

**Bank Alfalah Limited  
Bangladesh Operations**

**Independent Auditors' Report and Financial Statements  
as at and for the Year ended December 31, 2014**

**Submitted by  
Howladar Yunus & Co.  
Chartered Accountants**

**March 25, 2015**

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# Howladar Yunus & Co.

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## **Independent Auditors' 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 December 31, 2014, 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**

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 Companies Act, 1991 as amended and the Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

### **Auditors' Responsibility**

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



# Howladar Yunus & Co.

## Opinion

In our opinion, the financial statements of the bank give a true and fair view of the financial position of the Bank as at December 31, 2014, 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 as amended and the rules and regulations issued by Bangladesh Bank, we also report the following:

- a. we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b. to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to the Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:
  - i. internal audit, internal control and risk management arrangements of the Bank as disclosed in note 3.25 of the financial Statements appeared to be adequate;
  - ii. nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities and also disclosed in note 3.25.8;
- 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 and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- d. the balance sheet and 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 the 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 have spent around 1050 person hours for the audit of the books and accounts of the Bank.

  
Chartered Accountants

Dated: Dhaka  
March 25, 2015

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Balance Sheet**  
as at December 31, 2014

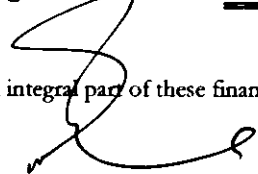
	Note	2014 Taka	2013 Taka
<b><u>PROPERTY AND ASSETS</u></b>			
<b>Cash</b>			
Cash in hand (Including foreign currencies)	4	1,210,652,961	2,852,348,379
Balance with Bangladesh Bank and its agent bank (Including foreign currencies)		161,664,079 1,048,988,882	118,294,910 2,734,053,469
<b>Balance with other banks and financial institutions</b>			
In Bangladesh	5	1,108,106,810	740,391,530
Outside Bangladesh		1,065,060,672 43,046,138	731,839,782 8,551,748
<b>Money at call on short notice</b>	6	-	-
<b>Investments</b>			
Government	7	6,135,257,577	4,583,963,836
Others		6,135,257,577 -	4,523,963,836 60,000,000
<b>Loans and Advances/Investments</b>			
Loans, Cash credit, Overdrafts etc./Investments	8	7,508,280,374	6,580,837,872
Bills purchased and discounted		7,045,142,560 463,137,814	5,941,742,207 639,095,665
<b>Fixed assets including premises, furniture and fixtures</b>	9	57,667,569	48,768,541
<b>Other assets</b>			
<b>Non-banking assets</b>	10	534,003,748	421,956,135
<b>Total Assets</b>		<u>16,553,969,039</u>	<u>15,228,266,293</u>
<b><u>LIABILITIES AND CAPITAL</u></b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	11	800,000,000	1,350,000,000
<b>Deposits and other accounts</b>			
Current Accounts and other Accounts	12	9,752,030,617	8,414,727,966
Bills Payable		1,030,282,816 97,861,235	891,629,537 45,436,667
Savings Bank Deposits		3,027,360,139	1,801,165,291
Fixed Deposits		5,596,526,427	5,676,496,471
<b>Other liabilities</b>			
<b>Total Liabilities</b>	13	<u>1,329,236,088</u> <u>11,881,266,705</u>	<u>1,056,959,727</u> <u>10,821,687,693</u>
<b>Capital/Shareholders' Equity</b>			
Head Office Fund	14	4,420,627,471	4,423,756,326
Other Reserves	15	70,151,540	27,617,387
Surplus in Profit and Loss A/C	16	181,923,322	(44,795,113)
<b>Total Shareholders' Equity</b>		<u>4,672,702,333</u>	<u>4,406,578,600</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>16,553,969,039</u>	<u>15,228,266,293</u>



<b><u>OFF-BALANCE SHEET ITEMS</u></b>	<b><u>Note</u></b>	<b><u>2014</u></b> <b><u>Taka</u></b>	<b><u>2013</u></b> <b><u>Taka</u></b>
<b>Contingent liabilities</b>		<b>2,283,233,495</b>	<b>2,726,636,156</b>
Acceptances & Endorsements		628,935,983	1,035,328,181
Letters of Guarantee	17	585,085,744	583,167,204
Irrevocable Letters of Credit	18	643,555,160	631,844,844
Bills for Collection		352,381,608	323,170,927
Other Contingent Liabilities (Bangladesh Sanchaypatra)		73,275,000	153,125,000
<b>Other commitments</b>		<b>547,822,900</b>	<b>428,623,800</b>
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		547,822,900	428,623,800
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b><u>2,831,056,395</u></b>	<b><u>3,155,259,956</u></b>

The annexed notes form an integral part of these financial statements

  
Abu Noyem Md. Khasru  
Head of Finance & Admin.

  
Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head

  
S.A.A. Masrur  
Country Head

As per our annexed report of even date

  
Chartered Accountants

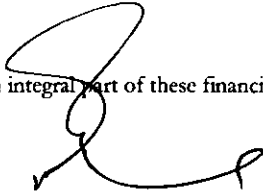
Dated: Dhaka  
March 25, 2015

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Profit and Loss Account**  
**for the year ended December 31, 2014**

	<b>Note</b>	<b>2014 Taka</b>	<b>2013 Taka</b>
Interest income/profit on investments	20	826,527,926	789,810,716
Interest paid/profit shared on deposits and borrowings etc.	21	(785,223,512)	(822,729,773)
<b>Net interest/(expenses)/net profit on investments</b>		<b>41,304,414</b>	<b>(32,919,057)</b>
Investment income	22	747,651,062	518,612,626
Commission, exchange and brokerage	23	120,255,690	117,420,053
Other operating income	24	29,910,949	36,261,137
		<u>897,817,701</u>	<u>672,293,816</u>
<b>Total operating income</b>		<b>939,122,115</b>	<b>639,374,759</b>
Salaries and allowances	25	204,909,848	213,714,957
Rent, taxes, insurance, electricity etc.	26	118,305,739	110,903,298
Legal expenses	27	1,547,182	315,565
Postage, stamp, telecommunication etc.	28	9,866,798	9,453,278
Stationery, Printing, Advertisements etc.	29	11,128,922	10,588,984
Country Head's salary and allowances	30	19,146,427	17,112,131
Amortization of perpetrating expenses		-	7,500
Auditors' fees		553,150	600,000
Depreciation and repair of bank's assets	31	31,124,462	37,050,727
Other expenses	32	35,715,900	26,699,857
<b>Total operating expenses</b>		<b>432,298,428</b>	<b>426,446,297</b>
<b>Profit before provision</b>		<b>506,823,687</b>	<b>212,928,462</b>
Provision for loans and advances/investments	33	60,400,258	325,544,608
General provision		13,124,501	5,895,387
Specific provision		47,275,757	319,649,221
Provision for off-balance sheet items released		5,807,163	(2,132,895)
Provision for diminution in value of investments		-	-
Other provisions		-	-
<b>Total provision</b>		<b>66,207,421</b>	<b>323,411,713</b>
<b>Total (loss)/profit before tax</b>		<b>440,616,266</b>	<b>(110,483,251)</b>
Provision for taxation	34	213,897,831	58,992,758
Current		205,787,754	61,019,405
Deferred		8,110,077	(2,026,647)
<b>Net (loss)/profit after tax</b>		<b>226,718,435</b>	<b>(169,476,009)</b>

The annexed notes form an integral part of these financial statements

  
Head of Finance & Admin.

  
Country Operations Head

  
Country Head

As per our annexed report of even date

  
Chartered Accountants

Dated: Dhaka  
March 25, 2015

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Statement of Changes in Equity**  
**for the year ended December 31, 2014**

	<u>Head Office Fund</u> <u>Taka</u>	<u>Other Reserve</u> <u>Taka</u>	<u>Profit and Loss</u> <u>Taka</u>	<u>Total</u> <u>Taka</u>
<b>Balance as at January 01, 2014</b>	<b>4,423,756,326</b>	<b>27,617,387</b>	<b>(44,795,113)</b>	<b>4,406,578,600</b>
Changes in accounting policy				
Restated balance	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	42,534,153	-	42,534,153
Currency translation difference	(3,128,855)	-	-	(3,128,855)
Net gains and losses not recognized in the income statement				
Net profit for the period	-	-	226,718,435	226,718,435
<b>Balance as at December 31, 2014</b>	<b>4,420,627,471</b>	<b>70,151,540</b>	<b>181,923,322</b>	<b>4,672,702,333</b>
<b>Balance as at January 01, 2013</b>	<b>4,479,334,485</b>	<b>37,225,516.00</b>	<b>124,680,896</b>	<b>4,641,240,897</b>
Changes in accounting policy				
Restated balance	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	(9,608,129)	-	(9,608,129)
Currency translation difference	(55,578,159)	-	-	(55,578,159)
Net gains and losses not recognized in the income statement				
Net profit for the period	-	-	(169,476,009)	(169,476,009)
<b>Balance as at December 31, 2013</b>	<b>4,423,756,326</b>	<b>27,617,387</b>	<b>(44,795,113)</b>	<b>4,406,578,600</b>





**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Cash Flow Statement**  
**for the year ended December 31, 2013**

	Note	2014 Taka	2013 Taka
<b>Cash flows from operating activities</b>			
Interest receipts	35	858,724,186	755,994,729
Interest payments	36	(827,532,153)	(853,724,675)
Fees and commission receipts	37	28,408,056	32,461,018
Payments to employees	38	(221,764,357)	(223,017,088)
Payments to suppliers	39	(141,147,966)	(133,485,355)
Income taxes paid	40	(126,885,934)	(6,754,666)
Receipts from other operating activities	41	833,799,444	435,070,282
Payments for other operating activities	42	(44,072,299)	(41,722,311)
<b>Operating (loss)/profit before changes in operating assets and liabilities</b>		<b>359,528,977</b>	<b>(35,178,066)</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Loans and advances to customers	43	(927,442,502)	(1,078,242,547)
Other assets	44	(22,496,097)	(34,862,511)
Deposits from other banks	45	448,996,973	319,762,308
Deposits from customers	46	888,305,678	852,511
Other liabilities	47	12,823,327	33,914,760
		<b>400,187,379</b>	<b>(758,575,479)</b>
<b>Net cash (used to)/from operating activities</b>		<b>759,716,356</b>	<b>(793,753,545)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale/redemption of securities	48	159,546,967	213,371,008
Payment for purchase of securities	49	(3,205,452,148)	(1,083,761,257)
Purchase of fixed assets and intangible assets		(28,820,865)	(28,417,533)
Sale of fixed assets	50	-	2,925,334
<b>Net cash from investing activities</b>		<b>(3,074,726,046)</b>	<b>(895,882,448)</b>
<b>Cash flows from financing activities</b>			
		-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,315,009,690)</b>	<b>(1,689,635,993)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>4,964,247,859</b>	<b>6,709,462,011</b>
Effects of exchange rate fluctuations on cash and cash equivalents held		(3,128,855)	(55,578,159)
<b>Cash and cash equivalents at end of the year</b>		<b>2,646,109,314</b>	<b>4,964,247,859</b>
<b>Cash and cash equivalents at end of the year represent</b>			
Cash in hand (including foreign currencies)		161,664,079	118,294,910
Call borrowing		(800,000,000)	(1,350,000,000)
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		1,048,988,882	2,734,053,469
Balance with other banks and financial institutions		1,108,106,810	740,391,530
Money at call and on short notice		-	-
Treasury bills		1,127,339,343	2,721,291,550
Bangladesh Bank bill		-	-
Prize bond		10,200	216,400
		<b>2,646,109,314</b>	<b>4,964,247,859</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Notes to the Financial Statements**  
**as at and for the year ended December 31, 2014**

**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 May 16, 2005 by acquiring Shamil Bank of Bahrain's Dhaka branch operations as a branch of the parent company. The Bank has 7 branches as on December 31, 2014. Except 1 Islamic Banking Branch, the rest 6 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.

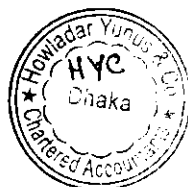
**Bangladesh Bank:** As per BRPD circular no. 14, dated June 25, 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value 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 recognized 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 amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized 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 (September 23, 2012), BRPD circular No. 19 (December 27, 2012) and BRPD circular No. 05 (May 29, 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 September 23, 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.
- xvi) **Recognition of interest in suspense**  
**BFRS:** Loans and advances to customers are generally classified as "loans and receivables" as per BAS 39 and interest income is recognized through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognized in profit and loss account on the same basis based on revised carrying amount.



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

## 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 amortization 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) 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 judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized 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 December 31, 2014.

## 2.6 Cash flow Statement

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

## 2.7 Statement of Changes in Equity

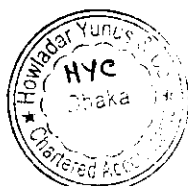
The Statement of changes in equity reflects information about the increase or decrease in net assets or wealth.

## 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 recognized in profit or loss except for exchange differences on "Head office fund", which is recognized directly in equity.

### 3.2 Interest income/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.

Interest/profit on fixed deposit with other banks are credited to income on accrual basis.

### 3.3 Investment Income

Income on investments is recognized on accrual basis. Investment income includes coupon profit on treasury bonds.

### 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 recognized on accrual basis. Other fees and commission income is recognized on a realization basis.

### 3.5 Dividends

Dividend income is recognized 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 recognized 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 recognized in profit or loss except to the extent that it relates to items recognized 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 recognized 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 recognized 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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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 realized.

Deferred tax relating to unrealized surplus on revaluation of held to maturity (HTM) and held for trade (HFT) securities are recognized directly in other reserve as a part of equity and is subsequently recognized 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 judgments about future events. New information may become available that causes the Bank to change its judgment 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 recognized at cost, including acquisition charges associated with the investment. Premiums are amortized and discounts are accreted.

#### 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 May 26, 2008, HFI securities are revaluated each week using Marking to Market concept and HTM securities are amortized once a year according to Bangladesh Bank guidelines.

Value of investments has been shown as under:

Government Treasury Bills and Bonds (HFI)	At present value (using marking to market concept)
Government Treasury Bills and Bonds (HTM)	At present value (using amortization concept)
Bangladesh Bank Bills (HFI)	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.

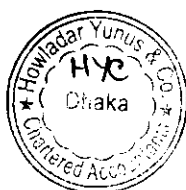
### 3.10 Loans, Advances/Investments and provisions

- Loans and advances of conventional Banking/Investments of Islamic Banking branches are stated in the Balance Sheet on gross value.
- 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 (September 23, 2012), BRPD circular No. 19 (December 27, 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>
<b>General provision on</b>	
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 SMF loan)	0.25%
<b>Specific provision on</b>	
Substandard loans and advances/investments	20%
Doubtful loans and advances/investments	50%
Bad/loss loans and advances/investments	100%

- 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 recognized 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 recognized 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 derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

#### 3.11.3 Depreciation

Depreciation is recognized 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%
Leasehold improvement	10%
Office equipments	20%
Staff equipments	20%
Computer and related equipments	25%
Motor vehicles	25%

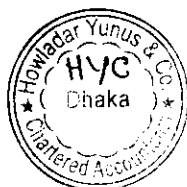
Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted, if appropriate.

### 3.12 Intangible assets - Software

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

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

Amortization is recognized 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, amortization is charged from the month of acquisition, whereas amortization 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 amortization is charged at the rate of 20% per annum.



Amortization 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 recognized 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 recognized 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 recognized but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognized in the financial statements as this may result in the recognition of income which may never be realized.

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

Interest paid and other expenses are recognized on accrual basis.

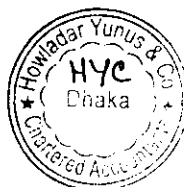
### **3.18 Profit shared on deposits (Islamic Banking)**

Profit shared to mudaraba deposits is recognized 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 Bank's liability on this account stands as on 31st December 2014 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 recognized 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 recognized 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 recognized in profit or loss. Impairment losses recognized 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 recognized 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 amortization, if no impairment loss had been recognized.



### 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

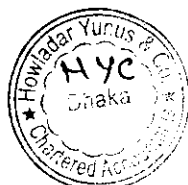
According to BRPD Circular No. 17 (7 October 2003) and BRPD Circular No.4 (5 March 2007) banks require to put in place an effective risk management system. Bangladesh Bank monitors the progress of implementation of these guidelines through its on-site inspection teams through routine inspection. The 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) oversees 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 of 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 (AML/D) that is centralized at the Country Office under the auspices of the CAMLCO. Additionally, the AML/D 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 2014 whereby all employees have been trained, while new employees are being brought/re-fresher 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 Security Risk**

Computers are getting more sophisticated. They have given banks a potential they could only dream about and have given bank customers high expectations. The changes that new technologies have brought to banking are enormous in their impact on officers, employees, and customers of banks. Advances in technology are allowing for delivery of banking products and services more conveniently and effectively than ever before - thus creating new bases of competition. Rapid access to critical information and the ability to act quickly and effectively will distinguish the successful banks of the future. The bank gains a vital competitive advantage by having a direct marketing and accountable customer service environment and new, streamlined business processes. Consistent management and decision support systems provide the bank that competitive edge to forge ahead in the banking marketplace.

### **IT Infrastructure in Bank Alfalah Limited Bangladesh**

Currently all seven branches across the country has it's own branch banking Application system (iSmart) which is running in each branch's are interconnected via high speed communication links to provide any branch banking services to it's 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 it's modern Banking Application System.



