

Bank Alfalah Limited
Bangladesh Operations

Independent auditor's report and financial statements
as at and for the year ended 31 December 2020



Rahman Rahman Huq
Chartered Accountants
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Independent Auditor's Report

To the Management of Bank Alfalah Limited - Bangladesh Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank Alfalah Limited - Bangladesh Operations (the "Bank") which comprise the balance sheet as at 31 December 2020 and profit and loss account, statements of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the the Bank as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.1.

Basis for Opinion

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

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 23 June 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;



Rahman Rahman Huq
Chartered Accountants

- (ii) to the extent noted during the course of our audit work performed on the basis stated under the *Auditor's Responsibilities for the Audit of the Financial Statements* section in forming the above opinion on the financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal control:
- (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;
- (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities.
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred by the Bank were for the purpose of the Bank's business for the year;
- (vii) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (viii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,500 person hours; and
- (xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

M Mehedi Hasan, Partner, Enrollment Number: 1000
Rahman Rahman Huq, Chartered Accountants
Firm Registration Number: [N/A]

Dhaka, 29 JUN 2021

2106291000AS723765
DVC:

Bank Alfalah Limited
Balance Sheet
as at 31 December 2020


Particulars	Note	2020 Taka	2019 Taka
PROPERTY AND ASSETS			
Cash	4	1,362,006,044	1,719,461,357
Cash in hand (Including foreign currency)		179,544,815	200,664,417
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)		1,182,461,229	1,518,796,940
Balance with other banks and financial institutions	5	3,565,048,226	2,673,980,369
Inside Bangladesh		3,496,786,820	2,491,116,348
Outside Bangladesh		68,261,406	182,864,021
Money at call on short notice	6		250,000,000
Investments	7	10,411,390,891	5,540,899,003
Government		10,411,390,891	5,540,899,003
Others		-	-
Loans and advances	8	11,061,504,366	11,435,015,482
Loans, Cash credit, Overdrafts etc./Investments		11,043,135,105	11,192,682,764
Bills purchased & discounted		18,369,261	242,332,718
Fixed assets including premises, furniture and fixtures	9	130,471,932	224,422,812
Other assets	10	1,993,920,239	1,344,369,570
Non-banking assets		-	-
Total property and assets		28,524,341,698	23,188,148,593
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions & agents	11	3,785,395,332	10,508,584
Deposits and other accounts	12	16,401,207,060	15,280,528,094
Current accounts & other accounts		1,961,193,778	1,870,897,121
Bills payable		179,583,347	116,951,735
Savings Bank Deposits		6,900,240,622	5,942,644,011
Fixed deposits		7,360,189,313	7,350,035,227
Other deposits		-	-
Other liabilities	13	2,462,994,899	2,302,858,098
Total Liabilities		22,649,597,291	17,593,894,776
Capital and shareholders' equity			
Paid up capital (Fund from head office)	14	4,449,788,025	4,450,205,090
Revaluation reserve	15	52,635,225	9,889,147
Surplus in Profit and Loss Account	16	1,372,321,157	1,134,159,580
Total shareholders' equity		5,874,744,407	5,594,253,817
Total liabilities and shareholders' equity		28,524,341,698	23,188,148,593




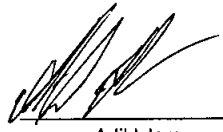
Bank Alfalah Limited
Balance Sheet
as at 31 December 2020

Particulars	Note	2020 Taka	2019 Taka
Off balance sheet items			
Contingent liabilities			
Acceptances & endorsements		750,684,146	1,547,235,689
Letters of guarantee	17	487,935,474	483,763,749
Irrevocable letters of credit	18	462,279,420	854,289,672
Bills for collection		133,718,038	1,230,559,783
Other contingent liabilities (Bangladesh Sanchaypatra)		316,450,000	316,450,000
Total		2,151,067,078	4,432,298,893
Other Commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		1,988,590,000	594,300,000
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total		1,988,590,000	594,300,000
Total Off balance sheet items including contingent liabilities		4,139,657,078	5,026,598,893

The annexed notes 1 to 51 form an integral part of these financial statements.



Abu Noyem Md. Khasru
Head of Finance


Muhammad Ehsan Ul Haq
Country Operations Head


Adil Islam
Country Head

As per our report of same date.

Dhaka, 29 JUN 2021


Auditor

M Mehedi Hasan, Partner
Enrolment Number: 1000
Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh
Firm Registration Number: N/A

DVC: 2106291000AS723765

Bank Alfalah Limited
Profit and Loss Account
For the year ended 31 December 2020

Particulars	Note	2020 Taka	2019 Taka
Interest income	20	1,091,223,107	1,150,312,548
Interest paid/profit shared on deposits and borrowings etc.	21	(706,776,938)	(615,287,165)
Net interest income		384,446,169	535,025,383
Investment income	22	531,730,557	405,050,714
Commission, exchange and brokerage	23	134,551,595	162,306,189
Other operating income	24	19,927,735	30,671,408
Total operating income (a)		1,070,656,056	1,133,053,694
Salaries and allowances	25	344,404,851	309,823,657
Rent, taxes, insurance, electricity etc.	26	50,360,418	49,157,600
Legal expenses	27	1,836,772	3,555,323
Postage, stamps, telecommunication etc.	28	9,887,231	18,159,542
Stationery, printing, advertisement etc.	29	7,077,278	7,102,767
Country Head's salary and allowances	30	17,580,039	19,519,428
Auditors' fees		853,875	557,750
Depreciation and repair of the bank's assets	31	128,057,852	131,189,396
Other expenses	32	37,764,840	46,570,947
Total operating expenses (b)		597,823,156	585,636,410
Profit before provisions (c = a-b)		472,832,900	547,417,284
Provision for loans and advances/investments	33	(4,920,384)	27,838,864
General provision		(3,979,057)	12,617,696
Specific provision		(941,327)	15,221,168
Provision for off-balance sheet items released		400,000	19,603,403
Provision for diminution in value of investments		-	-
Other provisions	34	-	24,700,000
Provision for special CSR		2,765,733	-
Total provision (d)		(1,754,651)	72,142,267
Total Profit/(loss) before taxes (e = c-d)		474,587,551	475,275,017
Provision for taxation:			
Current tax expense		260,000,000	238,000,000
Deferred tax expense / (income)		(59,220,023)	(199,154)
Total provision for taxation (f)	35	200,779,977	237,800,846
Net profit after taxation (e-f)		273,807,574	237,474,171


Appropriations:

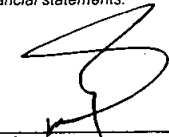
Transferred to Start-Up Fund
Profit transfer to Head Office

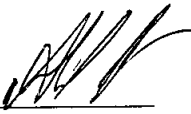
(2,738,076)	-
(32,907,921)	(188,234,988)
(35,645,997)	(188,234,988)
238,161,577	49,239,183

Retained Surplus Carried Forward

The annexed notes 1 to 51 form an integral part of these financial statements.


Abu Noyem Md. Khasru
Head of Finance


Muhammad Ehsan Ul Haq
Country Operations Head


Adil Islam
Country Head

As per our report of same date.


Auditor

Dhaka,

29 JUN 2021

M Mahedi Hasan, Partner
Enrolment Number: 1000
Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh
Firm Registration Number: N/A

DVC: **2106291000AS723765**

Bank Alfalah Limited
Cash Flow Statement
For the year ended 31 December 2020

Particulars	Note	2020 Taka	2019 Taka
A. Cash flows from operating activities			
Interest receipts in cash	36	1,043,365,767	1,163,316,512
Interest payment	37	(739,969,722)	(592,651,084)
Dividend receipts		-	-
Fees and commission receipts in cash	38	21,298,442	26,238,501
Recoveries on loans previously written off		-	-
Cash payments to employees	39	(349,386,312)	(321,022,050)
Cash payments to suppliers	40	(69,584,751)	(70,280,490)
Income tax paid		(263,344,172)	(232,680,979)
Receipts from other operating activities	41	664,911,445	571,789,810
Payment for other operating activities	42	(59,969,855)	(68,749,963)
Operating Cash flow before changes in operating assets and liabilities (i)		247,320,842	475,960,257
Increase/decrease in operating assets and liabilities			
Loans and advances to customers	43	373,511,116	(1,130,612,741)
Other assets	44	(601,693,329)	(301,462,564)
Deposits from other banks/borrowings	45	1,021,913,406	(663,256,876)
Deposits from customers	46	98,765,560	1,975,546,142
Other liabilities	47	295,881,727	396,524,168
Cash utilised in operating assets and liabilities (ii)		1,188,378,480	276,738,129
Net cash flows from operating activities (i+ii) (a)		1,435,699,322	752,698,386
B. Cash flows from investing activities			
Proceeds from sale/redemption of securities		-	-
Payments for purchase of securities	49	(4,253,963,090)	419,246,955
Purchase of property, plant & equipment		(30,316,284)	(299,400,366)
Sale of property, plant & equipment		7,159,632	9,723,190
Net cash from/(used) in investing activities (b)		(4,277,119,742)	129,569,779
C. Cash flows from financing activities			
Profit remitted to head office		(32,907,921)	(188,234,988)
Net cash used in financing activities (c)		(32,907,921)	(188,234,988)
Net increase/decrease in cash (a+b+c)		(2,874,328,341)	694,033,177
Effect of exchange rate changes on cash and cash equivalent		(417,065)	4,255,772
Cash and cash equivalents at the beginning of year		7,297,947,603	6,599,658,654
Cash and cash equivalents at the end of the year		4,423,202,197	7,297,947,603
Cash and cash equivalents at the end of the year:			
Cash in hand (including foreign currency)		179,544,815	200,664,417
Call borrowing		(3,785,395,332)	(10,508,584)
Balance with Bangladesh Bank and its agents bank(s) (including foreign currency)		1,182,461,229	1,518,796,940
Balance with other banks and financial institutions		3,565,048,226	2,673,980,369
Money at call and on short notice		-	250,000,000
Treasury bills		3,281,465,859	2,664,816,161
Prize Bond		77,400	198,300
		4,423,202,197	7,297,947,603

The annexed notes 1 to 51 form an integral part of these financial statements.



Bank Alfalah Limited
Statement of Changes in Equity
For the year ended 31 December 2020

For the year ended 31 December 2019

Particulars	Fund deposited with Bangladesh Bank	Revaluation gain/(loss) on investment	Surplus in profit and loss account	Total equity
	Taka	Taka	Taka	Taka
Balance as at 1 January 2019	4,445,949,318	24,687,658	1,084,920,397	5,555,557,373
Changes in accounting policy	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	(14,798,511)	-	(14,798,511)
Currency translation difference	4,255,772	-	-	4,255,772
Net gains and losses not recognized in the income statement	-	-	-	-
Net profit for the period	-	-	237,474,171	237,474,171
Profit transfer to Head Office	-	-	(188,234,988)	(188,234,988)
Balance as at 31 December 2019	4,450,205,090	9,889,147	1,134,159,580	5,594,253,817

For the year ended 31 December 2020

Particulars	Fund deposited with Bangladesh Bank	Revaluation reserve on Govt. securities	Surplus in profit and loss account	Total equity
	Taka	Taka	Taka	Taka
Balance as at 1 January 2020	4,450,205,090	9,889,147	1,134,159,580	5,594,253,817
Changes in accounting policy	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	42,746,078	-	42,746,078
Currency translation difference	(417,065)	-	-	(417,065)
Net gains and losses not recognized in the income statement	-	-	-	-
Net profit for the period	-	-	273,807,574	273,807,574
Transferred to Start-Up Fund	-	-	(2,738,076)	(2,738,076)
Profit transfer to Head Office	-	-	(32,907,921)	(32,907,921)
Balance as at 31 December 2020	4,449,788,025	52,635,225	1,372,321,157	5,874,744,407

The annexed notes 1 to 51 form an integral part of these financial statements.



Bank Alfalah Limited - Bangladesh Operations

Notes to the financial statements as at and for the year ended 31 December 2020

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 2020. Except 1 Islamic Banking Branch, the rest of the branches run on conventional commercial Banking business basis.

1.1 Principal activities and nature of operations 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.

1.2 Islamic Banking

The Bank has one Islamic banking branch (Motijheel branch) that operates under Shari'ah Principles. The financial position and the financial performance are disclosed in annexure - VII. The conventional banking financial and the financial performance includes the Islamic banking operations.

2 Basis of preparation of financial statements

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

2.1 Statement of compliance and basis of preparation

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) was formed in 2017 and has adopted International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as the applicable Financial Reporting Standards for public interest entities such as banks with effect from 2 November 2020.

The financial statements of the bank have been prepared in accordance with the IFRSs adopted by FRC and in addition to this, the bank also complied with the requirements of the following laws and regulations from various Government bodies:

- i) The Bank Company Act, 1991, and amendment thereon;
- ii) Circulars, Rules and Regulations Issued by Bangladesh Bank (BB) time to time;
- iii) The Income Tax Ordinance, 1984, and amendments thereon;
- iv) The Value Added Tax Act, 2012, The Value Added Tax Rules, 2016 and amendments thereon;
- v) Financial Reporting Act, 2015.

In case any requirement of the Bank Company Act, 1991, and provisions and circulars issued by Bangladesh Bank (BB) differ with those of IFRS, the requirements of the Banking Companies Act, 1991, and provisions and circulars issued by BB shall prevail. Material departures from the requirements of IFRS are as follows:



i) Investment in equity instruments

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

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

ii) Subsequent measurement of Government securities

IFRS: Government securities refer primarily to various debt instruments which include both bonds and bills. As per requirements of IFRS 9: Financial Instruments, bonds can be categorised as "Amortised Cost (AC)", or "Fair Value Through Profit or Loss (FVTPL)", or "Fair Value through Other Comprehensive Income (FVOCI)". Bonds designated as Amortised Cost are measured at amortised cost method, and interest income is recognised through profit and loss account. Any changes in fair value of bonds designated as FVTPL is recognised in the profit and loss account. Any changes in fair value of bonds designated as FVOCI is recognised in other reserves, as a part of equity.

As per requirements of IFRS 9, bills can be categorised either as "Fair Value Through Profit or Loss (FVTPL)" or "Fair Value through Other Comprehensive Income (FVOCI)". Any change in fair value of bills is recognised in the profit and loss account or other reserves as a part of equity, respectively.

Bangladesh Bank: As per DOS Circular no. 05, dated 26 May 2008, and subsequent clarification in DOS Circular no. 05, dated 28 January 2009, Government securities/bills are classified into Held for Trading (HFT) and Held to Maturity (HTM). HFT securities are revalued on the basis of mark-to-market and at year-end, any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as a part of equity. Any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities, including amortisation of discount, are recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at year-end, and gains or losses on amortisation are recognised in other reserves as part of equity.

iii) Provision on loans and advances

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



Bangladesh Bank: As per BRPD Circular no. 07, dated 21 June 2018, BRPD Circular no 13, dated 18 October 2018, BRPD circular No. 15, dated 27 September 2017, BRPD circular no. 16, dated 18 November 2014, BRPD circular no. 14, dated 23 September 2012, BRPD circular no. 05, dated 29 May 2013, BRPD circular no. 1, dated 20 February 2018 and BRPD circular no. 3, dated 21 April 2019, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard and SMA loans) has to be maintained regardless of objective evidence of impairment. Also, provision for different categories of classified loans (sub-standard, doubtful and bad and loss loans) has to be provided at 20%, 50% and 100%, respectively, for loans and advances depending on time past due. Again, as per BRPD circular no. 14, dated 23 September 2012 and BRPD circular no. 07, dated 21 June 2018, a general provision at 1% is required to be provided for all off-balance sheet exposures except on 'bills for collection' and 'guarantees' where the counter guarantees have been issued by multilateral development bank (MDB)/international bank having BB rating grade '1' equivalent outlined in the Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks, in line with Basel-III). Such provision policies are not specifically in line with those prescribed by IFRS 9.

iv) Other comprehensive income

IFRS: As per IAS 1 Presentation of Financial Statements, other comprehensive income is a component of financial statements or the elements of other comprehensive income are to be included in single comprehensive income statements.

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

v) Financial Instruments – presentation and disclosure

In several cases, Bangladesh Bank guideline categories recognise, measure and present financial instruments differently from those prescribed in IFRS 9: Financial Instruments. Hence, some disclosure and presentation requirements of IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation cannot be made in the financial statements.

vi) Repo and reverse repo transactions

IFRS: As per IFRS 9, when an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is treated as a loan, and the underlying asset continues to be recognised at amortised cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank: As per DOS Circular letter no. 6, dated 15 July 2010, and subsequent clarification in DOS Circular no. 03, dated 30 January 2012 and DOS circular no. 2, dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transaction, and the financial assets are de-recognised in the seller's book and recognised in the buyer's book.

However, as per DMD circular letter no. 7, dated 29 July 2012, non-primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralised repo arrangements with Bangladesh Bank. Here, the selling bank accounts for the arrangement as a loan, thereby continuing to recognise the asset.



vii) Financial guarantees

IFRS: As per IFRS 9: Financial Instruments, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due, in accordance with the term of debt instruments. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount, and the loss allowance determined as expected credit loss under IFRS 9. Financial guarantees are prescribed to be included within other liabilities.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, financial guarantees, such as Letter of Credit and Letter of Guarantee should be treated as off balance sheet items. No liability is recognised for the guarantee, except the cash margin.

viii) Cash and cash equivalents

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

Bangladesh Bank: Some cash and cash equivalent items, such as money at call and on short notice, treasury bills, Bangladesh Bank bills and prize bonds are not shown as cash and cash equivalents. Money at call and on short notice is shown separately in the balance sheet. Treasury bills, Bangladesh Bank bills and prize bonds are shown under investment in the balance sheet. However, in the cash flow statement, money at call and short notice and prize bonds are shown as cash and cash equivalents beside cash-in-hand, balance with Bangladesh Bank and other banks.

ix) Non-banking assets

IFRS: There is no particular/specific guideline about non-banking assets in IFRS.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, there is a separate balance sheet item titled as non-banking asset that exists in the standard format.

x) Cash flow statement

IFRS: As per IAS 7: *Statement of Cash Flows*, cash flow statement can be prepared either in direct method or indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, the cash flow statement is a mix of both the direct and indirect methods.

xi) Balance with Bangladesh Bank

IFRS: Balance with Bangladesh Bank should be treated as other asset, as it is not available for use in day to day operations, as per IAS 7: *Statement of Cash Flows*.

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

xii) Presentation of intangible asset

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

Bangladesh Bank: Intangible assets are shown in fixed assets, including premises and furniture and fixtures, as there is no specific regulation for intangible assets in BRPD circular no. 14, dated 25 June 2003.



xiii) Off balance sheet items

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

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, off balance sheet items, e.g. Letter of Credit, Letter of Guarantee and Acceptance must be disclosed separately on the face of the balance sheet.

xiv) Disclosure of appropriation of profit

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

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, appropriation of profit should be disclosed on the face of profit and loss account.

xv) Loans and advances/investments net of provision

IFRS: As per IFRS 9, loans and advances/investments should be presented net of provision.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, 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

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

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

xvii) Provision on undrawn loan commitments

IFRS: As per IFRS 9, the bank shall recognise credit losses on undrawn loan commitments, such as Letter of Credit (L/C), Letter of Guarantee (L/G), etc., as the present value of the difference between the contractual cash flow that are due by the customer if the commitment is drawn down and the cash flows that the bank expects to receive.

Bangladesh Bank: As per BRPD Circular no. 07, dated 21 June 2018, and BRPD Circular no. 14, dated 23 September 2012, the bank is required to maintain a provision at 1% rate against off balance sheet exposures (which includes all types of undrawn loan commitments).

xviii) Name of the financial statements

IFRS: As per IAS 1, complete set of financial statements consists statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes, comprising significant accounting policies and other explanatory information.

Bangladesh Bank: The forms of financial statements and directives for preparation thereof of the bank companies in Bangladesh are guided by BRPD Circular no. 14, dated 25 June 2003 and subsequent amendments thereof from time to time. BRPD circular no. 14 states the statement of financial position as balance sheet and statement of profit or loss and other comprehensive income as profit and loss account.



2.2 Going concern

The accompanying financial statements have been prepared on a going concern assumption that the Bank will continue in operation over the foreseeable future. The Bank has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of any of its operations. Key financial parameters (including liquidity, profitability, asset quality, provision sufficiency and capital adequacy) of the Bank continued to demonstrate a healthy trend for a couple of years. The rating outlook of the bank, as reported by Alpha Credit Rating agency is 'Stable'. The management do not see any issue with respect to going concern due to recent pandemic COVID-19. Besides, the management is not aware of any other material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern.

2.3 Functional and presentation currency

The financial statements are presented in Bangladeshi Taka (BDT), which is the Bank's functional currency. Except as indicated, figures have been rounded-off to the nearest Taka.

2.4 Use of estimates and judgments

The preparation of financial statements requires the 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 recognised in the period in which the estimate is revised, and in any future periods affected. The key item which involve these judgments, estimates and assumptions are discussed below:

Impairment losses on loans and advances

In addition to the provision made for loans and advances based on the guidelines of Bangladesh Bank, the Bank reviews its loans and advances portfolio on a monthly basis to assess whether a further allowance for impairment should be provided in the income statement. Judgments by the management is required in the estimation of these amounts, and such estimations are based on assumptions about a number of factors, though actual results may differ, resulting in future changes to the provisions.

Other Items

Other key items where estimates or judgements were involved include:

- a) Deferred tax (Note - 13.6)
- b) Useful life of fixed assets and right of use of assets (Note - 9)
- c) Provisions (Note - 13)
- d) Lease liabilities (Note - 3.3.4, 13)
- e) Provision for taxation (Note - 13.4)

2.5 Materiality and aggregation

Each material item considered by the management as significant has been displayed separately in the financial statements. No amount has been set off, unless the Bank has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.6 Comparative Information

Accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year. Comparative information is rearranged wherever necessary to conform with the current

2.7 Reporting period

These financial statements cover one calendar year - from 1 January to 31 December 2020.



2.8 Date of authorization

The Management has approved this financial statements on

2.9 Cash flow statement

The cash flow statement has been prepared in accordance with IAS 7. Cash Flow Statements considering the requirements specified in BRPD circular no. 14 dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank.

2.10 Statement of changes in equity

The Statement of changes in equity reflects information about the increase or decrease in net assets or wealth. Statement of changes in equity is prepared principally in accordance with IAS-1 "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank's BRPD Circular no. 14 dated 25 June 2003.

2.11 Basis of preparation of liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

- a) Balances with other bank and financial institutions, money at call and short notice etc. are on the basis of their maturity term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans and advances are on the basis of their repayment/ maturity schedule.
- d) Fixed assets are on the basis of their useful life.
- e) Other assets are on the basis of their assumption.
- f) Borrowing from other banks, financial institutions and agents as per their maturity/ repayment term
- g) Deposits and other accounts are on the basis of their maturity term and behavioural past trend of last one year.
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities are on the basis of their settlement.

2.12 Core Risk Management

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

Risk management

The Bank has in place an approved integrated Risk Management framework for managing Credit Risk, Market Risk, Liquidity Risk, and Operational Risk as evidenced by its Board approved "Risk Management Policy", "Market & Liquidity Risk Policy" and "Interest Risk Rate Policy". As per policy, reporting line of the risk management function has been kept completely independent of the business divisions. Following is the governance structure and important policies on Risk Management of the Bank:

- The Board of Directors through its sub-committee called 'Board Risk Management Committee (BRMC)' oversees overall risk of the Bank.

- RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.

- Bank has an established Risk Management Division (RMD) for Bangladesh Operations in line with the similar set up of RMD in Head Office. It has a direct report to the RMD at Head Office with administrative reporting line to the Chief Risk Officer/Country Credit Head of Bangladesh Operations. 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/Liquidity/Credit/Operational Risk Management, while As per requirement stipulated in guidelines, all sorts of Treasury dealing i.e., Dealer/Counterparty/MM & FX Gaps/Foreign Exchange Exposure Limit 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 had implemented Basel III under the purview of Bangladesh Bank guidelines and had 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, while Basic Indicator Approach (BIA) in gauging Operational Risk.

- RMD prepares "Monthly Risk Management Report (MRMR)" on a monthly basis and "Comprehensive Risk Management Report (CRMR)" on a half-yearly basis as part of regulatory requirement, which is also discussed in the 'Executive Risk Management Committee (ERMC)' meetings on monthly basis. These risk reports are prepared after receiving data/information from various departments/units, which are then compiled/refined while 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 credit/liquidity/Forex/Capital Adequacy areas in order to gauge shock absorbing capacity of the bank. Shocks are applied at minor, moderate and major levels as to ascertain whether the bank would be able to sustain under these three stress situations.

