

**Bank Alfalah Limited  
Bangladesh Operations**

Independent auditor's report and financial statements  
as at and for the year ended 31 December 2021



**Rahman Rahman Huq**  
Chartered Accountants  
9 & 5 Mohakhali C/A  
Dhaka 1212  
Bangladesh

Telephone +880 2 2222 86450-2  
Fax +880 2 2222 86449  
Email dhaka@kpmg.com  
Internet www.kpmg.com/bd

## **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 2021 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 gives a true and fair view of the balance sheet of the Bank as at 31 December 2021, 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.

#### **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 gives 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 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.



**Rahman Rahman Huq**  
Chartered Accountants

**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;
- (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 statement of financial position 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;
- (xi) capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year; and
- (xii) In our opinion proper information as required by the regulatory requirement have been kept by the Bank so far as it appeared from our examination of those information regarding Letter of Credit (LC) and/or Post Import Financing (PIF).

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

Dhaka, **14 MAR 2022**

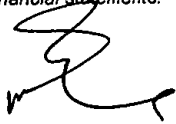
DVC: **2203141000AS863155**

**Bank Alfalah Limited, Bangladesh Operations**  
**Balance Sheet**  
as at 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>Property and assets</b>			
<b>Cash</b>	<b>4</b>	<b>1,386,111,989</b>	<b>1,362,006,044</b>
Cash in hand (Including foreign currency)		219,963,026	179,544,815
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)		1,166,148,963	1,182,461,229
<b>Balance with other banks and financial institutions</b>	<b>5</b>	<b>3,618,025,526</b>	<b>3,565,048,226</b>
In Bangladesh		3,461,768,506	3,496,786,820
Outside Bangladesh		156,257,020	68,261,406
<b>Money at call on short notice</b>		<b>-</b>	<b>-</b>
<b>Investments</b>	<b>6</b>	<b>6,872,174,301</b>	<b>10,411,390,891</b>
Government		6,872,174,301	10,411,390,891
Others		-	-
<b>Loans and advances</b>	<b>7</b>	<b>12,629,103,254</b>	<b>11,061,504,366</b>
Loans, cash credit, overdrafts etc.		12,625,451,010	11,043,135,105
Bills purchased and discounted		3,652,244	18,369,261
<b>Fixed assets including premises, furniture and fixtures</b>	<b>8</b>	<b>154,004,583</b>	<b>130,471,932</b>
<b>Other assets</b>	<b>9</b>	<b>1,799,142,749</b>	<b>1,993,920,239</b>
<b>Non-banking assets</b>		<b>-</b>	<b>-</b>
<b>Total property and assets</b>		<b>26,458,562,402</b>	<b>28,524,341,698</b>
<b>Liabilities and capital</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>10</b>	<b>2,477,748,075</b>	<b>3,785,395,332</b>
<b>Deposits and other accounts</b>	<b>11</b>	<b>15,642,296,091</b>	<b>16,401,207,060</b>
Current accounts and other accounts		1,877,300,739	1,961,193,778
Bills payable		509,482,685	179,583,347
Savings bank deposits		7,321,848,235	6,900,240,622
Fixed deposits		5,933,664,432	7,360,189,313
Other deposits		-	-
<b>Other liabilities</b>	<b>12</b>	<b>2,398,254,029</b>	<b>2,462,994,899</b>
<b>Total liabilities</b>		<b>20,518,298,195</b>	<b>22,649,597,291</b>
<b>Capital and shareholders' equity</b>			
Paid up capital (Fund from head office)	<b>13</b>	4,454,035,286	4,449,788,025
Revaluation reserve	<b>14</b>	87,767,757	52,635,225
Surplus in Profit and Loss Account	<b>15</b>	1,398,461,164	1,372,321,157
<b>Total shareholders' equity</b>		<b>5,940,264,207</b>	<b>5,874,744,407</b>
<b>Total liabilities and shareholders' equity</b>		<b>26,458,562,402</b>	<b>28,524,341,698</b>

The annexed notes 1 to 38 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, **14 MAR 2022**  
DVC: **2203141000AS863155**

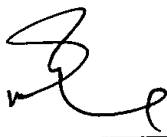
  
Auditor  
M Mehedi Hasan, Partner  
Enrolment Number: 1000  
Rahman Rahman Huq  
Chartered Accountants  
KPMG in Bangladesh  
Firm Registration Number: N/A

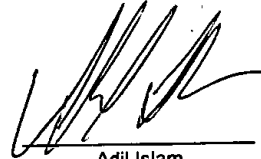
**Bank Alfalah Limited, Bangladesh Operations**  
**Off-balance Sheet**  
as at 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>Contingent liabilities</b>			
Acceptances & endorsements		1,214,412,710	750,684,146
Letters of guarantee	16	450,949,743	487,935,474
Irrevocable letters of credit	17	1,186,822,313	462,279,420
Bills for collection		62,392,511	133,718,038
Other contingent liabilities (Bangladesh Sanchaypatra)		316,450,000	316,450,000
<b>Total</b>		<b><u>3,231,027,277</u></b>	<b><u>2,151,067,078</u></b>
<b>Other Commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		1,844,700,000	1,988,590,000
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
<b>Total</b>		<b><u>1,844,700,000</u></b>	<b><u>1,988,590,000</u></b>
<b>Total Off-balance sheet items including contingent liabilities</b>		<b><u>5,075,727,277</u></b>	<b><u>4,139,657,078</u></b>

The annexed notes 1 to 38 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

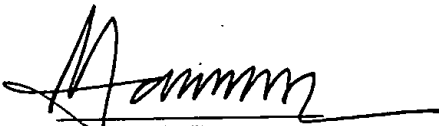
As per our report of same date.

Dhaka, 14 MAR 2022

DVC:

2203141000AS863155



  
Auditor


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


**Bank Alfalah Limited, Bangladesh Operations**  
**Profit and Loss Account**  
**For the year ended 31 December 2021**

Particulars	Notes	2021 Taka	2020 Taka
Interest income	19	769,408,151	1,091,223,107
Interest paid/profit shared on deposits and borrowings etc.	20	(338,796,077)	(706,776,938)
<b>Net interest income</b>		<b>430,612,074</b>	<b>384,446,169</b>
Investment income	21	476,104,005	531,730,557
Commission, exchange and brokerage	22	124,902,808	134,551,595
Other operating income	23	15,496,235	19,927,735
<b>Total operating income</b>		<b>1,047,115,122</b>	<b>1,070,656,056</b>
Salaries and allowances	24	339,072,600	344,404,851
Rent, taxes, insurance, electricity etc.	25	47,640,025	50,360,418
Legal expenses	26	2,144,525	1,836,772
Postage, stamps, telecommunication etc.	27	16,514,919	9,887,231
Stationery, printing, advertisement etc.	28	5,111,752	7,077,278
Country Head's salary and fees	29	24,060,823	17,580,039
Auditors' fees		675,625	853,875
Depreciation and repair of the bank's assets	30	124,694,642	128,057,852
Other expenses	31	41,660,964	37,764,840
<b>Total operating expenses</b>		<b>601,575,875</b>	<b>597,823,156</b>
<b>Profit before provisions</b>		<b>445,539,247</b>	<b>472,832,900</b>
Provision for loans and advances/investments	32	14,357,061	(4,920,384)
General provision		16,783,139	(3,979,057)
Specific provision		(2,426,078)	(941,327)
Provision for off-balance sheet items released		(9,500,000)	400,000
Provision for diminution in value of investments		-	-
Other provisions		-	-
Provision for special CSR		-	2,765,733
<b>Total provision</b>		<b>4,857,061</b>	<b>(1,754,651)</b>
<b>Total profit/(loss) before taxes</b>		<b>440,682,186</b>	<b>474,587,551</b>
Provision for taxation:			
Current tax expense		137,000,000	260,000,000
Deferred tax expense / (income)		(22,228,179)	(59,220,023)
<b>Total provision for taxation</b>	33	<b>114,771,821</b>	<b>200,779,977</b>
<b>Net profit after taxation</b>		<b>325,910,365</b>	<b>273,807,574</b>
<b>Appropriations:</b>			
Transferred to Start-Up Fund		(3,259,104)	(2,738,076)
Profit transfer to Head Office		(296,511,254)	(32,907,921)
		(299,770,358)	(35,645,997)
<b>Retained Surplus Carried Forward</b>		<b>26,140,007</b>	<b>238,161,577</b>