**BACH (Bangladesh Automated Cheque Clearing House)**

The Bank has successfully implemented the Bangladesh Bank Automated Cheque Clearing System BACPS . Due to implementation of BACH the clearing of Cheque takes place within 12 hours and the high value cheques are processed on the same day. Since all Bangladesh Bank offices are under BACH, the outstations cheques which used to take 7/8 days to clear now it cleared on next morning. BACH processing is done under the strict Bangladesh Bank guidance and observations to BACH data are encrypted and highly secured. The Bank is also connected to the BACH DR Side to meet any contingency.

**BEFTN (Bangladesh Electronic Fund Transfer Network)**

This is another Bangladesh Bank project BAL has successfully implemented the BEFTN System . The Bank is in the process of launching of Remittance Products very soon to facilitate migrants workers specially in the middle east for smooth remittance of their hard earn money in Bangladesh. Through the BEFTN the funds can be transferred on the same day at any bank branches across the country.

**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 it's 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 it's customer to access to ATM and POS machines across Bangladesh.

**Launch of Retail Banking Products:** The Bank has launched number of retail deposit products to facilitate low cost deposit mobilization.

**24/7 Call Centre Service for Customer Support:** To provide support for it's Debit cards and in future credit cards and to ATM's customers. The Bank has launched it's 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 products information's from Call Centre Agents.

**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 alerts are generated as soon as ATM withdrawal or Debit cards transactions are done via POS machines and the SMS is sent to the client registered mobile phone .

**DMS (Document Management System Implementation):** Bank Alfalah Bangladesh recently implemented the Document Management System(DMS) which 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 turn around time and better control over sensitive documents of the bank.

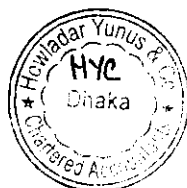
**Internet Banking :** The Bank is in the process of implementing the Internet Banking in Bangladesh. Through Internet Banking a customer can check his account balance, make utility bill payments, request for cheque books, transfer of funds etc. from the comfort of their home or office from smart phones.

**Connectivity with the NPSB Switch:** Connectivity with the NPSB Switch is in progress through NPSB switch connectivity, customers can withdraw money or make balance enquiry from any Banks ATM machine in Bangladesh.

**e-statements :** As part of our Green Banking Policy, customers accounts statements softcopy will be sent to the registered email address with password protection. This will reduce the use of papers and carbon emission in the atmosphere.

**Transaction Alerts:** Transaction alert will be sent to the registered mobile phone of the customer for any transactions done in customers account.

**The IT- Team :** The Bank IT team is comprised of talented and dedicated both young and experienced staffs having more than 23 years of experience in IT/ Operations filed in an International Bank.





### 3.25.7 Internal Audit

The Board of Directors have instituted an effective Internal Audit Division which not only monitors compliance with the bank's policies, procedures and controls and report significantly deviations regularly to the Board Audit Committee but also regularly reviews the adequacy of the Internal Control System.

The observations and weaknesses are addressed promptly and necessary steps are taken by the management to eliminate weaknesses.

### 3.25.8 Fraud & Forgeries

Bank has an effective mechanism in place to deal with any fraud & forgery. It has Fraud & Investigation Unit and Audit & Inspection Group at Head Office that reports to the Board through the Board's Audit Committee. Any instance of fraud/ forgery / misappropriation / embezzlement/ negligence etc. (with or without malafide intention) occurring during the normal course of business is reported & to safeguard's bank's interest, process of disciplinary action is taken. Bank has defined process to timely process disciplinary action case by conducting domestic inquiries for any of the offences listed in the policy.

During the period one instance of fraud was identified and duly communicated to Bangladesh Bank.

### 3.26 Corporate Social Responsibility

Bank Alfalah had always supported a range of CSR initiatives in the areas of education, health, community and environmental development. Bank Alfalah ever since its inception has been moderately taking part in promoting various initiatives and sponsored numerous social initiatives like the National Children's Immunization Program, post Hurricane donation to relief fund, 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 sole scholarship program in this period, which started from 2010 in collaboration with SMDF. Another BDT 1.0 Mio were disbursed during 2014 to continue the scholarship to 50 poor and needy student without which they were in high risk to drop out from school to contribute to their families' economic health. A few of the sponsored student appeared for SSC examination this year and all had passed SSC exam in one go with good GPA scores.

As part of community development initiatives, Bank Alfalah Limited under its CSR endeavors had provided funds for development of passenger shades at public bus stops and to supply road barricade processing equipments to Dhaka Metropolitan Police Department. In aid of city beatification initiatives of Sylhet City Corporation on wake of ICC T20 World Cup Tournament matches in the city, bank had contributed to the cause under its CSR initiatives. Bank had also disbursed an additional CSR fund against the undergoing 3 (three) yearlong Palm Tree Plantation Project in order to conduct seasonal monitoring / progress report on the palm trees that had been Planted last year. During the same period Bank Alfalah Limited had undertaken another CSR project at Sundarban region to provide stitching and tailoring training to 40 Nos. of native women of Dhangmari village located in the remote area of Sundarban. The project had been administered by Management and Resource Development Initiative (MRDI) and implemented by Green World Communications Limited.

In Bangladesh, almost every year severe cold wave leads to unbearable misery for poor people throughout the country, effecting mostly children and elderly people of the poorer segment of the society to the extent of unfortunate death due to cold. In response to such calamity of winter, people from all segments of the society as well as banks, financial institutes and other corporate bodies try their hard and soul to help these people to survive in this cold weather. Bank Alfalah Limited – Bangladesh Operations with no exceptions in this regard and for the last few years had initiated programs for providing blankets and warm cloths to these poor people as part of their CSR activities. This winter Bank Alfalah Limited had conducted similar CSR programs in 3 major districts of the country having its network presence i.e. in Dhaka, Chittagong & Sylhet and had distributed approximately over 1,300 Nos. of Blankets and 1,600 Nos. of Caps and Warm Cloths under the banks CSR program.



Besides, in view of ongoing energy crisis in the country and as advised by the honorable Governor of Bangladesh bank, we had installed ever first solar powered ATM booth in Bangladesh in October 2010 and had been maintaining the same since installation and this has set a good example of utilizing green energy. This is a silent, safe and simple power solution which also ensures pollution free environment and reduce emanation green house gases.

### 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	BAS-20	Not Applicable
Government Assistance	BAS-21	Applied
The Effects of Changes in Foreign Exchange Rates	BAS-23	Applied
Borrowing Costs	BAS-24	Applied
Related Party Disclosures	BAS-26	Not Applicable
Accounting and Reporting by Retirement Benefit Plans	BAS-27	Not Applicable
Consolidated and Separate Financial Statements	BAS-28	Not Applicable
Investments in Associates	BAS-29	Not Applicable
Financial Reporting in Hyperinflationary Economies	BAS-32	Applied with some departure note 2.1
Financial Instruments: Presentation	BAS-33	Not Applicable
Earnings Per Share	BAS-34	Applied
Interim Financial Reporting		



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 2013.

Particulars	Date of Rating	Long term	Short term
Entity Rating	24-Jun-14	A2	ST-2

Credit Rating Agency of Bangladesh Limited (CRAB) has retained A2 (Pronounced Single A two) rating in the Long Term Rating 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 2013 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 recognized amounts and it intends either to settle on a net basis or to realize 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

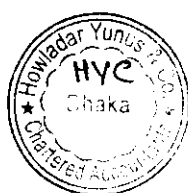
The Bank has no identified operating segment and as such presentation of segmental reporting is not made in the financial statements as per BFRS 8.

### 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 2014.

### 3.32 Green Banking

Green banking refers to the efforts of the Banking sector to keep the environment green and to minimize greenhouse effects through rationalizing their strategies, policy, decisions and actions pertaining to banking service, business and internal operational activities. Green banking may be seen as a part of the global initiative from Banks end to save environment. Green banks or environmentally responsible banks do not only develop and step forward their own principles but also exert socially responsible behavior of other business. 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:



- 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. Recently our new ATM in Motijheel has been launched with green banking facilities.
- We are in the process of launching Internet Banking, E-statement, SMS Alert, BERTN services to reduce the usage of printing papers for our valued customers.
- We are launching "Video Conferencing" through "IP Phone" to initiate meeting in lieu of physical travel which would help saving cost and energy.
- Personal Identification Number (PIN) delivery for cards has in the past been a costly and inconvenient paper-based process. Customers wait for delivery of paper PIN that can be delayed due to a variety of reasons. To address the issue, Retail Banking team explored alternate mediums for PIN delivery and developed a new PIN setting via phone banking solution i.e. customer selects their own PIN upfront via the phone. It's convenient, near instantaneous, secure and paperless

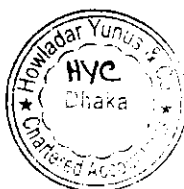
Funded a 3 year long Palm Tree Plantation project in the cyclone affected coastal area addressing the effect of global warming on coastal people. The project will help the inhabitants of the region to cope with such natural calamity as well as will gain financially from the palm plantation harvests.

### 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 2014. 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) **Notation 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 Audit Committee**

Mr. Abdullah Khalil Al Mutawa	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Nadeem Iqbal Sheikh	Director
Mr. Yasar Rashid	Secretary

**3.35 Date of Authorization**

The financial statements were authorized for issue by the senior management of the Bank, Bangladesh Operations on March 20, 2015.

**3.36 General**

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



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>4 Cash</b>		
<b>In hand</b>		
Local currency	158,754,182	115,598,229
Foreign currency	2,909,897	2,696,681
	<u>161,664,079</u>	<u>118,294,910</u>
<b>Balance with Bangladesh Bank and its agent Bank</b>		
Local currency	604,071,837	519,359,520
Foreign currency	444,917,045	2,214,693,949
	<u>1,048,988,882</u>	<u>2,734,053,469</u>
	<u>1,210,652,961</u>	<u>2,852,348,379</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 & 5, dated 1 December 2010, MPD circular no. 2, dated 10 December 2013 and MPD Circular no. 1, dated 23 June 2014, DOS Circular no. 1, dated 19 January 2014.

The statutory Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 6.5% for both conventional and Islamic banking has been calculated and maintained with Bangladesh Bank in current account and 13% and 5.5% Statutory Liquidity Requirement for conventional and Islamic banking respectively 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:

**4.2 i) Cash Reserve Requirement (CRR) for Conventional Banking**  
**6.5% of average Demand and Time Liabilities**

Required reserve	360,726,730	294,141,516
Actual reserve held	393,194,835	321,239,676
<b>Surplus</b>	<u>32,468,105</u>	<u>27,098,160</u>

**ii) Cash Reserve Requirement (CRR) for Islamic Banking**

**6.5% of average Demand and Time Liabilities**

Required reserve	206,197,875	191,098,884
Actual reserve held	211,596,946	195,000,000
<b>Surplus</b>	<u>5,399,071</u>	<u>3,901,116</u>

**4.3 i) Statutory Liquidity Requirement (SLR) for Conventional Banking**

**13% of required Average Demand and Time Liabilities**

Required reserve	721,453,460	931,448,134
Actual reserve held	2,590,955,131	2,741,712,872
<b>Surplus</b>	<u>1,869,501,671</u>	<u>1,810,264,738</u>

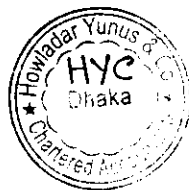
**Held for Statutory Liquidity Requirement**

Cash in hand	91,873,247	76,074,722
Balance with Bangladesh Bank as per statement	393,194,835	321,239,676
Treasury bills (HFT)	165,522,581	1,517,186,202
Treasury bonds (HTM) without lien	155,800,000	155,800,000
Treasury bonds (HFT)	1,784,554,268	671,195,872
Bangladesh Bank Bill (HFT)	-	-
Prize bond	10,200	216,400
	<u>2,590,955,131</u>	<u>2,741,712,872</u>

**ii) Statutory Liquidity Requirement (SLR) for Islamic Banking**

**5.5% of required Average Demand and Time Liabilities**

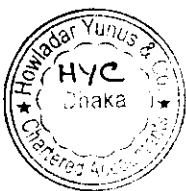
Required reserve	174,475,125	366,272,861
Actual reserve held	380,673,010	366,273,000
<b>Surplus</b>	<u>206,197,885</u>	<u>139</u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>Held for Statutory Liquidity Requirement:</b>		
Cash in hand	69,790,832	42,220,188
Balance with Bangladesh Bank as per statement	211,596,946	195,000,000
Foreign currency used in BDT	99,285,232	129,052,812
	<u>380,673,010</u>	<u>366,273,000</u>
<b>5 Balance with other banks and financial institutions</b>		
In Bangladesh (Note 5.1)	1,065,060,672	731,839,782
Outside Bangladesh (Note 5.2)	43,046,138	8,551,748
	<u>1,108,106,810</u>	<u>740,391,530</u>
<b>5.1 Inside Bangladesh</b>		
<b>Current account</b>		
Janata Bank Limited - Foreign Exchange Branch	6,629	7,390
Islami Bank Bangladesh Limited	28,241	28,936
Sonali Bank Limited	13,835	14,986
The Trust Bank Limited	17,209	18,758
Brac Bank Limited	3,083,366	2,080,463
Standard Chartered Bank	5,816,160	3,256,703
	<u>8,965,440</u>	<u>5,407,236</u>
<b>Mudaraba saving deposit</b>		
Dhaka Bank Limited	31,078	29,843
Prime Bank Limited	267,739	6,288
	<u>298,817</u>	<u>36,131</u>
<b>Mudaraba Term deposit:</b>		
Social Islami Bank Limited	350,000,000	-
	<u>350,000,000</u>	<u>-</u>
<b>Term deposit</b>		
ICB Islamic Bank Limited	5,796,415	6,396,415
National Bank of Pakistan	700,000,000	420,000,000
The City Bank Limited	-	300,000,000
	<u>705,796,415</u>	<u>726,396,415</u>
	<u>1,065,060,672</u>	<u>731,839,782</u>
<b>5.2 Outside Bangladesh</b>		
<b>Current account</b>		
Standard Chartered Bank, New York	36,581,011	5,400,229
Standard Chartered Bank, Kolkata	3,419,440	328,276
Bank Alfalah Limited, Karachi	706,801	704,988
Standard Chartered Bank, London	1,629,164	322,035
Standard Chartered Bank, Frankfurt	63,843	872,749
Commerz bank, Frankfurt	620,170	893,314
Hongkong and Shanghai Banking Corporation, New York	-	-
Union De Banques Arabes E'F Francaises Japan	25,709	30,157
	<u>43,046,138</u>	<u>8,551,748</u>
Details are shown in Annexure-C		
<b>5.3 Maturity-wise groupings of balance with other banks and financial institutions</b>		
On demand	52,011,578	13,951,595
Not more than 3 months	350,298,817	720,043,520
More than 3 months but less than 1 year	705,796,415	6,396,415
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	<u>1,108,106,810</u>	<u>740,391,530</u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>6 Money at call and on short notice</b>	-	-
<b>7 Investments</b>		
<b>Government securities</b>		
Bangladesh Bank bills	-	-
Treasury bills HFT	165,522,581	1,517,186,202
Treasury bills HTM	961,816,762	1,204,105,348
Treasury bonds HFT	1,784,554,268	671,195,872
Treasury bonds HTM	3,223,353,766	1,131,260,014
Prize bonds	10,200	216,400
	<u>6,135,257,577</u>	<u>4,523,963,836</u>
<b>Senior secured bond - Orascom Telecom Bangladesh Limited</b>	-	60,000,000
	-	<u>60,000,000</u>
	<u>6,135,257,577</u>	<u>4,583,963,836</u>
<b>7.1 Investments classified as per Bangladesh Bank Circular</b>		
Held-for-trading (HFT) securities (Note-7.1.1)	1,950,087,049	2,188,598,474
Held-to-maturity (HTM) securities (Note-7.1.2)	4,185,170,528	2,335,365,362
Others (Note-7.1.3)	-	60,000,000
	<u>6,135,257,577</u>	<u>4,583,963,836</u>
<b>7.1.1 Held-for-trading (HFT) securities</b>		
Bangladesh Bank bill	-	-
Treasury bills	165,522,581	1,517,186,202
Treasury bonds	1,784,554,268	671,195,872
Prize bonds	10,200	216,400
	<u>1,950,087,049</u>	<u>2,188,598,474</u>
<b>7.1.2 Held-to-maturity (HTM) securities</b>		
Treasury bills	961,816,762	1,204,105,348
Treasury bonds	3,223,353,766	1,131,260,014
	<u>4,185,170,528</u>	<u>2,335,365,362</u>
Except one treasury bond amounting Taka 155,800,000, the above HTM securities are lien with Bangladesh Bank for capital purpose.		
<b>7.1.3 Others</b>		
Senior secured bond - Orascom Telecom Bangladesh Limited	-	60,000,000
	-	<u>60,000,000</u>
<b>7.2 Maturity wise groupings of investment</b>		
Repayable On demand	10,200	216,400
Not more than 3 months	180,642,270	1,036,336,483
More than 3 months but not more than 1 year	1,255,381,766	1,781,655,068
More than 1 year but not more than 5 years	2,401,605,457	1,710,975,274
More than 5 years	2,297,617,884	54,780,611
	<u>6,135,257,577</u>	<u>4,583,963,836</u>





	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>8 Loans and advances/investments</b>		
Loans, cash credit, overdrafts etc./Investments (Note 8.1)	7,045,142,560	5,941,742,207
Bills purchased and discounted (Note 8.10)	463,137,814	639,095,665
	<u>7,508,280,374</u>	<u>6,580,837,872</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.

