

**Bank Alfalah Limited  
Bangladesh Operations**

**Independent Auditors' Report and Financial Statements  
as at and for the year ended December 31, 2016**

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

**28 March 2017**

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**Independent Auditors' Report  
To the Management of Bank Alfalah Limited, Bangladesh Operations**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bank Alfalah Limited, Bangladesh Operations ("the Bank"), which comprise the balance sheet as at 31 December 2016, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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



# Howladar Yunus & Co.

## Opinion

In our opinion, the financial statements of the bank give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1.

## Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Bank Companies Act, 1991 as amended and the rules and regulations issued by Bangladesh Bank, we also report the following:

- a. we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b. to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to the Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:
  - i. internal audit, internal control and risk management arrangements of the Bank as disclosed in note 3.25 of the financial Statements appeared to be adequate;
  - ii. nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities and also disclosed in note 3.25.8;
- c. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- d. the balance sheet and profit and loss account dealt with by the report are in agreement with the books of account;
- e. the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by the Bangladesh Bank
- f. adequate provisions have been made for advances, which are, in our opinion, doubtful of recovery;
- g. the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- h. the information and explanation required by us have been received and found satisfactory; and
- i. We have reviewed over 80% of the risk weighted assets of the Bank and have spent around 1160 person hours for the audit of the books and accounts of the Bank.

  
Chartered Accountants

Dated: Dhaka  
28 March 2017

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Balance Sheet**  
**as at 31 December 2016**

	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b><u>PROPERTY AND ASSETS</u></b>			
<b>Cash</b>	<b>4</b>	<b>1,322,677,969</b>	<b>1,400,593,633</b>
Cash in hand (Including foreign currencies)		155,181,647	117,441,540
Balance with Bangladesh Bank and its agent bank (Including foreign currencies)		1,167,496,322	1,283,152,093
<b>Balance with other banks and financial institutions</b>	<b>5</b>	<b>1,836,517,434</b>	<b>1,540,200,941</b>
In Bangladesh		1,332,631,999	1,498,937,433
Outside Bangladesh		503,885,435	41,263,508
<b>Money at call and on short notice</b>	<b>6</b>	-	-
<b>Investments</b>	<b>7</b>	<b>6,319,760,509</b>	<b>6,954,943,745</b>
Government		5,919,760,509	6,754,943,745
Others		400,000,000	200,000,000
<b>Loans and Advances/Investments</b>	<b>8</b>	<b>9,274,767,890</b>	<b>7,758,425,232</b>
Loans, Cash credit, Overdrafts etc./Investments		9,059,177,931	7,413,818,028
Bills purchased and discounted		215,589,959	344,607,204
<b>Fixed assets including premises, furniture and fixtures</b>	<b>9</b>	<b>54,822,304</b>	<b>53,243,814</b>
<b>Other assets</b>	<b>10</b>	<b>706,413,966</b>	<b>665,639,162</b>
<b>Non-banking assets</b>		-	-
<b>Total Assets</b>		<b>19,514,960,072</b>	<b>18,373,046,527</b>
<b><u>LIABILITIES AND CAPITAL</u></b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>11</b>	<b>346,803,017</b>	<b>460,000,000</b>
<b>Deposits and other accounts</b>	<b>12</b>	<b>12,482,928,617</b>	<b>11,434,411,999</b>
Current Accounts and other Accounts		1,782,324,776	1,488,093,260
Bills Payable		102,868,861	105,269,417
Savings Bank Deposits		4,679,786,250	3,448,700,785
Fixed Deposits		5,917,948,730	6,392,348,537
Bearer Certificates of Deposit		-	-
Other Deposits		-	-
<b>Other liabilities</b>	<b>13</b>	<b>1,345,294,013</b>	<b>1,293,821,677</b>
<b>Total Liabilities</b>		<b>14,175,025,647</b>	<b>13,188,233,676</b>
<b>Capital/Shareholders' Equity</b>			
Head Office Fund	<b>14</b>	4,423,989,531	4,423,010,704
Other Reserves	<b>15</b>	43,822,843	258,036,936
Surplus in Profit and Loss Account	<b>16</b>	872,122,051	503,765,211
<b>Total Shareholders' Equity</b>		<b>5,339,934,425</b>	<b>5,184,812,851</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>19,514,960,072</b>	<b>18,373,046,527</b>

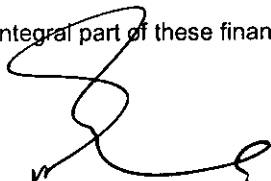
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<b><u>OFF-BALANCE SHEET ITEMS</u></b>	<b><u>Note</u></b>	<b><u>2016</u></b> <b><u>Taka</u></b>	<b><u>2015</u></b> <b><u>Taka</u></b>
<b>Contingent liabilities</b>		<b>3,071,059,274</b>	<b>2,665,675,790</b>
Acceptances & Endorsements		958,991,720	1,249,537,213
Letters of Guarantee	17	502,007,763	321,415,471
Irrevocable Letters of Credit	18	955,350,223	680,512,906
Bills for Collection		426,109,568	293,885,200
Other Contingent Liabilities (Bangladesh Sanchaypatra)		228,600,000	120,325,000
<b>Other commitments</b>		<b>315,293,500</b>	<b>395,522,200</b>
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		315,293,500	395,522,200
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>3,386,352,774</b>	<b>3,061,197,990</b>

The annexed notes form an integral part of these financial statements



Abu Noyem Md. Khasru  
Head of Finance & Admin.



Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head



S.A.A. Masrur  
Country Head

As per our annexed report of even date



Chartered Accountants

Dated: Dhaka  
28 March 2017


**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Profit and Loss Account**  
for the year ended 31 December 2016

	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Interest income/profit on investments	20	687,859,216	799,892,924
Interest paid/profit shared on deposits and borrowings etc.	21	(449,179,374)	(612,119,499)
<b>Net interest income/net profit on investments</b>		<b>238,679,842</b>	<b>187,773,425</b>
Investment income	22	728,378,592	697,923,815
Commission, exchange and brokerage	23	97,510,970	122,173,675
Other operating income	24	31,932,748	31,843,895
		<b>857,822,310</b>	<b>851,941,385</b>
<b>Total operating income</b>		<b>1,096,502,152</b>	<b>1,039,714,810</b>
Salaries and allowances	25	231,327,019	211,304,373
Rent, taxes, insurance, electricity etc.	26	141,334,544	132,418,255
Legal expenses	27	7,250,616	3,062,981
Postage, stamp, telecommunication etc.	28	11,608,292	10,338,637
Stationery, Printing, Advertisements etc.	29	9,249,161	13,938,111
Country Head's salary and allowances	30	22,352,770	20,590,270
Auditors' fees		717,000	553,150
Depreciation and repair of bank's assets	31	35,683,782	32,090,356
Other expenses	32	51,887,834	53,630,257
<b>Total operating expenses</b>		<b>511,409,018</b>	<b>477,926,390</b>
<b>Profit before provision</b>		<b>585,093,134</b>	<b>561,788,420</b>
Provision for loans and advances/investments	33	(147,827,500)	(35,916,894)
General provision		17,904,345	3,190,433
Specific provision		(165,731,845)	(39,107,327)
Provision for off-balance sheet items released		3,251,548	2,301,415
Provision for diminution in value of investments		-	-
Other provisions	34	50,799,792	20,000,000
<b>Total provision</b>		<b>(93,776,160)</b>	<b>(13,615,479)</b>
<b>Total (loss)/profit before tax</b>		<b>678,869,294</b>	<b>575,403,899</b>
Provision for taxation	35	232,482,454	206,771,899
Current		231,641,000	248,072,614
Deferred		841,454	(41,300,715)
<b>Net (loss)/profit after tax</b>		<b>446,386,840</b>	<b>368,632,000</b>

The annexed notes form an integral part of these financial statements

  
Abu Noyem Md. Khasru  
Head of Finance & Admin.

  
Muhammad Ehsan Ul Haq Qureshi  
Country Operations Head

  
S.A.A. Masrur  
Country Head

As per our annexed report of even date

  
Chartered Accountants

Dated: Dhaka  
28 March 2017

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Cash Flow Statement**  
**for the year ended 31 December 2016**

	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>Cash flows from operating activities</b>			
Interest receipts in cash	36	815,267,450	712,518,657
Interest payments	37	(486,655,418)	(616,198,108)
Dividends receipts		-	-
Fees and commission receipts in cash	38	27,900,668	35,082,741
Recoveries on loans previously written off		-	-
Cash payments to employees	39	(242,313,836)	(226,610,573)
Cash payments to suppliers	40	(162,935,269)	(160,193,134)
Income taxes paid	41	(182,070,969)	(225,454,907)
Receipts from other operating activities	42	825,173,175	811,960,441
Payments for other operating activities	43	(74,256,811)	(68,742,303)
<b>Operating (loss)/profit before changes in operating assets and liabilities</b>		<b>520,108,990</b>	<b>262,362,814</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Loans and advances to customers	44	(1,516,342,658)	(250,144,858)
Other assets	45	(81,289,173)	3,308,025
Deposits from other banks	46	246,803,244	372,033,369
Deposits from customers	47	801,713,374	1,310,348,013
Other liabilities	48	(177,340,906)	(51,418,662)
		<b>(726,456,119)</b>	<b>1,384,125,887</b>
<b>Net cash (used to)/from operating activities</b>		<b>(206,347,129)</b>	<b>1,646,488,701</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale/redemption of securities	49	(200,000,000)	(11,949,926)
Payments for purchase of securities	50	2,542,258,388	(1,746,946,411)
Purchase of property, plant & equipment		(22,277,077)	(13,783,119)
Sale of property, plant & equipment	51	2,089,955	5,372,192
<b>Net cash from investing activities</b>		<b>2,322,071,266</b>	<b>(1,767,307,264)</b>
<b>Cash flows from financing activities (Profit remitted to head office)</b>			
		(78,030,000)	(46,790,110)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>2,037,694,137</b>	<b>(167,608,673)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,480,883,874</b>	<b>2,646,109,314</b>
Effects of exchange rate fluctuations on cash and cash equivalents held		978,827	2,383,233
<b>Cash and cash equivalents at end of the year</b>		<b>4,519,556,838</b>	<b>2,480,883,874</b>
<b>Cash and cash equivalents at end of the year represent</b>			
Cash in hand (including foreign currencies)		155,181,647	117,441,540
Call borrowing		(346,803,017)	(460,000,000)
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		1,167,496,322	1,283,152,093
Balance with other banks and financial institutions		1,836,517,434	1,540,200,941
Money at call and on short notice		-	-
Treasury bills		1,607,135,966	-
Bangladesh Bank bill		99,967,486	-
Prize bond		61,000	89,300
		<b>4,519,556,838</b>	<b>2,480,883,874</b>





Bank Alfalah Limited  
Bangladesh Operations  
Statement of Changes in Equity  
for the year ended 31 December 2016

	<u>Head Office Fund</u> Taka	<u>Other Reserve</u> Taka	<u>Profit and Loss</u> Taka	<u>Total</u> Taka
<b>Balance as at 01 January 2016</b>	<b>4,423,010,704</b>	<b>258,036,936</b>	<b>503,765,211</b>	<b>5,184,812,851</b>
Changes in accounting policy				
Surplus/deficit on account of revaluation of investments	-	(214,214,093)	-	(214,214,093)
Currency translation difference	978,827	-	-	978,827
Net gains and losses not recognized in the income statement				
Net profit for the period	-	-	446,386,840	446,386,840
Profit transfer to Head Office	-	-	(78,030,000)	(78,030,000)
<b>Balance as at 31 December 2016</b>	<b>4,423,989,531</b>	<b>43,822,843</b>	<b>872,122,051</b>	<b>5,339,934,425</b>
<b>Balance as at 01 January 2015</b>	<b>4,420,627,471</b>	<b>70,151,540.00</b>	<b>181,923,322</b>	<b>4,672,702,333</b>
Changes in accounting policy				
Surplus/deficit on account of revaluation of investments	-	187,885,396	-	187,885,396
Currency translation difference	2,383,233	-	-	2,383,233
Net gains and losses not recognized in the income statement				
Net profit for the period	-	-	368,631,999	368,631,999
Profit transfer to Head Office	-	-	(46,790,110)	(46,790,110)
<b>Balance as at 31 December 2015</b>	<b>4,423,010,704</b>	<b>258,036,936</b>	<b>503,765,211</b>	<b>5,184,812,851</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Notes to the Financial Statements**  
**as at and for the year ended 31 December 2016**

**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 2016. Except 1 Islamic Banking Branch, the rest 6 branches run on commercial conventional basis.

**1.1 Principal activities of the Bank**

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

**2 Basis of preparation**

**2.1 Statement of compliance**

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

**i) Investment in shares and Securities**

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

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

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

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

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

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

**iii) Provision on loans and advances**

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



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Notes to the Financial Statements**  
**as at and for the year ended 31 December 2016**

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

**iv) Other comprehensive income**

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

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

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

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

**vi) Repo transactions**

**BFRS:** When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

**Bangladesh Bank:** As per DOS Circular No. 6 dated 15 July 2010, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book.

**vii) Financial guarantees**

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

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

**viii) Cash and cash equivalent**

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

**ix) Non-banking asset**

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

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



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Notes to the Financial Statements**  
**as at and for the year ended 31 December 2016**

**x) Cash flow statement**

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

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

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

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

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

**xii) Presentation of Intangible asset**

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

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

**xiii) Off-balance sheet items**

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

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

**xiv) Disclosure of appropriation of profit**

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

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

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

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

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

**xvi) Recognition of interest in suspense**

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

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

**2.2 Basis of measurement**

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

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



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**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

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

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

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

**2.5 Reporting period**

These financial statements cover one calendar year from 1 January to December 31, 2016.

**2.6 Cash flow Statement**

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

**2.7 Statement of Changes in Equity**

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

**2.8 Liquidity Statements**

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

**3 Significant accounting policies**

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

**3.1 Foreign currency**

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

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

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.



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**3.6 Lease payments**

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

**3.7 Tax**

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

**3.7.1 Current tax**

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

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

**3.7.2 Deferred tax**

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

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

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

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

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

**3.7.3 Tax exposures**

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

**3.8 Cash and cash equivalents**

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



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**3.9 Investments**

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

**Held to Maturity**

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

**Held for Trading**

Investment classified in this category are acquired principally for the purpose of selling or repurchasing in short trading or if designated as such by the management.

**Revaluation**

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

Value of investments has been shown as under:

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

Details are shown in Note- 7.

**3.10 Loans, Advances/Investments and provisions**

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

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

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

Details are shown in Note 8.



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**3.11 Fixed assets and depreciation**

**3.11.1 Recognition and measurement**

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

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

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

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

**3.11.2 Subsequent costs**

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

**3.11.3 Depreciation**

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

<u>Category of Assets</u>	<u>Rate of depreciation</u>
Furniture, fixture and fittings	10%
Leasehold improvement	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 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.





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**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 2016 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.



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**3.20 Provisions and accrued expenses**

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

**3.21 Provision for Off-Balance Sheet Exposures**

In compliance with Bangladesh Bank guidelines Off-Balance Sheet items are disclosed under contingent liabilities. As per BRPD circular No.14 (23 September 2012) requires a general provision for off balance sheet exposures to be calculated at 1% on all off- balance sheet exposures. Details are shown in note 13.2.

**3.22 Provision for Nostro Accounts**

Provisions for unsettled transactions on nostro accounts made are reviewed semi-annually by management and certified by our external auditors in accordance with Bangladesh Bank Foreign Exchange Policy Department (FEPD) circular No. 677 (13 September 2005).

**3.23 Impairment of non-financial assets**

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

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

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

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

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

**3.24 Reconciliation of inter-bank/inter-branch account**

Books of accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly.

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

**3.25 Core Risk Management**

According to BRPD Circular No. 17 (7 October 2003) and BRPD Circular No.4 (5 March 2007) banks require to put in place an effective risk management system. Bangladesh Bank monitors the progress of implementation of these guidelines through its on-site inspection teams through routine inspection. The risk management systems of the bank are discussed below:

**Risk management**

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.



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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.
- As part of its mandate, the Central Management Committee (CMC) is entrusted with overseeing the operational risk of the bank.
- 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.
- 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 Basel III under the purview of Central Bank guidelines and has complied with the capital adequacy requirement under Pillar-I of Basel III accord. Moreover, in light of Bangladesh Bank Circulars and Guidelines, liquidity standards under Basel III have also been implemented. The Bank has been pursuing Standardized Approach (SA) for calculating Credit & Market Risk and Basic 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

BAFL 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"; "Market Liquidity Risk Policy"; and "Interest Rate 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 governing 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.
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- 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 had pursued the implementation of Basel III under the purview of Central Bank guidelines and has complied with the capital adequacy requirement under Pillar-I of Basel III accord. Moreover, in light of Bangladesh Bank Circulars and Guidelines, liquidity standards under Basel III had also been implemented. The Bank has been pursuing Standardized Approach (SA) for calculating Credit & Market Risk and Basic Indicator Approach (BIA) to determine Operational Risk. However, it 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 (CRM)" 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.

### 3.25.2 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:



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- 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.

