

**Independent Auditor's Report  
&  
Audited Financial Statements  
of  
Bank Alfalah Limited – Bangladesh Operations  
As at & for the year ended 31 December 2018**

## **Independent auditor's report**

**To the Management of Bank Alfalah Limited - Bangladesh Operations**

### **Report on the audit of financial statements**

#### **Opinion**

We have audited the financial statements of Bank Alfalah Limited - Bangladesh Operations ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account, cash flow statement, statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the balance sheet of the Bank as at 31 December 2018, and of its profit and loss account, its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

#### **Basis for opinion**

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

#### **Responsibilities of management and those charged with governance for the financial statements and internal controls**

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

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

#### **Report on other legal and regulatory requirements**

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal control:
  - (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in notes 37 and 38 of the financial statements appeared to be materially adequate;
  - (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank.
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

- (v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred were for the purpose of the Bank's business for the year;
- (vii) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (viii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,000 person hours for the audit of the books and account of the Bank; and
- (xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dated, Dhaka  
20 March 2019

  
A. Qasem & Co.  
Chartered Accountants

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Balance Sheet**  
**As at 31 December 2018**

		2018	2017
	Note	Amount in BDT	Amount in BDT
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	<b>4</b>	<b>1,408,064,704</b>	<b>1,498,988,961</b>
Cash in hand (Including foreign currencies)		205,644,522	174,194,622
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		1,202,420,182	1,324,794,339
<b>Balance with other banks and financial institutions</b>	<b>5</b>	<b>3,391,132,601</b>	<b>4,484,797,272</b>
In Bangladesh		3,284,390,088	4,420,927,875
Outside Bangladesh		106,742,513	63,869,397
<b>Money at call and on short notice</b>	<b>6</b>	<b>730,000,000</b>	-
<b>Investments</b>	<b>7</b>	<b>4,724,695,407</b>	<b>4,829,689,283</b>
Government		4,724,695,407	4,829,689,283
Others		-	-
<b>Loans and Advances/Investments</b>	<b>8</b>	<b>10,304,402,741</b>	<b>10,068,764,023</b>
Loans, Cash credit, Overdrafts etc./Investments		9,991,677,692	9,879,643,439
Bills purchased and discounted		312,725,049	189,120,584
<b>Fixed assets including premises, furniture and fixtures</b>	<b>9</b>	<b>41,018,082</b>	<b>43,178,801</b>
<b>Other assets</b>	<b>10</b>	<b>1,159,030,584</b>	<b>939,648,652</b>
<b>Non-banking assets</b>		-	-
<b>Total Assets</b>		<b>21,758,344,119</b>	<b>21,865,066,992</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>11</b>	<b>359,102,561</b>	<b>1,290,000,000</b>
<b>Deposits and other accounts</b>	<b>12</b>	<b>13,968,238,828</b>	<b>13,432,867,901</b>
Current Accounts and other Accounts		1,943,689,097	1,864,034,844
Bills Payable		98,251,433	68,217,769
Savings Bank Deposits		5,756,359,894	5,840,931,898
Fixed Deposits		6,169,938,404	5,659,683,390
Bearer Certificates of Deposit		-	-
Other Deposits		-	-
<b>Other liabilities</b>	<b>13</b>	<b>1,875,445,357</b>	<b>1,573,172,507</b>
<b>Total Liabilities</b>		<b>16,202,786,746</b>	<b>16,296,040,408</b>
<b>Capital/Shareholders' Equity</b>			
Head Office Fund	14	4,445,949,318	4,440,842,391
Other Reserves	15	24,687,658	19,528,663
Surplus in Profit and Loss Account	16	1,084,920,397	1,108,655,530
<b>Total Shareholders' Equity</b>		<b>5,555,557,373</b>	<b>5,569,026,584</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>21,758,344,119</b>	<b>21,865,066,992</b>



OFF-BALANCE SHEET ITEMS	Note	2018	2017
		Amount in BDT	Amount in BDT
<b>Contingent liabilities</b>		<b>3,448,811,784</b>	<b>3,352,632,283</b>
Acceptances & Endorsements		1,424,891,315	544,288,028
Letters of Guarantee	17	406,194,507	344,947,350
Irrevocable Letters of Credit	18	942,152,540	1,686,605,464
Bills for Collection		304,623,422	521,816,441
Other Contingent Liabilities (Bangladesh Sanchaypatra)		370,950,000	254,975,000
<b>Other commitments</b>		<b>555,025,052</b>	<b>660,354,900</b>
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		555,025,052	660,354,900
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>4,003,836,836</b>	<b>4,012,987,183</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

Signed as per our annexed report of same date.

Dated, Dhaka  
20 March 2019




A. Qasem & Co.  
Chartered Accountants

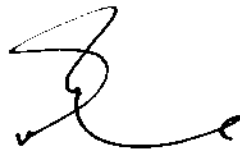


**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Profit and Loss Account**  
**For the year ended 31 December 2018**

	Note	2018	2017
		Amount in BDT	Amount in BDT
Interest income/profit on investments	20	1,071,605,296	842,392,704
Interest paid/profit shared on deposits and borrowings etc.	21	(541,981,710)	(464,480,107)
<b>Net interest income/net profit on investments</b>		<b>529,623,586</b>	<b>377,912,597</b>
Investment income	22	315,987,520	438,752,468
Commission, exchange and brokerage	23	156,014,157	126,528,146
Other operating income	24	30,963,013	31,619,130
		<b>502,964,690</b>	<b>596,899,744</b>
<b>Total operating income</b>		<b>1,032,588,276</b>	<b>974,812,341</b>
Salaries and allowances	25	243,960,979	243,509,833
Rent, taxes, insurance, electricity etc.	26	158,074,284	148,395,694
Legal expenses	27	1,682,779	3,350,326
Postage, stamp, telecommunication etc.	28	10,624,065	11,078,208
Stationery, Printing, Advertisements etc.	29	10,296,656	11,357,063
Country Head's salary and allowances	30	23,341,235	21,852,770
Auditors' fees		575,000	682,500
Depreciation and repair of bank's assets	31	32,879,472	33,968,662
Other expenses	32	54,548,925	50,594,148
<b>Total operating expenses</b>		<b>535,983,395</b>	<b>524,789,204</b>
<b>Profit before provision</b>		<b>496,604,881</b>	<b>450,023,137</b>
Provision for loans and advances/investments	33	13,251,698	28,015,117
General provision		(12,306,216)	15,012,282
Specific provision		25,557,914	13,002,835
Provision for off-balance sheet items released		(91,504)	6,266,344
Provision for diminution in value of investments			
Other provisions	34	3,109,028	(7,245,052)
<b>Total provision</b>		<b>16,269,222</b>	<b>27,036,409</b>
<b>Total (loss)/profit before tax</b>		<b>480,335,659</b>	<b>422,986,728</b>
Provision for taxation	35	186,329,616	129,825,454
Current		188,229,000	135,702,000
Deferred		(1,899,384)	(5,876,546)
<b>Net (loss)/profit after tax</b>		<b>294,006,043</b>	<b>293,161,274</b>

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

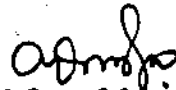
  
**Abu Noyem Md. Khasru**  
 Head of Finance & Admin.

  
**Muhammad Ehsan Ul Haq Qureshi**  
 Country Operations Head

  
**S.A.A. Masru**  
 Country Head

Signed as per our annexed report of same date.

**Dated, Dhaka**  
 20 March 2019

  
**A. Qasem & Co.**  
 Chartered Accountants

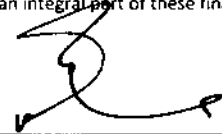


Bank Alfalah Limited  
Bangladesh Operations  
Cash Flow Statement  
For the year ended 31 December 2018

		2018	2017
	Note	Amount in BDT	Amount in BDT
<b>Cash flows from operating activities</b>			
Interest receipts in cash	36	1,07,45,08,961	88,50,13,182
Interest payments	37	(49,46,25,383)	(45,77,54,916)
Dividends receipts		-	-
Fees and commission receipts in cash	38	3,36,48,688	2,45,07,225
Recoveries on loans previously written off		-	-
Cash payments to employees	39	(25,78,50,069)	(25,67,37,070)
Cash payments to suppliers	40	(18,36,06,277)	(17,85,22,167)
Income taxes paid	41	(16,41,53,441)	(12,68,14,702)
Receipts from other operating activities	42	46,92,67,402	57,04,11,716
Payments for other operating activities	43	(7,58,44,131)	(6,91,54,618)
<b>Operating (loss)/profit before changes in operating assets and liabilities</b>		<b>40,13,45,750</b>	<b>39,09,48,650</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Loans and advances to customers	44	(23,56,38,718)	(79,39,96,133)
Other assets	45	(22,74,53,403)	(9,47,91,549)
Deposits from other banks	46	(2,91,27,021)	(54,88,04,775)
Deposits from customers	47	56,44,97,948	1,49,87,44,059
Other liabilities	48	22,69,04,740	(1,29,66,752)
		<b>29,91,83,546</b>	<b>4,81,84,850</b>
<b>Net cash (used to)/from operating activities</b>		<b>70,05,29,296</b>	<b>43,91,33,500</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale/redemption of securities	49	-	40,00,00,000
Payments for purchase of securities	50	(45,78,05,697)	1,37,52,70,257
Purchase of property, plant & equipment		(1,75,39,912)	(1,06,00,775)
Sale of property, plant & equipment	51	9,59,500	25,64,831
<b>Net cash from investing activities</b>		<b>(47,43,86,109)</b>	<b>1,76,72,34,313</b>
<b>Cash flows from financing activities (Profit remitted to head office)</b>			
		(31,77,41,176)	(5,66,27,795)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,15,97,989)</b>	<b>2,14,97,40,018</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>6,68,61,49,716</b>	<b>4,51,95,56,838</b>
Effects of exchange rate fluctuations on cash and cash equivalents held		51,06,927	1,68,52,860
<b>Cash and cash equivalents at end of the year</b>		<b>6,59,96,58,654</b>	<b>6,68,61,49,716</b>
<b>Cash and cash equivalents at end of the year represent</b>			
Cash in hand (including foreign currencies)		20,56,44,522	17,41,94,622
Call borrowing		(35,91,02,561)	(1,29,00,00,000)
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		1,20,24,20,182	1,32,47,94,339
Balance with other banks and financial institutions		3,39,11,32,601	4,48,47,97,272
Money at call and on short notice		73,00,00,000	-
Treasury bills		1,42,94,67,510	1,10,29,18,150
Bangladesh Bank bill		-	88,94,17,033
Prize bond		96,400	28,300
		<b>6,59,96,58,654</b>	<b>6,68,61,49,716</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

Signed as per our annexed report of same date.

Dated, Dhaka  
20 March 2019

  
A. Qasem & Co.  
Chartered Accountants





Bank Alfalah Limited  
Bangladesh Operations  
Statement of Changes In Equity  
For the year ended 31 December 2018

Particulars	Amount in BDT			
	Fund deposited with Bangladesh Bank	Other Reserves	Profit and Loss	Total
Balance as at 01 January 2018	4,440,842,391	19,528,663	1,108,655,530	5,569,026,584
Changes in accounting policy	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	5,158,995	-	5,158,995
Currency translation difference	5,106,927	-	-	5,106,927
Net gains and losses not recognized in the income statement	-	-	-	-
Net profit for the period	-	-	294,006,043	294,006,043
Profit transfer to Head Office	-	-	(317,741,176)	(317,741,176)
<b>Balance as at 31 December 2018</b>	<b>4,445,949,318</b>	<b>24,687,658</b>	<b>1,084,920,397</b>	<b>5,555,557,373</b>

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



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Head of Finance & Admin.

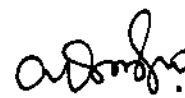


Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head



S.A.A. Masrur  
Country Head

Dated, Dhaka  
20 March 2019



A. Qasem & Co.  
Chartered Accountants



**Bank Alfalah Limited - Bangladesh Operations**  
**Notes to the financial statements**  
**As at and for the year ended 31 December 2018**

**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 15 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 2018. Except 1 Islamic Banking Branch, the rest of the branches run on conventional commercial Banking business 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 of financial statements**

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Banking Companies Act, 1991 (as amended up to date), the rules and regulations issued by Bangladesh Bank, the Companies Act, 1994. In case any requirement of the Banking Companies Act, 1991, and provisions & circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Banking Companies Act, 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

**2.1 Statement of compliance**

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

Accordingly, the financial statements of the Bank continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank (BB), 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 IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail. Material deviations from the requirements of IFRS are as follows:

**i) Investment in shares and Securities**

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



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

ii) **Revaluation gain/loss on Government securities**

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

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

iii) **Provision on loans and advances**

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

**Bangladesh Bank:** As per BRPD circular no 15 (27 September 2017), BRPD circular no 16 (18 November 2014), BRPD circular no 14 (23 September 2012), BRPD circular no 19 (27 December 2012), BRPD circular no 05 (29 May 2013) and BRPD circular no 1 (20 February 2018) 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 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again, as per BRPD circular no 10 dated 18 September 2007 and BRPD circular no 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

iv) **Other comprehensive income**

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



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

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

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

vi) **Repo transactions**

**IFRS:** As per IFRS 9, 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), the arrangement is treated as a loan and the underlying asset continues to be recognised at amortised cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The same rule applies to the opposite side of the transaction (reverse repo).

**Bangladesh Bank:** As per Department of Off-Site Supervision (DOS) Circular letter no 06 dated 15 July 2010 and subsequent clarification in DOS circular no. 02 dated 23 January 2013, 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 transaction and the financial asset is derecognised in the seller's book and recognised in the buyer's book.

However, as per Debt Management Department (DMD) circular letter no 07 dated 29 July 2012, non-primary dealer Banks are eligible to participate in the assured liquidity support (ALS) programme, whereby such Banks may carry out collateralised repo arrangements with Bangladesh Bank. Here the selling Bank accounts for the arrangement as a loan, thereby continuing to recognise the asset.

vii) **Financial guarantees**

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

**Bangladesh Bank:** As per BRPD circular 14, dated 25 June 2003, financial guarantees such as letter of credit and letter of guarantee will be treated as off-balance sheet items. No liability is recognised for the guarantee except the cash margin.



viii) **Cash and cash equivalent**

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

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

ix) **Non-Banking asset**

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

**Bangladesh Bank:** As per BRPD circular 14, dated 25 June 2003 there is a separate balance sheet item named non-Banking asset existed in the standard format.

x) **Cash flow statement**

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

**Bangladesh Bank:** As per BRPD circular 14, dated 25 June 2003, the cash flow statement is a mixture of both the direct and the indirect methods.

xi) **Balance with Bangladesh Bank**

**IFRS:** Cash reserve requirement (CRR) maintained with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per IAS 7.

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

xii) **Presentation of intangible asset**

**IFRS:** Intangible asset must be identified, recognised and the disclosed in line with IAS 38: Intangible assets.

**Bangladesh Bank:** There is no regulation for intangible assets in BRPD circular 14, dated 25 June 2003.

xiii) **Off-balance sheet items**

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

**Bangladesh Bank:** As per BRPD circular 14, dated 25 June 2003, off balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.



**xiv) Disclosure of appropriation of profit**

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

**Bangladesh Bank:** As per BRPD circular 14, dated 25 June 2003, an appropriation of profit should be disclosed in the face of profit and loss account.

**xv) Loans and advances net of provision**

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

**Bangladesh Bank:** As per BRPD circular 14, dated 25 June 2003, provision on loans and advances/investments are presented separately as a liability and cannot be netted off against loans and advances.

**xvi) Recognition of interest in suspense**

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

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

**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 (BDT) which is the Bank's functional currency. Except as otherwise indicated, financial information presented in BDT 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 and IFRSs 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 31 December 2018.

## **2.6 Cash flow Statement**

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

## **2.7 Statement of Changes in Equity**

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

## **2.8 Liquidity Statements**

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

## **3 Significant accounting policies**

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

### **3.1 Foreign currency**

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

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

IFRS 16: Leases, issued in January 2016 replaces existing IAS 17: Leases, providing guidelines for accounting for leases and effective for financial year beginning on or after 01 January 2019. As per new IFRS, almost all leases being recognized on the balance sheet, as the distinction between operating and financial leases is removed. Under the new IFRS, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank shall implement IFRS 16 subject to Bangladesh Bank approval.

### 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 Statutory Regulatory Orders (SRO) and any adjustment to tax payable in respect of previous years. Currently the income tax rate applicable for Banks is 40% (if not publicly listed) and 37.50% (if publicly listed and those which got approval from the Government in 2013).

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 bills and prize bonds.

### **3.9 Investments**

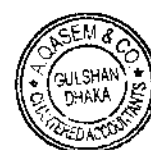
All investment in securities are initially recognized at cost, including acquisition charges associated with the investment. Premiums are amortized and discounts are accreted.

#### **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 26 May 2008, HFT securities are revaluated each week using marked 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 (HFT)	At present value (marked to market)
Government Treasury Bills and Bonds (HTM)	At present value (amortized cost)
Bangladesh Bank Bills (HFT)	At present value (marked to market)
Prize Bond	At cost
Senior secured bond	At cost less redemption

Details are shown in note 7.

### 3.10 Loans, Advances/Investments and provisions

(a) loans and advances of conventional Banking/Investments of Islamic Banking branches are stated in the Balance Sheet on gross value.

(b) Provision for 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) and BRPD circular No. 15 (27 December 2017).

### 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	10%
Leasehold	20%
Office equipments	20%
Staff equipments	20%
Computer and	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 and BRPD Circular no. 18 dated December 21, 2014, all Banks are required to deposit with Bangladesh Bank the higher of Tk. 4,000 million and minimum capital requirement calculated as 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.

### **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 2017 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 IAS-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**

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 "Market & Liquidity Risk Management Policy". As per policy, 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 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.



- Bank has an established Risk Management Division (RMD) for Bangladesh Operations in line with the similar set up of RMD in Head Office. It reports to the Chief Risk Officer/Credit Head with dotted reporting to RMD at Head Office. As part of RMD, Treasury Middle Office (TMO) monitors day-to-day trading activities of the dealing room. TMO focuses on Market Risk in the portfolio where RMD 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, while as per requirement stipulated in guidelines, treasury deals, counterparty risk limits etc. are provided to RMD on a daily basis.

- 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 within the Bank in the form of Internal Audit Group, which reports directly to the Board Audit Committee.

- After conducting the quantitative impact studies, Bank has pursued the implementation of IASel III under the purview of Central Bank guidelines and has complied with the capital adequacy requirement under Pillar-I of IASel III accord. Moreover, in light of Bangladesh Bank Circulars and Guidelines, liquidity standards under IASel III have also been implemented. The Bank has been pursuing Standardized Approach (SA) for calculating Credit & Market Risk and IASic Indicator Approach (BIA) to determine Operational Risk. However, Bank has a plan to shift from BIA to 'The Standardized Approach (TSA)' with prior approval from the Central Bank to define capital charge for operational risk by mapping its business lines.

- RMU prepares a "Risk Assessment Report" on a monthly basis and "Comprehensive Risk Management Report (CRMR)" on a half-yearly basis as part of regulatory requirement, which is also discussed by 'Risk Management Committee (RMC)' on regular basis. These risk reports are prepared after receiving data/information from various units, which are then compiled/refined with taking care of its validation & accuracy through cross matching of data with the statement of affairs, where applicable.

- Stress Test exercise is being conducted by RMD covering all core risk areas in order to gauge shock absorbing capacity of the Bank. Shocks are applied at minor, moderate and major levels as to ascertain that whether Bank could sustain under these three stress situations or not.

### 3.25.1 Credit risk

An integrated credit risk management system is already in place to ensure risk minimization and maintain asset quality. Bank maintains separate teams for marketing of new loans and risk assessment in order to ensure that no conflict of interest exists during the approval process. A comprehensive due diligence is mandatory before recommendation / approval of each credit proposals.



All loan proposals are initiated through the corporate team, which are subsequently elevated to the Credit Risk Management (CRM) Department. Upon receipt of the proposal, due diligence is conducted by CRM and Country Credit Head and subsequently same is placed to Country Credit Committee of Bangladesh (CCCB) with a credit memo for its consideration. CCCB, in line with its discretionary powers, approves, declines or recommends the proposals for next level approval. While conducting the due diligence, CRM ensures compliance of all local regulations as well as Bank's internal policy.

Once credit facility(ies) of a customer is approved, a formal sanction advice is communicated to the corporate team / branch office and Credit Administration Department (CAD) for further processing. In case of approval, upon completion of security / charge documentation and compliance of other terms & conditions as per the sanction, a Disbursement Authorization Certificate (DAC) is issued by CAD for allowing credit facilities to the clients. The function of CAD has also been kept separate and independent to ensure due diligence on documentation, operation, monitoring & reporting.

The credit risk assessment process, policies and manuals are reviewed with regular intervals, where improvements are made in line with changes in business dynamics, policies, macro-economic factors, technology and overall operational environment. A credit plan is formulated and finalized before starting of a new year and an appropriate targets are set in line with the Bank's overall strategy, risk acceptance criteria, economic outlook of the country and policies of regulatory bodies. Subsequently, quarterly analysis against actual achievements viz-a-viz allocated targets is also carried out where appropriate strategy with remedial measures are also taken to improve the shortfalls.

With a view to strengthening the credit risk framework, Bank has developed a unique internal rating and electronic credit line proposal module named Credit Initiation & Internal Rating System (CIIRS) to assess borrower's health both on objective and subjective grounds before sanctioning any loan. This CIIRS score along with Bangladesh Bank prescribed Credit Risk Grading (CRG) score are evaluated for rating of a potential borrower before granting any loan approval. Moreover, in line with guidelines issued by Bangladesh Bank (BB) regarding Environmental and Social Risk Management (ESRM), Bank has already incorporated the environmental risk rating checklist for each proposal in order to ensure meticulous compliance. In addition to BB ESRM guidelines, an in-house comprehensive Environmental and Social Risk Management guidelines have also been formulated and environmental risk rating is also being conducted for each proposal. Appropriate terms, conditions and covenants are also made part of the sanction for better monitoring and to maintain a sound portfolio of the Bank under sustainable financing objectives.

On the other side, an active recovery unit (RU) is already in place for regular monitoring of overdue loans, watch list, classified, written off, rescheduled/ restructured accounts. RU of the Bank is headed by the Country Credit Head (CCH) and comprised of members from Credit Risk Management (CRM), Credit Administration Department (CAD) and Corporate & Investment Banking Group (CIBG). RU regularly monitors the entire portfolio based on periodic MIS, where CCH collaborates with all the team members for any necessary action as and when required. An appropriate watch list parameters and early alert system is also in place for better monitoring of the weak accounts. A quarterly report on default and written off accounts is also submitted to MANCOM by RU to review the portfolio and to reconcile the action plans against each account.





### 3.25.2 Asset Liability Management

ALM is a comprehensive and dynamic framework for measuring, monitoring and managing the liquidity and interest rate risk of the Bank. The responsibility of Asset Liability Management primarily lies with the Treasury Division of the Bank as who coordinates balance sheet (asset liability) risk management. The Bank has an established Asset Liability Management Committee (ALCO) which meets at least once a month to discuss the overall status of the financial condition of the Bank. Asset Liability Management Policy of Bank Alfalah Limited aims to balance various important issues like profitability, risk, growth in asset & liability and stability as well as sustainability of earnings in a coherent manner by laying down a transparent framework for governance of the ALM function. Broadly, this policy aims to achieve the following objectives:

- Provide guidelines for appropriate diversification and selection of desirable investments to take advantage of arising opportunities in approved investment avenues;
- Provide parameters and criteria for investment in domestic market for the purpose of efficient utilization of resources, optimization of profit and regulatory compliance;
- Ensure that liquidity risk is effectively and proactively managed by the Bank by maintaining desirable level of liquidity;
- Re-pricing of assets & liabilities with a view to profit maximization depending on market situation.
- Propel Bank's strategic planning process for the benefit of the organization.
- Maintain different ratios and positions of balance sheet within regulatory and controllable limits.
- Control Liquidity Management by ensuring that the demand for funds is supported by cash and liquid assets in various alternative scenarios.
- Maximize net interest margins and manage Interest Rate risk.

The ALCO's primary function/responsibility is to ensure the ALM management in line with ALM guidelines provided by Bangladesh Bank as well as Bank's own ALM Guidelines for the strategic management of asset and liabilities. ALCO regularly reviews Bank's asset-liability position, overall economic condition, capital adequacy, balance sheet risk and take necessary steps to maximize return. Besides these all regulatory requirements like CRR, SLR, RWA, LCR, NFSR 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-wise, currency-wise and counter-party limits for on and off-balance sheet financial transactions and instruments.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by Bangladesh Bank (central Bank). The foreign exchange exposure, i.e., net open position limits in respective currencies are managed against the prescribed limits allowed by central Bank and also internal limits imposed group office.



#### 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. In addition, country Compliance Team is independent of business and reports directly to CCO in Group Head Office.

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 imbining the Financial Statements of the Bank. 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 imbining 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. 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. In addition to the group led Audit, the Bank also has an internal Audit team in country to carry on periodic checks. This internal Audit reports directly to AIG and is independent from Country Management.