**8.1 Loans, cash credit, overdrafts etc./Investments**

**In Bangladesh**

**Conventional Banking**

Current finance	2,815,480,846	2,353,039,323
Term finance	1,615,498,410	1,361,950,372
Own acceptance purchased	-	-
Staff loan	4,834,047	10,944,320
Loan against trust receipts	26,438,841	381,360,222
	<u>4,462,252,144</u>	<u>4,107,294,237</u>

**Islamic Banking**

Morabaha (LPO)	2,357,868,987	1,445,948,453
Trust receipts	80,263,298	102,219,042
Own acceptance purchased	49,169,806	181,266,792
Morabaha manual	40,761,848	40,761,848
Staff morabaha	54,826,477	64,251,835
	<u>2,582,890,416</u>	<u>1,834,447,970</u>
	<u>7,045,142,560</u>	<u>5,941,742,207</u>

**Outside Bangladesh**

-	-
<u>7,045,142,560</u>	<u>5,941,742,207</u>

**8.2 Maturity-wise grouping of loans and advances/investments**

Repayable On demand	1,379,900,093	1,416,915,625
Not more than 3 months	1,427,290,112	1,406,239,874
More than 3 months but not more than 1 year	4,132,070,281	3,579,529,500
More than 1 year but not more than 5 years	569,019,888	178,152,873
More Than 5 years	-	-
	<u>7,508,280,374</u>	<u>6,580,837,872</u>

**8.3 Loans and advances on the basis of significant concentration**

Advances to Chief executive, other Senior executives and other Officers	59,660,524	75,196,155
Industrial loans and advances	7,448,619,850	6,505,641,717
	<u>7,508,280,374</u>	<u>6,580,837,872</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 (02 Customers)	966,448,011	Nil
Amount of classified loans and advances therein	Nil	Nil
Measures taken for recovery	Not Applicable	Not Applicable



### 8.5 Industry-wise classification of loans and advances/investments

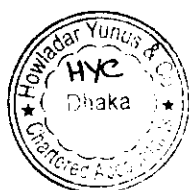
	2014		2013	
	% of Total Loan	Taka	% of Total Loan	Taka
Agriculture, forestry, hunting and fishing	0.94%	70,690,066	1.65%	108,586,320
Automobile and transportation equipment	0.33%	24,447,000	1.10%	72,711,782
Chemical and pharmaceuticals	3.93%	295,153,485	9.00%	592,565,460
Cement	0.67%	50,540,426	0.75%	49,399,868
Sugar	0.12%	9,289,603	0.43%	28,070,717
Construction	1.14%	85,445,141	0.91%	59,800,087
Electronics and electrical appliances	1.73%	129,608,554	0.97%	64,022,000
Financial institution	5.95%	446,386,422	4.88%	320,833,905
Garments (Knit and woven)	0.00%	-	0.00%	-
Information technology and telecom	0.00%	-	0.00%	-
Iron and steel	17.06%	1,280,994,300	22.84%	1,503,279,074
Footwear and leather garments	2.63%	197,453,000	3.03%	199,477,000
Paper, printing and packaging	0.08%	5,979,422	2.02%	132,890,049
Power/electricity, gas, water, sanitary	0.00%	-	0.00%	-
Wholesale and retail trade	7.50%	562,982,409	2.76%	181,649,419
Exports and imports	8.23%	617,972,004	7.88%	518,793,323
Transport, storage and communication	0.55%	41,554,425	2.60%	171,145,453
Textile, yarn and spinning	8.97%	673,715,040	7.62%	501,205,605
Services	0.04%	3,013,000	0.06%	3,806,000
Others	40.13%	3,013,056,076	31.49%	2,072,601,810
	<b>100%</b>	<b>7,508,280,374</b>	<b>100%</b>	<b>6,580,837,872</b>

### 8.6 Geographical location-wise loans and advances/investments

	2014		2013	
	% of Total Loan	Taka	% of Total Loan	Taka
Dhaka Division	75.60%	5,676,264,994	71.20%	4,685,490,637
Chittagong Division	21.03%	1,579,246,890	23.93%	1,796,375,129
Sylhet Division	3.37%	252,768,490	1.32%	98,972,106
	<b>100%</b>	<b>7,508,280,374</b>	<b>96%</b>	<b>6,580,837,872</b>

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

Status	2014		2013	
	% of Total Loan	Taka	% of Total Loan	Taka
<b>Unclassified:</b>				
Standard including staff loan	95.14%	7,143,063,794	90.80%	5,975,574,324
Special Mention Account (SMA)	0.17%	13,130,931	0.41%	26,790,427
	<b>95.31%</b>	<b>7,156,194,725</b>	<b>91.21%</b>	<b>6,002,364,751</b>
<b>Classified:</b>				
Substandard	0.00%	-	0.23%	15,068,845
Doubtful	0.02%	1,129,761	0.88%	57,911,904
Bad or loss	4.67%	350,955,888	7.68%	505,492,372
	<b>4.69%</b>	<b>352,085,649</b>	<b>8.79%</b>	<b>578,473,121</b>
	<b>100.00%</b>	<b>7,508,280,374</b>	<b>100.00%</b>	<b>6,580,837,872</b>



8.8 Particulars of required provision for loans and advances/investments

	2014		2013	
	Base for Provision	Required Provision	Base for Provision	Required Provision
<b>Unclassified</b>				
All unclassified loans (other than SME loan and special mention account)	6,828,084,323	69,341,194	5,603,391,458	56,033,915
SME finance	314,979,469	787,449	398,973,293	997,433
Special Mention Account (SMA)	10,882,297	27,206	-	-
	<b>7,153,946,089</b>	<b>70,155,849</b>	<b>6,002,364,751</b>	<b>57,031,348</b>
<b>Classified</b>				
Substandard	-	-	5,510,014	1,102,003
Doubtful	1,027,856	513,928	51,846,282	25,923,141
Bad or loss	203,173,692	203,173,692	365,382,498	365,382,498
	<b>204,201,548</b>	<b>203,687,620</b>	<b>422,738,794</b>	<b>392,407,642</b>
	<b>7,358,147,637</b>	<b>273,843,469</b>	<b>6,425,103,545</b>	<b>449,438,990</b>
<b>Total provision maintained</b>		<b>509,839,249</b>		<b>449,438,991</b>
<b>Surplus provision</b>		<b>235,995,780</b>		<b>1</b>

**2014**  
**Taka**

**2013**  
**Taka**

8.9 Particulars of loans and advances/investments

i) Loans considered good in respect of which the banking company is fully secured;	7,506,694,616	6,578,758,234
ii) Loans considered good against which the banking company holds no security other than the debtor's personal guarantee;	1,585,758	2,079,638
Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor;	-	-
iii) Loans adversely classified; provision not maintained there against;	-	-
	7,508,280,374	6,580,837,872
v) Loans due by directors or officers of the banking company or any of these either separately or jointly with any other person.	-	-
vi) Loans due from companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members;	-	-
vii) Maximum total amount of Advances including temporary advance made at any time during the year to directors or managers or officers of the banking companies or any of them either separately or jointly with any other person;	59,660,524	75,196,155
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 have interests as directors, partners or managing agents or in the case of private companies as members	-	-
ix) Due from Banking Companies;	-	-

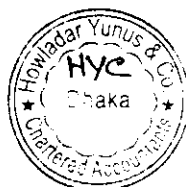


	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
x) Amount of Classified loan/Investment on which Interest/Profit has not been charged:	352,085,649	578,473,121
(a) Movement of Classified loans and advances		
Opening balance	578,473,121	339,173,505
Increase/(decrease) during the year	(226,387,472)	239,299,616
Closing balance	352,085,649	578,473,121
(b) Provision kept against loan classified as bad/loss on the date of balance sheet	203,173,692	365,382,498
(c) Amount of interest/profit charged in suspense account	85,948,867	76,950,411
xi) Loans written off		
- Current Year	-	-
- Cumulative to-date	-	-
- Amount of written off loans for which lawsuit has filed	-	-
<b>8.10 Bills purchased and discounted</b>		
Bills purchased and discounted excluding treasury bills:		
Payable in Bangladesh	463,137,814	639,095,665
Payable outside Bangladesh	-	-
	<u>463,137,814</u>	<u>639,095,665</u>
<b>8.11 Maturity grouping of bills discounted and purchased</b>		
Payable within 1 month	131,792,408	276,119,406
Over 1 month but less than 3 months	171,546,548	235,719,644
Over 3 months but less than 6 months	159,798,858	127,256,615
6 months or more	-	-
	<u>463,137,814</u>	<u>639,095,665</u>
<b>9 Fixed assets including premises, furniture and fixtures</b>		
<b>Cost:</b>		
Furniture, fixture and fittings	44,802,433	42,755,603
Office equipments	53,295,798	48,196,148
Staff equipments	13,500	13,500
Computer and related equipments	107,770,540	103,160,740
Motor vehicles	35,661,600	25,994,910
Leasehold improvement	67,849,169	60,451,274
	<u>309,393,040</u>	<u>280,572,175</u>
<b>Less: Accumulated depreciation</b>		
Furniture, fixture and fittings	33,499,445	30,877,396
Office equipments	39,680,520	35,135,756
Staff equipments	13,500	13,500
Computer and related equipments	93,903,341	86,325,376
Motor vehicles	26,364,123	25,564,409
Leasehold improvement	58,264,542	53,887,197
	<u>251,725,471</u>	<u>231,803,634</u>
<b>Written Down Value</b>	<u>57,667,569</u>	<u>48,768,541</u>

Details are shown in Annexure - D.



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>10 Others Assets</b>	<b>534,003,748</b>	<b>421,956,135</b>
<b>10.1 Classification of other assets</b>		
<b>Income generating other assets</b>	-	-
<b>Non-income generating other assets</b>		
Investment in shares of subsidiary companies:		
- In Bangladesh	-	-
- Outside Bangladesh	-	-
Stationery, stamps, printing materials in stock etc.	4,605,522	5,582,537
Advance rent and advertisement	94,615,786	66,204,907
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables (Note 10.2)	159,249,314	99,908,733
Security deposits	1,171,116	603,803
Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	10,195,198	13,970,914
Branch adjustment (Note 10.3)	(4,311,305)	(6,945,114)
Suspense account	-	-
Silver	-	-
Others (Note 10.4)	268,478,117	242,630,355
	<b>534,003,748</b>	<b>421,956,135</b>
	<b>534,003,748</b>	<b>421,956,135</b>
<b>10.2 Income/profit receivables</b>		
On T. bill, bonds, preference shares, etc.	147,135,845	65,268,710
Deposit with financial institution	4,872,778	11,298,750
Mark up receivables on bill purchased and discounted	7,240,691	23,341,273
	<b>159,249,314</b>	<b>99,908,733</b>
<b>10.3 Branch adjustment</b>	<b>(4,311,305)</b>	<b>(6,945,114)</b>
All inter branch reconciliation have been prepared up to December 31, 2014. There were no significant un responded items outstanding for more than 3 months.		
<b>10.4 Others</b>		
Compensation receivable	-	-
Short term receivable - account maintenance fees	2,115,239	1,694,231
Intangible asset - Software (Note 10.4.1)	7,965,914	13,104,057
Net of profit on Morabaha	(104,287,220)	(12,750,379)
Advance income tax (Note 10.4.2)	330,253,437	203,367,503
Receivable from head office	30,799,792	33,828,109
Miscellaneous	1,630,955	3,386,834
	<b>268,478,117</b>	<b>242,630,355</b>
<b>10.4.1 Intangible asset - Software</b>		
<b>Cost</b>		
Balance at 1 January 2013	27,173,273	27,173,273
Acquisitions	-	-
<b>Balance at 31 December 2013</b>	<b>27,173,273</b>	<b>27,173,273</b>
<b>Amortization and impairment losses</b>		
Balance at 1 January	14,069,216	8,680,536
Amortization for the year	5,138,143	5,388,680
<b>Balance at 31 December</b>	<b>19,207,359</b>	<b>14,069,216</b>
<b>Carrying amounts</b>		
Balance at 31 December	<b>7,965,914</b>	<b>13,104,057</b>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>10.4.2 Advance income tax</b>		
<b>Advance tax</b>		
Balance as at 1 January	203,367,503	196,612,837
Add: Paid during the year	126,885,934	6,754,666
	<u>330,253,437</u>	<u>203,367,503</u>
Less: Adjustments made during the year	-	-
Balance as at 31 December	<u><u>330,253,437</u></u>	<u><u>203,367,503</u></u>
<b>11 Borrowings from other banks, financial institutions and agents</b>		
In Bangladesh (Note-11.1)	800,000,000	1,350,000,000
Outside Bangladesh	-	-
	<u><u>800,000,000</u></u>	<u><u>1,350,000,000</u></u>
<b>11.1 In Bangladesh</b>		
Call borrowing (Note-11.2)	600,000,000	800,000,000
Term borrowing (Note-11.3)	200,000,000	550,000,000
	<u><u>800,000,000</u></u>	<u><u>1,350,000,000</u></u>
<b>11.2 Call borrowing</b>		
Basic Bank Limited	150,000,000	300,000,000
The Premier Bank Limited	300,000,000	300,000,000
IFIC Bank Limited	100,000,000	100,000,000
Dutch-Bangla Bank Ltd.	50,000,000	100,000,000
	<u><u>600,000,000</u></u>	<u><u>800,000,000</u></u>
<b>11.3 Term borrowing</b>		
One Bank Limited	-	150,000,000
IFIC Bank Limited	200,000,000	300,000,000
Eastern Bank Limited	-	100,000,000
	<u><u>200,000,000</u></u>	<u><u>550,000,000</u></u>
<b>11.4 Secured and Unsecured Borrowings from other banks, financial institutions and agents</b>		
Secured Borrowing	-	-
Unsecured Borrowing	800,000,000	1,350,000,000
	<u><u>800,000,000</u></u>	<u><u>1,350,000,000</u></u>
<b>11.5 Maturity grouping of Borrowings from other banks, financial institutions and agents</b>		
Repayable on demand	-	-
Repayable within 1 month	800,000,000	1,350,000,000
Over 1 month but within 6 months	-	-
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
10 years or more	-	-
	<u><u>800,000,000</u></u>	<u><u>1,350,000,000</u></u>
<b>12 Deposits and Other Accounts</b>		
Current/Al-wadeeah current accounts and other accounts	1,030,282,816	891,629,537
Bills payable	97,861,235	45,436,667
Savings bank/Mudaraba savings bank deposits	3,027,360,139	1,801,165,291
Fixed deposits/Mudaraba fixed deposits	5,596,526,427	5,676,496,471
	<u><u>9,752,030,617</u></u>	<u><u>8,414,727,966</u></u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>12.1 Current/Al-wadeeah current accounts and other accounts</b>		
Current/Al-wadeeah current deposits	728,435,002	531,662,448
Alfalah Karobar Current Account (AKC)	86,918,948	-
Foreign currency deposits	135,854,562	230,290,098
Sundry deposits (Note 12.1)	79,074,304	129,676,991
	<u>1,030,282,816</u>	<u>891,629,537</u>
<b>12.2 Bills payable</b>		
Payment order - Inside Bangladesh	95,293,748	40,184,870
Demand draft payable - Outside Bangladesh	1,835,606	4,519,189
Unclaimed DD/TT/PO - Inside Bangladesh	560,000	560,000
Unclaimed DD/TT/PO - Outside Bangladesh	171,881	172,608
	<u>97,861,235</u>	<u>45,436,667</u>
<b>12.3 Savings bank/Mudaraba savings bank deposits</b>		
Savings deposits	792,806,604	639,745,376
Mudaraba Royal Profit deposits	460,312,739	408,307,500
Alfalah Savings Plan (ASP)	65,781,392	44,586,456
Special Notice Deposits (SND)	921,638,646	436,113,408
Alfalah Salary Account (ASA)	3,875,852	3,973,517
Alfalah Rising Star (ARS)	1,214,806	-
Alfalah premium Plus (APP)	276,273,092	-
Royal Profit deposits	505,457,008	268,439,034
	<u>3,027,360,139</u>	<u>1,801,165,291</u>
<b>12.4 Fixed deposits/Mudaraba fixed deposits</b>		
Fixed Deposit (FDR)	3,427,430,953	3,456,334,624
Mudaraba Term Deposit (MTDR)	2,169,095,474	2,220,161,847
	<u>5,596,526,427</u>	<u>5,676,496,471</u>
<b>12.5 Sundry deposits</b>		
Margin Accounts - Local Currency	54,641,752	63,141,900
Margin Accounts - Foreign Currency	24,432,552	66,535,091
Others	-	-
	<u>79,074,304</u>	<u>129,676,991</u>
<b>12.6 Deposits from banks and others</b>		
Inter-bank deposits (Note 12.6.1)	872,359,540	423,362,567
Other deposits	8,879,671,077	7,991,365,399
	<u>9,752,030,617</u>	<u>8,414,727,966</u>
<b>12.6.1 Inter-bank deposits</b>		
Jamuna Bank Limited	30,526	31,335
Pubali Bank Limited	375,172	176,862
AB Bank Limited	255,805,569	309,442,146
Prime Bank Limited	38,337	37,460
Islami Bank Bangladesh Limited	250,093,750	-
Shahjalal Islami Bank Limited	200,537,500	-
The City Bank Limited	165,478,686	113,674,764
	<u>872,359,540</u>	<u>423,362,567</u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>12.7 Maturity grouping of deposits</b>		
Repayable On demand	1,128,144,051	807,389,213
Repayable within 1 month	1,301,376,088	1,676,916,259
Over 1 month but within 6 months	4,200,051,518	3,647,429,662
Over 6 months but within 1 year	1,190,730,953	658,691,758
Over 1 year but within 5 years	1,931,728,007	1,624,301,074
Over 5 years but within 10 years	-	-
10 years or more	-	-
	<u>9,752,030,617</u>	<u>8,414,727,966</u>
<b>13 Other liabilities</b>		
Provision for loans and advances/investments (Note 13.1)	509,839,249	449,438,991
Provision for off-balance sheet exposures (Note 13.2)	28,310,565	22,503,402
Interest suspense account (Note 13.3)	85,948,867	77,024,553
Provision for taxation (13.4)	443,008,816	237,221,062
Accrued expenses	3,970,546	3,985,721
Interest payable on borrowings (Note 13.5)	104,673,234	146,981,875
Deferred tax liability (Note 13.6)	38,061,951	8,549,277
Accounts payable - others	282,000	128,000
Withholding tax on interest on deposits	7,710,000	8,057,001
Withholding tax	4,511,419	4,206,195
Withholding VAT	1,876,786	1,480,282
Provision for audit and consultancy fees	936,000	821,000
Provision for leave fare allowance	1,165,859	503,796
Payable to Shamil Bank's Head Office	79,052,645	79,052,645
Excise duty	2,726,396	3,254,874
SLR Charges payable to Bangladesh Bank	133,031	118,071
Advance commission on Letter of Guarantee (L/G)	2,242,267	2,138,303
Charity fund account	8,779,920	9,618,894
Miscellaneous	6,006,537	1,875,785
	<u>1,329,236,088</u>	<u>1,056,959,727</u>
<b>13.1 Provision for loans and advances/investments</b>		
<b>General Provision</b>		
Balance as at 1 January	57,031,348	51,135,961
Add: Provision made during the year		
On general loans and advances/investments etc.	31,236,637	24,588,365
On Special Mention Account (SMA)	27,206	1,995,131
	31,263,843	26,583,496
Less: Provision no longer required	18,139,342	20,688,109
<b>Balance as at 31 December</b>	<u>70,155,849</u>	<u>57,031,348</u>
<b>Specific Provision</b>		
Provision held beginning of the year	392,407,643	72,758,422
Less: Fully provided debt written off	-	-
Add: Recoveries of amounts previously written off	-	-
Add: Specific provision for the year	67,072,112	344,801,016
Less: Recoveries and Provisions no longer required	19,796,355	25,151,795
Net Charge to Profit and Loss Account	47,275,757	319,649,221
<b>Balance as at 31 December</b>	<u>439,683,400</u>	<u>392,407,643</u>
<b>Total provision on loans and advances/investments</b>	<u>509,839,249</u>	<u>449,438,991</u>