2.12.1 Credit risk management

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

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

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

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



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

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

2.12.2 Foreign exchange risk management

Foreign exchange risk arises from fluctuations in currency prices, influenced by various macro and micro economic factors. Contemporary financial institutions engage in activities starting from basic currency buy, sell, imports, exports and remittances to complex structured products. Within the bank, the Treasury department is vested with the responsibility to measure and minimise risk associated with bank's foreign currency position.

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

2.12.3 Asset liability management

The significance of ALM to the financial sector is highlighted due to the dramatic changes in global economic environment, when closely regulated markets are giving way to market-driven economies. Managing Assets and Liabilities to foster a sustainable growth is one of the key issues of banking industry. After the GFC (Global Financial Crisis), managing the Liquidity and Market risk of banks attracts much more attention of the regulators and supervisors globally. The outcome of this concern was well reflected in the activities of the Basel Committee for Banking Supervision while formulating the Basel 2.5 and Basel III documents. The Liquidity (LCR and NSFR) and leverage ratios are primarily meant to address the above risks. Bangladesh Bank declared the Roadmap for the implementation of Basel III in the banking sector and issued ALM Policy guideline through BRPD Circular No. 2, dated March 7, 2016.

Asset-Liability Management function primarily focuses on strategic positioning of the balance sheet of the bank and is also considered as Balanced Liquidity Management. Liquidity Management has its two wings- Asset Management and Liability Management. Rising of excess assets like Investment & Advances in order to maximize profit may sometimes encounter liquidity crisis, which may lead to run on the bank and ultimate collapse. On the other hand keeping or excess liquidity may hamper the bank's growth by reducing its return/profit. So in both Asset Management & Liability Management is the main factor.

Asset Liability Management Policy of Bank Alfalah Limited aims to balance various important issues like profitability, risk, growth in asset & liability and stability as well as sustainability of earnings in a coherent manner by laying down a transparent framework for governance of the ALM function. Broadly, this policy aims to achieve the following objectives:

- Provide guidelines for appropriate diversification and selection of desirable investments to take advantage of arising opportunities in approved investment avenues;
- Provide parameters and criteria for investment in domestic market for the purpose of efficient utilization of resources, optimization of profit and regulatory compliance;
- Ensure that liquidity risk is effectively and proactively managed by the bank by maintaining desirable level of liquidity;



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- 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 asset liability committee.

2.12.4 Money laundering risk

Implement Bangladesh Bank's Guidelines for managing core risks, the Bank has long established the Anti Money Laundering Division (AMLD) that is centralized at the Country Office under direct Supervision of the CAMLCO. Additionally, the AMLD 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.

Keeping the enhanced monitoring and focus on Trade Based Money Laundering, the bank has rolled out technology-based solutions in order to strengthen the screening and control environment while ensuring robust regulatory reporting.

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 to cover AML & CFT training sessions in 2020 for all employees comprises of existing and new employees and Senior Management. A schedule of branch and different functions inspection is in place to ensure that all functions are adhering the related AML and CTF regulations and Bank laid down policy and procedure on a continuous basis and do not offer services or provide assistance in transactions, which in possibly be associated with money being derived from suspect illegal/criminal activities or customer are under proscribed name by SDN, UN, OFAC, Bangladesh sanction list etc.

2.12.5 Internal Control and Compliance (ICC)

This Statement of Internal Controls is based on an ongoing process implemented to identify the risks in achieving the Bank's policies, procedure aims to establish corporate governance & accountability.

Management have their defined roles and responsibility to maintain an adequate and effective system of Internal Controls and every endeavour is made to implement sound control procedures and control environment.

The Bank's Internal Controls Policy outlines the overall Control Objectives, Controls Framework. Bank Alfalah Control Framework is built on 'Three Line of Defense Model' in line with the Bangladesh Bank Prudential Regulations on "Internal Control & Compliance" and Group policy. The Control Framework focuses on devising policies and procedures that outline control activities so that process owners perform their functions without any risk exposure. This aspect is further evaluated and monitored through various organizational functions, part of Risk Management, Compliance, Internal Controls and Internal Audit departments with different reporting structure to ensure independency and transparency.

The Bank's established Compliance and Controls Committee (CCC) which comprises of CEO and Senior Executives of the Bank are entrusted with enhanced governance and monitoring as part of the overall Control Environment. Internal control and Compliance analyze the major control gaps, escalate the issues and devise corrective action plan and develop training plans for the staff. Comprehensive reviews of KYC, AML, and other critical regulatory areas were triggered based on the alerts and exceptions generated from the dashboard. Anomalies identified as a result of different periodic and ongoing reviews are conveyed to the concerned stakeholders for taking necessary remedial measures, which significantly improved the controls environment of the Bank. Bank has also established full-fledged AML UNIT to ensure detail control and governance for Anti money laundering and Combating terrorist financing directives by Bangladesh Financial Intelligence Unit (BFIU).



In order to ensure consistency in the process of compliance with the relevant guidelines, the Bank has followed the defined procedure for implementation of regulatory and group directives. Accordingly, the Bank has developed Governance Framework, completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design and development of remediation plans for the gaps.

Furthermore, the Bank has developed a comprehensive Management Testing and Incident Reporting Framework under Risk Management Department for ensuring ongoing operating effectiveness of majority of key controls and has significantly addressed the design improvement opportunities identified during the year. While concerted efforts have always been made to comply with the Bangladesh Bank Guidelines i, the identification, evaluation and management of risks within each of the Bank's key activities and their continued evaluation and changes to procedures remains an ongoing process. In accordance with the BB directives, the Bank's External Auditors were engaged for annual review for yearly review.

Additionally Planning, Organizing & Supervising business performance metrics and the Audit & Inspection of Branches, including the monitoring of risk based business transactions have all been duly performed by the different divisions of the Bank in Bangladesh. Notable that Audit & Inspection Division of the Bank's conduct the Audit in two aspects international Audit team conduct comprehensive for the Bangladesh operation while Country Audit team carries out Internal Audits to ensure compliance of regulatory directives as well as the synchronization and adherence to laid-out Policies & Procedures. This internal Audit reports directly to AIG and is independent from Country Management.

2.12.5.1 Internal audit

The Internal Audit (IA) setup at BAFL Bangladesh is an independent and comprehensive function which not only provides objective assurance regarding state of Governance, Risk management, Compliance and Controls; but also a consulting activity designed to add value by highlighting areas for improvement and thus helping the bank achieve its objectives effectively and efficiently.

Dynamic risk assessment and continuous evaluation of the overall control and risk environment, provision of reasonable assurance and placement of significant matters for oversight of the Board and its subcommittees, has remained the hallmark of our Internal Audit Function.

The independent reporting of Chief Internal Auditor (CIA)/Head of Internal Audit to the Board Audit Committee (BAC) ensures independent decision making. Further, ensuring compliance to professional standards and adherence to globally recognized Risk Based Audit Methodology along with the adoption of relevant components of internationally acclaimed COSO-Internal Control framework remained on top priority for our IA function. The same enables formulation of policies and strategy in line with Board Audit Committee (BAC) and Regulatory advices, correlating with the industry's best practices. The BAFL Bangladesh Internal Audit Unit is playing an important role by assisting the Board Audit committee (BAC) in executing its role by collecting & sharing the desired/required information and being instrumental in carrying out and follow up of the action points/instructions issued by Board Audit Committee (BAC).

Suitably equipped with professionally qualified and competent resources from auditing, accountancy, management professions; the Unit is operational under a diversified scope of work which encompasses audits of Retail-Conventional and Islamic Banking branches, Information System, Management audits, Risk Assets Reviews, and virtual monitoring through offsite surveillance system/desktop review alongside completion of thematic/special/regulatory assignments entrusted by Bangladesh Bank on need basis.

The vision, i.e. "To be the best Audit set up as per Global Standards and help shaping the future of the Bank", motivates and drives the leadership of Audit & Inspection Group (AIG) to keep on excelling in every aspect while keeping in mind the strategic directions set by the bank. Core values of learning, openness, empathy and trust have been pursued to align the activities of AIG with its vision and expectations of its stakeholders. These values play an integral part in helping the Audit and Inspection Group moving in the right direction.

2.12.5.2 Fraud and forgery

Bank has an effective mechanism in place to deal with any fraud & forgery. It has Fraud & Investigation Unit under Audit & Inspection Group at Head Office that reports to the Board through the Board's Audit Committee. The Unit performs fraud investigations to identify fraudulent acts and conducts post investigation fraud audits to identify control breakdowns and establish financial loss. Further, the stakeholders' interest has been secured by establishment of robust Whistle Blow policy where every whistle blown has been invariably reported to the Chair of the Audit Committee along with Group Head – Audit & Inspection.

During the period no fraud was identified by the Bank.



2.12.6 Information and Communication Technology IT Security Cyber risks:

Bank Alfalah has always been at the vanguard when it comes to adopting state of the art technology to provide product and services to its valued customer. The best application, the best hardware, the best people are the three things that have kept us in front.

Information Technology is a strategic tool that always transforms Bank Alfalah into an efficient modern financial institution. This division plays an integrated role to deliver services on time to our valued customer. BAFL relies on latest cutting edge technology that focuses on making transaction straightforward for customers by making complex accounting and record-keeping activities automated. We are always eager to adopt latest technology the industry can offer & introduce latest services which will make life easier for our clients.

We can offer wide range of products and anytime-anywhere banking by adopting latest technology the industry can offer. Using internet banking customer can view all kind of account activity instantly. He/she can transfer fund to any account of any bank within the country.

Bank has strong technology platform to support any kind of MIS development. MIS & Reporting platform from Business Insight to extract and present data in quickest possible time.

Bank Alfalah has entered into strategic partnerships with some of the best known Information Technology leaders to ensure reliability, stability and scalability.

One of our core strategies is techno-centricity for which we continuously evolve ourselves with the latest of it. At Bank Alfalah, life in technology means lives made much simple.

2.13 Corporate Social Responsibility

Bank Alfalah, over the years, had engaged pro-actively on different CSR endeavours addressing the socio-economic development requirements of the country's struggling and financially disadvantaged segment of the society with a primary focus on identified thrust sectors such as education, health, community and environmental development etc. The Bank, ever since its inception, has also been moderately taking part in promoting various initiatives and sponsored numerous social initiatives like the National Children's Immunization Program, post Hurricane donation to relief fund, Educational and Extracurricular endeavours, 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.

In 2020, Bank Alfalah continued on sponsoring Gulshan Literacy Program (GLP) Foundation, which provides free quality education to poor street children through two schools. The bank sponsored nutritious diet to them in the form of milk throughout the period addressing their need for nutrition support. During the year, Bank provided relief packs to the underprivileged people of the country who were directly affected by the pandemic. A total of 700 relief packs was distributed to 700 families over the year. The bank had also conducted a winter blanket distribution program in three locations of the country i.e. outskirts of Dhaka, Chattogram and Sylhet. The winter blankets were provided to the cold stricken people of the country. The event was organized by the spontaneous participation of bank staff. A total of 700 blankets was provided to 700 families.

2.14 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 catalyse 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.



Notes to the financial statements as at and for the year ended 31 December 2020

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

- Gradually moving towards green financing and had incorporated Environmental Risk Grading in our Credit Approval process.
- Operating one ATM Booth with renewable solar power (fully) and planning to convert all our ATM Booths to green ATMs.
- Launched electronic Banking products and transaction services like Debit Cards, Internet Banking, E-statement, SMS Alert, BEFTN & RTGS services to reduce the usage of printing papers and stationeries.
- Launched electronic Banking products and transaction services like Debit Cards, Internet Banking, E-statement, SMS Alert, BEFTN & RTGS services to reduce the usage of printing papers and stationeries.
- Replaced conventional electronic equipments with energy efficient and green equipments.
- Replaced conventional electronic equipments with energy efficient and green equipments.
- Launched "Video Conferencing" through "IP Phone" to initiate meeting in lieu of physical travel which would help saving cost and energy.
- Personal Identification Number (PIN) delivery for cards has in the past been a costly and inconvenient paper-based process. Customers wait for delivery of paper PIN that can be delayed due to a variety of reasons. To address the issue, Retail Banking team explored alternate mediums for PIN delivery and developed a new PIN setting via phone Banking solution i.e. customer selects their own PIN upfront via the phone. It's convenient, near instantaneous, secure and paperless.
- Gradually replaced all Bank maintained transports with fuel efficient alternatives.
- Gradually replaced all Bank maintained transports with fuel efficient alternatives.

2.15 Credit Rating of the Bank

As per the BRPD instruction circular No.6 dated 5 July 2006, the Bank has done its credit rating by Alpha Credit Rating Limited based on the financial statements dated 31 December 2019.

Particulars	Date of Rating	Long Term	Short Term	Valid Till
Entity Rating	6-Jun-20	AA	ST - 1	31 July 2021

Alpha Credit Rating Limited has retained the long-term rating AA (pronounced as 'double A') and Short-term rating ST-1 of Bank Alfalah Limited (Bangladesh operations) based on audited financials for the year ended 31 December 2019 and other relevant quantitative as well as qualitative information.

The long-term rating reflects the stability of financial performance along with satisfactory liquidity position, strong asset quality, increase in deposits & total assets, management quality and efficient fund management by the bank. Commercial Banks rated AA have strong credit quality and subject to very low credit risk. Short term rating of ST-1 represents bank's strong capacity for timely repayment of its obligations. Alpha Credit Rating observed bank's high quality corporate governance, satisfactory CSR activities over the years and sound environmental risk management policy.



2.16 Accounting for changes in policy, accounting estimates and errors

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, states that the effect of a change in accounting policy and correction of errors, if material, is to be applied retrospectively, and change in an accounting estimate is to be applied prospectively. The carrying amount of assets, liabilities, or equity may be changed following a change in accounting estimates in the period of the change. The bank followed the same accordingly.

2.17 Board Audit Committee (BAC)

Name	Designation
Mr. Khalid Qurashi	Chairman
Mr. Abdulla Khalil Al Mutawa	Member
Mr. Khalid Mana Saeed Al Otaiba	Member
Mr. Efstratios Georgios Arapoglou	Member
Dr. Ayesha Khan	Member
Mr. Tahir Khurshid	Secretary

2.18 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 (80%), 2) Workers Welfare Fund (10%) and 3) Workers Welfare Foundation Fund (10%) for further appropriate disbursement of the funds to all members (i.e. Beneficiaries, as defined under the Act) as prescribed under the Act. However, on February 14, 2017, Ministry of Finance (Bank & Financial Institution Division) issued a letter to the Secretary, Ministry of Labour and copied to the Governor, Bangladesh Bank and Chairman of the Association of Bankers, Bangladesh Limited (ABB) and instructs the Ministry of Labour & Manpower to take necessary action not to apply Section 55 of the Bangladesh Labour Act on Banks and financial institutions. Hence, no provision is required for WPPF payments is being kept.

2.19 General

- Figures appearing in the financial statements have been rounded-off to the nearest Taka.
- Figures of previous year have been rearranged, wherever considered necessary, to conform with the current year's presentation.
- The expenses, irrespective of capital or revenue in nature, accrued/due but not paid have been provided for in the books of accounts.



3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements of the bank have been applied consistently except otherwise instructed by Bangladesh Bank as the prime regulator. Certain comparative amounts in the financial statements have been reclassified and rearranged to conform to the current year's presentation.

3.1 Foreign currency transactions

According to IAS 21 "The Effects of Changes in Foreign Exchange Rates" transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the profit and loss statement.

3.2 Assets and basis of their valuation

3.2.1 Cash and cash equivalents

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

3.2.2 Investments

All investments are initially recognised at cost including acquisition charges associated with the investment. Premiums are amortised and discount accredited using the effective or historical yield method. Accounting treatment of government treasury bills and bonds (categorised as HFT and HTM) are made in accordance with Bangladesh Bank DOS Circular letter no. 05, dated 26 May 2008 and subsequent clarifications DOS Circular letter no. 05 dated 28 January 2009.

Held to Maturity

Investments which have 'fixed or determinable payments' and are intended to be held to maturity are classified as 'Held to Maturity'. These are measured at amortised cost at each year end by taking into account any discount or premium in acquisition. Any increase or decrease in value of such investments are booked under equity and in the profit and loss statement respectively.

Held for Trading

Investments 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. After initial recognition, investments are marked to market weekly and any decrease in the present value is recognised in the Profit and Loss Account and any increase is booked to Revaluation Reserve Account through Profit and Loss Account as per DOS Circular no. 05 dated 28 January 2009.

Value of investments has been shown as under:

Investment Class	Initial Recognition	Measurement after initial recognition	Recording of changes
Govt. treasury securities Held to Maturity (HTM)	Cost	Amortised cost	Increase in value of such investments is booked to equity, decrease to profit and loss account.
Govt. treasury securities Held for Trading (HFT)	Cost	Fair value	Loss to Profit and Loss Account, gain to Revaluation Reserve through Profit and Loss Account.
Debenture/Bond	Face value	Face value	None
Prize bond	Cost	Cost	None



3.2.3 Loans and advances/investments and provisions for loans and advances/investments

- a) Loans and advances of conventional Banking/investments of Islamic Banking branches are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not sell in the normal course of business.
- b) At each balance sheet date and periodically throughout the year, the Bank reviews loans and advances to assess whether objective evidence that impairment of a loan or portfolio of loans has arisen supporting a change in the classification of loans and advances, which may result in a change in the provision required in accordance with BRPD circular no. 03 (21 April 2019), BRPD circular no.1 (20 February 2018), BRPD circular no.15 (27 September 2017), BRPD circular no.16 (18 November 2014), BRPD circular no. 05 (29 May 2013), BRPD circular no.14 (23 September 2012) and BRPD circular no. 19 (27 December 2012). The guidance in the circular follows a formulaic approach whereby specified rates are applied to the various categories of loans as defined in the circular. The provisioning rates are as follows:

Types of loans and advances	Provision				
	STD	SMA	SS	DF	BL
Consumer:					
House building and professional	1.00% - 2.00%	1.00% - 2.00%	20.00%	50.00%	100.00%
Other than housing finance & professionals to setup business	2.00% - 5.00%	2.00% - 5.00%	20.00%	50.00%	100.00%
Provision for loan to broker house, merchant banks, stock dealers, etc	2.00%	2.00%	20.00%	50.00%	100.00%
Short-term agri-credit and micro credit	1.00%	1.00%	5.00%	5.00%	100.00%
Small and medium enterprise finance	0.25%	0.25%	20.00%	50.00%	100.00%
Others	1.00%	1.00%	20.00%	50.00%	100.00%

BRPD Circular no.14 (23 September 2012) as amended by BRPD Circular no. 19 (27 December 2012) also provides scope for further provisioning based on qualitative judgments. In these circumstances impairment losses are calculated on individual loans considered individually significant based on which specific provisions are raised. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of the two is recognised in liabilities under "Provision for loans and advances" with any movement in the provision charged/released in the profit and loss account. Classified loans are categorised into sub-standard, doubtful and bad/loss based on the criteria stipulated by Bangladesh Bank guideline.

- c) Loans and advances are written off to the extent that i) there is no realistic prospect of recovery, and ii) against which legal cases are filed, where required and classified as bad/loss as per as per BRPD circular no. 02 dated 13 January 2003, BRPD circular no. 13 dated 07 November 2013 and BRPD circular no. 01 dated 06 February 2019 of Bangladesh Bank.

These write off however will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such written off accounts are maintained and followed up.

3.2.4 Staff loan

House Loan, Car Loan, Conveyance Finance Loan and Personal Loan are provided to the permanent staff at a subsidised rate. Criteria and detail of type wise staff loan are given below:

House loan: A permanent staff completing 3 years of uninterrupted service with the Bank or an experienced staff serving not less than 5 years of his service life including 1 year with BAFL can avail house building loan subject to getting approval from Human Resource Department, Head Office Karachi with the recommendations of Country Head -Bangladesh Operations and Group Head of International Business.

Car Loan: Local officers Range-VI and above will be eligible to avail car Loan facilities. Branch Manager below range VI may also be allowed car loan facility with the entitlements equivalent to Range-VI and fuel entitlement for 200 liters at the discretion of the management. The loan is approved by Country Head or Country Operation Head.

Personal Loan: An employee completing his or her 3 months of services with BAFL can avail Personal Loan. The loan is approved by Country Head or Country Operation Head of BAFL, BD operations.

Conveyance Finance Loan: Local BAFL officers Range-IV to V will be eligible to avail Car Loan facilities. This loan arrangement is like as allowance who doesn't get car loan facility. Conveyance Finance Loan is approved by Country Head or Country Operation Head of BAFL, BD operations.



3.2.5 Fixed assets (property, plant and equipment)

Recognition and measurement

As per IAS 16 "Property and Equipment" Items of fixed assets excluding land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost.

Purchase of software that is integral to the related equipment is capitalised as part of that equipment.

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

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

Subsequent costs

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

Depreciation

Depreciation on fixed assets are recognised in the profit and loss statement on straight line method over its estimated useful lives. In case of acquisition of fixed assets, depreciation is charged from the month of acquisition, whereas depreciation on disposed off fixed assets are charged up to the month prior to the disposal. Asset category wise depreciation rates for the current and comparative periods are as follows:

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

3.2.6 Leases

Right-of-use assets

The Bank recognises right-of-use assets at the date of initial application of IFRS 16. Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any re-measurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented under "Fixed assets including premises, furniture and fixtures"

Short-term leases and leases of low value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases, i.e. for which the lease term ends within 12 months of the date of initial application. The Bank recognises lease payments associated with these leases as an expense.

The contracts for all leased premises including branches, head office, regional offices, data centers, ATM booths and disaster recovery centers are considered for implementation of IFRS 16.

3.2.7 Provisions for other assets

BRPD Circular no.14 (25 June 2001) requires a provision of 100% on other assets which are outstanding for one year and above. The Bank maintains provisions in line with this circular unless it assesses there is no doubt of recovery on items of other assets in which case no provision is kept.



3.2.8 Intangible assets and its amortisation

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.

3.2.9 Reconciliation of inter-bank and inter-branch account

Account 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/balances in the case of inter-branch transactions on the reporting date are not material.

3.3 Liabilities and basis of their valuation

3.3.1 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents includes refinance from Bangladesh Bank against agro-based credit, SME and EDF Loan etc., interest-bearing borrowings against securities from Bangladesh Bank, call borrowing from other banks and borrowing from other multilateral organisations. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in note 11.

3.3.2 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 into financial statements at the gross value of outstanding balance. Details are shown in note 12.

3.3.3 Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term using incremental borrowing rate at the date of initial application. Lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments, and re-measuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

3.3.4 Provision for liabilities

As per IAS 37, provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

3.3.5 Provision for Off-balance sheet exposure

As per BRPD circular no.14 (23 September 2012) the Bank has recognised 1% General Provision on the following off balance sheet exposures as defined in BRPD circular no.10 (24 November 2002) considering the exemption as provided through BRPD circular no.01 (03 January 2018), BRPD circular no.7 (21 June 2018), BRPD circular no.13 (18 October 2018), BRPD circular no.02 (25 February 2019), BRPD circular no.09 (27 May 2019) and BRPD circular letter no.BPRD(P-1)/661/13/2019-354 (13 January 2020).

- Acceptance and endorsements
- Letters of guarantee
- Irrevocable letters of credit
- Foreign exchange contracts



3.3.6 Provisions on balances with other banks and financial institutions (Nostro accounts)

Provision for unsettled transactions on nostro accounts is made as per Foreign Exchange Policy Department (FEPD) circular no. FEPD (FEMO) / 01/2005-677 dated 13 September 2005 of Foreign Exchange Policy Department (FEPD) of Bangladesh Bank and reviewed semi-annually by the Bank's management along with duly certified by the external auditor. On the reporting date, the Bank has no unsettled transactions outstanding for more than 3 months and no provision has been made in this regard.

3.3.7 Provision for rebate to good borrower

As per BRPD Circular no. 06 (19 March 2015) and BRPD Circular Letter no 03 (16 February 2016) of the Banking Regulation and Policy Department (BRPD) of Bangladesh Bank, commercial banks are required to provide 10% rebate on the interest charged from "good borrowers" subject to some qualifying criteria.

3.3.8 Other liabilities

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxation, interest payable, interest suspense, accrued expenses, lease obligation etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, Income Tax Ordinance, 1984 and internal policy of the Bank.

3.4 Capital/Shareholders' equity

3.4.1 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 Company Act, 1991 as amended by BRPD Circular no. 11 dated 14 August 2008 and BRPD Circular no. 18 dated 21 December 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.

3.4.2 Other reserve

Other reserve arises from the revaluation of treasury bills, Bangladesh Bank bills and treasury bonds (HFT and HTM) in accordance with the DOS Circular no. 5 dated 26 May 2008 and DOS(SR) 1153/120/2010 dated 8 December 2010.