### 3.25.5 Money Laundering Risk

To implement Bangladesh Bank's 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 direct Supervision of the CAMLCO. Additionally, the AML/D is continuously taking necessary steps to make the Bank 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:

Arrangement of a AML & CFT training sessions in 2018 covering all eligible employees comprising of existing and new employees.

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.

#### **Anti Money Laundering (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 good ratings for AML and ICT during the year 2018.

### 3.25.6 Information and Communication Technology IT Security Cyber risks:

With the increasing number and frequency of sophisticated attacks on the Banking sector in the region, the need to develop a comprehensive cyber security program outlined with the right levels of governance, risk and compliance standards is a top priority for all national and commercial Banks. Of late, in Bangladesh, the financial services industry, which is a vital component of a nation's critical infrastructure, is under persistent threat. The emerging role of IT governance is to bridge the gap between control requirements, technical issues and business risks are targeted towards the Banking community which makes it a priority for Banks and financial institutions to optimize cyber resilience and enhance incident response preparedness to protect data and mitigate risks associated with money laundering and ATM frauds including other risk factors. Bank Alfalah is following the guideline set by the Bangladesh Bank and in consultation with the Information Technology Team in HO and with RMD is reviewing the risk area to mitigate the gaps. Already firewall, access control and continuous monitoring of system are in place.



New State of art Data Centre at Dhanmondi: Bank Alfalah- Bangladesh Entire IT Operations are now run from to newly built Tier II Data Centre at Dhanmondi Office. All Core Country IT Team has moved to new Country IT Operations Centre at Dhanmondi.

#### **Bank Alfalah Limited Bangladesh Branch Network –Operations**

All seven branches of Bank Alfalah has it's own Banking applications system (iSmart) running in each branch in de-centralized environment. All branches are interconnected via high speed VPN (Virtual Private Network) links to provide on-line Banking services to its customers. Through the on-line Banking customers can withdraw/deposits money from any branch also able to transfer funds to any other accounts. Though the Banking Application is decentralized but all other applications are based on centralized environment i.e. BACH, BEFTN, RTGS, ATM Switch other in-house MIS Applications.

New Core Banking System: Bank Alfalah Bangladesh is in process of migration to new Core Banking System Temenos (T24) Major works already gone (UAT's and Mock Runs) the final migration is planned in March 2019.

**PCI-DSS Compliant:** All major Cards based applications are reviewed by the QSA and Gap Analysis already done. Remediation process has started targeted by July 2019 PCI-DSS certifications will be done.

Office 365 Cloud based Mailing System: The Bank Alfalah Bangladesh has moved from old Q-mail system to Cloud based Microsoft office 365 mailing system which is a state of mailing system can be accessed from anywhere (through mobile/ laptop/Tabs) etc. It has many features which makes it very convenient for users to use without worrying about its storage and accessing from any particular device.

ADS (Active Directory Services): Bank Alfalah has implemented the active directory services in all branches in Bangladesh. All users are now under ADS Network which has improved the security and access to applications is controlled through the ADS.

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

The Bank has successfully implemented the Bangladesh Bank Automated Cheque Clearing System BACPS. Due to implementation of BACH. High values cheques are cleared on the same day and regular value Cheques are clear within 12 hours. Since all Banks are under ACH Network, the outstations cheques which were used to take 7/8 days to receive funds now it is cleared on next morning. BACH processing is done under the strict Bangladesh Bank guidance, BACH data communication are encrypted and highly secured. The Banks are also connected to the Bangladesh Bank DR (Disaster Recovery Site) side to meet any contingency. DR Tests are performed periodically in coordination with Bangladesh Bank.

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

The BEFTN (Bangladesh Electronic Fund Transfer Network) is widely used for bulk payments i.e. Dividend warrants, Staffs salary and as well single transactions. 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 developed an interface application through its in-house expertise and timely implemented the CIB project with the guidance of Bangladesh Bank CIB Team. The CIB reporting is become live with the new system, which has additional features.

**Connectivity with NPS Network:** : To provide 24/7 round the clock Banking services to it's customers, Bank Alfalah Bangladesh has successfully launched E-Banking Project in Bangladesh. The Banks ATM Switch is now connected to NPSB Switch of Bangladesh Bank, which has enabled to do transactions from any ATM's across the country with the nominal transaction's charges. In NPSB Network approximately 4000 ATMs are connected all over the Bangladesh.

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

**Launch of Deposit products :** Bank Alfalah has successfully launched number deposits products to mobilize low cost deposits.

**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 to introduce 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 an application for SMS Alert services for any debit / credit transactions takes place in clients account. The SMS services are available for the register customers on 24 hours basis. To register for SMS Alert, one has to fill-up the registration form with valid Banks Account Number and Mobile Number.

**E-statements:** Banks has successfully launched the e-statement services to its customer. e-statements are mailed to customer registered email address. E-statements are password protected and password is sent to the clients registered mobile number. With the launch of e-statement have increased client's satisfaction with timely delivery of statements also saves printing and stationery costs for the Bank.

**RTGS Project Implementation:** Bank Alfalah has successfully implemented the Real Time Gross Settlement Project with the help of Bangladesh Bank PSD (Payment System Department) help. Through

**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. Soft Launch already done after successfully testing by the Banks staffs will be launched to the customers by April 2019.

**The IT- Team :** The Bank Alfalah Information Technology Team is comprised of talented and dedicated staffs having experience in Information Technology for more than 25 years. The Security Staffs are CISA Certified, IT staffs are attending training / seminars on various programs on cyber security , IT Governance etc. The IT Head has worked in a reputed international Bank in Bangladesh with wide knowledge of IT Governance and Security and problem-solving capabilities. He has also attended number of IT training/ seminars / workshops both home and abroad.



### 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 no fraud was identified by the Bank.

### 3.26 Corporate Social Responsibility

Bank Alfalah, over the years, had engaged pro-actively on different CSR endeavors addressing the socio-economic development requirements of the country's struggling and financially disadvantaged segment of the society with a primary focus on identified thrust sectors such as education, health, community and environmental development etc. The Bank, ever since its inception, has also 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. These continuous efforts in CSR by the Bank portray its positive image and core belief to inspire and empower people to do things differently and shape their own path in life and business.

Bank Alfalah continued on sponsoring their sole scholarship program in 2018, which started from 2010 in collaboration with SMDF which provides scholarship to 50 poor and needy students of urban slum and without which they were in high risk to drop out from school to contribute to their family's economic health. Amongst those, nineteen of the sponsored students appeared for SSC examination this year. During the year, the Bank had also sponsored an e-health project with NEOSTAR Innovation in a view towards providing free medical consultancy service to the underprivileged people of the country. More than 1200 people have benefited from this campaign and more than 100,000 people will be benefited from the website which is developed in order to make health care services accessible at an affordable cost. In addition, the Bank entered into a yearlong agreement with Gulshan Literacy Program (GLP) Foundation, a foundation which provides free quality education to poor street children through two schools. The Bank sponsored nutritious diet to them in the form of milk throughout the year addressing their need for nutrition support. Furthermore, the Bank also participated in helping the victims of flood affected areas of Bangladesh through Manabik Shahajya Sangstha (MSS). A total of 2027 affected people have benefitted from this campaign.



### 3.27 Compliance of International Financial Reporting Standard (IFRS)

Name of the standards	Reference	Status
First-time adoption of Bangladesh Financial Reporting Standards	IFRS 1	Not applicable
Share based Payment	IFRS 2	Not applicable
Business Combinations	IFRS 3	Not applicable
Insurance Contracts	IFRS 4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	IFRS 5	Not applicable
Exploration for and Evaluation of Mineral Resources	IFRS 6	Not applicable
Financial Instruments: Disclosures	IFRS 7	Applied
Operating Segments	IFRS 8	Applied
Consolidated Financial Statements	IFRS 10	Not applicable
Joint Arrangements	IFRS 11	Not applicable
Disclosure of Interests in Other Entities	IFRS 12	Not applicable
Fair Value Measurement	IFRS 13	Applied
Revenue from contracts with customers	IFRS 15	Not applicable
Leases	IFRS 16	Not applicable
Presentation of Financial Statements	IAS 1	Applied
Inventories	IAS 2	Not applicable
Statement of cash flows	IAS 7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	Applied
Events after the Reporting Period	IAS 10	Applied
Construction Contracts	IAS 11	Not applicable
Income Taxes	IAS 12	Applied
Property, Plant and Equipment	IAS 16	Applied
Leases	IAS 17	Applied
Revenue	IAS 18	Applied
Employee Benefits	IAS 19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	Not applicable
The Effects of Changes in Foreign Exchange Rates	IAS 21	Applied
Borrowing Costs	IAS 23	Applied
Related Party Disclosures	IAS 24	Applied
Accounting and Reporting by Retirement Benefit Plans	IAS 26	Not applicable
Consolidated and Separate Financial Statements	IAS 27	Not applicable
Investments in Associates	IAS 28	Not applicable
Financial Reporting in Hyperinflationary Economies	IAS 29	Not applicable
Interest in Joint Ventures	IAS 31	Not applicable
Financial Instruments: Presentation	IAS 32	Applied
Earnings Per Share	IAS 33	Not applicable
Interim Financial Reporting	IAS 34	Applied
Impairments of Assets	IAS 36	Applied
Provisions, Contingent Liabilities and Contingent Assets	IAS 37	Applied
Intangible Assets	IAS 38	Applied
Financial Instruments: Recognition and Measurement	IAS 39	Applied
Investment property	IAS 40	Not applicable
Agriculture	IAS 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 Alpha Credit Rating Limited based on the financial statements dated 31 December 2017.

Particulars	Date of Rating	Long Term	Short Term	Valid Till
Entity Rating	07-Jun-18	AA	ST - 2	06 June 2019

Alpha Credit Rating Limited has upgraded the long term rating to AA (pronounced as 'double A') from AA- (pronounced as 'double A minus') and affirmed short term rating of ST-2 to Bank Alfalah Limited (Bangladesh operations) based on audited financials for the year ended 31 December 2017 and other relevant quantitative as well as qualitative information.

The improved long term rating reflects stable financial performance duly augmented by satisfactory liquidity position, strong asset quality, increase in deposits & total assets, management quality and efficient fund management by the Bank. Commercial Banks rated AA have strong credit quality and subject to very low credit risk. Short term rating of ST-2 represents Bank's strong capacity for timely repayment of its obligations. Alpha Credit Rating observed Bank's high quality corporate governance, satisfactory CSR activities over the years and sound environmental risk management policy.

### 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 IFRSs, 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 IFRS 8.

### 3.31 Green Banking

Bangladesh is considered as one those countries that will be seriously affected by the unavoidably obvious adverse effects of worldwide global warming impact to the likes of climate change, increased soil salinity, rising sea level etc. and few of which is gradually revealing as evident in imminent future. The Banking industry of the country, while remaining actively engaged in a pivotal role to constitute and catalyze effective development / strengthening the financial backbone of nation should also act responsibly to address the problem and thus adopted the practice of Green Banking under strong patronage of its regulatory body Bangladesh Bank.





Green Banking refers to the efforts of the Banking sector to keep the environment green and minimize greenhouse effects through rationalizing their strategies, policy, decisions and actions pertaining to Banking service, business and internal operational activities as well as to educate and motivate their clientele to adopt green practices through offering financially beneficial Banking services and preferential patronization. Green Banking thus may be considered as the initiatives from the Banks end as part of the nation's collective initiatives to save environment. Green Banks or environmentally responsible Banks not only just develop and establish their own principles but also exerts socially responsible behavior towards other businesses. In accordance with the globally acceptable standard and regulatory frame work in vogue for green Banking, Bank Alfalah is actively involved in the following green activities:

- Gradually moving towards green financing and had incorporated Environmental Risk Grading in our Credit Approval process.
- Operating one ATM Booth with renewable solar power (fully) and planning to convert all our ATM Booths to green ATMs.
- Launched electronic Banking products and transaction services like Debit Cards, Internet Banking, E-statement, SMS Alert, BEFTN & RTGS services to reduce the usage of printing papers and stationeries.
- Launched electronic Banking products and transaction services like Debit Cards, Internet Banking, E-statement, SMS Alert, BEFTN & RTGS services to reduce the usage of printing papers and stationeries.
- Replaced conventional electronic equipments with energy efficient and green equipments.
- Replaced conventional electronic equipments with energy efficient and green equipments.
- Launched "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.
- Gradually replaced all Bank maintained transports with fuel efficient alternatives.
- Gradually replaced all Bank maintained transports with fuel efficient alternatives.

### 3.32 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 2015. The effects of the changes are also explained below.



#### (a) IFRS 09 Financial Instruments

IFRS 09, published in 2014, replaces the existing guidance in IAS 39 financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment for financial assets, and the new general hedge accounting requirements. It also carried forward the guidance of recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Bank is yet to assess the potential impact of IFRS 9 on the financial statements.

#### (b) IFRS 15 Revenue from Contracts with customers

IFRS 15 establishes a comprehensive framework for determine whether, how much and when revenue is recognized. It replaces existing recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRS 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Bank is yet to assess the potential impact of IFRS 15 on its financial statements.

#### 3.33 Audit Committee

Name	Designation
Mr. Shehzad Naqvi	Chairman
Mr. Abdulla Khalil Al	Member
Mr. Khalid Mana	Member
Mr. Efstratios Georgios Arapoglou	Member
Dr. Ayesha Khan	Member
Mr. Tahir Khurshid	Member

#### 3.34 Date of Authorization

The financial statements were authorized for issue by the senior management of the Bank, Bangladesh Operations on 20 March 2019.

#### 3.35 Workers profit participation fund (WPPF)

As per Bangladesh Labour Act 2006 (the Act) and amendments thereof, an employer is required to pay 5% of its net profit to the 1) Workers Participatory Fund, 2) Workers Welfare Fund and 3) Workers Welfare Foundation Fund for further appropriate disbursement of the funds to all members (i.e. Beneficiaries, as defined under the Act) as prescribed under the Act. However, on February 14, 2017, Ministry of Finance (Bank & Financial Institution Division) issued a letter to the Secretary, Ministry of Labour and copied to the Governor, Bangladesh Bank and Chairman of the Association of Bankers, Bangladesh Limited (ABB) and instructs the Ministry of Labour & Manpower to take necessary action not to apply Section 55 of the Bangladesh Labour Act on Banks and financial institutions. Hence, no provision is required for WPPF payments.

#### 3.36 General

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



	2018	2017
	Amount in BDT	Amount in BDT
<b>4 Cash</b>		
<b>Cash in hand</b>		
Local currency	200,277,271	169,487,173
Foreign currency	5,367,251	4,707,449
	<b>205,644,522</b>	<b>174,194,622</b>
<b>Balance with Bangladesh Bank and its agent Bank</b>		
Local currency	753,940,886	908,302,382
Foreign currency	448,479,296	416,491,957
	<b>1,202,420,182</b>	<b>1,324,794,339</b>
	<b>1,408,064,704</b>	<b>1,498,988,961</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 & 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 Cash Reserve Requirement on the Bank's time and demand liabilities fixed at the rate of 5.5% for both conventional and Islamic banking has been calculated and maintained with Bangladesh Bank in current account and 13% Statutory Liquidity Requirement for conventional and 5.5% on Islamic banking on the same liabilities has also been maintained as per directives of Bangladesh bank. Both reserves maintained by the Bank are in excess of the statutory requirement.

4.2 i) **Cash Reserve Requirement (CRR) for Conventional Banking**  
5.5% of average Demand and Time Liabilities

Required reserve	444,448,313	542,246,736
Actual reserve held	544,656,648	722,168,669
<b>Surplus</b>	<b>100,208,335</b>	<b>179,921,933</b>

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

5.5% of average Demand and Time Liabilities

Required reserve	211,275,499	227,214,142
Actual reserve held	220,487,877	241,841,877
<b>Surplus</b>	<b>9,212,378</b>	<b>14,627,735</b>

4.3 i) **Statutory Liquidity Requirement (SLR) for Conventional Banking**  
13% of required Average Demand and Time Liabilities

Required reserve	1,050,514,194	1,084,493,472
Actual reserve held	4,972,818,444	5,135,786,823
<b>Surplus</b>	<b>3,922,304,250</b>	<b>4,051,293,351</b>

**Held for Statutory Liquidity Requirement**

Cash in hand	147,997,841	126,190,646
Excess of daily reserve	100,208,335	179,921,933
Un-encumbered securities(HTM)	4,528,115,701	4,811,237,130
Un-encumbered securities(HFT)	196,483,306	18,423,853
Balance with Sonali Bank Ltd	13,261	13,261
	<b>4,972,818,444</b>	<b>5,135,786,823</b>

ii) **Statutory Liquidity Requirement (SLR) for Islamic Banking**  
5.5% of required Average Demand and Time Liabilities

Required reserve	211,275,499	170,610,187
Actual reserve held	211,275,500	175,861,191
<b>Surplus</b>	<b>1</b>	<b>5,251,004</b>

**Held for Statutory Liquidity Requirement:**

Cash in hand	57,646,681	48,003,976
Excess of daily reserve	9,212,378	14,627,735
Foreign currency used in BDT	144,416,441	113,229,480
	<b>211,275,500</b>	<b>175,861,191</b>



	<u>2018</u>	<u>2017</u>
	<u>Amount in BDT</u>	<u>Amount in BDT</u>
<b>5 Balance with other banks and financial institutions</b>		
In Bangladesh (Note 5.1)	3,284,390,088	4,420,927,875
Outside Bangladesh (Note 5.2)	106,742,513	63,869,397
	<u><b>3,391,132,601</b></u>	<u><b>4,484,797,272</b></u>
<b>5.1 Inside Bangladesh</b>		
<b>Current account</b>		
Janata Bank Limited - Foreign Exchange Branch	3,040	4,075
Islami Bank Bangladesh Limited	24,716	26,096
Sonal Bank Limited	13,261	13,261
The Trust Bank Limited	10,046,619	9,032,969
Standard Chartered Bank	3,744,804	6,686,198
	<u><b>13,832,440</b></u>	<u><b>15,762,599</b></u>
<b>Mudaraba saving deposit</b>		
Dhaka Bank Limited	34,194	33,476
Prime Bank Limited	747,623,454	700,281,800
	<u><b>747,657,648</b></u>	<u><b>700,315,276</b></u>
<b>Mudaraba Term deposit</b>		
Social Islami Bank Limited	-	250,000,000
Export Import Bank of Bangladesh Ltd.	-	200,000,000
Shahjalal Islami Bank Ltd.	-	290,000,000
The City Bank Limited	-	-
	<u><b>-</b></u>	<u><b>740,000,000</b></u>
<b>Term deposit</b>		
Standard Bank Limited	-	220,000,000
National Bank of Pakistan	700,000,000	700,000,000
Mutual Trust Bank Limited	500,000,000	400,000,000
Jamuna Bank Limited	400,000,000	450,000,000
Dhaka Bank Limited	-	440,000,000
IFIC Bank Limited	-	300,000,000
Eastern Bank Limited	419,500,000	-
The City Bank Limited	503,400,000	-
Commercial Bank of Ceylon, Dhaka	-	82,700,000
NCC Bank Limited	-	165,400,000
AB Bank Limited	-	206,750,000
	<u><b>2,522,900,000</b></u>	<u><b>2,964,850,000</b></u>
	<u><b>3,284,390,088</b></u>	<u><b>4,420,927,875</b></u>
<b>5.2 Outside Bangladesh</b>		
<b>Current account</b>		
Standard Chartered Bank, New York	94,682,767	51,089,061
Standard Chartered Bank, Kolkata	8,776,553	9,421,603
Bank Alfalah Limited, Karachi	760,752	749,871
National Bank of Pakistan, New York	135,086	201,625
Standard Chartered Bank, London	458,510	749,467
Standard Chartered Bank, Frankfurt	1,915,463	1,080,055
National Bank of Pakistan, Frankfurt	-	6,882
Standard Chartered Bank, Tokyo	13,382	570,833
	<u><b>106,742,513</b></u>	<u><b>63,869,397</b></u>
Details are shown in Annexure-C		
<b>Term deposit</b>		
Bank Alfalah Limited, Bahrain	-	-
	<u><b>-</b></u>	<u><b>-</b></u>
	<u><b>106,742,513</b></u>	<u><b>63,869,397</b></u>



	2018	2017
	Amount in BDT	Amount in BDT
<b>5.3 Maturity-wise groupings of balance with other banks and financial</b>		
On demand	761,490,088	859,758,717
Not more than 3 months	2,629,642,513	3,625,038,555
More than 3 months but less than 1 year	-	-
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	<b>3,391,132,601</b>	<b>4,484,797,272</b>
<b>6 Money at call and on short notice</b>	730,000,000	-
	<b>730,000,000</b>	-
<b>7 Investments</b>		
<b>Government securities</b>		
Bangladesh Bank bills	-	889,417,033
Treasury bills HFT	-	-
Treasury bills HTM	1,429,467,510	1,102,918,150
Treasury bonds HFT	196,483,306	18,423,853
Treasury bonds HTM	3,098,648,191	2,818,901,947
Prize bonds	96,400	28,300
	<b>4,724,695,407</b>	<b>4,829,689,283</b>
<b>Others (Note-7.1.3)</b>	-	-
	<b>4,724,695,407</b>	<b>4,829,689,283</b>
<b>7.1 Investments classified as per Bangladesh Bank Circular</b>		
Held-for-trading (HFT) securities (Note-7.1.1)	196,579,706	18,452,153
Held-to-maturity (HTM) securities (Note-7.1.2)	4,528,115,701	4,811,237,130
Others (Note-7.1.3)	-	-
	<b>4,724,695,407</b>	<b>4,829,689,283</b>
<b>7.1.1 Held-for-trading (HFT) securities</b>		
Treasury bills	-	-
Treasury bonds	196,483,306	18,423,853
Prize bonds	96,400	28,300
	<b>196,579,706</b>	<b>18,452,153</b>
<b>7.1.2 Held-to-maturity (HTM) securities</b>		
Bangladesh Bank bill	-	889,417,033
Treasury bills	1,429,467,510	1,102,918,150
Treasury bonds	3,098,648,191	2,818,901,947
	<b>4,528,115,701</b>	<b>4,811,237,130</b>
Except one treasury bond amounting Taka 795,683,356 the above HTM securities are lien with Bangladesh Bank for capital purpose.		
<b>7.1.3 Others</b>		
Commercial Paper - KSRM-Steel Plant Ltd.	-	-
Commercial Paper - BSRM-Steel Ltd	-	-
	-	-
<b>7.2 Maturity wise groupings of investment</b>		
Repayable On demand	96,400	28,300
Not more than 3 months	577,651,000	2,359,735,595
More than 3 months but not more than 1 year	1,648,025,990	1,344,925,880
More than 1 year but not more than 5 years	1,473,247,009	15,460,157
More than 5 years	1,025,675,008	1,109,539,351
	<b>4,724,695,407</b>	<b>4,829,689,283</b>



	2018	2017
	Amount in BDT	Amount in BDT
<b>8 Loans and advances/investments</b>		
Loans, cash credit, overdrafts etc./Investments (Note 8.1)	9,991,677,692	9,879,643,439
Bills purchased and discounted (Note 8.10)	312,725,049	189,120,584
	<b>10,304,402,741</b>	<b>10,068,764,023</b>
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.		
<b>8.1 Loans, cash credit, overdrafts etc./Investments</b>		
<b>In Bangladesh</b>		
<b>Conventional Banking</b>		
Current finance	3,344,890,883	3,041,582,617
Term finance	2,910,732,504	3,406,108,548
Finance Against Foreign Bill	-	6,574,485
Staff loan	67,126,981	72,608,898
Finance Against EDF	108,783,681	-
Loan against trust receipts	122,669,976	287,257,311
	<b>6,554,204,025</b>	<b>6,814,131,859</b>
<b>Islamic Banking</b>		
Morabaha (LPO)	3,165,767,940	2,859,560,095
Trust receipts	232,267,446	168,787,701
Finance Against Foreign Bill	35,489,952	32,109,868
Morabaha manual	3,948,329	5,053,916
Staff morabaha	-	-
	<b>3,437,473,667</b>	<b>3,065,511,580</b>
	<b>9,991,677,692</b>	<b>9,879,643,439</b>
<b>Outside Bangladesh</b>	-	-
	<b>9,991,677,692</b>	<b>9,879,643,439</b>
<b>8.2 Maturity-wise grouping of loans and advances/investments</b>		
Repayable On demand	3,344,708,195	4,517,806,196
Not more than 3 months	5,061,982,931	2,629,561,238
More than 3 months but not more than 1 year	1,167,832,512	1,905,549,844
More than 1 year but not more than 5 years	691,049,947	964,373,271
More Than 5 years	38,829,156	51,473,474
	<b>10,304,402,741</b>	<b>10,068,764,023</b>
<b>8.3 Loans and advances on the basis of significant concentration</b>		
Advances to Chief executive, other Senior executives and other Officers	67,126,981	72,608,898
Industrial loans and advances	10,237,275,760	9,996,155,125
	<b>10,304,402,741</b>	<b>10,068,764,023</b>
<b>8.4 Loans and advances allowed to each customer exceeding-10% of Bank's total capital</b>		
Total outstanding amount to such customers at end of the year (01 Customer)	694,828,125	702,843,750
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