The annexed notes 1 to 38 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

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

Dhaka, 14 MAR 2022

DVC: 2203141000AS863155



**Bank Alfalah Limited, Bangladesh Operations**  
**Cash Flow Statement**  
**For the year ended 31 December 2021**

	2021 Taka	2020 Taka
<b>A. Cash flows from operating activities</b>		
Interest receipts in cash	789,454,268	1,043,365,767
Interest payment	(370,357,006)	(739,969,722)
Dividend receipts	-	-
Fees and commission receipts in cash	29,470,907	21,298,442
Recoveries on loans previously written off	-	-
Cash payments to employees	(355,320,127)	(349,386,312)
Cash payments to suppliers	(68,640,872)	(69,584,751)
Income tax paid	(125,959,693)	(263,344,172)
Receipts from other operating activities	587,032,141	664,911,445
Payment for other operating activities	(60,908,538)	(59,969,855)
Operating cash flow before changes in operating assets and liabilities (i)	<b>424,771,080</b>	<b>247,320,842</b>
<b>Increase/decrease in operating assets and liabilities</b>		
Loans and advances to customers	(1,567,598,888)	373,511,116
Other assets	174,246,373	(601,693,329)
Deposits from other banks/borrowings	(293,891,533)	1,021,913,406
Deposits from customers	(465,019,436)	98,765,560
Other liabilities	1,439,038	295,881,727
Cash utilised in operating assets and liabilities (ii)	(2,150,824,446)	1,188,378,480
<b>Net cash flows from operating activities (i+ii) (a)</b>	<b>(1,726,053,366)</b>	<b>1,435,699,322</b>
<b>B. Cash flows from investing activities</b>		
Proceeds from sale/redemption of securities	-	-
Payments for purchase of securities	257,832,331	(4,253,963,090)
Purchase of property, plant & equipment	(137,011,366)	(30,316,284)
Sale of property, plant & equipment	842,637	7,159,632
<b>Net cash from/(used) in investing activities (b)</b>	<b>121,663,602</b>	<b>(4,277,119,742)</b>
<b>C. Cash flows from financing activities</b>		
Profit remitted to head office	(296,511,254)	(32,907,921)
<b>Net cash used in financing activities (c)</b>	<b>(296,511,254)</b>	<b>(32,907,921)</b>
<b>Net increase/decrease in cash (a+b+c)</b>	<b>(1,900,901,018)</b>	<b>(2,874,328,341)</b>
Effect of exchange rate changes on cash and the equivalent	4,247,261	(417,065)
Cash and cash equivalents at the beginning of year	4,423,202,197	7,297,947,603
Cash and cash equivalents at the end of the year	<b>2,526,548,440</b>	<b>4,423,202,197</b>
<b>Cash and cash equivalents at the end of the year:</b>		
Cash in hand (including foreign currency)	219,963,026	179,544,815
Call borrowing	(2,477,748,075)	(3,785,395,332)
Balance with Bangladesh Bank and its agents bank(s) (including foreign currency)	1,166,148,963	1,182,461,229
Balance with other banks and financial institutions	3,618,025,526	3,565,048,226
Money at call and on short notice	-	-
Treasury bills	-	3,281,465,859
Prize Bond	159,000	77,400
	<b>2,526,548,440</b>	<b>4,423,202,197</b>

The annexed notes 1 to 38 form an integral part of these financial statements.





**Bank Alfalah Limited, Bangladesh Operations**  
**Statement of Changes In Equity**  
**For the year ended 31 December 2021**

**For the year ended 31 December 2020**

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 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 transferred to Head Office	-	-	(32,907,921)	(32,907,921)
<b>Balance as at 31 December 2020</b>	<b>4,449,788,025</b>	<b>52,635,225</b>	<b>1,372,321,157</b>	<b>5,874,744,408</b>

**For the year ended 31 December 2021**

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 2021	4,449,788,025	52,635,225	1,372,321,157	5,874,744,407
Changes in accounting policy	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	35,132,532	-	35,132,532
Currency translation difference	4,247,261	-	-	4,247,261
Net gains and losses not recognized in the income statement	-	-	-	-
Net profit for the period	-	-	325,910,365	325,910,365
Transferred to Start-Up Fund	-	-	(3,259,104)	(3,259,104)
Profit transferred to Head Office	-	-	(296,511,254)	(296,511,254)
<b>Balance as at 31 December 2021</b>	<b>4,454,035,286</b>	<b>87,767,757</b>	<b>1,398,461,164</b>	<b>5,940,264,207</b>

*The annexed notes 1 to 38 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 2021**

---

**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 2021. 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 VI. 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 Bank Company Act, 1991 (as amended up to date), the rules and regulations issued by Bangladesh Bank. In case any requirement of the Bank Company Act, 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Bank Company 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 IFRSs, the requirements of the Bank Company 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. 7, 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. 5, 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 (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. 7, 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. 3, 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 Intangible Assets.

**Bangladesh Bank:** Intangible assets are shown in Other assets 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:** 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 (LC), Letter of Guarantee (LG), 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. 7, 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 Limited is 'Stable' (Note 2.15). 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 (Taka/ TK/ 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) Useful life of fixed assets and right of use of assets	Note 3.2.5
b) Lease liabilities	Note 3.2.6 and 12
c) Provisions	Note 3.3
d) Deferred tax	Note 12.6
e) Provision for taxation	Note 12.4

**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 presentation.

**2.7 Reporting period**

These financial statements of the Bank presents financial informations cover one calendar year from 1 January to 31 December 2021.



**2.8 Date of authorization**

These financial statements have been prepared in accordance with international Financial Reporting Standards (IFRSs) and the requirements of the Bank Company Act, 1991 (as amended up to date), the rules and regulations issued by Bangladesh Bank. They were authorised for issue by the company's board of directors on

06 MAR 2022

**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 dated 7 October 2003, BRPD circular no. 4 dated 5 March 2007 and DOS circular no. 4 dated 8 October 2018 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 and Operational Risk 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", "Interest Risk Rate Policy" and "Operational Risk 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 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.





## Notes to the financial statements as at and for the year ended 31 December 2021

- 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

### **Operational Risk**

Impact: Financial / Non-Financial

Capital effected: Financial, Social, Human and Intellectual Capitals

Mitigation Strategy: Embedding a sustainable risk culture remains the Bank's core objective which includes effective management of operational issues and emerging risks across the Bank and in its overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards, duly approved by the Board, have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of risk events including non-financial risks. Bank aim to implement a new process based Risk and Control Self-Assessment method across the group in order to effectively manage operational risks and continuously monitor effectiveness of defined controls through first line self-assessment reviews especially for the processes and activities which may significantly impact bank's risk appetite. Further, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation or launch.

### **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 proper due diligence in the approval process. A comprehensive risk assessment is mandatory before recommendation/approval of each credit proposals.

All loan proposals are initiated through the business team, which are subsequently elevated to the Credit Risk Management (CRM) Department. Upon receipt of the proposal, due diligence is conducted by CRM and Chief Risk Officer - Bangladesh and subsequently same is placed to Country Credit Committee of Bangladesh (CCCB). 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 business team and Credit Administration Department (CAD) for further processing. In case of approval, upon completion of security/charge documentation and compliance of other terms and 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 and 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, if any.



With a view to strengthening the credit risk framework, Bank has developed an 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 Internal Credit Risk Rating System (ICRRS) score are evaluated for rating of a potential borrower before granting any loan approval. Moreover, in line with guidelines issued by Bangladesh Bank 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 (ESMS) guidelines have also been formulated and environmental risk rating is also generated 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 in place for regular monitoring of overdue loans, watch list, classified, written off, rescheduled/ restructured accounts. RU of the bank is headed by the Chief Risk Officer - Bangladesh (CRO) 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 CRO-BD 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 generated 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

Asset and liability management (ALM) is a practice used by the bank to mitigate financial risks resulting from a mismatch of assets and liabilities. ALM strategies employ a combination of Risk Management encompasses the identification, analysis, and response to risk factors that form part of the life of a business. It is usually done with financial planning and are often used by the bank to manage long-term risks that can arise due to changing circumstances.

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 and 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 and 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;
- Re-pricing of assets and 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**

Bank Management has strong comment to implement the Bangladesh FIU's directives in letter and spirit for Anti-Money laundering and Combating terrorist financing. In this aspect Banks has established AML Unit in 2017 and provides right resources and system to monitor transactions, Customer onboarding, Sanction screening etc.

Keeping the enhanced monitoring and focus on Trade Based Money Laundering, the bank has rolled out technology-based solutions for vessel tracing, Price verification, Sanction screening, Multi level approval Matrix for high-risk transactions etc. to strengthen control environment while ensuring robust regulatory reporting such as CTR, STR, Self-assessment reporting etc.

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 centralized Account opening, Remittance services, Trade operation to mitigate the risks of Money Laundering and Terrorist Financing, as under with the holistic approach.

Arrangement to cover AML and CFT training sessions in 2021 for employees comprises of existing and new employees and Senior Management. A schedule of inspection for branches and different functions 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)**

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 Defence 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 as 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 analyse 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).