3.5 Revenue recognition

3.5.1 Interest income

Interest on loans and advances is calculated on daily basis. Based on product features, interest is accrued or charged to customers' accounts on monthly/quarterly basis.

In accordance with BRPD Circular no.14 (23 September 2012) as amended by BRPD Circular No. 19 (27 December 2012) interest accrued on sub-standard loans and doubtful loans are credited to an "Interest Suspense Account" which is included within "Other liabilities". Interest from loans and advances ceases to be accrued when they are classified as bad/loss. It is then kept in interest suspense in a memorandum account.

3.5.2 Profit on investment (Islamic Banking)

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

3.5.3 Investment income

Income on investments are recognised on accrual basis. Investment income includes discount on treasury bills and Bangladesh Bank bills, interest on treasury bonds and fixed deposit with other banks. Capital gain on investments in shares are also included in investment income. Capital gain is recognised when it is realised.

3.5.4 Fees and commission income

The Bank earns commission and fee income from a diverse range of service provided to its customers. Commission and fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed
- income earned from services provided is recognised as revenue as the services are provided
- Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.



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

Interest paid and other expenses are recognised on accrual basis.

3.7 Profit shared on deposits (Islamic banking)

Profit shared to mudaraba deposits are recognised on accrual basis.

3.8 Dividend Income

Dividend income is recognised when the right to receive income is established. Dividends are presented under investment income.

3.9 Others

Foreign exchange gain/ loss

Exchange income includes all gain and losses from foreign currency day to day transactions, conversions and revaluation of non monetary items.

3.10 Employee benefits

3.10.1 Provident Fund

Provident Fund benefits are given to the permanent staff of the Bank in accordance with the registered Provident Fund rules. The Commissioner of Income Tax, Taxes Zone - 6, Dhaka, has approved the Provident Fund as a recognized fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The reorganization took effect on 1 June 2005. The Provident Fund is operated by a Board of Trustees consisting of 5 members of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Provident Fund. The Bank also contributes equal amount to the Provident Fund. Contributions made by the Bank are charged as expense and the Bank bears no further liability. Interest earned from the investments is credited to the members' account on yearly basis. Members are eligible to get both the contribution after 5 years of continuous service from the date of their membership. By Law the Provident fund is duly audited by Rahman Rahman Huq, Chartered Accountants.

3.10.2 Gratuity Fund

The Bank operates an approved funded gratuity scheme covering eligible employees whose period of employment with the Bank is five years or more. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme. The Banks liability on this account stands as on 31 December 2020 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.

3.10.3 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.

3.11 Tax expense

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

3.11.1 Current tax

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates as prescribed in the Income Tax Ordinance (ITO) 1984 and relevant Statutory Regulatory Orders (SRO) and any adjustment to tax payable in respect of previous years. Currently the income tax rate applicable for publicly non-traded banks is 40%.



3.11.2 Deferred tax

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

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

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

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

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

3.11.3 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.

3.12 Impairment of non-financial assets

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

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

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

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

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

3.13 Contingent Liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events. A contingent liability arises when some, but not all, of the criteria for recognizing a provision are met.

IAS 37 applies prudence by deeming a past event to give rise to a present obligation and an entity shall not recognize a contingent liability. However, if it is possible rather than probable that an obligation exists, a contingent liability will exist, not a provision in the financial statements. An entity shall disclose for each class of transaction of contingent liability at the end of the reporting period if the contingent liability is not remote.



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

3.14 Contingent Assets

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity. Contingent assets are never recognised; rather they are disclosed in the financial statements when they arise.

The most significant areas where estimates and judgments have been applied are to calculate provision for loans, advances and investments as per Bangladesh Bank guideline.

3.15 Compliance of International Financial Reporting Standard (IFRSs)

While preparing the financial statements, the Bank applied most of IASs and IFRSs. Details are given below:

Name of the standards	IFRS Ref.	Implementation status by the Bank
First-time Adoption of Bangladesh Financial Reporting Standards	IFRS-1	Not applicable
Share-based Payment	IFRS-2	Not applicable
Business Combinations	IFRS-3	Not applicable
Insurance Contracts	IFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	IFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	IFRS-6	Not applicable
Financial Instruments: Disclosures	IFRS-7	Applied with some departure (note 2.1.1)
Operating Segments	IFRS-8	Not Applicable
Financial Instruments	IFRS-9	Applied with some departure (note 2.1.1)
Consolidated Financial Statements	IFRS-10	Not Applicable
Joint Arrangements	IFRS-11	Not applicable
Disclosure of Interest in Other Entities	IFRS-12	Not Applicable
Fair Value Measurement	IFRS-13	Applied with some departure (note 2.1.1)
Regulatory Deferral Accounts	IFRS-14	Not applicable
Revenue from contractors with customers	IFRS-15	Applied
Leases	IFRS-16	Applied
Presentation of Financial Statements	IAS-1	Applied with some departure (note 2.1.1)
Inventories	IAS-2	Not Applicable
Statement of Cash Flows	IAS-7	Applied with some departure (note 2.1.1)
Accounting Policies, Changes in Accounting Estimates and Errors	IAS-8	Applied
Events after the Reporting Period	IAS-10	Applied
Construction Contracts	IAS-11	Not Applicable
Income Taxes	IAS-12	Applied
Property, Plant and Equipment	IAS-16	Applied
Employee Benefits	IAS-19	Applied
Accounting for Government Grants and Disclosure of Govt Assistance	IAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	IAS-21	Applied
Borrowing Costs	IAS-23	Not Applicable
Related Party Disclosures	IAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	IAS-26	Not Applicable
Separate Financial Statements	IAS-27	Applied
Investments in Associates and Joint Venture	IAS-28	Not Applicable
Interests in Joint Ventures	IAS-31	Not Applicable
Financial Instruments: Presentation	IAS-32	Applied with some departure (note 2.1)
Earnings per Share	IAS-33	Not Applicable
Interim Financial Reporting	IAS-34	Not Applicable
Impairment of Assets	IAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	IAS-37	Applied
Intangible Assets	IAS-38	Applied
Investment property	IAS-40	Not Applicable
Agriculture	IAS-41	Not Applicable

In order to comply with certain specific rules and regulations of Bangladesh Bank which are different to IAS/IFRS, some of the requirements specified in these IAS/IFRSs are not applied. Refer to note- 2.1 for such recognition and measurement differences that are most relevant and material to the Bank.

Reason for departure from IFRS

The Central Bank of Bangladesh ('Bangladesh Bank'), as regulator of the banking industry, has issued a number of circulars/directives which are not consistent with the requirements specified in IAS/IFRS, as referred above. In such cases, the Bank has followed regulatory requirements specified by Bangladesh Bank (Note - 2.1).



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

3.16 Standards issued but not yet effective

Financial Reporting Council (FRC) has adopted following new standards and amendments to standards during the year 2017. All previously adopted reporting standards are consistently applied by the Bank as explained in Note 3.15.

A number of new standards and amendments to standards are issued but not yet effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, the Bank has not adopted early the following new or amended standards in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Bank when they become be applicable.

- i) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- ii) Reference to Conceptual Framework (Amendments to IFRS 3).
- iii) Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- iv) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

3.17 Offsetting

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

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

3.18 Segment reporting

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

3.19 Related party disclosures

A party is related to the company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

Details of the related party disclosures presented in note -51.1 and Annexure- VI

3.20 Events after reporting period

As per IAS -10 "Events after Reporting Period" events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) adjusting events after the reporting period (those that provide evidence of conditions that existed at the end of the reporting period); and
- (b) non adjusting events after the reporting period (those that are indicative of conditions that arose after the reporting period).

Details of the Events after reporting period presented in note - 51.5.



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
4 Cash			
Cash in hand (Including foreign currency)	4.1	179,544,815	200,664,417
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)	4.2	<u>1,182,461,229</u> <u>1,362,006,044</u>	<u>1,518,796,940</u> <u>1,719,461,357</u>
4.1 Cash in hand			
Local currency		171,563,081	198,540,049
Foreign currency		<u>7,981,734</u> <u>179,544,815</u>	<u>2,124,368</u> <u>200,664,417</u>
4.2 Balance with Bangladesh Bank and its agent Bank			
Local currency		732,378,909	867,540,964
Foreign currency		<u>450,082,320</u> <u>1,182,461,229</u>	<u>651,255,976</u> <u>1,518,796,940</u>
4.a	As per section 33 of Bank Company Act, 1991 (amended up to 2013) & MPD circular No. 03 dated 09 April 2020 issued by Bangladesh Bank, the Bank has been maintaining 3.5% CRR on daily basis and 4% on bi-weekly basis. CRR requirement is calculated on the basis of weekly average total demand and time liabilities (ATDTL) of a base month which is two months back of the reporting month (i.e. CRR of December 2020 is maintained on the basis of weekly ATDTL of October 2020), according to DOS Circular No. 1 & 26 issued on 19 January 2014 and 19 August 2019 respectively.		
i) Cash Reserve Requirement (CRR) for Conventional Banking			
4% of average Demand and Time Liabilities			
Required reserve		439,927,902	444,303,063
Actual reserve held (2020: 5.02% and 2019: 7.09%)		<u>551,578,709</u>	<u>629,972,246</u>
Surplus		<u>111,650,807</u>	<u>185,669,183</u>
ii) Cash Reserve Requirement (CRR) for Islamic Banking			
4% of average Demand and Time Liabilities			
Required reserve		186,738,355	204,264,319
Actual reserve held (2020: 4.24% and 2019: 6.15%)		<u>197,939,877</u>	<u>251,289,877</u>
Surplus		<u>11,201,522</u>	<u>47,025,558</u>
4.b	As per section 33 of the Bank Company Act 1991 (amended up to 2013) & MPD circular no. 2 dated 10 December 2013 issued by Bangladesh Bank (effective from 1 February 2014), the Bank has been maintaining 13% SLR on weekly average total demand and time liabilities (ATDTL) of a base month which is two months back of the reporting month (i.e. SLR of December 2020 is based on weekly ATDTL of October 2020), according to DOS Circular No. 1 & 26 issued on 19 January 2014 & 19 August 2019 respectively.		
i) Statutory Liquidity Requirement (SLR) for Conventional			
13% of required Average Demand and Time Liabilities			
Required reserve		1,429,765,683	1,155,187,964
Actual reserve held (2020: 91.43% and 2019: 66.13%)		<u>10,055,581,033</u>	<u>5,876,773,152</u>
Surplus		<u>8,625,815,350</u>	<u>4,721,585,188</u>
Held for Statutory Liquidity Requirement			
Cash in hand		105,765,113	150,403,266
Excess of daily reserve		111,650,807	185,669,183
Un-encumbered securities(HTM)		6,502,543,248	5,027,666,056
Un-encumbered securities(HFT)		3,335,621,865	513,034,647
Balance with Sonali Bank Ltd		<u>10,055,581,033</u>	<u>5,876,773,152</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
ii) Statutory Liquidity Requirement (SLR) for Islamic Banking			
5.5% of required Average Demand and Time Liabilities			
Required reserve		256,765,239	211,275,499
Actual reserve held (2020: 5.5% and 2019: 6.38%)		<u>256,773,720</u>	<u>245,117,184</u>
Surplus		<u>8,481</u>	<u>33,841,685</u>
Held for Statutory Liquidity Requirement:			
Cash in hand		73,779,702	50,261,151
Excess of daily reserve		11,201,522	47,025,558
Other Eligible Securities		79,190,000	-
Foreign currency used in BDT		<u>92,602,496</u>	<u>147,830,475</u>
		<u>256,773,720</u>	<u>245,117,184</u>
5 Balance with other banks and financial institutions			
In Bangladesh	5.1	3,496,786,820	2,491,116,348
Outside Bangladesh	5.2	<u>68,261,406</u>	<u>182,864,021</u>
		<u>3,565,048,226</u>	<u>2,673,980,369</u>
5.1 Balance inside Bangladesh			
Current accounts	5.1.1	9,227,391	7,325,190
Savings accounts	5.1.2	12,482,973	9,091,158
Mudaraba term deposit	5.1.3	300,000,000	320,000,000
Term deposit	5.1.4	<u>3,175,076,456</u>	<u>2,154,700,000</u>
		<u>3,496,786,820</u>	<u>2,491,116,348</u>
5.1.1 In current accounts with:			
Islami Bank Bangladesh Limited		23,221	23,566
The Trust Bank Limited		3,631,428	-
Standard Chartered Bank		<u>5,572,742</u>	<u>7,301,624</u>
		<u>9,227,391</u>	<u>7,325,190</u>
5.1.2 In savings accounts with:			
The Trust Bank Limited		34,233	35,505
Dhaka Bank Limited		36,347	35,076
Prime Bank Limited		<u>12,412,393</u>	<u>9,020,577</u>
		<u>12,482,973</u>	<u>9,091,158</u>
5.1.3 In mudaraba term deposit with:			
Export Import Bank of Bangladesh Ltd.		<u>300,000,000</u>	<u>320,000,000</u>
		<u>300,000,000</u>	<u>320,000,000</u>
5.1.4 In term deposit with:			
National Bank Limited		-	200,000,000
National Bank of Pakistan		780,000,000	950,000,000
Islami Bank Bangladesh Limited		424,010,000	-
Prime Bank Limited		953,442,456	-
BRAC Bank Limited		84,802,000	254,700,000
IFIC Bank Limited		-	750,000,000
Shahjalal Islami Bank Limited		254,406,000	-
The City Bank Limited		<u>678,416,000</u>	<u>-</u>
		<u>3,175,076,456</u>	<u>2,154,700,000</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
5.2 Balance outside Bangladesh			
Current account			
Standard Chartered Bank, New York		50,475,371	155,882,306
Standard Chartered Bank, Kolkata		15,703,875	24,750,174
Bank Alfalah Limited, Karachi		768,931	769,820
National Bank of Pakistan, New York		-	230,753
Standard Chartered Bank, London		690,893	219,225
Standard Chartered Bank, Frankfurt		509,939	925,924
Standard Chartered Bank, Tokyo		112,397	85,819
		<u>68,261,406</u>	<u>182,864,021</u>
Details are shown in Annexure-III			
5.a Maturity-wise groupings of balance with other banks and financial institutions			
On demand		89,971,770	16,416,348
Not more than 3 months		3,284,852,000	2,657,564,021
More than 3 months but less than 1 year		190,224,456	-
More than 1 year but less than 5 years		-	-
More than 5 years		-	-
		<u>3,565,048,226</u>	<u>2,673,980,369</u>
6 Money at call and on short notice		-	250,000,000
		-	<u>250,000,000</u>
7 Investments			
Government securities	7.1	10,411,390,891	5,540,899,003
		<u>10,411,390,891</u>	<u>5,540,899,003</u>
7.1 Government securities			
Treasury bills HFT		795,757,715	497,012,559
Treasury bills HTM		2,485,708,144	2,167,803,602
Treasury bonds HFT		2,539,864,149	16,022,088
Treasury bonds HTM		4,589,983,483	2,859,862,454
Prize bonds		77,400	198,300
		<u>10,411,390,891</u>	<u>5,540,899,003</u>
7.a Investments classified as per Bangladesh Bank Circular			
Held-for-trading (HFT) securities	7.a.1	3,335,699,264	513,232,947
Held-to-maturity (HTM) securities	7.a.2	7,075,691,627	5,027,666,056
		<u>10,411,390,891</u>	<u>5,540,899,003</u>
7.a.1 Held-for-trading (HFT) securities			
Treasury bills		795,757,715	497,012,559
Treasury bonds		2,539,864,149	16,022,088
Prize bonds		77,400	198,300
		<u>3,335,699,264</u>	<u>513,232,947</u>
7.a.2 Held-to-maturity (HTM) securities			
Treasury bills		2,485,708,144	2,167,803,602
Treasury bonds		4,589,983,483	2,859,862,454
		<u>7,075,691,627</u>	<u>5,027,666,056</u>
Except one treasury bond amounting Taka 795,683,356 the above HTM securities are lien with Bangladesh Bank for capital purpose.			
7.b Maturity wise groupings of investment			
Repayable On demand		77,400	198,300
Not more than 3 months		3,542,361,162	1,837,885,002
More than 3 months but not more than 1 year		1,193,788,881	3,068,689,345
More than 1 year but not more than 5 years		5,454,640,296	413,933,864
More than 5 years		220,523,152	220,192,492
		<u>10,411,390,891</u>	<u>5,540,899,003</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
8 Loans and advances			
Loans, cash credit, overdrafts etc.	8.1	11,043,135,105	11,192,682,764
Bills purchased and discounted	8.2	18,369,261	242,332,718
		<u>11,061,504,366</u>	<u>11,435,015,482</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.			
In Bangladesh	8.1.1	11,043,135,105	11,192,682,764
Outside Bangladesh		-	-
		<u>11,043,135,105</u>	<u>11,192,682,764</u>
8.1.1 Balance inside Bangladesh			
Conventional Banking	8.1.1.1	7,999,894,810	7,731,782,681
Islamic Banking	8.1.1.2	3,043,240,295	3,460,900,083
		<u>11,043,135,105</u>	<u>11,192,682,764</u>
8.1.1.1 Conventional Banking			
Current finance		3,976,993,588	3,489,155,582
Term finance		3,511,960,580	4,084,184,350
Agriculture Finance		230,147,778	-
Staff loan		58,537,178	67,665,086
Finance Against EDF		152,809,584	-
Loan against trust receipts		69,446,102	90,777,663
		<u>7,999,894,810</u>	<u>7,731,782,681</u>
8.1.1.2 Islamic Banking			
Murabaha (LPO)		2,353,630,710	2,426,776,521
Trust receipts		79,338,044	174,531,629
Finance Against Foreign Bill		-	27,910,093
Advance against Murabaha		472,282	84,872,282
Diminishing Musharakah		70,699,259	189,679,561
Finance Against EDF		-	10,529,997
Spot Murabaha		539,100,000	546,600,000
		<u>3,043,240,295</u>	<u>3,460,900,083</u>
8.2 Bills purchased and discounted			
Payable in Bangladesh		18,369,261	242,332,718
Payable outside Bangladesh		-	-
		<u>18,369,261</u>	<u>242,332,718</u>
8.3 Maturity-wise grouping of loans and advances			
Repayable On demand		1,922,186,257	3,289,352,736
Not more than 3 months		2,922,506,080	7,441,167,523
More than 3 months but not more than 1 year		5,788,752,009	378,100,684
More than 1 year but not more than 5 years		393,402,673	284,425,674
More Than 5 years		34,657,347	41,968,865
		<u>11,061,504,366</u>	<u>11,435,015,482</u>
8.4 Loans and advances on the basis of significant concentration			
Advances to Chief executive, other Senior executives and other Officers		58,537,178	67,665,086
Industrial loans and advances		11,002,967,188	11,367,350,396
		<u>11,061,504,366</u>	<u>11,435,015,482</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

8.5 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 Customer)	1,749,982,096	718,031,250
Amount of classified loans and advances therein	Nil	Nil
Measures taken for recovery	Not Applicable	Not Applicable

8.6 Industry-wise classification of loans and advances/investments

	2020		2019	
	% of Total Loan	BDT	% of Total Loan	BDT
Agri Business	2.39%	264,194,151	4.43%	490,107,211
Automobile dealers	1.27%	140,646,885	1.18%	130,086,608
Cement	5.93%	655,800,921	6.40%	708,287,715
Chemicals	0.55%	60,936,120	1.01%	112,026,532
Financial Institutions & MFIs	13.10%	1,449,267,281	13.84%	1,531,462,174
Food & Personal Care Products	10.54%	1,166,159,558	7.79%	861,247,773
Glass & Ceramics	0.27%	29,780,211	0.29%	31,526,833
Leather & Tanneries	1.86%	205,354,823	1.84%	203,034,692
Manufacturing & sale of Domestic Appliances	7.12%	788,053,629	6.36%	703,837,482
Metal & Allied	20.07%	2,220,578,121	13.73%	1,518,924,072
Oil & Gas Marketing Companies	0.85%	94,342,408	2.85%	314,816,898
Others/Miscellaneous	1.55%	171,414,596	2.76%	305,447,746
Paper & Board	0.36%	40,346,329	2.26%	249,573,921
Pharmaceuticals	4.82%	533,631,540	4.06%	449,259,247
Power Generation & Distribution- Non GoP	4.00%	442,149,167	7.65%	846,460,000
Printing & Publishing	1.15%	126,759,153	0.78%	86,465,253
Real Estate/Construction	0.40%	44,231,891	0.16%	17,320,994
Refinery	0.25%	27,781,573	0.26%	28,553,918
Services	5.95%	657,842,645	6.86%	759,262,028
Textile Composite / Garments Manufacturing	3.72%	411,097,456	4.45%	492,761,672
Textile Spinning	7.37%	815,126,427	6.11%	675,553,951
Textile Weaving	1.37%	151,120,182	1.28%	142,067,607
Tobacco	0.00%	-	0.00%	-
Trading	2.14%	237,118,897	1.98%	218,823,146
Transport	0.12%	13,637,935	0.12%	13,158,876
Vanaspati & Allied Industries	2.84%	314,132,467	4.93%	544,949,133
	100.00%	11,061,504,366	100.00%	11,435,015,482

8.7 Geographical location-wise loans and advances/investments

	2020		2019	
	% of Total Loan	BDT	% of Total Loan	BDT
Dhaka Division	73.78%	8,161,620,062	80.11%	9,160,478,280
Chittagong Division	25.34%	2,802,452,706	18.31%	2,093,256,717
Sylhet Division	0.88%	97,431,598	1.59%	181,280,485
	100%	11,061,504,366	100%	11,435,015,482

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

	2020		2019	
	% of Total Loan	BDT	% of Total Loan	BDT
Status				
Unclassified:				
Standard including staff loan	96.91%	10,719,628,353	97.01%	11,092,832,976
Special Mention Account (SMA)	0.02%	1,987,288	0.00%	-
	96.93%	10,721,615,641	97.01%	11,092,832,976
Classified:				
Substandard	0.00%	-	0.00%	-
Doubtful	0.00%	-	0.00%	-
Bad or loss	3.07%	339,888,725	2.99%	342,182,506
	3.07%	339,888,725	2.99%	342,182,506
	100.00%	11,061,504,366	100.00%	11,435,015,482



8.9 Particulars of required provision for loans and advances/investments

	2020		2019	
	Base for Provision	Required Provision	Base for Provision	Required Provision
Unclassified				
All unclassified loans (other than SME loan, Agricultural loan and special mention account)	9,736,852,753	97,507,174	10,127,675,170	101,276,752
Agricultural finance	284,507,778	2,845,077	212,989,463	2,129,895
SME finance	698,267,822	1,807,023	752,168,344	1,880,421
Special Mention Account (SMA)	895,142	2,238	-	-
	<u>10,720,523,495</u>	<u>102,161,512</u>	<u>11,092,832,977</u>	<u>105,287,068</u>
Classified				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Bad or loss	163,986,469	163,986,469	165,819,283	165,819,283
	<u>163,986,469</u>	<u>163,986,469</u>	<u>165,819,283</u>	<u>165,819,283</u>
	<u>10,884,509,964</u>	<u>266,147,981</u>	<u>11,258,652,260</u>	<u>271,106,351</u>
Total provision maintained		<u>336,163,218</u>		<u>341,083,602</u>
Surplus provision		<u>70,015,237</u>		<u>69,977,251</u>

2020	2019
Taka	Taka

8.10 Particulars of loans and advances/investments

i) Loans considered good in respect of which the banking company is fully secured;	11,061,504,366	11,435,015,482
ii) Loans considered good against which the banking company holds no security other than the debtor's personal guarantee;	-	-
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;	-	-
	<u>11,061,504,366</u>	<u>11,435,015,482</u>
	58,537,178	67,665,086
v) Loans due by directors or officers of the banking company or any of these either separately or jointly with any other person.	-	-
vi) Loans due from companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members;	-	-
vii) Maximum total amount of Advances including temporary advance made at any time during the year to directors or managers or officers of the banking companies or any of them either separately or jointly with any other person;	58,537,178	67,665,086
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	-	-
ix) Due from Banking Companies;	-	-
x) Amount of Classified loan/Investment on which Interest/Profit has not been charged:	339,888,725	342,182,506
(a) Movement of Classified loans and advances		
Opening balance	342,182,506	342,282,489
Increase/(decrease) during the year	(2,293,781)	(99,983)
Closing balance	339,888,725	342,182,506
(b) Provision kept against loan classified as bad/loss on the date of balance sheet	163,986,469	165,819,283
(c) Amount of interest/profit charged in suspense account	56,917,525	55,029,336
xi) Loans written off	54,842,182	54,842,182
- Current Year	54,842,182	54,842,182
- Cumulative to-date	54,842,182	54,842,182
- Amount of written off loans for which lawsuit was filed	-	-



	2020 Taka	2019 Taka
8.11 Maturity grouping of bills discounted and purchased		
Payable within 1 month	45,060	28,580,768
Over 1 month but less than 3 months	12,382,800	138,971,214
Over 3 months but less than 6 months	5,941,401	74,780,736
6 months or more	-	-
	<u>18,369,261</u>	<u>242,332,718</u>
9 Fixed assets including premises, furniture and fixtures		
Cost:		
Furniture, fixture and fittings	47,259,485	47,260,110
Office equipments	67,839,251	66,421,901
Staff equipments	13,500	13,500
Computer and related equipments	152,812,011	143,832,794
Motor vehicles	31,032,855	28,046,855
Leasehold improvement	92,511,058	83,480,616
Right of use assets	209,494,415	267,825,128
	<u>600,962,575</u>	<u>636,880,904</u>
Accumulated depreciation and amortisation	<u>(470,490,643)</u>	<u>(412,458,092)</u>
Written Down Value	<u>130,471,932</u>	<u>224,422,812</u>

Details are shown in Annexure - IV.