- The reporting of major lapses and ensuring subsequent corrective measures on a timely fashion.
- Furthermore, it is ensured that regular and continued monitoring has been carried through-out the financial year for quality assurance and effectiveness of all control policies & procedures, and more-so to evaluate the application of Internal Control & Audit Policies for refurbishment and reviews. Additionally, Internal Control ensures the Management & Mitigation of Financial Risk, including reviews of existing rules & regulations, both internal and external, and that of other obligations from Controlling Authority; not limited to disclosures & processes imbibing the Financial Statements of the Bank.
- Additionally Planning, Organizing & Supervising business performance metrics and the Audit & Inspection of Branches, including the monitoring of risk based business transactions have all been duly performed by the different divisions of the bank in Bangladesh.



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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 is reports directly to AIG and 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) that is centralized at the Country Office under direct Supervision of the CAMLCO. Additionally, the AML 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 number of training sessions in 2016 covering all employees, while new employees are being brought/re-fresher into the awareness of the issues of AML, being trained on a continuous basis throughout the financial year.
- A broad based schedule of branch inspection is in place to ensure sound business practices and the related compliance of AML and CTF regulations on a continuous basis.

**AML**

The six core risks have been given due importance and meticulous monitoring of the risks had been embedded in the day to day operations of the bank for effective control of the same. Bangladesh Bank recommendations on AML and ICT were fully implemented which resulted in better ratings for AML and ICT during the year 2016.

**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.



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**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.

**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 value 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 transactions 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 applications 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.



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**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 clients 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 RTGS the payments are settled with shortest possible time. The RTGS is widely used by Treasury department of the Banks also it is expected that high value transactions will rise in due course.

**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

**The IT- Team :** The Bank Alfalah Information Technology Team is comprised of talented and dedicated staffs having experience in Information Technology for more than 23 years. 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 significant 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, focusing some of their identified thrust sectors to the likes of education sector, health sector, community and environmental development etc. 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 sponsoring their sole scholarship program in 2016, 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 families' economic health. A few of the sponsored student appeared for SSC examination this year and all had passed SSC exam in one go with good GPA scores. During the year, bank had also undertaken another project and distributed 20 bicycles distributed 20 bicycles amongst financially disadvantaged female students at Lalmonirhat and Kurigram District for whom going to school remained as a challenge.





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On the health sector, the bank had undertaken a CSR project in collaboration with NeoStar Innovation. The project included e-health initiative named "Prayrona" which is an Online Digital Healthcare Portal aimed to provide a wide range of health care related tips, suggestions and information under one umbrella with a view to ease access to healthcare information and facilities to general people. Under the initiative, a website was introduced to provide healthcare information more effectively among the general public. In addition, health camps were conducted in various rural areas of the country to discuss common health related issues and provide free health checkup. In addition, Bank had also entered into a yearlong agreement with Gulshan Literacy Program (GLP) Foundation that is providing free quality education to poor street children through two schools and will sponsor for nutritious diet to them in the form of milk throughout the period addressing their need for nutrition support.

As part of community development initiatives the bank had distributed blankets and warm cloths / accessories to 1000 school students of Bottrish Hazari School & Shishu Kallyan School of Lalmonirhat District, an area known for its notorious rough weather during winter season. During the same period, the bank had also distributed relief (dry food items and day to day necessities) in the flood affected area of Char Khatamari, Lalmonirhat District.

Besides, in view of ongoing energy crisis in the country and patronage for Green Energy by Bangladesh bank, we had continued the maintenance of our solar powered ATM booth in 2016, which was installed

**3.27 Compliance of Bangladesh Financial Reporting Standard (BFRS)**

<b>Name of the standards</b>	<b>Ref.</b>	<b>Status</b>
First-time adoption of Bangladesh Financial Reporting Standards	BFRS-1	Not applicable
Share based Payment	BFRS-2	Not applicable
Business Combinations	BFRS-3	Not applicable
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied with some
Operating Segments	BFRS-8	Applied with some
Consolidated Financial Statements	BFRS-10	Not Applicable
Joint Arrangements	BFRS-11	Not Applicable
Disclosure of Interests in Other Entities	BFRS-12	Not Applicable
Fair Value Measurement	BFRS-13	Applied with some
Presentation of Financial Statements	BAS-1	Applied with some
Inventories	BAS-2	Not Applicable
Statement of cash flows	BAS-7	Applied with some
Accounting Policies, Changes in Accounting Estimates	BAS-8	Applied
Events after the Reporting Period	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income Taxes	BAS-12	Applied
Property, Plant and Equipment	BAS-16	Applied
Leases	BAS-17	Applied
Revenue	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Costs	BAS-23	Applied
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Not Applicable
Consolidated and Separate Financial Statements	BAS-27	Not Applicable
Investments in Associates	BAS-28	Not Applicable
Financial Reporting in Hyperinflationary Economies	BAS-29	Not Applicable
Interest in Joint Ventures	BAS -31	Not Applicable



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Financial Instruments: Presentation	BAS-32	Applied with some
Earnings Per Share	BAS-33	Not Applicable
Interim Financial Reporting	BAS-34	Applied
Impairments of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied with some
Financial Instruments: Recognition and Measurement	BAS-39	Applied with some
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable

**3.28 Credit Rating of the Bank**

As per the BRPD instruction circular No.6 dated 5 July 2006, the bank has done its credit rating by Credit Rating Agency of Bangladesh Limited (CRAB) based on the financial statements dated 31 December 2015.

Particulars	Date of Rating	Long term	Short term
Entity Rating	23-Jun-16	A1	ST-2

Credit Rating Agency of Bangladesh Limited (CRAB) has upgraded Long Term Rating from A2 to A1 (Pronounced Single A one) and retained "ST-2" rating in the Short Term of Bank Alfalah Limited (Bangladesh Operations) based on audited financials for the year ended 31 December 2015 and other relevant information.

Commercial Banks rated A1 in the long term belonging to "strong capacity & high quality" cohort. Banks rated "A1" have strong capacity to meet their financial commitments. A1 rated banks are judged to be of high quality and are subject to low credit risk. Commercial Banks rated in the short term ST-2 category are considered to have the strong capacity for timely repayment of obligations. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds. The rating reflects the Bank's sound capital adequacy, improved asset quality as well as increased net interest margin.

**3.29 Offsetting**

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

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

**3.30 Operating segments**

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

**3.31 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.

- 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.



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- 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.
- 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.

### 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) BFRS 09 Financial Instruments

BFRS 09, published in 2014, replaces the existing guidance in BAS 39 financial instruments: Recognition and measurement. BFRS 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 BAS 39. BFRS 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 BFRS 9 on the financial statements.

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

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRS 13 Customer Loyalty Programmes. BFRS 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 BFRS 15 on its financial statements.

### 3.33 Audit Committee

Mr. Kamran Y. Mirza	Chairman
Mr. Abdulla Khalil Al Mutawa	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Efstratios Georgios Arapoglou	Director
Mr. Tahir Khurshid	Secretary

### 3.34 Date of Authorization

The financial statements were authorized for issue by the senior management of the Bank, Bangladesh Operations on 27 March 2017.



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**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 (ie 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.



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>4 Cash</b>		
<b>Cash in hand</b>		
Local currency	153,728,501	116,990,736
Foreign currency	1,453,146	450,804
	<u>155,181,647</u>	<u>117,441,540</u>
<b>Balance with Bangladesh Bank and its agent Bank</b>		
Local currency	654,417,519	791,291,556
Foreign currency	513,078,803	491,860,537
	<u>1,167,496,322</u>	<u>1,283,152,093</u>
	<u>1,322,677,969</u>	<u>1,400,593,633</u>

- 4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) have been calculated and maintained in accordance with section 33 of the Bank Companies Act 1991, MPD Circular nos.4 & 5, dated 1 December 2010, MPD circular no. 2, dated- 10 December 2013 and MPD Circular no. 1, dated- 23 June 2014, DOS Circular no. 1, dated- 19 January 2014.

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

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

Required reserve	453,373,174	407,888,809
Actual reserve held	459,789,079	465,376,151
<b>Surplus</b>	<u>6,415,905</u>	<u>57,487,342</u>

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

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

Required reserve	201,630,221	200,383,301
Actual reserve held	211,006,952	334,984,452
<b>Surplus</b>	<u>9,376,731</u>	<u>134,601,151</u>

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

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

Required reserve	906,746,348	815,777,617
Actual reserve held	949,571,967	3,114,475,548
<b>Surplus</b>	<u>42,825,619</u>	<u>2,298,697,931</u>

**Held for Statutory Liquidity Requirement**

Cash in hand	107,177,671	79,322,216
Balance with Bangladesh Bank as per statement	459,789,079	465,376,151
Treasury bills (HFT)	98,779,405	-
Treasury bonds (HTM) without lien	155,800,000	155,800,000
Treasury bonds (HFT)	27,997,326	2,413,887,881
Bangladesh Bank Bill (HTM)	99,967,486	-
Prize bond	61,000	89,300
	<u>949,571,967</u>	<u>3,114,475,548</u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>ii) Statutory Liquidity Requirement (SLR) for Islamic Banking</b>		
<b>5.5% of required Average Demand and Time Liabilities</b>		
Required reserve	170,610,187	169,555,100
Actual reserve held	<u>372,240,409</u>	<u>373,103,776</u>
<b>Surplus</b>	<b><u>201,630,222</u></b>	<b><u>203,548,676</u></b>
<b>Held for Statutory Liquidity Requirement:</b>		
Cash in hand	48,003,976	38,119,324
Balance with Bangladesh Bank as per statement	211,006,952	334,984,452
Foreign currency used in BDT	<u>113,229,481</u>	<u>-</u>
	<b><u>372,240,409</u></b>	<b><u>373,103,776</u></b>
<b>5 Balance with other banks and financial institutions</b>		
In Bangladesh (Note 5.1)	1,332,631,999	1,498,937,433
Outside Bangladesh (Note 5.2)	<u>503,885,435</u>	<u>41,263,508</u>
	<b><u>1,836,517,434</u></b>	<b><u>1,540,200,941</u></b>
<b>5.1 Inside Bangladesh</b>		
<b>Current account</b>		
Janata Bank Limited - Foreign Exchange Branch	5,549	5,952
Islami Bank Bangladesh Limited	27,108	27,546
Sonali Bank Limited	13,261	13,261
The Trust Bank Limited	27,280	23,668
Brac Bank Limited	-	4,050,335
Standard Chartered Bank	<u>6,662,956</u>	<u>6,192,985</u>
	<b><u>6,736,154</u></b>	<b><u>10,313,747</u></b>
<b>Mudaraba saving deposit</b>		
Dhaka Bank Limited	32,857	32,393
Prime Bank Limited	<u>272,988</u>	<u>270,948</u>
	<b><u>305,845</u></b>	<b><u>303,341</u></b>
<b>Mudaraba Term deposit</b>		
Social Islami Bank Limited	250,000,000	400,000,000
The City Bank Limited	<u>100,000,000</u>	<u>-</u>
	<b><u>350,000,000</u></b>	<b><u>400,000,000</u></b>
<b>Term deposit</b>		
ICB Islamic Bank Limited	-	2,790,345
National Bank of Pakistan	700,000,000	850,000,000
Mutual Trust Bank Limited	-	78,510,000
Brac Bank Limited	78,740,000	-
AB Bank Limited	<u>196,850,000</u>	<u>157,020,000</u>
	<b><u>975,590,000</u></b>	<b><u>1,088,320,345</u></b>
	<b><u>1,332,631,999</u></b>	<b><u>1,498,937,433</u></b>
<b>5.2 Outside Bangladesh</b>		
<b>Current account</b>		
Standard Chartered Bank, New York	93,469,969	29,512,637
Standard Chartered Bank, Kolkata	7,651,285	5,438,276
Bank Alfalah Limited, Karachi	713,965	711,879
National Bank of Pakistan, New York	3,701,697	4,383,567
Standard Chartered Bank, London	554,664	405,846
Standard Chartered Bank, Frankfurt	3,951,064	83,480
Commerz bank, Frankfurt	-	702,114
Standard Chartered Bank, Tokyo	142,791	-
Union De Banques Arabes ET Francaises Japan	<u>-</u>	<u>25,709</u>
	<b><u>110,185,435</u></b>	<b><u>41,263,508</u></b>

Details are shown in Annexure-C



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>Term deposit</b>		
Bank Alfalah Limited, Bahrain	<u>393,700,000</u>	<u>-</u>
	<u><b>503,885,435</b></u>	<u><b>41,263,508</b></u>
<b>5.3 Maturity-wise groupings of balance with other banks and financial institutions</b>		
On demand	859,758,717	51,577,255
Not more than 3 months	976,758,717	400,303,341
More than 3 months but less than 1 year	-	1,088,320,345
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	<u><b>1,836,517,434</b></u>	<u><b>1,540,200,941</b></u>
<b>6 Money at call and on short notice</b>	<u>-</u>	<u>-</u>
<b>7 Investments</b>		
<b>Government securities</b>		
Bangladesh Bank bills	99,967,486	-
Treasury bills HFT	98,779,405	-
Treasury bills HTM	1,508,356,561	-
Treasury bonds HFT	27,997,326	2,413,887,881
Treasury bonds HTM	4,184,598,731	4,340,966,564
Prize bonds	61,000	89,300
	<u><b>5,919,760,509</b></u>	<u><b>6,754,943,745</b></u>
<b>Others (Note-7.1.3)</b>	<u>400,000,000</u>	<u>200,000,000</u>
	<u><b>400,000,000</b></u>	<u><b>200,000,000</b></u>
	<u><b>6,319,760,509</b></u>	<u><b>6,954,943,745</b></u>
<b>7.1 Investments classified as per Bangladesh Bank Circular</b>		
Held-for-trading (HFT) securities (Note-7.1.1)	126,837,731	2,413,977,181
Held-to-maturity (HTM) securities (Note-7.1.2)	5,792,922,778	4,340,966,564
Others (Note-7.1.3)	400,000,000	200,000,000
	<u><b>6,319,760,509</b></u>	<u><b>6,954,943,745</b></u>
<b>7.1.1 Held-for-trading (HFT) securities</b>		
Treasury bills	98,779,405	-
Treasury bonds	27,997,326	2,413,887,881
Prize bonds	61,000	89,300
	<u><b>126,837,731</b></u>	<u><b>2,413,977,181</b></u>
<b>7.1.2 Held-to-maturity (HTM) securities</b>		
Bangladesh Bank bill	99,967,486	-
Treasury bills	1,508,356,561	-
Treasury bonds	4,184,598,731	4,340,966,564
	<u><b>5,792,922,778</b></u>	<u><b>4,340,966,564</b></u>
Except one treasury bond amounting Taka 155,800,000, the above HTM securities are lien with Bangladesh Bank for capital purpose.		
<b>7.1.3 Others</b>		
Commercial Paper - KSRM-Steel Plant Ltd.	200,000,000	200,000,000
Commercial Paper - BSRM-Steel Ltd	200,000,000	-
	<u><b>400,000,000</b></u>	<u><b>200,000,000</b></u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>7.2 Maturity wise groupings of investment</b>		
Repayable On demand	61,000	89,300
Not more than 3 months	2,071,033,380	200,000,000
More than 3 months but not more than 1 year	1,385,148,687	111,115,770
More than 1 year but not more than 5 years	1,737,114,283	4,827,613,743
More than 5 years	1,126,403,159	1,816,124,932
	<u><b>6,319,760,509</b></u>	<u><b>6,954,943,745</b></u>





	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>8 Loans and advances/investments</b>		
Loans, cash credit, overdrafts etc./Investments (Note 8.1)	9,059,177,931	7,413,818,028
Bills purchased and discounted (Note 8.10)	215,589,959	344,607,204
	<u>9,274,767,890</u>	<u>7,758,425,232</u>

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

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

**Conventional Banking**

Current finance	2,817,147,841	2,397,542,924
Term finance	2,472,874,894	2,356,841,768
Finance Against Foreign Bill	12,985,841	24,644,297
Staff loan	61,292,077	4,060,966
Finance Against EDF	150,852,179	-
Loan against trust receipts	242,529,493	47,177,881
	<u>6,757,482,325</u>	<u>4,830,267,836</u>

**Islamic Banking**

Morabaha (LPO)	3,027,144,856	2,447,552,063
Trust receipts	218,976,874	71,812,999
Finance Against Foreign Bill	52,519,960	19,355,667
Morabaha manual	5,053,916	5,053,916
Staff morabaha	-	39,775,547
	<u>3,301,695,606</u>	<u>2,583,550,192</u>
	<u>9,059,177,931</u>	<u>7,413,818,028</u>

**Outside Bangladesh**

	-	-
	<u>9,059,177,931</u>	<u>7,413,818,028</u>

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

Repayable On demand	2,119,819,848	67,534,538
Not more than 3 months	2,195,269,649	774,880,931
More than 3 months but not more than 1 year	3,502,558,945	5,606,337,623
More than 1 year but not more than 5 years	1,273,766,228	1,184,383,909
More Than 5 years	183,353,420	125,288,232
	<u>9,274,767,890</u>	<u>7,758,425,232</u>