	2018		2017	
	% of Total Loan	BDT	% of Total Loan	BDT
Agri Business	3.60%	370,666,121	2.68%	269,845,557
Automobile dealers	1.17%	120,645,971	0.89%	89,335,216
Cement	8.54%	880,323,248	6.57%	661,717,179
Chemicals	0.29%	29,890,983	0.53%	53,025,375
Financial Institutions & MFIs	13.48%	1,388,849,936	15.23%	1,533,825,409
Food & Personal Care Products	8.07%	831,113,187	8.17%	822,700,676
Glass & Ceramics	0.33%	33,524,701	0.32%	31,841,196
Leather & Tanneries	1.99%	205,517,349	1.94%	195,504,010
Manufacturing & sale of Domestic Appliances	4.20%	432,495,587	6.95%	700,050,000
Metal & Allied	13.47%	1,388,029,783	16.15%	1,626,251,679
Oil & Gas Marketing Companies	3.15%	324,180,502	2.02%	203,580,000
Others/Miscellaneous	3.97%	408,829,900	4.79%	482,608,232
Paper & Board	0.50%	51,425,538	0.43%	42,873,846
Pharmaceuticals	3.20%	329,667,315	2.99%	300,625,603
Power Generation & Distribution- Non GoP	3.93%	405,104,167	2.99%	301,300,000
Printing & Publishing	0.96%	98,838,075	0.28%	28,572,093
Real Estate/Construction	0.52%	53,867,222	0.81%	81,616,546
Refinery	0.28%	28,553,573	0.28%	28,553,573
Services	8.23%	848,262,046	9.03%	908,778,679
Textile Composite / Garments Manufacturing	3.98%	409,698,699	3.73%	375,080,987
Textile Spinning	8.91%	918,320,408	3.22%	324,568,386
Textile Weaving	0.00%	-	0.17%	17,041,399
Tobacco	0.00%	-	0.40%	40,146,437
Trading	1.73%	178,619,681	3.65%	367,429,257
Transport	0.21%	22,020,449	0.35%	35,736,471
Vanaspati & Allied Industries	5.30%	545,958,300	5.42%	546,156,217
	<b>100.00%</b>	<b>10,304,402,741</b>	<b>100.00%</b>	<b>10,068,764,023</b>

8.6 Geographical location-wise loans and advances/investments

	2018		2017	
	% of Total Loan	BDT	% of Total Loan	BDT
Dhaka Division	80.55%	8,300,519,636	78.61%	7,914,611,584
Chittagong Division	17.68%	1,821,729,702	19.15%	1,928,148,928
Sylhet Division	1.77%	182,153,403	2.24%	226,003,511
	<b>100%</b>	<b>10,304,402,741</b>	<b>100%</b>	<b>10,068,764,023</b>

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

	2018		2017	
	% of Total Loan	BDT	% of Total Loan	BDT
<b>Status</b>				
<b>Unclassified:</b>				
Standard including staff loan	96.68%	9,962,120,252	97.47%	9,814,482,870
Special Mention Account (SMA)	0.00%	-	0.00%	-
	<b>96.68%</b>	<b>9,962,120,252</b>	<b>97.47%</b>	<b>9,814,482,870</b>
<b>Classified:</b>				
Substandard	0.28%	28,372,508	0.00%	-
Doubtful	0.68%	69,769,165	0.00%	-
Bad or loss	2.37%	244,140,816	2.53%	254,281,153
	<b>3.32%</b>	<b>342,282,489</b>	<b>2.53%</b>	<b>254,281,153</b>
	<b>100.00%</b>	<b>10,304,402,741</b>	<b>100.00%</b>	<b>10,068,764,023</b>



**8.8 Particulars of required provision for loans and advances/Investments**

	2018		2017	
	Base for Provision	Required Provision	Base for Provision	Required Provision
<b>Unclassified</b>				
All unclassified loans (other than SME loan ,	8,389,754,030	83,897,540	8,412,554,597	84,125,546
Agricultural finance	817,098,217	8,170,982	828,112,969	8,281,130
SME finance	755,268,005	1,888,170	573,815,304	1,434,538
Special Mention Account (SMA)	-	-	-	-
	<b>9,962,120,252</b>	<b>93,956,692</b>	<b>9,814,482,870</b>	<b>93,841,214</b>
<b>Classified</b>				
Substandard	10,645,997	2,129,199	-	-
Doubtful	26,158,592	13,079,296	-	-
Bad or loss	134,457,577	134,457,577	254,281,153	138,119,100
	<b>171,262,166</b>	<b>149,666,072</b>	<b>254,281,153</b>	<b>138,119,100</b>
	<b>10,133,382,418</b>	<b>243,622,764</b>	<b>10,068,764,023</b>	<b>231,960,314</b>
<b>Total provision maintained</b>		<b>313,244,738</b>		<b>299,993,040</b>
<b>Surplus provision</b>		<b>69,621,974</b>		<b>68,032,726</b>

**8.9 Particulars of loans and advances/investments**

i) Loans considered good in respect of which the banking company is fully secured;	10,304,402,741	10,068,642,658
ii) Loans considered good against which the banking company holds no security other than the debtor's personal guarantee;	-	121,365
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor;	-	-
iv) Loans adversely classified; provision not maintained there against;	-	-
	<b>10,304,402,741</b>	<b>10,068,764,023</b>
v) Loans due by directors or officers of the banking company or any of these either separately or jointly with any other person.	67,126,981	72,608,898
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;	67,126,981	72,608,898
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	-	-
ix) Due from Banking Companies;	-	-
x) Amount of Classified loan/Investment on which Interest/Profit has not been charged:	342,282,489	254,281,153
(a) Movement of Classified loans and advances		
Opening balance	254,281,153	269,763,154
Increase/(decrease) during the year	87,701,336	(15,482,001)
Closing balance	341,982,489	254,281,153
(b) Provision kept against loan classified as bad/loss on the date of balance sheet	189,079,549	193,730,131
(c) Amount of interest/profit charged in suspense account	51,784,655	38,199,201
xi) Loans written off	<b>54,116,932</b>	<b>54,116,932</b>
- Current Year	-	-
- Cumulative to-date	54,116,932	54,116,932
- Amount of written off loans for which lawsuit was filed	54,116,932	54,116,932





**8.10 Bills purchased and discounted**

Bills purchased and discounted excluding treasury bills:

Payable in Bangladesh

312,725,049

189,120,584

Payable outside Bangladesh

312,725,049189,120,584**8.11 Maturity grouping of bills discounted and purchased**

Payable within 1 month

117,586,351

62,230,401

Over 1 month but less than 3 months

157,750,257

91,904,046

Over 3 months but less than 6 months

37,388,441

34,986,137

6 months or more

312,725,049189,120,584**9 Fixed assets including premises, furniture and fixtures****Cost:**

Furniture, fixture and fittings

47,260,110

46,744,122

Office equipments

59,624,646

55,870,789

Staff equipments

13,500

13,500

Computer and related equipments

132,865,083

121,277,866

Motor vehicles

32,702,690

32,702,690

Leasehold improvement

74,737,699

74,014,349

347,203,728330,623,316**Less: Accumulated depreciation**

Furniture, fixture and fittings

42,212,257

40,953,001

Office equipments

51,605,442

47,237,485

Staff equipments

13,500

13,500

Computer and related equipments

113,464,414

108,337,383

Motor vehicles

27,507,622

22,558,413

Leasehold improvement

71,382,411

68,344,733

306,185,646287,444,515**Written Down Value**41,018,08243,178,801

Details are shown in Annexure - D.



	2018 Amount in BDT	2017 Amount in BDT
10 Other assets	1,159,030,584	939,648,652
10 Others Assets	<u>1,159,030,584</u>	<u>939,648,652</u>
10.1 Classification of other assets		
Income generating other assets		
Non-income generating other assets		
Investment in shares of subsidiary companies:		
- In Bangladesh	-	-
- Outside Bangladesh	-	-
Stationery, stamps, printing materials in stock etc.	2,249,869	2,759,806
Advance rent and advertisement	83,414,996	105,714,212
Interest accrued on investment but not collected, commission and Security deposits	106,132,066	109,035,731
Preliminary, formation and organizational expenses, renovation, Branch adjustment Account (Note 10.3)	1,171,115	1,171,115
Suspense account	17,520,005	12,611,582
Silver	-	-
Deferred Tax Assets (Note-13.6)	10,173,240	8,273,856
Others (Note 10.4)	938,369,293	700,082,350
	<u>1,159,030,584</u>	<u>939,648,652</u>
	<u>1,159,030,584</u>	<u>939,648,652</u>
10.2 Income/profit receivables		
On Treasury bill, bonds, preference shares, etc.	76,945,932	80,661,681
Deposit with financial institution	26,431,948	26,384,518
Mark up receivables on bill purchased and discounted	2,754,186	1,989,532
	<u>106,132,066</u>	<u>109,035,731</u>
10.3 Branch adjustment Account	<u>(11,020,230)</u>	<u>(2,948,759)</u>
All inter branch reconciliation have been made up to December 31, 2018. There were no significant un responded items outstanding for more than 3 months.		
10.4 Others		
Compensation receivable	-	-
Short term receivable - account maintenance fees	3,084,987	3,858,736
Intangible asset - Software (Note 10.4.1)	3,368,018	4,703,798
Advance income tax (Note 10.4.2)	854,941,282	690,787,841
Receivable from Head office (POS Fund)	-	-
Receivable from Bangladesh Bank	73,738,798	623,566
Miscellaneous	3,236,208	108,409
	<u>938,369,293</u>	<u>700,082,350</u>
10.4.1 Intangible asset - Software		
Cost		
Balance at 1 January	33,852,198	32,724,498
Acquisitions	-	1,127,700
Balance at 31 December	<u>33,852,198</u>	<u>33,852,198</u>



	2018	2017
	Amount in BDT	Amount in BDT
<b>Amortization and impairment losses</b>		
Balance at 1 January	29,148,400	27,344,005
Amortization for the year	1,335,780	1,804,395
<b>Balance at 31 December</b>	<b>30,484,180</b>	<b>29,148,400</b>
<b>Carrying amounts</b>		
Balance at 31 December	<b>3,368,018</b>	<b>4,703,798</b>
<b>10.4.2 Advance income tax</b>		
<b>Advance tax</b>		
Balance as at 1 January	690,787,841	563,973,139
Add: Paid during the year	164,153,441	126,814,702
	854,941,282	690,787,841
Less: Adjustments made during the year	-	-
<b>Balance as at 31 December</b>	<b>854,941,282</b>	<b>690,787,841</b>
<b>11 Borrowings from other banks, financial institutions and agents</b>		
In Bangladesh (Note-11.1)	359,102,561	1,290,000,000
Outside Bangladesh	-	-
	<b>359,102,561</b>	<b>1,290,000,000</b>
<b>11.1 In Bangladesh</b>		
Call borrowing (Note-11.2)	-	1,290,000,000
Term borrowing (Note-11.3)	359,102,561	-
	<b>359,102,561</b>	<b>1,290,000,000</b>
<b>11.2 Call borrowing</b>		
Mutual Trust Bank Limited	-	300,000,000
IFIC Bank Limited	-	200,000,000
Commercial Bank of Ceylon, Dhaka	-	40,000,000
Sonali Bank Limited	-	750,000,000
	-	<b>1,290,000,000</b>
<b>11.3 Term borrowing</b>		
Commercial Bank of Ceylon, Dhaka	251,700,000	-
Bangladesh Bank - EDF Financing	107,402,561	-
Eastern Bank Limited	-	-
	<b>359,102,561</b>	-
<b>11.4 Secured and Unsecured Borrowings from other banks, financial institutions and agents</b>		
Secured Borrowing	-	-
Unsecured Borrowing	359,102,561	1,290,000,000
	<b>359,102,561</b>	<b>1,290,000,000</b>
<b>11.5 Maturity grouping of Borrowings from other banks, financial institutions and agents</b>		
Repayable on demand	-	1,290,000,000
Repayable within 1 month	251,700,000	-
Over 1 month but within 6 months	107,402,561	-
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	-	-
	<b>359,102,561</b>	<b>1,290,000,000</b>



	2018 Amount in BDT	2017 Amount in BDT
<b>12 Deposits and Other Accounts</b>		
Current/Al-wadeeah current accounts and other accounts	1,943,689,097	1,864,034,844
Bills payable	98,251,433	68,217,769
Savings bank/Mudaraba savings bank deposits	5,756,359,894	5,840,931,898
Fixed deposits/Mudaraba fixed deposits	6,169,938,404	5,659,683,390
	<b>13,968,238,828</b>	<b>13,432,867,901</b>
<b>12.1 Current/Al-wadeeah current accounts and other accounts</b>		
Current/Al-wadeeah current deposits	1,097,969,219	1,163,603,485
Alfalsh Uduog Current Account	393,687,777	285,271,125
Foreign currency deposits	289,929,795	267,652,149
Sundry deposits (Note 12.5)	162,102,306	147,508,085
	<b>1,943,689,097</b>	<b>1,864,034,844</b>
<b>12.2 Bills payable</b>		
Payment order - Inside Bangladesh	91,670,648	62,438,348
Demand draft payable - Inside Bangladesh	6,256,208	5,662,966
Unclaimed DD/TT/PO - Inside Bangladesh	64,406	12,091
Unclaimed DD/TT/PO - Inside Bangladesh	260,171	104,364
	<b>98,251,433</b>	<b>68,217,769</b>
<b>12.3 Savings bank/Mudaraba savings bank deposits</b>		
Savings deposits	1,191,429,892	1,247,077,872
Mudaraba Royal Profit deposits	938,576,802	706,298,511
Alfalsh Savings Plan (ASP)	148,456,511	135,838,207
Special Notice Deposits (SND)	875,688,645	992,505,565
Alfalsh Salary Account (ASA)	37,317,238	33,465,484
Alfalsh Rising Star (ARS)	15,853,361	9,708,307
Alfalsh premium Plus (APP)	1,316,592,855	1,246,377,070
Monthly Premium Deposit	1,232,444,590	1,469,660,882
	<b>5,756,359,894</b>	<b>5,840,931,898</b>
<b>12.4 Fixed deposits/Mudaraba fixed deposits</b>		
Fixed Deposit (FDR)	3,687,983,660	3,894,541,707
Mudaraba Term Deposit (MTDR)	2,481,954,744	1,765,141,683
	<b>6,169,938,404</b>	<b>5,659,683,390</b>
<b>12.5 Sundry deposits</b>		
Margin Accounts - Local Currency	108,037,481	69,681,125
Margin Accounts - Foreign Currency	54,064,825	77,826,960
Others	-	-
	<b>162,102,306</b>	<b>147,508,085</b>
<b>12.6 Bearer Certificates of Deposit</b>	-	-
<b>12.7 Other Deposits</b>	-	-
<b>12.8 Deposits from banks and others</b>		
Inter-bank deposits (Note 12.8.1)	913,264,357	942,391,378
Other deposits	13,054,974,471	12,490,476,523
	<b>13,968,238,828</b>	<b>13,432,867,901</b>



	2018	2017
	Amount in BDT	Amount in BDT
<b>12.8.1 Inter-bank deposits</b>		
Jamuna Bank Limited	26,070	27,220
Pubali Bank Limited	1,181,760	1,150,891
AB Bank Limited	19,839	2,612,685
Prime Bank Limited	757,647,036	774,941,943
Islami Bank Bangladesh Limited	30,512,386	29,785,889
Shahjalal Islami Bank Limited	3,083,455	3,091,039
Al-Arafah Islami Bank Limited	3,436,429	3,452,940
The City Bank Limited	2,081,137	2,100,996
Bank Asia Limited	2,015,035	2,035,057
Bankislami Pakistan Limited	12,485,207	-
Bank Alfalah Ltd, Karachi (Conventional)	36,805,869	123,192,718
Bank Alfalah Ltd, Karachi (Islamic)	63,970,134	-
	<b>913,264,357</b>	<b>942,391,378</b>
<b>12.9 Maturity grouping of deposits</b>		
Repayable On demand	2,333,816,002	1,864,034,844
Repayable within 1 month	2,052,342,035	2,335,864,513
Over 1 month but within 6 months	3,756,686,086	3,619,815,488
Over 6 months but within 1 year	693,499,369	668,232,507
Over 1 year but within 5 years	5,131,895,336	4,944,920,549
Over 5 years but within 10 years	-	-
10 years or more	-	-
	<b>13,968,238,828</b>	<b>13,432,867,901</b>
<b>13 Other liabilities</b>		
Provision for loans and advances/investments (Note 13.1)	313,244,738	299,993,040
Provision for off-balance sheet exposures (Note 13.2)	40,038,368	40,129,872
Interest suspense account (Note 13.3)	51,784,845	38,199,202
Provision for taxation (13.4)	1,069,074,173	880,845,173
Accrued expenses	2,958,021	5,149,014
Interest payable on deposit & borrowings (Note 13.5)	117,200,099	69,843,772
Net of profit on Morabaha	93,226,838	107,319,880
Deferred tax liability (Note 13.6)	-	-
Accounts payable - (Locker Security Deposit)	580,000	526,000
Withholding tax on interest on deposits	4,825,302	4,801,723
Withholding tax	54,808,851	4,528,606
Withholding VAT	2,863,959	2,464,207
Provision for audit and consultancy fees	2,979,000	3,195,500
Provision for Salaries & leave fare allowance	930,070	6,243,565
Payable to Shamil Bank's Head Office	79,052,645	79,052,645
Excise duty	353,920	535,440
SLR Charges payable to Bangladesh Bank	646,346	308,007
Advance commission on Letter of Guarantee (L/G)	1,596,336	1,843,482
Charity fund account	565,925	523,259
Provision for Rebate on Good Borrowers	23,000,000	23,000,000
Misc. Provision against receivable	3,109,028	-
Branch adjustment Account (Note 10.3)	11,020,230	2,948,759
Miscellaneous	1,586,663	1,721,361
	<b>1,875,445,357</b>	<b>1,573,172,507</b>
<b>13.1 Provision for loans and advances/investments</b>		
<b>General Provision</b>		
Balance as at 1 January	106,262,909	91,250,627
Add: Provision made during the year		
On general loans and advances/investments etc.	-	15,020,726
On Special Mention Account (SMA)	-	(8,444)
	-	15,012,282
Less: Provision no longer required	12,306,216	-
<b>Balance as at 31 December</b>	<b>93,956,693</b>	<b>106,262,909</b>



	2018 Amount in BDT	2017 Amount in BDT
<b>Specific Provision</b>		
Provision held beginning of the year	193,730,131	180,727,296
Less: Fully provided debt written off	-	-
Add: Recoveries of amounts previously written off	-	-
Add: Specific provision for the year	36,758,890	21,220,795
Less: Recoveries and Provisions no longer required	11,200,976	8,217,960
Net Charge to Profit and Loss Account	25,557,914	13,002,835
<b>Balance as at 31 December</b>	<b>219,288,045</b>	<b>193,730,131</b>
<b>Total provision on loans and advances/Investments</b>	<b>313,244,738</b>	<b>299,993,040</b>
<b>13.2 Provision for off-balance sheet exposures</b>		
Balance at the beginning of the year	40,129,872	33,863,528
Add: Provision made during the year	-	17,396,151
	40,129,872	51,259,679
Less: Adjustments made during the year	91,504	11,129,807
<b>Balance at the end of the year</b>	<b>40,038,368</b>	<b>40,129,872</b>
<b>13.3 Interest suspense account</b>		
Balance at the beginning of the year	38,199,202	52,281,625
Add: Amount transferred to Interest Suspense Account during the year	14,469,005	1,839,685
Less: Amount recovered in Interest Suspense Account during the year	883,362	15,922,108
Less: Amount written off during the year	-	-
<b>Balance at the end of the year</b>	<b>51,784,845</b>	<b>38,199,202</b>
<b>13.3.1 Interest/profit suspense and compensation suspense</b>		
Interest/profit suspense	51,784,845	38,199,202
Compensation suspense	-	-
	<b>51,784,845</b>	<b>38,199,202</b>
<b>13.4 Provision for Taxation</b>		
Balance as at January 01, 2017	880,845,173	745,218,173
Add: Provision made during the year (Note 35)	188,229,000	135,627,000
	1,069,074,173	880,845,173
Less: Adjustments made during the year	-	-
<b>Balance as at December 31, 2017</b>	<b>1,069,074,173</b>	<b>880,845,173</b>
Provision for current tax of Taka 188,229,000 has been made @ 40.00% of adjusted net profit for the year 2018 as prescribed by Finance Act 2018.		
<b>13.5 Profit/interest payable on deposit</b>		
<b>Profit/interest payable on</b>		
Special notice deposit	21,456	136
Borrowings from FI	1,469,372	573,333
	<b>1,490,828</b>	<b>573,469</b>
<b>Interest payable on</b>		
30 days term deposit	312,034	282,938
90 days term deposit	15,309,161	21,250,228
180 days term deposit	9,047,161	13,929,210
360 days term deposit	20,042,331	22,093,090
Broken Period term deposit	70,410,579	10,539,829
2 years term deposit	371,041	849,154
3 years term deposit	216,964	325,854
	<b>115,709,271</b>	<b>69,270,303</b>
	<b>117,200,099</b>	<b>69,843,772</b>



**13.6 Deferred tax assets and liabilities**

**13.6.1 Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Amount in BDT					
	<b>2018</b>			<b>2017</b>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Fixed assets	(10,173,240)	-	(10,173,240)	(8,273,856)	-	(8,273,856)
Unrealized gain on HTM Securities (Treasury Bill)	-	-	-	-	-	-
Unrealized gain on HTM Securities (Treasury Bond)	-	-	-	-	-	-
Unrealized gain on HFT Securities (Treasury Bond)	-	-	-	-	-	-
Unrealized gain on HFT Securities (Treasury Bill)	-	-	-	-	-	-
	<u>(10,173,240)</u>	<u>-</u>	<u>(10,173,240)</u>	<u>(8,273,856)</u>	<u>-</u>	<u>(8,273,856)</u>

**13.6.2 Movement in deferred tax balances during the year**

	Balance at January 01	Recognized in Profit and Loss	Recognized in equity	Balance at December 31
<b>2018</b>				
Fixed assets	(8,273,856)	(1,899,384)	-	(10,173,240)
Unrealized gain on HTM Securities (Treasury Bill)	-	-	-	-
Unrealized gain on HTM Securities (Treasury Bond)	-	-	-	-
Unrealized gain on HFT Securities (Treasury Bond)	-	-	-	-
Unrealized gain on HFT Securities (Treasury Bill)	-	-	-	-
	<u>(8,273,856)</u>	<u>(1,899,384)</u>	<u>-</u>	<u>(10,173,240)</u>
<b>2017</b>				
Fixed assets	(2,397,310)	(5,876,546)	-	(8,273,856)
Unrealized gain on HTM Securities (Treasury Bill)	-	-	-	-
Unrealized gain on HTM Securities (Treasury Bond)	-	-	-	-
Unrealized gain on HFT Securities (Treasury Bond)	-	-	-	-
Unrealized gain on HFT Securities (Treasury Bill)	-	-	-	-
	<u>(2,397,310)</u>	<u>(5,876,546)</u>	<u>-</u>	<u>(8,273,856)</u>



	2018	2017
	Amount in BDT	Amount in BDT
<b>14 Head Office Fund</b>		
Fund received from Head Office and kept with the Bangladesh Bank	<b>4,445,949,318</b>	<b>4,440,842,391</b>
<b>14.1 Capital to Risk-weighted Asset Ratio (CRAR) of the Bank</b>		
The calculation of CRAR has been done as per Basel-III guideline December 2014 vide BRPD Circular no. 18 dated December 21, 2014.		
<b>Common Equity Tier 1 Capital:</b>		
Head Office Fund	4,445,949,318	4,440,842,391
Accumulated Profit (Loss)	1,084,920,397	1,108,655,530
Less: Regulatory Adjustment (Deferred Tax Asset)	10,173,240	8,273,856
Less: Goodwill and All other Intangible Assets	3,368,018	4,703,798
	<b>5,517,328,457</b>	<b>5,536,520,267</b>
<b>Additional Tier 1 Capital:</b>	-	-
<b>A) Total Tier 1 Capital</b>	5,517,328,457	5,536,520,267
<b>Tier 2 Capital:</b>		
General Provision	133,995,061	146,392,781
Revaluation reserve of Government securities (with 20% phase-in deductions)	7,015,154	14,030,308
	<b>141,010,215</b>	<b>160,423,089</b>
<b>B) Total capital</b>	<b>5,658,338,672</b>	<b>5,696,943,356</b>
<b>C) Risk weighted assets (RWA)</b>		
<b>Credit Risk</b>		
On-Balance Sheet	6,232,575,316	7,311,636,991
Off-Balance Sheet	860,272,969	826,266,728
	7,092,848,285	8,137,903,719
<b>Market Risk</b>	384,412,641	123,612,903
<b>Operational Risk</b>	1,558,744,206	1,549,321,993
<b>Total RWA</b>	<b>9,036,005,132</b>	<b>9,810,838,615</b>
<b>D) Required Minimum Common Equity Tier-1 Capital Ratio (4.5% of the total RWA)</b>	406,620,231	441,487,738
<b>E) Required Capital Conservation Buffer (1.875% of the total RWA)</b>	169,425,096	122,635,483
<b>F) Required Minimum Common Equity Tier-1 Capital Ratio plus Capital Conservation</b>	576,045,327	502,805,479
<b>G) Required Tier 1 Capital (6.0% of RWA)</b>	542,160,308	539,596,124
<b>H) Required total capital (10% of RWA)</b>	<b>903,600,513</b>	<b>981,083,862</b>
<b>I) Required total capital plus Capital Conservation Buffer (11.875% of RWA)</b>	1,073,025,609	1,042,401,603
<b>J) Minimum capital requirement</b>	4,000,000,000	4,000,000,000
<b>Required capital (higher of I &amp; J)</b>	<b>4,000,000,000</b>	<b>4,000,000,000</b>
<b>Surplus (B-J)</b>	<b>1,658,338,672</b>	<b>1,696,943,356</b>
<b>Capital to Risk-Weighted Assets Ratio:</b>		
On Common Equity Tier 1 Capital against standard of minimum 4.5%	61.06%	56.43%
On Tier 1 Capital - against standard of minimum 6.0%	61.06%	56.43%
On Tier 2 Capital	1.56%	1.64%
On total capital - against standard of minimum 10%	62.62%	58.07%