	Note	2020 Taka	2019 Taka
10 Other assets			
Income generating other assets			
Non-income generating other assets			
Stationery, stamps, printing materials in stock etc.		6,944,650	3,776,703
Advance rent and advertisement			320,000
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables (Note 10.2)	10.1	140,985,442	93,128,102
Security deposits		1,969,115	1,769,115
Preliminary, formation and organizational expenses, renovation, development and prepaid expenses		10,605,671	10,983,024
Deferred Tax Assets	13.6	69,592,417	10,372,394
Others	10.3	1,763,822,944	1,224,020,232
		<u>1,993,920,239</u>	<u>1,344,369,570</u>
10.1 Income/profit receivables			
On Treasury bill, bonds, preference shares, etc.		136,783,571	71,254,341
Deposit with financial institution		4,201,871	21,873,761
		<u>140,985,442</u>	<u>93,128,102</u>
10.2 Branch adjustment Account			<u>(25,447)</u>
All inter branch reconciliation have been made up to December 31, 2020. There were no significant un responded items outstanding for more than 3 months.			
10.3 Others			
Intangible asset - Software	10.4.1	1,173,355	2,032,238
Advance income tax	10.4.2	1,350,966,433	1,087,622,261
Receivable from Bangladesh Bank		411,786,325	133,307,942
Miscellaneous		(103,169)	1,057,791
		<u>1,763,822,944</u>	<u>1,224,020,232</u>
10.3.1 Intangible asset - Software			
Cost			
Balance at 1 January		33,852,198	33,852,198
Acquisitions		485,000	
Balance at 31 December		<u>34,337,198</u>	<u>33,852,198</u>
Amortization and impairment losses			
Balance at 1 January		31,819,960	30,484,180
Amortization for the year		1,343,883	1,335,780
Balance at 31 December		<u>33,163,843</u>	<u>31,819,960</u>
Carrying amounts			
Balance at 31 December		<u>1,173,355</u>	<u>2,032,238</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
10.3.2 Advance income tax			
Advance tax		1,087,622,261	854,941,282
Balance as at 1 January		263,344,172	232,680,979
Add: Paid during the year		1,350,966,433	1,087,622,261
Less: Adjustments made during the year		<u>1,350,966,433</u>	<u>1,087,622,261</u>
Balance as at 31 December			
11 Borrowings from other banks, financial institutions and agents			
In Bangladesh	11.1	2,852,573,332	10,508,584
Outside Bangladesh		<u>932,822,000</u>	<u>10,508,584</u>
		<u>3,785,395,332</u>	
11.1 In Bangladesh			
Call borrowing	11.1.1	2,300,000,000	-
Term borrowing	11.1.2	<u>552,573,332</u>	<u>10,508,584</u>
		<u>2,852,573,332</u>	<u>10,508,584</u>
11.1.1 Call borrowing			
The Premier Bank Limited		590,000,000	-
IFIC Bank Limited		450,000,000	-
Agrani Bank Limited		600,000,000	-
Eastern Bank Limited		60,000,000	-
Sonali Bank Limited		<u>600,000,000</u>	<u>-</u>
		<u>2,300,000,000</u>	
11.1.2 Term borrowing			
IFIC Bank Limited		400,000,000	-
Bangladesh Bank - EDF Financing		151,560,332	10,508,584
Bangladesh Bank - Stimulus Fund		<u>1,013,000</u>	<u>-</u>
		<u>552,573,332</u>	<u>10,508,584</u>
11.2 Secured and unsecured borrowings from other banks, financial institutions and agents			
Secured Borrowing		3,785,395,332	10,508,584
Unsecured Borrowing		<u>3,785,395,332</u>	<u>10,508,584</u>
11.3 Maturity grouping of Borrowings from other banks, financial institutions and agents			
Repayable on demand		2,300,000,000	-
Repayable within 1 month		1,332,822,000	-
Over 1 month but within 6 months		152,229,332	10,508,584
Over 6 months but within 1 year		<u>344,000</u>	<u>-</u>
		<u>3,785,395,332</u>	<u>10,508,584</u>
12 Deposits and Other Accounts			
Current accounts and other accounts	12.1	1,961,193,778	1,870,897,121
Bills payable	12.2	179,583,347	116,951,735
Savings bank	12.3	6,900,240,622	5,942,644,011
Fixed deposits	12.4	<u>7,360,189,313</u>	<u>7,350,035,227</u>
		<u>16,401,207,060</u>	<u>15,280,528,094</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
12.1 Current accounts and other accounts			
Current deposits		1,192,896,573	1,134,087,059
Alfalsh Uduog Current Account		317,736,308	310,317,350
Foreign currency deposits		365,015,343	291,176,872
Sundry deposits	12.1.1	85,545,554	135,315,840
		<u>1,961,193,778</u>	<u>1,870,897,121</u>
12.1.1 Sundry deposits			
Margin Accounts - Local Currency		69,465,755	107,418,921
Margin Accounts - Foreign Currency		11,331,827	27,837,607
Others		4,747,972	59,312
		<u>85,545,554</u>	<u>135,315,840</u>
12.2 Bills payable			
Payment order - Inside Bangladesh		178,931,219	115,599,826
Demand draft payable - Inside Bangladesh		258,431	261,169
Unclaimed PO - Inside Bangladesh		388,781	1,071,493
Unclaimed DD/TT - Inside Bangladesh		4,916	19,247
		<u>179,583,347</u>	<u>116,951,735</u>
12.3 Savings bank/Mudaraba savings bank deposits			
Savings deposits		1,887,386,708	1,705,502,762
Alfalsh Savings Plan (ASP)		122,628,634	141,322,258
Special Notice Deposits (SND)		1,433,906,234	528,972,631
Alfalsh Salary Account (ASA)		52,341,331	44,162,720
Alfalsh Rising Star (ARS)		26,241,440	15,729,033
Alfalsh premium Plus (APP)		1,122,440,808	1,111,676,423
Monthly Premium Deposit		2,255,295,467	2,395,278,184
		<u>6,900,240,622</u>	<u>5,942,644,011</u>
12.4 Fixed deposits/Mudaraba fixed deposits			
Fixed Deposit (FDR)		5,173,861,365	4,929,694,895
Mudaraba Term Deposit (MTDR)		2,186,327,948	2,420,340,332
		<u>7,360,189,313</u>	<u>7,350,035,227</u>
12.5 Deposits from banks and others			
Inter-bank deposits	12.5.1	1,271,920,887	250,007,481
Vostro Deposit	12.5.2	105,803,306	
Customer and other deposits		15,129,286,173	15,030,520,613
		<u>16,507,010,366</u>	<u>15,280,528,094</u>
12.5.1 Inter-bank deposits			
Jamuna Bank Limited		23,962	24,596
Pubali Bank Limited		1,199,589	1,200,037
AB Bank Limited		16,361	17,014
Prime Bank Limited		14,795,638	12,341,792
Islami Bank Bangladesh Limited		31,524,732	30,879,581
Shahjalal Islami Bank Limited		2,665,550	14,025
Al-Arafah Islami Bank Limited		919,603,996	203,437,469
The City Bank Limited		302,081,901	2,080,643
Bank Asia Limited		9,158	12,324
		<u>1,271,920,887</u>	<u>250,007,481</u>
12.5.2 Vostro Deposit			
Bankislami Pakistan Limited		23,524,400	30,008,641
Bank Alfalah Ltd, Karachi (Conventional)		38,519,964	6,323,241
Bank Alfalah Ltd, Karachi (Islamic)		43,758,942	33,404,386
		<u>105,803,306</u>	<u>69,736,268</u>



	Note	2020 Taka	2019 Taka
12.6 Maturity grouping of deposits			
Repayable On demand		168,077,351	1,136,643,834
Repayable within 1 month		491,349,321	1,316,847,687
Over 1 month but within 6 months		4,126,752,592	3,934,975,071
Over 6 months but within 1 year		3,882,382,810	6,044,121,130
Over 1 year but within 5 years		3,453,728,765	2,847,940,372
Over 5 years but within 10 years		4,384,719,528	-
10 years or more		-	-
		16,507,010,366	15,280,528,094

As per Bank Company Act 1991, Section 35 and BB circular letter no. BRPD 10 dated 12 September 2018, if any money or valuable asset (except deposits from Government, minor or litigation) is unclaimed for ten years or above as of 31 December every year, a three months' notice will be given to depositors concerned. Based on the response from the concerned depositors by following three months, amount will be paid to them otherwise unclaimed deposit will be deposited to Bangladesh Bank by 30 April 2021. The bank does not have any such deposit to be reported as 10 years and above unclaimed deposit amount as on 31 December 2020 (cut off basis) to Bangladesh Bank.

13 Other liabilities			
Provision for loans and advances/investments	13.1	335,963,218	341,083,602
Provision for off-balance sheet exposures	13.2	60,041,771	59,641,771
Interest suspense account	13.3	56,917,525	55,029,336
Special General Provision - Covid 19		200,000	-
Provision for taxation	13.4	1,567,074,173	1,307,074,173
Accrued expenses		10,326,586	11,388,763
Interest payable on deposit & borrowings	13.5	106,643,396	139,836,180
Unearned profit on Murabaha		73,059,345	74,568,185
Accounts payable - (Locker Security Deposit)		644,000	638,000
Withholding tax on interest on deposits		9,826,977	5,692,801
Withholding tax payable		11,825,101	43,453,008
VAT payable		3,394,756	3,328,395
Provision for audit and consultancy fees		4,229,750	2,742,750
Provision for Salaries & Allowance		18,066,327	3,660,302
Payable to Shamil bank's head office*		79,052,645	79,052,645
Excise duty payable		1,569,760	502,763
NPSB, Qcash & BACH Settlement Account		1,529,507	-
Advance commission on Letter of Guarantee (L/G)		36,029	499,453
Charity fund account		4,393,247	1,165,189
Provision for Rebate on Good Borrowers		47,700,000	47,700,000
Provision for Profit refund to Customer		9,545,648	-
Branch adjustment Account	10.3	-	25,447
Provision for special CSR		2,765,733	-
Start-Up Fund		2,738,076	-
Lease liabilities		54,127,355	125,183,545
Miscellaneous		1,323,974	591,790
		2,462,994,899	2,302,858,098

* Payable to Shamil bank is related to an obligation to pay by Bank Alfalah Bangladesh operation to Shamil bank. The reason is when Shamil bank was acquired by Bank Alfalah in 2005, Bank Alfalah paid an amount less than the required acquisition cost because there was tax claims by NBR against Shamil bank. If the claim goes in favour of Shamil bank then the amount will be paid to shamil bank in opposite case the amount will be paid to NBR.

13.1 Provision for loans and advances/investments

A. General			
Provisions held at the beginning of the year		106,574,389	93,956,693
Add: Provision made during the year		-	12,617,696
Less: Reversal of provision		(4,179,057)	-
Provisions held at the end of the year		102,395,332	106,574,389



	Note	2020 Taka	2019 Taka
B. Specific			
Provisions held at the beginning of the year		234,509,213	219,288,045
Less: Write off during the year		-	-
Add: Recovery of written off bad debts		-	20,863,352
Add: Specific provision for the year		(941,327)	(5,642,184)
Less: Reversal of provision		(941,327)	15,221,168
Net Charge to Profit and Loss Account		<u>233,567,886</u>	<u>234,509,213</u>
Provisions held at the end of the year		<u>335,963,218</u>	<u>341,083,602</u>
Total provision on loans and advances/investments			
13.2 Provision for off-balance sheet exposures			
Provisions held at the beginning of the year		59,641,771	40,038,368
Add: Provision made during the year		400,000	19,603,403
Provisions held at the end of the year		<u>60,041,771</u>	<u>59,641,771</u>
13.3 Interest suspense account			
Balance at the beginning of the year		55,029,336	51,784,845
Add: Amount transferred to Interest Suspense Account during the year		1,888,189	3,692,001
Less: Amount recovered in Interest Suspense Account during the year		-	447,510
Less: Amount written off during the year		-	-
Balance at the end of the year		<u>56,917,525</u>	<u>55,029,336</u>
13.3.1 Interest/profit suspense and compensation suspense			
Interest/profit suspense		56,917,525	55,029,336
Compensation suspense		<u>56,917,525</u>	<u>55,029,336</u>
13.4 Provision for Taxation			
Balance at the beginning of the year		1,307,074,173	1,069,074,173
Add: Provision made during the year	35	260,000,000	238,000,000
		<u>1,567,074,173</u>	<u>1,307,074,173</u>
Less: Adjustments made during the year		-	-
Balance at the end of the year		<u>1,567,074,173</u>	<u>1,307,074,173</u>
Corporate tax position of the Bank has been shown in Annexure VI.			
13.5 Profit/interest payable on deposit			
Profit/interest payable on			
Savings Deposit		5,649,387	10,842,517
Borrowings from financial institution		<u>926,930</u>	<u>13,919</u>
		<u>6,576,317</u>	<u>10,856,436</u>
Interest payable on			
30 days term deposit		132,964	258,303
90 days term deposit		2,813,483	6,303,158
180 days term deposit		2,576,338	4,969,530
360 days term deposit		40,114,317	27,816,671
Broken Period term deposit		53,462,505	88,866,790
2 years term deposit		560,688	237,893
3 years term deposit		<u>406,784</u>	<u>527,399</u>
		<u>100,067,079</u>	<u>128,979,744</u>
		<u>106,643,396</u>	<u>139,836,180</u>



13.6 Deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the following:

					In Taka
Particulars	Accounting base	Tax base	Deductible/ (Taxable) temporary difference	Applicable tax rate	Deferred Tax Asset/ (Liability)
Balance as at 31 December 2020					
Fixed assets	63,707,460	86,339,149	22,631,689	40%	9,052,676
Right of use assets (ROU) as per IFRS 16	66,764,470	-	(66,764,470)	40%	(26,705,788)
Leased Liability as per IFRS 16	54,127,355	-	54,127,355	40%	21,650,942
Loan loss provision (Specific Provision)	163,986,469	-	163,986,469	40%	65,594,588
Net deferred tax asset at 31 December 2020					69,592,417
Decrease of deferred tax asset recognised in profit and loss account as expense					(59,220,023)
Increase of deferred tax liability recognised in profit and loss account as expense					-
Net Deferred tax income recognised in profit and loss account during the year ended 31 December 2020					(59,220,023)
Net Deferred tax liability recognised in equity during the year ended 31 December 2020					-
Balance as at 31 December 2019					
Fixed assets	54,999,648	80,930,633	25,930,985	40%	10,372,394
Right of use assets (ROU) as per IFRS 16	-	-	-	40%	-
Leased Liability as per IFRS 16	-	-	-	40%	-
Loan loss provision (Specific Provision)	234,509,213	-	234,509,213	40%	93,803,685
Deferred tax asset (a)					104,176,079
Increase of deferred tax asset recognised in profit and loss account as income					199,154
Increase of deferred tax liability recognised in profit and loss account as expense					-
Net Deferred tax expense recognised in profit and loss account during the year ended 31 December 2019					199,154
Net Deferred tax liability recognised in equity during the year ended 31 December 2019					-

13.6.1 Movement in deferred tax balances during the year

	Balance at January 01	Recognized in Profit and Loss	Recognized in OCI	Balance at December 31
2020				
Fixed assets	(10,372,394)	1,319,719	-	(9,052,675)
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)	-	-	-	-
	(10,372,394)	1,319,719	-	(9,052,675)
2019				
Fixed assets	(10,173,240)	(199,154)	-	(10,372,394)
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)	-	-	-	-
	(10,173,240)	(199,154)	-	(10,372,394)



	2020 Taka	2019 Taka
14 Paid up capital (Fund from head office)		
Balance at the beginning of the year	4,450,205,090	4,445,949,318
Currency translation difference	(417,065)	4,255,772
Balance at the end of the year	4,449,788,025	4,450,205,090

14.1 Capital Adequacy Ratio - As per BASEL- III

To cope up with the international best practices and to make the bank's capital shock absorbent 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with BASEL II) was introduced from 1 January 2009 as a parallel run with BRPD Circular No. 10, dated 25 November 2002 (BASEL I). At the end of parallel run, BASEL II regime started from 01 January 2010 and the guidelines on RBCA came fully into force with its subsequent supplements/revisions. After that Bangladesh Bank issued 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with BASEL III) vide its BRPD Circular 18 dated 21 December 2014 that BASEL III reporting start from January 2015 and full implementation started from January 2019. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in the guidelines had to be followed by all scheduled banks for the purpose of statutory compliance. BASEL III framework has three main components referred to as pillars:

- i. Pillar I addresses minimum capital requirement;
- ii. Pillar II elaborates the process for assessing the overall capital adequacy aligned with risk profile of a bank as well as capital growth plan; and
- iii. Finally, Pillar III gives a framework of public disclosure on the position of a bank's risk profiles, capital adequacy, and risk management system.

Basel III reforms are the response of Basel Committee on Banking Supervision (BCBS) to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy. "Basel III: A global regulatory framework for more resilient banks and banking systems" (known as Basel III capital regulations) in December 2010. Basel III reforms strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress. Besides, the reforms have a macro prudential focus also, addressing system wide risks, which can build up across the banking sector, as well as the pro-cyclical amplification of these risks over time. These new global regulatory and supervisory standards mainly addressed the following areas:

- a) Raise the quality and level of capital to ensure banks are better able to absorb losses on both a going concern and a gone concern basis;
- b) Increase the risk coverage of the capital framework;
- c) Introduce leverage ratio to serve as a backstop to the risk-based capital measure;
- d) Raise the standards for the supervisory review process (Pillar 2); and
- e) Public disclosures (Pillar 3) etc.

To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. In 2020, banking industry will embark on the full-fledged implementation of Basel III.

We have fully complied with all the directives provided by the Central bank from time to time, starting from Pillar I, II and III reporting requirements to periodic Stress Testing activity etc.



	2020 Taka	2019 Taka
Common Equity Tier-1 (Going Concern Capital)		
Head Office Fund	4,449,788,025	4,450,205,090
Non-repayable Share Premium Account	-	-
Statutory Reserve	-	-
General Reserve	-	-
Retained Earnings	1,372,321,157	1,134,159,580
Dividend equalization fund	-	-
Minority Interest in Subsidiaries	-	-
Actuarial gain/loss (Actuarial gain/loss kept in books in Bangladesh for Foreign Banks)	-	-
Non-repatriable interest-free funds from Head Office for the purpose of acquisition of property and held in a separate account and have the ability to absorb losses regardless of their source (Applicable for Foreign Banks)	-	-
Others (if any item approved by Bangladesh Bank)	-	-
Sub-total	5,822,109,182	5,584,364,670
Regulatory Adjustments		
Shortfall in provisions required against Non Performing Loans (NPLs)	-	-
Shortfall in provisions required against investment in shares	-	-
Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities	-	-
Goodwill and all other Intangible Assets	1,173,355	2,032,238
Deferred Tax Assets (DTA)	69,592,417	10,372,394
Defined benefit pension fund assets	-	-
Gain on sale related to securitization transactions	-	-
Investment in own CET-1 Instruments/Shares (as per Para 3.4.7 of Basel III Guidelines)	-	-
Reciprocal Crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities	-	-
Any investment exceeding the approved limit under section 26 ka(1) of Banking Companies Act, 1991 (50% of Investment)	-	-
Investments in subsidiaries which are not consolidated (50% of Investment)	-	-
Others if any	-	-
Sub-total	70,765,772	12,404,632
Total common equity Tier-1 capital	5,751,343,410	5,571,960,038
Additional Tier-1 Capital		
Non-cumulative irredeemable preference shares	-	-
Instruments issued by the banks that meet the qualifying criteria for AT1 (as specified in Annex-4 of Basel III Guidelines)	-	-
Minority Interest i.e. AT1 issued by consolidated subsidiaries to third parties as specified in Annex-4 of Basel III Guidelines (for consolidated reporting)	-	-
Head Office borrowings in foreign currency by foreign banks operating in Bangladesh for inclusion in Additional Tier 1 capital which comply with the regulatory requirements as specified in Annex-4 of Basel III Guidelines (Applicable for Foreign Banks)	-	-
Any other item specifically allowed by BB from time to time for inclusion in Additional Tier 1 Capital (Applicable for Foreign Banks)	-	-
Others (if any item approved by Bangladesh Bank)	-	-
Subtotal	-	-



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	2020 Taka	2019 Taka
Regulatory Adjustments:		
Investment in own AT-1 Instrument/Share (as per Para 3.4.7 of Basel III Guidelines)	-	-
Reciprocal crossholdings in the AT-1 Capital of Banking, Financial and Insurance Entities	-	-
Others if any	-	-
Total Additional Tier-1 Capital Available	-	-
Maximum Limit of Additional Tier-1 Capital (AT-1 capital can be maximum up to 1.5% of the total RWA or 33.33% of CET1, whichever is higher)	-	-
Excess Amount over Maximum Limit of AT-1	-	-
Subtotal	5,751,343,410	5,571,960,038
Total Admissible Additional Tier-1 Capital		
Tier-2 Capital (Going Concern Capital)		
General Provision	162,637,103	166,216,160
All Other preference shares	-	-
Subordinated debt/Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital (as per Annex 4 of Basel III Guidelines)	-	-
Minority Interest i.e. Tier-2 issued by consolidated subsidiaries to third parties (for consolidated reporting only)	-	-
Head Office (HO) borrowings in foreign currency received that meet the criteria of Tier 2 debt capital (Applicable for Foreign Banks)	-	-
Revaluation Reserves as on 31 December, 2014 (50% of Fixed Assets and Securities & 10% of Equities)	-	-
Others (if any item approved by Bangladesh Bank)	-	-
Sub-total	162,637,103	166,216,160
Regulatory Adjustments		
Revaluation Reserves for Fixed Assets, Securities & Equity Securities (follow Phase-in deductions as per Basel III Guidelines)	-	-
Investment in own T-2 Instruments/Shares (as per Para 3.4.7 of Basel III Guidelines)	-	-
Reciprocal crossholdings in the T-2 Capital of Banking, Financial and Insurance Entities	-	-
Any investment exceeding the approved limit under section 26 ka(1) of Bank Company Act, 1991 (50% of Investment)	-	-
Investments in subsidiaries which are not consolidated (50% of Investment)	-	-
Others if any	-	-
Total Tier-2 Capital Available	162,637,103	166,216,160
Maximum Limit of Tier-2 Capital (Tier 2 capital can be maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher)	5,112,369,157	4,952,915,278
Excess Amount over Maximum Limit of T-2	-	-
Total Admissible Tier-2 capital	162,637,103	166,216,160
Total Capital	5,913,980,513	5,738,176,198
Risk Weighted Assets		
Credit Risk:		
On-Balance Sheet	7,501,573,709	5,886,241,608
Off-Balance Sheet	402,537,078	716,165,785
Subtotal	7,904,110,787	6,602,407,393
Market Risk	525,354,487	182,346,057
Operational Risk	1,627,508,175	1,578,642,223
Total Risk Weighted Assets	10,056,973,449	8,363,395,673



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	2020 Taka	2019 Taka
Required Minimum Common Equity Tier-1 Capital Ratio (4.5% of the total RWA)	452,563,805	376,352,805
Required Capital Conservation Buffer (2.5% of the total RWA)	251,424,336	209,084,892
Required Minimum Common Equity Tier-1 Capital Ratio plus Capital Conservation Buffer (7.0% of total RWA)	703,988,141	585,437,697
Required Tier 1 Capital (6.0% of RWA)	603,418,407	501,803,740
Required total capital (10% of RWA)	1,005,697,345	836,339,567
Required total capital plus Capital Conservation Buffer (12.5% of RWA) (A)	1,257,121,681	1,045,424,459
Minimum capital requirement (B)	4,000,000,000	4,000,000,000
Required capital (higher of A & B)	4,000,000,000	4,000,000,000
Surplus (Total capital - required capital)	1,913,980,513	1,738,176,198
Capital Adequacy Ratio:		
Common Equity Tier-1 (Against standard of minimum 6%)	57.19%	66.62%
Total Capital to Risk-weighted Asset Ratio	58.80%	68.61%
Minimum CRAR %	12.50%	12.50%
Surplus/ (Deficiency) %	46.30%	56.11%