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

Advances to Chief executive, other Senior executives and other Officers

61,292,077      43,836,513

Industrial loans and advances

9,213,475,813      7,714,588,719

9,274,767,890      7,758,425,232

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

Total outstanding amount to such customers at end of the year (01 Customers)

704,064,583      1,197,881,979

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**

	<u>2016</u>		<u>2015</u>	
	% of Total Loan	Taka	% of Total Loan	Taka
Agri Business	2.64%	245,295,227	3.52%	272,722,669
Automobile dealers	0.32%	30,035,500	0.40%	31,256,165
Cement	5.72%	530,851,106	2.98%	230,870,535
Chemicals	1.50%	138,953,346	1.51%	117,499,579
Financial Institutions & MFIs	15.92%	1,476,914,284	8.45%	655,615,901
Food & Personal Care Products	8.22%	762,357,316	6.18%	479,801,419
Glass & Ceramics	0.33%	30,202,497	0.20%	15,306,332
Leather & Tanneries	2.17%	201,165,053	2.60%	201,406,000
Manufacturing & sale of Domestic Appliances	5.82%	539,383,887	1.19%	91,937,859
Metal & Allied	13.66%	1,267,038,162	15.88%	1,231,847,956
Oil & Gas Marketing Companies	0.00%	-	3.92%	304,178,670
Others/Miscellaneous	6.41%	594,309,732	8.44%	655,154,465
Paper & Board	0.33%	30,532,263	0.11%	8,221,921



Pharmaceuticals	2.73%	253,326,203	2.87%	222,511,742
Power Generation & Distribution- Non Gov	4.78%	441,915,833	8.91%	691,088,750
Printing & Publishing	0.71%	65,902,984	1.03%	80,183,227
Real Estate/Construction	0.33%	31,000,029	0.09%	7,013,660
Refinery	0.31%	28,553,573	0.35%	26,804,309
Services	4.09%	379,363,414	1.35%	104,351,189
Textile Composite / Garments Manufacturi	5.19%	481,691,378	9.83%	762,661,969
Textile Spinning	8.05%	746,472,109	8.89%	689,750,920
Tobacco	0.52%	48,347,323	0.63%	49,022,537
Trading	4.18%	387,548,281	5.29%	410,763,941
Transport	0.19%	17,545,924	0.64%	49,741,399
Vanaspati & Allied Industries	5.89%	546,062,467	4.75%	368,712,119
	<b>100.00%</b>	<b>9,274,767,890</b>	<b>100.00%</b>	<b>7,758,425,232</b>

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

	2016		2015	
	% of Total Loan	Taka	% of Total Loan	Taka
Dhaka Division	82.75%	7,675,183,643	79.84%	6,194,346,307
Chittagong Division	14.77%	1,370,043,490	17.24%	1,337,670,260
Sylhet Division	2.47%	229,540,757	2.92%	226,408,665
	<b>100%</b>	<b>9,274,767,890</b>	<b>100%</b>	<b>7,758,425,232</b>

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

Status	2016		2015	
	% of Total Loan	Taka	% of Total Loan	Taka
<b>Unclassified:</b>				
Standard including staff loan	97.06%	9,001,026,996	93.18%	7,227,469,200
Special Mention Account (SMA)	0.04%	3,377,740	0.02%	1,760,732
	<b>97.09%</b>	<b>9,005,004,736</b>	<b>93.18%</b>	<b>7,229,229,931</b>
<b>Classified:</b>				
Substandard	0.00%	-	0.56%	43,813,934
Doubtful	0.00%	-	0.08%	4,827,377
Bad or loss	2.91%	269,763,154	6.19%	480,553,991
	<b>2.91%</b>	<b>269,763,154</b>	<b>6.82%</b>	<b>529,195,301</b>
	<b>100.00%</b>	<b>9,274,767,890</b>	<b>100.00%</b>	<b>7,758,425,232</b>

#### 8.8 Particulars of required provision for loans and advances/investments

	2016		2015	
	Base for Provision	Required Provision	Base for Provision	Required Provision
<b>Unclassified</b>				
All unclassified loans (other than SME loan, Agricultural loan and special mention account)	8,407,139,963	84,071,400	6,698,326,469	66,983,265
Agricultural finance	252,647,368	6,316,184	223,811,489	5,595,287
SME finance	341,839,665	854,599	305,331,242	763,328
Special Mention Account (SMA)	3,377,740	8,444	1,760,732	4,402
	<b>9,005,004,736</b>	<b>91,250,627</b>	<b>7,229,229,931</b>	<b>73,346,282</b>
<b>Classified</b>				
Substandard	-	-	27,821,703	5,564,341
Doubtful	-	-	2,378,274	1,189,137
Bad or loss	140,609,296	140,609,296	310,614,664	310,614,664
	<b>140,609,296</b>	<b>140,609,296</b>	<b>340,814,640</b>	<b>317,368,141</b>
	<b>9,145,614,033</b>	<b>231,859,924</b>	<b>7,570,044,571</b>	<b>390,714,423</b>
<b>Total provision maintained</b>		<b>271,977,923</b>		<b>438,214,423</b>
<b>Surplus provision</b>		<b>40,117,999</b>		<b>47,500,000</b>



	<b>2016</b> <b>Taka</b>	<b>2015</b> <b>Taka</b>
<b>8.9 Particulars of loans and advances/investments</b>		
i) Loans considered good in respect of which the banking company is fully secured;	9,274,235,509	7,756,703,477
ii) Loans considered good against which the banking company holds no security other than the debtor's personal guarantee;	532,381	1,721,755
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>9,274,767,890</b>	<b>7,758,425,232</b>
v) Loans due by directors or officers of the banking company or any of these either separately or jointly with any other person.	<b>61,292,077</b>	<b>43,836,513</b>
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;	<b>61,292,077</b>	<b>43,836,513</b>
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members	-	-
ix) Due from Banking Companies;	-	-
x) Amount of Classified loan/Investment on which Interest/Profit has not been charged:	<b>269,763,154</b>	<b>529,195,301</b>
(a) Movement of Classified loans and advances		
Opening balance	<b>529,195,301</b>	<b>352,085,649</b>
Increase/(decrease) during the year	<b>(259,432,148)</b>	<b>177,109,652</b>
Closing balance	<b>269,763,154</b>	<b>529,195,301</b>
(b) Provision kept against loan classified as bad/loss on the date of balance sheet	<b>140,609,266</b>	<b>310,614,664</b>
(c) Amount of Interest/profit charged in suspense account	<b>52,281,625</b>	<b>81,477,422</b>
xi) Loans written off	<b>54,116,932</b>	<b>35,707,932</b>
- Current Year	18,409,000	35,707,932
- Cumulative to-date	54,116,932	35,707,932
- Amount of written off loans for which lawsuit was filed	54,116,932	35,707,932
<b>8.10 Bills purchased and discounted</b>		
Bills purchased and discounted excluding treasury bills:		
Payable in Bangladesh	215,589,959	344,607,204
Payable outside Bangladesh	-	-
	<b>215,589,959</b>	<b>344,607,204</b>
<b>8.11 Maturity grouping of bills discounted and purchased</b>		
Payable within 1 month	102,074,793	117,455,080
Over 1 month but less than 3 months	102,768,801	143,201,681
Over 3 months but less than 6 months	10,746,365	83,950,444
6 months or more	-	-
	<b>215,589,959</b>	<b>344,607,204</b>
<b>9 Fixed assets including premises, furniture and fixtures</b>		
<b>Cost:</b>		
Furniture, fixture and fittings	45,690,672	45,079,243
Office equipments	54,822,641	53,678,245
Staff equipments	13,500	13,500
Computer and related equipments	116,080,980	112,890,290
Motor vehicles	32,702,690	24,327,190
Leasehold improvement	73,276,889	72,840,231
	<b>322,587,372</b>	<b>308,828,699</b>



**Less: Accumulated depreciation**  
 Furniture, fixture and fittings  
 Office equipments  
 Staff equipments  
 Computer and related equipments  
 Motor vehicles  
 Leasehold improvement

**Written Down Value**

Details are shown in Annexure - D.

	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
	38,557,304	36,101,259
	42,957,022	41,506,694
	13,500	13,500
	103,753,364	99,187,018
	17,239,990	17,446,386
	65,243,888	61,330,028
	<b>287,765,068</b>	<b>255,584,885</b>
	<b>54,822,304</b>	<b>53,243,814</b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>10 Others Assets</b>	<b>706,413,966</b>	<b>665,639,162</b>
<b>10.1 Classification of other assets</b>		
<b>Income generating other assets</b>	-	-
<b>Non-income generating other assets</b>		
Investment in shares of subsidiary companies:		
- In Bangladesh	-	-
- Outside Bangladesh	-	-
Stationery, stamps, printing materials in stock etc.	6,423,319	5,205,278
Advance rent and advertisement	65,745,075	83,123,389
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables (Note 10.2)	151,656,209	239,774,651
Security deposits	1,171,115	1,171,115
Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	5,516,414	8,144,901
Branch adjustment Account (Note 10.3)	(2,181,954)	(2,967,409)
Suspense account	-	-
Silver	-	-
Deferred Tax Assets (Note-13.6)	2,397,310	3,238,764
Others (Note 10.4)	475,686,478	327,948,473
	<b>706,413,966</b>	<b>665,639,162</b>
	<b>706,413,966</b>	<b>665,639,162</b>
<b>10.2 Income/profit receivables</b>		
On Treasury bill, bonds, preference shares, etc.	142,881,314	223,252,357
Deposit with financial institution	5,921,043	12,706,755
Mark up receivables on bill purchased and discounted	2,853,852	3,815,539
	<b>151,656,209</b>	<b>239,774,651</b>
<b>10.3 Branch adjustment Account</b>	<b>(2,181,954)</b>	<b>(2,967,409)</b>
All inter branch reconciliation have been made up to December 31, 2016. There were no significant un responded items outstanding for more than 3 months.		
<b>10.4 Others</b>		
Compensation receivable	-	-
Short term receivable - account maintenance fees	2,757,157	2,296,425
Intangible asset - Software (Note 10.4.1)	5,380,493	3,886,353
Net of profit on Morabaha	(136,728,082)	(97,438,290)
Advance income tax (Note 10.4.2)	563,973,139	381,902,170
Receivable from Head office (POS Fund)	32,378,994	32,378,994
Receivable from Bangladesh Bank	7,730,316	4,698,976
Miscellaneous	194,461	223,845
	<b>475,686,478</b>	<b>327,948,473</b>
<b>10.4.1 Intangible asset - Software</b>		
<b>Cost</b>		
Balance at 1 January	27,173,273	27,173,273
Acquisitions	5,551,225	-
<b>Balance at 31 December</b>	<b>32,724,498</b>	<b>27,173,273</b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>Amortization and impairment losses</b>		
Balance at 1 January	23,286,920	19,207,359
Amortization for the year	4,057,085	4,079,561
<b>Balance at 31 December</b>	<b>27,344,005</b>	<b>23,286,920</b>
<b>Carrying amounts</b>		
Balance at 31 December	<b>5,380,493</b>	<b>3,886,353</b>
<b>10.4.2 Advance income tax</b>		
<b>Advance tax</b>		
Balance as at 1 January	381,902,170	330,253,437
Add: Paid during the year	182,070,969	225,454,907
	563,973,139	555,708,344
Less: Adjustments made during the year	-	173,806,174
<b>Balance as at 31 December</b>	<b>563,973,139</b>	<b>381,902,170</b>
<b>11 Borrowings from other banks, financial institutions and agents</b>		
In Bangladesh (Note-11.1)	346,803,017	460,000,000
Outside Bangladesh	-	-
	<b>346,803,017</b>	<b>460,000,000</b>
<b>11.1 In Bangladesh</b>		
Call borrowing (Note-11.2)	-	460,000,000
Term borrowing (Note-11.3)	346,803,017	-
	<b>346,803,017</b>	<b>460,000,000</b>
<b>11.2 Call borrowing</b>		
One Bank Limited	-	160,000,000
Southeast Bank Limited	-	100,000,000
Dutch-Bangla Bank Ltd.	-	200,000,000
	-	<b>460,000,000</b>
<b>11.3 Term borrowing</b>		
The City Bank Limited	196,850,000	-
Bangladesh Bank - EDF Financing	149,953,017	-
Eastern Bank Limited	-	-
	<b>346,803,017</b>	-
<b>11.4 Secured and Unsecured Borrowings from other banks, financial institutions and agents</b>		
Secured Borrowing	-	-
Unsecured Borrowing	346,803,017	460,000,000
	<b>346,803,017</b>	<b>460,000,000</b>
<b>11.5 Maturity grouping of Borrowings from other banks, financial institutions and agents</b>		
Repayable on demand	-	-
Repayable within 1 month	218,901,508	460,000,000
Over 1 month but within 6 months	127,901,509	-
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>346,803,017</b>	<b>460,000,000</b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>12 Deposits and Other Accounts</b>		
Current/Al-wadeeah current accounts and other accounts	1,782,324,776	1,488,093,260
Bills payable	102,868,861	105,269,417
Savings bank/Mudaraba savings bank deposits	4,679,786,250	3,448,700,785
Fixed deposits/Mudaraba fixed deposits	5,917,948,730	6,392,348,537
	<b><u>12,482,928,617</u></b>	<b><u>11,434,411,999</u></b>
<b>12.1 Current/Al-wadeeah current accounts and other accounts</b>		
Current/Al-wadeeah current deposits	1,010,869,755	787,881,076
Alfalah Uduog Current Account	299,616,104	120,866,180
Foreign currency deposits	246,009,564	466,202,700
Sundry deposits (Note 12.5)	225,829,353	113,143,304
	<b><u>1,782,324,776</u></b>	<b><u>1,488,093,260</u></b>
<b>12.2 Bills payable</b>		
Payment order - Inside Bangladesh	75,632,707	98,495,198
Demand draft payable - Outside Bangladesh	26,911,717	6,292,499
Unclaimed DD/TT/PO - Inside Bangladesh	158,140	313,915
Unclaimed DD/TT/PO - Outside Bangladesh	168,297	167,805
	<b><u>102,868,861</u></b>	<b><u>105,269,417</u></b>
<b>12.3 Savings bank/Mudaraba savings bank deposits</b>		
Savings deposits	1,264,915,136	788,955,938
Mudaraba Royal Profit deposits	637,958,873	586,270,661
Alfalah Savings Plan (ASP)	109,946,432	87,454,042
Special Notice Deposits (SND)	1,147,271,208	875,510,300
Alfalah Salary Account (ASA)	25,142,919	10,942,019
Alfalah Rising Star (ARS)	5,736,185	1,255,783
Alfalah premium Plus (APP)	932,524,330	491,594,950
Monthly Premium Deposit	556,291,169	606,717,092
	<b><u>4,679,786,250</u></b>	<b><u>3,448,700,785</u></b>
<b>12.4 Fixed deposits/Mudaraba fixed deposits</b>		
Fixed Deposit (FDR)	3,830,561,829	4,423,156,782
Mudaraba Term Deposit (MTDR)	2,087,386,901	1,969,191,755
	<b><u>5,917,948,730</u></b>	<b><u>6,392,348,537</u></b>
<b>12.5 Sundry deposits</b>		
Margin Accounts - Local Currency	179,937,346	74,689,921
Margin Accounts - Foreign Currency	45,892,007	38,453,383
Others	-	-
	<b><u>225,829,353</u></b>	<b><u>113,143,304</u></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)	1,491,196,153	1,244,392,909
Other deposits	10,991,732,464	10,190,019,090
	<b><u>12,482,928,617</u></b>	<b><u>11,434,411,999</u></b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>12.8.1 Inter-bank deposits</b>		
Jamuna Bank Limited	28,520	29,820
Pubali Bank Limited	1,122,490	1,094,755
AB Bank Limited	252,298,075	254,112,588
Prime Bank Limited	100,039,011	39,030
Islami Bank Bangladesh Limited	422,994,814	411,013,424
Shahjalal Islami Bank Limited	111,172,534	107,832,177
Al-Arafah Islami Bank Limited	200,080,000	-
The City Bank Limited	1,452,293	59,424,586
Bank Asia Limited	102,008,416	846,529
Mutual Trust Bank Limited	300,000,000	-
Eastern Bank Limited	-	400,000,000
Modhumoti Bank Limited	-	10,000,000
	<b><u>1,491,196,153</u></b>	<b><u>1,244,392,909</u></b>
<b>12.9 Maturity grouping of deposits</b>		
Repayable On demand	1,782,324,776	1,593,362,677
Repayable within 1 month	830,031,034	1,079,462,528
Over 1 month but within 6 months	5,192,797,190	4,876,450,000
Over 6 months but within 1 year	1,826,708,723	1,334,340,000
Over 1 year but within 5 years	2,851,066,894	2,550,796,794
Over 5 years but within 10 years	-	-
10 years or more	-	-
	<b><u>12,482,928,617</u></b>	<b><u>11,434,411,999</u></b>
<b>13 Other liabilities</b>		
Provision for loans and advances/investments (Note 13.1)	271,977,923	438,214,423
Provision for off-balance sheet exposures (Note 13.2)	33,863,528	30,611,980
Interest suspense account (Note 13.3)	52,281,625	81,477,423
Provision for taxation (13.4)	745,218,173	513,577,173
Accrued expenses	7,479,390	3,716,896
Interest payable on borrowings (Note 13.5)	63,118,581	100,594,625
Deferred tax liability (Note 13.6)	-	-
Accounts payable - (Locker Security Deposit)	450,000	364,000
Withholding tax on interest on deposits	4,641,302	6,717,683
Withholding tax	4,299,130	3,966,446
Withholding VAT	2,291,093	2,189,015
Provision for audit and consultancy fees	4,599,500	1,225,650
Provision for leave fare allowance	1,184,433	2,918,742
Payable to Shamil Bank's Head Office	79,052,645	79,052,645
Excise duty	268,780	287,744
SLR Charges payable to Bangladesh Bank	154,458	83,372
Advance commission on Letter of Guarantee (L/G)	1,229,324	1,279,134
Charity fund account	2,242,002	4,583,829
Provision for Rebate on Good Borrowers	37,260,857	20,000,000
Provision against receivable from HO (POS Fund)	32,378,994	1,579,202
Miscellaneous	1,302,275	1,381,695
	<b><u>1,345,294,013</u></b>	<b><u>1,293,821,677</u></b>