## Notes to the financial statements as at and for the year ended 31 December 2021

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.e., 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 and Supervising business performance metrics and the Audit and 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 and Inspection Division of the Bank conducts 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 and 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 Bank Alfalah Limited, Bangladesh Operations 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 and further ensuring compliance to the regulatory guidelines and requirements of the international standards for professional practices issued by IIA. As a step forward, Group follows the globally recognized Risk Based Audit Methodology along with the adoption of relevant components of internationally acclaimed COSO-Internal Control framework thus ensuring formulation of policies and strategy in line with Board Audit Committee (BAC) and Regulatory advices correlating with the industry's best practices. The Bank's Internal Audit Unit plays 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).

The Internal Audit Unit continued to perform its effective role both on assurance and consulting fronts during the year 2021. 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, Shariah Audits and continuous monitoring through Audit data analytics setup. Special focus of the unit remained over completion of various special/regulatory assignments entrusted by Bangladesh Bank during the year 2021 to remain compliant resulting into avoidance of any Regulatory breach. In addition, effective follow-up and support to management in timely rectification of audit observation is provided through a dedicated Enforcement Function. Under Quality Assurance setup, Quality Assurance and Improvement program and independent audit rating mechanism is also established.

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.

With continuous support from the BAC; Internal Audit Unit is all geared up by putting on continuous and dedicated efforts to strengthen the Internal Audit function and Internal Control System of the bank, for this Internal Audit has undertaken numerous strategic initiatives for the year 2021 including;

- Implementation of Audit system solution for capturing complete audit process cycle.
- Review and Updating of Risk Control Matrix for all auditable function/areas.
- Continuous alignment of audit procedures and approach as per IIA standards and Regulatory Guidelines.
- Strengthening of Audit Data Analytics approach for continuous auditing through leveraging technology and optimal use of resources.

All of the aforementioned activities were aimed at increasing synergies between various AIG functionaries.



**2.12.5.2 Fraud and forgery**

Bank has an effective mechanism in place to deal with any fraud and forgery. It has Fraud and Investigation Unit under Audit and 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 and Inspection.

During the period no fraud was identified by the Bank. Details are shown in Note 37.

**2.12.6 Information and Communication Technology IT Security Cyber risks**

The Bank 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 Limited into an efficient modern financial institution. This division plays an integrated role to deliver services on time to our valued customer. Bank relies on latest cutting edge technology that focuses on making transaction straightforward for customers by making complex accounting and record-keeping activities automated. Bank is welcoming to adopt latest technology the industry can offer and introduce latest services which will make life easier for bank's clients.

The Bank offers 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. Customer can pay their mobile bills through Internet Banking.

Bank achieved compliant status as PCI DSS Compliance is mandated by Central bank. This standardized process and practice will ensure data security and baseline standards. Bank always focus and prioritize adherence to the rules & regulations. Maintaining PCIS DSS certification standards will remain a continued focus for which both ITT teams will keep joint efforts.

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

**2.13 Corporate Social Responsibility**

In Bangladesh, organizational responsibility to the community is a mandatory action expected by the regulators to ensure Bank's commitment towards creating a better society. To note, the Bank, ever since its inception, has been taking part in promoting various initiatives and sponsored numerous social activities in line with CSR philosophy of the bank. This continuous effort in CSR by the bank portrays its image and core belief as being a progressive and modern bank with social responsibility. The various CSR activities undertaken by the bank includes promoting initiatives in the education and health sector, disaster management of the country, promoting culture and heritage of the country, support for women entrepreneur, providing easy access to health-care information to general people etc.

In 2021, The Bank had conducted a winter blanket distribution program in Nilphamari. The winter blankets were provided to the cold stricken people of the area. The event was organized by the spontaneous participation of existing bank staffs. Furthermore, Bank is aware that economic shutdown sparked by COVID-19 has threatened livelihoods of millions in the country. It is estimated that more than 10 million people outside the social safety net has become direct victims of the economic impact caused by this pandemic. Since the announcement of shutdown by the government, many people are struggling financially, and many poor daily income wagers are constrained to skip meals on a regular basis. Taking notice of such dire situation, the Bank had distributed 275 COVID relief packs containing daily necessities and health items in the outskirts of Dhaka area. These sorts of initiatives are well received and broadly appreciated by the regulators.

**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 2021**

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 bank's Credit Approval process.
- Operating one ATM Booth with renewable solar power (fully) and planning to convert all the bank's 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 and 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 2020.

Particulars	Date of Rating	Long Term	Short Term	Valid Till
Entity Rating	29-Jul-21	AA	ST - 1	28 July 2022

Alpha Credit Rating Limited has affirmed the long-term rating of AA (pronounced as 'double A') and Short-term rating of ST-1 of Bank Alfalah Limited, Bangladesh Operations based on Audited Financials for the year ended 31 December 2020 and other relevant quantitative as well as qualitative information.

The rating has considered improvement in assets base, decreased non-performing loan, enriched investment, surplus provision, sufficient capital adequacy, increased net profit and ADR within the regulatory requirement.

The long-term rating reflects the robust financial performance along with sufficient liquidity, strong asset quality, sustainable growth in deposits and total assets, management quality and efficient fund management by the bank. Commercial Banks rated AA have strong credit quality and are subject to very low credit risk. Short term rating of ST-1 represents Bank's Superior 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)**

<b>Name</b>	<b>Designation</b>
Mr. Khalid Qurashi	Chairman
Mr. Abdulla Khalil Al Mutawa	Member
Mr. Khalid Mana Saeed Al Otaiba	Member
Ms. Dr. Ayesha Khan	Member
Mr. Tahir Khurshid	Secretary

**2.18 Workers profit participation fund (WPPF)**

As per Bangladesh Labour Act, 2006 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 14 February 2017, Ministry of Finance (Bank and 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 and Manpower to take necessary action not to apply Section 55 of the Bangladesh Labour Act, 2006 on Banks and financial institutions. Hence, no provision is required for WPPF payments is being kept.

**2.19 General**

- a) Figures of previous year have been rearranged, wherever considered necessary, to conform with the current year's presentation.
- b) 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 accreted 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. 5 dated 26 May 2008 and subsequent clarifications DOS Circular letter no. 5 dated 28 January 2009.

**Held to Maturity (HTM)**

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 (HFT)**

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. 5 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. 3 dated 21 April 2019, BRPD circular no.1 dated 20 February 2018, BRPD circular no.15 dated 27 September 2017, BRPD circular no.16 dated 18 November 2014, BRPD circular no. 5 dated 29 May 2013, BRPD circular no.14 dated 23 September 2012 and BRPD circular no. 19 dated 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 and 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 dated 23 September 2012 as amended by BRPD Circular no. 19 dated 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. 2 dated 13 January 2003, BRPD circular no. 13 dated 07 November 2013 and BRPD circular no. 1 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 the Bank 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 the Bank can avail Personal Loan. The loan is approved by Country Head or Country Operation Head of the Bank.

Conveyance Finance Loan: Local 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.



### 3.2.5 Fixed assets including premises, furniture and fixtures

#### 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	Useful life
Furniture, fixture and fittings	10%	10
Leasehold improvement	20%	5
Office equipments	20%	5
Staff equipments	20%	5
Computer and related equipments	25%	4
Motor vehicles	25%	4

### 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 centres, ATM booths and disaster recovery centres are considered for implementation of IFRS 16.

### 3.2.7 Provisions for other assets

BRPD circular no. 14 dated 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 10.

**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 are at the gross value of outstanding balance. Details are shown in note 11.

**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 dated 23 September 2012, the Bank has recognised 1% General Provision on the following off-balance sheet exposures as defined in BRPD circular no.10 dated 24 November 2002 considering the exemption as provided through BRPD circular no. 1 dated 3 January 2018, BRPD circular no. 7 dated 21 June 2018, BRPD circular no. 13 dated 18 October 2018, BRPD circular no. 2 dated 25 February 2019, BRPD circular no. 9 dated 27 May 2019 and BRPD circular letter no. BPRD(P-1)/661/13/2019-354 dated 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. 6 dated 19 March 2015 and BRPD circular no. 3 dated 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 13.

**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 dated 23 September 2012 as amended by BRPD Circular No. 19 dated 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.



**Notes to the financial statements as at and for the year ended 31 December 2021 (continued)**

**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 2021 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.

**Eligibility to gratuity payments**

Actual Year of Services	Eligibility	Calculation
Less than 5 Years	Not eligible	Nil
3 Years or more but less than 10 Years	Eligible	(Last basic drawn)* (No. of years service)
10 Years or more	Eligible	(Last basic drawn)* (No. of years service)*

**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, 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 2021 (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	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)
Operating Segments	IFRS-8	Not Applicable
Financial Instruments	IFRS-9	Applied with some departure (note 2.1)
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)
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)
Inventories	IAS-2	Not Applicable
Statement of Cash Flows	IAS-7	Applied with some departure (note 2.1)
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 IASs/IFRSs, some of the requirements specified in these IASs/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. Details are shown in Note 2.1.