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
15 Revaluation reserve			
Revaluation 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.			
Balance at the beginning of the year		9,889,147	24,687,658
Add: Addition during the year		42,746,078	-
Less: Adjustment during the year		-	(14,798,511)
		<u>52,635,225</u>	<u>9,889,147</u>
16 Surplus in Profit and Loss Account			
Balance at the beginning of the year		1,134,159,580	1,084,920,397
Profit Transfer to Head Office		(32,907,921)	(188,234,988)
Net (loss)/profit for the year		273,807,574	237,474,171
Transferred to Start-Up Fund		(2,738,076)	-
Balance at the end of the year		<u>1,372,321,157</u>	<u>1,134,159,580</u>
17 Letters of guarantees			
Balance for which the Bank is contingently liable in respect of guarantee issued favouring:			
Directors		257,816,558	283,030,558
Government		19,608,086	19,608,086
Banks and other financial institutions		210,510,830	181,125,105
Others		<u>487,935,474</u>	<u>483,763,749</u>
18 Irrevocable letters of credit			
Usance		165,577,608	275,103,059
Sight		296,701,812	579,186,613
		<u>462,279,420</u>	<u>854,289,672</u>
19 Income statement			
Income			
Interest, discount and similar income		1,622,953,664	1,555,289,863
Fee, commission and brokerage		21,298,442	26,238,501
Gains less losses arising from dealing securities		-	-
Gains less losses arising from investment securities		-	73,399
Gains less losses arising from dealing in foreign currencies		113,253,153	136,067,688
Income from non-banking assets		19,927,735	30,671,408
Other operating income		<u>1,777,432,994</u>	<u>1,748,340,859</u>
Expenses			
Interest, fee and commission		706,776,938	615,287,165
Losses on loans and advances		-	-
Administrative expenses		441,606,901	421,734,048
Other operating expenses		37,764,840	46,570,947
Depreciation on banking assets		118,451,415	117,331,415
		<u>1,304,600,094</u>	<u>1,200,923,575</u>
Operating Profit		<u>472,832,900</u>	<u>547,417,284</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
20 Interest income/profit on investments			
Interest on loans and advances	20.1	566,192,737	593,355,735
Share of profit from financing and discounting	20.2	266,719,405	296,959,105
Interest/profit on placements with banks	20.3	258,310,965	259,997,708
		<u>1,091,223,107</u>	<u>1,150,312,548</u>
20.1 Interest on loans and advances			
Current finance		290,832,435	312,178,992
Term finance		242,488,685	257,585,881
Trust receipt		7,720,723	18,274,687
Staff financing		3,018,419	3,393,776
Finance against EDF		1,243,810	1,457,875
Agriculture finance		17,685,277	-
Foreign bill discount		-	97,207
Local bill discounted		3,203,388	367,317
		<u>566,192,737</u>	<u>593,355,735</u>
20.2 Share of profit from financing and discounting			
Profit on diminishing musharakah		12,788,843	28,041,818
Murabaha financing - LPO		237,659,239	240,458,076
Profit on bill discounted		6,238,623	11,445,914
Profit against EDF		71,770	128,834
Murabaha income trust receipt		9,950,930	16,884,463
		<u>266,719,405</u>	<u>296,959,105</u>
20.3 Interest/profit on placements with banks			
Interest from call money		221,531,786	228,260,623
Interest/profit from deposits with banks		36,779,179	31,737,085
		<u>258,310,965</u>	<u>259,997,708</u>
21 Interest paid/profit shared on deposits and borrowings etc.			
Interest on deposits	21.1	492,246,487	387,205,723
Profit shared on Mudaraba Deposit	21.2	199,308,267	213,404,434
Interest on borrowings	21.3	15,222,184	14,677,008
		<u>706,776,938</u>	<u>615,287,165</u>
21.1 Interest on deposits			
Savings account		65,504,289	85,511,124
Royal profit deposit		76,374,280	74,855,146
Term deposit		350,367,918	226,839,453
		<u>492,246,487</u>	<u>387,205,723</u>
21.2 Profit shared on Mudaraba Deposit			
Mudaraba Savings Deposit		33,520,343	45,427,888
Mudaraba royal profit deposit		5,865,089	14,091,214
Mudaraba term deposit		159,922,835	153,885,332
		<u>199,308,267</u>	<u>213,404,434</u>
21.3 Interest on borrowings			
Interest paid on borrowings		10,786,032	6,761,322
Interest paid on Repo		33,904	-
Interest on lease liabilities		4,402,248	7,915,686
		<u>15,222,184</u>	<u>14,677,008</u>
22 Investment Income			
Discount on treasury bill		239,081,520	134,980,826
Mark-up on treasury bonds		328,058,570	281,091,636
Trading gain on treasury bills		-	77,740
Trading gain on Bangladesh Govt. Treasury Bonds		-	(4,341)
Loss on revaluation of T. Bond HFT		(13,785,015)	(1,942,927)
Profit/(Loss) on revaluation of T-bill HFT		-	(12,573)
Capital gain on treasury bills and Bangladesh Govt. Treasury Bonds		5,128,962	451,160
Interest and amortization on securities		(26,753,480)	(9,590,807)
		<u>531,730,557</u>	<u>405,050,714</u>
23 Commission, exchange and brokerage			
Fees, commission etc.		21,298,442	26,238,501
Exchange gains		113,253,153	136,067,688
		<u>134,551,595</u>	<u>162,306,189</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
24 Other operating income			
Service charges recovered		4,242,699	6,207,993
L/C amendment		90,690	35,023
Locker rent		2,692,520	2,260,300
Charges recovered		1,520,281	3,114,626
Courier charges recovered		430,072	289,558
Cheque book charges recovered		459,850	682,033
Profit on sale of fixed assets		1,636,722	972,319
UPAS LC interest income		4,629,854	8,962,667
Others (Nostro A/C Int, SWIFT Recovered etc.)		4,225,047	8,146,889
		<u>19,927,735</u>	<u>30,671,408</u>
25 Salaries and allowances			
Salaries & Allowances		192,406,787	181,602,649
Housing allowance		47,295,334	44,610,117
Conveyance allowance		11,111,011	10,301,741
Car allowance		10,747,344	9,852,291
Other allowances		1,209,798	1,095,900
Festival bonus		32,022,590	27,151,206
Performance bonus		26,470,666	16,440,233
Provident fund		11,456,643	10,448,485
Provision for gratuity		11,684,678	8,321,035
		<u>344,404,851</u>	<u>309,823,657</u>
26 Rent, taxes, insurance, electricity etc.			
Rates and taxes	26.1	14,769,538	16,277,828
Insurance		14,372,595	13,065,884
Cleaning and maintenance		9,277,836	7,183,088
Electricity and utilities		11,940,447	12,630,800
		<u>50,360,418</u>	<u>49,157,600</u>
26.1 Rent, taxes, insurance, electricity, etc.			
Rent, taxes, insurance, electricity, etc.		77,936,145	79,300,809
Reversal of rent expenses due to depreciation and interest expenses under IFRS 16		(63,166,607)	(63,022,981)
		<u>14,769,538</u>	<u>16,277,828</u>
27 Legal expenses			
Legal fees and charges		473,772	225,323
Consultancy fees		1,363,000	3,330,000
		<u>1,836,772</u>	<u>3,555,323</u>
28 Postage, stamp, telecommunication etc.			
Postage and couriers		1,597,397	3,711,794
Electronic mail and on-line connectivity		6,322,111	12,605,970
Telegram, fax, telex, SWIFT and internet charge		523,349	847,527
Telephone charges		1,444,374	994,251
		<u>9,887,231</u>	<u>18,159,542</u>
29 Stationery, printing, advertisements etc.			
Stationary and printing		6,669,628	5,532,128
Publicity and advertisement		407,650	1,570,639
		<u>7,077,278</u>	<u>7,102,767</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
30 Country Head's salary and allowances			
Salaries & Allowances		10,882,074	14,038,700
Festival bonus		2,284,750	2,509,682
Performance bonus		2,000,000	2,000,000
The Bank's contribution to provident fund		776,815	36,046
Car allowance		722,500	935,000
Provision for gratuity		913,900	-
		<u>17,580,039</u>	<u>19,519,428</u>
31 Depreciation and repair of Bank's assets			
Depreciation of Bank's Assets	31.1	118,451,415	117,331,415
Repair & Maintenance of Bank's Assets	31.2	9,606,437	13,857,981
		<u>128,057,852</u>	<u>131,189,396</u>
31.1 Depreciation of Bank's Assets			
Furniture, fixture and fittings		964,921	1,060,009
Office equipments		3,706,734	3,421,638
Computer and related equipments		8,821,150	7,629,744
Motor vehicles		5,295,156	3,028,180
Leasehold improvement		2,820,508	2,454,100
Right of use asset		95,499,063	98,401,964
Amortization of software		1,343,883	1,335,780
		<u>118,451,415</u>	<u>117,331,415</u>
31.2 Repair & Maintenance of Bank's Assets			
Furniture, fixture and fittings		444,554	187,903
Rented premises		1,244,963	47,297
Office equipments		4,829,906	3,289,778
Computer maintenance		2,528,508	9,423,565
Motor vehicles		558,506	909,438
		<u>9,606,437</u>	<u>13,857,981</u>
32 Other expenses			
Bank charges, brokerage and commission		2,063,914	1,876,096
Archiving expense		2,860,027	2,427,821
Subscription & periodicals		6,694,142	3,649,505
Entertainment		3,780,228	6,218,425
Security expenses		9,204,386	10,673,142
Traveling and conveyance		3,297,400	8,333,852
Fuel expenses		4,930,657	6,130,418
Card centre charges		3,121,027	2,582,746
Donation for CSR		-	1,850,000
Other expenses		1,813,059	2,828,942
		<u>37,764,840</u>	<u>46,570,947</u>
33 Provision for loans and advances/investments charged during the year			
Provision for unclassified, loans and advances/investments		(3,979,057)	12,617,696
Provision for classified loans and advances/investments		(941,327)	15,221,168
		<u>(4,920,384)</u>	<u>27,838,864</u>
33.1 General provision			
Provision made during the year		-	12,617,696
On general loans and advances/investments etc.		200,000	-
On special general Provision loans - Covid 19		200,000	12,617,696
		<u>(4,179,057)</u>	<u>-</u>
Less: Reversal of provision		<u>(3,979,057)</u>	<u>12,617,696</u>
33.2 Specific Provision			
Specific provision made during the year		-	20,863,352
Less: Reversal of provision		(941,327)	(5,642,184)
		<u>(941,327)</u>	<u>15,221,168</u>
34 Other provisions			
Provision for rebate of good borrowers		-	24,700,000
		<u>-</u>	<u>24,700,000</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
35 Tax expenses			
Current tax expenses	35.1	260,000,000	238,000,000
Deferred tax (credit)		(59,220,023)	(199,154)
		<u>200,779,977</u>	<u>237,800,846</u>
35.1 Current tax expenses			
Current year		213,413,201	214,687,991
Changes in estimates related to prior years		46,586,799	23,312,009
		<u>260,000,000</u>	<u>238,000,000</u>

35.2 Reconciliation of effective tax rate:

	2020 %	Taka	2019 %	Taka
Profit before income tax as per profit and loss account		474,587,551		475,275,017
Income tax as per applicable tax rate	40%	189,835,020	40%	190,110,007
Factors affecting the tax charge for current period				
Inadmissible expenses	8%	38,842,861	13%	61,255,102
Admissible expenses in the current year	-3%	(15,264,680)	-8%	(36,677,118)
Tax exempted income	0%	-	0%	-
Tax savings from reduced tax rates for dividend	0%	-	0%	-
Tax loss/(savings) from reduced tax rates for cap	0%	-	0%	-
Changes in estimates related to prior years	10%	46,586,799	5%	23,312,009
Effect of deferred tax	-12%	(59,220,023)	0%	(199,154)
Total tax expenses (credit)	42%	200,779,977	50%	237,800,846

35.3 Uncertainty over income tax treatment

Though it appears that the Bank has tax file open since 2009 for various grounds mainly interpretation of laws and the treatment. The appeal filed at different level from Commissioner of Taxes Appeal to Honorable High Court Division. Where, we did not receive proper judgement through appeal from tax department, we preferred appeal before Appellate Tribunal. Under the Appeals filed so far, we have both refund claim from Tax office and tax claim from tax department as well. However, we are reviewing all pending tax claim every year and kept provision BDT 1,567,074,173 against tax liabilities of BDT 1,636,463,712 based on management's assessment from 2009 to 2016. The bank believes that its provision for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. Please refer to Annexure VI for details.

36 Interest receipts

Interest/profit receivable as at 1 January	93,128,102	106,132,066
Interest/profit accrued during the year:	1,091,223,107	1,150,312,548
Interest on loans and advances	566,192,737	593,355,735
Share of profit from financing and discount	266,719,405	296,959,105
Interest on placements with banks	258,310,965	259,997,708
Interest/profit receivable as at 31 December	(140,985,442)	(93,128,102)
	<u>1,043,365,767</u>	<u>1,163,316,512</u>

37 Interest payments

Interest/profit payable as at 1 January	139,836,180	117,200,099
Interest/profit charged during the year	706,776,938	615,287,165
Interest on deposit	492,246,487	387,205,723
Profit shared on Mudaraba Deposits	199,308,267	213,404,434
Interest on borrowings	15,222,184	14,677,008
Interest/profit payable as at 31 December	(106,643,396)	(139,836,180)
	<u>739,969,722</u>	<u>592,651,084</u>

38 Fees and commission receipts

	<u>21,298,442</u>	<u>26,238,501</u>
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Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
39 Payment to employees			
Country Head's salaries and allowances		17,580,039	19,519,428
Salaries and allowances		344,404,851	309,823,657
Gratuity:			
Country Head		(913,900)	-
Employees		(11,684,678)	(8,321,035)
		<u>349,386,312</u>	<u>321,022,050</u>
40 Payments to suppliers			
Balance as at 1 January			
Accrued expenses		11,388,763	2,958,021
Accounts payable - others		638,000	580,000
Provision for audit and consultancy fees		2,742,750	2,979,000
		<u>14,769,513</u>	<u>6,517,021</u>
Charged during the year			
Stationery, printing, advertisements etc.		7,077,278	7,102,767
Rent, taxes, insurance, electricity etc.		50,360,418	49,157,600
Postage, stamp, telecommunication etc.		9,887,231	18,159,542
Legal expenses		1,836,772	3,555,323
Auditors' fees		853,875	557,750
		<u>70,015,574</u>	<u>78,532,982</u>
Balance as at 31 December			
Accrued expenses		(10,326,586)	(11,388,763)
Accounts payable - others		(644,000)	(638,000)
Provision for audit and consultancy fees		(4,229,750)	(2,742,750)
		<u>(15,200,336)</u>	<u>(14,769,513)</u>
		<u>69,584,751</u>	<u>70,280,490</u>
41 Receipts from other operating activities			
Other operating income		18,291,013	29,699,089
Exchange earnings		113,253,153	136,067,688
Investment income		531,730,557	405,050,714
Gain on disposal of fixed assets		1,636,722	972,319
Gain on sale of securities/shares		-	-
		<u>664,911,445</u>	<u>571,789,810</u>
42 Payments for other operating activities			
Repairs of Bank's assets		9,606,437	13,857,981
Other expenses		37,764,840	46,570,947
Gratuity:			
Country Head		913,900	-
Employees		11,684,678	8,321,035
		<u>59,969,855</u>	<u>68,749,963</u>
43 Movement of loans and advances/investments to customers			
Balance as at 31 December		11,061,504,366	11,435,015,482
Balance as at 1 January		(11,435,015,482)	(10,304,402,741)
		<u>(373,511,116)</u>	<u>1,130,612,741</u>
44 Movement of other assets			
(Increase)/decrease in other assets which are not considered elsewhere			
- Stationery, stamps, printing materials, etc.		(3,167,947)	(1,526,834)
- Advance rent and advertisement		320,000	83,094,996
- Security deposits		(200,000)	(598,000)
- Preliminary, formation and organizational expenses, renovation, development and		377,353	6,536,981
- Branch adjustment		-	-
- Others		(539,802,712)	(388,770,553)
Adjustments for-			
- Deferred tax assets		(59,220,023)	(199,154)
- Advance income tax - net of provision for tax		-	-
- Intangible asset (Computer Software)		-	-
		<u>(601,693,329)</u>	<u>(301,462,564)</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

	Note	2020 Taka	2019 Taka
45 Movement of deposits and other accounts from banks			
Balance as at 31 December		1,271,920,887	250,007,481
Balance as at 1 January		(250,007,481)	(913,264,357)
		<u>1,021,913,406</u>	<u>(663,256,876)</u>
46 Movement of deposits and other accounts from customers			
Balance as at 31 December		15,129,286,173	15,030,520,613
Balance as at 1 January		(15,030,520,613)	(13,054,974,471)
Increase/(Decrease)		<u>98,765,560</u>	<u>1,975,546,142</u>
47 Movement of other liabilities			
Increase/(decrease) in other liabilities which are not considered elsewhere		1,888,189	3,244,491
- Interest suspense account		-	-
- Deferred tax liability (Note 13.6)		4,134,176	867,499
- Withholding tax on interest on deposits		(31,627,907)	(11,355,843)
- Withholding tax		66,361	464,436
- Withholding VAT		14,406,025	2,730,232
- Provision for leave fare allowance		-	-
- Provision for audit and consultancy fees		1,066,997	148,843
- Excise duty		1,529,507	(646,346)
- Charges payable to Bangladesh Bank		(463,424)	(1,096,883)
- Advance commission on Letter of Guarantee (L/G)		3,228,058	599,264
- Charity Fund Account		2,765,733	-
- Provision for special CSR		2,738,076	-
- Start-Up Fund		(1,508,840)	(18,658,653)
- Net of profit on Moribana		(25,447)	(10,994,783)
- Branch adjustment		(71,056,190)	125,183,545
- Lease liabilities		368,740,413	306,038,366
- Miscellaneous		<u>295,881,727</u>	<u>396,524,168</u>
48 Proceeds from sale/redemption of securities			
Proceeds from sale of securities		-	-
49 Payment for purchase of securities			
Held-for-trading securities (Treasury Bond)		(2,523,842,061)	180,461,218
Held-to-maturity securities (Treasury Bond)		(1,730,121,029)	238,785,737
		<u>(4,253,963,090)</u>	<u>419,246,955</u>
50 Sale of fixed assets			
Sale of fixed assets		66,234,613	9,723,190
		<u>66,234,613</u>	<u>9,723,190</u>



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

51 General Disclosures

2020 Taka	2019 Taka
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51.1 Related party disclosures

i. Transactions with key management personnel

Key management personnel compensation for the year comprised:

Short-term employee benefits	70,758,764	73,982,152
Provident fund	2,482,137	1,714,029
Gratuity	1,493,068	1,199,351
	74,733,969	76,895,532

ii. Related party transactions

Name of organization	Balance Type	Opening balance on 01 January 2020	Deposit made/Loan disbursed	Deposit withdrawn/Loan recovery	Interest paid on Deposit/Interest charged on loan	Interest payable as at 31 December 2020	VAT/Excise Duty paid during the year	Fees/Commission charged	Closing balance on 31 December 2020
Bank Alfalah Bahrain	Borrowing	-	3,457,279,000	2,524,457,000	14,464,056	20,493	-	-	932,822,000
Bank Alfalah Karachi, Conventional	Vostro Deposit	6,288,236	174,083,445	(141,473,825)	-	-	(1,102)	(453,822)	38,519,964
Bank Alfalah Karachi, Islamic	Vostro Deposit	33,219,462	970,492,898	(959,879,095)	-	-	(56,471)	(209,809)	43,758,943

51.2 Number of employees

The number of employees engaged for the whole year or part thereof who received a total yearly remuneration of Taka 36,000 or above were 186 (2019:188).

51.3 Highlights on the overall activities

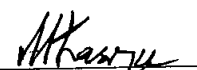
Highlights on the overall activities of the Bank have been furnished in Annexure - I.


51.4 Employee related fraud


There was no fraud occurred/reported to Bangladesh Bank during the year 2020.

51.5 Events after the reporting period

None.


Abu Noyem Md. Khasru
Head of Finance


Muhammad Ehsan Ul Haq
Country Operations Head


Adil Islam
Country Head



Annexure - I

Bank Alfalah Limited
Bangladesh Operations
Highlights on the overall activities
As at and for the year ended 31 December 2020

		(In Taka)		
Sl. No.	Particulars	Note	2020	2019
1	Paid-up capital (Fund from head office)	14	4,449,788,025	4,450,205,090
2	Total capital	14.1	5,913,980,513	5,738,176,198
3	Capital surplus	14.1	1,913,980,513	1,738,176,198
4	Total assets		28,524,341,698	23,188,148,593
5	Total deposits	12	16,401,207,060	15,280,528,094
6	Total loans and advances/investments	8	11,061,504,366	11,435,015,482
7	Total contingent liabilities and commitments		4,139,657,078	5,026,598,893
8	Credit/investment deposit ratio		67.44%	74.83%
9	Percentage of classified loans/investments against total loans and advances/investments		3.07%	2.99%
10	Operating Profit/Profit before provision		472,832,900	547,417,284
11	(Loss)/profit after tax and provision		273,807,574	237,474,171
12	Amount of classified loans/investments	8.8	339,888,725	342,182,506
13	Provisions kept against classified loans/investments	13.1	233,567,886	234,509,213
14	Provision surplus/(deficit) against classified loans/investments	13.1	69,581,417	68,689,930
15	Cost of fund		3.99%	4.41%
16	Interest earning assets		25,148,059,678	20,208,770,024
17	Non-interest earning assets		3,376,282,020	2,979,378,569
18	Return on investment (ROI)		6.75%	7.27%
19	Return on assets (ROA) [PAT/ Average assets]		0.96%	1.01%
20	Income from investment	22.0	531,730,557	405,050,714
21	Earnings per share		Not applicable	Not applicable
22	Net income per share		Not applicable	Not applicable
23	Price earning ratio		Not applicable	Not applicable



Annexure - II

Bank Alfalah Limited
Bangladesh Operations
Liquidity Statement
(Analysis of maturity of assets and liabilities)
As at 31 December 2019

						(In Taka)
Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash	374,006,860	-	-	-	987,999,184	1,362,006,044
Balance with other banks and financial institutions	89,971,770	3,284,852,000	190,224,456	-	-	3,565,048,226
Money at call and on short notice	-	-	-	-	-	-
Investments	198,300	3,542,240,262	1,193,788,881	5,454,640,296	220,523,152	10,411,390,891
Loans and advances / investments	1,922,186,257	2,922,506,080	5,788,752,009	393,402,673	34,657,347.00	11,061,504,366
Fixed assets including premises, furniture and fixtures	-	-	-	127,250,134	3,221,798	130,471,932
Other assets	4,201,871	10,605,671	626,972,909	1,352,139,788	-	1,993,920,239
Non banking assets	-	-	-	-	-	-
Total assets	2,390,565,058	9,760,204,013	7,799,738,255	7,327,432,891	1,246,401,481	28,524,341,698
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	3,632,822,000	110,464,735	42,108,597	-	-	3,785,395,332
Deposits	659,426,672	3,050,495,516	4,958,639,886	3,453,728,765	4,384,719,528	16,507,010,366
Provision and other liabilities	25,046,834	194,494,602	-	531,975,159	1,711,478,304	2,462,994,899
Total liabilities	4,317,295,506	3,355,454,853	5,000,748,483	3,985,703,924	6,096,197,832	22,755,400,597
Net liquidity gap	(1,926,730,448)	6,404,749,160	2,798,989,772	3,341,728,967	(4,849,796,350)	5,768,941,101



Bank Alfalah Limited
Bangladesh Operations
Balance with other banks - Outside Bangladesh (Nostro Accounts)
As at 31 December 2020



Bank Alfalah Limited
Bangladesh Operations
Schedule of fixed assets including premises, furniture and fixtures
As at 31 December 2020

(In Taka)

Particulars	Cost				Rate of Dep. (%)	Depreciation				Written Down Value as at 31 December 2020
	Balance as at 01 January 2020	Additions during the year	Disposal during the year	Balance as at 31 December 2020		Balance as at 01 January 2020	Charged during the year	Adjustment for the disposal during the year	Balance as at 31 December 2020	
Own Assets										
Furniture, fixture and fittings	47,260,110	198,875	(199,500)	47,259,485	10	43,272,266	964,921	(199,500)	44,037,687	3,221,798
Office equipments	66,421,901	2,112,750	(695,400)	67,839,251	20	55,027,080	3,706,734	(695,399)	58,038,415	9,800,836
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipments	143,832,794	8,979,217	-	152,812,011	25	121,037,659	8,821,150	-	129,858,809	22,953,202
Motor vehicles	28,046,855	9,995,000	(7,009,000)	31,032,855	25	20,869,112	5,295,156	(7,009,000)	19,155,268	11,877,587
Leasehold improvement	83,480,616	9,030,442	-	92,511,058	20	73,836,511	2,820,508	-	76,657,019	15,854,039
Sub Total	369,055,776	30,316,284	(7,903,900)	391,468,160		314,056,128	21,608,469	(7,903,899)	327,760,698	63,707,462
Leased Assets										
Right of use assets	267,825,128	-	(58,330,713)	209,494,415		98,401,964	95,499,063	(51,171,082)	142,729,945	66,764,470
Sub Total	267,825,128	-	(58,330,713)	209,494,415		98,401,964	95,499,063	(51,171,082)	142,729,945	66,764,470
As at 31 December 2020	636,880,904	30,316,284	(66,234,613)	600,962,575		412,458,092	117,107,532	(59,074,981)	470,490,643	130,471,932

Particulars	Cost				Rate of Dep. (%)	Depreciation				Written Down Value as at 31 December 2019
	Balance as at 01 January 2019	Additions during the year	Disposal during the year	Balance as at 31 December 2019		Balance as at 01 January 2019	Charged during the year	Adjustment for the disposal during the year	Balance as at 31 December 2019	
Own Assets										
Furniture, fixture and fittings	47,260,110	-	-	47,260,110	10	42,212,257	1,060,009	-	43,272,266	3,987,844
Office equipments	59,624,646	6,797,255	-	66,421,901	20	51,605,442	3,421,638	-	55,027,080	11,394,821
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipments	132,865,083	11,024,211	(56,500)	143,832,794	25	113,464,414	7,629,744	(56,499)	121,037,659	22,795,135
Motor vehicles	32,702,690	5,010,855	(9,666,690)	28,046,855	25	27,507,622	3,028,180	(9,666,690)	20,869,112	7,177,743
Leasehold improvement	74,737,699	8,742,917	-	83,480,616	20	71,382,411	2,454,100	-	73,836,511	9,644,105
Sub Total	347,203,728	31,575,238	(9,723,190)	369,055,776		306,185,646	17,593,671	(9,723,189)	314,056,128	54,999,648
Leased Assets										
Right of use assets	-	267,825,128	-	267,825,128		-	98,401,964	-	98,401,964	169,423,164
Sub Total	-	267,825,128	-	267,825,128		-	98,401,964	-	98,401,964	169,423,164
As at December 2019	347,203,728	299,400,366	(9,723,190)	636,880,904		306,185,646	115,995,635	(9,723,189)	412,458,092	224,422,812



Annexure - V

Bank Alfalah Limited
Bangladesh Operations
Currency Analysis
As at 31 December 2020

The table below summarizes the currency-wise analysis of assets and liabilities as at 31 December 2020. The Bank's assets and liabilities are included in their carrying amounts in Bangladesh Taka(BDT), broken down by currency.