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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>13.2 Provision for off-balance sheet exposures</b>		
Balance at the beginning of the year	22,503,402	24,636,297
Add: Provision made during the year	19,536,492	17,813,791
	<u>42,039,894</u>	<u>42,450,088</u>
Less: Adjustments made during the year	13,729,329	19,946,686
<b>Balance at the end of the year</b>	<u><u>28,310,565</u></u>	<u><u>22,503,402</u></u>
<b>13.3 Interest suspense account</b>		
Balance at the beginning of the year	77,024,553	53,500,078
Add: Amount transferred to Interest Suspense Account during the year	9,478,471	23,524,475
	554,157	-
Less: Amount recovered in Interest Suspense Account during the year	-	-
Less: Amount written off during the year	-	-
<b>Balance at the end of the year</b>	<u><u>85,948,867</u></u>	<u><u>77,024,553</u></u>
<b>13.3.1 Interest/profit suspense and compensation suspense</b>		
Interest/profit suspense	85,948,867	77,024,553
Compensation suspense	-	-
	<u><u>85,948,867</u></u>	<u><u>77,024,553</u></u>
<b>13.4 Provision for Taxation</b>		
Balance as at January 01, 2014	237,221,062	176,201,657
Add: Provision made during the year (Note 34)	205,787,754	61,019,405
	<u>443,008,816</u>	<u>237,221,062</u>
Less: Adjustments made during the year	-	-
<b>Balance as at December 31, 2014</b>	<u><u>443,008,816</u></u>	<u><u>237,221,062</u></u>
Provision for current tax of Tk. 205,787,754 has been made @ 42.5% as prescribed by Finance Act 2014 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 1984, Income Tax Rules 1984 and in compliance of Para 46 of BAS 12 "Income Tax".		
<b>13.5 Profit/interest payable on deposit</b>		
<b>Profit/interest payable on</b>		
Special notice deposit	4,713	16,418
Call borrowings	507,778	1,123,611
	<u>512,491</u>	<u>1,140,029</u>
<b>Interest payable on</b>		
30 days term deposit	562,434	1,483,090
90 days term deposit	48,956,239	61,448,362
180 days term deposit	21,788,803	23,265,493
360 days term deposit	31,860,029	58,700,085
2 years term deposit	772,573	923,762
3 years term deposit	220,665	21,054
	<u>104,160,743</u>	<u>145,841,846</u>
	<u><u>104,673,234</u></u>	<u><u>146,981,875</u></u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>14 Head Office Fund</b>		
Fund received from Head Office and kept with the Bangladesh Bank	<u>4,420,627,471</u>	<u>4,423,756,326</u>
<b>14.1 Capital Adequacy Ratio (CAR) the Bank</b>		
The calculation of CAR has been done as per BRPD Circular no. 10 dated March 10, 2010 and the Basel-II guideline December 2010 vide BRPD Circular no. 35 dated December 29, 2010.		
<b>Core Capital (Tier-I)</b>		
Head Office Fund	4,420,627,471	4,423,756,326
Accumulated Profit (Loss)	<u>181,923,322</u>	<u>(44,795,113)</u>
	<u>4,602,550,793</u>	<u>4,378,961,213</u>
<b>Supplementary capital (Tier-II)</b>		
General provision maintained against unclassified loan/investments	70,155,849	57,031,348
General provision on off-balance sheet items	28,310,565	22,503,402
Revaluation reserve of Government securities	<u>35,075,770</u>	<u>13,808,686</u>
	<u>133,542,184</u>	<u>93,343,436</u>
<b>Total capital</b>	<u>4,736,092,977</u>	<u>4,472,304,649</u>
<b>Risk weighted assets (RWA)</b>		
<b>Credit Risk</b>		
On-Balance Sheet	7,011,022,141	7,271,746,391
Off-Balance Sheet	<u>110,303,102</u>	<u>483,077,468</u>
	7,121,325,243	7,754,823,859
<b>Market Risk</b>	341,918,523	582,732,640
<b>Operational Risk</b>	<u>1,042,974,517</u>	<u>537,444,477</u>
<b>Total RWA</b>	<u>8,506,218,283</u>	<u>8,875,000,976</u>
10% of RWA	<u>850,621,828</u>	<u>887,500,098</u>
Minimum capital requirement	<u>4,000,000,000</u>	<u>4,000,000,000</u>
<b>Required capital</b>	<u>4,000,000,000</u>	<u>4,000,000,000</u>
<b>Surplus</b>	<u>736,092,977</u>	<u>472,304,649</u>

**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 recognized in the financial statements as per BAS 12: Income Taxes.

**Movement in Other Reserve during the year**

	Balance at January 01	(Adjustment)/ Transferred during the year	Balance at December 31	Deferred tax liabilities	Net Balance at December 31
<b>2014</b>					
Treasury bills - HTM	34,495,556	(22,219,987)	12,275,569	9,443,494	21,719,063
Treasury bonds - HTM	37,066	(37,066)	-	15,753	15,753
Treasury bonds - HFT	3,161,932	76,003,936	79,165,868	(33,523,874)	45,641,994
Treasury bill - HFT	8,481,683	(8,368,983)	112,700	2,662,030	2,774,730
	<u>46,176,237</u>	<u>45,377,900</u>	<u>91,554,137</u>	<u>(21,402,597)</u>	<u>70,151,540</u>



				<u>2014</u>	<u>2013</u>
				<u>Taka</u>	<u>Taka</u>
<b>2013</b>					
Treasury bills - HTM	64,152,003	(29,656,447)	34,495,556	(14,660,611)	19,834,945
Treasury bonds - HTM	455,816	(418,750)	37,066	(15,753)	21,313
Treasury bonds - HFT	132,208	3,029,724	3,161,932	(1,172,574)	1,989,358
Treasury bill - HFT	-	8,481,683	8,481,683	(2,709,928)	5,771,755
	<b>64,740,027</b>	<b>(18,563,790)</b>	<b>46,176,237</b>	<b>(18,558,866)</b>	<b>27,617,371</b>
<b>16 Surplus in Profit and Loss Account</b>					
Balance as at January 01				(44,795,113)	124,680,896
Net (loss)profit for the year				226,718,435	(169,476,009)
Balance as at December 31				<b>181,923,322</b>	<b>(44,795,113)</b>
<b>17 Letters of guarantees</b>					
Claims lodged with the Bank company not recognized as loan				-	-
Money for which the Bank is contingently liable in respect of guarantees issued favoring:					
Directors				-	-
Government				585,085,744	583,167,204
Banks and other financial institutions				-	-
Others				-	-
				<b>585,085,744</b>	<b>583,167,204</b>
<b>18 Irrevocable letters of credit</b>					
Usance				293,046,630	257,925,100
Sight				350,508,530	373,919,744
				<b>643,555,160</b>	<b>631,844,844</b>
<b>19 Income statement</b>					
<b>Income</b>					
Interest, discount and similar income				1,538,568,787	1,106,488,544
Dividend income				-	-
Fee, commission and brokerage				28,408,056	32,461,018
Gains less Losses arising from dealing securities				-	-
Gains less Losses arising from investment securities				35,610,201	201,934,798
Gains less Losses arising from dealing in foreign currencies				91,847,634	84,959,035
Income from non-banking assets				-	-
Other operating income				29,910,949	36,261,137
Profit less Losses on interest rate changes				-	-
				<b>1,724,345,627</b>	<b>1,462,104,532</b>
<b>Expenses</b>					
Interest, fee and commission				785,223,512	822,729,773
Losses on loans and advances				-	-
Administrative expenses				376,660,691	375,602,410
Other operating expenses				35,715,900	26,699,857
Depreciation on banking assets				19,921,837	24,144,030
				<b>1,217,521,940</b>	<b>1,249,176,070</b>
<b>Income over expenditure</b>				<b>506,823,687</b>	<b>212,928,462</b>

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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>20 Interest income/profit on investments</b>		
<b>Interest on loans and advances</b>		
Current finance	275,278,319	291,056,739
Term finance	172,732,532	162,902,070
Credit card	-	-
Trust receipt	31,809,927	27,435,352
House loan - Staff	1,364,153	1,909,972
Personal loan - Staff	285,313	159,463
Self liquidating car loan- Staff	207,505	84,938
Local bill discounted	678,661	1,777,436
	<u>482,356,410</u>	<u>485,325,970</u>
<b>Share of profit from financing and discounting</b>		
Murabaha-Staff	1,473,743	928,471
Morabaha Financing - LPO	201,788,389	133,216,534
Profit on bill discounted	32,589,036	63,807,545
Morabaha income PAD	-	-
Morabaha income trust receipt	15,804,557	11,571,999
	<u>251,655,725</u>	<u>209,524,549</u>
<b>Interest on Placements with Banks</b>		
Interest from call money	79,864,424	91,894,139
Interest from deposits with banks	12,651,367	3,066,058
	<u>92,515,791</u>	<u>94,960,197</u>
	<u>826,527,926</u>	<u>789,810,716</u>
<b>21 Interest paid/profit shared on deposits and borrowings etc.</b>		
<b>Interest on deposits</b>		
Savings account	46,038,440	26,547,826
Royal profit deposit	13,205,010	7,212,620
Special notice deposit	468,937	290,908
Term deposit	324,341,022	425,769,485
	<u>384,053,409</u>	<u>459,820,839</u>
<b>Profit shared on Modaraba Deposit</b>		
Modaraba Savings Deposit	186,551	-
Modaraba royal profit deposit	18,765,367	15,795,920
Special notice deposit	29,626,846	23,652,506
Modaraba term deposit	206,569,010	270,809,121
	<u>255,147,774</u>	<u>310,257,547</u>
<b>Interest on borrowings</b>		
Interest paid on borrowings	81,188,479	52,651,387
Interest paid on Repo	5,783,841	-
Interest paid on Securities	59,050,009	-
	<u>146,022,329</u>	<u>52,651,387</u>
	<u>785,223,512</u>	<u>822,729,773</u>
<b>22 Investment income</b>		
Mark-up on Senior Secured bonds	3,037,500	10,248,750
Dividend income on preference share	-	-
Capital gain on sale of shares	-	-
Discount on treasury bill	112,171,611	183,999,183
Mark-up on treasury bonds	531,774,390	120,871,621
Trading gain on treasury bills	(7,680,947)	193,665,192
Trading gain on Bangladesh Govt. Treasury Bonds	43,291,148	8,269,606
Loss on revaluation of BGB HFT securities	(9,247,579)	(1,911,842)



	<u>2014</u>	<u>2013</u>
	<u>Taka</u>	<u>Taka</u>
Profit on revaluation of T-bill HFT	6,166,320	(1,904,316)
Capital gain on treasury bills and Bangladesh Govt. Treasury Bonds	68,138,619	5,830,248
Loss on revaluation of BGB HTM securities	-	(455,816)
	<u>747,651,062</u>	<u>518,612,626</u>
<b>23 Commission, exchange and brokerage</b>		
Brokerage	-	-
Fees, commission etc.	28,408,056	32,461,018
Exchange earnings	91,847,634	84,959,035
	<u>120,255,690</u>	<u>117,420,053</u>
<b>24 Other operating income</b>		
Service charges recovered		7,830,782
Locker rent	1,237,319	903,500
Dormant charges	-	-
Document charges	8,492	37,840
Cheque return charges	303,223	290,567
Gain on disposal of fixed assets	-	2,827,718
Credit/debit card fees	1,060,769	578,724
Charges on documentary credit	82,889	70,908
Courier charges recovered	1,284,723	1,234,838
Cheque book charges recovered	758,376	594,818
Other income	25,175,158	21,891,442
	<u>29,910,949</u>	<u>36,261,137</u>
<b>25 Salaries and allowances</b>		
Basic salary	85,777,166	88,384,004
Housing allowance	34,289,478	35,353,607
Conveyance allowance	7,994,125	8,203,846
Leave fare allowance	11,002,683	11,168,865
Other allowances	6,506,077	5,960,785
Car allowance - Self liquidating car loan	7,688,871	4,341,000
Festival bonus	20,362,978	20,785,524
Performance bonus	5,499,969	8,237,685
The Bank's contribution to provident fund	7,839,221	8,353,974
Training	1,235,486	1,035,517
Rent-residence	5,249,903	4,482,452
Medical expenses	5,133,532	6,707,464
Gratuity	1,551,568	7,129,650
Business Development Officer salary	2,493,290	1,286,400
Group insurance	2,285,501	2,284,184
	<u>204,909,848</u>	<u>213,714,957</u>
<b>26 Rent, taxes, insurance, electricity etc.</b>		
Rent, rates and taxes	80,710,972	77,196,455
Insurance	6,653,195	5,874,367
Cleaning and maintenance	18,964,571	16,917,134
Electricity and lighting	11,977,001	10,915,342
	<u>118,305,739</u>	<u>110,903,298</u>
<b>27 Legal expenses</b>		
Legal fees and charges	773,002	315,565
Consultancy fees	774,180	-
	<u>1,547,182</u>	<u>315,565</u>