**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.





			<u>2018</u>	<u>2017</u>
			Amount in BDT	Amount in BDT
<b>Movement In Other Reserve during the year</b>				
	Balance at January 01	(Adjustment)/ Transferred during	Balance at December 31	Deferred tax liabilities
				Net Balance at December 31
<b>2018</b>				
Treasury bills - HTM	11,098,231	3,059,929	14,158,160	-
Treasury bonds - HTM	-	-	-	-
Treasury bonds - HFT	8,430,432	2,099,066	10,529,498	-
Treasury bill - HFT	-	-	-	-
	<u>19,528,663</u>	<u>5,158,995</u>	<u>24,687,658</u>	<u>-</u>
				<u>24,687,658</u>
<b>2017</b>				
Treasury bills - HTM	32,567,626	(21,469,395)	11,098,231	-
Treasury bonds - HTM	-	-	-	-
Treasury bonds - HFT	9,730,993	(1,300,561)	8,430,432	-
Treasury bill - HFT	1,524,224	(1,524,224)	-	-
	<u>43,822,843</u>	<u>(24,294,180)</u>	<u>19,528,663</u>	<u>-</u>
				<u>19,528,663</u>
<b>16 Surplus in Profit and Loss Account</b>				
Balance as at January 01			1,108,655,530	872,122,051
Profit Transfer to Head Office			(317,741,176)	(87,545,348)
Adjustment of Receivable from H.O.			-	32,378,994
Prior Year adjustment			-	(1,461,441)
Net/(loss)profit for the year			<u>294,006,043</u>	<u>293,161,274</u>
Balance as at December 31			<u>1,084,920,397</u>	<u>1,108,655,530</u>
<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			293,400,074	344,947,350
Banks and other financial institutions			22,386,890	-
Others			90,407,543	-
			<u>406,194,507</u>	<u>344,947,350</u>
<b>18 Irrevocable letters of credit</b>				
Usance			329,582,502	908,338,607
Sight			612,570,038	778,266,857
			<u>942,152,540</u>	<u>1,686,605,464</u>
<b>19 Income statement</b>				
<b>Income</b>				
Interest, discount and similar income			1,387,592,816	1,279,238,781
Fee, commission and brokerage			33,648,688	24,507,225
Gains less Losses arising from dealing securities			-	-
Gains less Losses arising from investment securities			-	1,906,391
Gains less Losses arising from dealing in foreign currencies			122,365,469	102,020,921
Income from non-banking assets			-	-
Other operating income			30,963,013	31,619,130
Profit less Losses on interest rate changes			-	-
			<u>1,574,569,986</u>	<u>1,439,292,448</u>
<b>Expenses</b>				
Interest, fee and commission			541,981,710	464,480,107
Losses on loans and advances			-	-
Administrative expenses			461,733,839	451,965,726
Other operating expenses			54,548,925	50,594,148
Depreciation on banking assets			19,700,631	22,229,330
			<u>1,077,965,105</u>	<u>989,269,311</u>
Income over expenditure			<u>496,604,881</u>	<u>450,023,137</u>



	<u>2018</u>	<u>2017</u>
	Amount in BDT	Amount in BDT
<b>20 Interest income/profit on investments</b>		
<b>Interest on loans and advances</b>		
Current finance	276,499,626	225,643,563
Term finance	243,256,425	214,185,453
Trust receipt	23,014,242	14,998,221
House loan - Staff	1,749,915	2,321,872
Personal loan - Staff	556,647	786,335
Self liquidating car loan- Staff	793,551	797,548
Finance against EDF	5,070,338	3,656,775
Finance against Foreign Bill (FAFB)	115,902	421,158
Foreign Bill Discount	-	563,928
Local bill discounted	10,636,150	545,300
	<u>561,692,796</u>	<u>463,920,153</u>
<b>Share of profit from financing and discounting</b>		
Murabaha-Staff	-	-
Morabaha Financing - LPO	253,319,533	207,845,301
Profit on bill discounted	3,860,451	10,614,922
Morabaha income PAD	-	-
Morabaha income trust receipt	22,141,142	13,484,704
	<u>279,321,126</u>	<u>231,944,927</u>
<b>Interest on Placements with Banks</b>		
Interest from call money	171,538,106	106,382,199
Interest from deposits with banks	59,053,268	40,145,425
	<u>230,591,374</u>	<u>146,527,624</u>
	<u>1,071,605,296</u>	<u>842,392,704</u>
<b>21 Interest paid/profit shared on deposits and borrowings etc.</b>		
<b>Interest on deposits</b>		
Savings account	83,043,187	81,279,151
Royal profit deposit	43,916,760	23,634,432
Special notice deposit	601,899	1,220,093
Term deposit	204,841,410	201,430,489
	<u>332,403,256</u>	<u>307,564,165</u>
<b>Profit shared on Modaraba Deposit</b>		
Modaraba Savings Deposit	8,403,452	7,624,423
Modaraba royal profit deposit	28,068,120	22,975,038
Special notice deposit	15,159,808	22,811,423
Modaraba term deposit	146,071,380	91,892,418
	<u>197,702,760</u>	<u>145,303,302</u>
<b>Interest on borrowings</b>		
Interest paid on borrowings	11,875,694	11,612,640
Interest paid on Repo	-	-
	<u>11,875,694</u>	<u>11,612,640</u>
	<u>541,981,710</u>	<u>464,480,107</u>
<b>22 Investment income</b>		
Mark-up on Bangladesh Bank Bill	11,283,340	27,837,880
Capital gain on sale of shares	-	-
Discount on treasury bill	34,635,039	53,622,807
Mark-up on treasury bonds	316,963,839	379,942,565
Mark-up on Commercial Paper	-	5,875,000
Trading gain on treasury bills	-	1,906,391
Trading gain on Bangladesh Govt. Treasury Bonds	-	-
Loss on revaluation of BGB HFT securities	(2,238,713)	(1,759,781)
Profit/(Loss) on revaluation of T-bill HFT	-	(649,924)
Capital gain on treasury bills and Bangladesh Govt. Treasury Bonds	6,199	3,835,261
Interest and Amortization on Securities	(44,662,184)	(31,857,731)
	<u>315,987,520</u>	<u>438,752,468</u>
<b>23 Commission, exchange and brokerage</b>		
Brokerage	-	-
Fees, commission etc.	33,648,688	24,507,225
Exchange earnings	122,365,469	102,020,921
	<u>156,014,157</u>	<u>126,528,146</u>



	2018 Amount in BDT	2017 Amount in BDT
<b>24 Other operating income</b>		
Service charges recovered	5,512,924	7,061,244
Locker rent	1,805,305	1,964,965
Document charges	-	12,408
Cheque return charges	379,438	401,356
Gain on disposal of fixed assets	48,600	74,412
Credit/debit card fees	693,066	647,328
Charges on documentary credit	138,381	72,875
Courier charges recovered	1,726,272	1,791,268
Cheque book charges recovered	674,401	702,594
Others (UPAS LC Spread, Nostro A/C Int, SWIFT Recovered etc.)	19,984,626	18,890,680
	<b>30,963,013</b>	<b>31,619,130</b>
<b>25 Salaries and allowances</b>		
Basic salary	98,531,957	103,318,600
Housing allowance	39,725,980	41,014,280
Conveyance allowance	9,058,440	9,464,236
Leave fare allowance	13,221,162	12,907,069
Other allowances	10,676,207	10,069,657
Car allowance - Self liquidating car loan	9,873,753	10,174,488
Festival bonus	23,031,122	23,418,842
Performance bonus	13,263,173	8,130,657
The Bank's contribution to provident fund	9,746,738	9,182,114
Gratuity	8,520,954	7,740,183
Business Development Officer salary	6,054,741	5,766,440
Group insurance	2,256,752	2,323,267
	<b>243,960,979</b>	<b>243,509,833</b>
<b>26 Rent, taxes, insurance, electricity etc.</b>		
Rent, rates and taxes	117,095,773	111,141,824
Insurance	10,308,407	10,004,856
Cleaning and maintenance	17,580,570	15,585,278
Electricity and Utilities	13,089,534	11,663,736
	<b>158,074,284</b>	<b>148,395,694</b>
<b>27 Legal expenses</b>		
Legal fees and charges	741,779	333,076
Consultancy fees	941,000	3,017,250
	<b>1,682,779</b>	<b>3,350,326</b>
<b>28 Postage, stamp, telecommunication etc.</b>		
Postage and couriers	2,508,647	2,848,137
Electronic mail and on-line connectivity	5,611,060	5,834,376
Telegram, fax, telex, SWIFT and internet charge	1,269,121	1,001,274
Telephone charges	1,235,237	1,394,421
	<b>10,624,065</b>	<b>11,078,208</b>
<b>29 Stationery, printing, advertisements etc.</b>		
Table stationery	1,786,451	1,521,607
Books and periodicals	62,078	61,315
Printing stationery	3,361,470	6,154,721
Computer stationery	656,992	543,228
Donation for CSR	750,000	500,000
Publicity and advertisement	3,679,665	2,576,192
	<b>10,296,656</b>	<b>11,357,063</b>
<b>30 Country Head's salary and allowances</b>		
Basic salary	11,174,292	10,624,200
Other allowance	3,283,800	3,283,800
Leave fare allowance	1,204,842	1,159,000
Festival bonus	2,409,682	2,318,000
Performance bonus	2,200,000	1,500,000
The Bank's contribution to provident fund	1,117,428	1,062,420
Car allowance-Self liquidating car loan	1,020,000	1,020,000
Gratuity	931,191	885,350
Other Benefits & Allowances	12,166,943	11,228,570
	<b>23,341,235</b>	<b>21,852,770</b>



	2018 Amount in BDT	2017 Amount in BDT
<b>31 Depreciation and repair of Bank's assets</b>		
<b>Depreciation of Bank's Assets</b>		
Furniture, fixture and fittings	1,259,256	1,625,697
Office equipments	4,367,957	4,496,015
Computer and related equipments	6,086,531	6,918,350
Motor vehicles	4,949,209	5,318,423
Leasehold improvement	3,037,678	3,870,845
	<b>19,700,631</b>	<b>22,229,330</b>
<b>Repair &amp; Maintenance of Bank's Assets</b>		
Furniture, fixture and fittings	298,955	111,175
Rented premises	364,906	184,906
Office equipments	3,828,125	3,385,621
Computer maintenance	7,542,660	6,898,332
Motor vehicles	1,144,195	1,159,298
	<b>13,178,841</b>	<b>11,739,332</b>
	<b>32,879,472</b>	<b>33,968,662</b>
<b>32 Other expenses</b>		
Bank charges, brokerage and commission	817,956	1,465,988
Charges for Cheque and Documents Archiving	2,184,945	1,957,481
Membership fees	2,464,876	1,768,980
Entertainment	4,382,637	3,402,358
Security	11,179,892	11,363,176
Traveling and conveyance	5,161,689	3,657,840
Car fuel expenses	5,906,965	6,327,051
Card centre charges	2,186,004	1,816,472
Amortization of software	1,335,780	1,804,395
Training	2,029,000	1,743,857
Rent-residence	6,409,212	6,405,448
Medical expenses	9,046,071	7,632,408
Other Expenses	1,443,898	1,248,694
	<b>54,548,925</b>	<b>50,594,148</b>
<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.	-	15,020,726
On Special Mention Account (SMA)	-	(8,444)
	-	<b>15,012,282</b>
Less: Provision no longer required	12,306,216	-
	<b>(12,306,216)</b>	<b>15,012,282</b>
<b>Specific Provision</b>		
Specific provision made during the year	36,758,890	21,220,795
Recoveries and Provisions no longer required	11,200,976	8,217,960
	<b>25,557,914</b>	<b>13,002,835</b>
<b>Total Provision on loans and advances/investments</b>	<b>13,251,698</b>	<b>28,015,117</b>
<b>34 Other provisions</b>		
Provision for Rebate of Good Borrowers	-	(7,245,052)
Provision for Profit Receivable	3,109,028	-
	<b>3,109,028</b>	<b>(7,245,052)</b>



	2018 Amount in BDT	2017 Amount in BDT
<b>35 Tax expenses</b>		
Current tax expenses	188,229,000	135,702,000
Deferred tax (credit)	(1,899,384)	(5,876,546)
	<b>186,329,616</b>	<b>129,825,454</b>
<b>Reconciliation of effective tax rate:</b>		
Profit before provision and tax as per profit and loss account		
Income tax using the tax rate @ 42.5%		
Factors affecting the tax charge for current period		
Non-deductible expenses		
Deductible expenses		
Effect of carry forward prior years tax losses		
Effect of different tax rate for dividend		
Tax exempt income		
Movement of temporary difference		
Total tax expenses (credit)		
<b>36 Interest receipts</b>		
Interest/profit receivable as at 1 January	109,035,731	151,656,209
Interest/profit accrued during the year:	1,071,605,296	842,392,704
Interest on loans and advances	561,692,796	463,920,153
Share of profit from financing and discount	279,321,126	231,944,927
Interest on placements with banks	230,591,374	146,527,624
Interest/profit receivable as at 31 December	(106,132,066)	(109,035,731)
	<b>1,074,508,961</b>	<b>885,013,182</b>
<b>37 Interest payments</b>		
Interest/profit payable as at 1 January	69,843,772	63,118,581
Interest/profit charged during the year	541,981,710	464,480,107
Interest on deposit	332,403,256	307,564,165
Profit shared on Modaraba Deposits	197,702,760	145,303,302
Interest on borrowings	11,875,694	11,612,640
Interest/profit payable as at 31 December	(117,200,099)	(69,843,772)
	<b>494,625,383</b>	<b>457,754,916</b>
<b>38 Fees and commission receipts</b>	<b>33,648,688</b>	<b>24,507,225</b>
<b>39 Payment to employees</b>		
Country Head's salaries and allowances	23,341,235	21,852,770
Salaries and allowances	243,960,979	243,509,833
Gratuity:		
Country Head	(931,191)	(885,350)
Employees	(8,520,954)	(7,740,183)
	<b>257,850,069</b>	<b>256,737,070</b>
<b>40 Payments to suppliers</b>		
<b>Balance as at 1 January</b>		
Accrued expenses	5,149,014	7,479,390
Accounts payable - others	526,000	450,000
Provision for audit and consultancy fees	3,195,500	4,599,500
	<b>8,870,514</b>	<b>12,528,890</b>
<b>Charged during the year</b>		
Stationery, printing, advertisements etc.	10,296,656	11,357,063
Rent, taxes, insurance, electricity etc.	158,074,284	148,395,694
Postage, stamp, telecommunication etc.	10,624,065	11,078,208
Legal expenses	1,682,779	3,350,326
Auditors' fees	575,000	682,500
	<b>181,252,784</b>	<b>174,863,791</b>
<b>Balance as at 31 December</b>		
Accrued expenses	(2,958,021)	(5,149,014)
Accounts payable - others	(580,000)	(526,000)
Provision for audit and consultancy fees	(2,979,000)	(3,195,500)
	<b>(6,517,021)</b>	<b>(8,870,514)</b>
	<b>183,606,277</b>	<b>178,522,167</b>



	2018 Amount in BDT	2017 Amount in BDT
<b>41 Income tax paid</b>	<b>164,153,441</b>	<b>126,814,702</b>
<b>42 Receipts from other operating activities</b>		
Other operating income	30,963,013	31,619,130
Exchange earnings	122,365,469	102,020,921
Investment income	315,987,520	438,752,468
Gain on disposal of fixed assets	(48,600)	(74,412)
Gain on sale of securities/shares	-	(1,906,391)
	<b>469,267,402</b>	<b>570,411,716</b>
<b>43 Payments for other operating activities</b>		
Repairs of Bank's assets	13,178,841	11,739,332
Other expenses	54,548,925	50,594,148
Gratuity:		
Country Head	931,191	885,350
Employees	8,520,954	7,740,183
Adjustment for amortization of software	(1,335,780)	(1,804,395)
	<b>75,844,131</b>	<b>69,154,618</b>
<b>44 Movement of loans and advances/Investments to customers</b>		
Balance as at 31 December	10,304,402,741	10,068,764,023
Balance as at 1 January	(10,068,764,023)	(9,274,767,890)
	<b>235,638,718</b>	<b>793,996,133</b>
<b>45 Movement of other assets</b>		
(Increase)/decrease in other assets which are not considered elsewhere		
- Stationery, stamps, printing materials, etc.	509,937	3,663,513
- Advance rent and advertisement	22,299,216	(39,969,137)
- Security deposits	-	-
- Preliminary, formation and organizational expenses, renovation, development and	(4,908,423)	(7,095,168)
- Branch adjustment	(8,071,471)	-
- Others	(238,286,943)	(88,134,689)
Adjustments for-		
- Deferred tax assets	(1,899,384)	(5,876,546)
- Advance income tax - net of provision for tax	-	-
- Intangible asset (Computer Software)	2,903,665	42,620,478
	<b>(227,453,403)</b>	<b>(94,791,549)</b>
<b>46 Movement of deposits and other accounts from banks</b>		
Balance as at 31 December	913,264,357	942,391,378
Balance as at 1 January	(942,391,378)	(1,491,196,153)
	<b>(29,127,021)</b>	<b>(548,804,775)</b>
<b>47 Movement of deposits and other accounts from customers</b>		
Balance as at 31 December	13,054,974,471	12,490,476,523
Balance as at 1 January	(12,490,476,523)	(10,991,732,464)
Increase/(Decrease)	<b>564,497,948</b>	<b>1,498,744,059</b>
<b>48 Movement of other liabilities</b>		
Increase/(decrease) in other liabilities which are not considered elsewhere		
- Interest suspense account	13,585,643	(14,082,423)
- Deferred tax liability (Note 13.6)	-	-
- Withholding tax on interest on deposits	23,579	160,421
- Withholding tax	50,280,245	229,476
- Withholding VAT	399,752	173,114
- Provision for leave fare allowance	(5,313,495)	5,059,132
- Provision for audit and consultancy fees	(216,500)	(1,404,000)
- Excise duty	(181,520)	266,660
- SLR Charges payable to Bangladesh Bank	338,339	153,549
- Advance commission on Letter of Guarantee (L/G)	(247,146)	614,158
- Charity Fund Account	42,666	(1,718,743)
- Net of profit on Morabaha	(14,093,042)	(29,408,202)
- Branch adjustment	8,071,471	766,805
- Miscellaneous	174,214,748	26,223,301
	<b>226,904,740</b>	<b>(12,966,752)</b>



	2018	2017
	Amount in BDT	Amount in BDT
<b>49 Proceeds from sale/redemption of securities</b>		
Proceeds from sale of securities	-	-
Commercial Paper - KSRM-Steel Plant Ltd.	-	40,00,00,000
	<u>-</u>	<u>40,00,00,000</u>
<b>50 Payment for purchase of securities</b>		
Held-for-trading securities (Treasury Bond)	(17,80,59,453)	95,73,473
Held-to-maturity securities (Treasury Bond)	(27,97,46,244)	1,36,56,96,784
	<u>(45,78,05,697)</u>	<u>1,37,52,70,257</u>
<b>51 Sale of fixed assets</b>		
Sale of fixed assets	9,59,500	25,64,831
	<u>9,59,500</u>	<u>25,64,831</u>

**52 General**

**52.1 Related parties**

**Transactions with key management personnel**

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

House finance	33,63,529	4,58,79,671
Car finance	57,29,627	1,88,17,620
	<u>90,93,156</u>	<u>6,46,97,291</u>

Key management personnel compensation for the year comprised:

Short-term employee benefits	18,65,84,319	18,02,76,923
Provident fund	81,04,011	76,77,555
Gratuity	61,80,696	61,02,040
	<u>20,08,69,026</u>	<u>19,40,56,518</u>

**Other related party transactions**

There were no transactions with related party during the reporting period.

**52.2 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 174 (2017:199).

**52.3 Highlights on the overall activities**

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

**52.4 Employee related fraud**

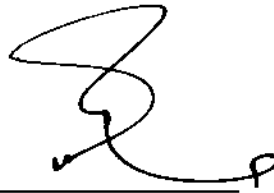
There was no fraud occurred/reported to Bangladesh Bank during the year 2018.

**52.5 Events after the reporting period**

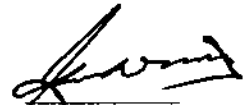
None.



Abu Noyem Md. Khasru  
Head of Finance & Admin.



Muhammad Ehsan Uf Haq Qureshi  
Country Operations Head



S.A.A. Masrur  
Country Head



## Annexure-A

Bank Alfalah Limited  
Bangladesh Operations  
Highlights on the overall activities  
As at and for the year ended 31 December 2018

Amount in BDT

Sl. No.	Particulars		2018	2017
1	Paid-up capital	Taka	4,445,949,318	4,440,842,391
2	Total capital	Taka	5,658,338,672	5,696,943,356
3	Capital surplus	Taka	1,658,338,672	1,696,943,356
4	Total assets	Taka	21,758,344,119	21,865,066,992
5	Total deposits	Taka	13,968,238,828	13,432,867,901
6	Total loans and advances/investments	Taka	10,304,402,741	10,068,764,023
7	Total contingent liabilities and commitments	Taka	4,003,836,836	4,012,987,183
8	Credit/investment deposit ratio		73.77%	74.96%
9	Percentage of classified loans/investments against total loans and advances/investments		3.32%	2.53%
10	Operating Profit/Profit before provision	Taka	496,604,881	450,023,137
11	(Loss)/profit after tax and provision	Taka	294,006,043	293,161,274
12	Amount of classified loans/investments	Taka	342,282,489	254,281,153
13	Provisions kept against classified loans/investments	Taka	219,288,045	193,730,131
14	Provision surplus/(deficit) against classified loans/investments	Taka	-	-
15	Cost of fund		4.18%	3.59%
16	Interest earning assets	Taka	19,256,631,156	19,545,433,082
17	Non-interest earning assets	Taka	2,501,712,963	2,319,633,910
18	Return on investment (ROI)		6.61%	8.34%
19	Return on assets (ROA) [PAT/ Average assets]		1.35%	1.34%
20	Income from investment	Taka	315,987,520	438,752,468
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





## Annexure-B

Bank Alfalah Limited  
Bangladesh Operations  
Liquidity Statement  
(Analysis of maturity of assets and liabilities)  
As at 31 December 2018

Particulars	Amount in BDT					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	
<b>Assets</b>						
Cash	1,051,005,386	-	-	-	357,059,318	1,408,064,704
Balance with other banks and financial institutions	761,490,088	2,629,642,513	-	-	-	3,391,132,601
Money at call and on short notice	730,000,000	-	-	-	-	730,000,000
Investments	178,293,000	399,454,400	1,648,025,990	1,473,247,009	1,025,675,008	4,724,695,407
Loans and advances / investments	3,344,708,195	5,061,982,931	1,167,832,512	691,049,947	38,829,156.00	10,304,402,741
Fixed assets including premises, furniture and fixtures	-	-	-	35,970,229	5,047,853	41,018,082
Other assets	29,516,935	17,520,005	253,684,344	858,309,300	-	1,159,030,584
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>6,095,013,604</b>	<b>8,108,599,849</b>	<b>3,069,542,846</b>	<b>3,058,576,485</b>	<b>1,426,611,335</b>	<b>21,758,344,119</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	251,700,000	-	107,402,561	-	-	359,102,561
Deposits	4,386,158,037	4,132,840,144	317,345,311	5,131,895,336	-	13,968,238,828
Provision and other liabilities	62,498,112	150,229,717	1,178,596,932	484,120,596	-	1,875,445,357
<b>Total liabilities</b>	<b>4,700,356,149</b>	<b>4,283,069,861</b>	<b>1,603,344,804</b>	<b>5,616,015,932</b>	-	<b>16,202,786,746</b>
<b>Net liquidity gap</b>	<b>1,394,657,455</b>	<b>3,825,529,988</b>	<b>1,466,198,042</b>	<b>(2,557,439,447)</b>	<b>1,426,611,335</b>	<b>5,555,557,373</b>



## Annexure-C

Bank Alfalah Limited  
 Bangladesh Operations  
 Balance with other banks - Outside Bangladesh (Nostro Accounts)  
 As at 31 December 2018

Name of the Bank	Currency Type	2018			2017		
		FC Amount	Exchange Rate	Equivalent BDT	FC Amount	Exchange Rate	Equivalent BDT
Standard Chartered Bank, New York	USD	1,128,519.27	83.90	94,682,767	617,763.74	82.70	51,089,061
Standard Chartered Bank, Kolkata	ACUD	104,607.31	83.90	8,776,553	113,925.07	82.70	9,421,603
Bank Alfalah Limited, Karachi	ACUD	9,067.37	83.90	760,752	9,067.37	82.70	749,871
National Bank of Pakistan, New York	USD	1,610.08	83.90	135,086	2,438.03	82.70	201,625
Standard Chartered Bank, London	GBP	4,325.57	106.00	458,510	6,764.75	110.79	749,467
Standard Chartered Bank, Frankfurt	EURO	20,109.85	95.25	1,915,463	10,986.22	98.31	1,080,055.00
National Bank of Pakistan, Frankfurt	EURO	-	95.25	-	70.00	98.31	6,882.00
Standard Chartered Bank, Tokyo	JPY	17,842.00	0.75	13,382	781,963.00	0.73	570,833.00
				<u>106,742,513</u>			<u>63,869,397.00</u>



Bank Alfalah Limited  
 Bangladesh Operations  
 Schedule of fixed assets including premises, furniture and fixtures  
 As at 31 December 2018

Particulars	Cost				Rate of Dep.	Depreciation			Written Down Value as at December 31, 2018	
	Balance as at January 01, 2018	Additions during the year	Disposal during the year	Balance as at December 31, 2018		Balance as at January 01, 2018	Charged during the year	Adjustment for the disposal during the year		Balance as at December 31, 2018
Furniture, fixture and fittings	46,744,122	515,988		47,260,110	10	40,953,001	1,259,256		42,212,257	5,047,853
Office equipments	55,870,789	3,753,857	-	59,624,646	20	47,237,485	4,367,957	-	51,605,442	8,019,204
Staff equipments	13,500	-		13,500	20	13,500	-		13,500	-
Computer and related equipments	121,277,866	12,546,717	(959,500)	132,865,083	25	108,337,383	6,086,531	(959,500)	113,464,414	19,400,669
Motor vehicles	32,702,690	-	-	32,702,690	25	22,558,413	4,949,209	-	27,507,622	5,195,068
Leasehold improvement	74,014,349	723,350		74,737,699	20	68,344,733	3,037,678		71,382,411	3,355,288
	<b>330,623,316</b>	<b>17,539,912</b>	<b>(959,500)</b>	<b>347,203,728</b>		<b>287,444,515</b>	<b>19,700,631</b>	<b>(959,500)</b>	<b>306,185,646</b>	<b>41,018,082</b>



Bank Alfalah Limited  
Bangladesh Operations  
Currency Analysis  
As at 31 December 2018

The table below summarizes the currency-wise analysis of assets and liabilities as at 31 December 2018. The Bank's assets and liabilities are included in their carrying amounts in Bangladesh Taka(BDT), broken down by currency.