Particulars	Balance as at 31 December 2020					Total in BDT
	Taka	Equivalent BDT of USD	Equivalent BDT of GBP	Equivalent BDT of EURO	Equivalent BDT of JPY	
ASSETS						
Cash in hand	171,563,081	7,981,734	-	-	-	179,544,815
Balance with Bangladesh Bank and its agent bank	732,378,910	432,451,152	3,944	17,626,667	556	1,182,461,229
Balance with other banks and financial institutions	1,101,710,364	2,271,800,177	690,893	190,734,395	112,397	3,565,048,226
Money at call and short notice	-	-	-	-	-	-
Investments	10,411,390,891	-	-	-	-	10,411,390,891
Loans and advances	10,890,490,169	171,014,197	-	-	-	11,061,504,366
Fixed assets	130,471,932	-	-	-	-	130,471,932
Other assets	1,993,531,232	-	-	389,007	-	1,993,920,239
Non-banking assets	-	-	-	-	-	-
Total assets	25,431,536,579	2,883,247,260	694,837	208,750,069	112,953	28,524,341,698
LIABILITIES						
Borrowings from other banks, financial Institutions and agents	2,701,013,000	1,084,382,332	-	-	-	3,785,395,332
Deposit	16,024,596,543	376,455,032	155,485	-	-	16,401,207,060
Other liabilities	2,462,368,230	626,669	-	-	-	2,462,994,899
Total liabilities	21,187,977,773	1,461,464,033	155,485	-	-	22,649,597,291
Net position	4,243,558,806	1,421,783,227	539,352	208,750,069	112,953	5,874,744,407



Annexure - VI

Bank Alfalah Limited
Bangladesh Operations
Statement of Tax Position
As at 31 December 2020

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

(In Taka)

Income year	Assessment year	Tax as per return	Tax paid with return and during appeal / deducted at source / minimum tax	Additional tax claimed by DCT as per appeal order	Total tax liability (DCT / tax return)	Provision held as per Financial Statements	Status
2009	2010-2011	5,325,000	9,002,702	771,060	1,220,460	5,325,000	Under appeal
2010	2011-2012	4,516,323	16,825,346	47,329,210	53,752,418	29,134,371	Under appeal
2011	2012-2013	4,718,678	18,303,607	50,591,153	59,058,394	48,190,451	Under appeal
2012	2013-2014	6,216,162	12,370,679	37,840,003	50,210,681	50,210,681	Under appeal
2013	2014-2015	71,561,461	73,739,502	47,285,494	121,024,996	104,997,929	Under appeal
2014	2015-2016	178,921,274	178,921,274	-	178,921,274	178,921,274	Tax clearance certificate received
2015	2016-2017	159,037,342	166,233,839	32,853,966	192,308,007	173,077,206	Under appeal
2016	2017-2018	123,875,855	123,875,854	59,273,662	183,149,517	180,399,296	Under appeal
2017	2018-2019	167,593,149	168,711,536	-	167,593,149	167,593,149	Tax clearance certificate received
2018	2019-2020	201,123,624	201,123,624	-	201,123,624	201,123,624	Tax clearance certificate received
2019	2020-2021	214,687,991	214,687,991	-	214,687,991	214,687,991	Tax clearance certificate received
2020	2021-2022	213,413,201	167,170,479	-	213,413,201	213,413,201	Return to be submitted within due date
Total		1,350,990,060	1,350,966,433	275,944,548	1,636,463,712	1,567,074,173	



Bank Alfalah Limited
Motijheel Islamic Banking Branch
Balance Sheet
as at 31 December 2020


Particulars	Note	2020 Taka	2019 Taka
PROPERTY AND ASSETS			
Cash	4	271,716,242	301,493,617
In hand (including foreign currencies)		73,779,701	50,261,151
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		197,936,541	251,232,466
Balance with other banks and financial institutions	5	300,000,000	320,000,000
In Bangladesh		300,000,000	320,000,000
Outside Bangladesh		-	-
Placement with banks and other financial institutions		-	-
Investments in shares and securities		-	4,900
Government (Prize Bond)		-	4,900
Others		-	-
Investments	6	3,061,609,556	3,651,179,215
General investments etc.		3,043,240,295	3,460,898,102
Bills purchased and discounted		18,369,261	190,281,113
Fixed assets including premises, furniture and	7	19,853,134	1,868,932
Other assets	8	1,942,954,424	627,878,137
Non-banking assets		-	-
Total property and assets		5,596,133,356	4,902,424,801
LIABILITIES AND CAPITAL			
Liabilities			
Placement from banks and other financial institutions		-	10,508,584
Deposits and other accounts	9	5,413,658,897	4,704,309,201
Al-wadeeah current and other deposit accounts		843,385,169	831,711,518
Bills payable		25,383,368	18,855,173
Mudaraba saving deposits		2,358,562,412	1,433,402,178
Mudaraba term deposits		2,186,327,948	2,420,340,332
Other liabilities	10	182,474,459	187,607,016
Differed tax liabilities/(assets)		-	-
Total liabilities		5,596,133,356	4,902,424,801
Capital/shareholders' equity			
Retained earnings	11	-	-
Total shareholders' equity		-	-
Total liabilities and shareholders' equity		5,596,133,356	4,902,424,801

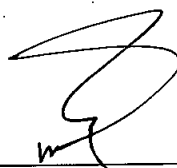



Bank Alfalah Limited
Motijheel Islamic Banking Branch
Balance Sheet
as at 31 December 2020

Particulars	Note	2020 Taka	2019 Taka
Off balance sheet items			
Contingent liabilities			
Acceptances and endorsements		58,941,208	248,326,821
Letters of guarantee	12	291,230,960	311,637,040
Irrevocable letters of credit (including back to back bills)	13	395,546,044	429,869,235
Bills for collection		123,323,494	573,680,137
Value of Bangladesh Sanchaypatra		270,800,000	270,800,000
Total		1,139,841,706	1,834,313,233
Other commitments			
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		-	-
Total		-	-
Total off-balance sheet items including contingent liabilities		1,139,841,706	1,834,313,233

The annexed notes 1 to 41 form an integral part of these financial statements.

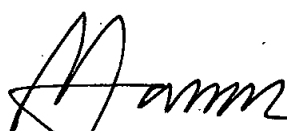

 Head of Finance


 Country Operations Head


 Country Head

As per our report of same date.

Dhaka, 29 JUN 2021


 Auditor

Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

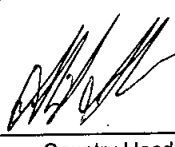
Bank Alfalah Limited
Profit and Loss Account
For the year ended 31 December 2020

Particulars	Note	2020 Taka	2019 Taka
Investment income	15	288,960,749	308,961,327
Profit paid on deposits	16	(200,828,931)	(213,471,471)
Net investment income		88,131,818	95,489,856
Income from investment in shares/securities	17	-	-
Commission, exchange and brokerage	18	23,210,500	52,114,753
Other operating income	19	4,674,633	13,343,021
Total operating income (a)		116,016,951	160,947,630
Salaries and allowances	20	38,549,269	35,224,110
Rent, taxes, insurance, electricity etc.	21	5,191,599	19,484,882
Legal & Professional expenses		15,000	-
Postage, stamps, telecommunication etc.	22	1,542,266	2,524,139
Stationery, printing, advertisement etc.	23	1,024,158	1,702,475
Shariah supervisory committee's fees and expenses		-	-
Auditors' fees		-	-
Depreciation and repair to Bank's assets	24	12,946,523	2,140,293
Zakat expenses		-	-
Other expenses	25	3,473,932	4,152,359
Total operating expenses (b)		62,742,747	65,228,258
Profit before provision (c=a-b)		53,274,204	95,719,372
Provision for investments		(5,268,254)	(3,948,329)
General provision	10.1	(5,268,254)	-
Specific provision	10.1	-	(3,948,329)
Provision for off-balance sheet items		(2,441,149)	-
Provision for diminution in value of investments in shares		-	-
Other provisions		-	-
Total provision (d)		(7,709,403)	(3,948,329)
Total profit before tax (e= c-d)		60,983,607	99,667,701
Provision for taxation:			
Current tax expense		-	-
Deferred tax expense / (income)		-	-
Total provision for taxation		-	-
Net profit / (loss) after tax		60,983,607	99,667,701

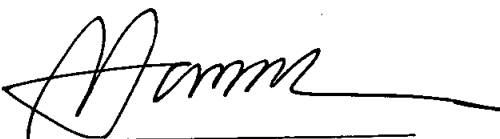
The annexed notes 1 to 41 form an integral part of these financial statements.


 Head of Finance


 Country Operations Head


 Country Head

As per our report of same date.



Auditor

Dhaka, 29 JUN 2021

Rahman Rahman Huq
Chartered Accountants
KPMG In Bangladesh

Bank Alfalah Limited
Motijheel Islamic Banking Branch
Cash Flow Statement
For the year ended 31 December 2020

Particulars	Notes	2020 Taka	2019 Taka
Cash flows from operating activities			
Investment income receipts in cash	26	288,960,749	306,207,142
Profit paid on deposits	27	(215,728,481)	(205,121,584)
Fees and commission receipts in cash	28	10,581,480	15,069,006
Recoveries on loans previously written-off		-	-
Cash payments to employees	29	(38,549,269)	(35,224,110)
Cash payments to suppliers	30	(8,006,563)	(23,509,246)
Income taxes paid		-	-
Receipts from other operating activities	31	17,303,653	50,388,768
Payments for other operating activities	32	(4,268,204)	(4,954,176)
Operating loss before changes in operating assets and liabilities		50,293,365	102,855,800
Increase/decrease in operating assets and liabilities:			
Statutory deposits		-	-
Purchase/sale of trading securities		-	-
Investments to customers	33	589,569,659	86,632,244
Other assets	34	(1,376,059,894)	616,063,277
Deposits and other accounts from other banks	35	1,057,980,444	(493,520,608)
Deposits and other accounts from customers	36	(348,630,748)	40,604,869
Other liabilities	37	(12,239,367)	(18,801,145)
Cash generated from/(used in) operating assets and liabilities		(89,379,906)	230,978,637
Net cash inflow/(outflow) from operating activities		(39,086,541)	333,834,437
Cash flows from investing activities			
Proceeds from sale/redemption of securities		-	-
Payment for purchase of securities		-	-
Purchase of fixed assets		(182,250)	(927,608)
Sale of fixed assets		-	-
Net cash (used in)/from investing activities		(182,250)	(927,608)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(39,268,791)	332,906,829
Cash and cash equivalents at beginning of the year		610,985,033	278,078,204
Cash and cash equivalents at end of the year		571,716,242	610,985,033
Cash in hand (including foreign currencies)		73,779,701	50,261,151
Balance with other banks and financial institutions		300,000,000	320,000,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		197,936,541	251,232,466
Placement from banks and other financial institutions		-	(10,508,584)
		571,716,242	610,985,033

The annexed notes 1 to 41 form an integral part of these financial statements.



Bank Alfalah Limited
Motijheel Islamic Banking Branch
Statement of Changes in Equity
For the year ended 31 December 2020

For the year ended 31 December 2019

Particulars	Fund deposited with Bangladesh Bank	Surplus in profit and loss account	Total equity
Balance as at 01 January 2019	-	-	-
Net loss for the year	-	99,667,701	99,667,701
Transferred to Bangladesh country office	-	(99,667,701)	(99,667,701)
Balance as at 31 December 2019	-	-	-

Particulars	Fund deposited with Bangladesh Bank	Surplus in profit and loss account	Total equity
Balance as at 1 January 2020	-	-	-
Net loss for the period	-	60,983,607	60,983,607
Transferred to Bangladesh country office	-	(60,983,607)	(60,983,607)
Balance as at 31 December 2020	-	-	-

The annexed notes 1 to 41 form an integral part of these financial statements.



Bank Alfalah Limited - Bangladesh Operations**Motijheel Islamic Banking Branch****Notes to the financial statements as at and for the year ended 31 December 2020****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 2020. Motijheel branch ("the Branch") is the only Islamic banking branch and rest of the branches are conventional banking branches.

1.1 Principal activities of the Bank/Branch

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

2 Basis of preparation of financial statements

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

2.1 Statement of compliance

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) was formed in 2017 and has adopted International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as the applicable Financial Reporting Standards for public interest entities such as banks with effect from 2 November 2020.

The financial statements of the bank have been prepared in accordance with the IFRS adopted by FRC and in addition to this, the bank also complied with the requirements of the following laws and regulations from various Government bodies:

- i) The Bank Company Act, 1991, and amendment thereon;
- ii) Circulars, Rules and Regulations Issued by Bangladesh Bank (BB) time to time;
- iii) The Income Tax Ordinance, 1984, and amendments thereon;
- iv) The Value Added Tax Act, 2012, The Value Added Tax Rules, 2016 and amendments thereon;
- v) Financial Reporting Act, 2015.

In case any requirement of the Bank Company Act, 1991, and provisions and circulars issued by Bangladesh Bank (BB) differ with those of IFRS, the requirements of the Banking Companies Act, 1991, and provisions and circulars issued by BB shall prevail. Material departures from the requirements of IFRS are as follows:

i) Investment in shares and Securities

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



Notes to the financial statements as at and for the year ended 31 December 2020

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

ii) Subsequent measurement of Government securities

IFRS: Government securities refer primarily to various debt instruments which include both bonds and bills. As per requirements of IFRS 9: Financial Instruments, bonds can be categorised as "Amortised Cost (AC)", or "Fair Value Through Profit or Loss (FVTPL)", or "Fair Value through Other Comprehensive Income (FVOCI)". Bonds designated as Amortised Cost are measured at amortised cost method, and interest income is recognised through profit and loss account. Any changes in fair value of bonds designated as FVTPL is recognised in the profit and loss account. Any changes in fair value of bonds designated as FVOCI is recognised in other reserves, as a part of equity.

As per requirements of IFRS 9, bills can be categorised either as "Fair Value Through Profit or Loss (FVTPL)" or "Fair Value through Other Comprehensive Income (FVOCI)". Any change in fair value of bills is recognised in the profit and loss account or other reserves as a part of equity, respectively.

Bangladesh Bank: As per DOS Circular no. 05, dated 26 May 2008, and subsequent clarification in DOS Circular no. 05, dated 28 January 2009, Government securities/bills are classified into Held for Trading (HFT) and Held to Maturity (HTM). HFT securities are revalued on the basis of mark-to-market and at year-end, any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as a part of equity. Any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities, including amortisation of discount, are recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at year-end, and gains or losses on amortisation are recognised in other reserves as part of equity.

iii) Provision on loans and advances/ investments

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

Bangladesh Bank: As per BRPD Circular no. 07, dated 21 June 2018, BRPD Circular no 13, dated 18 October 2018, BRPD circular No. 15, dated 27 September 2017, BRPD circular no. 16, dated 18 November 2014, BRPD circular no. 14, dated 23 September 2012, BRPD circular no. 05, dated 29 May 2013, BRPD circular no. 1, dated 20 February 2018 and BRPD circular no. 3, dated 21 April 2019, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard and SMA loans) has to be maintained regardless of objective evidence of impairment. Also, provision for different categories of classified loans (sub-standard, doubtful and bad and loss loans) has to be provided at 20%, 50% and 100%, respectively, for loans and advances depending on time past due. Again, as per BRPD circular no. 14, dated 23 September 2012 and BRPD circular no. 07, dated 21 June 2018, a general provision at 1% is required to be provided for all off-balance sheet exposures except on 'bills for collection' and 'guarantees' where the counter guarantees have been issued by multilateral development bank (MDB)/international bank having BB rating grade '1' equivalent outlined in the Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks, in line with Basel-III). Such provision policies are not specifically in line with those prescribed by IFRS 9.



Notes to the financial statements as at and for the year ended 31 December 2020

iv) Other comprehensive income

IFRS: As per IAS 1 Presentation of Financial Statements, other comprehensive income is a component of financial statements or the elements of other comprehensive income are to be included in single comprehensive income statements.

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

v) Financial instruments – presentation and disclosure

In several cases, Bangladesh Bank guideline categories recognise, measure and present financial instruments differently from those prescribed in IFRS 9: Financial Instruments. Hence, some disclosure and presentation requirements of IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation cannot be made in the financial statements.

vi) Repo and reverse repo transactions

IFRS: As per IFRS 9, when an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is treated as a loan, and the underlying asset continues to be recognised at amortised cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank: As per DOS Circular letter no. 6, dated 15 July 2010, and subsequent clarification in DOS Circular no. 03, dated 30 January 2012 and DOS circular no. 2, dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transaction, and the financial assets are de-recognised in the seller's book and recognised in the buyer's book.

However, as per DMD circular letter no. 7, dated 29 July 2012; non-primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralised repo arrangements with Bangladesh Bank. Here, the selling bank accounts for the arrangement as a loan, thereby continuing to recognise the asset.

vii) Financial guarantees

IFRS: As per IFRS 9: Financial Instruments, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due, in accordance with the term of debt instruments. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount, and the loss allowance determined as expected credit loss under IFRS 9. Financial guarantees are prescribed to be included within other liabilities.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, financial guarantees, such as Letter of Credit and Letter of Guarantee should be treated as off balance sheet items. No liability is recognised for the guarantee, except the cash margin.

viii) Cash and cash equivalents

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

Bangladesh Bank: Some cash and cash equivalent items, such as money at call and on short notice, treasury bills, Bangladesh Bank bills and prize bonds are not shown as cash and cash equivalents. Money at call and on short notice is shown separately in the balance sheet. Treasury bills, Bangladesh Bank bills and prize bonds are shown under investment in the balance sheet. However, in the cash flow statement, money at call and short notice and prize bonds are shown as cash and cash equivalents beside cash-in-hand, balance with Bangladesh Bank and other banks.



Notes to the financial statements as at and for the year ended 31 December 2020

ix) Non-banking assets

IFRS: There is no particular/specific guideline about non-banking assets in IFRS.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, there is a separate balance sheet item titled as non-banking asset that exists in the standard format.

x) Cash flow statement

IFRS: As per *IAS 7: Statement of Cash Flows*, cash flow statement can be prepared either in direct method or indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, the cash flow statement is a mix of both the direct and indirect methods.

xi) Balance with Bangladesh Bank

IFRS: Balance with Bangladesh Bank should be treated as other asset, as it is not available for use in day to day operations, as per *IAS 7: Statement of Cash Flows*.

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

xii) Presentation of intangible asset

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

Bangladesh Bank: Intangible assets are shown in fixed assets, including premises and furniture and fixtures, as there is no specific regulation for intangible assets in BRPD circular no. 14, dated 25 June 2003.

xiii) Off balance sheet items

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

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, off balance sheet items, e.g. Letter of Credit, Letter of Guarantee and Acceptance must be disclosed separately on the face of the balance sheet.

xiv) Disclosure of appropriation of profit

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

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, appropriation of profit should be disclosed on the face of profit and loss account.

xv) Loans and advances/investments net of provision

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

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, 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

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

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



Notes to the financial statements as at and for the year ended 31 December 2020

xvii) Provision on undrawn loan commitments

IFRS: As per IFRS 9, the bank shall recognise credit losses on undrawn loan commitments, such as Letter of Credit (L/C), Letter of Guarantee (L/G), etc., as the present value of the difference between the contractual cash flow that are due by the customer if the commitment is drawn down and the cash flows that the bank expects to receive.

Bangladesh Bank: As per BRPD Circular no. 07, dated 21 June 2018, and BRPD Circular no. 14, dated 23 September 2012, the bank is required to maintain a provision at 1% rate against off balance sheet exposures (which includes all types of undrawn loan commitments).

2.2 Going concern

The accompanying financial statements have been prepared on a going concern assumption that the Bank will continue in operation over the foreseeable future. The Bank has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of any of its operations. Key financial parameters (including liquidity, profitability, asset quality, provision sufficiency and capital adequacy) of the Bank continued to demonstrate a healthy trend for a couple of years. The rating outlook of the bank, as reported by Alpha Credit Rating agency is 'Stable'. The management do not see any issue with respect to going concern due to recent pandemic COVID-19. Besides, the management is not aware of any other material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern.

2.3 Functional and presentation currency

The financial statements are presented in Bangladeshi Taka (BDT), which is the Bank's functional currency. Except as indicated, figures have been rounded-off to the nearest Taka.

2.4 Use of estimates and judgments

The preparation of financial statements requires the 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 recognised in the period in which the estimate is revised, and in any future periods affected. The key item which involve these judgments, estimates and assumptions are discussed below:

Impairment losses on loans and advances

In addition to the provision made for loans and advances based on the guidelines of Bangladesh Bank, the Bank reviews its loans and advances portfolio on a monthly basis to assess whether a further allowance for impairment should be provided in the income statement. Judgments by the management is required in the estimation of these amounts, and such estimations are based on assumptions about a number of factors, though actual results may differ, resulting in future changes to the provisions.

Other items

Other key items where estimates or judgements were involved include:

- b) Useful life of fixed assets and right of use of assets (Note -7)
- c) Provisions (Note - 10)

2.5 Materiality and aggregation

Each material item considered by the management as significant has been displayed separately in the financial statements. No amount has been set off, unless the Bank has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.6 Comparative information

Accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year. Comparative information is rearranged wherever necessary to conform with the current presentation.



Notes to the financial statements as at and for the year ended 31 December 2020

2.7 Reporting period

These financial statements cover one calendar year - from 1 January to 31 December 2020.

2.8 Date of authorization

The Management has approved this financial statements on

2.9 Cash flow Statement

The cash flow statement has been prepared in accordance with IAS 7. Cash Flow Statements considering the requirements specified in BRPD circular no. 14 dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank.

