>4,423,756,326</u>	<u>4,479,334,485</u>



Bank Alfalah Limited
Bangladesh Operations

Currency Analysis
as at 31 December 2013

The table below summarises the currency-wise analysis of assets and liabilities as at 31 December 2013. The Bank's assets and liabilities are included in their carrying amounts in Bangladesh Taka, broken down by currency.

Particulars	Balance as at 31 December 2013 in					Total Taka
	Taka	Equivalent Taka of USD	Equivalent Taka of GBP	Equivalent Taka of EURO	Equivalent Taka of JPY	
ASSETS						
Cash in hand	115,598,229	2,696,681	-	-	-	118,294,910
Balance with Bangladesh Bank and its agent bank	519,359,522	2,214,679,651	4,256	9,538	502	2,734,053,469
Balance with other banks and financial institutions	684,444,694	54,587,961	675,765	645,238	37,872	740,391,530
Money at call and short notice	-	-	-	-	-	-
Investments	4,583,963,836	-	-	-	-	4,583,963,836
Loans and advances	6,580,837,872	-	-	-	-	6,580,837,872
Fixed assets	48,768,541	-	-	-	-	48,768,541
Other assets	421,956,135	-	-	-	-	421,956,135
Non-banking assets	-	-	-	-	-	-
Total assets (A)	12,954,928,829	2,271,964,293	680,021	654,776	38,374	15,228,266,293
LIABILITIES						
Borrowings from other banks, financial Institutions and agents	1,350,000,000	-	-	-	-	1,350,000,000
Deposit	8,179,746,070	234,921,053	60,843	-	-	8,414,727,966
Other liabilities	1,056,959,727	-	-	-	-	1,056,959,727
Total liabilities (B)	10,586,705,797	234,921,053	60,843	-	-	10,821,687,693
Net position (A-B)	2,368,223,032	2,037,043,240	619,178	654,776	38,374	4,406,578,600