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	<u>2014</u>	<u>2013</u>
	<u>Taka</u>	<u>Taka</u>
<b>28 Postage, stamp, telecommunication etc.</b>		
Postage and couriers	2,107,695	2,212,766
Electronic mail and on-line connectivity	4,920,608	4,465,432
Telegram, fax, telex, SWIFT and internet charge	1,334,023	1,364,478
Telephone charges	1,504,472	1,410,602
	<u>9,866,798</u>	<u>9,453,278</u>
<b>29 Stationery, printing, advertisements etc.</b>		
Table stationery	1,757,840	1,542,031
Books and periodicals	68,393	101,682
Printing stationery	3,173,853	3,130,888
Computer stationery	276,290	188,578
Publicity and advertisement	5,852,546	5,625,805
	<u>11,128,922</u>	<u>10,588,984</u>
<b>30 Country Head's salary and allowances</b>		
Basic salary	8,884,200	8,164,200
Special allowance	3,283,800	3,283,800
Leave fare allowance	1,014,000	954,000
Festival bonus	2,028,000	1,908,000
Performance bonus	925,000	1,000,000
The Bank's contribution to provident fund	888,420	816,420
Medical expenses	362,657	220,361
Car allowance-Self liquidating car loan	1,020,000	85,000
Gratuity	740,350	680,350
	<u>19,146,427</u>	<u>17,112,131</u>
<b>31 Depreciation and repair of Bank's assets</b>		
<b>Depreciation of Bank's Assets</b>		
Furniture, fixture and fittings	2,622,049	2,117,232
Office equipments	4,544,764	3,305,375
Computer and related equipments	7,577,965	13,493,672
Motor vehicles	799,714	1,137,083
Leasehold improvement	4,377,345	4,090,668
	<u>19,921,837</u>	<u>24,144,030</u>
<b>Repair to Bank's Assets</b>		
Furniture, fixture and fittings	374,574	308,039
Rented premises	467,501	1,387,496
Office equipments	3,340,313	3,264,464
Computer maintenance	5,755,203	6,524,044
Motor vehicles	1,265,034	1,422,654
	<u>11,202,625</u>	<u>12,906,697</u>
	<u>31,124,462</u>	<u>37,050,727</u>
<b>32 Other expenses</b>		
Bank charges, brokerage and commission	1,265,208	873,710
Charges for Cheque Book vault	120,000	100,000
Membership fees	1,057,134	840,230
Entertainment	3,180,145	2,580,269
Security	12,518,541	7,930,681
Traveling and conveyance	5,138,890	3,641,035
Car fuel expenses	5,432,486	3,937,056
Card centre charges	1,783,942	1,408,196
Amortization of software	5,138,144	5,388,680
Other Expenses	81,410	-
Loss on disposal of fixed assets	-	-
	<u>35,715,900</u>	<u>26,699,857</u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>33 Provision for loans and advances/investments charged during the year</b>		
<b>General Provision</b>		
Provision made during the year		
On general loans and advances/investments etc.	31,236,637	24,588,365
On Special Mention Account (SMA)	27,206	1,995,131
	<u>31,263,843</u>	<u>26,583,496</u>
Less: Provision no longer required	<u>18,139,342</u>	<u>20,688,109</u>
	<u>13,124,501</u>	<u>5,895,387</u>
<b>Specific Provision</b>		
Specific provision made during the year	67,072,112	344,801,016
Recoveries and Provisions no longer required	19,796,355	25,151,795
	<u>47,275,757</u>	<u>319,649,221</u>
<b>Total Provision on loans and advances/investments</b>	<u>60,400,258</u>	<u>325,544,608</u>
<b>34 Tax expenses (credit)</b>		
Current tax expenses	205,787,754	61,019,405
Deferred tax (credit)	8,110,077	(2,026,647)
	<u>213,897,831</u>	<u>58,992,758</u>
<b>35 Interest receipts</b>		
Interest/profit receivable as at 1 January	87,158,354	53,342,367
Interest/profit accrued during the year:	826,527,926	789,810,716
Interest on loans and advances	482,356,410	485,325,970
Share of profit from financing and discount	251,655,725	209,524,549
Interest on placements with banks	92,515,791	94,960,197
Interest/profit receivable as at 31 December	(54,962,094)	(87,158,354)
	<u>858,724,186</u>	<u>755,994,729</u>
<b>36 Interest payments</b>		
Interest/profit payable as at 1 January	146,981,875	177,976,777
Interest/profit charged during the year	785,223,512	822,729,773
Interest on deposit	384,053,409	459,820,839
Profit shared on Modaraba Deposits	255,147,774	310,257,547
Interest on borrowings	146,022,329	52,651,387
Interest/profit payable as at 31 December	(104,673,234)	(146,981,875)
	<u>827,532,153</u>	<u>853,724,675</u>
<b>37 Fees and commission receipts</b>	<u>28,408,056</u>	<u>32,461,018</u>
<b>38 Payment to employees</b>		
Country Head's salaries and allowances	19,146,427	17,112,131
Salaries and allowances	204,909,848	213,714,957
Gratuity:		
Country Head	(740,350)	(680,350)
Employees	(1,551,568)	(7,129,650)
	<u>221,764,357</u>	<u>223,017,088</u>
<b>39 Payments to suppliers</b>		
<b>Balance as at 1 January</b>		
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>

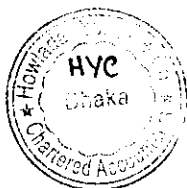
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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>Charged during the year</b>		
Stationery, printing, advertisements etc.	11,128,922	10,588,984
Rent, taxes, insurance, electricity etc.	118,305,739	110,903,298
Postage, stamp, telecommunication etc.	9,866,798	9,453,278
Legal expenses	1,547,182	315,565
Auditors' fees	553,150	600,000
	<b>141,401,791</b>	<b>131,861,125</b>
<b>Balance as at 31 December</b>		
Accrued expenses	(3,970,546)	(3,985,721)
Accounts payable - others	(282,000)	(128,000)
Provision for audit and consultancy fees	(936,000)	(821,000)
	<b>(5,188,546)</b>	<b>(4,934,721)</b>
	<b>141,147,966</b>	<b>133,485,355</b>
<b>40 Income tax paid</b>	<b>126,885,934</b>	<b>6,754,666</b>
<b>41 Receipts from other operating activities</b>		
Other operating income	29,910,949	36,261,137
Exchange earnings	91,847,634	84,959,035
Investment income	747,651,062	518,612,626
Gain on disposal of fixed assets	-	(2,827,718)
Gain on sale of securities/shares	(35,610,201)	(201,934,798)
	<b>833,799,444</b>	<b>435,070,282</b>
<b>42 Payments for other operating activities</b>		
Repairs of Bank's assets	11,202,625	12,601,134
Other expenses	35,715,900	26,699,857
Gratuity:		
Country Head	740,350	680,350
Employees	1,551,568	7,129,650
Adjustment for amortization of software	(5,138,144)	(5,388,680)
	<b>44,072,299</b>	<b>41,722,311</b>
<b>43 Movement of loans and advances/investments to customers</b>		
Balance as at 31 December	7,508,280,374	6,580,837,872
Balance as at 1 January	(6,580,837,872)	(5,502,595,325)
	<b>927,442,502</b>	<b>1,078,242,547</b>
<b>44 Movement of other assets</b>		
(Increase)/decrease in other assets which are not considered elsewhere		
- Stationery, stamps, printing materials, etc.	977,015	681,257
- Advance rent and advertisement	(28,410,879)	(29,117,843)
- Preliminary, formation and organizational expenses,		
- Security deposits	(567,313)	(32,688)
renovation, development and prepaid expenses	3,775,716	(8,143,417)
- Branch adjustment	(2,633,809)	7,284,775
- Others	(25,847,777)	2,844,380
Adjustments for-		
- Amortization of preliminary expenses	-	(7,500)
- Deferred tax assets	-	-
- Advance income tax - net of provision for tax	126,885,934	6,754,666
- Intangible asset (Computer Software)	(5,138,143)	(5,388,680)
- Net of profit on Morabaha	(91,536,841)	(9,737,461)
	<b>(22,496,097)</b>	<b>(34,862,511)</b>





	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>45 Movement of deposits and other accounts from banks</b>		
Balance as at 31 December	872,359,540	423,362,567
Balance as at 1 January	<u>(423,362,567)</u>	<u>(103,600,259)</u>
	<b><u>448,996,973</u></b>	<b><u>319,762,308</u></b>
<b>46 Movement of deposits and other accounts from customers</b>		
Balance as at 31 December	8,879,671,077	7,991,365,399
Balance as at 1 January	<u>(7,991,365,399)</u>	<u>(7,990,512,888)</u>
Increase/(Decrease)	<b><u>888,305,678</u></b>	<b><u>852,511</u></b>
<b>47 Movement of other liabilities</b>		
Increase/(decrease) in other liabilities which are not considered elsewhere		
- Interest suspense account	8,924,314	23,524,475
- Withholding tax on interest on deposits	(347,001)	471,861
- Withholding tax	305,224	(1,364,400)
- Withholding VAT	396,504	245,905
- Provision for leave fare allowance	662,063	(400,861)
- Excise duty	(528,478)	1,316,226
- SLR Charges payable to Bangladesh Bank	14,960	(42,216)
- Advance commission on Letter of Guarantee (L/G)	103,964	(71,166)
- Charity Fund Account	(838,974)	9,618,894
- Miscellaneous	4,130,752	616,042
	<b><u>12,823,328</u></b>	<b><u>33,914,760</u></b>
<b>48 Proceeds from sale/redemption of securities</b>		
Proceeds from sale of securities	99,546,967	183,371,008
Redemption of preference shares		
United Hospital Limited	-	-
STS Holding Limited	-	-
Brac Bank Limited	-	-
Redemption of zero coupon bond		
IDLC Finance Limited	-	-
Orascom Telecom Bangladesh Limited	60,000,000	30,000,000
	60,000,000	30,000,000
Proceed from maturity of treasury bill	-	-
	<b><u>159,546,967</u></b>	<b><u>213,371,008</u></b>
<b>49 Payment for purchase of securities</b>		
Held-for-trading securities (Treasury Bond)	(1,113,358,396)	(647,936,750)
Held-to-maturity securities (Treasury Bond)	<u>(2,092,093,752)</u>	<u>(435,824,507)</u>
	<b><u>(3,205,452,148)</u></b>	<b><u>(1,083,761,257)</u></b>
<b>50 Sale of fixed assets</b>		
Sale of fixed assets	-	<u>2,925,334</u>



	<u>2014</u>	<u>2013</u>
	<u>Taka</u>	<u>Taka</u>
<b>51 General</b>		
<b>51.1 Related parties</b>		
<b>Transactions with key management personnel</b>		
Key management personnel have transacted with the Bank during the year as follows:		
House finance	28,652,287	45,872,618
Car finance	25,687,627	29,323,538
	<u>54,339,914</u>	<u>75,196,156</u>
Key management personnel compensation for the year comprised:		
Short-term employee benefits	145,436,375	77,839,100
Provident fund	6,269,513	3,420,106
Gratuity	5,070,453	2,830,389
	<u>156,776,341</u>	<u>84,089,595</u>

**Other related party transactions**

There was no transaction with the related party during the reporting period.

**51.2 Number of employees**

The number of employees engaged for the whole year or part thereof who received a total yearly remuneration of Taka 36,000 or above were 158 (2013: 138).

**51.3 Highlights on the overall activities**

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

**51.4 Employee related fraud**

There was no fraud occurred/reported to Bangladesh Bank during the year 2014.

**51.5 Events after the reporting period**

None.



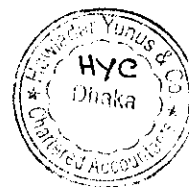
**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Highlights on the overall activities**  
**as at and for the year ended December 31, 2014**

Sl. No.	Particulars		2014	2013
1	Paid-up capital	Taka	4,420,627,471	4,423,756,326
2	Total capital	Taka	4,736,092,977	4,472,304,649
3	Capital surplus	Taka	736,092,977	472,304,649
4	Total assets	Taka	16,553,969,039	15,228,266,293
5	Total deposits	Taka	9,752,030,617	8,414,727,966
6	Total loans and advances/investments	Taka	7,508,280,374	6,580,837,872
7	Total contingent liabilities and commitments	Taka	2,831,056,395	3,155,259,956
8	Credit/investment deposit ratio		76.99%	78.21%
9	Percentage of classified loans/investments against total loans and advances/investments		4.69%	8.79%
10	Operating Profit/Profit before provision	Taka	506,823,687	212,928,462
11	(Loss)/profit after tax and provision	Taka	226,718,435	(169,476,009)
12	Amount of classified loans/investments	Taka	352,085,649	578,473,121
13	Provisions kept against classified loans/investments	Taka	439,683,400	392,407,643
14	Provision surplus/(deficit) against classified loans/investments	Taka	-	-
15	Cost of fund		7.18%	9.20%
16	Interest earning assets	Taka	14,844,465,957	13,541,197,666
17	Non-interest earning assets	Taka	1,709,503,082	1,687,068,627
18	Return on investment (ROI)		12.77%	11.10%
19	Return on assets (ROA) [PAT/ Average assets]		1.37%	-1.11%
20	Income from investment	Taka	747,651,062	518,612,626
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 December 31, 2014

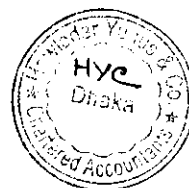
Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
<b>Assets</b>						
Cash	878,915,490	-	-	-	331,737,471	1,210,652,961
Balance with other banks and financial institutions	52,011,578	350,298,817	705,796,415	-	-	1,108,106,810
Money at call and on short notice	-	-	-	-	-	-
Investments	66,026,711	114,625,759	1,255,381,766	2,401,605,457	2,297,617,884	6,135,257,577
Loans and advances / investments	1,379,900,093	1,427,290,112	4,132,070,281	569,019,888	-	7,508,280,374
Fixed assets including premises, furniture and fixtures	-	-	-	57,667,569	-	57,667,569
Other assets	6,988,017	10,195,198	178,601,182	338,219,351	-	534,003,748
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>2,383,841,889</b>	<b>1,902,409,886</b>	<b>6,271,849,644</b>	<b>3,366,512,265</b>	<b>2,629,355,355</b>	<b>16,553,969,039</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	800,000,000	-	-	-	-	800,000,000
Deposits	2,429,520,139	3,374,051,518	2,016,730,953	1,931,728,007	-	9,752,030,617
Provision and other liabilities	14,098,205	2,726,396	609,260,161	703,151,326	-	1,329,236,088
<b>Total liabilities</b>	<b>3,243,618,344</b>	<b>3,376,777,914</b>	<b>2,625,991,114</b>	<b>2,634,879,333</b>	<b>-</b>	<b>11,881,266,705</b>
<b>Net liquidity gap</b>	<b>(859,776,455)</b>	<b>(1,474,368,028)</b>	<b>3,645,858,530</b>	<b>731,632,931</b>	<b>2,629,355,355</b>	<b>4,672,702,334</b>



## Annexure-C

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Balance with other banks - Outside Bangladesh (Nostro Accounts)**  
**as at December 31, 2014**

Name of the Bank	Currency Type	2014			2013		
		FC Amount	Exchange Rate	Equivalent Taka	FC Amount	Exchange Rate	Equivalent Taka
Standard Chartered Bank, New York	USD	469,288.15	77.95	36,581,011	69,456.32	77.75	5,400,229
Standard Chartered Bank, Kolkata	ACUD	43,867.09	77.95	3,419,440	4,222.20	77.75	328,276
Bank Alfalah Limited, Karachi	ACUD	9,067.37	77.95	706,801	9,067.37	77.75	704,988
Standard Chartered Bank, London	GBP	13,473.07	120.92	1,629,164	2,514.13	128.09	322,035
Standard Chartered Bank, Frankfurt	EURO	674.09	94.71	63,843	8,170.28	106.82	872,749
Commerz bank, Frankfurt	EURO	6,548.09	94.71	620,170	8,362.80	106.82	893,314
Hongkong and Shanghai Banking Corporation, New York	USD	-	-	-	-	-	-
Union De Banques Arabes ET Francaises Japan	YEN	39,553.00	0.65	25,709	40,753.00	0.74	30,157
				<b>43,046,138</b>			<b>8,551,748</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Schedule of fixed assets including premises, furniture and fixtures**  
**as at December 31, 2014**

Particulars	Cost				Rate of Dep.	Depreciation				Written Down Value as at December 31, 2014
	Balance as at January 01, 2014	Additions during the year	Disposal during the year	Balance as at December 31, 2014		Balance as at January 01, 2014	Charged during the year	for the disposal during the	Balance as at December 31, 2014	
Furniture, fixture and fittings	42,755,603	2,046,830		44,802,433	10	30,877,396	2,622,049		33,499,445	11,302,988
Office equipments	48,196,148	5,099,650		53,295,798	20	35,135,756	4,544,764		39,680,520	13,615,278
Staff equipments	13,500	-		13,500	20	13,500	-		13,500	-
Computer and related equipme	103,160,740	4,609,800		107,770,540	25	86,325,376	7,577,965		93,903,341	13,867,199
Motor vehicles	25,994,910	9,666,690		35,661,600	25	25,564,409	799,714		26,364,123	9,297,477
Leasehold improvement	60,451,274	7,397,895		67,849,169	20	53,887,197	4,377,345		58,264,542	9,584,627
	<b>280,572,175</b>	<b>28,820,865</b>	<b>-</b>	<b>309,393,040</b>		<b>231,803,634</b>	<b>19,921,837</b>	<b>-</b>	<b>251,725,471</b>	<b>57,667,569</b>

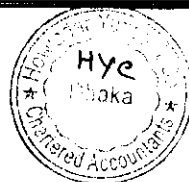
Particulars	Cost				Rate of Dep.	Depreciation				Written Down Value as at December 31, 2013
	Balance as at January 01, 2013	Additions during the year	Disposal during the year	Balance as at December 31, 2013		Balance as at January 01, 2013	Charged during the year	for the disposal during the	Balance as at December 31, 2013	
Furniture, fixture and fittings	38,878,490	4,871,658	(994,545)	42,755,603	10	29,358,786	2,117,232	(598,622)	30,877,396	11,878,207
Office equipments	39,906,772	8,581,056	(291,680)	48,196,148	20	32,118,595	3,305,375	(288,214)	35,135,756	13,060,392
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipme	91,149,372	12,017,718	(6,350)	103,160,740	25	72,838,054	13,493,672	(6,350)	86,325,376	16,835,364
Motor vehicles	30,899,410	-	(4,904,500)	25,994,910	25	29,331,826	1,137,083	(4,904,500)	25,564,409	430,501
Leasehold improvement	64,729,502	2,947,101	(7,225,329)	60,451,274	20	57,018,099	4,090,668	(7,221,570)	53,887,197	6,564,077
	<b>265,577,046</b>	<b>28,417,533</b>	<b>(13,422,404)</b>	<b>280,572,175</b>		<b>220,678,860</b>	<b>24,144,030</b>	<b>(13,019,256)</b>	<b>231,803,634</b>	<b>48,768,541</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Currency Analysis**  
**as at December 31, 2014**

The table below summarizes the currency-wise analysis of assets and liabilities as at December 31, 2014. The Bank's assets and liabilities are included in their carrying amounts in Bangladesh Taka, broken down by currency.