2.10 Statement of Changes in Equity

The Statement of changes in equity reflects information about the increase or decrease in net assets or wealth. Statement of changes in equity is prepared principally in accordance with IAS-1 "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank's BRPD Circular no. 14 dated 25 June 2003.

2.11 Basis of preparation of liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

- a) Balances with other bank and financial institutions, money at call and short notice etc. are on the basis of their maturity term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans and advances are on the basis of their repayment/ maturity schedule.
- d) Fixed assets are on the basis of their useful life.
- e) Other assets are on the basis of their assumption.
- f) Borrowing from other banks, financial institutions and agents as per their maturity/ repayment term
- g) Deposits and other accounts are on the basis of their maturity term and behavioural past trend of last one year.
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities are on the basis of their settlement.

2.12 Core Risk Management

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

Risk management

The Bank has in place an approved integrated Risk Management framework for managing Credit Risk, Market Risk, Liquidity Risk, and Operational Risk as evidenced by its Board approved "Risk Management Policy", "Market & Liquidity Risk Policy" and "Interest Risk Rate Policy". As per policy, reporting line of the risk management function has been kept completely independent of the business divisions. Following is the governance structure and important policies on Risk Management of the Bank:

- The Board of Directors through its sub-committee called 'Board Risk Management Committee (BRMC)' oversees overall risk of the Bank.
- RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.



Notes to the financial statements as at and for the year ended 31 December 2020

- Bank has an established Risk Management Division (RMD) for Bangladesh Operations in line with the similar set up of RMD in Head Office. It has a direct report to the RMD at Head Office with administrative reporting line to the Chief Risk Officer/Country Credit Head of Bangladesh Operations. 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/Liquidity/Credit/Operational Risk Management, while As per requirement stipulated in guidelines, all sorts of Treasury dealing i.e., Dealer/Counterparty/MM & FX Gaps/Foreign Exchange Exposure Limit 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 had implemented Basel III under the purview of Bangladesh Bank guidelines and had 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, while Basic Indicator Approach (BIA) in gauging Operational Risk.

- RMD prepares "Monthly Risk Management Report (MRMR)" on a monthly basis and "Comprehensive Risk Management Report (CRMR)" on a half-yearly basis as part of regulatory requirement, which is also discussed in the 'Executive Risk Management Committee (ERMC)' meetings on monthly basis. These risk reports are prepared after receiving data/information from various departments/units, which are then compiled/refined while 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 credit/liquidity/Forex/Capital Adequacy areas in order to gauge shock absorbing capacity of the bank. Shocks are applied at minor, moderate and major levels as to ascertain whether the bank would be able to sustain under these three stress situations.

2.12.1 Credit risk management

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

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

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

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



Notes to the financial statements as at and for the year ended 31 December 2020

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

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

2.12.2 Asset liability management

The significance of ALM to the financial sector is highlighted due to the dramatic changes in global economic environment, when closely regulated markets are giving way to market-driven economies. Managing Assets and Liabilities to foster a sustainable growth is one of the key issues of banking industry. After the GFC (Global Financial Crisis), managing the Liquidity and Market risk of banks attracts much more attention of the regulators and supervisors globally. The outcome of this concern was well reflected in the activities of the Basel Committee for Banking Supervision while formulating the Basel 2.5 and Basel III documents. The Liquidity (LCR and NSFR) and leverage ratios are primarily meant to address the above risks. Bangladesh Bank declared the Roadmap for the implementation of Basel III in the banking sector and issued ALM Policy guideline through BRPD Circular No. 2, dated March 7, 2016.

Asset-Liability Management function primarily focuses on strategic positioning of the balance sheet of the bank and is also considered as Balanced Liquidity Management. Liquidity Management has its two wings- Asset Management and Liability Management. Rising of excess assets like Investment & Advances in order to maximize profit may sometimes encounter liquidity crisis, which may lead to run on the bank and ultimate collapse. On the other hand keeping or excess liquidity may hamper the bank's growth by reducing its

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

- 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.



Notes to the financial statements as at and for the year ended 31 December 2020

- 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 asset liability committee.

2.12.3 Money laundering risk

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

Keeping the enhanced monitoring and focus on Trade Based Money Laundering, the bank has rolled out technology-based solutions in order to strengthen the screening and control environment while ensuring robust regulatory reporting.

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 to cover AML & CFT training sessions in 2020 for all employees comprises of existing and new employees and Senior Management. A schedule of branch and different functions inspection is in place to ensure that all functions are adhering the related AML and CTF regulations and Bank laid down policy and procedure on a continuous basis and do not offer services or provide assistance in transactions, which in possibly be associated with money being derived from suspect illegal/criminal activities or customer are under proscribed name by SDN, UN, OFAC, Bangladesh sanction list etc.

2.12.4 Internal Control and Compliance (ICC)

This Statement of Internal Controls is based on an ongoing process implemented to identify the risks in achieving the Bank's policies, procedure aims to establish corporate governance & accountability.

Management have their defined roles and responsibility to maintain an adequate and effective system of Internal Controls and every endeavor is made to implement sound control procedures and control environment.

The Bank's Internal Controls Policy outlines the overall Control Objectives, Controls Framework. Bank Alfalah Control Framework is built on 'Three Line of Defense Model' in line with the Bangladesh Bank Prudential Regulations on 'Internal Control & Compliance' and Group policy. The Control Framework focuses on devising policies and procedures that outline control activities so that process owners perform their functions without any risk exposure. This aspect is further evaluated and monitored through various organizational functions, part of Risk Management, Compliance, Internal Controls and Internal Audit departments with different reporting structure to ensure independency and transparency.

The Bank's established Compliance and Controls Committee (CCC) which comprises of CEO and Senior Executives of the Bank are entrusted with enhanced governance and monitoring as part of the overall Control Environment. Internal control and Compliance analyze the major control gaps, escalate the issues and devise corrective action plan and develop training plans for the staff. Comprehensive reviews of KYC, AML, and other critical regulatory areas were triggered based on the alerts and exceptions generated from the dashboard. Anomalies identified as a result of different periodic and ongoing reviews are conveyed to the concerned stakeholders for taking necessary remedial measures, which significantly improved the controls environment of the Bank. Bank has also established full-fledged AML UNIT to ensure detail control and governance for Anti money laundering and Combating terrorist financing directives by Bangladesh Financial Intelligence Unit (BFIU).

In order to ensure consistency in the process of compliance with the relevant guidelines, the Bank has followed the defined procedure for implementation of regulatory and group directives. Accordingly, the Bank has developed Governance Framework, completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design and development of remediation plans for the gaps.



Notes to the financial statements as at and for the year ended 31 December 2020

Furthermore, the Bank has developed a comprehensive Management Testing and Incident Reporting Framework under Risk Management Department for ensuring ongoing operating effectiveness of majority of key controls and has significantly addressed the design improvement opportunities identified during the year. While concerted efforts have always been made to comply with the Bangladesh Bank 'Guidelines i, the identification, evaluation and management of risks within each of the Bank's key activities and their continued evaluation and changes to procedures remains an ongoing process. In accordance with the BB directives, the Bank's External Auditors were engaged for annual review for yearly review.

Additionally Planning, Organizing & Supervising business performance metrics and the Audit & Inspection of Branches, including the monitoring of risk based business transactions have all been duly performed by the different divisions of the Bank in Bangladesh. Notable that Audit & Inspection Division of the Bank's conduct the Audit in two aspects international Audit team conduct comprehensive for the Bangladesh operation while Country Audit team carries out Internal Audits to ensure compliance of regulatory directives as well as the synchronization and adherence to laid-out Policies & Procedures. This internal Audit reports directly to AIG and is independent from Country Management.

2.12.4.1 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.

2.12.4.2 Fraud and forgery

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.

2.13 Accounting for changes in policy, accounting estimates and errors

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, states that the effect of a change in accounting policy and correction of errors, if material, is to be applied retrospectively, and change in an accounting estimate is to be applied prospectively. The carrying amount of assets, liabilities, or equity may be changed following a change in accounting estimates in the period of the change. The bank followed the same accordingly.

2.14 Board Audit Committee (BAC)

Name	Designation
Mr. Khalid Qurashi	Chairman
Mr. Abdulla Khalil Al Mutawa	Member
Mr. Khalid Mana Saeed Al Otaiba	Member
Mr. Efstratios Georgios Arapoglou	Member
Dr. Ayesha Khan	Member
Mr. Tahir Khurshid	Secretary



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)
3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements of the bank have been applied consistently except otherwise instructed by Bangladesh Bank as the prime regulator. Certain comparative amounts in the financial statements have been reclassified and rearranged to conform to the current year's presentation.

3.1 Assets and basis of their valuation
3.1.1 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 prime bond.

3.1.2 Investments/Investments in shares and securities

All investments are initially recognised at cost including acquisition charges associated with the investment. Premiums are amortised and discount accredited using the effective or historical yield method. Accounting treatment of government treasury bills and bonds (categorised as HFT and HTM) are made in accordance with Bangladesh Bank DOS Circular letter no. 05, dated 26 May 2008 and subsequent clarifications DOS Circular letter no. 05 dated 28 January 2009.

3.1.3 Investments and provisions for investments

- a) Loans and advances of conventional Banking/investments of Islamic Banking branches are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not sell in the normal course of business.
- b) At each balance sheet date and periodically throughout the year, the Bank reviews loans and advances to assess whether objective evidence that impairment of a loan or portfolio of loans has arisen supporting a change in the classification of loans and advances, which may result in a change in the provision required in accordance with BRPD circular no. 03 (21 April 2019), BRPD circular no. 1 (20 February 2018), BRPD circular no. 15 (27 September 2017), BRPD circular no. 16 (18 November 2014), BRPD circular no. 05 (29 May 2013), BRPD circular no. 14 (23 September 2012) and BRPD circular no. 19 (27 December 2012). The guidance in the circular follows a formulaic approach whereby specified rates are applied to the various categories of loans as defined in the circular. The provisioning rates are as follows:

Types of loans and advances	Provision				
	STD	SMA	SS	DF	BL
Consumer:					
House building and professional	1.00% - 2.00%	1.00% - 2.00%	20.00%	50.00%	100.00%
Other than housing finance & professionals	2.00% - 5.00%	2.00% - 5.00%	20.00%	50.00%	100.00%
Provision for loan to broker house, merchant	2.00%	2.00%	20.00%	50.00%	100.00%
Short-term agri-credit and micro credit	1.00%	1.00%	5.00%	5.00%	100.00%
Small and medium enterprise finance	0.25%	0.25%	20.00%	50.00%	100.00%
Others	1.00%	1.00%	20.00%	50.00%	100.00%

BRPD Circular no. 14 (23 September 2012) as amended by BRPD Circular no. 19 (27 December 2012) also provides scope for further provisioning based on qualitative judgments. In these circumstances impairment losses are calculated on individual loans considered individually significant based on which specific provisions are raised. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of the two is recognised in liabilities under "Provision for loans and advances" with any movement in the provision charged/released in the profit and loss account. Classified loans are categorised into sub-standard, doubtful and bad/loss based on the criteria stipulated by Bangladesh Bank guideline.

- c) Loans and advances are written off to the extent that i) there is no realistic prospect of recovery, and ii) against which legal cases are filed, where required and classified as bad/loss as per as per BRPD circular no. 02 dated 13 January 2003, BRPD circular no. 13 dated 07 November 2013 and BRPD circular no. 01 dated 06 February 2019 of Bangladesh Bank. These write off however will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such written off accounts are maintained and followed up.



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

3.1.4 Fixed assets and depreciation

Recognition and measurement

As per IAS 16 "Property and Equipment" items of fixed assets excluding land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost.

Purchase of software that is integral to the related equipment is capitalised as part of that equipment.

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

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

Subsequent costs

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

Depreciation

Depreciation on fixed assets are recognised in the profit and loss statement on straight line method over its estimated useful lives. In case of acquisition of fixed assets, depreciation is charged from the month of acquisition, whereas depreciation on disposed off fixed assets are charged up to the month prior to the disposal. Asset category wise depreciation rates for the current and comparative periods are as follows:

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

3.1.5 Leases

Right-of-use assets

The Bank recognises right-of-use assets at the date of initial application of IFRS 16. Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any re-measurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented under "Fixed assets including premises,

Short-term leases and leases of low value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases, i.e. for which the lease term ends within 12 months of the date of initial application. The Bank recognises lease payments associated with these

The contracts for all leased premises including branches, head office, regional offices, data centers, ATM booths and disaster recovery centers are considered for implementation of IFRS 16.



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

3.2 Liabilities and basis of their valuation

3.2.1 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.

3.2.2 Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term using incremental borrowing rate at the date of initial application. Lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments, and re-measuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

3.2.3 Provisions and accrued expenses

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

3.2.4 Provisions on balances with other banks and financial institutions (Nostro accounts)

Provision for unsettled transactions on nostro accounts is made as per Foreign Exchange Policy Department (FEPD) circular no. FEPD (FEMO) / 01/2005-677 dated 13 September 2005 of Foreign Exchange Policy Department (FEPD) of Bangladesh Bank and reviewed semi-annually by the Bank's management along with duly certified by the external auditor. On the reporting date, the Bank has no unsettled transactions outstanding for more than 3 months and no provision has been made in this regard.

3.2.5 Other liabilities

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxation, interest payable, interest suspense, accrued expenses, lease obligation etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, Income Tax Ordinance, 1984 and internal policy of the Bank.

3.3 Revenue recognition

3.3.1 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.

3.3.2 Investment income

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



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

3.3.3 Fees and commission income

The Bank earns commission and fee income from a diverse range of service provided to its customers. Commission and fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed
- income earned from services provided is recognised as revenue as the services are provided
- Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

3.3.4 Profit shared on deposits

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

3.4 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.

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.

3.5 Impairment of non-financial assets

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

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

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

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

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

3.6 Contingent Liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events. A contingent liability arises when some, but not all, of the criteria for recognizing a provision are met.

IAS 37 applies prudence by deeming a past event to give rise to a present obligation and an entity shall not recognize a contingent liability. However, if it is possible rather than probable that an obligation exists, a contingent liability will exist, not a provision in the financial statements. An entity shall disclose for each class of transaction of contingent liability at the end of the reporting period if the contingent liability is not remote.



Notes to the financial statements as at and for the year ended 31 December 2020 (continued)

3.7 Contingent Assets

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity. Contingent assets are never recognised; rather they are disclosed in the financial statements when they arise.

The most significant areas where estimates and judgments have been applied are to calculate provision for loans, advances and investments as per Bangladesh Bank guideline.

3.8 Related party disclosures

A party is related to the company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

Details of the related party disclosures presented in note 39

3.9 Zakat

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

3.10 General

- a) Figures appearing in the financial statements have been rounded-off to the nearest Taka.
- b) Figures of previous year have been rearranged, wherever considered necessary, to conform with the current year's presentation.
- c) The expenses, irrespective of capital or revenue in nature, accrued/due but not paid have been provided for in the books of accounts.

3.11 Events after reporting period

As per IAS -10 "Events after Reporting Period" events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) adjusting events after the reporting period (those that provide evidence of conditions that existed at the end of the reporting period); and
- (b) non adjusting events after the reporting period (those that are indicative of conditions that arose after the reporting period).



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
4	Cash		
	Cash in hand (Including foreign currency)	4.1 73,779,701	50,261,151
	Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	4.2 197,936,541	251,232,466
		<u>271,716,242</u>	<u>301,493,617</u>
4.1	Cash in hand		
	Local currency	71,055,692	49,707,433
	Foreign currencies	<u>2,724,009</u>	<u>553,718</u>
		<u>73,779,701</u>	<u>50,261,151</u>
4.2	Balance with Bangladesh Bank and its agent bank(s)		
	Local currency	197,936,541	251,232,466
	Foreign currencies	<u>197,936,541</u>	<u>251,232,466</u>
4.a	As per section 33 of Bank Company Act, 1991 (amended up to 2013) & MPD circular No. 03 dated 09 April 2020 issued by Bangladesh Bank, the Bank has been maintaining 3.5% CRR on daily basis and 4% on bi-weekly basis. CRR requirement is calculated on the basis of weekly average total demand and time liabilities (ATDTL) of a base month which is two months back of the reporting month (i.e. CRR of December 2020 is maintained on the basis of weekly ATDTL of October 2020), according to DOS Circular No. 1 & 26 issued on 19 January 2014 and 19 August 2019.		
	Cash Reserve Requirement (CRR) for Islamic Banking		
	4% of average Demand and Time Liabilities		
	Required reserve	186,738,355	224,690,751
	Actual reserve held (2020: 4.24% and 2019: 6.15%)	<u>197,939,877</u>	<u>251,289,877</u>
	Surplus	<u>11,201,522</u>	<u>26,599,126</u>
4.b	As per section 33 of the Bank Company Act 1991 (amended up to 2013) & MPD circular no. 2 dated 10 December 2013 issued by Bangladesh Bank (effective from 1 February 2014), the Bank has been maintaining 13% SLR on weekly average total demand and time liabilities (ATDTL) of a base month which is two months back of the reporting month (i.e. SLR of December 2019 is based on weekly ATDTL of October 2019), according to DOS Circular No. 1 & 26 issued on 19 January 2014 & 19 August 2019.		
	Statutory Liquidity Requirement (SLR) for Islamic Banking		
	5.5% of required Average Demand and Time Liabilities:		
	Required reserve	256,765,239	224,690,751
	Actual reserve held (2020: 5.5% and 2019: 6.38%)	<u>256,773,719</u>	<u>224,690,752</u>
	Surplus	<u>8,480</u>	<u>1</u>
	Held for Statutory Liquidity Requirement:		
	Cash in hand	73,779,701	50,261,151
	Excess of daily reserve	11,201,522	26,599,126
	Other Eligible Securities	79,190,000	-
	Foreign currency used in BDT	<u>92,602,496</u>	<u>147,830,475</u>
		<u>256,773,719</u>	<u>224,690,752</u>
5	Balance with other banks and financial institutions		
	In Bangladesh	5.1 300,000,000	320,000,000
	Outside Bangladesh	<u>300,000,000</u>	<u>320,000,000</u>
5.1	Inside Bangladesh		
	Mudaraba Term deposit:		
	Export Import Bank of Bangladesh Ltd.	<u>300,000,000</u>	<u>320,000,000</u>
		<u>300,000,000</u>	<u>320,000,000</u>
5.2	Maturity-wise groupings of balance with other banks and financial institutions		
	On demand	-	-
	Not more than 3 months	300,000,000	320,000,000
	More than 3 months but less than 1 year	-	-
	More than 1 year but less than 5 years	-	-
	More than 5 years	<u>300,000,000</u>	<u>320,000,000</u>



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
6 Investments			
General Investments	6.1	3,043,240,295	3,460,898,102
Bills purchased and discounted (Note 6.9)	6.9	18,369,261	190,281,113
		<u>3,061,609,556</u>	<u>3,651,179,215</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			
Murabaha (LPO)		2,353,630,710	2,453,376,521
Trust receipts		79,338,044	174,529,647
Diminishing Musharakah		70,699,259	189,679,561
Advance against Murabaha		472,282	84,872,283
Finance Against Foreign Bill		-	27,910,093
Finance Against EDF		-	10,529,997
Spot Murabaha		539,100,000	520,000,000
		<u>3,043,240,295</u>	<u>3,460,898,102</u>
Outside Bangladesh		<u>3,043,240,295</u>	<u>3,460,898,102</u>

6.2 Maturity-wise grouping			
Repayable On demand		1,359,553,416	1,903,877,025
Not more than 3 months		1,702,056,140	1,591,457,395
More than 3 months but not more than 1 year		-	155,844,795
More than 1 year but not more than 5 years		-	-
More than 5 years		-	-
		<u>3,061,609,556</u>	<u>3,651,179,215</u>

6.3 Investments on the basis of significant concentration			
Advances to Chief executive, other Senior executives and other Officers		3,061,609,556	3,651,179,215
Industrial loans and advances		<u>3,061,609,556</u>	<u>3,651,179,215</u>

	2020		2019	
	% of Total Loan	BDT	% of Total Loan	BDT
Agri Business	2.16%	66,235,665	2.16%	79,039,641
Automobile dealers	0.00%	-	0.00%	-
Cement	0.00%	-	0.93%	33,834,765
Chemicals	1.99%	60,800,712	3.07%	112,026,532
Financial Institutions & MFIs	2.04%	62,485,517	5.55%	202,485,720
Food & Personal Care Products	34.48%	1,055,700,833	20.55%	750,281,250
Manufacturing & sale of Domestic Appliance	13.51%	413,600,000	11.29%	412,333,333
Metal & Allied	4.09%	125,100,000	5.78%	211,000,000
Others/Miscellaneous	0.00%	-	0.13%	4,702,500
Printing & Publishing	0.71%	21,661,658	0.46%	16,675,000
Real Estate/Construction	0.00%	-	0.00%	-
Services	1.51%	46,113,594	11.69%	426,986,281
Textile Composite / Garments Manufacturing	12.09%	370,195,074	9.09%	332,055,097
Textile Spinning	13.52%	414,000,000	11.50%	420,000,000
Textile Weaving	4.94%	151,099,721	3.89%	142,067,607
Trading	0.52%	15,866,782	0.50%	18,124,823
Vanaspati & Allied Industries	8.45%	258,750,000	13.41%	489,566,666
	<u>100%</u>	<u>3,061,609,556</u>	<u>100%</u>	<u>3,651,179,215</u>



Notes to the financial statements as at and for the year ended 31 December 2020

6.5 Geographical location-wise investments

	2020		2019	
	% of Total Loan	BDT	% of Total Loan	BDT
Dhaka Division	100%	3,061,609,556	100%	3,651,179,215
Chittagong Division	0%	-	0%	-
Sylhet Division	0%	-	0%	-
	100%	3,061,609,556	100%	3,651,179,215

6.6 Grouping of Investments as per classification rules of Bangladesh Bank

	2020		2019	
	% of Total Loan	BDT	% of Total Loan	BDT
Unclassified:				
Standard including staff murabaha	99.98%	3,061,137,273	99.99%	3,650,706,932
Special Mention Account (SMA)	0.00%	-	0.00%	-
	99.98%	3,061,137,273	99.99%	3,650,706,932
Classified:				
Substandard	0.00%	-	0.00%	-
Doubtful	0.00%	-	0.00%	-
Bad or loss	0.02%	472,283	0.01%	472,283
	0.02%	472,283	0.01%	472,283
	100.00%	3,061,609,556	100.00%	3,651,179,215

6.7 Particulars of required provision for Investments

	2020		2019	
	Base for Provision	Required provision	Base for Provision	Required provision
Unclassified:				
Standard (Other than SME)	2,908,965,465	29,089,655	3,432,856,451	34,328,565
Standard (SME)	97,992,279	244,981	204,910,482	512,276
Standard (Agri Loan)	54,360,000	543,600	12,940,000	129,400
Special Mention Account (SMA)	-	-	-	-
	3,061,317,744	29,878,236	3,650,706,933	34,970,241
Classified:				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Bad or loss	445,320	445,320	445,320	445,320
	445,320	445,320	445,320	445,320
	3,061,763,064	30,323,556	3,651,152,253	35,415,561
Total provision maintained (Shortfall)/Surplus provision		30,447,307		35,715,561
		123,751		300,000



Notes to the financial statements as at and for the year ended 31 December 2020

	2020 Taka	2019 Taka
6.8 Particulars of Investments		
i) Investments considered good in respect of which the banking company is fully secured	3,061,609,556	3,651,179,215
ii) Investments considered good against which the banking company holds no security other than the debtor's personal guarantee;	-	-
iii) Investments considered good and secured by personal undertakings of one or more parties in addition to the personal guarantee of the debtor;	-	-
iv) Investments adversely classified; provision not maintained there against;	-	-
	3,061,609,556	3,651,179,215
v) Investments due by directors or officers of the banking company or any of these either separately or jointly with any other person.	-	-
vi) Investments due by companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or, in the case of private companies as members	-	-
vii) Maximum total amount of Investments including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either separately or jointly with any other persons.	-	-
viii) Maximum total amount of Investments including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members	-	-
ix) Due from Banking Companies	-	-
x) Amount of Classified Investment on which Profit has not been charged:	472,283	472,283
(a) Movement of Classified Investments:		
Opening balance	472,283	4,420,611
Increase/(Decrease) during the year	-	(3,948,328)
Closing balance	472,283	472,283
(b) Provision against the investment classified as bad/loss at the date of balance sheet	445,320	445,320
(c) Amount of profit charged in suspense account	75,810	69,606
xi) Investments written off:		
- Current Year	-	-
- Cumulative to-date	54,842,182	54,842,182
- Amount of written off loans for which lawsuit has filed	54,842,182	54,842,182



Notes to the financial statements as at and for the year ended 31 December 2020

	2020 Taka	2019 Taka
6.9 Bills purchased and discounted		
Bills purchased and discounted excluding treasury bills:		
In side Bangladesh	18,369,261	190,281,113
Outside Bangladesh	-	-
	<u>18,369,261</u>	<u>190,281,113</u>
6.10 Maturity grouping of bills discounted and purchased		
Payable within one month	45,060	25,709,777
Over 1 month but less than 3 months	12,382,800	129,669,879
Over 3 months but less than 6 months	5,941,401	34,901,457
6 months or more	-	-
	<u>18,369,261</u>	<u>190,281,113</u>
7 Fixed assets including premises, furniture and fixtures		
Cost:		
Furniture, fixture and fittings	20,294,987	20,294,987
Office equipments	10,933,494	10,751,244
Staff equipments	13,500	13,500
Computer and related equipments	13,648,155	13,740,155
Motor vehicles	1,890,000	1,890,000
Leasehold improvement	3,212,018	3,212,018
Right of use Assets	37,402,559	-
	<u>87,394,713</u>	<u>49,901,904</u>
Less: Accumulated depreciation		
Furniture, fixture and fittings	20,124,151	20,049,327
Office equipments	10,697,552	10,435,014
Staff equipments	13,500	13,500
Computer and related equipments	13,035,666	12,649,461
Motor vehicles	1,889,999	1,889,999
Leasehold improvement	3,079,431	2,995,671
Right of use Assets	18,701,280	-
	<u>67,541,579</u>	<u>48,032,972</u>
	<u>19,853,134</u>	<u>1,868,932</u>

Details are shown in Annexure - B.