	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>13.1 Provision for loans and advances/investments</b>		
<b>General Provision</b>		
Balance as at 1 January	73,346,282	70,155,849
Add: Provision made during the year		
On general loans and advances/investments etc.	17,900,303	3,213,237
On Special Mention Account (SMA)	4,042	(22,804)
	<u>17,904,345</u>	<u>3,190,433</u>
Less: Provision no longer required	-	-
<b>Balance as at 31 December</b>	<u><b>91,250,627</b></u>	<u><b>73,346,282</b></u>
<b>Specific Provision</b>		
Provision held beginning of the year	364,868,141	439,683,400
Less: Fully provided debt written off	18,409,000	35,707,932
Add: Recoveries of amounts previously written off	-	0
Add: Specific provision for the year	88,129,970	35,245,096
Less: Recoveries and Provisions no longer required	253,861,815	74,352,423
Net Charge to Profit and Loss Account	<u>(165,731,845)</u>	<u>(39,107,327)</u>
<b>Balance as at 31 December</b>	<u><b>180,727,296</b></u>	<u><b>364,868,141</b></u>
<b>Total provision on loans and advances/investments</b>	<u><b>271,977,923</b></u>	<u><b>438,214,423</b></u>
<b>13.2 Provision for off-balance sheet exposures</b>		
Balance at the beginning of the year	30,611,980	28,310,565
Add: Provision made during the year	23,072,560	20,212,594
	<u>53,684,540</u>	<u>48,523,159</u>
Less: Adjustments made during the year	19,821,012	17,911,179
<b>Balance at the end of the year</b>	<u><b>33,863,528</b></u>	<u><b>30,611,980</b></u>
<b>13.3 Interest suspense account</b>		
Balance at the beginning of the year	81,477,423	85,948,868
Add: Amount transferred to Interest Suspense Account during the year	26,190,500	11,887,585
	<u>42,590,143</u>	<u>9,332,602</u>
Less: Amount recovered in Interest Suspense Account during the year	-	-
Less: Amount written off during the year	12,796,155	7,026,428
<b>Balance at the end of the year</b>	<u><b>52,281,625</b></u>	<u><b>81,477,423</b></u>
<b>13.3.1 Interest/profit suspense and compensation suspense</b>		
Interest/profit suspense	52,281,625	81,477,423
Compensation suspense	-	-
	<u><b>52,281,625</b></u>	<u><b>81,477,423</b></u>
<b>13.4 Provision for Taxation</b>		
Balance as at January 01, 2016	513,577,173	443,008,816
Add: Provision made during the year (Note 34)	231,641,000	249,941,956
	<u>745,218,173</u>	<u>692,950,772</u>
Less: Adjustments made during the year	-	179,373,599
<b>Balance as at December 31, 2016</b>	<u><b>745,218,173</b></u>	<u><b>513,577,173</b></u>

Provision for current tax of Taka 231,641,000 has been made @ 42.5% of adjusted net profit for the year 2016 as prescribed by Finance Act 2016 which includes Taka 116,870,000 in respect of previous year. The tax provision as per Income Tax Ordinance 1984, Income Tax Rules 1984 and in compliance of Para 46 of BAS 12 "Income Tax". The details of year wise tax position is provided in Annexure-F.



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>13.5 Profit/interest payable on deposit</b>		
<b>Profit/interest payable on</b>		
Special notice deposit	-	16,418
Borrowings from FI	581,566	36,528
	<u>581,566</u>	<u>52,946</u>
<b>Interest payable on</b>		
30 days term deposit	871,270	1,087,205
90 days term deposit	20,670,172	33,157,803
180 days term deposit	10,286,811	16,568,155
360 days term deposit	29,274,133	48,519,941
15 months term deposit	743,454	-
2 years term deposit	509,563	740,268
3 years term deposit	181,612	468,307
	<u>62,537,015</u>	<u>100,541,679</u>
	<u>63,118,581</u>	<u>100,594,625</u>



### 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:

	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Fixed assets	(2,397,310)	-	(2,397,310)	(3,238,764)	-	(3,238,764)
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)	-	-	-	-	-	-
	<b>(2,397,310)</b>	<b>-</b>	<b>(2,397,310)</b>	<b>(3,238,764)</b>	<b>-</b>	<b>(3,238,764)</b>

#### 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>2016</b>				
Fixed assets	(3,238,764)	841,454	-	(2,397,310)
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)	-	-	-	-
	<b>(3,238,764)</b>	<b>841,454</b>	<b>-</b>	<b>(2,397,310)</b>
<b>2015</b>				
Fixed assets	(1,899,512)	(1,339,252)	-	(3,238,764)
Unrealized gain on HTM Securities (Treasury Bill)	5,217,117	(5,217,117)	-	-
Unrealized gain on HTM Securities (Treasury Bond)	-	-	-	-
Unrealized gain on HFT Securities (Treasury Bond)	34,696,448	(34,696,448)	-	-
Unrealized gain on HFT Securities (Treasury Bill)	47,898	(47,898)	-	-
	<b>38,061,851</b>	<b>(41,300,715)</b>	<b>-</b>	<b>(3,238,764)</b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>14 Head Office Fund</b>		
Fund received from Head Office and kept with the Bangladesh Bank	<u>4,423,989,531</u>	<u>4,423,010,704</u>
<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	4,423,989,531	4,423,010,704
Accumulated Profit (Loss)	872,122,051	503,765,211
Less: Regulatory Adjustment (Deferred Tax Asset)	2,397,310	3,238,764
Less: Goodwill and All other Intangible Assets	32,724,498	27,173,273
	<u>5,260,989,774</u>	<u>4,896,363,878</u>
<b>Additional Tier 1 Capital:</b>	-	-
<b>A) Total Tier 1 Capital</b>	5,260,989,774	4,896,363,878
<b>Tier 2 Capital:</b>		
General Provision	125,114,155	90,883,500
Revaluation reserve of Government securities (with 20% phase-in deductions)	21,045,462	28,060,616
	<u>146,159,617</u>	<u>118,944,116</u>
<b>B) Total capital</b>	<u>5,407,149,391</u>	<u>5,015,307,994</u>
<b>C) Risk weighted assets (RWA)</b>		
<b>Credit Risk</b>		
On-Balance Sheet	6,706,679,890	6,043,289,252
Off-Balance Sheet	1,038,873,621	1,227,390,764
	7,745,553,511	7,270,680,016
<b>Market Risk</b>	329,493,893	478,266,151
<b>Operational Risk</b>	1,552,306,925	1,359,860,355
<b>Total RWA</b>	<u>9,627,354,329</u>	<u>9,108,806,522</u>
D) Required Minimum Common Equity Tier-1 Capital Ratio (4.5% of the total RWA)	433,230,945	409,896,293
E) Required Capital Conservation Buffer (0.625% of the total RWA)	60,170,965	-
F) Required Minimum Common Equity Tier-1 Capital Ratio plus Capital Conservation Buffer (5.125% of total RWA)	493,401,909	-
G) Required Tier 1 Capital (5.5% of RWA)	529,504,488	455,440,326
H) Required total capital (10% of RWA)	<u>962,735,433</u>	<u>910,880,652</u>
I) Required total capital plus Capital Conservation Buffer (10.625% of RWA)	1,022,906,397	910,880,652
J) Minimum capital requirement	<u>4,000,000,000</u>	<u>4,000,000,000</u>
<b>Required capital (higher of I &amp; J)</b>	<u>4,000,000,000</u>	<u>4,000,000,000</u>
<b>Surplus (B-J)</b>	<u>1,407,149,391</u>	<u>1,015,307,994</u>
<b>Capital to Risk-Weighted Assets Ratio:</b>		
On Common Equity Tier 1 Capital against standard of minimum 4.5%	54.65%	53.75%
On Tier 1 Capital - against standard of minimum 5.5%	54.65%	53.75%
On Tier 2 Capital	1.52%	1.31%
On total capital - against standard of minimum 10%	56.16%	55.06%



- 2016**  
**Taka**
- 2015**  
**Taka**
- 15 **Other reserve**  
Other reserve arises from the revaluation of Treasury bills and bonds (HFT & HTM) in accordance with the DOS circular no. 5 dated 26 May 2008 and DOS(SR) 1153/120/2010 dated 8 December 2010. The tax effects on revaluation gain are measured and recognized in the financial statements as per BAS 12: Income Taxes.

**Movement in Other Reserve during the year**

	Balance at January 01	(Adjustment)/ Transferred during the year	Balance at December 31	Deferred tax liabilities	Net Balance at December 31
<b>2016</b>					
Treasury bills - HTM	-	32,567,626	32,567,626	-	32,567,626
Treasury bonds - HTM	-	-	-	-	-
Treasury bonds - HFT	258,036,936	(248,305,943)	9,730,993	-	9,730,993
Treasury bill - HFT	-	1,524,224	1,524,224	-	1,524,224
	<b>258,036,936</b>	<b>(214,214,093)</b>	<b>43,822,843</b>	-	<b>43,822,843</b>
<b>2015</b>					
Treasury bills - HTM	21,719,063	(21,719,063)	-	-	-
Treasury bonds - HTM	15,753	(15,753)	-	-	-
Treasury bonds - HFT	45,641,994	212,394,942	258,036,936	-	258,036,936
Treasury bill - HFT	2,774,730	(2,774,730)	-	-	-
	<b>70,151,540</b>	<b>187,885,396</b>	<b>258,036,936</b>	-	<b>258,036,936</b>
<b>16 Surplus in Profit and Loss Account</b>					
Balance as at January 01				503,765,211	181,923,322
Profit Transfer to Head Office				(78,030,000)	(46,790,110)
Net/(loss)profit for the year				446,386,840	368,631,999
Balance as at December 31				<b>872,122,051</b>	<b>503,765,211</b>
<b>17 Letters of guarantees</b>					
Claims lodged with the Bank company not recognized as loan				-	-
Money for which the Bank is contingently liable in respect of guarantees issued favoring:					
Directors				-	-
Government				502,007,763	321,415,471
Banks and other financial institutions				-	-
Others				-	-
				<b>502,007,763</b>	<b>321,415,471</b>
<b>18 Irrevocable letters of credit</b>					
Usance				613,514,885	253,879,023
Sight				341,835,338	426,633,883
				<b>955,350,223</b>	<b>680,512,906</b>
<b>19 Income statement</b>					
<b>Income</b>					
Interest, discount and similar income				1,413,358,499	1,497,652,061
Fee, commission and brokerage				27,900,668	35,082,741
Gains less Losses arising from dealing securities				-	-
Gains less Losses arising from investment securities				2,879,309	164,678
Gains less Losses arising from dealing in foreign currencies				69,610,302	87,090,934
Income from non-banking assets				-	-
Other operating income				31,932,748	31,843,895
Profit less Losses on interest rate changes				-	-
				<b>1,545,681,526</b>	<b>1,651,834,309</b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>Expenses</b>		
Interest, fee and commission	449,179,374	612,119,499
Losses on loans and advances	-	-
Administrative expenses	438,897,511	406,113,314
Other operating expenses	51,887,834	53,630,257
Depreciation on banking assets	20,623,673	18,182,819
	<u>960,588,392</u>	<u>1,090,045,889</u>
<b>Income over expenditure</b>	<u>585,093,134</u>	<u>561,788,420</u>
<b>20 Interest income/profit on investments</b>		
<b>Interest on loans and advances</b>		
Current finance	222,413,630	270,748,800
Term finance	142,431,894	151,663,685
Trust receipt	11,857,677	11,037,559
House loan - Staff	1,288,941	-
Personal loan - Staff	413,703	165,633
Self liquidating car loan- Staff	382,460	193,360
Finance against EDF	1,780,342	-
Foreign Bill Discount	12,094,416	8,291,624
Local bill discounted	792,870	616,794
	<u>393,455,933</u>	<u>442,717,455</u>
<b>Share of profit from financing and discounting</b>		
Murabaha-Staff	555,108	2,534,303
Morabaha Financing - LPO	165,599,226	187,901,545
Profit on bill discounted	5,283,682	20,833,211
Morabaha Income PAD	-	11,583
Morabaha income trust receipt	7,950,156	16,197,247
	<u>179,388,172</u>	<u>227,477,889</u>
<b>Interest on Placements with Banks</b>		
Interest from call money	92,206,256	96,880,210
Interest from deposits with banks	22,808,855	32,817,370
	<u>115,015,111</u>	<u>129,697,580</u>
	<u>687,859,216</u>	<u>799,892,924</u>
<b>21 Interest paid/profit shared on deposits and borrowings etc.</b>		
<b>Interest on deposits</b>		
Savings account	63,668,990	54,658,695
Royal profit deposit	14,464,455	13,333,134
Special notice deposit	247,075	311,639
Term deposit	202,246,792	291,851,258
	<u>280,627,312</u>	<u>360,154,726</u>
<b>Profit shared on Modaraba Deposit</b>		
Modaraba Savings Deposit	3,841,035	1,372,768
Modaraba royal profit deposit	19,621,665	18,695,442
Special notice deposit	28,000,237	36,618,739
Modaraba term deposit	101,919,006	158,689,175
	<u>153,381,943</u>	<u>215,376,124</u>
<b>Interest on borrowings</b>		
Interest paid on borrowings	9,329,749	36,588,649
Interest paid on Repo	5,840,370	-
	<u>15,170,119</u>	<u>36,588,649</u>
	<u>449,179,374</u>	<u>612,119,499</u>
<b>22 Investment income</b>		
Mark-up on Bangladesh Bank Bill	3,522,110	-
Capital gain on sale of shares	-	-
Discount on treasury bill	12,363,149	45,059,172
Mark-up on treasury bonds	582,227,998	732,792,718
Mark-up on Commercial Paper	20,566,666	36,408,333
Trading gain on treasury bills	2,879,309	164,678
Trading gain on Bangladesh Govt. Treasury Bonds	-	-
Loss on revaluation of BGB HFT securities	(120,249,387)	(105,518,196)