**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 2021 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
- (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 34.

**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 38.





Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>4 Cash</b>			
Cash in hand (Including foreign currency)	4.1	219,963,026	179,544,815
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)	4.2	<u>1,166,148,963</u>	<u>1,182,461,229</u>
		<u><b>1,386,111,989</b></u>	<u><b>1,362,006,044</b></u>
<b>4.1 Cash in hand</b>			
Local currency		219,367,402	171,563,081
Foreign currency		<u>595,624</u>	<u>7,981,734</u>
		<u><b>219,963,026</b></u>	<u><b>179,544,815</b></u>
<b>4.2 Balance with Bangladesh Bank and its agent bank(s)</b>			
Local currency		672,763,158	732,378,909
Foreign currency		<u>493,385,805</u>	<u>450,082,320</u>
		<u><b>1,166,148,963</b></u>	<u><b>1,182,461,229</b></u>
<b>4.a</b>	As per section 33 of Bank Company Act, 1991 (amended up to 2013) & MPD circular No. 03 dated 9 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 2021 is maintained on the basis of weekly ATDTL of October 2021), according to DOS Circular No. 01 and 26 issued on 19 January 2014 and 19 August 2019 respectively.		
	<b>i) Cash Reserve Requirement (CRR) for Conventional Banking</b>		
	<b>4% of average Demand and Time Liabilities</b>		
Required reserve		355,384,460	439,927,902
Actual reserve held		<u>479,604,028</u>	<u>551,578,709</u>
Surplus		<u><b>124,219,568</b></u>	<u><b>111,650,807</b></u>
Actual reserve held		<b>5.40%</b>	<b>5.02%</b>
	<b>ii) Cash Reserve Requirement (CRR) for Islamic Banking</b>		
	<b>4% of average Demand and Time Liabilities</b>		
Required reserve		170,533,477	186,738,355
Actual reserve held		<u>194,838,751</u>	<u>197,939,877</u>
Surplus		<u><b>24,305,274</b></u>	<u><b>11,201,522</b></u>
Actual reserve held		<b>4.57%</b>	<b>4.24%</b>
<b>4.b</b>	As per section 33 of the Bank Company Act, 1991 (amended up to 2013) and MPD circular no. 02 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 2021 is based on weekly ATDTL of October 2021), according to DOS Circular No. 01 & 26 issued on 19 January 2014 & 19 August 2019 respectively.		
	<b>i) Statutory Liquidity Requirement (SLR) for Conventional</b>		
	<b>13% of required Average Demand and Time Liabilities</b>		
Required reserve		1,154,999,495	1,429,765,683
Actual reserve held		<u>6,986,878,808</u>	<u>10,055,581,033</u>
Surplus		<u><b>5,831,879,313</b></u>	<u><b>8,625,815,350</b></u>
Actual reserve held		<b>78.64%</b>	<b>91.43%</b>
	<b>Held for Statutory Liquidity Requirement</b>		
Cash in hand		147,823,297	105,765,113
Excess of daily reserve		124,219,568	111,650,807
Un-encumbered securities(HTM)		4,836,629,056	6,502,543,248
Un-encumbered securities(HFT)		1,878,206,887	3,335,621,865
Balance with Sonali Bank Ltd		<u><b>6,986,878,808</b></u>	<u><b>10,055,581,033</b></u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>ii) Statutory Liquidity Requirement (SLR) for Islamic Banking</b>			
<b>5.5% of required Average Demand and Time Liabilities</b>			
Required reserve		234,483,531	256,765,239
Actual reserve held		253,515,002	256,773,720
Surplus		19,031,471	8,481
Actual reserve held		5.95%	5.50%
<b>Held for Statutory Liquidity Requirement:</b>			
Cash in hand		72,139,729	73,779,702
Excess of daily reserve		24,305,273	11,201,522
Other Eligible Securities		157,070,000	79,190,000
Foreign currency used in BDT		-	92,602,496
		253,515,002	256,773,720
<b>5 Balance with other banks and financial institutions</b>			
In Bangladesh	5.1	3,461,768,506	3,496,786,820
Outside Bangladesh	5.2	156,257,020	68,261,406
		3,618,025,526	3,565,048,226
<b>5.1 In Bangladesh</b>			
Current accounts	5.1.1	10,761,346	9,227,391
Savings accounts	5.1.2	12,807,160	12,482,973
Mudaraba term deposit	5.1.3	300,000,000	300,000,000
Term deposit	5.1.4	3,138,200,000	3,175,076,456
		3,461,768,506	3,496,786,820
<b>5.1.1 Current accounts</b>			
Islami Bank Bangladesh Limited		23,221	23,221
Trust Bank Limited		2,507,584	3,631,428
Standard Chartered Bank		8,230,541	5,572,742
		10,761,346	9,227,391
<b>5.1.2 Savings accounts</b>			
Trust Bank Limited		34,912	34,233
Dhaka Bank Limited		37,660	36,347
Prime Bank Limited		12,734,588	12,412,393
		12,807,160	12,482,973
<b>5.1.3 Mudaraba term deposit</b>			
Export Import Bank of Bangladesh Ltd.		300,000,000	300,000,000
		300,000,000	300,000,000
<b>5.1.4 Term deposit</b>			
Midland Bank Limited		429,000,000	-
National Bank of Pakistan		650,000,000	780,000,000
Islami Bank Bangladesh Limited		-	424,010,000
Mutual Trust Bank Limited		643,500,000	-
Prime Bank Limited		429,000,000	953,442,456
Modhumoti Bank Limited		429,000,000	-
BRAC Bank Limited		-	84,802,000
Trust Bank Limited		557,700,000	-
Shahjalal Islami Bank Limited		-	254,406,000
The City Bank Limited		-	678,416,000
		3,138,200,000	3,175,076,456