Particulars	Balance as at December 31, 2014					Total Taka
	Taka	Equivalent Taka of USD	Equivalent Taka of GBP	Equivalent Taka of EURO	Equivalent Taka of JPY	
<b>ASSETS</b>						
Cash in hand	158,754,182	2,909,897	-	-	-	161,664,079
Balance with Bangladesh Bank and its agent bank	604,071,837	444,904,113	4,033	8,458	441	1,048,988,882
Balance with other banks and financial institutions	1,065,060,672	40,707,252	1,629,164	684,013	25,709	1,108,106,810
Money at call and short notice	-	-	-	-	-	-
Investments	6,135,257,577	-	-	-	-	6,135,257,577
Loans and advances	7,504,396,309	3,884,065	-	-	-	7,508,280,374
Fixed assets	57,667,569	-	-	-	-	57,667,569
Other assets	531,649,810	2,353,938	-	-	-	534,003,748
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>16,056,857,956</b>	<b>494,759,265</b>	<b>1,633,197</b>	<b>692,471</b>	<b>26,150</b>	<b>16,553,969,039</b>
<b>LIABILITIES</b>						
Borrowings from other banks, financial Institutions and agents	800,000,000	-	-	-	-	800,000,000
Deposit	9,589,736,016	162,143,630	150,971	-	-	9,752,030,617
Other liabilities	1,329,236,088	-	-	-	-	1,329,236,088
<b>Total liabilities</b>	<b>11,718,972,104</b>	<b>162,143,630</b>	<b>150,971</b>	<b>-</b>	<b>-</b>	<b>11,881,266,705</b>
<b>Net position</b>	<b>4,337,885,852</b>	<b>332,615,635</b>	<b>1,482,226</b>	<b>692,471</b>	<b>26,150</b>	<b>4,672,702,334</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Balance Sheet**  
**As at December 31, 2014**

	<u>Note</u>	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b><u>PROPERTY AND ASSETS</u></b>			
<b>Cash</b>	<b>4</b>	<b>281,387,777</b>	<b>237,220,188</b>
In hand (including foreign currencies)		69,790,831	42,220,188
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		211,596,946	195,000,000
<b>Balance with other banks and financial institutions</b>	<b>5</b>	<b>350,000,000</b>	<b>-</b>
In Bangladesh		350,000,000	-
Outside Bangladesh		-	-
<b>Placement with banks and other financial institutions</b>		<b>-</b>	<b>-</b>
<b>Investments in shares and securities</b>		<b>-</b>	<b>-</b>
Government		-	-
Others		-	-
<b>Investments</b>	<b>6</b>	<b>3,044,522,935</b>	<b>2,460,409,933</b>
General investments etc.		2,582,890,416	1,834,447,970
Bills purchased and discounted		461,632,519	625,961,963
<b>Fixed assets including premises, furniture and fixtures</b>	<b>7</b>	<b>3,824,982</b>	<b>3,474,177</b>
<b>Other assets</b>	<b>8</b>	<b>752,502,498</b>	<b>1,386,535,678</b>
Non-banking assets		-	-
<b>Total assets</b>		<b><u>4,432,238,192</u></b>	<b><u>4,087,639,976</u></b>
<b><u>LIABILITIES AND CAPITAL</u></b>			
<b>Liabilities</b>			
Placement from banks and other financial institutions		-	-
<b>Deposits and other accounts</b>	<b>9</b>	<b>3,985,250,432</b>	<b>3,613,101,396</b>
Al-wadeeah current and other deposit accounts		429,252,987	527,218,506
Bills payable		15,624,296	28,936,841
Mudaraba saving deposits		1,371,277,675	836,784,203
Mudaraba term deposits		2,169,095,474	2,220,161,846
<b>Other liabilities</b>	<b>10</b>	<b>446,987,760</b>	<b>474,538,580</b>
Differed tax liabilities/(assets)		-	-
<b>Total liabilities</b>		<b><u>4,432,238,192</u></b>	<b><u>4,087,639,976</u></b>
<b>Capital/shareholders' equity</b>			
Retained earnings	<b>11</b>	-	-
<b>Total shareholders' equity</b>		<b>-</b>	<b>-</b>
<b>Total liabilities and shareholders' equity</b>		<b><u>4,432,238,192</u></b>	<b><u>4,087,639,976</u></b>





<b><u>OFF-BALANCE SHEET ITEMS</u></b>	<b><u>Note</u></b>	<b><u>2014</u></b> <b><u>Taka</u></b>	<b><u>2013</u></b> <b><u>Taka</u></b>
<b>Contingent liabilities</b>		<b>1,145,619,951</b>	<b>1,614,112,148</b>
Acceptances and endorsements		10,504,557	349,385,753
Letters of guarantee	12	540,717,768	529,198,967
Irrevocable letters of credit (including back to back bills)	13	231,403,700	309,655,355
Bills for collection		302,418,926	285,747,073
Value of Bangladesh Sanchaypatra		60,575,000	140,125,000
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		-	-
		<b>1,145,619,951</b>	<b>1,614,112,148</b>
<b>Total off-balance sheet items including contingent liabilities</b>		<b>1,145,619,951</b>	<b>1,614,112,148</b>

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**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Profit and Loss Account**  
**for the year ended 31 December 2014**

	<b>Note</b>	<b>2014 Taka</b>	<b>2013 Taka</b>
Investment income	15	264,188,881	211,076,694
Profit paid on deposits	16	(255,147,773)	(310,257,547)
<b>Net investment income</b>		<b>9,041,108</b>	<b>(99,180,853)</b>
Income from investment in shares/securities	17	-	-
Commission, exchange and brokerage	18	37,169,572	25,499,941
Other operating income	19	8,279,482	11,180,498
		<u>45,449,054</u>	<u>36,680,439</u>
<b>Total operating income</b>		<b><u>54,490,162</u></b>	<b><u>(62,500,414)</u></b>
Salaries and allowances	20	28,760,854	30,821,749
Rent, taxes, insurance, electricity etc.	21	14,912,110	14,908,219
Legal expenses		-	-
Postage, stamps, telecommunication etc.	22	1,852,904	2,035,468
Stationery, printing, advertisement etc.	23	1,181,391	1,334,691
Shariah supervisory committee's fees and expenses		-	-
Auditors' fees		-	-
Depreciation and repair to Bank's assets	24	2,091,629	2,060,266
Zakat expenses		-	-
Other expenses	25	2,924,860	2,103,596
<b>Total operating expenses</b>		<b><u>51,723,748</u></b>	<b><u>53,263,989</u></b>
<b>Profit before provision</b>		<b><u>2,766,414</u></b>	<b><u>(115,764,403)</u></b>
Provision for investments		12,639,462	244,080,947
General provision	10.1	27,206	(1,998,470)
Specific provision	10.2	12,612,256	246,079,417
Provision for off-balance sheet items		-	1,573,588
Provision for diminution in value of investments in shares		-	-
Other provisions		-	-
<b>Total provision</b>		<b><u>12,639,462</u></b>	<b><u>245,654,535</u></b>
<b>Total profit before tax</b>		<b><u>(9,873,048)</u></b>	<b><u>(361,418,938)</u></b>
Provision for taxation			
Current		-	-
Deferred		-	-
<b>Total provision for taxation</b>		<b>-</b>	<b>-</b>
<b>Net profit / (loss) after tax</b>		<b><u>(9,873,048)</u></b>	<b><u>(361,418,938)</u></b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2014**

Particulars	Fund deposited with Bangladesh Bank	Retained earnings	Total
<b>Balance as at January 01, 2013</b>			
Net loss for the year	-	(9,873,048)	(9,873,048)
Transferred to Bangladesh country office	-	9,873,048	9,873,048
<b>Balance as at December 31, 2014</b>	-	-	-
<b>Balance as at January 01, 2013</b>	-	-	-
Net loss for the year	-	(361,418,938)	(361,418,938)
Transferred to Bangladesh country office	-	361,418,938	361,418,938
<b>Balance as at December 31, 2013</b>	-	-	-



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Cash Flow Statement**  
**for the year ended December 31, 2014**

	<u>Note</u>	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>Cash flows from operating activities</b>			
Investment income receipts in cash	26	358,049,357	221,783,182
Profit paid on deposits	27	(267,919,790)	(335,541,311)
Fees and commission receipts in cash	28	15,317,649	16,299,952
Recoveries on loans previously written-off		-	-
Cash payments to employees	29	(28,760,854)	(31,480,026)
Cash payments to suppliers	30	(17,875,342)	(18,279,570)
Income taxes paid		-	-
Receipts from other operating activities	31	30,131,405	20,380,487
Payments for other operating activities	32	(3,833,174)	(2,226,724)
Operating loss before changes in operating assets and liabilities		<u>85,109,251</u>	<u>(129,064,010)</u>
<b>Increase/decrease in operating assets and liabilities:</b>			
Statutory deposits		-	-
Purchase/sale of trading securities		-	-
Investments to customers	33	(584,113,002)	(495,702,361)
Other assets	34	538,818,808	460,962,027
Deposits and other accounts from other banks	35	448,996,973	319,762,307
Deposits and other accounts from customers	36	(76,847,937)	(182,040,718)
Other liabilities	37	(16,262,384)	17,687,887
Cash generated from/(used in) operating assets and liabilities		<u>310,592,458</u>	<u>120,669,142</u>
<b>Net cash outflow from operating activities</b>		<u><b>395,701,709</b></u>	<u><b>(8,394,868)</b></u>
<b>Cash flows from investing activities</b>			
Proceeds from sale/redemption of securities		-	-
Payment for purchase of securities		-	-
Purchase of fixed assets		(1,534,120)	(615,016)
Sale of fixed assets		-	-
<b>Net cash (used in)/from investing activities</b>		<u><b>(1,534,120)</b></u>	<u><b>(615,016)</b></u>
<b>Cash flows from financing activities</b>			
		-	-
<b>Net decrease in cash and cash equivalents</b>		<b>394,167,589</b>	<b>(9,010,154)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>237,220,188</b>	<b>246,230,342</b>
<b>Cash and cash equivalents at end of the year</b>		<u><b>631,387,777</b></u>	<u><b>237,220,188</b></u>
<b>Cash in hand (including foreign currencies)</b>			
Cash in hand (including foreign currencies)		69,790,831	42,220,188
Balance with other banks and financial institutions		350,000,000	-
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		211,596,946	195,000,000
		<u><b>631,387,777</b></u>	<u><b>237,220,188</b></u>

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**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Notes to the Financial Statements**  
**as at and for the year ended December 31, 2014**

**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 branches as on 31 December 2014. Motijheel branch ("the Branch") is the only islamic banking branch and rest of the branches are conventional banking branches.

**1.1 Principal activities of the Bank/Branch**

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. The Branch provides all kinds of commercial banking services on the basis of islamic banking principles.

**2 Basis of preparation**

**2.1 Statement of compliance**

The financial statements of the Branch 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 recognized 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 amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized 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/loss loans 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**

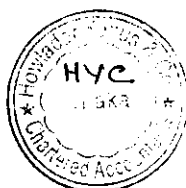
**BFRS:** When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the 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 I./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 requirement for regulation of 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 advance/investments net of provision**

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

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

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

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**xvi) Recognition of interest in suspense:**

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

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

**2.2 Basis of measurement**

The financial statements of the Branch have been prepared on the historical cost basis.

**2.3 Functional and presentation currency**

These financial statements are presented in Bangladesh Taka (Taka/Tk) which is the Branch'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 judgments**

The preparation of these financial statements in conformity with Bangladesh Bank Circulars, BFRSs and other applicable laws and regulations applicable in Bangladesh requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

**2.5 Reporting period**

These financial statements cover one calendar year from 1 January to 31 December 2014.

**2.6 Cash flow Statement**

Cash flow statement has been prepared in accordance with the BRPD Circular No. 15 dated 9 November 2009 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 by the Branch.

**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 recognized in profit or loss.

### **3.2 Profit on investments**

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

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

Profit on classified investments are credited to income on a cash receipt basis.

### **3.3 Investment income**

Income on investments is recognized 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 Branch earns fees and commissions from diverse range of services provided to its customers. Commission on Letter of Guarantee is recognized on accrual basis. Other fees and commission income is recognized on a realization basis.

### **3.5 Dividends**

Dividend income is recognized 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 recognized in profit or loss on a straight-line basis over the term of the lease.

### **3.7 Tax**

There is no separate tax registration for Motijheel Branch. However, the Bank accrues and pays tax at the country level as its Tax Payer's Identification Number (TIN) was taken in the name of Bank Alfalah Limited, Bangladesh. As such, current tax and deferred tax are calculated in country level rather than at branch level. Therefore current tax and deferred tax are not recognized for the Branch's financial statements.

### **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, placement with banks and other financial institutions and prize bond.

### **3.9 Investments/Investments in shares and securities**

All investment securities are initially recognized at cost, including acquisition charges associated with the investment. Premiums are amortized and discounts are accreted.



Value of investments has been shown as under:

Prize Bond	At cost
Unquoted shares	At cost or book value of the last audited balance sheet whichever is lower
Quoted shares	At cost or market value whichever is lower at balance sheet date.

Details are shown in Note 5.

### 3.10 Investments and provisions

- Investments of Islamic Banking branches are stated in the Balance Sheet on gross value.
- Provision for investments 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>
<b>General provision on</b>	
All unclassified investments except followings-	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%
<b>Specific provision on</b>	
Substandard loans and advances/investments	20%
Doubtful loans and advances/investments	50%
Bad/loss loans and advances/investments	100%

Details are shown in Note 6.

### 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 recognized 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 recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.



### 3.11.3 Depreciation

Depreciation is recognized 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. In case of acquisition of fixed assets, depreciation is charged from the month of acquisition, whereas depreciation on disposed off fixed assets is charged up to the month prior to the disposal. 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%
Leasehold improvement	10%
Office equipments	20%
Staff equipments	20%
Computer and related equipments	25%
Motor vehicles	25%

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

### 3.12 Deposits and other accounts

Deposits and other accounts include non profit-bearing al-wadeeah current and other deposit accounts redeemable at call, profit bearing mudaraba term deposits, mudaraba saving deposits and bills payable. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in Note 9.

### 3.13 Other liabilities

Other liabilities comprise items such as provision for investments, profit payable, profit suspense, accrued expenses. Other liabilities are recognized in the balance sheet according to the guidelines of Bangladesh Bank, and internal policy of the Bank. Details are shown in Note 10.

### 3.14 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 Branch; or

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

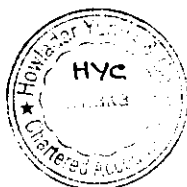
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognized in the financial statements as this may result in the recognition of income which may never be realized.

### 3.15 Profit shared on deposits

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



### **3.16 Employee benefits**

#### **3.16.1 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.

#### **3.16.2 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 Bank's liability on this account stands as on 31st December 2014 was fully provided in accounts considering the staffs accumulated gratuity entitlements for their service with the bank. The Gratuity Fund has been approved by the National Board of Revenue in February 2011.

#### **3.16.3 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 recognized 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.

#### **3.17 Provisions and accrued expenses**

In compliance with BAS-37, provisions and accrued expenses are recognized in the financial statements when the Branch 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.

#### **3.18 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. Provision has been maintained at Country level.

Details are shown in note 10.2.

#### **3.19 Impairment of non-financial assets**

The carrying amounts of the Branch'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 recognized 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 recognized in profit or loss. Impairment losses recognized 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 recognized 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 amortization, if no impairment loss had been recognized.

**3.20 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.

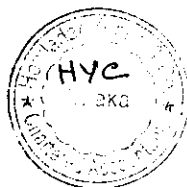
Un-reconciled entries in case of inter-branch transactions as at the reporting date are not material.

**3.21 Zakat**

The Branch does not deduct/pay zakat on behalf of clients where as charitable compensation is recovered on all overdue facilities.