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Profit/(Loss) on revaluation of T-bill HFT	(838,428)	(10,318,866)
Capital gain on treasury bills and Bangladesh Govt. Treasury Bonds	275,319,943	145,020,209
Interest and Amortization on Securities	(47,412,768)	(145,684,233)
	<u>728,378,592</u>	<u>697,923,815</u>
<b>23 Commission, exchange and brokerage</b>		
Brokerage	-	-
Fees, commission etc.	27,900,668	35,082,741
Exchange earnings	69,610,302	87,090,934
	<u>97,510,970</u>	<u>122,173,675</u>
<b>24 Other operating Income</b>		
Service charges recovered	-	-
Locker rent	1,709,597	1,497,021
Document charges	6,828	9,478
Cheque return charges	268,414	360,924
Gain on disposal of fixed assets	1,869,158	4,733,525
Credit/debit card fees	981,846	965,674
Charges on documentary credit	30,000	68,762
Courier charges recovered	1,665,735	1,597,865
Cheque book charges recovered	685,993	735,283
Other income	24,715,177	21,875,363
	<u>31,932,748</u>	<u>31,843,895</u>
<b>25 Salaries and allowances</b>		
Basic salary	96,604,347	89,587,441
Housing allowance	38,641,792	35,825,060
Conveyance allowance	8,890,602	8,248,822
Leave fare allowance	11,914,885	11,663,884
Other allowances	10,331,435	12,214,636
Car allowance - Self liquidating car loan	7,668,826	7,624,153
Festival bonus	22,424,011	20,361,929
Performance bonus	8,817,326	7,148,122
The Bank's contribution to provident fund	8,564,214	8,148,277
Gratuity	10,480,603	4,473,720
Business Development Officer salary	4,733,745	3,671,444
Group insurance	2,255,233	2,336,885
	<u>231,327,019</u>	<u>211,304,373</u>
<b>26 Rent, taxes, insurance, electricity etc.</b>		
Rent, rates and taxes	101,684,976	93,709,280
Insurance	9,990,820	8,708,928
Cleaning and maintenance	17,286,635	18,266,573
Electricity and lighting	12,372,113	11,733,474
	<u>141,334,544</u>	<u>132,418,255</u>
<b>27 Legal expenses</b>		
Legal fees and charges	427,699	1,449,336
Consultancy fees	6,822,917	1,613,645
	<u>7,250,616</u>	<u>3,062,981</u>
<b>28 Postage, stamp, telecommunication etc.</b>		
Postage and couriers	2,656,627	2,452,489
Electronic mail and on-line connectivity	5,720,252	4,912,008
Telegram, fax, telex, SWIFT and internet charge	1,349,952	1,301,495
Telephone charges	1,879,461	1,672,645
	<u>11,606,292</u>	<u>10,338,637</u>
<b>29 Stationery, printing, advertisements etc.</b>		
Table stationery	1,263,826	1,523,743
Books and periodicals	60,966	72,974
Printing stationery	3,583,504	3,643,219
Computer stationery	619,268	534,260
Publicity and advertisement	3,721,597	8,163,915
	<u>9,249,161</u>	<u>13,938,111</u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>30 Country Head's salary and allowances</b>		
Basic salary	10,624,200	9,724,200
Other allowance	3,283,800	3,283,800
Leave fare allowance	1,159,000	1,084,000
Festival bonus	2,318,000	2,168,000
Performance bonus	2,000,000	1,527,500
The Bank's contribution to provident fund	1,062,420	972,420
Car allowance-Self liquidating car loan	1,020,000	1,020,000
Gratuity	885,350	810,350
	<u>22,352,770</u>	<u>20,590,270</u>
<b>31 Depreciation and repair of Bank's assets</b>		
<b>Depreciation of Bank's Assets</b>		
Furniture, fixture and fittings	2,456,045	2,601,814
Office equipments	4,717,928	4,787,724
Computer and related equipments	8,510,736	5,311,122
Motor vehicles	3,025,104	2,416,673
Leasehold improvement	3,913,860	3,065,486
	<u>20,623,673</u>	<u>18,182,819</u>
<b>Repair to Bank's Assets</b>		
Furniture, fixture and fittings	99,570	141,900
Rented premises	767,786	2,650,959
Office equipments	3,396,505	2,615,657
Computer maintenance	9,740,874	7,455,131
Motor vehicles	1,055,374	1,043,890
	<u>15,060,109</u>	<u>13,907,537</u>
	<u>35,683,782</u>	<u>32,090,356</u>
<b>32 Other expenses</b>		
Bank charges, brokerage and commission	3,186,894	2,332,406
Charges for Cheque and Documents Archiving	700,625	130,000
Membership fees	1,161,025	1,003,238
Entertainment	3,394,421	4,494,014
Security	11,265,490	11,053,606
Traveling and conveyance	3,938,544	7,568,364
Car fuel expenses	5,959,179	5,643,062
Card centre charges	1,680,729	1,791,504
Amortization of software	4,057,085	4,079,561
Training	1,742,326	1,371,720
Rent-residence	6,029,539	5,910,236
Medical expenses	7,682,960	7,314,255
Other Expenses	1,089,017	938,291
	<u>51,887,834</u>	<u>53,630,257</u>
<b>33 Provision for loans and advances/investments charged during the year</b>		
<b>General Provision</b>		
Provision made during the year		
On general loans and advances/investments etc.	17,900,303	3,213,237
On Special Mention Account (SMA)	4,042	(22,804)
	<u>17,904,345</u>	<u>3,190,433</u>
Less: Provision no longer required	-	-
	<u>17,904,345</u>	<u>3,190,433</u>
<b>Specific Provision</b>		
Specific provision made during the year	88,129,970	35,245,096
Recoveries and Provisions no longer required	253,861,815	74,352,423
	<u>(165,731,845)</u>	<u>(39,107,327)</u>
<b>Total Provision on loans and advances/investments</b>	<u>(147,827,500)</u>	<u>(35,916,894)</u>
<b>34 Other provisions</b>		
Provision for Rebate of Good Borrowers	20,000,000	20,000,000
Provision for Receivable from H.O. (POS Fund)	30,799,792	-
	<u>50,799,792</u>	<u>20,000,000</u>





	<b>2016</b> <b>Taka</b>	<b>2015</b> <b>Taka</b>
<b>35 Tax expenses (credit)</b>		
Current tax expenses	231,641,000	248,072,614
Deferred tax (credit)	841,454	(41,300,715)
	<b>232,482,454</b>	<b>206,771,899</b>
<b>36 Interest receipts</b>		
Interest/profit receivable as at 1 January	142,336,361	54,962,094
Interest/profit accrued during the year:	687,859,216	799,892,924
Interest on loans and advances	393,455,933	442,717,455
Share of profit from financing and discount	179,388,172	227,477,889
Interest on placements with banks	115,015,111	129,697,580
Interest/profit receivable as at 31 December	(14,928,127)	(142,336,361)
	<b>815,267,450</b>	<b>712,518,657</b>
<b>37 Interest payments</b>		
Interest/profit payable as at 1 January	100,594,625	104,673,234
Interest/profit charged during the year:	449,179,374	612,119,499
Interest on deposit	280,627,312	360,154,726
Profit shared on Modaraba Deposits	153,381,943	215,376,124
Interest on borrowings	15,170,119	36,588,649
Interest/profit payable as at 31 December	(83,118,581)	(100,594,625)
	<b>486,655,418</b>	<b>616,198,108</b>
<b>38 Fees and commission receipts</b>	<b>27,900,668</b>	<b>35,082,741</b>
<b>39 Payment to employees</b>		
Country Head's salaries and allowances	22,352,770	20,590,270
Salaries and allowances	231,327,019	211,304,373
Gratuity:		
Country Head	(885,350)	(810,350)
Employees	(10,480,803)	(4,473,720)
	<b>242,313,836</b>	<b>226,610,573</b>
<b>40 Payments to suppliers</b>		
<b>Balance as at 1 January</b>		
Accrued expenses	3,716,896	3,970,546
Accounts payable - others	364,000	282,000
Provision for audit and consultancy fees	1,225,650	936,000
	<b>5,306,546</b>	<b>5,188,546</b>
<b>Charged during the year</b>		
Stationery, printing, advertisements etc.	9,249,161	13,938,111
Rent, taxes, insurance, electricity etc.	141,334,544	132,418,255
Postage, stamp, telecommunication etc.	11,608,292	10,338,637
Legal expenses	7,250,616	3,062,981
Auditors' fees	717,000	553,150
	<b>170,157,613</b>	<b>160,311,134</b>
<b>Balance as at 31 December</b>		
Accrued expenses	(7,479,390)	(3,716,896)
Accounts payable - others	(450,000)	(364,000)
Provision for audit and consultancy fees	(4,599,500)	(1,225,650)
	<b>(12,528,890)</b>	<b>(5,306,546)</b>
	<b>162,935,269</b>	<b>160,193,134</b>
<b>41 Income tax paid</b>	<b>182,070,969</b>	<b>225,454,907</b>
<b>42 Receipts from other operating activities</b>		
Other operating income	31,932,748	31,843,895
Exchange earnings	69,610,302	87,090,934
Investment income	728,378,592	697,923,815
Gain on disposal of fixed assets	(1,869,158)	(4,733,525)
Gain on sale of securities/shares	(2,879,309)	(164,678)
	<b>825,173,175</b>	<b>811,960,441</b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>43 Payments for other operating activities</b>		
Repairs of Bank's assets	15,060,109	13,907,537
Other expenses	51,887,834	53,630,257
Gratuity:		
Country Head	885,350	810,350
Employees	10,480,803	4,473,720
Adjustment for amortization of software	(4,057,085)	(4,079,561)
	<u>74,256,811</u>	<u>68,742,303</u>
<b>44 Movement of loans and advances/investments to customers</b>		
Balance as at 31 December	9,274,767,890	7,758,425,232
Balance as at 1 January	(7,758,425,232)	(7,508,280,374)
	<u>1,516,342,658</u>	<u>250,144,858</u>
<b>45 Movement of other assets</b>		
(Increase)/decrease in other assets which are not considered elsewhere		
- Stationery, stamps, printing materials, etc.	(1,218,041)	(599,756)
- Advance rent and advertisement	17,378,314	11,492,397
- Security deposits	-	1
- Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	2,628,487	471,095
- Branch adjustment	(785,455)	(1,343,896)
- Others	(148,962,582)	(57,891,154)
Adjustments for-		
- Deferred tax assets	841,454	(3,238,764)
- Advance income tax - net of provision for tax		51,648,733
- Intangible asset (Computer Software)	88,118,442	(4,079,561)
- Net of profit on Morabaha	(39,289,792)	6,848,930
	<u>(81,289,173)</u>	<u>3,308,025</u>
<b>46 Movement of deposits and other accounts from banks</b>		
Balance as at 31 December	1,491,196,153	1,244,392,909
Balance as at 1 January	(1,244,392,909)	(872,359,540)
	<u>246,803,244</u>	<u>372,033,369</u>
<b>47 Movement of deposits and other accounts from customers</b>		
Balance as at 31 December	10,991,732,464	10,190,019,090
Balance as at 1 January	(10,190,019,090)	(8,879,671,077)
Increase/(Decrease)	<u>801,713,374</u>	<u>1,310,348,013</u>
<b>48 Movement of other liabilities</b>		
Increase/(decrease) in other liabilities which are not considered elsewhere		
- Interest suspense account	(29,195,798)	(4,471,445)
- Deferred tax liability (Note 13.6)	-	(38,061,951)
- Withholding tax on Interest on deposits	(2,076,381)	(992,317)
- Withholding tax	332,684	(544,973)
- Withholding VAT	102,078	312,229
- Provision for leave fare allowance	(1,734,309)	1,752,883
- Provision for audit and consultancy fees	3,373,850	-
- Excise duty	(18,964)	(2,438,652)
- SLR Charges payable to Bangladesh Bank	71,086	(49,659)
- Advance commission on Letter of Guarantee (L/G)	(49,810)	(963,133)
- Charity Fund Account	(2,341,827)	(4,196,091)
- Miscellaneous	(145,803,515)	(1,765,553)
	<u>(177,340,906)</u>	<u>(51,418,662)</u>
<b>49 Proceeds from sale/redemption of securities</b>		
Proceeds from sale of securities	-	188,050,074
Commercial Paper - KSRM-Steel Plant Ltd.	(200,000,000)	(200,000,000)
	<u>(200,000,000)</u>	<u>(11,949,926)</u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>50 Payment for purchase of securities</b>		
Held-for-trading securities (Treasury Bond)	2,385,890,555	(629,333,613)
Held-to-maturity securities (Treasury Bond)	156,367,833	(1,117,612,798)
	<u>2,542,258,388</u>	<u>(1,746,946,411)</u>
<b>51 Sale of fixed assets</b>		
Sale of fixed assets	2,089,955	5,372,192
	<u>2,089,955</u>	<u>5,372,192</u>
<b>52 General</b>		
<b>52.1 Related parties</b>		
<b>Transactions with key management personnel</b>		
Key management personnel have transacted with the Bank during the year as follows:		
House finance	36,851,897	19,342,326
Car finance	18,568,758	22,264,287
	<u>55,420,455</u>	<u>41,606,613</u>
Key management personnel compensation for the year comprised:		
Short-term employee benefits	171,412,092	160,819,290
Provident fund	7,123,536	6,765,899
Gratuity	5,809,503	5,498,471
	<u>184,345,131</u>	<u>173,083,660</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 181 (2015:177).

**52.3 Highlights on the overall activities**

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

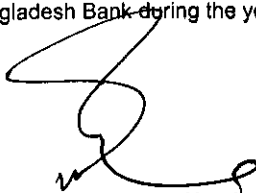
**52.4 Employee related fraud**

There was no fraud occurred/reported to Bangladesh Bank during the year 2016.

**52.5 Events after the reporting period**

None.

  
Head of Finance & Admin.

  
Country Operations Head.

  
Country Head



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Highlights on the overall activities**  
**as at and for the year ended December 31, 2016**

Sl. No.	Particulars		2016	2015
1	Paid-up capital	Taka	4,423,989,531	4,423,010,704
2	Total capital	Taka	5,407,149,391	5,015,307,994
3	Capital surplus	Taka	1,407,149,391	1,015,307,994
4	Total assets	Taka	19,514,860,072	18,373,046,527
5	Total deposits	Taka	12,482,928,617	11,434,411,999
6	Total loans and advances/investments	Taka	9,274,767,890	7,758,425,232
7	Total contingent liabilities and commitments	Taka	3,386,352,774	3,061,197,990
8	Credit/investment deposit ratio		73.78%	67.85%
9	Percentage of classified loans/investments against total loans and advances/investments		2.91%	6.82%
10	Operating Profit/Profit before provision	Taka	585,093,134	561,788,420
11	(Loss)/profit after tax and provision	Taka	446,386,840	368,632,000
12	Amount of classified loans/investments	Taka	269,763,154	529,195,301
13	Provisions kept against classified loans/investments	Taka	180,727,296	364,868,141
14	Provision surplus/(deficit) against classified loans/investments	Taka	-	-
15	Cost of fund		3.85%	5.65%
16	Interest earning assets	Taka	17,674,300,482	16,216,145,854
17	Non-interest earning assets	Taka	1,840,659,590	2,156,900,673
18	Return on Investment (ROI)		10.84%	10.64%
19	Return on assets (ROA) [PAT/ Average assets]		2.29%	2.01%
20	Income from investment	Taka	728,378,592	697,923,815
21	Earnings per share	Taka	Not applicable	Not applicable
22	Net income per share	Taka	Not applicable	Not applicable
23	Price earning ratio	Times	Not applicable	Not applicable



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Liquidity Statement**  
(Analysis of maturity of assets and liabilities)  
as at December 31, 2016

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
<b>Assets</b>						
Cash	332,577,969	-	-	-	990,100,000	1,322,677,969
Balance with other banks and financial institutions	859,758,717	976,758,717	-	-	-	1,836,517,434
Money at call and on short notice	-	-	-	-	-	-
Investments	1,608,385,046	462,709,334	1,385,148,687	1,737,114,283	1,126,403,159	6,319,760,509
Loans and advances / investments	2,119,819,648	2,195,269,649	3,502,558,945	1,273,766,228	183,353,420.00	9,274,767,890
Fixed assets including premises, furniture and fixtures	-	-	-	47,688,936	7,133,368	54,822,304
Other assets	8,678,200	5,516,414	122,865,720	569,353,632	-	706,413,966
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>4,929,219,580</b>	<b>3,640,254,114</b>	<b>5,010,573,352</b>	<b>3,627,923,079</b>	<b>2,306,989,947</b>	<b>19,514,960,072</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	218,901,508	-	127,901,509	-	-	346,803,017
Deposits	2,612,355,810	3,270,455,810	3,749,050,103	2,851,066,894	-	12,482,928,617
Provision and other liabilities	11,231,525	287,744	896,599,023	437,175,721	-	1,345,294,013
<b>Total liabilities</b>	<b>2,842,488,843</b>	<b>3,270,743,554</b>	<b>4,773,550,635</b>	<b>3,288,242,615</b>	<b>-</b>	<b>14,175,025,647</b>
<b>Net liquidity gap</b>	<b>2,086,730,737</b>	<b>369,510,560</b>	<b>237,022,717</b>	<b>339,680,464</b>	<b>2,306,989,947</b>	<b>5,339,934,425</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Balance with other banks - Outside Bangladesh (Nostro Accounts)**  
**as at December 31, 2016**

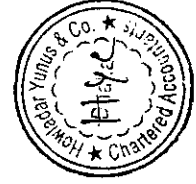
Name of the Bank	Currency Type	2016			2015		
		FC Amount	Exchange Rate	Equivalent Taka	FC Amount	Exchange	Equivalent Taka
Standard Chartered Bank, New York	USD	1,187,070.98	78.74	93,469,969	375,909.27	78.51	29,512,637
Standard Chartered Bank, Kolkata	ACUD	97,171.52	78.74	7,651,285	69,268.58	78.51	5,438,276
Bank Alfalah Limited, Karachi	ACUD	9,067.37	78.74	713,965	9,067.37	78.51	711,879
National Bank of Pakistan, New York	USD	47,011.65	78.74	3,701,697	55,834.50	78.51	4,383,567
Standard Chartered Bank, London	GBP	5,761.55	96.27	554,664	3,489.65	116.30	405,846
Standard Chartered Bank, Frankfurt	EURO	48,195.46	81.98	3,951,064	972.62	85.83	83,480
Commerz bank, Frankfurt	EURO	-	81.98	-	8,180.29	85.83	702,114
Standard Chartered Bank, Tokyo	JPY	213,121.00	0.67	142,791	-	-	-
Union De Banques Arabes ET Francaises Japan	JPY	-	0.67	-	39,553.00	0.65	25,709
				<b>110,185,435</b>			<b>41,263,508</b>



Bank Alfalah Limited  
Bangladesh Operations  
Schedule of fixed assets including premises, furniture and fixtures  
as at December 31, 2016

Particulars	Cost				Rate of Dep.	Depreciation			Written Down Value as at December 31, 2016
	Balance as at January 01, 2016	Additions during the year	Disposal during the year	Balance as at December 31, 2016		Balance as at January 01, 2016	Charged during the year	Adjustment for the disposal	
Furniture, fixture and fittings	45,079,243	611,429	-	45,690,672	10	2,456,045	-	38,557,304	7,133,368
Office equipments	53,678,245	4,486,910	(3,342,514)	54,822,641	20	4,717,928	(3,267,600)	42,957,022	11,865,619
Staff equipments	13,500	-	-	13,500	20	-	-	13,500	-
Computer and related equipments	112,890,290	5,135,080	(1,944,390)	116,080,980	25	6,510,736	(1,944,390)	103,753,364	12,327,616
Motor vehicles	24,327,190	11,607,000	(3,231,500)	32,702,690	25	3,025,104	(3,231,500)	17,239,990	15,462,700
Leasehold improvement	72,840,231	436,658	-	73,276,889	20	3,913,860	-	65,243,888	8,033,001
	<b>308,828,699</b>	<b>22,277,077</b>	<b>(8,518,404)</b>	<b>322,587,372</b>		<b>20,623,673</b>	<b>(8,443,490)</b>	<b>267,765,068</b>	<b>54,822,304</b>

Particulars	Cost				Rate of Dep.	Depreciation			Written Down Value as at December 31, 2015
	Balance as at January 01, 2015	Additions during the year	Disposal during the year	Balance as at December 31, 2015		Balance as at January 01, 2015	Charged during the year	for the disposal during the year	
Furniture, fixture and fittings	44,802,433	276,810	-	45,079,243	10	2,601,814	-	36,101,259	8,977,984
Office equipments	53,295,798	3,343,997	(2,961,550)	53,678,245	20	4,787,724	(2,961,550)	41,506,694	12,171,551
Staff equipments	13,500	-	-	13,500	20	-	-	13,500	-
Computer and related equipment	107,770,540	5,171,250	(51,500)	112,890,290	25	5,311,122	(27,445)	99,187,018	13,703,272
Motor vehicles	35,661,600	-	(11,334,410)	24,327,190	25	2,416,673	(11,334,410)	17,446,386	6,880,804
Leasehold improvement	67,849,169	4,991,062	-	72,840,231	20	3,065,486	-	61,330,028	11,510,203
	<b>309,393,040</b>	<b>13,783,119</b>	<b>(14,347,460)</b>	<b>308,828,699</b>		<b>18,182,819</b>	<b>(14,323,405)</b>	<b>255,584,885</b>	<b>53,243,814</b>



**Annexure-E**

**Bank Alfalah Limited  
Bangladesh Operations  
Currency Analysis  
as at December 31, 2016**

The table below summarizes the currency-wise analysis of assets and liabilities as at December 31, 2016. The Bank's assets and liabilities are included in their carrying amounts in Bangladesh Taka, broken down by currency.