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>5.2 Outside Bangladesh</b>			
<b>Current account</b>			
Standard Chartered Bank, New York		150,164,980	50,475,371
Standard Chartered Bank, Mumbai		4,160,744	15,703,875
Bank Alfalah Limited, Karachi		777,980	768,931
National Bank of Pakistan, New York		-	-
Standard Chartered Bank, London		723,909	690,893
Standard Chartered Bank, Frankfurt		401,121	509,939
Standard Chartered Bank, Tokyo		28,286	112,397
		<u>156,257,020</u>	<u>68,261,406</u>
<i>Details are shown in Annexure III</i>			
<b>5.a Maturity-wise groupings of balance with other banks and financial institutions</b>			
On demand		179,825,526	89,971,770
Not more than 3 months		3,438,200,000	3,284,852,000
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>3,618,025,526</u>	<u>3,565,048,226</u>
<b>6 Investments</b>			
Government securities	6.1	<u>6,872,174,301</u>	<u>10,411,390,891</u>
		<u>6,872,174,301</u>	<u>10,411,390,891</u>
<b>6.1 Government securities</b>			
Treasury bills HFT		-	795,757,715
Treasury bills HTM		-	2,485,708,144
Treasury bonds HFT		1,878,206,887	2,539,864,149
Treasury bonds HTM		4,993,808,414	4,589,983,483
Prize bonds		159,000	77,400
		<u>6,872,174,301</u>	<u>10,411,390,891</u>
<b>6.a Investments classified as per Bangladesh Bank Circular</b>			
Held-for-trading (HFT) securities	6.a.1	1,878,365,887	3,335,699,264
Held-to-maturity (HTM) securities	6.a.2	4,993,808,414	7,075,691,627
		<u>6,872,174,301</u>	<u>10,411,390,891</u>
<b>6.a.1 Held-for-trading (HFT) securities</b>			
Treasury bills		-	795,757,715
Treasury bonds		1,878,206,887	2,539,864,149
Prize bonds		159,000	77,400
		<u>1,878,365,887</u>	<u>3,335,699,264</u>
<b>6.a.2 Held-to-maturity (HTM) securities</b>			
Treasury bills		-	2,485,708,144
Treasury bonds		4,993,808,414	4,589,983,483
		<u>4,993,808,414</u>	<u>7,075,691,627</u>
Except two treasury bond amounting Taka 350,917,382 the above HTM securities are lien with Bangladesh Bank for capital purpose.			
<b>6.b Maturity wise groupings of investment</b>			
Repayable On demand		159,000	77,400
Not more than 3 months		-	3,542,361,162
More than 3 months but not more than 1 year		1,363,342,451	1,193,788,881
More than 1 year but not more than 5 years		3,832,881,175	5,454,640,296
More than 5 years		1,675,791,675	220,523,152
		<u>6,872,174,301</u>	<u>10,411,390,891</u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>7 Loans and advances</b>			
Loans, cash credit, overdrafts etc.	7.1	12,625,451,010	11,043,135,105
Bills purchased and discounted	7.2	3,652,244	18,369,261
		<u>12,629,103,254</u>	<u>11,061,504,366</u>
<b>7.1 Loans, cash credit, overdrafts etc.</b>			
In Bangladesh	7.1.1	12,625,451,010	11,043,135,105
Outside Bangladesh		<u>12,625,451,010</u>	<u>11,043,135,105</u>
<b>7.1.1 In Bangladesh</b>			
Conventional Banking	7.1.1.1	9,355,670,637	7,999,894,810
Islamic Banking	7.1.1.2	3,269,780,373	3,043,240,295
		<u>12,625,451,010</u>	<u>11,043,135,105</u>
<b>7.1.1.1 Conventional Banking</b>			
Current finance		3,303,055,923	3,976,993,588
Term finance		5,561,183,284	3,511,960,580
Agriculture Finance		242,986,167	230,147,778
Staff loan		65,038,465	58,537,178
Finance Against EDF		164,079,051	152,809,584
Loan against trust receipts		19,327,747	69,446,102
		<u>9,355,670,637</u>	<u>7,999,894,810</u>
<b>7.1.1.2 Islamic Banking</b>			
Murabaha (LPO)		3,228,397,453	2,353,630,710
Trust receipts		-	79,338,044
Finance Against Foreign Bill		-	-
Advance against Murabaha		472,282	472,282
Diminishing Musharakah		-	70,699,259
Finance Against EDF		40,910,638	-
Spot Murabaha		-	539,100,000
		<u>3,269,780,373</u>	<u>3,043,240,295</u>
<b>7.2 Bills purchased and discounted</b>			
Payable in Bangladesh		3,652,244	18,369,261
Payable outside Bangladesh		-	-
		<u>3,652,244</u>	<u>18,369,261</u>
<b>7.3 Maturity-wise grouping of loans and advances</b>			
Repayable On demand		2,505,783,683	1,922,186,257
Not more than 3 months		5,043,846,262	2,922,506,080
More than 3 months but not more than 1 year		4,431,372,021	5,788,752,009
More than 1 year but not more than 5 years		501,220,476	393,402,673
More Than 5 years		146,880,812	34,657,347
		<u>12,629,103,254</u>	<u>11,061,504,366</u>
<b>7.4 Loans and advances on the basis of significant concentration</b>			
Advances to Chief executive, other Senior executives and other Officers		65,038,465	58,537,178
Industrial loans and advances		12,564,064,789	11,002,967,188
		<u>12,629,103,254</u>	<u>11,061,504,366</u>
<b>7.5 Loans and advances allowed to each customer exceeding-10% of Bank's total capital</b>			
Total outstanding amount to such customers at end of the year (02 Customer)		1,746,946,144	1,749,982,096
Amount of classified loans and advances therein		Nil	Nil
Measures taken for recovery		Not Applicable	Not Applicable



7.6 Industry-wise classification of loans and advances/investments

	2021		2020	
	% of Total Loan	BDT	% of Total Loan	BDT
Agri Business	10.64%	1,343,888,962	2.09%	264,194,151
Automobile dealers	0.91%	115,301,658	1.11%	140,646,885
Cement	5.03%	634,918,536	5.19%	655,800,921
Chemicals	1.11%	139,740,308	0.48%	60,936,120
Financial Institutions & MFIs	11.02%	1,391,907,024	11.48%	1,449,267,281
Food & Personal Care Products	9.89%	1,249,198,178	9.23%	1,166,159,558
Glass & Ceramics	0.23%	28,473,013	0.24%	29,780,211
Leather & Tanneries	1.62%	204,255,606	1.63%	205,354,823
Manufacturing & sale of Domestic Appliances	9.18%	1,158,787,622	6.24%	788,053,629
Metal & Allied	11.30%	1,426,457,528	17.58%	2,220,578,121
Oil & Gas Marketing Companies	2.42%	305,536,428	0.75%	94,342,408
Others/Miscellaneous	2.57%	324,467,010	1.36%	171,414,596
Paper & Board	0.40%	51,028,206	0.32%	40,346,329
Pharmaceuticals	7.78%	982,293,339	4.23%	533,631,540
Power Generation & Distribution- Non GoP	2.30%	291,071,389	3.50%	442,149,167
Printing & Publishing	0.62%	78,362,868	1.00%	126,759,153
Real Estate/Construction	0.18%	23,057,827	0.35%	44,231,891
Refinery	0.22%	27,781,573	0.22%	27,781,573
Services	5.63%	710,731,263	5.21%	657,842,645
Textile Composite / Garments Manufacturing	3.78%	477,676,439	3.26%	411,097,456
Textile Spinning	7.51%	948,159,457	6.45%	815,126,427
Textile Weaving	0.49%	61,425,446	1.20%	151,120,182
Tobacco	0.00%	-	0.00%	-
Trading	1.01%	127,538,498	1.88%	237,118,897
Transport	0.10%	12,671,540	0.11%	13,637,935
Vanaspati & Allied Industries	4.07%	514,373,536	2.49%	314,132,467
	<b>100.00%</b>	<b>12,629,103,254</b>	<b>100.00%</b>	<b>11,061,504,366</b>

7.7 Geographical location-wise loans and advances/investments

	2021		2020	
	% of Total Loan	BDT	% of Total Loan	BDT
Dhaka Division	81.88%	10,340,132,723	73.78%	8,161,620,062
Chittagong Division	17.39%	2,195,784,034	25.34%	2,802,452,706
Sylhet Division	0.74%	93,186,497	0.88%	97,431,598
	<b>100%</b>	<b>12,629,103,254</b>	<b>100%</b>	<b>11,061,504,366</b>

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

	2021		2020	
	% of Total Loan	BDT	% of Total Loan	BDT
<b>Status</b>				
<b>Unclassified:</b>				
Standard including staff loan	97.17%	12,272,155,678	96.91%	10,719,628,353
Special Mention Account (SMA)	0.01%	1,697,541	0.02%	1,987,288
	<b>97.19%</b>	<b>12,273,853,219</b>	<b>96.93%</b>	<b>10,721,615,641</b>
<b>Classified:</b>				
Substandard	0.13%	16,143,791	0.00%	-
Doubtful	0.00%	-	0.00%	-
Bad or loss	2.69%	339,106,244	3.07%	339,888,725
	<b>2.81%</b>	<b>355,250,035</b>	<b>3.07%</b>	<b>339,888,725</b>
	<b>100.00%</b>	<b>12,629,103,254</b>	<b>100.00%</b>	<b>11,061,504,366</b>



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

	2021		2020	
	Base for Provision	Required Provision	Base for Provision	Required Provision
<b>Unclassified</b>				
All unclassified loans (other than SME loan, Agricultural loan and special mention)	11,373,727,478	113,737,275	9,736,852,753	97,507,174
Agricultural finance	264,786,167	2,647,862	284,507,778	2,845,077
SME finance	633,642,033	2,008,932	698,267,822	1,807,023
Special Mention Account (SMA)	1,697,541	4,244	895,142	2,238
	<u>12,273,853,219</u>	<u>118,398,313</u>	<u>10,720,623,495</u>	<u>102,161,512</u>
<b>Classified</b>				
Substandard	2,421,569	121,078	-	-
Doubtful	-	-	-	-
Bad or loss	168,986,035	168,986,035	163,986,469	163,986,469
	<u>171,407,604</u>	<u>169,107,113</u>	<u>163,986,469</u>	<u>163,986,469</u>
	<u>12,445,260,823</u>	<u>287,505,426</u>	<u>10,884,609,964</u>	<u>266,147,981</u>
<b>Total provision maintained</b>		<u>350,520,279</u>		<u>336,163,218</u>
<b>Surplus provision</b>		<u>63,014,853</u>		<u>70,015,237</u>
			<b>2021</b>	<b>2020</b>
			<b>Taka</b>	<b>Taka</b>

## 7.10 Particulars of loans and advances/investments

i)	Loans considered good in respect of which the banking company is fully secured;	12,629,103,254	11,061,504,366
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;	-	-
		12,629,103,254	11,061,504,366
v)	Loans due by directors or officers of the banking company or any of these either separately or jointly with any other person.	65,038,465	58,537,178
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;	65,038,465	58,537,178
viii)	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members;	-	-
ix)	Due from Banking Companies;	-	-
x)	Amount of Classified loan/investment on which Interest/Profit has not been	355,250,035	339,888,725
(a)	Movement of Classified loans and advances		
	Opening balance	339,888,725	342,182,506
	Increase/(decrease) during the year	15,361,310	(2,293,781)
	Closing balance	355,250,035	339,888,725
(b)	Provision kept against loan classified as bad/loss on the date of balance sheet	168,986,035	163,986,469
(c)	Amount of interest/profit charged in suspense account	58,626,039	56,917,525
xi)	Loans written off	54,842,182	54,842,182
	- Current Year	-	-
	- Cumulative to-date	54,842,182	54,842,182
	- Amount of written off loans for which lawsuit was filed	54,842,182	54,842,182