Particulars	Balance as at December 31, 2018					Total in BDT
	Taka	Equivalent BDT of USD	Equivalent BOT of GBP	Equivalent BDT of EURO	Equivalent BDT of JPY	
<b>ASSETS</b>						
Cash in hand	200,277,271	5,367,251	-	-	-	205,644,522
Balance with Bangladesh Bank and its agent bank	753,940,886	448,469,549	3,589	5,649	509	1,202,420,182
Balance with other banks and financial institutions	2,361,503,470	1,027,255,158	458,510	1,915,463	-	3,391,132,601
Money at call and short notice	730,000,000	-	-	-	-	730,000,000
Investments	4,724,695,407	-	-	-	-	4,724,695,407
Loans and advances	9,878,038,379	426,364,362	-	-	-	10,304,402,741
Fixed assets	41,018,082	-	-	-	-	41,018,082
Other assets	1,155,330,584	3,700,000	-	-	-	1,159,030,584
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>19,844,804,079</b>	<b>1,911,156,320</b>	<b>462,099</b>	<b>1,921,112</b>	<b>509</b>	<b>21,758,344,119</b>
<b>LIABILITIES</b>						
Borrowings from other banks, financial institutions and agents	-	359,102,561	-	-	-	359,102,561
Deposit	13,617,727,828	350,320,412	190,588	-	-	13,968,238,828
Other liabilities	1,874,468,222	977,135	-	-	-	1,875,445,357
<b>Total liabilities</b>	<b>15,492,196,050</b>	<b>710,400,108</b>	<b>190,588</b>	<b>-</b>	<b>-</b>	<b>16,202,786,746</b>
<b>Net position</b>	<b>4,352,608,029</b>	<b>1,200,756,212</b>	<b>271,511</b>	<b>1,921,112</b>	<b>509</b>	<b>5,555,557,373</b>



Bank Alfalah Limited  
Bangladesh Operations  
Disclosure of Tax provision  
As at 31 December 2018

Amount in BDT

Tax files up to Income Year 2008 have been settled. Status of rest of the years are as follows:

Income Year	Assessment Year	Tax as per Return	Tax paid with Return and during appeal/ Deducted at source/Minimum Tax	Additional Tax claimed by DCT as per Appeal Order	Total Tax Liability (DCT/Tax Return)	Total Tax Liability (as per Tax Advisor)	Provision Held	Status
2009	2010-11	5,325,000	9,002,702	771,060	1,220,460	5,325,000	5,325,000	Under Appeal
2010	2011-12	4,516,323	16,825,346	47,329,210	53,752,418	29,134,371	29,420,599	Under Appeal
2011	2012-13	4,718,678	18,303,607	50,591,153	59,058,394	48,190,451	48,404,416	Under Appeal
2012	2013-14	6,216,162	12,370,679	37,840,003	50,210,681	50,210,681	50,276,517	Under Appeal
2013	2014-15	71,561,461	73,739,502	43,560,811	115,122,272	104,997,929	105,030,779	Under Appeal
2014	2015-16	178,921,274	178,921,274	-	178,921,274	178,921,274	178,958,000	Tax Clearance certificate received
2015	2016-17	159,037,342	159,037,341	-	159,037,342	-	159,064,000	Tax Clearance certificate received
2016	2017-18	123,875,855	123,875,854	-	123,875,855	123,875,855	123,938,862	Tax Clearance certificate received
2017	2018-19	167,593,149	168,711,536	-	167,593,149	167,593,149	167,627,000	Tax Clearance certificate received
2018	2019-20	200,278,770	94,153,441	-	200,278,770	200,278,770	201,029,000	Return to be submitted duly
<b>Total</b>		<b>922,044,014</b>	<b>854,941,282</b>	<b>180,092,237</b>	<b>1,109,070,615</b>	<b>908,527,480</b>	<b>1,069,074,173</b>	



Bank Alfalah Limited  
Bangladesh Operations  
Motijheel Islamic Banking Branch  
Balance Sheet  
As at 31 December 2018

Note	2018	2017
	Amount in BDT	Amount in BDT
<b>PROPERTY AND ASSETS</b>		
<b>Cash</b>		
In hand (including foreign currencies)	278,078,204	288,678,282
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	57,646,681	47,096,259
	220,431,523	241,582,023
<b>Balance with other banks and financial institutions</b>		
In Bangladesh	-	740,000,000
Outside Bangladesh	-	-
<b>Placement with banks and other financial institutions</b>	-	-
<b>Investments in shares and securities</b>		
Government	-	-
Others	-	-
<b>Investments</b>		
General investments etc.	3,737,811,459	3,254,632,164
Bills purchased and discounted	3,437,473,667	3,065,511,580
	300,337,792	189,120,584
Fixed assets including premises, furniture and fixtures	2,279,800	3,499,785
Other assets	1,298,486,728	240,486,029
Non-banking assets	-	-
<b>Total assets</b>	<b>5,316,656,191</b>	<b>4,527,296,260</b>
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
Placement from banks and other financial institutions	-	-
<b>Deposits and other accounts</b>		
Al-wadeeah current and other deposit accounts	5,157,224,940	4,384,489,066
Bills payable	804,760,867	784,563,888
Mudaraba saving deposits	16,589,771	17,102,944
Mudaraba term deposits	1,853,919,558	1,817,680,551
	2,481,954,744	1,765,141,683
Other liabilities	159,431,251	142,807,194
Differed tax liabilities/(assets)	-	-
<b>Total liabilities</b>	<b>5,316,656,191</b>	<b>4,527,296,260</b>
<b>Capital/shareholders' equity</b>		
Retained earnings	-	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,316,656,191</b>	<b>4,527,296,260</b>



**OFF-BALANCE SHEET ITEMS**

	2018	2017
Note	Amount in BDT	Amount in BDT
<b>Contingent liabilities</b>	<b>1,850,866,121</b>	<b>1,094,655,900</b>
Acceptances and endorsements	442,038,994	86,474,853
Letters of guarantee	328,605,376	285,789,424
Irrevocable letters of credit (including back to back bills)	516,177,858	390,314,701
Bills for collection	241,843,893	129,151,922
Value of Bangladesh Sanchaypatra	322,200,000	202,925,000
<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	-	-
	-	-
	<u>1,850,866,121</u>	<u>1,094,655,900</u>
<b>Total off-balance sheet items including contingent liabilities</b>	<u>1,850,866,121</u>	<u>1,094,655,900</u>

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



Abu Noyem Md. Khasru  
Head of Finance & Admin.



Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head



S.A.A. Masrur  
Country Head

Signed as per our annexed report of same date

Dated, Dhaka  
20 March 2019



A. Qasem & Co.  
Chartered Accountants



Bank Alfalah Limited  
Bangladesh Operations  
Motijheel Islamic Banking Branch  
Profit and Loss Account  
For the year ended 31 December 2018

	Note	2018 Amount in BDT	2017 Amount in BDT
Investment income	15	323,787,021	267,678,053
Profit paid on deposits	16	(197,702,760)	(145,303,303)
<b>Net investment income</b>		<b>126,084,261</b>	<b>122,374,750</b>
Income from investment in shares/securities	17	-	-
Commission, exchange and brokerage	18	25,531,917	19,688,799
Other operating income	19	13,207,264	12,014,536
		<u>38,739,181</u>	<u>31,703,335</u>
<b>Total operating income</b>		<b>164,823,442</b>	<b>154,078,085</b>
Salaries and allowances	20	29,436,999	31,805,081
Rent, taxes, insurance, electricity etc.	21	18,188,888	17,481,653
Legal expenses		-	-
Postage, stamps, telecommunication etc.	22	2,011,915	1,937,375
Stationery, printing, advertisement etc.	23	1,861,763	1,740,335
Shariah supervisory committee's fees and expenses		-	-
Auditors' fees		-	-
Depreciation and repair to Bank's assets	24	2,615,513	2,902,306
Zakat expenses		-	-
Other expenses	25	5,800,903	6,892,303
<b>Total operating expenses</b>		<b>59,915,981</b>	<b>62,759,053</b>
<b>Profit before provision</b>		<b>104,907,461</b>	<b>91,319,032</b>
Provision for investments		(1,105,587)	(2,582,826)
General provision	10.1	-	-
Specific provision	10.1	(1,105,587)	(2,582,826)
Provision for off-balance sheet items		-	-
Provision for diminution in value of investments in shares		-	-
Other provisions		3,109,028	-
<b>Total provision</b>		<b>2,003,441</b>	<b>(2,582,826)</b>
<b>Total profit before tax</b>		<b>102,904,020</b>	<b>93,901,858</b>
Provision for taxation		-	-
Current		-	-
Deferred		-	-
<b>Total provision for taxation</b>		<b>-</b>	<b>-</b>
<b>Net profit / (loss) after tax</b>		<b>102,904,020</b>	<b>93,901,858</b>

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



Abu Noyem Md. Khasru  
Head of Finance & Admin.



Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head



S.A.A. Masrur  
Country Head

Signed as per our annexed report of same date

Dated, Dhaka  
20 March 2019



A. Qasem & Co.  
Chartered Accountants



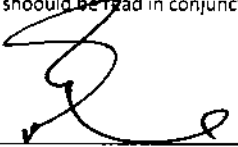


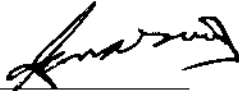
Bank Alfalah Limited  
Bangladesh Operations  
Motilheer Islamic Banking Branch  
Cash Flow Statement  
For the year ended 31 December 2018

	2018	2017
	Amount in BDT	Amount in BDT
<b>Cash flows from operating activities</b>		
Investment income receipts in cash	328,927,887	232,738,768
Profit paid on deposits	(169,897,538)	(144,464,194)
Fees and commission receipts in cash	14,739,245	10,994,144
Recoveries on loans previously written-off	-	-
Cash payments to employees	(29,436,999)	(31,805,081)
Cash payments to suppliers	(23,043,542)	(20,206,472)
Income taxes paid	-	-
Receipts from other operating activities	23,999,936	20,709,191
Payments for other operating activities	(7,016,431)	(8,070,791)
<b>Operating loss before changes in operating assets and liabilities</b>	<b>138,272,558</b>	<b>59,895,565</b>
<b>Increase/decrease in operating assets and liabilities:</b>		
Statutory deposits	-	-
Purchase/sale of trading securities	-	-
Investments to customers	(483,179,295)	255,135,015
Other assets	(1,166,440,964)	415,708,345
Deposits and other accounts from other banks	(129,127,021)	(148,804,775)
Deposits and other accounts from customers	901,862,895	(146,506,813)
Other liabilities	(11,808,251)	(14,957,710)
Cash generated from/(used in) operating assets and liabilities	<b>(888,692,636)</b>	<b>360,574,062</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(750,420,078)</b>	<b>420,469,627</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale/redemption of securities	-	-
Payment for purchase of securities	-	-
Purchase of fixed assets	(180,000)	(780,167)
Sale of fixed assets	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(180,000)</b>	<b>(780,167)</b>
<b>Cash flows from financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(750,600,078)</b>	<b>419,689,460</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,028,678,282</b>	<b>608,988,822</b>
<b>Cash and cash equivalents at end of the year</b>	<b>278,078,204</b>	<b>1,028,678,282</b>
Cash in hand (including foreign currencies)	57,646,681	47,096,259
Balance with other banks and financial institutions	-	740,000,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	220,431,523	241,582,023
	<b>278,078,204</b>	<b>1,028,678,282</b>

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

  
Abu Noyem Md. Khasru  
Head of Finance & Admin.

  
Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head

  
S.A.A. Masrur  
Country Head

Signed as per our annexed report of same date

Dated, Dhaka  
20 March 2019

  
A. Qasem & Co.  
Chartered Accountants



Bank Alfalah Limited  
 Bangladesh Operations  
 Motijheel Islamic Banking Branch  
 Statement of Changes in Equity  
 For the year ended 31 December 2018

Particulars	Fund deposited with Bangladesh Bank	Retained earnings	Amount in BDT
			Total
<b>Balance as at January 01, 2018</b>			
Net loss for the year	-	102,904,020	102,904,020
Transferred to Bangladesh country office	-	(102,904,020)	(102,904,020)
<b>Balance as at December 31, 2018</b>	-	-	-
<b>Balance as at January 01, 2017</b>	-	-	-
Net loss for the year	-	93,901,858	93,901,858
Transferred to Bangladesh country office	-	(93,901,858)	(93,901,858)
<b>Balance as at December 31, 2017</b>	-	-	-

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



Abu Noyem Md. Khasru  
 Head of Finance & Admin.



Muhammad Ehsan Ul Haq Qureshi  
 Country Operations Head



S.A.A. Masrur  
 Country Head

Signed as per our annexed report of same date

Dated, Dhaka  
 20 March 2019



A. Qasem & Co.  
 Chartered Accountants



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Notes to the Financial Statements**  
**As at and for the year ended 31 December 2018**

**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 2018. 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 of financial statements**

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Banking Companies Act, 1991 (as amended up to date), the rules and regulations issued by Bangladesh Bank, the Companies Act, 1994. In case any requirement of the Banking Companies Act, 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Banking Companies Act, 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

**2.1 Statement of compliance**

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is formed and it is yet to issue financial reporting standards for public interest entities such as banks. The Bank Companies Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International Financial Reporting Standards (IFRS) as approved by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable.

Accordingly, the financial statements of the Bank continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank (BB), 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 IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail. Material deviations from the requirements of IFRS are as follows:



i) **Investment in shares and Securities**

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

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

ii) **Revaluation gain/loss on Government securities**

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

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

iii) **Provision on loans and advances**

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

**Bangladesh Bank:** As per BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012), BRPD circular No. 05 (29 May 2013) and BRPD circular No.1 (20 February 2018) 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 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.



iv) **Other comprehensive income**

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

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

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

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

vi) **Repo transactions**

**IFRS:** As per IFRS 9 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), the arrangement is treated as a loan and the underlying asset continues to be recognised at amortised cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The same rule applies to the opposite side of the transaction (reverse repo).

**Bangladesh Bank:** As per Department of Off-Site Supervision (DOS) Circular letter no. 06 dated 15 July 2010 and subsequent clarification in DOS circular no. 02 dated 23 January 2013, 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 transaction and the financial asset is derecognised in the seller's book and recognised in the buyer's book.

However, as per Debt Management Department (DMD) circular letter no. 07 dated 29 July 2012, non-primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may carry out collateralised repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognise the asset.

vii) **Financial guarantees**

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



**Bangladesh Bank:** As per BRPD 14, dated 25 June 2003 financial guarantees such as letter of credit and letter of guarantee will be treated as off-balance sheet items. No liability is recognised for the guarantee except the cash margin.

viii) **Cash and cash equivalent**

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

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

ix) **Non-banking asset**

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

**Bangladesh Bank:** As per BRPD 14, dated 25 June 2003 there is a separate balance sheet item named Non-banking asset existed in the standard format.

x) **Cash flow statement**

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

**Bangladesh Bank:** As per BRPD 14, dated 25 June 2003 the cash flow statement is a mixture of both the direct and the indirect methods.

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

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

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

xii) **Presentation of intangible asset**

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

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

xiii) **Off-balance sheet items**

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

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



**xiv) Disclosure of appropriation of profit**

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

**Bangladesh Bank:** As per BRPD 14, dated 25 June 2003 an appropriation of profit should be disclosed in the face of profit and loss account.

**xv) Loans and advance/investments net of provision**

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

**Bangladesh Bank:** As per BRPD 14, dated 25 June 2003 provision on loans and advances/investments are presented separately as a liability and cannot be netted off against loans and advances.

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

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

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

**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 (BDT) which is the Branch's functional currency. Except as otherwise indicated, financial information presented in BDT 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, IFRSs 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 2018.

## **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

IFRS 16: Leases, issued in January 2016 replaces existing IAS 17: Leases, providing guidelines for accounting for leases and effective for financial year beginning on or after 01 January 2019. As per new IFRS, almost all leases being recognized on the balance sheet, as the distinction between operating and financial leases is removed. Under the new IFRS, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank shall implement IFRS 16 subject to Bangladesh Bank approval.

### 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 accredited. 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

- a) Loans and advances of conventional Banking/Investments of Islamic Banking branches are stated in the Balance Sheet on gross value.
- b) 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) and BRPD circular No. 15 (27 December 2017).

### 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	20%
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 2017 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 IAS-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 Date of Authorization**

The financial statements were authorized for issue by the senior management of the Bank, Bangladesh Operations on 20 March 2019.

### **3.23 General**

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



	2018	2017
	Amount in BDT	Amount in BDT
<b>4 Cash</b>		
Cash in hand		
Local currency	54,947,450	43,004,925
Foreign currencies	2,699,231	4,091,334
	<u>57,646,681</u>	<u>47,096,259</u>
Balance with Bangladesh Bank and its agent bank:		
Local currency	220,431,523	241,582,023
Foreign currencies	-	-
	<u>220,431,523</u>	<u>241,582,023</u>
	<u>278,078,204</u>	<u>288,678,282</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>		
5.50% of average Demand and Time Liabilities:		
Required reserve	211,275,499	201,630,221
Actual reserve held	220,487,877	241,841,877
Surplus	<u>9,212,378</u>	<u>40,211,656</u>
<b>4.3 Statutory Liquidity Requirement (SLR)</b>		
5.5% of required Average Demand and Time Liabilities:		
Required reserve	211,275,499	170,610,187
Actual reserve held	211,275,500	192,258,120
Surplus	<u>1</u>	<u>21,647,933</u>
<b>4.4 Held for Statutory Liquidity Requirement:</b>		
Cash in hand	57,646,681	47,096,259
Excess of daily reserve	9,212,378	14,627,735
Foreign currency used in BDT	144,416,441	130,534,126
	<u>211,275,500</u>	<u>192,258,120</u>
<b>5 Balance with other banks and financial institutions</b>		
In Bangladesh (Note 5.1)	-	740,000,000
Outside Bangladesh	-	-
	<u>-</u>	<u>740,000,000</u>
Also refer to note 5.2 for maturity wise grouping		
<b>5.1 Inside Bangladesh</b>		
Mudaraba Term deposit:		
Social Islami Bank Limited	-	250,000,000
Export Import Bank of Bangladesh Ltd.	-	200,000,000
Shahjalal Islami Bank Ltd.	-	290,000,000
The City Bank Limited	-	-
	<u>-</u>	<u>740,000,000</u>
<b>5.2 Maturity-wise groupings of balance with other banks and financial institutions</b>		
On demand	-	-
Not more than 3 months	-	740,000,000
More than 3 months but less than 1 year	-	-
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	<u>-</u>	<u>740,000,000</u>



	2018	2017
	Amount in BDT	Amount in BDT
<b>6 Investments</b>		
General Investments etc. (Note 6.1)	3,437,473,667	3,065,511,580
Bills purchased and discounted (Note 6.9)	300,337,792	189,120,584
	<u>3,737,811,459</u>	<u>3,254,632,164</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 (LPO)	3,165,767,940	2,859,560,095
Trust receipts	232,267,446	168,787,701
Own acceptance purchased	-	-
Payment against documents (PAD)	-	-
Finance Against Foreign Bill	35,489,952	32,109,868
Morabaha manual	3,948,329	5,053,916
Staff morabaha	-	-
	<u>3,437,473,667</u>	<u>3,065,511,580</u>
<b>Outside Bangladesh</b>	-	-
	<u>3,437,473,667</u>	<u>3,065,511,580</u>
<b>6.2 Maturity-wise grouping</b>		
Repayable On demand	-	-
Not more than 3 months	2,763,832,161	1,559,892,927
More than 3 months but not more than 1 year	606,936,057	1,248,454,174
More than 1 year but not more than 5 years	367,043,241	446,285,063
More than 5 years	-	-
	<u>3,737,811,459</u>	<u>3,254,632,164</u>
<b>6.3 Investments on the basis of significant concentration</b>		
Advances to Chief executive, other Senior executives and other Officers	-	-
Industrial loans and advances	3,737,811,459	3,254,632,164
	<u>3,737,811,459</u>	<u>3,254,632,164</u>



#### 6.4 Industry-wise classification of investments

	2018		2017	
	% of Total Loan	Taka	% of Total Loan	Taka
Agri Business	2.80%	104,472,553	2.99%	111,702,173
Automobile dealers	0.00%	-	0.00%	-
Cement	2.47%	92,140,858	2.33%	87,061,176
Chemicals	0.80%	29,890,983	1.48%	55,135,375
Financial Institutions & MFIs	7.25%	270,931,355	2.77%	103,669,298
Food & Personal Care Products	19.29%	721,055,749	18.80%	702,843,750
Manufacturing & sale of Domestic Appliances	4.09%	153,000,000	9.44%	352,750,000
Metal & Allied	7.99%	298,536,118	8.11%	303,020,250
Others/Miscellaneous	0.62%	23,327,333	1.05%	39,225,822
Real Estate/Construction	0.42%	15,550,000	0.96%	36,050,000
Services	19.52%	729,694,113	6.96%	260,163,856
Textile Composite / Garments Manufacturing	5.11%	191,065,451	4.76%	177,822,684
Textile Spinning	12.28%	458,828,936	4.38%	163,890,534
Textile Weaving	3.96%	147,951,828	2.85%	106,615,588
Trading	0.31%	11,720,349	7.09%	264,837,908
Vanaspati & Allied Industries	13.10%	489,645,833	13.11%	489,843,750
	<b>100%</b>	<b>3,737,811,459</b>	<b>87%</b>	<b>3,254,632,164</b>

#### 6.5 Geographical location-wise investments

	2018		2016	
	% of Total Loan	Taka	% of Total Loan	Taka
Dhaka Division	100%	3,737,811,459	100%	3,254,632,164
Chittagong Division	0%	-	0%	-
Sylhet Division	0%	-	0%	-
	<b>100%</b>	<b>3,737,811,459</b>	<b>100%</b>	<b>3,254,632,164</b>