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
8 Others assets			
Income generating other assets		-	-
Non-income generating other assets			
i) Investment in shares of subsidiary companies:			
- In Bangladesh		-	-
- Outside Bangladesh		-	-
ii) Stationery, stamps, printing materials, etc.		59,310	58,250
iii) Advance rent and advertisement		-	-
iv) Profit receivables	8.1	-	-
v) Security deposits		-	-
vi) Preliminary, formation and organizational expenses, renovation, development and prepaid expenses		-	-
vii) Branch adjustment		1,530,928,320	494,882,760
viii) Suspense account		-	-
ix) Silver		-	-
x) Others	8.3	411,966,794	132,937,127
		<u>1,942,954,424</u>	<u>627,878,137</u>
		<u>1,942,954,424</u>	<u>627,878,137</u>
8.1 Profit receivables			
Profit Receivable from placement with Banks		-	-
Mark up receivables on bill purchased and discounted		-	-
		<u>-</u>	<u>-</u>
8.2 Others			
Other Receivable		180,470	-
Sundry debtors miscellaneous (Receivable from Bangladesh Bank)		411,786,324	132,937,127
		<u>411,966,794</u>	<u>132,937,127</u>
9 Deposits and other accounts			
Al-wadeeah current and other deposit accounts		843,385,169	831,711,518
Bills payable		25,383,368	18,855,173
Mudaraba savings deposits		2,358,562,412	1,433,402,178
Mudaraba term deposits		2,186,327,948	2,420,340,332
		<u>5,413,658,897</u>	<u>4,704,309,201</u>
9.1 Al-wadeeah current and other deposit accounts			
Al-wadeeah current deposits		421,771,231	461,157,640
Alfalah Udyog Current Account		51,003,287	42,869,556
Foreign currency deposits		316,498,536	243,290,894
Sundry deposits	9.1.1	54,112,115	84,393,428
		<u>843,385,169</u>	<u>831,711,518</u>
9.1.1 Sundry deposits			
Margin Accounts - Local Currency		41,567,424	57,586,400
Margin Accounts - Foreign Currency		7,797,423	26,807,028
Sundry Deposit		4,747,268	-
		<u>54,112,115</u>	<u>84,393,428</u>
9.2 Bills Payable			
Payment order - Inside Bangladesh		25,052,917	18,604,839
Demand draft payable - Inside Bangladesh		112,878	119,830
Unclaimed PO - Inside Bangladesh		212,984	111,257
Unclaimed DD/TT - Inside Bangladesh		4,789	19,247
		<u>25,383,368</u>	<u>18,855,173</u>



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
9.3 Mudaraba savings deposits			
Special Notice Deposit (SND)		1,275,110,139	252,579,347
Alfalah Salary Account (ASA)		447,936	304,082
Alfalah Rising Star (ARS)		5,200,306	4,044,707
Alfalah Premium Plus (APP)		201,074,373	222,318,463
Saving Deposits		621,969,959	524,356,790
Mudaraba Royal Profit deposits		254,759,699	429,798,789
		<u>2,358,562,412</u>	<u>1,433,402,178</u>
9.4 Mudaraba term deposits			
Mudaraba Term Deposit (MTDR)		2,186,327,948	2,420,340,332
		<u>2,186,327,948</u>	<u>2,420,340,332</u>
9.5 Deposits concentration			
Inter-bank deposits	9.5.1	1,377,724,193	319,743,749
Other deposits		4,035,934,704	4,384,565,452
		<u>5,413,658,897</u>	<u>4,704,309,201</u>
9.5.1 Inter-bank deposits			
Jamuna Bank Limited		23,962	24,596
Pubali Bank Limited		1,199,589	1,200,037
AB Bank Limited		16,361	17,014
Prime Bank Limited		14,795,638	12,341,792
Islami Bank Bangladesh Limited		31,524,731	30,879,581
Shahjalal Islami Bank Limited		2,665,550	14,025
Al-Arafah Islami Bank Limited		919,603,996	203,437,469
The City Bank Limited		302,081,901	2,080,643
Bank Asia Limited		9,158	12,324
BankIslami Pakistan Limited		23,524,400	30,008,641
Bank Alfalah Ltd, Karachi (Conventional)		38,519,964	6,323,241
Bank Alfalah Ltd, Karachi (Islamic)		43,758,943	33,404,386
		<u>1,377,724,193</u>	<u>319,743,749</u>
9.6 Maturity grouping of deposits			
Repayable On demand		322,733,095	1,507,032,732
Repayable within 1 month		1,315,326,910	273,994,415
Over 1 month but within 6 months		2,282,144,154	1,297,994,013
Over 6 months but within 1 year		796,884,674	701,784,043
Over 1 year but within 5 years		696,570,065	923,503,998
Over 5 years but within 10 years		-	-
10 years or more		-	-
		<u>5,413,658,897</u>	<u>4,704,309,201</u>
As per Bank Company Act 1991, Section 35 and BB circular letter no. BRPD 10 dated 12 September 2018, if any money or valuable asset (except deposits from Government, minor or litigation) is unclaimed for ten years or above as of 31 December every year, a three months' notice will be given to depositors concerned. Based on the response from the concerned depositors by following three months, amount will be paid to them otherwise unclaimed deposit will be deposited to Bangladesh Bank by 30 April 2021. The bank does not have any such deposit to be reported as 10 years and above unclaimed deposit amount as on 31 December 2020 (cut off basis) to Bangladesh Bank.			
10 Other Liabilities			
Provision for Investments	10.1	30,447,307	35,715,561
Provision for off-balance sheet exposures	10.2	10,165,182	12,606,331
Profit suspense account	10.3	75,810	69,606
Unearned Income on Islamic Finance		73,059,345	74,568,185
Accrued expenses		534,500	768,040
Salaries & Allowances Payable		816,401	-
Profit payable on deposit & borrowings	10.5	44,079,191	58,978,741
Withholding tax on profit on deposits		2,183,418	1,566,117
Withholding tax payable		1,358,573	2,202,018
Withholding VAT payable		279,298	736,614
Excise duty payable		555,860	129,150
Advance commission on Letter of Guarantee (L/G)		-	-
Unclaimed ATM/POS		34,396	67,631
Lease liabilities		18,607,182	-
Miscellaneous		277,996	199,022
		<u>182,474,459</u>	<u>187,607,016</u>



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
10.1 Provision for investments			
A. General Provision			
Provisions held at the beginning of the year		35,270,241	-
Add: Provision made during the year		-	35,270,241
Less: Provision no longer required		5,268,254	-
Net of provision (reversed)/made during the year		(5,268,254)	35,270,241
Provisions held at the end of the year		30,001,987	35,270,241
A. Specific Provision			
Provisions held at the beginning of the year		445,320	4,393,649
Less: Profit on investment waiver during the year		-	-
Less: Adjustment with prior year		-	-
Less: Provision no longer required		-	3,948,329
Less: Written off during the year		-	-
Add: Recoveries of amounts previously written off		-	-
Add: Specific provision made during the year		-	-
Net Charge to Profit and Loss Account		-	-
Provisions held at the end of the year		445,320	445,320
Total provision on investments		30,447,307	35,715,561
10.2 Provision for off-balance sheet exposures			
Balance as at 1 January		12,606,331	-
Add: Provision made during the year		-	12,606,331
		12,606,331	12,606,331
Less: Adjustments made during the year		2,441,149	-
Balance as at 31 December		10,165,182	12,606,331
10.3 Profit suspense account			
Balance at the beginning of the year		69,606	69,606
Add: Amount transferred to profit Suspense Account during the year		6,204	-
Less: Amount recovered in Interest Suspense Account during the year		-	-
Less: Amount written off during the year		-	-
Less: Profit on investment waiver during the year		-	-
Balance at the end of the year		75,810	69,606
10.4 Profit suspense and compensation suspense			
Profit suspense		75,810	69,606
Compensation suspense		-	-
		75,810	69,606
10.5 Profit payable on deposit			
Profit Payable on Borrowings		-	13,919
Savings Deposit		5,670,671	16,411,278
30 days mudaraba term deposit		20,502	37,673
90 days mudaraba term deposit		940,503	2,446,547
180 days mudaraba term deposit		1,002,193	2,140,765
365 days mudaraba term deposit		22,371,816	11,371,832
Broken days mudaraba term deposit		4,515,634	8,487,316
15 months mudaraba term deposit		3,120,506	1,718,810
7 months mudaraba term deposit		1,416,547	2,205,618
13 months mudaraba term deposit		4,163,180	13,543,557
2 years mudaraba term deposit		539,994	237,893
3 years mudaraba term deposit		317,645	363,533
		44,079,191	58,978,741



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
11	Retained earnings		
	Balance as at 1 January	-	-
	Adjustment for loan provision	-	-
	Net profit / (loss) for the year	60,983,607	99,667,701
		60,983,607	99,667,701
		(60,983,607)	(99,667,701)
	Transferred to Bangladesh country office	-	-
	Balance as at 31 December	-	-
12	Letters of guarantees		
	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	244,343,784	274,398,384
	Banks and other financial institutions	-	-
	Others	46,887,176	37,238,656
		291,230,960	311,637,040
13	Irrevocable letters of credit		
	Usance	163,594,784	97,365,655
	Sight	231,951,260	332,503,580
		395,546,044	429,869,235
14	Income statement		
	Income:		
	Profit, discount and similar income	288,960,749	308,961,327
	Dividend income	-	-
	Commission, exchange and brokerage	10,581,480	15,069,006
	Gains less losses arising from dealing in foreign currencies	12,629,020	37,045,747
	Other operating income	4,674,633	13,343,021
		316,845,882	374,419,101
	Expenses:		
	Profit paid on deposits	200,828,931	213,471,471
	Administrative expenses	47,116,564	59,737,423
	Other operating expenses	3,473,932	4,152,359
	Depreciation on banking assets	12,152,251	1,338,476
		263,571,678	278,699,729
	Income over expenditure	53,274,204	95,719,372
15	Investment income		
	Share of profit from financing and discounting		
	Murabaha Financing	237,106,910	240,458,075
	Profit on Diminishing Musharkah	12,788,843	28,041,818
	Profit on bill discounted	6,238,623	11,445,914
	Profit against EDF	71,770	128,834
	Murabaha income trust receipt	10,513,258	16,884,463
		266,719,404	296,959,104
	Profit on placement with banks		
	Profit on term placements	22,241,345	12,002,223
	Profit on Savings Deposit with Banks	-	-
		22,241,345	12,002,223
		288,960,749	308,961,327
16	Profit paid on deposits		
	Profit shared on deposits & borrowings		
	Mudaraba Royal Profit Deposit	5,865,089	14,091,214
	Mudaraba Savings Deposit	33,502,315	45,416,745
	Alfaluh Salary Account (ASA)	18,028	11,143
	Mudaraba term deposit	159,922,835	153,885,332
	Interest on lease liabilities	1,469,851	-
	Profit paid on Borrowings	50,813	67,037
		200,828,931	213,471,471



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
17	Income from investment in shares/securities		
	Mark-up on zero coupon bonds	-	-
	Dividend income on preference share	-	-
18	Commission, exchange and brokerage		
	Fees, commission etc.	10,581,480	15,069,006
	Exchange earnings	12,629,020	37,045,747
		23,210,500	52,114,753
19	Other operating income		
	Service charges recovered	983,272	1,475,022
	Charges recovered	705,952	1,298,960
	Cheque Book charges recovered	99,351	187,205
	Charges on documentary credit	-	3,000
	Courier charges recovered	430,072	262,507
	Other Income	706,313	5,180,028
	UPAS LC Profit Spread	1,749,673	4,936,299
	Gain on disposal of fixed asset	-	-
		4,674,633	13,343,021
20	Salaries and allowances		
	Salaries & Allowances	22,809,634	20,781,887
	Housing allowance	5,859,277	5,408,904
	Conveyance allowance	1,473,395	1,355,285
	Other allowances	195,008	206,956
	Festival bonus	3,417,643	3,029,319
	Performance bonus	2,146,401	1,555,000
	The Bank's contribution to provident fund	1,387,911	1,296,759
	Car allowance	1,260,000	1,590,000
		38,549,269	35,224,110
21	Rent, taxes, insurance, electricity etc.		
	Rent, rates and taxes	2,100,076	16,258,756
	Insurance	-	9,805
	Cleaning and maintenance	1,168,153	944,051
	Electricity and Utilities	1,923,370	2,272,270
		5,191,599	19,484,882
22	Postage, stamps, telecommunication etc.		
	Postage and couriers	558,166	1,038,152
	Electronic mail and on-line connectivity	531,939	724,345
	Telegram, fax, telex, SWIFT and internet charge	338,336	567,598
	Telephone charges	113,825	194,044
		1,542,266	2,524,139
23	Stationery, printing, advertisement etc.		
	Table stationery	202,219	349,357
	Books and periodicals	2,928	-
	Printing stationery	770,081	968,298
	Computer stationery	48,930	150,300
	Publicity	-	234,520
		1,024,158	1,702,475



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
24 Depreciation and repair to bank's assets			
Depreciation of bank's assets			
Furniture, fixture and fittings		74,824	85,581
Office equipments		262,538	569,919
Staff equipments		-	-
Computer and related equipments		469,160	544,675
Motor vehicles		83,760	138,301
Leasehold improvement		11,261,969	-
Right of use assets		<u>12,152,251</u>	<u>1,338,476</u>
Repair & Maintenance of bank's assets			
Furniture, fixture and fittings		70,200	-
Rented premises		-	6,996
Office equipments		527,435	729,169
Computer maintenance		196,637	65,652
Motor vehicles		-	-
		<u>794,272</u>	<u>801,817</u>
		<u>12,946,523</u>	<u>2,140,293</u>
25 Other expenses			
Bank charges, brokerage and commission		50,520	-
Entertainment		411,758	675,416
Security charges		1,053,951	1,397,395
Traveling and conveyance		131,406	98,570
Car fuel expenses		610,685	895,536
Other expense		1,215,612	1,085,442
		<u>3,473,932</u>	<u>4,152,359</u>
26 Investment income receipts in cash			
Profit receivable as at 1 January		-	(2,754,185)
Profit accrued during the year:			
Share of profit from financing and discount		288,960,749	308,961,327
Profit receivable as at 31 December		<u>288,960,749</u>	<u>306,207,142</u>
27 Profit paid on deposits			
Profit payable as at 1 January		58,978,741	50,628,854
Profit charged during the year		-	-
Profit shared on Modaraba Deposits		200,828,931	213,471,471
Profit payable as at 31 December		<u>(44,079,191)</u>	<u>(58,978,741)</u>
		<u>215,728,481</u>	<u>205,121,584</u>
28 Fees and commission receipts in cash		10,581,480	15,069,006
29 Cash payments to employees			
Salaries and allowances		38,549,269	35,224,110
Gratuity: Employees		-	-
		<u>38,549,269</u>	<u>35,224,110</u>
30 Cash payments to suppliers			
Balance as at 1 January		768,040	565,790
Accrued expenses		-	-
Charged during the year			
Stationery, printing, advertisements etc.		1,024,158	1,702,475
Rent, taxes, insurance, electricity etc.		5,191,599	19,484,882
Postage, stamp, telecommunication etc.		1,542,266	2,524,139
Legal expenses		15,000	-
		<u>7,773,023</u>	<u>23,711,496</u>
Balance as at 31 December		<u>(534,500)</u>	<u>(768,040)</u>
Accrued expenses		<u>8,006,563</u>	<u>23,509,246</u>



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
31 Receipts from other operating activities			
Other operating income		4,674,633	13,343,021
Exchange earnings		12,629,020	37,045,747
Investment income		-	-
Less: Gain on disposal of fixed asset		-	-
		<u>17,303,653</u>	<u>50,388,768</u>
32 Payments for other operating activities			
Repairs of Bank's assets		794,272	801,817
Other expenses		3,473,932	4,152,359
Gratuity: Employees		-	-
		<u>4,268,204</u>	<u>4,954,176</u>
33 Movement of investments to customers			
Balance as at 31 December		3,061,609,556	3,651,179,215
Balance as at 1 January		(3,651,179,215)	(3,737,811,459)
(Decrease)/Increase		<u>(589,569,659)</u>	<u>(86,632,244)</u>
34 Movement of other assets			
(Increase) / decrease in other assets which are not considered elsewhere			
- Stationery, stamps, printing materials, etc.		(1,060)	(26,590)
- Advance rent and advertisement		-	81,000
Preliminary, formation and organizational expenses, renovation, development and prepaid expenses		-	-
- Branch adjustment		(1,036,045,560)	774,141,709
- Others		(279,029,667)	(58,465,141)
Adjustments for-			
- Net of profit on Morabaha		-	-
- Transfer of Fixed assets		-	-
- Transfer of branch profit or loss		(60,983,607)	(99,667,701)
		<u>(1,376,059,894)</u>	<u>616,063,277</u>
35 Movement of deposits and other accounts from other banks			
Balance as at 31 December		1,377,724,193	319,743,749
Balance as at 1 January		(319,743,749)	(813,264,357)
Increase/(Decrease)		<u>1,057,980,444</u>	<u>(493,520,608)</u>
36 Movement of deposits and other accounts from customers			
Balance as at 31 December		4,035,934,704	4,384,565,452
Balance as at 1 January		(4,384,565,452)	(4,343,960,583)
Increase/(Decrease)		<u>(348,630,748)</u>	<u>40,604,869</u>
37 Movement of other liabilities			
Increase/(decrease) in other liabilities which are not considered elsewhere			
- Provision for off-balance sheet exposures (Note 10.2)		-	-
- Profit suspense account		6,204	-
- Salaries & Allowances Payable		816,401	-
- Withholding tax on profit on deposits		617,301	(440,237)
- Withholding tax		(843,445)	(1,356,486)
- Withholding VAT		(457,316)	125,647
- Net of profit on Morabaha		(1,508,840)	(18,658,654)
- Excise duty		426,710	(19,000)
- Advance commission on Letter of Guarantee (L/G)		-	(821,333)
- Miscellaneous		(11,296,382)	2,368,918
		<u>(12,239,367)</u>	<u>(18,801,145)</u>



Notes to the financial statements as at and for the year ended 31 December 2020

	Note	2020 Taka	2019 Taka
38 Proceeds from sale/redemption of securities			
Redemption of preference shares			
STS Holding Limited		-	-
Brac Bank Limited		-	-
39 Related parties			
Current deposit account			
Bank Alfalah, Karachi		43,758,943	33,404,386
		<u>43,758,943</u>	<u>33,404,386</u>
Other related party transactions			
There was no transaction with the related party during the reporting period.			
40 Number of employees			
The number of employees engaged for the whole year or part thereof who received a total yearly remuneration of BDT 36,000 or above were 22 (2019: 23).			
41 Employee related fraud			
There was no fraud identified by management during the year 2020.			



Appendix - A

Bank Alfalah Limited
Bangladesh Operations
Motijheel Islamic Banking Branch
Liquidity Statement
(Analysis of maturity of assets and liabilities)

Particulars	Amounts in BDT					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Assets						
Cash	73,779,701	-	197,936,541	-	-	271,716,242
Balance with other banks and financial institutions	-	300,000,000	-	-	-	300,000,000
Placement with banks and other financial institutions	-	-	-	-	-	-
Investments in shares and securities	-	-	-	-	-	-
Investments	-	1,359,553,416	1,702,056,140	-	-	3,061,609,556
Fixed assets including premises, furniture and fixtures	-	-	-	19,853,134	-	19,853,134
Other assets	411,966,794	-	-	1,530,987,630	-	1,942,954,424
Non banking assets	-	-	-	-	-	-
Total assets	485,746,495	1,659,553,416	1,899,992,681	1,550,840,764	-	5,596,133,356
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	-	-	-	-	-	-
Deposits and other accounts	1,638,060,005	1,073,381,534	2,005,647,294	696,570,065	-	5,413,658,897
Other liabilities	4,377,149	812,496	44,079,191	133,205,623	-	182,474,459
Total liabilities	1,642,437,154	1,074,194,030	2,049,726,485	829,775,688	-	5,596,133,356
Net liquidity gap	(1,156,690,659)	585,359,386	(149,733,804)	721,065,076	-	-



Appendix - B

Bank Alfalah Limited
Bangladesh Operations
Motijheel Islamic Banking Branch
Schedule of fixed assets including premises, furniture and fixtures
As at 31 December 2020

(In Taka)

Particulars	Cost				Rate of Dep. (%)	Depreciation				Written Down Value as at 31 December 2020
	Balance as at 01 January 2020	Additions during the year	Disposal during the year	Balance as at 31 December 2020		Balance as at 01 January 2020	Charged during the year	Adjustment for disposal/Transferred during the year	Balance as at 31 December 2020	
Own Assets										
Furniture, fixture and fittings	20,294,987	-	-	20,294,987	10	20,049,327	74,824	-	20,124,151	170,836
Office equipments	10,751,244	182,250	-	10,933,494	20	10,435,014	262,538	-	10,697,552	235,942
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipments	13,740,155	-	(92,000)	13,648,155	25	12,649,461	469,160	(82,955)	13,035,666	612,489
Motor vehicles	1,890,000	-	-	1,890,000	25	1,889,999	-	-	1,889,999	1
Leasehold improvement	3,212,018	-	-	3,212,018	20	2,995,671	83,760	-	3,079,431	132,587
Sub Total	49,901,904	182,250	(92,000)	49,992,154		48,032,972	890,282	(82,955)	48,840,299	1,151,855
Leased Assets										
Right of use Assets	-	59,054,088	(21,651,529)	37,402,559		-	11,261,969	7,439,311	18,701,280	18,701,279
Sub Total	-	59,054,088	(21,651,529)	37,402,559		-	11,261,969	7,439,311	18,701,280	18,701,279
As at 31 December 2020	49,901,904	59,236,338	(21,743,529)	87,394,713		48,032,972	12,152,251	7,356,356	67,541,579	19,853,134
Particulars	Cost				Rate of Dep. (%)	Depreciation				Written Down Value as at 31 December 2019
	Balance as at 01 January 2019	Additions during the year	Disposal/Transferred during the year	Balance as at 31 December 2019		Balance as at 01 January 2019	Charged during the year	Adjustment for disposal/Transferred during the year	Balance as at 31 December 2019	
Own Assets										
Furniture, fixture and fittings	20,294,987	-	-	20,294,987	10	19,963,746	85,581	-	20,049,327	245,660
Office equipments	10,751,244	-	-	10,751,244	20	9,865,095	569,919	-	10,435,014	316,230
Staff equipments	13,500	-	-	13,500	20	13,500	-	-	13,500	-
Computer and related equipments	12,931,205	756,750	52,200	13,740,155	25	12,052,586	544,675	52,200	12,649,461	1,090,694
Motor vehicles	1,890,000	-	-	1,890,000	25	1,889,999	-	-	1,889,999	1
Leasehold improvement	3,041,160	170,858	-	3,212,018	20	2,857,370	138,301	-	2,995,671	216,347
Sub Total	48,922,096	927,608	52,200	49,901,904		46,642,296	1,338,476	52,200	48,032,972	1,868,932
Leased Assets										
Right of use Assets	-	-	-	-		-	-	-	-	-
As at 31 December 2019	48,922,096	927,608	52,200	49,901,904		46,642,296	1,338,476	52,200	48,032,972	1,868,932