## 7.11 Maturity grouping of bills discounted and purchased

Payable within 1 month	3,652,244	45,060
Over 1 month but less than 3 months	-	12,382,800
Over 3 months but less than 6 months	-	5,941,401
6 months or more	-	-
	<u>3,652,244</u>	<u>18,369,261</u>

## 7.12 Loan file compliance regarding updated Financial Statements and DVC

According to FRC letter no. 178/FRC/APR/2021/21(7) dated 7 December 2021, the compliance status of BRPD circular no. 4 and 35 as follows:

No. of borrower	BRPD Circular 4 and 35 applicable for no. of borrower	Financial Statements including DVC	Financial Statements excluding DVC	% of DVC	% of without DVC
181	21	20	1	95%	5%

Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>8 Fixed assets including premises, furniture and fixtures</b>			
Fixed assets	8.1	45,289,621	63,707,462
Right of use assets	8.2	108,714,962	66,764,470
		<u>154,004,583</u>	<u>130,471,932</u>

**8.1 Fixed assets including premises, furniture and fixtures**

	Motor vehicles	Computer and accessories	Office equipment	Staff equipment	Furnitures and fixtures	Leasehold improvement	Total
<b>Cost</b>							
Balance at 1 January 2020	28,046,855	143,832,794	66,421,901	13,500	47,260,110	83,480,616	369,055,776
Additions	9,995,000	8,979,217	2,112,750	-	198,875	9,030,442	30,316,284
Disposals	(7,009,000)	-	(695,400)	-	(199,500)	-	(7,903,900)
<b>Balance at 31 December 2020</b>	<b>31,032,855</b>	<b>152,812,011</b>	<b>67,839,251</b>	<b>13,500</b>	<b>47,259,485</b>	<b>92,511,058</b>	<b>391,468,160</b>
Balance as at 1 January 2021	31,032,855	152,812,011	67,839,251	13,500	47,259,485	92,511,058	391,468,160
Additions	-	2,305,168	402,630	-	114,938	250,328	3,073,064
Disposals	-	(107,800)	(140,000)	-	-	(191,243)	(439,043)
<b>Balance as at 31 December 2021</b>	<b>31,032,855</b>	<b>155,009,379</b>	<b>68,101,881</b>	<b>13,500</b>	<b>47,374,423</b>	<b>92,570,143</b>	<b>394,102,181</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2020	20,869,112	121,037,659	55,027,080	13,500	43,272,266	73,836,511	314,056,128
Depreciation	5,295,156	8,821,150	3,706,734	-	964,921	2,820,508	21,608,469
Disposals	(7,009,000)	-	(695,399)	-	(199,500)	-	(7,903,899)
<b>Balance at 31 December 2020</b>	<b>19,155,268</b>	<b>129,858,809</b>	<b>58,038,415</b>	<b>13,500</b>	<b>44,037,687</b>	<b>76,657,019</b>	<b>327,760,698</b>
Balance as at 1 January 2021	19,155,268	129,858,809	58,038,415	13,500	44,037,687	76,657,019	327,760,698
Depreciation	3,751,463	9,453,544	3,113,196	-	971,614	3,997,848	21,287,665
Disposals	-	(95,803)	(140,000)	-	-	-	(235,803)
<b>Balance as at 31 December 2021</b>	<b>22,906,731</b>	<b>139,216,550</b>	<b>61,011,611</b>	<b>13,500</b>	<b>45,009,301</b>	<b>80,654,867</b>	<b>348,812,560</b>
<b>Carrying amounts</b>							
At 1 January 2020	7,177,743	22,795,135	11,394,821	-	3,987,844	9,644,105	54,999,648
<b>At 31 December 2020</b>	<b>11,877,587</b>	<b>22,953,202</b>	<b>9,800,836</b>	<b>-</b>	<b>3,221,798</b>	<b>15,854,039</b>	<b>63,707,462</b>
<b>At 31 December 2021</b>	<b>8,126,124</b>	<b>15,792,829</b>	<b>7,090,270</b>	<b>-</b>	<b>2,365,122</b>	<b>11,915,276</b>	<b>45,289,621</b>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Note	2021 Taka	2020 Taka
<b>8.2 Right of use assets</b>			
<b>Cost</b>			
Balance at 1 January		209,494,415	267,825,128
Additions		133,938,302	-
Disposals		(101,942,629)	(58,330,713)
		<u>241,490,088</u>	<u>209,494,415</u>
<b>Accumulated depreciation</b>			
Balance at 1 January		142,729,945	98,401,964
Depreciation		91,348,413	95,499,063
Disposals		(101,303,232)	(51,171,082)
		<u>132,775,126</u>	<u>142,729,945</u>
<b>Carrying amounts</b>		<u>108,714,962</u>	<u>66,764,470</u>
<b>9 Other assets</b>			
<b>Income generating other assets</b>			
<b>Non-income generating other assets</b>			
Stationery, stamps, printing materials in stock etc.		5,321,640	6,944,650
Advance rent and advertisement		-	-
Income/profit receivables	9.1	120,939,325	140,985,442
Branch adjustment Account	9.2	-	-
Security deposits		2,979,115	1,969,115
Renovation, development and prepaid expenses		10,268,469	10,605,671
Deferred tax assets	12.6	91,820,597	69,592,417
Others	9.3	1,567,264,534	1,762,649,589
Intangible asset (Software)	9.4	549,069	1,173,355
		<u>1,799,142,749</u>	<u>1,993,920,239</u>
<b>9.1 Income/profit receivables</b>			
On Treasury bill, bonds, preference shares, etc.		113,006,102	136,783,571
Deposit with financial institution		7,933,223	4,201,871
		<u>120,939,325</u>	<u>140,985,442</u>
<b>9.2 Branch adjustment Account</b>			
All inter branch reconciliation have been made up to 31 December 2021. There is no significant item outstanding, that is not responded, for more than 3 months.			
<b>9.3 Others</b>			
Advance income tax	9.3.1	1,298,004,852	1,350,966,433
Receivable from Bangladesh Bank		268,595,706	411,786,325
Miscellaneous		663,976	(103,169)
		<u>1,567,264,534</u>	<u>1,762,649,589</u>
<b>9.3.1 Advance Income tax</b>			
Balance as at 1 January		1,350,966,433	1,087,622,261
Paid during the year		125,959,693	263,344,172
		<u>1,476,926,126</u>	<u>1,350,966,433</u>
Adjustments made during the year		178,921,274	-
Balance as at 31 December		<u>1,298,004,852</u>	<u>1,350,966,433</u>





Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Note	2021 Taka	2020 Taka
<b>9.4 Intangible asset (Software)</b>			
<b>Cost</b>			
Balance at 1 January		34,337,198	33,852,198
Additions		-	485,000
Disposals		-	-
		<u>34,337,198</u>	<u>34,337,198</u>
<b>Accumulated depreciation</b>			
Balance at 1 January		33,163,843	31,819,960
Depreciation		624,286	1,343,883
Disposals		-	-
		<u>33,788,129</u>	<u>33,163,843</u>
<b>Carrying amounts</b>		<u>549,069</u>	<u>1,173,355</u>
<b>10 Borrowings from other banks, financial institutions and agents</b>			
In Bangladesh	10.1	2,477,748,075	2,852,573,332
Outside Bangladesh		-	932,822,000
		<u>2,477,748,075</u>	<u>3,785,395,332</u>
<b>10.1 In Bangladesh</b>			
Call borrowing	10.1.1	750,000,000	2,300,000,000
Term borrowing	10.1.2	1,727,748,075	552,573,332
		<u>2,477,748,075</u>	<u>2,852,573,332</u>
<b>10.1.1 Call borrowing</b>			
The Premier Bank Limited		-	590,000,000
IFIC Bank Limited		300,000,000	450,000,000
Agrani Bank Limited		-	600,000,000
Eastern Bank Limited		450,000,000	60,000,000
Sonali Bank Limited		-	600,000,000
		<u>750,000,000</u>	<u>2,300,000,000</u>
<b>10.1.2 Term borrowing</b>			
IFIC Bank Limited		-	400,000,000
The premier Bank Limited		200,000,000	-
Eastern Bank Limited		400,000,000	-
prime Bank Limited		280,000,000	-
United Commercial Banl Limited		300,000,000	-
Trust Bank Limited		343,200,000	-
Bangladesh Bank - EDF Financing		203,847,729	151,560,332
Bangladesh Bank - Stimulus Fund		700,346	1,013,000
		<u>1,727,748,075</u>	<u>552,573,332</u>
<b>10.2 Secured and unsecured borrowings from other banks, financial institutions and agents</b>			
Secured Borrowing		-	-
Unsecured Borrowing		2,477,748,075	3,785,395,332
		<u>2,477,748,075</u>	<u>3,785,395,332</u>
<b>10.3 Maturity grouping of Borrowings from other banks, financial institutions and agents</b>			
Repayable on demand		-	2,300,000,000
Repayable within 1 month		2,312,559,369	1,332,822,000
Over 1 month but within 6 months		40,141,408	152,229,332
Over 6 months but within 1 year		125,047,298	344,000
		<u>2,477,748,075</u>	<u>3,785,395,332</u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Note	2021 Taka	2020 Taka
<b>11 Deposits and Other Accounts</b>			
Current accounts and other accounts	11.1	1,877,300,739	1,961,193,778
Bills payable	11.2	509,482,685	179,583,347
Savings bank	11.3	7,321,848,235	6,900,240,622
Fixed deposits	11.4	5,933,664,432	7,360,189,313
		<u>15,642,296,091</u>	<u>16,401,207,060</u>
<b>11.1 Current accounts and other accounts</b>			
Current deposits		997,690,677	1,192,896,573
Alfalah Uduog Current Account		378,493,808	317,736,308
Foreign currency deposits		400,669,376	365,015,343
Sundry deposits	11.1.1	100,446,878	85,545,554
		<u>1,877,300,739</u>	<u>1,961,193,778</u>
<b>11.1.1 Sundry deposits</b>			
Margin Accounts - Local Currency		92,839,178	69,465,755
Margin Accounts - Foreign Currency		7,563,419	11,331,827
Others		44,281	4,747,972
		<u>100,446,878</u>	<u>85,545,554</u>
<b>11.2 Bills payable</b>			
Payment order - Inside Bangladesh		509,221,370	178,931,219
Demand draft payable - Inside Bangladesh		261,315	258,431
Unclaimed PO - Inside Bangladesh		-	388,781
Unclaimed DD/TT - Inside Bangladesh		-	4,916
		<u>509,482,685</u>	<u>179,583,347</u>
<b>11.3 Savings bank/Mudaraba savings bank deposits</b>			
Savings deposits		2,012,162,910	1,887,386,708
Alfalah Savings Plan (ASP)		118,492,745	122,628,634
Special Notice Deposits (SND)		2,137,755,886	1,433,906,234
Alfalah Salary Account (ASA)		47,425,559	52,341,331
Alfalah Rising Star (ARS)		26,405,310	26,241,440
Alfalah premium Plus (APP)		1,248,146,190	1,122,440,808
Monthly Premium Deposit		1,731,459,635	2,255,295,467
		<u>7,321,848,235</u>	<u>6,900,240,622</u>
<b>11.4 Fixed deposits/Mudaraba fixed deposits</b>			
Fixed Deposit (FDR)		3,754,222,012	5,173,861,365
Mudaraba Term Deposit (MTDR)		2,179,442,420	2,186,327,948
		<u>5,933,664,432</u>	<u>7,360,189,313</u>
<b>11.5 Deposits from banks and others</b>			
Inter-bank deposits	11.5.1	1,016,941,079	1,271,920,887
Vostro Deposit	11.5.2	66,891,581	105,803,306
Customer and other deposits		14,558,463,431	15,023,482,867
		<u>15,642,296,091</u>	<u>16,401,207,060</u>
<b>11.5.1 Inter-bank deposits</b>			
Jamuna Bank Limited		23,901	23,962
Pubali Bank Limited		-	1,199,589
AB Bank Limited		15,810	16,361
Prime Bank Limited		14,801,177	14,795,638
Islami Bank Bangladesh Limited		31,646,246	31,524,732
Shahjalal Islami Bank Limited		2,760,386	2,665,550
Al-Arafah Islami Bank Limited		425,245,956	919,603,996
The City Bank Limited		2,427,081	302,081,901
Trust Bank Limited		540,011,925	-
Bank Asia Limited		8,597	9,158
		<u>1,016,941,079</u>	<u>1,271,920,887</u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Note	2021 Taka	2020 Taka
<b>11.5.2 Vostro Deposit</b>			
BankIslami Pakistan Limited		10,891,608	23,524,400
Bank Alfalah Limited, Karachi (Conventional)		24,799,693	38,519,964
Bank Alfalah Limited, Karachi (Islamic)		31,200,280	43,758,942
		<u>66,891,581</u>	<u>105,803,306</u>
<b>11.6 Maturity grouping of deposits</b>			
Repayable On demand		872,703,900	167,000,043
Repayable within 1 month		827,869,258	488,199,969
Over 1 month but within 6 months		4,718,336,488	4,100,301,765
Over 6 months but within 1 year		1,327,761,770	3,857,498,296
Over 1 year but within 5 years		7,895,624,675	3,431,591,751
Over 5 years but within 10 years		-	4,356,615,237
10 years or more		-	-
		<u>15,642,296,091</u>	<u>16,401,207,060</u>

As per Bank Company Act 1991, Section 35 and BRPD circular letter no. 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 2021 (cut off basis) to Bangladesh Bank.

**12 Other liabilities**

Provision for loans and advances/investments	12.1	350,090,556	335,963,218
Provision for off-balance sheet exposures	12.2	50,541,771	60,041,771
Interest suspense account	12.3	58,626,039	56,917,525
Special General Provision - Covid 19		429,723	200,000
Provision for taxation	12.4	1,525,152,899	1,567,074,173
Accrued expenses		16,023,435	10,326,586
Interest payable on deposit and borrowings	12.5	75,082,467	106,643,396
Unearned profit on Murabaha		54,678,256	73,059,345
Accounts payable - (Locker Security Deposit)		654,000	644,000
Withholding tax on interest on deposits		3,084,599	9,826,977
Withholding tax payable		7,795,329	11,825,101
VAT payable		2,981,185	3,394,756
Provision for audit and consultancy fees		2,147,125	4,229,750
Provision for Salaries & Allowance		22,702,163	18,066,327
Payable to Shamil bank's head office*		79,052,645	79,052,645
Excise duty payable		1,375,420	1,569,760
NPSB, Qcash & BACH Settlement Account		173,850	1,529,507
Advance commission on Letter of Guarantee (L/G)		319,402	36,029
Charity fund account		6,139,792	4,393,247
Provision for Rebate on Good Borrowers		47,700,000	47,700,000
Provision for Profit refund to Customer		9,545,648	9,545,648
Branch adjustment Account	9.2	-	-
Provision for special CSR		-	2,765,733
Start-Up Fund		5,997,180	2,738,076
Lease liabilities		77,255,001	54,127,355
Miscellaneous		705,544	1,323,974
		<u>2,398,254,029</u>	<u>2,462,994,899</u>

\*Payable to Shamil Bank is related to an obligation to pay by Bank Alfalah, Bangladesh Operations 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.



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Note	2021 Taka	2020 Taka
<b>12.1 Provision for loans and advances/investments</b>			
<b>A. General</b>			
Provisions held at the beginning of the year		102,395,332	106,574,389
Provision made during the year		16,553,416	-
Reversal of provision		-	(4,179,057)
<b>Provisions held at the end of the year</b>		<b>118,948,748</b>	<b>102,395,332</b>
<b>B. Specific</b>			
Provisions held at the beginning of the year		233,567,886	234,509,213
Write off during the year		-	-
Recovery of written off bad debts		-	-
Specific provision for the year		286,540	-
Reversal of provision		(2,712,618)	(941,327)
Net Charge to Profit and Loss Account		(2,426,078)	(941,327)
<b>Provisions held at the end of the year</b>		<b>231,141,808</b>	<b>233,567,886</b>
<b>Total provision on loans and advances/investments</b>		<b>350,090,556</b>	<b>335,963,218</b>
<b>12.2 Provision for off-balance sheet exposures</b>			
Provisions held at the beginning of the year		60,041,771	59,641,771
Provision made during the year		-	400,000
Reversal of provision		(9,500,000)	-
<b>Provisions held at the end of the year</b>		<b>50,541,771</b>	<b>60,041,771</b>
<b>12.3 Interest suspense account</b>			
Balance at the beginning of the year		56,917,525	55,029,336
Amount transferred to Interest Suspense Account during the year		2,474,290	1,888,189
Amount recovered in Interest Suspense Account during the year		765,776	-
Amount written off during the year		-	-
<b>Balance at the end of the year</b>		<b>58,626,039</b>	<b>56,917,525</b>
<b>12.3.1 Interest/profit suspense and compensation suspense</b>			
Interest/profit suspense		58,626,039	56,917,525
Compensation suspense		-	-
		<b>58,626,039</b>	<b>56,917,525</b>
<b>12.4 Provision for Taxation</b>			
Balance at the beginning of the year		1,567,074,173	1,307,074,173
Provision made during the year	33.1	137,000,000	260,000,000
		1,704,074,173	1,567,074,173
Adjustments made during the year		178,921,274	-
<b>Balance at the end of the year</b>		<b>1,525,152,899</b>	<b>1,567,074,173</b>
Corporate tax position of the Bank has been shown in Annexure V.			
<b>12.5 Interest payable on deposit and borrowings</b>			
Profit/interest payable on			
Savings Deposit		15,691,776	5,649,387
Borrowings from financial institution		1,066,754	926,930
		<b>16,758,530</b>	<b>6,576,317</b>
Interest payable on			
30 days term deposit		1,859,379	132,964
90 days term deposit		8,534,430	2,813,483
180 days term deposit		4,505,783	2,576,338
360 days term deposit		25,774,510	40,114,317
Broken Period term deposit		16,655,935	53,462,505
2 years term deposit		466,622	560,688
3 years term deposit		527,278	406,784
		<b>58,323,937</b>	<b>100,067,079</b>
		<b>75,082,467</b>	<b>106,643,396</b>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