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

	2018		2017	
	% of Total Loan	Taka	% of Total Loan	Taka
<b>Unclassified:</b>				
Standard including staff morabaha	99.88%	3,733,390,848	99.83%	3,249,105,965
Special Mention Account (SMA)	0.00%	-	0.00%	-
	<b>99.88%</b>	<b>3,733,390,848</b>	<b>99.83%</b>	<b>3,249,105,965</b>
<b>Classified:</b>				
Substandard	0.00%	-	0.00%	-
Doubtful	0.00%	-	0.00%	-
Bad or loss	0.12%	4,420,611	0.17%	5,526,199
	<b>0.12%</b>	<b>4,420,611</b>	<b>0.17%</b>	<b>5,526,199</b>
	<b>100.00%</b>	<b>3,737,811,459</b>	<b>100.00%</b>	<b>3,254,632,164</b>





6.7 Particulars of required provision for investments

	2018		2017	
	Base for Provision Taka	Required provision Taka	Base for Provision Taka	Required provision Taka
Unclassified:				
Standard (Other than SME)	3,594,757,264	35,947,573	3,095,948,979	30,959,490
Standard (SME)	129,023,582	322,559	129,131,261	322,828
Standard (Agri Loan)	9,610,000	96,100	24,025,725	240,257
Special Mention Account (SMA)	-	-	-	-
	<u>3,733,390,847</u>	<u>36,366,232</u>	<u>3,249,105,965</u>	<u>31,522,575</u>
Classified:				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Bad or loss	4,393,649	4,393,649	5,526,199	5,499,236
	<u>4,393,649</u>	<u>4,393,649</u>	<u>5,526,199</u>	<u>5,499,236</u>
	<u>3,737,784,496</u>	<u>40,759,881</u>	<u>3,254,632,164</u>	<u>37,021,811</u>
<b>Total provision maintained</b>		<u>4,393,649</u>		<u>5,499,236</u>
<b>(Shortfall)/Surplus provision</b>		<u>(36,366,232)</u>		<u>(31,522,575)</u>

6.8 Particulars of investments

i) Investments considered good in respect of which the banking company is fully secured	3,737,811,459	3,254,632,163
ii) Investments considered good against which the banking company holds no security other than the debtor's personal guarantee;	-	-
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>3,737,811,459</u>	<u>3,254,632,163</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.	-	-
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	-	-



	<u>2018</u>	<u>2017</u>
	Amounts in BDT	Amounts in BDT
x) Amount of Classified Investment on which Profit has not been charged	4,420,611	5,526,199
(a) Movement of Classified Investments:		
Opening balance	5,526,199	22,745,036
Increase/(Decrease) during the year	<u>(1,105,588)</u>	<u>(17,218,837)</u>
Closing balance	<u>4,420,611</u>	<u>5,526,199</u>
(b) Provision against the investment classified as bad/loss at the date of balance sheet	4,393,649	5,499,236
(c) Amount of profit charged in suspense account	69,606	552,968
xi) Investments written off:		
- Current Year	-	-
- Cumulative to-date	54,116,932	54,116,932
- Amount of written off loans for which lawsuit has filed	54,116,932	54,116,932
<b>6.9 Bills purchased and discounted</b>		
Bills purchased and discounted excluding treasury bills:		
In side Bangladesh	300,337,792	189,120,584
Outside Bangladesh	-	-
	<u>300,337,792</u>	<u>189,120,584</u>
<b>6.10 Maturity grouping of bills discounted and purchased</b>		
Payable within one month	105,199,094	62,230,401
Over 1 month but less than 3 months	157,750,257	91,904,046
Over 3 months but less than 6 months	37,388,441	34,986,137
6 months or more	-	-
	<u>300,337,792</u>	<u>189,120,584</u>
<b>7 Fixed assets including premises, furniture and fixtures</b>		
Cost:		
Furniture, fixture and fittings	20,294,987	20,294,987
Office equipments	10,751,244	10,751,244
Staff equipments	13,500	13,500
Computer and related equipments	12,931,205	12,751,205
Motor vehicles	1,890,000	1,890,000
Leasehold improvement	3,041,160	3,041,160
	<u>48,922,096</u>	<u>48,742,096</u>
Less: Accumulated depreciation		
Furniture, fixture and fittings	19,963,746	19,866,326
Office equipments	9,865,095	9,173,737
Staff equipments	13,500	13,500
Computer and related equipments	12,052,586	11,572,241
Motor vehicles	1,889,999	1,889,999
Leasehold improvement	2,857,370	2,726,508
	<u>46,642,296</u>	<u>45,242,311</u>
	<u>2,279,800</u>	<u>3,499,785</u>

Details are shown in Annexure - B.

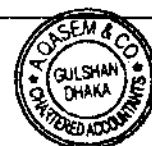
IFRS: There is no requirement to show appropriation of profit in the face of statement of comprehensive income.



	2018	2017
	Amount in BDT	Amount in BDT
<b>8 Others assets</b>	<b>1,298,486,728</b>	<b>240,486,029</b>
<b>8.1 Classification of other assets</b>		
a) Income generating other assets	-	-
b) Non-income generating other assets		
i) Investment in shares of subsidiary companies:		
- In Bangladesh	-	-
- Outside Bangladesh	-	-
ii) Stationery, stamps, printing materials, etc.	31,660	79,720
iii) Advance rent and advertisement	81,000	189,000
iv) Profit accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables (Note 8.2)	2,754,185	8,290,430
v) Security deposits	-	-
vi) Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	-	-
vii) Branch adjustment	1,221,147,897	229,620,079
viii) Suspense account	-	-
ix) Silver	-	-
x) Others (Note 8.3)	74,471,986	2,306,800
	<b>1,298,486,728</b>	<b>240,486,029</b>
	<b>1,298,486,728</b>	<b>240,486,029</b>
<b>8.2 Profit receivables</b>		
Profit Receivable from Placement with Banks	-	6,300,898
Mark up receivables on bill purchased and discounted	2,754,185	1,989,532
	<b>2,754,185</b>	<b>8,290,430</b>
<b>8.3 Others</b>		
Short term receivable-account maintenance fees	733,188	1,683,234
Sundry debtors miscellaneous (Receivable from BB)	73,738,798	623,566
	<b>74,471,986</b>	<b>2,306,800</b>
<b>9 Deposits and other accounts</b>		
<b>Al-wadeeah current and other deposit accounts</b>		
Al-wadeeah current deposits	404,665,390	489,693,912
Alfalah Udyog Current Account	45,560,385	29,157,964
Foreign currency deposits	239,844,506	227,854,470
Sundry deposits (Note 9.1)	114,690,586	37,857,542
	<b>804,760,867</b>	<b>784,563,888</b>
Payment order - Inside Bangladesh	10,253,762	11,568,922
Demand draft payable - Inside Bangladesh	6,121,270	5,463,766
Unclaimed DD/TT/PO - Inside Bangladesh	60,446	12,091
Unclaimed DD/TT/PO - Inside Bangladesh	154,293	58,165
	<b>16,589,771</b>	<b>17,102,944</b>
<b>Mudaraba savings deposits</b>		
Special Notice Deposit (SND)	703,214,651	834,317,322
Alfalah Salary Account (ASA)	9,563	9,527
Alfalah Rising Star (ARS)	3,187,079	1,130,215
Alfalah Premium Plus (APP)	208,931,463	275,924,976
Mudaraba Royal Profit deposits	938,576,802	706,298,511
	<b>1,853,919,558</b>	<b>1,817,680,551</b>
<b>Mudaraba term deposits</b>		
Mudaraba Term Deposit (MTDR)	2,481,954,744	1,765,141,683
	<b>5,157,224,940</b>	<b>4,384,489,066</b>



	2018	2017
	Amount in BDT	Amount in BDT
<b>9.1 Sundry deposits</b>		
Margin Accounts - Local Currency	75,399,652	22,482,474
Margin Accounts - Foreign Currency	39,290,934	15,375,068
	<b>114,690,586</b>	<b>37,857,542</b>
<b>9.2 Deposits from banks and others</b>		
Inter-bank deposits (Note 9.2.1)	813,264,357	942,391,378
Other deposits	4,343,960,583	3,442,097,688
	<b>5,157,224,940</b>	<b>4,384,489,066</b>
<b>9.2.1 Inter-bank deposits</b>		
Jamuna Bank Limited	26,070	27,220
Pubali Bank Limited	1,181,760	1,150,891
AB Bank Limited	19,839	2,612,685
Prime Bank Limited	657,647,036	774,941,943
Islami Bank Bangladesh Limited	30,512,386	29,785,889
Shahjalal Islami Bank Limited	3,083,455	3,091,039
Al-Arafah Islami Bank Limited	3,436,429	3,452,940
The City Bank Limited	2,081,137	2,100,996
Bank Asia Limited	2,015,035	2,035,057
Bankislami Pakistan Limited	12,485,207	-
Bank Alfalah Ltd, Karachi (Conventional)	36,805,869	123,192,718
Bank Alfalah Ltd, Karachi (Islamic)	63,970,134	-
	<b>813,264,357</b>	<b>942,391,378</b>
<b>9.3 Maturity grouping of deposits</b>		
Repayable On demand	1,972,055,545	1,785,030,061
Repayable within 1 month	726,213,064	874,009,766
Over 1 month but within 6 months	1,222,091,262	1,263,462,002
Over 6 months but within 1 year	525,898,842	328,105,729
Over 1 year but within 5 years	710,966,227	133,881,508
Over 5 years but within 10 years	-	-
10 years or more	-	-
	<b>5,157,224,940</b>	<b>4,384,489,066</b>
<b>10 Other Liabilities</b>		
Provision for Investments (Note 10.1)	4,393,649	5,499,236
Profit suspense account (Note 10.3)	69,606	552,968
Net of profit on Morabaha	93,226,839	107,319,880
Accrued expenses	565,790	1,546,766
Profit payable on deposit & borrowings (Note 10.5)	50,628,854	22,823,632
Withholding tax on profit on deposits	2,006,354	2,013,885
Withholding tax	3,558,504	1,057,598
Withholding VAT	610,967	696,609
Excise duty	148,150	67,350
Advance commission on Letter of Guarantee (L/G)	821,333	960,723
Miscellaneous	3,401,205	268,547
	<b>159,431,251</b>	<b>142,807,194</b>
<b>10.1 Provision for investments</b>		
<b>General Provision</b>		
Balance as at 1 January	-	-
Add: Provision made during the year		
On general investments	-	-
On Special Mention Account (SMA)	-	-
Less: Provision no longer required	-	-
Net of provision (reversed)/made during the year	-	-
Balance as at 31 December	-	-



	2018	2017
	Amount in BDT	Amount in BDT
<b>Specific Provision</b>		
Balance as at 1 January	5,499,236	8,082,062
Less: Profit on investment waiver during the year	-	-
Adjustment with prior year	-	-
Provision no longer required	1,105,587	7,642,008
Written off during the year	-	-
	1,105,587	7,642,008
Add: Recoveries of amounts previously written off	-	-
Specific provision made during the year	-	5,059,182
	-	5,059,182
Balance as at 31 December	4,393,649	5,499,236
<b>Total provision on investments</b>	<b>4,393,649</b>	<b>5,499,236</b>
<b>10.2 Provision for off-balance sheet exposures</b>		
Balance as at 1 January	-	-
Add: Provision made during the year	-	-
	-	-
Less: Adjustments made during the year	-	-
Balance as at 31 December	-	-
<b>10.3 Profit suspense account</b>		
Balance as at 1 January	552,968	16,329,229
Add: Amount transferred during the year	-	-
	552,968	16,329,229
Less:		
Amount of profit suspense recovered	483,362	4,449,130
Amount written off during the year	-	-
Profit on investment waiver during the year	-	11,327,131
	483,362	15,776,261
<b>Balance as at 31 December</b>	<b>69,606</b>	<b>552,968</b>
<b>10.4 Profit suspense and compensation suspense</b>		
Profit suspense	69,606	552,968
Compensation suspense	-	-
	<b>69,606</b>	<b>552,968</b>
<b>10.5 Profit payable on borrowings</b>		
Profit payable on -		
Special notice deposit	21,456	-
30 days mudaraba term deposit	41,828	51,795
90 days mudaraba term deposit	5,945,088	6,066,691
180 days mudaraba term deposit	3,839,038	3,769,739
365 days mudaraba term deposit	6,399,094	7,542,455
93 days mudaraba term deposit	49,660	-
100 days mudaraba term deposit	1,494,333	-
200 days mudaraba term deposit	5,865,608	-
15 months mudaraba term deposit	2,274,697	4,372,867
7 months mudaraba term deposit	1,515,159	94,722
13 months mudaraba term deposit	22,666,036	537,500
2 years mudaraba term deposit	347,424	330,863
IFRS: There is no requirement to show appropriation	169,433	57,000
	<b>50,628,854</b>	<b>22,823,632</b>
<b>11 Retained earnings</b>		
Balance as at 1 January	-	-
Adjustment for loan provision	-	-
Net profit / (loss) for the year	102,904,020	93,901,858
	102,904,020	93,901,858
Transferred to Bangladesh country office	(102,904,020)	(93,901,858)
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>



	2018	2017
	Amount in BDT	Amount in BDT
<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	282,537,900	285,789,424
Banks and other financial institutions	-	-
Others	46,067,476	-
	<b>328,605,376</b>	<b>285,789,424</b>
<b>13 Irrevocable letters of credit</b>		
Usance	176,842,134	63,251,023
Sight	339,335,724	327,063,678
	<b>516,177,858</b>	<b>390,314,701</b>
<b>14 Income statement</b>		
<b>Income:</b>		
Profit, discount and similar income	323,787,021	267,678,053
Dividend income	-	-
Commission, exchange and brokerage	14,739,245	10,994,144
Gains less losses arising from dealing securities	-	-
Gains less losses arising from investment securities	-	-
Gains less losses arising from dealing in foreign currencies	10,792,672	8,694,655
Income from non-banking assets	-	-
Other operating income	13,207,264	12,014,536
Profit less losses on interest rate changes	-	-
	<b>362,526,202</b>	<b>299,381,388</b>
<b>Expenses:</b>		
Profit paid on deposits	197,702,760	145,303,303
Losses on investments	-	-
Administrative expenses	52,715,093	54,142,932
Other operating expenses	5,800,903	6,892,303
Depreciation on banking assets	1,399,985	1,723,818
	<b>257,618,741</b>	<b>208,062,356</b>
<b>Income over expenditure</b>	<b>104,907,461</b>	<b>91,319,032</b>
<b>15 Investment income</b>		
<b>Share of profit from financing and discounting</b>		
Murabaha-Staff	-	-
Morabaha Financing - LPO	253,319,533	207,845,302
Profit on bill discounted	13,726,704	10,614,922
Finance against EDF	118,387	-
Morabaha income trust receipt	22,141,142	13,484,704
	<b>289,305,766</b>	<b>231,944,928</b>
<b>Profit on Placement with Banks</b>		
Profit on Term Placements	34,481,255	35,733,125
Profit on Savings Deposit with Banks	-	-
	<b>34,481,255</b>	<b>35,733,125</b>
	<b>323,787,021</b>	<b>267,678,053</b>
<b>16 Profit paid on deposits</b>		
<b>Profit shared on Modaraba Deposit</b>		
Modaraba Royal Profit Deposit	28,068,120	22,975,038
Alfalah Salary Account (ASA)	334	995
Alfalah Rising Star (ARS)	86,925	35,843
Alfalah Premium Plus (APP)	8,316,193	7,587,586
Modaraba Special Notice deposit	15,159,808	22,811,423
Modaraba term deposit	146,071,380	91,892,418
	<b>197,702,760</b>	<b>145,303,303</b>



	<u>2018</u>	<u>2017</u>
	Amount in BDT	Amount in BDT
<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.	14,739,245	10,994,144
Exchange earnings	10,792,672	8,694,655
	<u>25,531,917</u>	<u>19,688,799</u>
<b>19 Other operating income</b>		
Service charges recovered	822,752	2,478,815
SWIFT Charges recovered	1,038,750	1,009,042
Cheque Book charges recovered	178,972	196,500
Charges on documentary credit	47,000	23,000
Courier charges recovered	677,571	753,341
Other Income	10,442,219	7,553,838
Gain on disposal of fixed asset	-	-
	<u>13,207,264</u>	<u>12,014,536</u>
<b>20 Salaries and allowances</b>		
Basic salary	12,939,528	14,832,503
Housing allowance	5,175,820	5,932,998
Conveyance allowance	1,293,978	1,483,269
Leave fare allowance	1,658,599	1,723,794
Other allowances	1,076,215	999,449
Festival bonus	3,181,446	3,083,543
Performance bonus	1,164,552	907,846
The Bank's contribution to provident fund	1,292,022	1,372,002
Car allowance	1,654,839	1,469,677
Gratuity	-	-
	<u>29,436,999</u>	<u>31,805,081</u>
<b>21 Rent, taxes, insurance, electricity etc.</b>		
Rent, rates and taxes	13,059,828	12,449,242
Insurance	42,926	46,984
Cleaning and maintenance	2,816,569	2,834,588
Electricity and Utilities	2,269,565	2,150,839
	<u>18,188,888</u>	<u>17,481,653</u>
<b>22 Postage, stamps, telecommunication etc.</b>		
Postage and couriers	882,068	961,044
Electronic mail and on-line connectivity	121,619	53,400
Telegram, fax, telex, SWIFT and internet charge	795,873	653,565
Telephone charges	212,355	269,366
	<u>2,011,915</u>	<u>1,937,375</u>
<b>23 Stationery, printing, advertisement etc.</b>		
Table stationery	583,165	577,729
Books and periodicals	6,000	5,342
Printing stationery	774,687	966,102
Computer stationery	188,286	141,162
Publicity	309,625	50,000
	<u>1,861,763</u>	<u>1,740,335</u>



	2018	2017
	Amount in BDT	Amount in BDT
<b>24 Depreciation and repair to bank's assets</b>		
<b>Depreciation of bank's assets</b>		
Furniture, fixture and fittings	97,420	98,330
Office equipments	691,358	740,942
Staff equipments	-	-
Computer and related equipments	480,345	485,110
Motor vehicles	-	-
Leasehold improvement	130,862	399,436
	<u>1,399,985</u>	<u>1,723,818</u>
<b>Repair &amp; Maintenance of bank's assets</b>		
Furniture, fixture and fittings	-	-
Rented premises	22,781	-
Office equipments	450,822	458,641
Computer maintenance	643,535	570,978
Motor vehicles	98,390	148,869
	<u>1,215,528</u>	<u>1,178,488</u>
	<u>2,615,513</u>	<u>2,902,306</u>
<b>25 Other expenses</b>		
Bank charges, brokerage and commission	369,735	255,128
Entertainment	515,523	663,878
Security	1,818,035	1,780,200
Traveling and conveyance	87,740	131,870
Medical expenses	1,076,917	2,019,932
Car fuel expenses	910,581	1,068,291
Loss on sale of fixed assets	-	-
Other expenses	1,022,372	973,004
	<u>5,800,903</u>	<u>6,892,303</u>
<b>26 Investment income receipts in cash</b>		
Profit receivable as at 1 January	(133,462,442)	(132,668,602)
Profit accrued during the year:		
Share of profit from financing and discount	289,305,766	231,944,928
Profit receivable as at 31 December	173,084,563	133,462,442
	<u>328,927,887</u>	<u>232,738,768</u>
<b>27 Profit paid on deposits</b>		
Profit payable as at 1 January	22,823,632	21,984,523
Profit charged during the year		
Profit shared on Modaraba Deposits	197,702,760	145,303,303
Profit payable as at 31 December	(50,628,854)	(22,823,632)
	<u>169,897,538</u>	<u>144,464,194</u>
<b>28 Fees and commission receipts in cash</b>	<u>14,739,245</u>	<u>10,994,144</u>
<b>29 Cash payments to employees</b>		
Salaries and allowances	29,436,999	31,805,081
Gratuity:		
Employees	-	-
	<u>29,436,999</u>	<u>31,805,081</u>
<b>30 Cash payments to suppliers</b>		
<b>Balance as at 1 January</b>		
Accrued expenses	1,546,766	593,875
<b>Charged during the year</b>		
Stationery, printing, advertisements etc.	1,861,763	1,740,335
Rent, taxes, insurance, electricity etc.	18,188,888	17,481,653
Postage, stamp, telecommunication etc.	2,011,915	1,937,375
Legal expenses	-	-
	<u>22,062,566</u>	<u>21,159,363</u>
<b>Balance as at 31 December</b>		
Accrued expenses	(565,790)	(1,546,766)
	<u>23,043,542</u>	<u>20,206,472</u>





	2018	2017
	Amount in BDT	Amount in BDT
<b>31 Receipts from other operating activities</b>		
Other operating income	13,207,264	12,014,536
Exchange earnings	10,792,672	8,694,655
Investment income	-	-
Less: Gain on disposal of fixed asset	-	-
	<b>23,999,936</b>	<b>20,709,191</b>
<b>32 Payments for other operating activities</b>		
Repairs of Bank's assets	1,215,528	1,178,488
Other expenses	5,800,903	6,892,303
Gratuity: Employees	-	-
	<b>7,016,431</b>	<b>8,070,791</b>
<b>33 Movement of investments to customers</b>		
Balance as at 31 December	3,737,811,459	3,254,632,164
Balance as at 1 January	(3,254,632,164)	(3,509,767,179)
(Decrease)/Increase	<b>483,179,295</b>	<b>(255,135,015)</b>
<b>34 Movement of other assets</b>		
(Increase) / decrease in other assets which are not considered elsewhere		
- Stationery, stamps, printing materials, etc.	48,060	77,440
- Advance rent and advertisement	108,000	108,000
- Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	-	-
- Branch adjustment	(991,527,818)	503,285,181
- Others	(72,165,186)	6,139,582
<b>Adjustments for-</b>		
- Net of profit on Morabaha	-	-
- Transfer of Fixed assets	-	-
- Transfer of branch profit or loss	(102,904,020)	(93,901,858)
	<b>(1,166,440,964)</b>	<b>415,708,345</b>
<b>35 Movement of deposits and other accounts from other banks</b>		
Balance as at 31 December	813,264,357	942,391,378
Balance as at 1 January	(942,391,378)	(1,091,196,153)
Increase/(Decrease)	<b>(129,127,021)</b>	<b>(148,804,775)</b>
<b>36 Movement of deposits and other accounts from customers</b>		
Balance as at 31 December	4,343,960,583	3,442,097,688
Balance as at 1 January	(3,442,097,688)	(3,588,604,501)
(Decrease)/Increase	<b>901,862,895</b>	<b>(146,506,813)</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)	-	-
- Profit suspense account	(483,362)	(15,776,261)
- Withholding tax on profit on deposits	(7,531)	(446,559)
- Withholding tax	2,500,906	(286,709)
- Withholding VAT	(85,642)	197,197
- Net of profit on Morabaha	(14,093,041)	-
- Excise duty	80,800	(61,500)
- Advance commission on Letter of Guarantee (L/G)	(139,390)	176,744
- Miscellaneous	419,009	1,239,378
	<b>(11,808,251)</b>	<b>(14,957,710)</b>
<b>38 Proceeds from sale/redemption of securities</b>		
Redemption of preference shares		
STS Holding Limited	-	-
Brac Bank Limited	-	-
	<b>-</b>	<b>-</b>



	<u>2018</u>	<u>2017</u>
	<u>Amount in BDT</u>	<u>Amount in BDT</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	12,18,972	-
Car finance	2,57,708	-
	<u>14,76,680</u>	<u>-</u>

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	1,94,56,929	1,94,53,653
Provident fund	8,49,827	8,71,260
Gratuity	7,40,982	7,46,608
	<u>2,10,47,738</u>	<u>2,10,71,521</u>

**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 BDT 36,000 or above were 26 (2017: 33).

**41 Employee related fraud**

There was no fraud occurred during the year 2018.

**42 Events after the reporting period**

None.



Abu Noyem Md. Khasru  
Head of Finance & Admin.



Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head



S.A.A. Masrur  
Country Head



Bank Alfalah Limited  
 Bangladesh Operations  
 Motijheel Islamic Banking Branch  
 Liquidity Statement  
 (Analysis of maturity of assets and liabilities)  
 As at 31 December 2018

Particulars	Amount in BDT					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
<b>Assets</b>						
Cash	57,646,681	-	220,431,523	-	-	278,078,204
Balance with other banks and financial institutions	-	-	-	-	-	-
Placement with banks and other financial institutions	-	-	-	-	-	-
Investments in shares and securities	-	-	-	-	-	-
Investments	-	2,763,832,161	606,936,057	367,043,241	-	3,737,811,459
Fixed assets including premises, furniture and fixtures	-	-	-	2,279,800	-	2,279,800
Other assets	-	-	-	1,298,486,728	-	1,298,486,728
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>57,646,681</b>	<b>2,763,832,161</b>	<b>827,367,580</b>	<b>1,667,809,769</b>	<b>-</b>	<b>5,316,656,191</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	-	-	-	-	-	-
Deposits and other accounts	2,698,268,609	1,073,381,534	674,608,570	710,966,227	-	5,157,224,940
Other liabilities	6,323,975	4,788,328	50,628,854	97,690,094	-	159,431,251
<b>Total liabilities</b>	<b>2,704,592,584</b>	<b>1,078,169,862</b>	<b>725,237,424</b>	<b>808,656,321</b>	<b>-</b>	<b>5,316,656,191</b>
<b>Net liquidity gap</b>	<b>(2,646,945,903)</b>	<b>1,685,662,299</b>	<b>102,130,156</b>	<b>859,153,448</b>	<b>-</b>	<b>-</b>



## Annexure-B

Bank Alfalah Limited  
 Bangladesh Operations  
 Motijheel Islamic Banking Branch  
 Schedule of fixed assets including premises, furniture and fixtures  
 As at 31 December 2018

Particulars	Cost				Rate of Dep.	Depreciation				Amount in BDT
	Balance as at 01 January 2018	Additions during the year	Disposal during the year	Balance as at 31 December 2018		Balance as at 01 January 2018	Charged during the year	for the disposal during the	Balance as at 31 December 2018	Written Down Value as at 31 December 2018
Furniture, fixture and fittings	20,294,987	-	-	20,294,987	10	19,866,326	97,420	-	19,963,746	331,241
Office equipments	10,751,244	-	-	10,751,244	20	9,173,737	691,358	-	9,865,095	886,149
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipments	12,751,205	180,000	-	12,931,205	25	11,572,241	480,345	-	12,052,586	878,619
Motor vehicles	1,890,000	-	-	1,890,000	25	1,889,999	-	-	1,889,999	1
Leasehold improvement	3,041,160	-	-	3,041,160	20	2,726,508	130,862	-	2,857,370	183,790
	<b>48,742,096</b>	<b>180,000</b>	-	<b>48,922,096</b>		<b>45,242,311</b>	<b>1,399,985</b>	-	<b>46,642,296</b>	<b>2,279,800</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Disclosures on Risk Based Capital (Basel III) for the year ended December 2018**

These qualitative and quantitative Disclosures have been made in accordance to Bangladesh Bank regulations for Implementation of Basel III vide BRPD Circular No. 18 dated December 21, 2014. The purpose is to comply with the requirement for having adequate capital and ensuring Supervisory Review Process under Pillar II. These disclosures are intended to assess information about Bank's exposure to various risks.

**Market Discipline Disclosures**

Bank Alfalah Bangladesh Operations (BAFL) has migrated to Basel III framework from January 2015 as per Bangladesh Bank guidelines where "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel II)" issued vide BRPD Circular No. 35/2010 has been replaced with the "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)" issued vide BRPD Circular no. 18/2014 with subsequent supplements/revisions.

**Capital Management**

The objective of managing capital is to safeguard the Bank's ability to run its business as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of level of capital on shareholder's return is also recognized where Bank distinguishes the need to maintain a balance between the higher returns, which should be possible with greater gearing, advantages and security afforded by a sound capital position.

**Goals of managing capital**

The bank manages its capital to attain the following objectives & goals:

- An appropriately capitalized status, as defined by Banking regulations by the central bank;
- Acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- Cover all risks underlying business activities; and
- To retain flexibility to harness future investment opportunities, build and expand even in stressed times.

**Risk Management**

The variety of business activities undertaken by the Bank requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BoD) to assist in designing, regular evaluation and timely updating of the risk management framework of the Bank. BRMC has further authorized management committees such as Central Management Committee (CMC), Central Credit Committee (CCC) and Assets & Liabilities Committee (ALCO) to supervise risk management activities within their respective scope.

The risk management framework endeavors to be comprehensive and evolving guidelines to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of credit policies, procedures and risk exposures.



The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified, assessed, properly documented, approved and adequately monitored & managed in order to enhance long term earnings as to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, IT security risk.

In terms of Guidelines on RBCA, the Bank has adopted the Standardized Approach for Credit Risk & Market Risk while Basic Indicator Approach has been adopted for Operational Risk. In addition to regulatory capital requirement of computation as per Pillar-I, the Bank also assesses Interest Rate Risk, Equity Risk, and Foreign Exchange Risk on a regular basis to assess adequacy of the capital available as a cushion to withstand shocks from business environment adversities.

Under Pillar-III of the framework, "Basel III Disclosures" of Bank Alfalah Bangladesh Operations as on December 31, 2018 are as under:

#### **a) Scope of Application**

Bank Alfalah Bangladesh Operations (BAFL) has no subsidiaries or significant investments and hence, Basel III disclosure shall apply to the Bank level only.

BAFL is branch of Bank Alfalah Limited (the parent company) incorporated in Pakistan. The Bank is domiciled in Bangladesh with its Country Office at 168 Gulshan Avenue, Dhaka-1212. BAFL started its operation in Bangladesh on May 16, 2005 by acquiring Shamil Bank of Bahrain's Dhaka operation as a branch of the parent company. It is operating with 7 branches as on December 31, 2018 including one Islamic Banking Branch.

#### **b) Capital Structure**

##### **Qualitative Disclosures**

BAFL's capital structure consists of Tier 1 and Tier 2 capital. Under Basel III regime the regulatory capital is broadly classified into two categories: Tier 1; & Tier 2. Tier I capital has been bifurcated into Common Equity Tier 1 (CET1); and Additional Tier 1. CET1 includes funds from head office for capital adequacy purpose & retained earnings after regulatory adjustments for deferred tax assets. The bank does not have any Additional Tier 1 capital.

Tier 2 capital includes general provisions and revaluation reserve for government securities, which would follow phase in deductions as per audited revaluation reserve for securities amount as on December 2014 by 20% every year from 2015 till the time it fully phased out in 2019.

The computation of the amount of CET1, AT1, and Tier 2 capital shall be subject to the following conditions as per the phase-in arrangement for implementation of minimum capital requirements:

1. CET1 should be at least 4.5% of the total Risk Weighted Assets (RWA)
2. Tier 1 capital should be at least 6.0% of the total RWA till 2019
3. Minimum Capital to Risk-weighted Asset ratio (CRAR) should be 10% of the total RWA
4. AT1 capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET1, whichever is higher
5. Tier 2 capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher
6. In addition to minimum CRAR, 0.625% of the total RWA is to be maintained as Capital Conservation Buffer (CCB) in the form of CET1 every year up to 2019



## Quantitative Disclosures

Bank Alfalah Limited's capital structure is being enumerated as under:

	2018	2017
		Amount in BDT
<b>Common Equity Tier 1 (CET1) Capital</b>		
Fund Deposited with BB	4,445,949,318	4,440,842,391
Retained Earnings	1,084,920,397	1,108,655,530
	<u>5,530,869,715</u>	<u>5,549,497,921</u>
<b>Regulatory adjustments / Deductions from Capital</b>		
Goodwill and all other Intangible Assets	3,368,018	4,703,798
Deferred Tax Assets	10,173,240	8,273,856
	<u>13,541,258</u>	<u>12,977,654</u>
<b>Total CET1 Capital</b>	<u>5,517,328,457</u>	<u>5,536,520,267</u>
<b>Additional Tier 1 (AT1) Capital</b>	-	-
<b>Total Tier-1 Capital</b>	<u>5,517,328,457</u>	<u>5,536,520,267</u>
<b>Tier 2 Capital</b>		
General Provision (Limited to 1.25% of credit RWA)	133,995,061	146,392,781
Revaluation Reserve for Securities (with 20% phase-in deductions)	35,075,770	35,075,770
	<u>169,070,831</u>	<u>181,468,551</u>
<b>Regulatory adjustments / Deductions from Capital</b>		
Deduction of 20% of revaluation reserve for securities each year	28,060,616	21,045,462
<b>Total Admissible Tier 2 Capital</b>	<u>141,010,215</u>	<u>160,423,089</u>
<b>Total Regulatory Capital</b>	<u>5,658,338,672</u>	<u>5,696,943,356</u>

## c) Capital Adequacy

### Qualitative Disclosures

BAFL is subjected to the capital adequacy guidelines stipulated by Bangladesh Bank, which are based on the framework of the Basel Committee on Banking Supervision. As per the revised capital adequacy guidelines of December 2014, the Bank is required to maintain a minimum Capital to Risk Weighted Asset Ratio (CRAR) of 10.00% with regard to Credit Risk, Market Risk and Operational Risk; and a Capital Conservation Buffer (CCB) of 0.625% commencing from 2016. In addition to this, capital adequacy ratio has to be maintained as per phase-in arrangements stipulated in the revised guidelines under Basel III by Bangladesh Bank vide BRPD Circular no. 18/2014 dated December 21, 2014 which is as under:



Phase-in arrangement	2018
Minimum Common Equity Tier 1 Capital Ratio	4.50%
Capital Conservation Buffer	1.875%
Minimum CET1 plus Capital Conservation Buffer	6.375%
Minimum Tier 1 Capital Ratio	6.00%
Minimum Total Capital Ratio	10.00%
Minimum Total Capital plus Capital Conservation Buffer	11.875%

BAFL has adopted Standardized Approach for Credit Risk, Standardized (rule based) Approach for Market Risk and Basic Indicator Approach (BIA) for Operational Risk for computing CRAR.

Bank has a capital adequacy ratio (CRAR) of 62.62% as against the regularity requirement of 10% MCR, of which Tier 1 capital adequacy ratio is 61.06% against regularity minimum requirement of 6.0%; and Tier 2 capital adequacy ratio is 1.56%. The capital adequacy ratio is achieved by the Bank through improvement in the capital base, asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Basel III framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As BAFL carries on the business with limited area network, it is desired for the Bank to continuously monitor the exposure across the organization under various risks as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to various operations. The Bank remained compliant with all externally imposed capital requirements throughout the year. Further, there has been no material change in the Bank's management of capital during the year.

#### Quantitative Disclosures

	2018	2017
		Amount in BDT
RWA for on-balance sheet credit risk	6,232,575,316	7,311,636,991
RWA for off-balance sheet credit risk	860,272,969	826,266,728
<b>Total Credit Risk RWA</b>	<b>7,092,848,285</b>	<b>8,137,903,719</b>
Market Risk RWA	384,412,641	123,612,903
Operational Risk RWA	1,558,744,206	1,549,321,993
<b>Total Risk Weighted Assets</b>	<b>9,036,005,132</b>	<b>9,810,838,615</b>
Amount of Regulatory Capital to meet unforeseen loss		
Capital requirement for Credit Risk	709,284,828	813,790,372
Capital requirement for Market Risk	38,441,264	12,361,290
Capital requirement for Operational Risk	155,874,421	154,932,199
<b>Total Capital requirement</b>	<b>903,600,513</b>	<b>981,083,861</b>
<b>Common Equity Tier 1 Capital</b>	<b>5,517,328,457</b>	<b>5,536,520,267</b>
<b>Total Tier 1 Capital</b>	<b>5,517,328,457</b>	<b>5,536,520,267</b>
<b>Total Tier 2 Capital</b>	<b>141,010,215</b>	<b>160,423,089</b>
<b>A. Total Regulatory Capital</b>	<b>5,658,338,672</b>	<b>5,696,943,356</b>





<b>B. Total Minimum Capital Requirement (MCR)</b> (10% of RWA or BDT 4,000,000,000 whichever is higher)	4,000,000,000	4,000,000,000
<b>Capital Surplus / (Shortfall) [A-B]</b>	<b>1,658,338,672</b>	<b>1,696,943,356</b>
<b>Capital Conservation Buffer requirement (effective from Jan'16)</b>	169,425,096	122,635,483
<b>Capital Adequacy Ratio</b>		
CET1 Capital to Risk-weighted Asset Ratio	61.06%	56.43%
Tier 1 Capital to Risk-weighted Asset Ratio	61.06%	56.43%
Tier 2 Capital to Risk-weighted Asset Ratio	1.56%	1.64%
Capital to Risk-weighted Asset Ratio (CRAR)	<b>62.62%</b>	<b>58.07%</b>
<b>Capital Conservation Buffer maintained</b>	1,658,338,672	1,696,943,356
<b>Available Capital under Pillar 2 Requirement:</b>		
A. Total Eligible Regulatory Capital	5,658,338,672	5,696,943,356
B. Minimum Capital Requirement under Pillar 1	4,000,000,000	4,000,000,000
C. Capital Conservation Buffer (CCB)	169,425,096	122,635,483
D. Minimum Capital Requirement incl. CCB [B+C]	4,169,425,096	4,122,635,483
E. Available Capital for Pillar 2 [A-D]	1,488,913,576	1,574,307,873

#### Assets

Bank's assets comprise of cash, balance with other banks, investments in treasury bills and bond, loans and advances, physical assets and other assets.

Loans and advances represented 47.36% of total assets of the Bank. The classified loan ratio was 3.32% indicating efficient asset management of the Bank.

#### Nature of Assets

Assets of BAFL are categorized as per the following:

- Banking Book Asset
- Trading Book Asset

In general, banking book assets comprise of assets and liabilities, which are contracted primarily on account of relationship for steady income and statutory obligations generally held till maturity. On the contrary, trading book assets refer to the book of financial instruments held with the intention for short-term trading. It refers to those assets held primarily for generating profit on short-term differences in prices/yields.

Banking book and trading book assets represent 98.16% and 1.84% respectively of the total assets.

The major components of the earning assets and non-earning assets for the bank are as follows:

#### Earning Assets

- Loans & advance
- Investments in securities
- Money at call & short notice
- Balance with other banks and FIs



## Non-Earning Assets

- Cash in hand
- Balance with Bangladesh Bank for CRR maintenance
- Fixed Assets
- Other assets

Assets are monitored under the purview of ALCO on a regular basis to cope with unexpected risks and are classified as per the directives of Bangladesh Bank. Classified assets are the Default Loans in respect to which recipient/beneficiary fails to make timely payment of interest or principal as per the agreed repayment schedule.

The Bank categorized classified loans in following three (03) categories following Bangladesh Bank guidelines:

- Sub-standard
- Doubtful
- Bad/Loss

## Addition/Reduction of Classified Assets

Classified loans stood at BDT 34.23 crore as on December 31, 2018 whereas it was BDT 25.43 crore as on December 31, 2017 representing an increase of BDT 8.80 crore.

	2018	2017 Amount in BDT
1. Cash in Hand & Balance with BB (Excluding Fcy)	954,218,157	1,077,789,555
2. Balance with BB (Fcy as part of Capital)	357,059,318	351,952,391
3. Claims on Other Banks	4,014,390,088	4,420,927,875
a) Balance with other banks	3,284,390,088	4,420,927,875
b) Money at Call & Short Notice	730,000,000	-
4. Investment (HTM)	4,528,115,701	4,811,237,130
a) Government (under lien with BB as part of Capital)	4,528,115,701	4,811,237,130
b) Qualifying (banks, etc)	-	-
c) Others	-	-
5. Loans & Advances	10,304,402,741	10,068,764,023
a) Classified	342,282,489	254,281,153
SS	28,372,508	-
DF	69,769,165	-
BL	244,140,816	254,281,153
b) Unclassified	9,962,120,252	9,814,482,870
6. Risk Weighted Assets	7,092,848,285	8,137,903,720
a) Below 100% RW	3,585,099,238	2,903,870,973
b) 100% RW	2,286,747,196	1,570,819,621
c) Above 100% RW	1,221,001,851	3,663,213,126
7. Rated Status	7,092,848,285	8,137,903,720
a) Rated Assets	3,902,650,011	3,026,206,530
b) Unrated Assets	3,190,198,274	5,111,697,190
8. Other assets (Including Fixed Assets)	1,200,048,666	982,827,453
<b>A. Total Banking Book Assets (1+2+3+4+5+8)</b>	<b>21,358,234,671</b>	<b>21,713,498,427</b>



**B. Trading Book Assets**

1. FC held in Hand	5,367,251	4,707,449
2. FC held in BB & Nostro Account	198,162,491	128,408,963
3. Investment (Trading)	196,579,706	18,452,153
a) Govt. (Part of Govt. HTM, if held above required SLR)	96,400	28,300
b) HFT	196,483,306	18,423,853
c) AFS (if any)	-	-
<b>B. Total Trading Book Assets (1+2+3)</b>	<b>400,109,448</b>	<b>151,568,565</b>
<b>Total Assets (A+B)</b>	<b>21,758,344,119</b>	<b>21,865,066,992</b>

**d) Credit Risk****Overview of the Bank's Credit Risk Management Policy**

Credit risk is the identification of probability that can cause a financial loss to the Bank by the counterparty due to its inability or unwillingness to meet its contractual obligation. Credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure. The Bank's credit risk management philosophy is based on overall business strategy / direction established by the Board. The Bank is committed to conduct appropriate level of due diligence to ensure that credit risks have been properly analyzed, fully disclosed to the approving authorities, appropriately rated and also to ensure that credit commitments are adequately structured, priced (in line with market practices) and documented.

The Bank, as per Central Bank Guidelines, has migrated to Basel III from January 2015 with the standardized approach. For credit risk, procedural manual has been developed, which also incorporates a comprehensive system of cross-checks for data accuracy. Simultaneously, processes have been set for fine-tuning systems & procedures, information technology capabilities and risk governance structure to meet the requirements of the advanced approaches as well.

The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial & SME banking, agricultural financing, and overseas operations.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Risk Management Division.

A sophisticated internal credit rating system has been developed by the Bank, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of 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 Bangladesh Bank's guidelines for Internal Credit Rating. Moreover, the system is backed by secured database with backup support and is capable of generating MIS providing snapshot of the entire portfolio for future strategy and decision making. The System now also has the capability to auto-generate alerts on accounts showing weakness in financials and hence requiring a more vigilant monitoring.

A Centralized Credit Administration Division under Operations Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied with and all documentation including security documentation is regular & fully enforceable where disbursements of approved facilities are made only after necessary authorization by CAD. CAD keeps a watch on the quality of the credit portfolio in terms of borrowers' behavior, identifies weak relationships and reports it to the appropriate authority with a view to arrest deterioration. Special attention is paid by the management in respect of Non-performing Loans (NPLs). The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to BRMC.



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

#### **Qualitative Disclosures**

BAFL is using The Standardized Approach (TSA) of BB Basel III accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA, Banks are allowed to take into consideration external rating(s) of counter-party's for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the BB Basel III Standardized Approach is in place and firmly adhered.

#### **External Ratings**

Bangladesh Bank Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely CRAB, CRISL, ECRL, NCRL, ACRSL, Alpha Credit Rating Limited (ACRL), WASO Credit Rating Company (BD) Limited, The Bangladesh Rating Agency Limited, Moody's, Fitch, and Standard & Poor's (S&P). The Bank uses these ECAIs to rate its exposure denominated in Bangladeshi currency on all corporates and banks based in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used. In case there are two ratings available, the lower rating is considered and where three or more ratings are available, the second - lowest rating is considered.

#### **Credit Risk Mitigation Policy**

BAFL defines collateral as the assets or rights provided by the borrower or a third party in order to secure a credit exposure. Bank would have the right of secured creditor in respect of the assets/contracts offered as security for obligations of the borrower/obligor.

#### **Collateral Valuation and Management**

As stipulated in the BB Basel III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counterparty while calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel III guidelines, the Bank makes adjustment in eligible collaterals received for possible future fluctuations in value of the collateral in line with the requirements specified by BB guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

#### **Types of Collateral taken by the Bank**

BAFL determines the appropriate collateral for each facility based on the type of product and counterparty. In case of small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance; usually backed by mortgage. In case of working capital facilities for large corporate relationships, facilities are generally allowed against creation of charges over current & fixed floating assets of the respective companies to mitigate any eventuality. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Other security such as cash collateral, TDRs, charges on receivables are also obtained by the Bank. Moreover, in order to cover the entire exposure Personal Guarantees of Directors are also obtained by the Bank barring few exceptions. The valuation of the properties is carried out by an approved independent valuation agency.



The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization given by BoD. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

### Types of Eligible Financial Collateral

For credit risk mitigation purposes, the Bank considers all types of financial collaterals that are eligible under BB Basel III accord. This includes Cash/TDRs, securities issued by Government of Bangladesh such as T-Bills & T-Bonds, certain debt securities rated by a recognized credit rating agency, and guarantees from certain specified entities. In general, for capital calculation purposes, Bank recognizes only eligible financial collaterals as mentioned in the BB Basel III accord.

In addition to collaterals, transactions are also secured against guarantees thus reducing credit risk. Where guarantees are direct, explicit, irrevocable and unconditional, banks may consider such credit protections in calculating capital requirements through a substitution approach e.g., lower rating/risk weight of guarantor than the counterparty will lead to reduced capital charges.

### Credit Concentration Risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz-a-viz industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudent measure aimed at better risk management and avoidance of concentration of risks, BB has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, BAFL's annual credit plan spells out the maximum allowable exposure it can take on specific industries. Additionally, the newly developed Internal Rating System allows the Bank to monitor risk rating concentration of counterparties against different grades/scores ranging from 1–12 (1 being the best and 10–12 for defaulters).

### Quantitative Disclosures

Total Exposures of Credit Risk	2018	2017 Amount in BDT
<b>1. Funded</b>	<b>22,467,736,154</b>	<b>22,362,124,702</b>
a) Domestic	22,467,736,154	22,362,124,702
b) Overseas	-	-
<b>2. Non-Funded</b>	<b>1,874,210,715</b>	<b>1,312,853,533</b>
a) Domestic	1,874,210,715	1,312,853,533
b) Overseas	-	-
<b>3. Distribution of Risk Exposure by Claims</b>		
Claims on Sovereigns and Central Banks	5,927,115,589	6,154,483,622
Claims on Banks and Securities Firms	4,455,450,399	4,985,089,331
Claims on Corporate (excl Medium Enterprise loan)	8,079,280,529	7,990,239,405
Claims on the Retail & Small Enterprises (excl consumer loan)	318,629	38,754,034
Claims secured by residential property	-	-
Other Categories:	1,997,205,159	1,373,404,555
Past due Loans / NPL	122,994,444	60,551,022
Off-Balance Sheet Items	1,874,210,715	1,312,853,533
<b>4. Credit Risk Mitigation</b>		
Claims Secured by Financial Collateral	954,971,595	909,949,577
Net Exposure after the Application of Haircuts.	9,117,241,552	8,714,408,681
Claims Secured by Eligible Guarantee	-	-



**Maturity wise Classification of Loans and advances:**

**With a residual maturity of BDT**

Re-payable on Demand	3,344,708,195	4,517,806,196
Not more than 3 months	5,061,982,931	2,629,561,238
Over 3 months but not more than 1 year	1,167,832,512	1,905,549,844
Over 1 year but not more than 5 years	691,049,947	964,373,271
Over 5 years	38,829,156	51,473,474
	<b>10,304,402,741</b>	<b>10,068,764,023</b>

**Country-wise Classification of Loans and advances:**

**Inside Bangladesh**

**Conventional Banking**

Current Finance	3,344,890,883	3,041,582,617
Term Finance	2,910,732,504	3,406,108,548
Finance Against Foreign Bill	-	6,574,485
Finance Against EDF	108,783,681	-
Staff Loan	67,126,981	72,608,898
Loan against trust receipts	122,669,976	287,257,311
	<b>6,554,204,025</b>	<b>6,814,131,859</b>

**Islamic Banking**

Morabaha (LPO)	3,165,767,940	2,859,560,095
Trust Receipts	232,267,446	168,787,701
Finance Against Foreign Bill	35,489,952	32,109,868
Morabaha Manual	3,948,329	5,053,916
	<b>3,437,473,667</b>	<b>3,065,511,580</b>

**Outside Bangladesh**

	-	-
	<b>9,991,677,692</b>	<b>9,879,643,439</b>

**Bills purchased and discounted (Morabaha export bills) :**

Inside Bangladesh	312,725,049	189,120,584
Outside Bangladesh	-	-
	<b>312,725,049</b>	<b>189,120,584</b>
	<b>10,304,402,741</b>	<b>10,068,764,023</b>

**Geography-wise distribution of Loans and advances:**

Dhaka	8,300,519,636	7,914,611,584
Chittagong	1,821,729,702	1,928,148,928
Khulna	-	-
Rajshahi	-	-
Barisal	-	-
Sylhet	182,153,403	226,003,511
Rangpur	-	-
	<b>10,304,402,741</b>	<b>10,068,764,023</b>

**Maturity wise Classification of Bills Purchased and discounted:**

**Re-payable:-**

Within 1 month	117,586,351	62,230,401
Over 1 month but less than 3 months	157,750,257	91,904,046
Over 3 months but less than 6 months	37,388,441	34,986,137
6 months or more	-	-
	<b>312,725,049</b>	<b>189,120,584</b>



**Sector-wise Classification of loans and advances:**

Agri Business	370,666,121	269,845,557
Automobile dealers	120,645,971	89,335,216
Cement	880,323,248	661,717,179
Chemicals	29,890,983	53,025,375
Financial Institutions & MFIs	1,388,849,936	1,533,825,409
Food & Personal Care Products	831,113,187	822,700,676
Glass & Ceramics	33,524,701	31,841,196
Leather & Tanneries	205,517,349	195,504,010
Manufacturing & sale of Domestic Appliances	432,495,587	700,050,000
Metal & Allied	1,388,029,783	1,626,251,679
Oil & Gas Marketing Companies	324,180,502	203,580,000
Others/Miscellaneous	408,829,900	482,608,232
Paper & Board	51,425,538	42,873,846
Pharmaceuticals	329,667,315	300,625,603
Power Generation & Distribution- Non GoP	405,104,167	301,300,000
Printing & Publishing	98,838,075	28,572,093
Real Estate/Construction	53,867,222	81,616,546
Refinery	28,553,573	28,553,573
Services	848,262,046	908,778,679
Textile Composite / Garments Manufacturing	409,698,699	375,080,987
Textile Spinning	918,320,408	324,568,386
Textile Weaving	-	17,041,399
Tobacco	-	40,146,437
Trading	178,619,681	367,429,257
Transport	22,020,449	35,736,471
Vanaspati & Allied Industries	545,958,300	546,156,217
	<b>10,304,402,741</b>	<b>10,068,764,023</b>

**Grouping of Loans and advances as per Classification Rules of Bangladesh Bank:**

Unclassified:		
Standard including staff loan.	9,962,120,252	9,814,482,870
Special Mention Account (SMA)	-	-
	<b>9,962,120,252</b>	<b>9,814,482,870</b>
Classified:		
Substandard	28,372,508	-
Doubtful	69,769,165	-
Bad or loss	244,140,816	254,281,153
	<b>342,282,489</b>	<b>254,281,153</b>
<b>Total</b>	<b>10,304,402,741</b>	<b>10,068,764,023</b>

**Maintenance of Specific Provision**

BAFL follows BB guidelines regarding loan classifications, provisioning and any other issues related to Non-Performing Loan (NPL). Bank's internal credit guidelines also directs on managing of NPL, loan provisioning review procedure, debt write-off, facility grading, reporting requirements, interest recognitions etc. While dealing with NPLs, bank's decision is always complied by local rules and regulations as well as group guidelines, which are more conservative than the local regulations.