**3.22 General**

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



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>4 Cash</b>		
In hand		
Local currency	68,311,886	41,658,600
Foreign currencies	1,478,945	561,588
	<u>69,790,831</u>	<u>42,220,188</u>
Balance with Bangladesh Bank and its agent bank:		
Local currency	211,596,946	195,000,000
Foreign currencies	-	-
	<u>211,596,946</u>	<u>195,000,000</u>
	<u>281,387,777</u>	<u>237,220,188</u>
<b>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, MPD circular no. 2 dated 10 December 2013 and MPD Circular no. 1 dated 23 June 2014, DOS Circular no. 1 dated 19 January 2014.</b>		
<b>4.2 Cash Reserve Requirement (CRR)</b>		
6.50% (2013: 6%) of average Demand and Time Liabilities:		
Required reserve	206,197,875	191,098,884
Actual reserve held	211,596,946	195,000,000
Surplus	<u>5,399,071</u>	<u>3,901,116</u>
<b>4.3 Statutory Liquidity Requirement (SLR)</b>		
5.5% (2013: 11.5%) of required Average Demand and Time Liabilities:		
Required reserve	174,475,125	366,272,861
Actual reserve held	380,673,009	366,273,000
Surplus	<u>206,197,884</u>	<u>139</u>
<b>4.4 Held for Statutory Liquidity Requirement:</b>		
Cash in hand	69,790,831	42,220,188
Balance with Bangladesh Bank as per statement	211,596,946	195,000,000
Foreign currency used in BDT	99,285,232	129,052,812
	<u>380,673,009</u>	<u>366,273,000</u>
<b>5 Balance with other banks and financial institutions</b>		
In Bangladesh (Note 5.1)	350,000,000	-
Outside Bangladesh	-	-
	<u>350,000,000</u>	<u>-</u>
Also refer to note 5.3 for maturity wise grouping		
<b>5.1 Inside Bangladesh</b>		
Mudaraba Term deposit:		
Social Islami Bank Limited	350,000,000	-
	<u>350,000,000</u>	<u>-</u>
<b>5.2 Maturity-wise groupings of balance with other banks and financial institutions</b>		
On demand	-	-
Not more than 3 months	350,000,000	-
More than 3 months but less than 1 year	-	-
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	<u>350,000,000</u>	<u>-</u>



	<u>2014</u>	<u>2013</u>
	<u>Taka</u>	<u>Taka</u>
<b>6 Investments</b>		
General Investments etc. (Note 6.1)	2,582,890,416	1,834,447,970
Bills purchased and discounted (Note 6.9)	461,632,519	625,961,963
	<u>3,044,522,935</u>	<u>2,460,409,933</u>
Also refer to notes 6.2 to 6.10 for further analysis, classification and provision for investments, maturity wise grouping, etc.		
<b>6.1 General Investments etc.</b>		
<b>In Bangladesh</b>		
Morabaha (I.P.O)	2,357,868,987	1,445,948,453
Trust receipts	80,263,298	102,219,042
Own acceptance purchased	-	181,266,792
Payment against documents (PAD)	-	-
Finance Against Foreign Bill	49,169,806	-
Morabaha manual	40,761,848	40,761,848
Staff morabaha	54,826,477	64,251,835
	<u>2,582,890,416</u>	<u>1,834,447,970</u>
<b>Outside Bangladesh</b>	-	-
	<u>2,582,890,416</u>	<u>1,834,447,970</u>
<b>6.2 Maturity-wise grouping</b>		
Repayable On demand	-	-
Not more than 3 months	80,263,298	782,191,182
More than 3 months but not more than 1 year	2,868,671,312	1,504,291,094
More than 1 year but not more than 5 years	63,690,248	91,051,519
More than 5 years	31,898,077	82,876,138
	<u>3,044,522,935</u>	<u>2,460,409,933</u>
<b>6.3 Investments on the basis of significant concentration</b>		
Advances to Chief executive, other Senior executives and other Officers	54,826,477	64,251,835
Industrial loans and advances	2,989,696,458	2,396,158,098
	<u>3,044,522,935</u>	<u>2,460,409,933</u>



#### 6.4 Industry-wise classification of investments

	2014		2013	
	<u>% of Total Loan</u>	<u>Taka</u>	<u>% of Total Loan</u>	<u>Taka</u>
Agriculture, Forestry, Hunting and Fishing	0.78%	23,753,836	1.23%	30,232,150
Mining and Quarrying	0.00%	-	0.00%	-
Textile	21.63%	658,417,000	14.03%	345,251,020
Chemical and Pharmaceuticals	3.04%	92,663,667	8.34%	205,217,469
Sugar	0.00%	-	0.00%	-
Automobile and transportation equipment	0.58%	17,803,800	0.72%	17,803,800
Electronics and electrical appliances	0.21%	6,399,420	0.00%	-
Construction	1.46%	44,450,732	2.07%	50,903,750
Wholesale and Retail Trade	16.67%	507,601,000	2.95%	72,648,085
Exports/Imports	17.80%	541,895,817	12.40%	305,156,086
Garments (Knit & Woven)	0.00%	-	0.00%	-
Iron & Steel	7.68%	233,866,667	0.85%	20,800,000
Individuals	0.40%	12,026,847	3.35%	82,302,497
Others	29.75%	905,644,148	54.06%	1,330,095,076
	<b>100%</b>	<b>3,044,522,935</b>	<b>100%</b>	<b>2,460,409,933</b>

#### 6.5 Geographical location-wise investments

	2014		2013	
	<u>% of Total Loan</u>	<u>Taka</u>	<u>% of Total Loan</u>	<u>Taka</u>
Dhaka Division	100%	3,044,522,935	100%	2,460,409,933
Chittagong Division	0%	-	0%	-
Sylhet Division	0%	-	0%	-
	<b>100%</b>	<b>3,044,522,935</b>	<b>100%</b>	<b>2,460,409,933</b>

#### 6.6 Grouping of investments as per classification rules of Bangladesh Bank

	2014		2013	
	<u>% of Total Loan</u>	<u>Taka</u>	<u>% of Total Loan</u>	<u>Taka</u>
<b>Unclassified:</b>				
Standard including staff morabaha	95.32%	2,902,080,890	84.10%	2,069,158,134
Special Mention Account (SMA)	0.43%	13,130,931	0.00%	-
	<b>95.75%</b>	<b>2,915,211,820</b>	<b>84.10%</b>	<b>2,069,158,134</b>
<b>Classified:</b>				
Substandard	0.00%	-	0.02%	472,283
Doubtful	0.00%	-	0.00%	-
Bad or loss	4.25%	129,311,115	15.88%	390,779,516
	<b>4.25%</b>	<b>129,311,115</b>	<b>15.90%</b>	<b>391,251,799</b>
	<b>100.00%</b>	<b>3,044,522,935</b>	<b>100.00%</b>	<b>2,460,409,933</b>





**6.7 Particulars of required provision for investments**

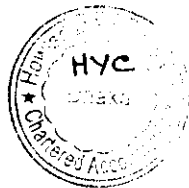
	2014		2013	
	Base for Provision <u>Taka</u>	Required provision <u>Taka</u>	Base for Provision <u>Taka</u>	Required provision <u>Taka</u>
Unclassified:				
Standard (Other than SME)	2,791,401,109	27,914,011	1,925,876,207	19,258,762
Standard (SME)	86,925,944	217,315	143,281,927	358,205
Standard (Agri Loan)	23,753,836	593,846	-	-
Special Mention Account (SMA)	10,882,297	27,206	-	-
	<u>2,912,963,186</u>	<u>28,752,378</u>	<u>2,069,158,134</u>	<u>19,616,967</u>
Classified:				
Substandard	-	-	445,320	89,064
Doubtful	-	-	-	-
Bad or loss	93,631,069	93,631,069	316,925,530	316,925,530
	<u>93,631,069</u>	<u>93,631,069</u>	<u>317,370,850</u>	<u>317,014,594</u>
	<u><b>3,006,594,256</b></u>	<u>122,383,447</u>	<u><b>2,386,528,984</b></u>	<u>336,631,561</u>
<b>Total provision maintained (Shortfall)/Surplus provision</b>		<u><b>329,654,055</b></u>		<u><b>333,048,934</b></u>
		<u><b>207,270,608</b></u>		<u><b>(3,582,627)</b></u>

**6.8 Particulars of investments**

	2014 <u>Taka</u>	2013 <u>Taka</u>
i) Investments considered good in respect of which the banking company is fully secured	3,043,410,295	2,458,988,826
ii) Investments considered good against which the banking company holds no security other than the debtor's personal guarantee;	1,112,640	1,421,107
iii) Investments considered good and secured by personal undertakings of one or more parties in addition to the personal guarantee of the debtor;	-	-
iv) Investments adversely classified; provision not maintained there against;	-	-
	<u>3,044,522,935</u>	<u>2,460,409,933</u>
v) Investments due by directors or officers of the banking company or any of these either separately or jointly with any other person.		
vi) Investments due by companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or, in the case of private companies as members	-	-
vii) Maximum total amount of Investments including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either separately or jointly with any other persons.	53,713,838	62,830,729

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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
viii) Maximum total amount of Investments including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members	-	-
ix) Due from Banking Companies	-	-
x) Amount of Classified Investment on which Profit has not been charged	129,311,115	391,251,799
(a) Movement of Classified Investments:		
Opening balance	260,161,651	260,161,651
Increase/(Decrease) during the year	<u>(130,850,536)</u>	<u>-</u>
Closing balance	<u>129,311,115</u>	<u>260,161,651</u>
(b) Provision against the Investment classified as bad/loss at the date of balance sheet	93,631,069	316,925,530
(c) Amount of profit charged in suspense account	56,309,285	55,080,772
xi) Investments written off:	-	-
- Current Year		
- Cumulative to-date		
- Amount of written off loans for which lawsuit has filed		
<b>6.9 Bills purchased and discounted</b>		
Bills purchased and discounted excluding treasury bills:		
In side Bangladesh	461,632,519	625,961,963
Outside Bangladesh	-	-
	<u>461,632,519</u>	<u>625,961,963</u>
<b>6.10 Maturity grouping of bills discounted and purchased</b>		
Payable within one month	131,614,491	265,050,704
Over 1 month but less than 3 months	156,190,280	233,654,644
Over 3 months but less than 6 months	173,827,748	127,256,615
6 months or more	-	-
	<u>461,632,519</u>	<u>625,961,963</u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>7 Fixed assets including premises, furniture and fixtures</b>		
Cost:		
Furniture, fixture and fittings	20,140,987	20,029,667
Office equipments	9,726,907	8,506,707
Staff equipments	13,500	13,500
Computer and related equipments	13,505,759	13,303,159
Motor vehicles	2,935,750	2,935,750
Leasehold improvement	<u>2,386,850</u>	<u>2,386,850</u>
	<b><u>48,709,753</u></b>	<b><u>47,175,633</u></b>
Less: Accumulated depreciation		
Furniture, fixture and fittings	19,550,865	19,420,577
Office equipments	8,163,811	7,802,470
Staff equipments	13,500	13,500
Computer and related equipments	13,019,169	12,803,264
Motor vehicles	2,935,750	2,935,750
Leasehold improvement	<u>1,201,676</u>	<u>725,895</u>
	<b><u>44,884,771</u></b>	<b><u>43,701,456</u></b>
	<b><u>3,824,982</u></b>	<b><u>3,474,177</u></b>

Details are shown in Annexure - B.

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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>8 Others assets</b>	<b>752,502,498</b>	<b>1,386,535,678</b>
<b>8.1 Classification of other assets</b>		
<b>a) Income generating other assets</b>	-	-
<b>b) Non-income generating other assets</b>		
i) Investment in shares of subsidiary companies:		
- In Bangladesh	-	-
- Outside Bangladesh	-	-
ii) Stationery, stamps, printing materials, etc.	117,230	93,020
iii) Advance rent and advertisement	9,362,520	26,548,560
iv) Profit accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables (Note 8.2)	9,391,466	22,942,045
v) Security deposits	-	-
vi) Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	508,854	309,255
vii) Branch adjustment	835,490,749	1,347,222,192
viii) Suspense account	-	-
ix) Silver	-	-
x) Others (Note 8.3)	(102,368,321)	(10,579,394)
	<u>752,502,498</u>	<u>1,386,535,678</u>
	<u>752,502,498</u>	<u>1,386,535,678</u>
<b>8.2 Profit receivables</b>		
Profit Receivable from Placement with Banks	2,164,444	-
Mark up receivables on bill purchased and discounted	7,227,022	22,942,045
	<u>9,391,466</u>	<u>22,942,045</u>
<b>8.3 Others</b>		
Short term receivable-account maintenance fees	511,729	439,374
Net of profit on Morabaha	(104,287,220)	(12,750,379)
Sundry debtors miscellaneous	1,407,170	1,731,611
	<u>(102,368,321)</u>	<u>(10,579,394)</u>
<b>9 Deposits and other accounts</b>		
<b>Al-wadecah current and other deposit accounts</b>		
Al-wadecah current deposits	228,764,657	183,503,559
Alfalah Karobar Current Account	14,950,589	-
Foreign currency deposits	127,394,439	226,878,570
Sundry deposits (Note 9.1)	58,143,302	116,836,377
	429,252,987	527,218,506
Payment order - Inside Bangladesh	14,543,301	23,783,161
Demand draft payable - Outside Bangladesh	446,575	4,519,190
Unclaimed DD/TT/PO - Inside Bangladesh	560,000	560,000
Unclaimed DD/TT/PO - Outside Bangladesh	74,420	74,490
	15,624,296	28,936,841
<b>Mudaraba savings deposits</b>		
Special Notice Deposit (SND)	899,135,665	428,476,703
Alfalah Salary Account (ASA)	2,017	-
Alfalah Rising Star (ARS)	1,140,427	-
Alfalah Premium Plus (APP)	10,686,827	-
Mudaraba Royal Profit deposits	460,312,739	408,307,500
	1,371,277,675	836,784,203



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>Mudaraba term deposits</b>		
Mudaraba Term Deposit (MTDR)	2,169,095,474	2,220,161,846
	<u>3,985,250,432</u>	<u>3,613,101,396</u>
<b>9.1 Sundry deposits</b>		
Margin Accounts - Local Currency	33,861,738	50,458,466
Margin Accounts - Foreign Currency	24,281,564	66,377,911
	<u>58,143,302</u>	<u>116,836,377</u>
<b>9.2 Deposits from banks and others</b>		
Inter-bank deposits (Note 9.2.1)	872,359,540	423,362,567
Other deposits	3,112,890,892	3,189,738,829
	<u>3,985,250,432</u>	<u>3,613,101,396</u>
<b>9.2.1 Inter-bank deposits</b>		
Jamuna Bank Limited	30,526	31,336
Pubali Bank Limited	375,172	176,862
Prime Bank Limited	38,337	37,460
The City Bank Limited	165,478,686	113,674,764
Shahjalal Islami Bank Ltd.	200,537,500	
Islami Bank Bangladesh Ltd	250,093,750	
AB Bank Limited	255,805,569	309,442,145
	<u>872,359,540</u>	<u>423,362,567</u>
<b>9.3 Maturity grouping of deposits</b>		
Repayable On demand	917,019,293	964,462,847
Repayable within 1 month	943,167,558	515,344,894
Over 1 month but within 6 months	1,807,681,245	1,776,061,087
Over 6 months but within 1 year	309,433,092	349,647,502
Over 1 year but within 5 years	7,949,244	7,585,066
Over 5 years but within 10 years	-	-
10 years or more	-	-
	<u>3,985,250,432</u>	<u>3,613,101,396</u>
<b>10 Other Liabilities</b>		
Provision for Investments (Note 10.1)	329,654,055	333,048,934
Provision for off-balance sheet exposures (Note 10.2)	-	11,882,401
Profit suspense account (Note 10.3)	56,309,285	55,080,772
Accrued expenses	599,413	528,350
Profit payable on borrowings (Note 10.5)	46,496,638	59,268,655
Withholding tax on profit on deposits	4,420,844	4,585,477
Withholding tax	1,777,728	2,155,218
Withholding VAT	396,945	344,764
Provision for gratuity	-	4,247,898
Excise duty	678,562	778,672
Advance commission on Letter of Guarantee (L/G)	1,919,919	1,862,727
Miscellaneous	4,734,370	754,712
	<u>446,987,759</u>	<u>474,538,580</u>
<b>10.1 Provision for investments</b>		
<b>General Provision</b>		
Balance as at 1 January	16,034,340	18,032,810
Add: Provision made during the year		
On general investments	-	-
On Special Mention Account (SMA)	27,206	-
	27,206	-