Particulars	Balance as at December 31, 2016					Total Taka
	Taka	Equivalent Taka of USD	Equivalent Taka of GBP	Equivalent Taka of EURO	Equivalent Taka of JPY	
<b>ASSETS</b>						
Cash in hand	153,728,500	1,453,147	-	-	-	155,181,647
Balance with Bangladesh Bank and its agent bank	654,417,519	513,067,792	3,234	7,322	455	1,167,496,322
Balance with other banks and financial institutions	1,057,041,999	774,826,916	554,664	3,951,064	142,791	1,836,517,434
Money at call and short notice	-	-	-	-	-	-
Investments	6,319,760,509	-	-	-	-	6,319,760,509
Loans and advances	8,906,815,698	367,952,192	-	-	-	9,274,767,890
Fixed assets	54,822,304	-	-	-	-	54,822,304
Other assets	703,345,505	3,068,461	-	-	-	706,413,966
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>17,849,932,034</b>	<b>1,660,368,508</b>	<b>557,898</b>	<b>3,958,386</b>	<b>143,246</b>	<b>19,514,960,072</b>
<b>LIABILITIES</b>						
Borrowings from other banks, financial institutions and agents	-	346,803,017	-	-	-	346,803,017
Deposit	12,163,947,033	318,808,491	173,093	-	-	12,482,928,617
Other liabilities	1,344,757,559	536,454	-	-	-	1,345,294,013
<b>Total liabilities</b>	<b>13,508,704,592</b>	<b>666,147,962</b>	<b>173,093</b>	<b>-</b>	<b>-</b>	<b>14,175,025,647</b>
<b>Net position</b>	<b>4,341,227,442</b>	<b>994,220,546</b>	<b>384,805</b>	<b>3,958,386</b>	<b>143,246</b>	<b>5,339,934,425</b>





Bank Alfalah Limited  
Bangladesh Operations  
Disclosure of Tax provision  
as at December 31, 2016

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 / Deducted at source/Minimum Tax	Tax claimed by DCT as per Appeal Order (in addition to tax paid earlier)	Total Tax Liability (DCT)	Total Tax Liability (as per Tax Advisor)	Provision Held	Status
1	2	3	4	5	6(4+5)	7	8	
2009	2010-11	5,325,000	9,002,702	(4,668,606)	4,334,096	2,990,697	5,325,000	Under Appeal
2010	2011-12	4,516,323	16,825,346	49,236,095	66,061,441	29,134,371	24,918,461	Under Appeal
2011	2012-13	4,718,678	18,303,607	54,339,716	72,643,323	31,888,536	25,904,416	Under Appeal
2012	2013-14	6,216,162	12,370,679	61,545,170	73,915,849	36,988,747	29,776,517	Under Appeal
2013	2014-15	71,561,461	71,561,461	60,172,360	131,733,821	101,647,641	84,030,779	Under process for Appeal
2014	2015-16	178,921,274	178,921,274	-	178,921,274	178,921,274	181,658,000	Tax Clearance certificate received
2015	2016-17	159,037,342	159,037,342	-	159,037,342	159,037,342	161,964,000	Return submitted u/s BB
2016	2017-18	114,764,335	97,950,729	-	97,950,729	114,764,335	231,641,000	Return to be submitted in July 2017
<b>Total</b>		<b>545,060,575</b>	<b>563,973,140</b>	<b>220,624,735</b>	<b>784,597,875</b>	<b>655,372,943</b>	<b>745,218,173</b>	

We made tax provision of BDT 231.64 million in the income year 2016 against estimated tax liability of BDT 114.76 million for the income year 2016 and an additional provision of BDT 116.87 million against tax claim in respect of earlier years (i.e. 2009-2013) which are pending at different level of Tax Authorities.



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Balance Sheet**  
**As at 31 December 2016**

	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b><u>PROPERTY AND ASSETS</u></b>			
<b>Cash</b>	<b>4</b>	<b>258,988,822</b>	<b>373,019,178</b>
In hand (including foreign currencies)		48,003,976	38,119,324
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		210,984,846	334,899,854
<b>Balance with other banks and financial Institutions</b>	<b>5</b>	<b>350,000,000</b>	<b>400,000,000</b>
In Bangladesh		350,000,000	400,000,000
Outside Bangladesh		-	-
<b>Placement with banks and other financial institutions</b>		-	-
<b>Investments in shares and securities</b>		-	-
Government		-	-
Others		-	-
<b>Investments</b>	<b>6</b>	<b>3,509,767,179</b>	<b>2,920,865,326</b>
General investments etc.		3,301,695,606	2,583,550,192
Bills purchased and discounted		208,071,573	337,315,134
Fixed assets including premises, furniture and fixtures	<b>7</b>	<b>4,443,436</b>	<b>4,998,166</b>
Other assets	<b>8</b>	<b>609,137,200</b>	<b>968,362,060</b>
Non-banking assets		-	-
<b>Total assets</b>		<b><u>4,732,336,637</u></b>	<b><u>4,667,244,730</u></b>
<b><u>LIABILITIES AND CAPITAL</u></b>			
<b>Liabilities</b>			
Placement from banks and other financial institutions		-	-
<b>Deposits and other accounts</b>	<b>9</b>	<b>4,679,800,654</b>	<b>4,324,523,467</b>
Al-wadeeah current and other deposit accounts		674,034,070	816,816,432
Bills payable		42,751,464	51,663,853
Mudaraba saving deposits		1,875,628,219	1,486,851,427
Mudaraba term deposits		2,087,386,901	1,969,191,755
Other liabilities	<b>10</b>	<b>52,535,983</b>	<b>342,721,263</b>
Differed tax liabilities/(assets)		-	-
<b>Total liabilities</b>		<b><u>4,732,336,637</u></b>	<b><u>4,667,244,730</u></b>
<b>Capital/shareholders' equity</b>			
Retained earnings	<b>11</b>	-	-
<b>Total shareholders' equity</b>		-	-
<b>Total liabilities and shareholders' equity</b>		<b><u>4,732,336,637</u></b>	<b><u>4,667,244,730</u></b>



<b><u>OFF-BALANCE SHEET ITEMS</u></b>	<b><u>Note</u></b>	<b><u>2016</u></b> <b><u>Taka</u></b>	<b><u>2015</u></b> <b><u>Taka</u></b>
<b>Contingent liabilities</b>		<b>1,097,989,592</b>	<b>1,444,904,004</b>
Acceptances and endorsements		93,568,737	758,205,280
Letters of guarantee	12	455,560,970	278,154,039
Irrevocable letters of credit (including back to back bills)	13	184,308,088	186,375,945
Bills for collection		161,701,797	134,593,740
Value of Bangladesh Sanchaypatra		202,850,000	87,575,000
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		-	-
		<b>1,097,989,592</b>	<b>1,444,904,004</b>
<b>Total off-balance sheet items including contingent liabilities</b>		<b>1,097,989,592</b>	<b>1,444,904,004</b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Profit and Loss Account**  
**for the year ended 31 December 2016**

	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Investment income	15	212,248,003	267,384,807
Profit paid on deposits	16	(153,381,943)	(215,376,124)
<b>Net investment income</b>		<b>58,866,060</b>	<b>52,008,683</b>
Income from investment in shares/securities	17	-	-
Commission, exchange and brokerage	18	23,644,756	32,581,218
Other operating income	19	14,042,502	9,502,329
		<u>37,687,258</u>	<u>42,083,547</u>
<b>Total operating income</b>		<b><u>96,553,318</u></b>	<b><u>94,092,230</u></b>
Salaries and allowances	20	33,157,175	29,917,548
Rent, taxes, insurance, electricity etc.	21	17,177,839	16,284,244
Legal expenses		-	-
Postage, stamps, telecommunication etc.	22	2,137,541	1,913,415
Stationery, printing, advertisement etc.	23	1,716,333	1,626,155
Shariah supervisory committee's fees and expenses		-	-
Auditors' fees		-	-
Depreciation and repair to Bank's assets	24	3,169,209	2,748,258
Zakat expenses		-	-
Other expenses	25	5,342,002	5,324,791
<b>Total operating expenses</b>		<b><u>62,700,099</u></b>	<b><u>57,814,411</u></b>
<b>Profit before provision</b>		<b><u>33,853,219</u></b>	<b><u>36,277,819</u></b>
Provision for investments		(224,041,767)	(43,413,294)
General provision	10.1	-	(27,206)
Specific provision	10.1	(224,041,767)	(43,386,088)
Provision for off-balance sheet items		-	-
Provision for diminution in value of investments in shares		-	-
Other provisions		-	-
<b>Total provision</b>		<b><u>(224,041,767)</u></b>	<b><u>(43,413,294)</u></b>
<b>Total profit before tax</b>		<b><u>257,894,986</u></b>	<b><u>79,691,113</u></b>
Provision for taxation			
Current		-	-
Deferred		-	-
<b>Total provision for taxation</b>		<b>-</b>	<b>-</b>
<b>Net profit / (loss) after tax</b>		<b><u>257,894,986</u></b>	<b><u>79,691,113</u></b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Cash Flow Statement**  
**for the year ended 31 December 2016**

	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>Cash flows from operating activities</b>			
Investment income receipts in cash	26	232,181,256	232,119,685
Profit paid on deposits	27	(168,394,030)	(224,876,152)
Fees and commission receipts in cash	28	12,764,792	24,623,031
Recoveries on loans previously written-off		-	-
Cash payments to employees	29	(33,157,175)	(29,917,548)
Cash payments to suppliers	30	(20,949,337)	(19,911,728)
Income taxes paid		-	-
Receipts from other operating activities	31	24,917,466	17,445,516
Payments for other operating activities	32	(6,439,606)	(6,345,470)
<b>Operating loss before changes in operating assets and liabilities</b>		<b><u>40,923,366</u></b>	<b><u>(6,862,666)</u></b>
Increase/decrease in operating assets and liabilities:			
Statutory deposits		-	-
Purchase/sale of trading securities		-	-
Investments to customers	33	(588,901,853)	123,657,609
Other assets	34	63,480,807	(293,070,837)
Deposits and other accounts from other banks	35	256,803,244	(37,966,631)
Deposits and other accounts from customers	36	98,473,943	377,239,666
Other liabilities	37	(33,297,988)	(16,106,368)
Cash generated from/(used in) operating assets and liabilities		<u>(203,441,847)</u>	<u>153,753,439</u>
<b>Net cash inflow/(outflow) from operating activities</b>		<b><u>(162,518,481)</u></b>	<b><u>146,890,773</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from sale/redemption of securities		-	-
Payment for purchase of securities		-	-
Purchase of fixed assets		(1,516,875)	(5,274,372)
Sale of fixed assets		5,000	15,000
<b>Net cash (used in)/from investing activities</b>		<b><u>(1,511,875)</u></b>	<b><u>(5,259,372)</u></b>
<b>Cash flows from financing activities</b>			
		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(164,030,356)</u></b>	<b><u>141,631,401</u></b>
<b>Cash and cash equivalents at beginning of the year</b>		<b><u>773,019,178</u></b>	<b><u>631,387,777</u></b>
<b>Cash and cash equivalents at end of the year</b>		<b><u>608,988,822</u></b>	<b><u>773,019,178</u></b>
Cash in hand (including foreign currencies)		48,003,976	38,119,324
Balance with other banks and financial institutions		350,000,000	400,000,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		210,984,846	334,899,854
		<b><u>608,988,822</u></b>	<b><u>773,019,178</u></b>



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2016**

Particulars	Fund deposited with		Total
	Bangladesh Bank	Retained earnings	
<b>Balance as at January 01, 2016</b>	-	257,894,986	257,894,986
Net loss for the year	-	(257,894,986)	(257,894,986)
Transferred to Bangladesh country office	-	-	-
<b>Balance as at December 31, 2016</b>	-	-	-
<b>Balance as at January 01, 2015</b>	-	-	-
Net loss for the year	-	79,691,113	79,691,113
Transferred to Bangladesh country office	-	(79,691,113)	(79,691,113)
<b>Balance as at December 31, 2015</b>	-	-	-



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Notes to the Financial Statements**  
**as at and for the year ended 31 December 2016**

**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 2016. Motijheel branch ("the Branch") is the only Islamic banking branch and rest of the branches are conventional banking branches.

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

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

**2 Basis of preparation**

**2.1 Statement of compliance**

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

**i) Investment in shares and Securities**

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

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

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

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

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

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

**iii) Provision on loans and advances**

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



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

iv) **Other comprehensive income**

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

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

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

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

vi) **Repo transactions**

**BFRS:** When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

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

vii) **Financial guarantees**

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

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

viii) **Cash and cash equivalent**

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

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

ix) **Non-banking asset**

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

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





x) **Cash flow statement**

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

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

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

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

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

xii) **Presentation of Intangible asset**

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

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

xiii) **Off-balance sheet items**

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

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

xiv) **Disclosure of appropriation of profit**

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

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

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

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

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

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

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

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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



#### 2.4 Use of estimates and judgments

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

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

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

#### 2.5 Reporting period

These financial statements cover one calendar year from 1 January to 31 December 2016.

#### 2.6 Cash flow Statement

Cash flow statement has been prepared in accordance with the BRPD Circular No. 15 dated 9 November 2009 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

#### 2.7 Statement of Changes in Equity

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

#### 2.8 Liquidity Statements

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

#### 3 Significant accounting policies

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

#### 3.1 Foreign currency

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

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

Foreign currency differences arising on translation are recognized in profit or loss.

#### 3.2 Profit on investments

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

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

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

#### 3.3 Investment income

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

#### 3.4 Fees and commission income

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



### 3.5 Dividends

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

### 3.6 Lease payments

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

### 3.7 Tax

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

### 3.8 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, placement with banks and other financial institutions and prize bond.

### 3.9 Investments/Investments in shares and securities

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

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

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

Details are shown in Note 6.



### 3.11 Fixed assets and depreciation

#### 3.11.1 Recognition and measurement

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

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

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

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

#### 3.11.2 Subsequent costs

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

#### 3.11.3 Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. In case of acquisition of fixed assets, depreciation is charged from the month of acquisition, whereas depreciation on disposed off fixed assets is charged up to the month prior to the disposal. Asset category-wise depreciation rates for the current and comparative years are as follows:

<u>Category of assets</u>	<u>Rate of depreciation</u>
Furniture, fixture and fittings	10%
Leasehold improvement	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 results 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 2015 was fully provided in accounts considering the staffs accumulated gratuity entitlements for their service with the bank. The Gratuity Fund has been approved by the National Board of Revenue in February 2011.