Specific provision for all classified loan i.e. Sub-standard, Doubtful, and Bad/Loss are maintained by the bank as per Bangladesh Bank guideline. During the year, Bank has provided BDT 21.93 crore for specific provisions.

**Policies and processes for maintaining specific provision**



Bank mainly maintains specific provision against classified loan according to Bangladesh Bank BRPD Circular No. 08 "Loan Classification and Provisioning" dated August 02, 2015 and BRPD Circular No. 14 "Master Circular: Loan Classification and Provisioning" dated September 23, 2012 and other guidelines issued from time to time by Bangladesh Bank. The Bank maintains specific provision at the following rates in respect of classified Continuous, Demand and Fixed Term Loans:

1. Sub-standard 20%
2. Doubtful 50%
3. Bad/Loss 100%

At the time of determining Gross Income for calculating operational risk, specific provision and other items are grossed up with Net Profit.

	2018	2017
		Amount in BDT
<b>A. Gross Non-Performing Assets (NPAs)</b>		
Non-Performing Assets (NPAs) to Total Loans & Advances	3.32%	2.53%
<b>B. Movement of Non-Performing Assets (NPAs)</b>		
Opening Balance	254,281,153	269,763,154
Additions	88,001,336	2,743,183
Reductions	-	18,225,184
Write-off	-	-
Closing Balance	<u>342,282,489</u>	<u>254,281,153</u>
<b>C. Movement of Specific Provisions for NPAs</b>		
Opening Balance	193,730,131	180,727,296
Provisions made during the period	36,758,890	21,220,795
Write-off / Reversal during the period	11,200,976	8,217,960
Write-back of Excess Provisions/Prov. Reversed	-	-
Closing Balance	<u>219,288,045</u>	<u>193,730,131</u>

#### e) Equities: Disclosures for Banking Book Positions

##### Qualitative Disclosures

BAFL does not hold any trading position in equities (neither quoted nor unquoted).

#### f) Interest Rate Risk in the Banking Book (IRRBB)

##### Qualitative Disclosures

Interest rate risk arises from the fluctuation in the value of financial instruments consequent to changes in market interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments within a certain range of maturity due to re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management framework, which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1 bps) limits to manage interest rate risk within the Board's approved risk appetite. Treasury is primarily responsible for management of interest rate risk on daily basis where Asset & Liability Committee (ALCO) oversees the interest rate risk at Bank level. In order to ensure that this risk is managed within acceptable limits, RMD independently monitors, analyses & reports various gap limits including management action point and re-pricing of the assets and liabilities on regular basis. BAFL pursues maturity method for measuring interest rate risk in respect of securities in trading book. The capital charge for entire market risk is computed under the standardized approach using the maturity method and in accordance with the guidelines issued by Bangladesh Bank.





## Quantitative Disclosures

Interest rate risk in banking book as of Dec 31, 2018 is calculated as change in Market Value (MV) of equity in following manner –

		2018	2017
Amount in BDT Crore			
Market Value of Assets		2,226.80	2,230.50
Market Value of Liabilities		1,644.90	1,646.25
Weighted Average Duration of Assets (in years)		0.62	0.58
Weighted Average Duration of Liabilities (in years)		0.50	0.54
Duration Gap (in years)		0.25	0.18
Yield to Maturity (YTM) for Assets		5.76%	5.24%
Yield to Maturity (YTM) for Liabilities		2.85%	2.28%
Fall in Market Value of Equity		24.93	26.27
Changes in Market Value of Equity due to an increase in Interest Rate by Interest Rate Change	1%	(5.29)	(3.77)
	2%	(10.57)	(7.54)
	3%	(15.86)	(11.31)
Regulatory capital (after shock)	Major	551.39	556.54
RWA (after shock)	Major	902.48	976.31
CAR (after shock)	Major	61.10%	57.00%

The above result implies that bank may lose more value in its interest rate sensitive assets than its liabilities and thus an increase in interest rate may cause a decline in the economic value of bank's capital.

## g) Market Risk

### Qualitative Disclosures

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. This risk is associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices.

To manage and control market risk, a well-defined risk management structure under Board approved Market & Liquidity Risk Management Policy is already in place. The policy outline methods to measure and control market risk, which are carried out at the portfolio level. Moreover, it also includes controls which are applied, wherever necessary, to individual risk types, particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

Trading book consists of positions in financial instruments held with trading intent. A capital charge is applicable for financial instruments which are free from any restrictive covenants on tradability, in line with Basel-III guidelines issued by Bangladesh Bank. Generally, investments in 'Held for Trading' portfolio are focal parts of the Trading Book. In addition, other positions should be valued prudently.

The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the oversight of the market risk, supported by the Risk Management Division (RMD). BAFL has a comprehensive Treasury and Investment Policy, which inter alia covers assessment, monitoring and management of all the above market risks.



### Methods used to measure Market risk

BAFL defines market risk as the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market prices. Under market risk management, interest rate risk, equity price risk and foreign exchange risk are monitored. BAFL uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel III. Currently, BAFL calculates 'Value at Risk (VaR)' on a regular basis. Moreover, it also carries out stress testing with regular intervals by applying shocks on fixed income, equity and foreign exchange positions.

### Interest Rate Risk

The possibility of reduction in the value of a security (especially T-Bills & T-Bonds) resulting from a rise in interest rates. This risk can be reduced by diversifying the durations of the fixed-income investments, which are held at a given time.

### Foreign Exchange Risk

The Bank has fixed maximum overnight exposure for foreign exchange exposures (NOP) in various currencies. Stop loss limit and single deal limits are also in place for monitoring the forex operation of the Dealers. Foreign Exchange Gap limits are also in place for evaluating the bank's long or short position in currencies applicable for forward transactions. VaR analysis is conducted on a daily basis to measure and monitor the FX risk.

### Market Risk Management system

Bank has well defined Risk Management Policy, Investment Policy, Asset-Liability Management Policy etc. which covers important areas of market risk management.

### Policies and processes for mitigating market risk

Detailed policies are operational manuals for Investment Management, Asset Liability Management and Market Risk Management, which deal in the various strategies and processes for monitoring Market Risk. In order to evaluate market risk issues, Bank has in place a "Treasury and Funds Management Policy", "Interest Risk Rate Policy" and "Market Liquidity Risk Policy". These policies provide details on various tools and guidelines for market risk identification, market risk measurement and risk mitigation. Bank has constituted Asset Liability Management Committee to oversee the Risk Management and ALM functions to monitor the progress in its implementation. Besides, following tools are also used for market risk management / mitigation:

- (a) Delegation of Powers - Bank has well-defined discretionary powers for different level of authorities for taking investment decisions.
- (b) Prudential Limits - Various limits e.g., exposure limit, stop loss limits, duration etc. have been fixed.
- (c) Asset Liability Management Committee (ALCO) - Under Risk Management architecture of Bank, ALCO committee of executives is constituted, which monitors liquidity management and interest rate risk on regular basis. Support group of executives / officers has also been constituted to help ALCO.

The table given below shows 1-day VaR & Market value for the Fixed Income Securities and Foreign Exchange portfolios as on December 31, 2018.

Amount in BDT				
Category	Market Value	VaR @ 99% CI	VaR @ 95% CI	VaR @ 90% CI
T-Bill	-	-	-	-
T-Bond	196,483,307	77,608,246	54,873,223	42,753,266
Equity	-	-	-	-
Forex	1,523,285	2,006,218	1,418,504	1,105,196
<b>Total</b>	<b>198,006,592</b>	<b>79,614,464</b>	<b>56,291,727</b>	<b>43,858,462</b>



On December 31, 2018 there was 1% chance of loss (more than BDT 7.96 crore), 5% chance of loss (more than BDT 5.62 crore) & 10% chance of loss (more than BDT 4.38 crore) on a given day due to market movement against the three portfolios of BDT 19.80 crore.

	2018	2017
	Amount in BDT	
Capital Requirements for -		
Interest Rate Risk	22,033,926	9,081,247
Equity Position Risk	-	-
Foreign Exchange Risk	16,407,338	3,280,044
Commodity Risk	-	-
	<b>38,441,264</b>	<b>12,361,291</b>

#### h) Operational Risk

##### Qualitative Disclosures

Basel III defines Operational risk as, "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition includes legal risk but excludes strategic and reputation risk.

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

Bank has put in place the following measures to control and mitigate operational risks:

- Instructions, circulars, job descriptions, training programs etc. for Operational & Other Manuals
- Delegation of financial powers at various levels for different type of financial transactions
- Inputs on operational risk are included in the relevant training programs
- Bank obtains insurance coverage for potential operational risks
- System of prompt submission of reports on frauds is also in place
- A Key Risk Indicator (KRI) module is in place to gauge operational risk against set parameters
- An automated Operational Loss Database (OPLDB) module provides early warning signals about occurrence of risk events that enable modeling of future operational loss events.

BAFL adopted Basic Indicator approach for calculating operational risk, which is as under:

##### Quantitative Disclosures

	2018	2017
	Amount in BDT	
Capital Requirements for Operational Risk	155,874,421	154,932,199

#### i) Liquidity Ratio

##### Qualitative Disclosures

Liquidity risk is potential loss to the bank arising from either through inability to meet its obligations or to fund the increase in assets as they fall due without incurring an unacceptable cost.

The Bank's Asset and Liability Committee (ALCO) is primarily responsible for formulation of overall strategy and oversight of the asset liability function including liquidity management. The BoD has approved a comprehensive Market & Liquidity Risk Management Policy, which stipulates various parameters to monitor and control liquidity risk including maintenance of various liquidity ratios. RMD is responsible for independent monitoring of overall liquidity risk in line with regulatory requirements as well as BoD approved Risk Framework. It also monitors & reports the maintenance of liquidity buffer in form of excess Govt. securities over regulatory requirement, liquidity ratios and depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large volume deposits. As core retail deposits form a considerable part of the Bank's overall funding



mix, significant importance is being given to stability and growth of these deposits. Maturity gaps and sources of funding are also reviewed in order to ensure diversification in terms of tenor, currency and geography. Moreover, bank also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in times of stress / crisis situations containing early warning indicators to pre-empt unforeseen liquidity crisis. In addition to this, bank has designed different scenarios of cash outflows to stress test adequacy of its liquid assets.

Since difficulties experienced by some banks during the financial crisis were due to lapses in basic principles of liquidity risk management, the bank has already implemented regulatory ratios pertaining to liquidity management as per Basel III accord i.e. the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 calendar days. NSFR aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items with minimum acceptable value of more than 100 percent, indicating that available stable funding (ASF) should be greater than required funding (RSF).

In addition to regulatory liquidity standards, the bank also uses number of ratios on daily basis to assess the liquidity. The most important being Advances to Deposits ratio. Other ratios include large volume deposits (LVD) to Total Deposits, Liquid Assets to Total Demand and Time liabilities, Unencumbered T-Bills, T-Bonds to Liquid Assets, etc. These ratios are monitored as per predefined caps set by the ALCO however; the limits are subject to change in line with external & internal regulatory environment duly approved by the relevant authorities. The bank also monitors Maturity Gaps with percentage of bucket-wise gap to total assets and conducts liquidity stress testing on daily basis to gauge liquid resources available after cash outflows.

An effective MIS is the backbone of liquidity management. The procedure adopted to support liquidity management include: reporting of heavy withdrawal (BDT 100 mln or above) by the branches to the Treasury Division at least one working day in advance; reporting of maturity mismatch in various time bands GAP; report on contingent liabilities on quarterly basis; and credit portfolio, overdue schedule and NPLs on monthly basis. For periodic monitoring and controlling liquidity risk within limits, a Funds Flow Analysis (FFA) is prepared and tolerance limits are assigned for gaps identified. FFA estimates all the cash inflows and outflows of the Bank and thus determines the net deficit or surplus, which shall be broken down into appropriate time-bands after considering the behavior of assets, liabilities and off-balance sheet items included in these time-bands. To maintain sufficient liquidity, the bank has set a strategy to keep margin of excess liquidity of minimum 5% over regulatory requirement where liquidity needs should be estimated in variety of scenarios in the CFP and in stress testing conducted by the RMD.

The bank remains stringent in maintaining the ratios with a considerable cushion over and above the regulatory requirement to be able to mitigate liquidity risk. Therefore, BAFL always focuses to keep LCR and NSFR ratio over and above regulatory threshold level. The RMD proactively calculates these two ratios with regular interval and assists ALCO in setting strategies to keep the ratios at a considerable level to comply with the Basel regulations.

#### Quantitative Disclosures

	2018	2017 Amount in BDT
Liquidity Coverage Ratio (LCR)	251.01%	225.69%
Net Stable Funding Ratio (NSFR)	133.09%	141.98%
Stock of high-quality liquid assets	1,950,087,035	2,297,428,260
Total net cash outflows over the next 30 calendar days	776,882,622	1,017,962,472
Available amount of stable funding (ASF)	18,068,700,298	17,503,052,386
Required amount of stable funding (RSF)	13,576,783,073	12,327,915,035



## j) Leverage Ratio

### Qualitative Disclosures

Building up excessive on & off-balance sheet leverage in the banking system was widely believed to have contributed to the global financial crisis in 2008. With a view to address this, international community has proposed the adoption of a non-risk-based capital measure i.e., the leverage ratio, as an additional prudential tool to complement minimum capital adequacy requirements. Hence, leverage ratio had been introduced under Basel III. Leverage ratio is the relative amount of Tier 1 capital to total exposure (after related deductions) of the Bank (not risk-weighted), which has been set at minimum 3%. Under Basel III, a simple, transparent and non-risk based regulatory leverage ratio has been introduced to achieve the following objectives:

- Constrain leverage in the banking sector, thus helping to mitigate the risk of the destabilizing deleveraging processes, which can damage the financial system and the economy
- Introduce additional safeguards against model risk and measurement error by supplementing the risk-based measure with a simple, transparent and independent measure of risk

The Risk Management Division regularly reviews the leverage ratios and advice the management to strictly monitor the same in addition to the Pillar 1 Minimum Capital Requirement. The bank reviews its leverage position as per the Guidelines on Risk Based Capital Adequacy (revised regulatory capital framework for banks in line with Basel III). In addition, the bank has Risk Appetite as per Credit Risk Management Policy and Risk Appetite Framework of the Bank. It also employs annual budget plan and capital growth plan for managing excessive on and off-balance sheet leverage.

The bank calculates the exposure under standardized approach as per Basel III guidelines. The capital measure for the leverage ratio is based on the new definition of Tier 1 capital with relevant deductions of items, which do not contribute to leverage. The exposure measures the leverage ratio will generally follow the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following are applied by the bank:

- On balance sheet, non-derivative exposures will be net of specific provisions & valuation adjustments (e.g. surplus/deficit on HFT positions).
- Items deducted from Tier 1 capital also applies here (e.g. DTA)
- Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure.
- Netting of loans & deposits is not allowed.

### Quantitative Disclosures

	2018	2017
	Amount in BDT	
Tier 1 capital (considering all regulatory adjustments)	5,517,328,457	5,536,520,267
On-balance sheet exposure	21,539,056,074	21,671,336,861
Off-balance sheet exposure	1,874,210,715	1,312,853,533
Regulatory adjustments made to Tier 1 capital	13,541,258	12,977,654
Total Exposure	23,399,725,531	22,971,212,740
 Leverage Ratio	 23.58%	 24.10%



## k) Remuneration

### Qualitative Disclosures

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

Bank has a group specified remuneration policy, which is designed to positively reward the achievement of long-term sustainable performance to keep the quality resources motivated. BAFL remains committed to its assigned role towards achieving organizational goals and meeting all stakeholders' expectations; as well as to attract the best of quality resources from the market, whenever required. Group has a dedicated Board Human Resources & Nomination Committee (BHR&NC) consisting of 3 Members of Board of Directors and President/CEO of the bank. The committee periodically reviews competitiveness of bank's remuneration, compensation & benefits package in line with industry and initiates systematic measures to bring necessary changes in the remuneration policy to ensure fairness and competitiveness in rewarding, motivating and retaining Bank's valued resources. The proposals of committee therefore, get reviewed and approved by the Board of Directors, ensuring due consideration and effective mitigation of possible associated risks (if any) arising out of the proposal under review. The BOD and all its committees are stationed at our Head Office in Karachi-Pakistan and liaison with Bangladesh management from time to time in this regard.

During the period, bank had not sought advice of any external consultant with regard to remuneration of senior staff specifically. Moreover, the Bank Alfalah - Bangladesh Operations does not have any foreign subsidiaries and branches, thus scope of region or business line wise separate remuneration policy is not in place.

The operation of the bank in Bangladesh is managed mainly by Management Committee Team (MANCOM), which is chaired by Country Head of Bangladesh. The MANCOM operates under a controlled function and requires Head Office approval for taking significant risk exposure in excess of their respective functional limit. Thus, there is no significant risk taker in the bank that can cause inflated material effect. The MANCOM consists of 7 Senior Management staff comprise of Country Head, Country Credit Head, Country Operations Head, Head of Treasury, Head of Finance and Administration, Head of Compliance, and National Manager – Corporate Banking.

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

Bank maintains a well designed and competitive remuneration and compensation plan as an integral part of its organization strategy to ensure that employees remain focused and motivated toward achievement of organization goals. Bank Alfalah, in order to succeed in this increasingly competitive banking industry, stress to ensure a well-designed compensation plan for its staff ensuring internal & external equity to keep them motivated on long term basis. At the same time, bank also ensures that remuneration cost remain aligned with forecasted return thus mitigating the associated managerial, financial and regulatory risks. Bank is not in practice of following any separate remuneration and compensation structure for senior executives of the bank. The remuneration structure of bank's senior executives also comprises of same component as other staff; mainly consists of 3 major differentials as below:

- Direct Financial Compensation
- Indirect Financial Compensation
- Non-Financial Compensation

#### Direct Financial Compensation

The major portion of the direct financial compensation components are governed by the monthly remuneration paid to each staff member based on their Job Description, Job Role Evaluation and contribution towards the overall goals. Other components are either fixed or variable or incidental in nature and different loan facilities granted to staff. The major components of the Direct Financial Benefits are:



Period	Nature	Particulars
Monthly	Fixed	<ul style="list-style-type: none"> <li>• Basic Salary</li> <li>• Other Allowances</li> </ul>
	Variable	<ul style="list-style-type: none"> <li>• Cell Phone Allowance</li> <li>• Fuel Facility</li> </ul>
Annual	Fixed	<ul style="list-style-type: none"> <li>• Leave Fare Assistance</li> <li>• Festival Bonuses</li> </ul>
	Variable	<ul style="list-style-type: none"> <li>• Performance Bonuses</li> </ul>
Other	Incidental	<ul style="list-style-type: none"> <li>• Spot / Cash Rewards</li> <li>• Travel Allowance</li> </ul>
	Loans Facility	<ul style="list-style-type: none"> <li>• Personal Loan</li> <li>• Car Loan</li> <li>• House Loan</li> </ul>

All components of financial compensations are reviewed at individual / organizational level on periodic basis to remain aligned with market practices, ensure internal and external equity, cost of living adjustment, job-role change, merit increase and promotion to higher responsibility.

#### Indirect Financial Compensation

The compensation plan of the bank also consists of number of indirect financial components for their staff through which the bank clearly differentiates its compensation plan competitiveness within the industry and amongst its competitors. The major components of the banks indirect Financial Benefits are:

- Medical Benefits
- Life Insurance Benefits
- Mortgage Insurance Benefits
- Provident Fund
- Gratuity Fund
- Paid / Unpaid leave Facility
- Education supplement benefits
- Subscription payments for newspaper, magazines and other publications related to job roles

Such benefits are also subject to review from time to time to ensure its competitiveness.

#### Non-Financial Compensation

In a competitive market while all banks offers market equitable financial benefits, the span of competitive edge of financial benefits tend to shorten with time. Thus, the non-financial components play a vital role to attract and retain competent human resources on long term basis. These particular components of the bank's compensation plan had always remained the key factors of management's focus point to stress on, while devising long-term HR strategy to achieve organizational goals. Some of the key components of the same are as below:

- Professional development opportunities
- Career opportunities
- Organizational culture
- Systematic job sharing and rotation
- Career counseling and mentorship
- Periodic and systematic participatory performance review system
- Transparent succession planning process
- Professional work environment
- Employee empowerment
- Performance acknowledgement & recognition system etc.



There is no Corporate Incentive Plan or equity Program in vogue for the senior management in Bangladesh Operations.

**Description of ways in which current and future risks are taken into account in the remuneration process.**

The remuneration / compensation plan initiates with identification of individual goals / objectives on 5 major broad performance areas in line with the organization's overall goals / objective. The approach is to tie compensation components with performance ensuring internal and external equity. The 5 major broad performance areas are as below:

- Financial Objective
- Managing for Values (both in term of business initiative and Operations Objectives)
- Audit, Compliance and Control
- Personal Development and
- People Development

While assigning individual goals / objectives, adequate measures are ensured to cover all material risk factors under 5 broad categories and recorded in terms of goals and objectives for the year. Failure to mitigate said risks during the year effects appraisal, which has direct link with the yearly remuneration revision and award of performance bonuses for the year under question. Thus, by linking risk factors with performance measurement / evaluation vis-à-vis remuneration fixation criterion; risk mitigation measures by senior management gets ensured / covered.

**Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.**

The major portion of senior management remuneration is governed by the fixed portion of the total compensation package. The absence of intense variable salary components (other than annual performance bonus) constitutes overall low risk factor since fixation of performance bonus and remuneration revision falls beyond the scope of controlled function of senior management.

The Compensation and reward plan of Bank Alfalah is governed by the compensation philosophy to remain aligned & competitive with the market and reward performance appropriately. The basic philosophy of this plan is to retain and motivate its core staff on long term basis to perform at a desired level and provide reward to the performers. At the same time, it also sets standards for others to have a clear understanding of what to expect from them in order to improve their performance to the desired level.

Depending upon the performance of an individual during a year, each executive gets rated on a scale of 1 to 5 where 5 is considered as the highest rating. Based on the financial performance of the bank, Board of Directors approves a bonus pool and remuneration review / revision pool, which in turn gets distributed amongst executives in the form of performance bonus and increments; depending upon individual and unit / department performance. Thus, performing individuals of different departments gets justified reward as opposed to less performing individuals / units. Accordingly, senior management staffs are also getting rewarded following the similar process i.e., based on their performance. Through annual performance exercise, BAFL ensures that link between remuneration and performance is established through a transparent and justifiable process.

**Description of ways in which bank seeks to adjust remuneration to take account of longer-term performance.**

BAFL is currently not offering variable incentive plans to the likes of Corporate Incentive Plan or Equity Participation Program to its senior management staff. This section is therefore, not applicable to the bank.





**Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.**

BAFL is currently not offering variable incentive plans to the likes of Corporate Incentive Plan or Equity Participation Program to its senior management staff. This section is therefore, not applicable to the bank.

**Quantitative Disclosures:**

	2018	2017
	Amount in BDT	
Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.		
Number of employees having received a variable remuneration award during the financial year.	120 Nos.	109 Nos.
Number and total amount of guaranteed bonuses awarded during the financial year.	2 Nos. 27,640,804/-	2 Nos. 26,606,842/-
Number and total amount of sign-on awards made during the financial year.	NIL	NIL
Number and total amount of severance payments made during the financial year.	NIL	NIL
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	N/A	N/A
Total amount of deferred remuneration paid out in the financial year.	N/A	N/A
Breakdown of amount of remuneration awards for the financial year to show:		
- Fixed and variable.	211,649,698/-	211,600,474/-
- Deferred and non-deferred.	N/A	N/A
- Different forms used (cash, shares and share linked instruments, other forms).	N/A	N/A
Quantitative information about employees' exposure to implicit (e.g., fluctuations in the value of shares or performance units) and explicit adjustments (e.g., clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	N/A	N/A
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	N/A	N/A
Total amount of reductions during the financial year due to ex post explicit adjustments.	N/A	N/A
Total amount of reductions during the financial year due to ex post implicit adjustments.	N/A	N/A

--End--