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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>12 Letters of guarantees</b>		
a) Claims lodged with the Bank company not recognized as loan	-	-
b) Money for which the Bank is contingently liable in respect of guarantees given favoring:		
Directors or officers	-	-
Government	540,717,768	529,198,967
Banks and other financial institutions	-	-
Others	-	-
	<u>540,717,768</u>	<u>529,198,967</u>
<b>13 Irrevocable letters of credit</b>		
Usance	114,506,894	43,893,786
Sight	116,896,806	265,761,569
	<u>231,403,700</u>	<u>309,655,355</u>
<b>14 Income statement</b>		
<b>Income:</b>		
Profit, discount and similar income	264,188,881	211,076,694
Dividend income	-	-
Commission, exchange and brokerage	15,317,649	16,299,952
Gains less losses arising from dealing securities	-	-
Gains less losses arising from investment securities	-	-
Gains less losses arising from dealing in foreign currencies	21,851,923	9,199,989
Income from non-banking assets	-	-
Other operating income	8,279,482	11,180,498
Profit less losses on interest rate changes	-	-
	<u>309,637,935</u>	<u>247,757,133</u>
<b>Expenses:</b>		
Profit paid on deposits	255,147,773	310,257,547
Losses on investments	-	-
Administrative expenses	47,615,573	49,881,532
Other operating expenses	2,924,860	2,103,596
Depreciation on banking assets	1,183,315	1,278,861
	<u>306,871,521</u>	<u>363,521,536</u>
<b>Income over expenditure</b>	<u>2,766,414</u>	<u>(115,764,403)</u>
<b>15 Investment income</b>		
<b>Share of profit from financing and discounting</b>		
Murabaha-Staff	2,779,955	2,480,616
Morabaha Financing - LPO	201,788,389	133,216,534
Profit on bill discounted	32,589,036	63,807,545
Morabaha income PAD	-	-
Morabaha income trust receipt	15,804,557	11,571,999
	<u>252,961,937</u>	<u>211,076,694</u>
<b>Profit on Placement with Banks</b>		
Profit on Term Placements	11,226,944	-
Profit on Savings Deposit with Banks	-	-
	<u>11,226,944</u>	<u>-</u>
	<u>264,188,881</u>	<u>211,076,694</u>
<b>16 Profit paid on deposits</b>		
<b>Profit shared on Modaraba Deposit</b>		
Modaraba Royal Profit Deposit	18,765,367	15,795,920
Alfalah Salary Account (ASA)	19	-
Alfalah Rising Star (ARS)	2,064	-
Alfalah Premium Plus (APP)	184,468	-
Modaraba Special Notice deposit	29,626,845	23,652,506



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
Less: Provision no longer required	16,034,340	1,998,470
Net of provision (reversed)/made during the year	<u>(16,007,134)</u>	<u>(1,998,470)</u>
Balance as at 31 December	<u>27,206</u>	<u>16,034,340</u>
<b>Specific Provision</b>		
Balance as at 1 January	317,014,594	70,935,177
Less: Profit on investment waiver during the year	-	-
Adjustment with prior year	-	-
Provision no longer required	19,195,884	-
Written off during the year	-	-
	<u>19,195,884</u>	<u>-</u>
Add: Recoveries of amounts previously written off	-	-
Specific provision made during the year	<u>31,808,139</u>	<u>246,079,417</u>
	<u>31,808,139</u>	<u>246,079,417</u>
Balance as at 31 December	<u>329,626,849</u>	<u>317,014,594</u>
<b>Total provision on investments</b>	<u><b>329,654,055</b></u>	<u><b>333,048,934</b></u>
<b>10.2 Provision for off-balance sheet exposures</b>		
Balance as at 1 January	11,882,401	10,308,813
Add: Provision made during the year	-	1,573,588
	<u>11,882,401</u>	<u>11,882,401</u>
Less: Adjustments made during the year	11,882,401	-
Balance as at 31 December	<u>-</u>	<u><b>11,882,401</b></u>
<b>10.3 Profit suspense account</b>		
Balance as at 1 January	55,080,772	37,211,189
Add: Amount transferred during the year	<u>1,280,825</u>	<u>22,092,302</u>
	<u>56,361,597</u>	<u>59,303,491</u>
Less:		
Amount of profit suspense recovered	52,311	4,222,719
Amount written off during the year	-	-
Profit on investment waiver during the year	-	-
	<u>52,311</u>	<u>4,222,719</u>
Balance as at 31 December	<u><b>56,309,285</b></u>	<u><b>55,080,772</b></u>
<b>10.4 Profit suspense and compensation suspense</b>		
Profit suspense	56,309,285	55,080,772
Compensation suspense	-	-
	<u><b>56,309,285</b></u>	<u><b>55,080,772</b></u>
<b>10.5 Profit payable on borrowings</b>		
<b>Profit payable on -</b>		
Special notice deposit	16,418	16,418
30 days mudaraba term deposit	98,939	403,847
90 days mudaraba term deposit	12,909,321	17,564,209
180 days mudaraba term deposit	17,127,063	19,872,530
365 days mudaraba term deposit	15,524,292	20,853,834
2 years mudaraba term deposit	599,940	536,763
3 years mudaraba term deposit	220,665	21,054
	<u><b>46,496,638</b></u>	<u><b>59,268,655</b></u>
<b>11 Retained earnings</b>		
Balance as at 1 January	-	-
Adjustment for loan provision	-	-
Net profit / (loss) for the year	<u>(9,873,048)</u>	<u>(361,418,938)</u>
	<u>(9,873,048)</u>	<u>(361,418,938)</u>
Transferred to Bangladesh country office	<u>9,873,048</u>	<u>361,418,938</u>
Balance as at 31 December	<u>-</u>	<u>-</u>

	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
Modaraba term deposit	206,569,010	270,809,121
	<u>255,147,773</u>	<u>310,257,547</u>
<b>17 Income from investment in shares/securities</b>		
Mark-up on zero coupon bonds	-	-
Dividend income on preference share	-	-
	<u>-</u>	<u>-</u>
<b>18 Commission, exchange and brokerage</b>		
Brokerage	-	-
Fees, commission etc.	15,317,649	16,299,952
Exchange earnings	21,851,923	9,199,989
	<u>37,169,572</u>	<u>25,499,941</u>
<b>19 Other operating income</b>		
Service charges recovered	1,073,110	976,235
Document charges	-	24,230
Cheque Book charges recovered	214,501	213,300
Charges on documentary credit	-	39,908
Courier charges recovered	834,288	1,024,048
Other Income	6,157,583	8,902,777
Gain on disposal of fixed asset	-	-
	<u>8,279,482</u>	<u>11,180,498</u>
<b>20 Salaries and allowances</b>		
Basic salary	13,059,635	13,836,308
Housing allowance	5,223,880	5,534,519
Conveyance allowance	1,305,919	1,383,633
Leave fare allowance	1,565,303	1,764,783
Other allowances	478,430	498,650
Festival bonus	3,039,154	3,289,238
Performance bonus	1,018,776	972,864
The Bank's contribution to provident fund	1,202,046	1,327,881
Medical expenses	1,027,711	1,710,150
Car allowance	840,000	1,162,000
Gratuity	-	(658,277)
	<u>28,760,854</u>	<u>30,821,749</u>
<b>21 Rent, taxes, insurance, electricity etc.</b>		
Rent, rates and taxes	9,695,116	10,149,983
Insurance	284,146	233,432
Cleaning and maintenance	3,115,749	2,910,115
Electricity and lighting	1,817,099	1,614,689
	<u>14,912,110</u>	<u>14,908,219</u>
<b>22 Postage, stamps, telecommunication etc.</b>		
Postage and couriers	1,022,553	1,206,107
Electronic mail and on-line connectivity	-	-
Telegram, fax, telex, SWIFT and internet charge	561,854	582,527
Telephone charges	268,497	246,834
	<u>1,852,904</u>	<u>2,035,468</u>
<b>23 Stationery, printing, advertisement etc.</b>		
Table stationery	494,681	486,968
Books and periodicals	12,559	19,000
Printing stationery	607,916	809,776

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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
Computer stationery	52,575	3,870
Publicity	13,660	15,077
	<u>1,181,391</u>	<u>1,334,691</u>
<b>24 Depreciation and repair to bank's assets</b>		
<b>Depreciation of bank's assets</b>		
Furniture, fixture and fittings	130,288	128,974
Office equipments	361,341	266,749
Staff equipments	-	-
Computer and related equipments	215,905	405,655
Motor vehicles	-	-
Leasehold improvement	475,781	477,483
	<u>1,183,315</u>	<u>1,278,861</u>
<b>Repair to bank's assets</b>		
Furniture, fixture and fittings	-	10,880
Rented premises	125,623	2,493
Office equipments	209,900	268,717
Computer maintenance	444,439	446,469
Motor vehicles	128,352	52,846
	<u>908,314</u>	<u>781,405</u>
	<u>2,091,629</u>	<u>2,060,266</u>
<b>25 Other expenses</b>		
Bank charges, brokerage and commission	51,513	13,408
Entertainment	685,132	462,017
Security	1,455,873	1,088,445
Traveling and conveyance	147,019	140,590
Car fuel expenses	585,323	391,636
Loss on sale of fixed assets	-	-
Other expenses	-	7,500
	<u>2,924,860</u>	<u>2,103,596</u>
<b>26 Investment income receipts in cash</b>		
Profit receivable as at 1 January	10,191,666	20,898,154
Profit accrued during the year:		
Share of profit from financing and discount	252,961,937	211,076,694
Profit receivable as at 31 December	94,895,754	(10,191,666)
	<u>358,049,357</u>	<u>221,783,182</u>
<b>27 Profit paid on deposits</b>		
Profit payable as at 1 January	59,268,655	84,552,419
Profit charged during the year		
Profit shared on Modaraba Deposits	255,147,773	310,257,547
Profit payable as at 31 December	(46,496,638)	(59,268,655)
	<u>267,919,790</u>	<u>335,541,311</u>
<b>28 Fees and commission receipts in cash</b>	<u>15,317,649</u>	<u>16,299,952</u>
<b>29 Cash payments to employees</b>		
Salaries and allowances	28,760,854	30,821,749
Gratuity:		
Employees	-	658,277
	<u>28,760,854</u>	<u>31,480,026</u>



	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>30 Cash payments to suppliers</b>		
<b>Balance as at 1 January</b>		
Accrued expenses	528,350	529,542
<b>Charged during the year</b>		
Stationery, printing, advertisements etc.	1,181,391	1,334,691
Rent, taxes, insurance, electricity etc.	14,912,110	14,908,219
Postage, stamp, telecommunication etc.	1,852,904	2,035,468
Legal expenses	-	-
	<u>17,946,405</u>	<u>18,278,378</u>
<b>Balance as at 31 December</b>		
Accrued expenses	(599,413)	(528,350)
	<u><u>17,875,342</u></u>	<u><u>18,279,570</u></u>
<b>31 Receipts from other operating activities</b>		
Other operating income	8,279,482	11,180,498
Exchange earnings	21,851,923	9,199,989
Investment income	-	-
	<u><u>30,131,405</u></u>	<u><u>20,380,487</u></u>
<b>32 Payments for other operating activities</b>		
Repairs of Bank's assets	908,314	781,405
Other expenses	2,924,860	2,103,596
Gratuity:		
Employees	-	(658,277)
	<u><u>3,833,174</u></u>	<u><u>2,226,724</u></u>
<b>33 Movement of investments to customers</b>		
Balance as at 31 December	3,044,522,935	2,460,409,933
Balance as at 1 January	(2,460,409,933)	(1,964,707,572)
(Decrease)/Increase	<u><u>584,113,002</u></u>	<u><u>495,702,361</u></u>
<b>34 Movement of other assets</b>		
(Increase) / decrease in other assets which are not considered elsewhere		
- Stationery, stamps, printing materials, etc.	(24,210)	19,195
- Advance rent and advertisement	17,186,040	(26,548,560)
- Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	(199,599)	73,549
- Branch adjustment	511,731,443	127,336,411
- Others	91,788,927	8,399,955
<b>Adjustments for-</b>		
- Net of profit on Morabaha	(91,536,841)	(9,737,461)
- Transfer of Fixed assets	-	-
- Transfer of branch profit or loss	9,873,048	361,418,938
	<u><u>538,818,808</u></u>	<u><u>460,962,027</u></u>
<b>35 Movement of deposits and other accounts from other banks</b>		
Balance as at 31 December	872,359,540	423,362,567
Balance as at 1 January	(423,362,567)	(103,600,260)
Increase/(Decrease)	<u><u>448,996,973</u></u>	<u><u>319,762,307</u></u>

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	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
<b>36 Movement of deposits and other accounts from customers</b>		
Balance as at 31 December	3,112,890,892	3,189,738,829
Balance as at 1 January	<u>(3,189,738,829)</u>	<u>(3,371,779,547)</u>
<b>(Decrease)/Increase</b>	<b><u>(76,847,937)</u></b>	<b><u>(182,040,718)</u></b>
<b>37 Movement of other liabilities</b>		
Increase/(decrease) in other liabilities which are not considered elsewhere		
- Provision for off-balance sheet exposures (Note 10.2)	(11,882,401)	-
- Profit suspense account	1,228,513	17,869,583
- Withholding tax on profit on deposits	(164,633)	592,319
- Withholding tax	(377,490)	(65,995)
- Withholding VAT	52,181	65,473
- Provision for gratuity	(4,247,898)	(658,277)
- Excise duty	(100,110)	284,373
- Advance commission on Letter of Guarantee (L/G)	57,192	(193,440)
- Miscellaneous	(827,738)	(206,149)
	<b><u>(16,262,384)</u></b>	<b><u>17,687,887</u></b>
<b>38 Proceeds from sale/redemption of securities</b>		
Redemption of preference shares		
STS Holding Limited	-	-
Brac Bank Limited	-	-
	<u>-</u>	<u>-</u>
<b>39 Related parties</b>		
Transactions with key management personnel		
Key management personnel have transacted with the Branch during the year as follows:		
House finance	12,931,075	13,646,157
Car finance	875,213	1,184,112
	<b><u>13,806,288</u></b>	<b><u>14,830,269</u></b>

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at the period end.

Key management personnel compensation for the year comprised:

Short-term employee benefits	4,470,182	7,317,447
Provident fund	203,748	308,784
Gratuity	169,794	340,133
	<b><u>4,843,724</u></b>	<b><u>7,966,364</u></b>

**Other related party transactions**

There was no transaction with the related party during the reporting period.

**40 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 26 (2013: 21).

**41 Employee related fraud**

There was no fraud occurred during the year 2014.

**42 Events after the reporting period**

None.



## Annexure-A

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Liquidity Statement**  
(Analysis of maturity of assets and liabilities)  
as at December 31, 2014

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Assets</b>						
Cash	69,790,831	-	211,596,946	-	-	281,387,777
Balance with other banks and financial institutions	-	350,000,000	-	-	-	350,000,000
Placement with banks and other financial institutions	-	-	-	-	-	-
Investments in shares and securities	-	-	-	-	-	-
Investments	-	80,263,298	2,868,671,312	63,690,248	31,898,077	3,044,522,935
Fixed assets including premises, furniture and fixtures	-	-	-	3,824,982	-	3,824,982
Other assets	508,854	-	-	751,993,644	-	752,502,498
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>70,299,685</b>	<b>430,263,298</b>	<b>3,080,268,258</b>	<b>819,508,874</b>	<b>31,898,077</b>	<b>4,432,238,192</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	-	-	-	-	-	-
Deposits and other accounts	1,860,186,851	1,344,434,654	772,679,683	7,949,244	-	3,985,250,432
Other liabilities	7,274,079	7,253,702	46,496,638	385,963,340	-	446,987,760
<b>Total liabilities</b>	<b>1,867,460,930</b>	<b>1,351,688,356</b>	<b>819,176,321</b>	<b>393,912,584</b>	<b>-</b>	<b>4,432,238,192</b>
<b>Net liquidity gap</b>	<b>(1,797,161,245)</b>	<b>(921,425,058)</b>	<b>2,261,091,937</b>	<b>425,596,290</b>	<b>31,898,077</b>	<b>-</b>

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**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Schedule of fixed assets including premises, furniture and fixtures**  
**as at December 31, 2014**

Particulars	Cost				Rate of Dep.	Depreciation				Written Down Value as at December 31, 2014
	Balance as at January 01, 2014	Additions during the year	Disposal during the year	Balance as at December 31, 2014		Balance as at January 01, 2014	Charged during the year	for the disposal during the	Balance as at December 31, 2014	
Furniture, fixture and fittings	20,029,667	111,320	-	20,140,987	10	19,420,577	130,288	-	19,550,865	590,122
Office equipments	8,506,707	1,220,200	-	9,726,907	20	7,802,470	361,341	-	8,163,811	1,563,096
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipments	13,303,159	202,600	-	13,505,759	25	12,803,264	215,905	-	13,019,169	486,590
Motor vehicles	2,935,750	-	-	2,935,750	25	2,935,750	-	-	2,935,750	-
Leasehold improvement	2,386,850	-	-	2,386,850	20	725,895	475,781	-	1,201,676	1,185,174
	<b>47,175,633</b>	<b>1,534,120</b>	<b>-</b>	<b>48,709,753</b>		<b>43,701,456</b>	<b>1,183,315</b>	<b>-</b>	<b>44,884,771</b>	<b>3,824,982</b>

Particulars	Cost				Rate of Dep.	Depreciation				Written Down Value as at December 31, 2013
	Balance as at January 01, 2013	Additions during the year	Disposal during the year	Balance as at December 31, 2013		Balance as at January 01, 2013	Charged during the year	for the disposal during the	Balance as at December 31, 2013	
Furniture, fixture and fittings	20,239,062	-	(209,395)	20,029,667	10	19,491,117	128,974	(199,514)	19,420,577	609,090
Office equipments	8,475,747	118,640	(87,680)	8,506,707	20	7,623,384	266,749	(87,663)	7,802,470	704,237
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipments	12,386,059	427,100	490,000	13,303,159	25	11,989,276	405,655	408,333	12,803,264	499,895
Motor vehicles	2,935,750	-	-	2,935,750	25	2,935,750	-	-	2,935,750	-
Leasehold improvement	2,393,650	-	(6,800)	2,386,850	20	252,719	477,483	(4,307)	725,895	1,660,955
	<b>46,443,768</b>	<b>545,740</b>	<b>186,125</b>	<b>47,175,633</b>		<b>42,305,746</b>	<b>1,278,861</b>	<b>116,849</b>	<b>43,701,456</b>	<b>3,474,177</b>