#### 3.16.3 Short-term employee benefits

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

### 3.17 Provisions and accrued expenses

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

### 3.18 Provision for Off-Balance Sheet Exposures

In compliance with Bangladesh Bank guidelines Off-Balance Sheet items are disclosed under contingent liabilities. As per BRPD circular No.14 (23 September 2012) requires a general provision for off balance sheet exposures to be calculated at 1% on all off-balance sheet exposures. Provision has been maintained at Country level.

Details are shown in note 10.2.

### 3.19 Impairment of non-financial assets

The carrying amounts of the Branch's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

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

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

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

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



**3.20 Reconciliation of inter-bank/inter-branch account**

Books of accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly.

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

**3.21 Zakat**

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

**3.22 Date of Authorization**

The financial statements were authorized for issue by the senior management of the Bank, Bangladesh Operations on March 27, 2017.

**3.23 General**

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



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>4 Cash</b>		
Cash in hand		
Local currency	46,678,624	38,078,263
Foreign currencies	<u>1,325,352</u>	<u>41,061</u>
	<b><u>48,003,976</u></b>	<b><u>38,119,324</u></b>
Balance with Bangladesh Bank and its agent bank:		
Local currency	210,984,846	334,899,854
Foreign currencies	-	-
	<u>210,984,846</u>	<u>334,899,854</u>
	<b><u>258,988,822</u></b>	<b><u>373,019,178</u></b>
<b>4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) have been calculated and maintained in accordance with section 33 of the Bank Companies Act 1991, MPD Circular nos. 4 and 5 dated 1 December 2010, MPD circular no. 2 dated 10 December 2013 and MPD Circular no. 1 dated 23 June 2014, DOS Circular no. 1 dated 19 January 2014.</b>		
<b>4.2 Cash Reserve Requirement (CRR)</b>		
6.50% of average Demand and Time Liabilities:		
Required reserve	201,630,221	200,383,301
Actual reserve held	<u>211,006,952</u>	<u>334,984,452</u>
Surplus	<b><u>9,376,731</u></b>	<b><u>134,601,151</u></b>
<b>4.3 Statutory Liquidity Requirement (SLR)</b>		
5.5% of required Average Demand and Time Liabilities:		
Required reserve	170,610,187	169,555,100
Actual reserve held	<u>372,240,409</u>	<u>373,103,776</u>
Surplus	<b><u>201,630,222</u></b>	<b><u>203,548,676</u></b>
<b>4.4 Held for Statutory Liquidity Requirement:</b>		
Cash in hand	48,003,976	38,119,324
Balance with Bangladesh Bank as per statement	211,006,952	334,984,452
Foreign currency used in BDT	<u>113,229,481</u>	<u>-</u>
	<b><u>372,240,409</u></b>	<b><u>373,103,776</u></b>
<b>5 Balance with other banks and financial institutions</b>		
In Bangladesh (Note 5.1)	350,000,000	400,000,000
Outside Bangladesh	-	-
	<b><u>350,000,000</u></b>	<b><u>400,000,000</u></b>
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	400,000,000
The City Bank Limited	<u>100,000,000</u>	<u>-</u>
	<b><u>350,000,000</u></b>	<b><u>400,000,000</u></b>
<b>5.2 Maturity-wise groupings of balance with other banks and financial institutions</b>		
On demand	-	-
Not more than 3 months	350,000,000	400,000,000
More than 3 months but less than 1 year	-	-
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	<b><u>350,000,000</u></b>	<b><u>400,000,000</u></b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>6 Investments</b>		
General Investments etc. (Note 6.1)	3,301,695,606	2,583,550,192
Bills purchased and discounted (Note 6.9)	208,071,573	337,315,134
	<u>3,509,767,179</u>	<u>2,920,865,326</u>

Also refer to notes 6.2 to 6.10 for further analysis, classification and provision for investments, maturity wise grouping, etc.

**6.1 General Investments etc.**

**In Bangladesh**

Morabaha (LPO)	3,027,144,856	2,447,552,063
Trust receipts	216,976,874	71,812,999
Own acceptance purchased	-	-
Payment against documents (PAD)	-	-
Finance Against Foreign Bill	52,519,960	19,355,667
Morabaha manual	5,053,916	5,053,916
Staff morabaha	-	39,775,547
	<u>3,301,695,606</u>	<u>2,583,550,192</u>

**Outside Bangladesh**

	-	-
	<u>3,301,695,606</u>	<u>2,583,550,192</u>

**6.2 Maturity-wise grouping**

Repayable On demand	-	-
Not more than 3 months	2,626,072,170	71,812,999
More than 3 months but not more than 1 year	313,346,430	2,804,222,864
More than 1 year but not more than 5 years	442,772,770	25,487,137
More than 5 years	127,575,809	19,342,326
	<u>3,509,767,179</u>	<u>2,920,865,326</u>

**6.3 Investments on the basis of significant concentration**

Advances to Chief executive, other Senior executives and other Officers	-	39,775,547
Industrial loans and advances	3,509,767,179	2,881,089,779
	<u>3,509,767,179</u>	<u>2,920,865,326</u>

**6.4 Industry-wise classification of investments**

	<u>2016</u>		<u>2015</u>	
	<u>% of Total Loan</u>	<u>Taka</u>	<u>% of Total Loan</u>	<u>Taka</u>
Agri Business	6.07%	213,150,293	8.47%	247,441,669
Automobile dealers	0.29%	10,303,800	0.61%	17,803,800
Cement	3.26%	114,284,495	4.89%	142,795,394
Chemicals	3.96%	138,953,346	4.02%	117,499,579
Financial Institutions & MFIs	1.50%	52,647,368	0.08%	2,221,295
Food & Personal Care Products	20.06%	704,064,583	15.44%	450,975,000
Manufacturing & sale of Domestic A	5.90%	207,000,000	0.00%	-
Metal & Allied	8.65%	303,603,950	7.18%	209,600,000
Others/Miscellaneous	0.30%	10,685,578	1.71%	49,957,249
Real Estate/Construction	0.88%	31,000,000	0.00%	-
Services	8.14%	285,607,566	0.17%	5,053,916
Textile Composite / Garments Manu	9.40%	329,950,884	21.60%	630,983,620
Textile Spinning	10.93%	383,444,562	15.06%	439,821,863
Trading	6.72%	235,820,755	10.09%	294,711,942
Vanaspati & Allied Industries	13.94%	489,250,000	10.68%	312,000,000
	<u>100%</u>	<u>3,509,767,179</u>	<u>100%</u>	<u>2,920,865,326</u>





6.5 Geographical location-wise investments

	2016		2015	
	<u>% of Total Loan</u>	<u>Taka</u>	<u>% of Total Loan</u>	<u>Taka</u>
Dhaka Division	100%	3,509,767,179	100%	2,920,865,326
Chittagong Division	0%	-	0%	-
Sylhet Division	0%	-	0%	-
	<b>100%</b>	<b>3,509,767,179</b>	<b>100%</b>	<b>2,920,865,326</b>

6.6 Grouping of Investments as per classification rules of Bangladesh Bank

	2016		2015	
	<u>% of Total Loan</u>	<u>Taka</u>	<u>% of Total Loan</u>	<u>Taka</u>
<b>Unclassified:</b>				
Standard Including staff morabaha	99.35%	3,487,022,143	88.94%	2,597,874,253
Special Mention Account (SMA)	0.00%	-	0.00%	-
	99.35%	3,487,022,143	88.94%	2,597,874,253
<b>Classified:</b>				
Substandard	0.00%	-	0.44%	12,907,141
Doubtful	0.00%	-	0.00%	-
Bad or loss	0.65%	22,745,036	10.62%	310,083,932
	0.65%	22,745,036	11.06%	322,991,073
	<b>100.00%</b>	<b>3,509,767,179</b>	<b>100.00%</b>	<b>2,920,865,326</b>

6.7 Particulars of required provision for investments

	2016		2015	
	<u>Base for Provision Taka</u>	<u>Required provision Taka</u>	<u>Base for Provision Taka</u>	<u>Required provision Taka</u>
<b>Unclassified:</b>				
Standard (Other than SME)	3,406,582,652	34,065,827	2,552,358,262	25,523,583
Standard (SME)	27,792,123	69,480	43,294,697	108,237
Standard (Agri Loan)	52,647,368	1,316,184	2,221,295	55,532
Special Mention Account (SMA)	-	-	-	-
	3,487,022,143	35,451,491	2,597,874,253	25,687,352
<b>Classified:</b>				
Substandard	-	-	1,936,071	387,214
Doubtful	-	-	-	-
Bad or loss	22,745,036	8,082,062	250,145,615	250,145,615
	22,745,036	8,082,062	252,081,686	250,532,829
	<b>3,509,767,179</b>	<b>43,533,553</b>	<b>2,849,955,940</b>	<b>276,220,181</b>
<b>Total provision maintained (Shortfall)/Surplus provision</b>		<b>8,082,062</b>		<b>250,532,829</b>
		<b>(35,451,491)</b>		<b>(25,687,353)</b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>6.8 Particulars of Investments</b>		
i) Investments considered good in respect of which the banking company is fully secured	3,509,767,179	2,919,761,168
ii) Investments considered good against which the banking company holds no security other than the debtor's personal guarantee;	-	1,104,158
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>3,509,767,179</u>	<u>2,920,865,326</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.	-	38,671,389
viii) Maximum total amount of Investments including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members	-	-
ix) Due from Banking Companies	-	-
x) Amount of Classified Investment on which Profit has not been charged	22,745,036	322,991,073
(a) Movement of Classified Investments:		
Opening balance	322,991,073	129,311,115
Increase/(Decrease) during the year	(300,246,037)	193,679,958
Closing balance	<u>22,745,036</u>	<u>322,991,073</u>
(b) Provision against the Investment classified as bad/loss at the date of balance sheet	8,082,062	250,145,615
(c) Amount of profit charged in suspense account	16,329,229	48,032,088
xi) Investments written off:	-	-
- Current Year	18,409,000	35,707,932
- Cumulative to-date	54,116,932	35,707,932
- Amount of written off loans for which lawsuit has filed	54,116,932	35,707,932
<b>6.9 Bills purchased and discounted</b>		
Bills purchased and discounted excluding treasury bills:		
In side Bangladesh	208,071,573	337,315,134
Outside Bangladesh	-	-
	<u>208,071,573</u>	<u>337,315,134</u>
<b>6.10 Maturity grouping of bills discounted and purchased</b>		
Payable within one month	99,248,399	117,455,080
Over 1 month but less than 3 months	99,365,063	143,201,681
Over 3 months but less than 6 months	9,458,111	76,658,374
6 months or more	-	-
	<u>208,071,573</u>	<u>337,315,134</u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>7 Fixed assets including premises, furniture and fixtures</b>		
Cost:		
Furniture, fixture and fittings	20,190,987	20,140,987
Office equipments	10,831,244	10,670,594
Staff equipments	13,500	13,500
Computer and related equipments	13,432,369	14,814,109
Motor vehicles	1,890,000	1,890,000
Leasehold improvement	3,041,160	2,902,785
	<u><b>49,399,260</b></u>	<u><b>50,431,975</b></u>
Less: Accumulated depreciation		
Furniture, fixture and fittings	19,767,996	19,673,533
Office equipments	8,512,795	8,278,625
Staff equipments	13,500	13,500
Computer and related equipments	12,444,462	13,836,901
Motor vehicles	1,889,999	1,890,000
Leasehold improvement	2,327,072	1,741,250
	<u><b>44,955,824</b></u>	<u><b>45,433,809</b></u>
	<u><b>4,443,436</b></u>	<u><b>4,998,166</b></u>

Details are shown in Annexure - B.



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>8 Others assets</b>	<b>609,137,200</b>	<b>968,362,060</b>
<b>8.1 Classification of other assets</b>		
<b>a) Income generating other assets</b>	-	-
<b>b) Non-income generating other assets</b>		
i) Investment in shares of subsidiary companies:		
- In Bangladesh	-	-
- Outside Bangladesh	-	-
ii) Stationery, stamps, printing materials, etc.	157,160	93,970
iii) Advance rent and advertisement	297,000	405,000
iv) Profit accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables (Note 8.2)	4,059,480	5,820,018
v) Security deposits	-	-
vi) Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	-	308,328
vii) Branch adjustment	732,905,260	1,053,927,915
viii) Suspense account	-	-
ix) Silver	-	-
x) Others (Note 8.3)	(128,281,700)	(92,193,171)
	<b>609,137,200</b>	<b>968,362,060</b>
	<b>609,137,200</b>	<b>968,362,060</b>
<b>8.2 Profit receivables</b>		
Profit Receivable from Placement with Banks	1,406,662	2,308,333
Mark up receivables on bill purchased and discounted	2,652,818	3,511,685
	<b>4,059,480</b>	<b>5,820,018</b>
<b>8.3 Others</b>		
Short term receivable-account maintenance fees	716,065	546,142
Net of profit on Morabaha	(136,728,082)	(97,438,289)
Sundry debtors miscellaneous (Receivable from BB)	7,730,317	4,698,976
	<b>(128,281,700)</b>	<b>(92,193,171)</b>
<b>9 Deposits and other accounts</b>		
<b>Al-wadeeah current and other deposit accounts</b>		
Al-wadeeah current deposits	320,543,338	273,681,861
Alfalah Udyog Current Account	19,188,669	12,745,794
Foreign currency deposits	202,497,771	449,082,912
Sundry deposits (Note 9.1)	131,804,292	81,305,865
	<b>674,034,070</b>	<b>816,816,432</b>
Payment order - Inside Bangladesh	15,816,171	45,181,594
Demand draft payable - Outside Bangladesh	26,710,223	6,099,615
Unclaimed DD/TT/PO - Inside Bangladesh	156,140	313,915
Unclaimed DD/TT/PO - Outside Bangladesh	68,930	68,729
	<b>42,751,464</b>	<b>51,663,853</b>
<b>Mudaraba savings deposits</b>		
Special Notice Deposit (SND)	1,104,517,351	859,170,402
Alfalah Salary Account (ASA)	9,889	10,519
Alfalah Rising Star (ARS)	690,851	341,616



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Alfalah Premium Plus (APP)	132,451,255	41,058,229
Mudaraba Royal Profit deposits	637,958,873	586,270,661
	<u>1,875,628,219</u>	<u>1,486,851,427</u>
<b>Mudaraba term deposits</b>		
Mudaraba Term Deposit (MTDR)	2,087,386,901	1,969,191,755
	<u><b>4,679,800,654</b></u>	<u><b>4,324,523,467</b></u>
<b>9.1 Sundry deposits</b>		
Margin Accounts - Local Currency	116,098,311	42,852,482
Margin Accounts - Foreign Currency	15,705,981	38,453,383
	<u><b>131,804,292</b></u>	<u><b>81,305,865</b></u>
<b>9.2 Deposits from banks and others</b>		
Inter-bank deposits (Note 9.2.1)	1,091,196,153	834,392,909
Other deposits	3,588,604,501	3,490,130,558
	<u><b>4,679,800,654</b></u>	<u><b>4,324,523,467</b></u>
<b>9.2.1 Inter-bank deposits</b>		
Jamuna Bank Limited	28,520	29,820
Pubali Bank Limited	1,122,490	1,094,755
Prime Bank Limited	39,011	39,030
The City Bank Limited	1,452,293	59,424,586
Shahjalal Islami Bank Ltd.	111,172,534	107,832,177
Al-Arafah Islami Bank Ltd.	200,080,000	-
Bank Asia Limited	102,008,416	846,529
Islami Bank Bangladesh Ltd	422,994,814	411,013,424
AB Bank Limited	252,298,075	254,112,588
	<u><b>1,091,196,153</b></u>	<u><b>834,392,909</b></u>
<b>9.3 Maturity grouping of deposits</b>		
Repayable On demand	1,487,896,402	1,496,161,310
Repayable within 1 month	1,400,333,134	1,025,863,228
Over 1 month but within 6 months	1,357,984,793	1,431,635,110
Over 6 months but within 1 year	373,858,432	362,435,227
Over 1 year but within 5 years	59,727,893	8,428,592
Over 5 years but within 10 years	-	-
10 years or more	-	-
	<u><b>4,679,800,654</b></u>	<u><b>4,324,523,467</b></u>
<b>10 Other Liabilities</b>		
Provision for Investments (Note 10.1)	8,082,062	250,532,829
Profit suspense account (Note 10.3)	16,329,229	48,032,088
Accrued expenses	593,875	511,499
Profit payable on borrowings (Note 10.5)	21,984,523	36,996,610
Withholding tax on profit on deposits	2,460,444	3,296,666
Withholding tax	1,344,307	1,521,823
Withholding VAT	499,412	435,709
Excise duty	128,850	128,533
Advance commission on Letter of Guarantee (L/G)	783,979	1,027,929
Miscellaneous	329,302	237,576
	<u><b>52,535,983</b></u>	<u><b>342,721,262</b></u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>10.1 Provision for Investments</b>		
<b>General Provision</b>		
Balance as at 1 January	-	27,206
Add: Provision made during the year		
On general investments	-	-
On Special Mention Account (SMA)	-	-
	-	-
Less: Provision no longer required	-	27,206
Net of provision (reversed)/made during the year	-	(27,206)
Balance as at 31 December	-	-
<b>Specific Provision</b>		
Balance as at 1 January	250,532,829	329,626,849
Less: Profit on investment waiver during the year	-	-
Adjustment with prior year	-	-
Provision no longer required	232,099,328	46,994,158
Written off during the year	18,409,000	35,707,932
	250,508,328	82,702,090
Add: Recoveries of amounts previously written off	-	-
Specific provision made during the year	8,057,561	3,608,070
	8,057,561	3,608,070
Balance as at 31 December	8,082,062	250,532,829
<b>Total provision on investments</b>	<b>8,082,062</b>	<b>250,532,829</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	48,032,088	56,309,285
Add: Amount transferred during the year	19,683,274	3,497,888
	67,715,362	59,807,173
Less:		
Amount of profit suspense recovered	3,961,366	4,748,658
Amount written off during the year	12,796,155	2,538,194
Profit on investment waiver during the year	34,628,612	4,488,233
	51,386,133	11,775,085
Balance as at 31 December	<b>16,329,229</b>	<b>48,032,088</b>
<b>10.4 Profit suspense and compensation suspense</b>		
Profit suspense	16,329,229	48,032,088
Compensation suspense	-	-
	<b>16,329,229</b>	<b>48,032,088</b>
<b>10.5 Profit payable on borrowings</b>		
<b>Profit payable on -</b>		
Special notice deposit	-	16,418
30 days mudaraba term deposit	482,334	225,154
90 days mudaraba term deposit	6,862,044	8,814,577



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
180 days mudaraba term deposit	3,250,148	8,831,652
365 days mudaraba term deposit	10,526,121	18,207,385
15 months mudaraba term deposit	349,349	-
2 years mudaraba term deposit	491,508	481,148
3 years mudaraba term deposit	<b>23,019</b>	420,276
	<b><u>21,984,523</u></b>	<b><u>36,996,610</u></b>
<b>11 Retained earnings</b>		
Balance as at 1 January	-	-
Adjustment for loan provision	-	-
Net profit / (loss) for the year	257,894,986	79,691,113
	<u>257,894,986</u>	<u>79,691,113</u>
Transferred to Bangladesh country office	<u>(257,894,986)</u>	<u>(79,691,113)</u>
<b>Balance as at 31 December</b>	<b><u>-</u></b>	<b><u>-</u></b>
<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	455,560,970	278,154,039
Banks and other financial institutions	-	-
Others	-	-
	<b><u>455,560,970</u></b>	<b><u>278,154,039</u></b>
<b>13 Irrevocable letters of credit</b>		
Usance	84,071,871	67,035,999
Sight	100,236,217	119,339,946
	<b><u>184,308,088</u></b>	<b><u>186,375,945</u></b>
<b>14 Income statement</b>		
<b>Income:</b>		
Profit, discount and similar income	212,248,003	267,384,807
Dividend income	-	-
Commission, exchange and brokerage	12,764,792	24,623,031
Gains less losses arising from dealing securities	-	-
Gains less losses arising from investment securities	-	-
Gains less losses arising from dealing in foreign currencies	10,879,964	7,958,187
Income from non-banking assets	-	-
Other operating income	14,042,502	9,502,329
Profit less losses on interest rate changes	-	-
	<b><u>249,935,261</u></b>	<b><u>309,468,354</u></b>
<b>Expenses:</b>		
Profit paid on deposits	153,381,943	215,376,124
Losses on investments	-	-
Administrative expenses	55,286,492	50,762,041
Other operating expenses	5,342,002	5,324,791
Depreciation on banking assets	2,071,605	1,727,579
	<b><u>216,082,042</u></b>	<b><u>273,190,535</u></b>
<b>Income over expenditure</b>	<b><u>33,853,219</u></b>	<b><u>36,277,819</u></b>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>15 Investment income</b>		
<b>Share of profit from financing and discounting</b>		
Murabaha-Staff	986,324	2,534,303
Morabaha Financing - LPO	165,599,226	187,901,545
Profit on bill discounted	16,595,219	28,752,490
Morabaha income PAD	-	11,583
Morabaha income trust receipt	7,950,156	16,197,247
	<u>191,130,925</u>	<u>235,397,168</u>
<b>Profit on Placement with Banks</b>		
Profit on Term Placements	21,117,078	31,987,639
Profit on Savings Deposit with Banks	-	-
	<u>21,117,078</u>	<u>31,987,639</u>
	<u>212,248,003</u>	<u>267,384,807</u>
<b>16 Profit paid on deposits</b>		
<b>Profit shared on Modaraba Deposit</b>		
Modaraba Royal Profit Deposit	19,621,666	18,695,442
Alfalah Salary Account (ASA)	372	21
Alfalah Rising Star (ARS)	16,906	25,290
Alfalah Premium Plus (APP)	3,823,757	1,347,457
Modaraba Special Notice deposit	28,000,237	36,618,739
Modaraba term deposit	101,919,005	158,689,175
	<u>153,381,943</u>	<u>215,376,124</u>
<b>17 Income from investment in shares/securities</b>		
Mark-up on zero coupon bonds	-	-
Dividend Income on preference share	-	-
	<u>-</u>	<u>-</u>
<b>18 Commission, exchange and brokerage</b>		
Brokerage	-	-
Fees, commission etc.	12,764,792	24,623,031
Exchange earnings	10,879,964	7,958,187
	<u>23,644,756</u>	<u>32,581,218</u>
<b>19 Other operating income</b>		
Service charges recovered	2,660,874	2,202,260
Document charges	-	-
Cheque Book charges recovered	193,650	196,795
Charges on documentary credit	11,000	-
Courier charges recovered	928,785	968,760
Other Income	10,243,193	6,119,514
Gain on disposal of fixed asset	5,000	15,000
	<u>14,042,502</u>	<u>9,502,329</u>
<b>20 Salaries and allowances</b>		
Basic salary	15,313,169	14,057,056
Housing allowance	6,125,266	5,622,846
Conveyance allowance	1,531,331	1,405,648
Leave fare allowance	1,854,752	1,779,405
Other allowances	1,013,298	533,944
Festival bonus	3,421,189	3,082,316





	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Performance bonus	1,156,684	1,196,520
The Bank's contribution to provident fund	1,421,486	1,294,813
Car allowance	1,320,000	945,000
Gratuity	-	-
	<u>33,157,175</u>	<u>29,917,548</u>
<b>21 Rent, taxes, insurance, electricity etc.</b>		
Rent, rates and taxes	12,139,247	10,652,785
Insurance	49,370	260,373
Cleaning and maintenance	2,891,605	3,394,078
Electricity and lighting	2,097,617	1,977,008
	<u>17,177,839</u>	<u>16,284,244</u>
<b>22 Postage, stamps, telecommunication etc.</b>		
Postage and couriers	1,078,351	1,036,570
Electronic mail and on-line connectivity	41,400	43,046
Telegram, fax, telex, SWIFT and internet charge	608,671	562,498
Telephone charges	409,119	271,301
	<u>2,137,541</u>	<u>1,913,415</u>
<b>23 Stationery, printing, advertisement etc.</b>		
Table stationery	604,225	568,801
Books and periodicals	9,120	10,649
Printing stationery	847,432	861,804
Computer stationery	125,895	125,383
Publicity	129,661	59,518
	<u>1,716,333</u>	<u>1,626,155</u>
<b>24 Depreciation and repair to bank's assets</b>		
<b>Depreciation of bank's assets</b>		
Furniture, fixture and fittings	94,463	122,668
Office equipments	839,370	669,617
Staff equipments	-	-
Computer and related equipments	551,951	395,720
Motor vehicles	(1)	-
Leasehold improvement	585,822	539,574
	<u>2,071,605</u>	<u>1,727,579</u>
<b>Repair to bank's assets</b>		
Furniture, fixture and fittings	29,240	-
Rented premises	64,805	20,000
Office equipments	363,649	313,893
Computer maintenance	584,708	623,155
Motor vehicles	55,202	63,631
	<u>1,097,604</u>	<u>1,020,679</u>
	<u>3,169,209</u>	<u>2,748,258</u>
<b>25 Other expenses</b>		
Bank charges, brokerage and commission	179,782	203,873
Entertainment	729,698	664,770
Security	1,805,825	1,747,610
Traveling and conveyance	153,025	150,840
Medical expenses	1,088,351	1,622,440



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Car fuel expenses	1,151,180	737,758
Loss on sale of fixed assets	-	-
Other expenses	234,141	197,500
	<u>5,342,002</u>	<u>5,324,791</u>
<b>26 Investment income receipts in cash</b>		
Profit receivable as at 1 January	(91,618,271)	(94,895,754)
Profit accrued during the year:		
Share of profit from financing and discount	191,130,925	235,397,168
Profit receivable as at 31 December	132,668,602	91,618,271
	<u>232,181,256</u>	<u>232,119,685</u>
<b>27 Profit paid on deposits</b>		
Profit payable as at 1 January	36,996,610	46,496,638
Profit charged during the year		
Profit shared on Modaraba Deposits	153,381,943	215,376,124
Profit payable as at 31 December	(21,984,523)	(36,996,610)
	<u>168,394,030</u>	<u>224,876,152</u>
<b>28 Fees and commission receipts in cash</b>	<u>12,764,792</u>	<u>24,623,031</u>
<b>29 Cash payments to employees</b>		
Salaries and allowances	33,157,175	29,917,548
Gratuity:		
Employees	-	-
	<u>33,157,175</u>	<u>29,917,548</u>
<b>30 Cash payments to suppliers</b>		
<b>Balance as at 1 January</b>		
Accrued expenses	511,499	599,413
<b>Charged during the year</b>		
Stationery, printing, advertisements etc.	1,716,333	1,626,155
Rent, taxes, insurance, electricity etc.	17,177,839	16,284,244
Postage, stamp, telecommunication etc.	2,137,541	1,913,415
Legal expenses	-	-
	21,031,713	19,823,814
<b>Balance as at 31 December</b>		
Accrued expenses	(593,875)	(511,499)
	<u>20,949,337</u>	<u>19,911,728</u>
<b>31 Receipts from other operating activities</b>		
Other operating income	14,042,502	9,502,329
Exchange earnings	10,879,964	7,958,187
Investment income	-	-
Less: Gain on disposal of fixed asset	(5,000)	(15,000)
	<u>24,917,466</u>	<u>17,445,516</u>
<b>32 Payments for other operating activities</b>		
Repairs of Bank's assets	1,097,604	1,020,679
Other expenses	5,342,002	5,324,791
Gratuity:Employees	-	-
	<u>6,439,606</u>	<u>6,345,470</u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<b>33 Movement of investments to customers</b>		
Balance as at 31 December	3,509,767,179	2,920,865,326
Balance as at 1 January	<u>(2,920,865,326)</u>	<u>(3,044,522,935)</u>
(Decrease)/Increase	<u><b>588,901,853</b></u>	<u><b>(123,657,609)</b></u>
<b>34 Movement of other assets</b>		
(Increase) / decrease in other assets which are not considered elsewhere		
- Stationery, stamps, printing materials, etc.	(63,190)	23,260
- Advance rent and advertisement	108,000	8,957,520
- Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	308,328	200,526
- Branch adjustment	321,022,655	(218,437,166)
- Others	39,289,793	(10,972,795)
<b>Adjustments for-</b>		
- Net of profit on Morabaha	(39,289,793)	6,848,931
- Transfer of Fixed assets	-	-
- Transfer of branch profit or loss	<u>(257,894,986)</u>	<u>(79,691,113)</u>
	<u><b>63,480,807</b></u>	<u><b>(293,070,837)</b></u>
<b>35 Movement of deposits and other accounts from other banks</b>		
Balance as at 31 December	1,091,196,153	834,392,909
Balance as at 1 January	<u>(834,392,909)</u>	<u>(872,359,540)</u>
Increase/(Decrease)	<u><b>256,803,244</b></u>	<u><b>(37,966,631)</b></u>
<b>36 Movement of deposits and other accounts from customers</b>		
Balance as at 31 December	3,588,604,501	3,490,130,558
Balance as at 1 January	<u>(3,490,130,558)</u>	<u>(3,112,890,892)</u>
(Decrease)/Increase	<u><b>98,473,943</b></u>	<u><b>377,239,666</b></u>
<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	(31,702,859)	(8,277,197)
- Withholding tax on profit on deposits	(836,222)	(1,124,178)
- Withholding tax	(177,516)	(255,905)
- Withholding VAT	63,703	38,763
- Provision for gratuity	-	-
- Excise duty	317	(550,029)
- Advance commission on Letter of Guarantee (L/G)	(243,950)	(891,990)
- Miscellaneous	(401,461)	(5,045,832)
	<u><b>(33,297,988)</b></u>	<u><b>(16,106,368)</b></u>
<b>38 Proceeds from sale/redemption of securities</b>		
Redemption of preference shares		
STS Holding Limited	-	-
Brac Bank Limited	-	-
	<u><b>-</b></u>	<u><b>-</b></u>



	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</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	-	12,216,993
Car finance	-	566,315
	<u>-</u>	<u>12,783,308</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	20,948,432	4,962,881
Provident fund	940,978	223,751
Gratuity	820,378	186,461
	<u>22,709,787</u>	<u>5,373,093</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 Tk 36,000 or above were 31 (2015: 37).

**41 Employee related fraud**

There was no fraud occurred during the year 2016.

**42 Events after the reporting period**

None.



Annexure-A

Bank Alfalah Limited  
Bangladesh Operations  
Motijheel Islamic Banking Branch  
Liquidity Statement  
(Analysis of maturity of assets and liabilities)  
as at 31 December 2016

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Assets</b>						
Cash	48,003,976	-	210,984,846	-	-	258,988,822
Balance with other banks and financial institutions	-	350,000,000	-	-	-	350,000,000
Placement with banks and other financial institutions	-	-	-	-	-	-
Investments in shares and securities	-	-	-	-	-	-
Investments	-	2,626,072,170	313,346,430	442,772,770	127,575,809	3,509,767,179
Fixed assets including premises, furniture and fixtures	-	-	-	4,443,436	-	4,443,436
Other assets	-	-	-	609,137,200	-	609,137,200
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>48,003,976</b>	<b>2,976,072,170</b>	<b>524,331,276</b>	<b>1,056,353,406</b>	<b>127,575,809</b>	<b>4,732,336,637</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	-	-	-	-	-	-
Deposits and other accounts	2,888,229,536	1,073,381,534	658,461,691	59,727,893	-	4,679,800,654
Other liabilities	4,433,013	1,707,156	21,984,523	24,411,291	-	52,535,983
<b>Total liabilities</b>	<b>2,892,662,549</b>	<b>1,075,088,690</b>	<b>680,446,214</b>	<b>84,139,184</b>	<b>-</b>	<b>4,732,336,637</b>
<b>Net liquidity gap</b>	<b>(2,844,658,573)</b>	<b>1,900,983,480</b>	<b>(156,114,938)</b>	<b>972,214,222</b>	<b>127,575,809</b>	<b>-</b>



Bank Alfalah Limited  
Bangladesh Operations  
Motijheel Islamic Banking Branch  
Schedule of fixed assets including premises, furniture and fixtures  
as at 31 December 2016

Particulars	Cost			Rate of Dep.	Depreciation			Written Down Value as at December 31, 2016
	Balance as at January 01, 2016	Additions during the year	Disposal during the year		Balance as at December 31, 2016	Charged during the year	for the disposal during the year	
Furniture, fixture and fittings	20,140,987	50,000	-	20,190,987	10	94,463	-	19,767,996
Office equipments	10,670,594	765,850	(605,200)	10,831,244	20	839,370	(605,200)	8,512,795
Staff equipments	13,500	-	-	13,500	20	-	-	13,500
Computer and related equipments	14,814,109	562,650	(1,944,390)	13,432,369	25	551,951	(1,944,390)	12,444,462
Motor vehicles	1,890,000	-	-	1,890,000	25	(1)	-	1,889,999
Leasehold improvement	2,902,785	138,375	-	3,041,160	20	585,822	-	2,327,072
	<b>50,431,975</b>	<b>1,516,875</b>	<b>(2,549,590)</b>	<b>49,399,260</b>		<b>2,071,605</b>	<b>(2,549,590)</b>	<b>44,955,824</b>

Particulars	Cost			Rate of Dep.	Depreciation			Written Down Value as at December 31, 2015
	Balance as at January 01, 2015	Additions during the year	Disposal during the year		Balance as at December 31, 2015	Charged during the year	Adjustment for the disposal	
Furniture, fixture and fittings	20,140,987	-	-	20,140,987	10	122,668	-	19,673,533
Office equipments	9,726,907	1,560,087	(616,400)	10,670,594	20	669,617	(554,803)	8,278,625
Staff equipments	13,500	-	-	13,500	20	-	-	13,500
Computer and related equipments	13,505,759	1,308,350	-	14,814,109	25	395,720	422,012	13,836,901
Motor vehicles	2,935,750	1,890,000	(2,935,750)	1,890,000	25	-	(1,045,750)	1,890,000
Leasehold improvement	2,386,850	515,935	-	2,902,785	20	539,574	-	1,741,250
	<b>48,709,753</b>	<b>5,274,372</b>	<b>(3,552,150)</b>	<b>50,431,975</b>		<b>1,727,579</b>	<b>(1,178,541)</b>	<b>45,433,809</b>