12.6 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Particulars	Accounting base	Tax base	Deductible/ (Taxable) temporary difference	Applicable tax rate	<i>In Taka</i>
					Deferred Tax Asset/ (Liability)
<b>Balance as at 31 December 2021</b>					
Fixed assets and furnitures	45,289,621	75,159,270	29,869,649	40%	11,947,859
Right of use assets (ROU) as per IFRS 16	108,714,962	-	(108,714,962)	40%	(43,485,985)
Leased Liability as per IFRS 16	77,255,001	-	77,255,001	40%	30,902,000
Loan loss provision (Specific Provision)	231,141,808	-	231,141,808	40%	92,456,723
<b>Net deferred tax asset at 31 December 2021</b>					<b>91,820,597</b>
Increase of deferred tax asset recognised in profit and loss account as income					22,228,179
Increase of deferred tax liability recognised in profit and loss account as expense					-
<b>Net Deferred tax income recognised in profit and loss account during the year ended 31 December 2021</b>					<b>22,228,179</b>
<b>Net Deferred tax liability recognised in equity during the year ended 31 December 2021</b>					<b>-</b>
<b>Balance as at 31 December 2020</b>					
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
<b>Deferred tax asset (a)</b>					<b>69,592,418</b>
Increase of deferred tax asset recognised in profit and loss account as income					59,220,023
Increase of deferred tax liability recognised in profit and loss account as expense					-
<b>Net Deferred tax income recognised in profit and loss account during the year ended 31 December 2020</b>					<b>59,220,023</b>
<b>Net Deferred tax liability recognised in equity during the year ended 31 December 2020</b>					<b>-</b>
<b>Movement in deferred tax balances during the year</b>					
		Balance at January 1	Recognized in Profit and Loss	Recognized in OCI	Balance at December 31
<b>2021</b>					
Fixed assets and furnitures		(9,052,676)	(2,895,183)	-	(11,947,859)
Right of use assets (ROU) as per IFRS 16		26,705,788	16,780,197	-	43,485,985
Leased Liability as per IFRS 16		(21,650,942)	(9,251,058)	-	(30,902,000)
Loan loss provision (Specific Provision)		(65,594,588)	(27,052,020)	-	(92,646,608)
		<b>(69,592,418)</b>	<b>(22,418,064)</b>	-	<b>(92,010,482)</b>
<b>2020</b>					
Fixed assets and furnitures		(10,372,394)	1,319,718	-	(9,052,676)
Right of use assets (ROU) as per IFRS 16		-	26,705,788	-	26,705,788
Leased Liability as per IFRS 16		-	(21,650,942)	-	(21,650,942)
Loan loss provision (Specific Provision)		234,509,213	(300,103,801)	-	(65,594,588)
		<b>224,136,819</b>	<b>(293,729,237)</b>	-	<b>(69,592,418)</b>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	2021 Taka	2020 Taka
<b>13 Paid up capital (Fund from head office)</b>		
Balance at the beginning of the year	4,449,788,025	4,450,205,090
Currency translation difference	4,247,261	(417,065)
<b>Balance at the end of the year</b>	<b>4,454,035,286</b>	<b>4,449,788,025</b>

**13.1 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 1 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 has 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.



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	2021 Taka	2020 Taka
<b>Common Equity Tier-1 (Going Concern Capital)</b>		
Head Office Fund	4,454,035,286	4,449,788,025
Non-repayable Share Premium Account	-	-
Statutory Reserve	-	-
General Reserve	-	-
Retained Earnings	1,398,461,164	1,372,321,157
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)	-	-
<b>Sub-total</b>	<b>5,852,496,450</b>	<b>5,822,109,182</b>
<b>Regulatory Adjustments</b>		
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	549,069	1,173,355
Deferred Tax Assets (DTA)	91,820,597	69,592,417
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 the Banking Companies Act, 1991 (50% of Investment)	-	-
Investments in subsidiaries which are not consolidated (50% of Investment)	-	-
Others if any	-	-
<b>Sub-total</b>	<b>92,369,666</b>	<b>70,765,772</b>
<b>Total common equity Tier-1 capital</b>	<b>5,760,126,784</b>	<b>5,751,343,410</b>
<b>Additional Tier-1 Capital</b>		
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)	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	2021 Taka	2020 Taka
<b>Regulatory Adjustments:</b>		
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	-	-
<b>Subtotal</b>	-	-
<b>Total Admissible Additional Tier-1 Capital</b>	<b>5,760,126,784</b>	<b>5,751,343,410</b>
<b>Tier-2 Capital (Going Concern Capital)</b>		
General Provision	169,920,242	162,637,103
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)	-	-
<b>Sub-total</b>	<b>169,920,242</b>	<b>162,637,103</b>
<b>Regulatory Adjustments</b>		
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 the 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	169,920,242	162,637,103
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	5,112,369,157
Excess Amount over Maximum Limit of T-2	-	-
<b>Total Admissible Tier-2 capital</b>	<b>169,920,242</b>	<b>162,637,103</b>
<b>Total Capital</b>	<b>5,930,047,026</b>	<b>5,913,980,513</b>
<b>Risk Weighted Assets</b>		
<b>Credit Risk:</b>		
On-Balance Sheet	8,338,259,633	7,501,573,709
Off-Balance Sheet	764,671,996	402,537,078
<b>Subtotal</b>	<b>9,102,931,629</b>	<b>7,904,110,787</b>
Market Risk	507,633,454	525,354,487
Operational Risk	1,628,833,033	1,627,508,175
<b>Total Risk Weighted Assets</b>	<b>11,239,398,116</b>	<b>10,056,973,449</b>





Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	2021 Taka	2020 Taka
Required Minimum Common Equity Tier-1 Capital Ratio (4.5% of the total RWA)	505,772,915	452,563,805
Required Capital Conservation Buffer (2.5% of the total RWA)	280,984,953	251,424,336
Required Minimum Common Equity Tier-1 Capital Ratio plus Capital Conservation Buffer (7.0% of total RWA)	786,757,868	703,988,141
Required Tier 1 Capital (6.0% of RWA)	674,363,887	603,418,407
Required total capital (10% of RWA)	<u>1,123,939,812</u>	<u>1,005,697,345</u>
Required total capital plus Capital Conservation Buffer (12.5% of RWA) (A)	1,404,924,764	1,257,121,681
Minimum capital requirement (B)	<u>4,000,000,000</u>	<u>4,000,000,000</u>
Required capital (higher of A & B)	<u>4,000,000,000</u>	<u>4,000,000,000</u>
Surplus (Total capital - required capital)	<u>1,930,047,026</u>	<u>1,913,980,513</u>
<b>Capital Adequacy Ratio:</b>		
Common Equity Tier-1 (Against standard of minimum 6%)	51.25%	57.19%
Total Capital to Risk-weighted Asset Ratio	52.76%	58.80%
Minimum CRAR %	12.50%	12.50%
Surplus/ (Deficiency) %	40.26%	46.30%



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>14 Revaluation reserve</b>			
Revaluation reserve arises from the revaluation of Treasury bills and 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.			
Balance at the beginning of the year		52,635,225	9,889,147
Add: Addition during the year		35,132,532	42,746,078
Less: Adjustment during the year		-	-
		<u>87,767,757</u>	<u>52,635,225</u>
<b>15 Surplus in Profit and Loss Account</b>			
Balance at the beginning of the year		1,372,321,157	1,134,159,580
Profit Transfer to Head Office		(296,511,254)	(32,907,921)
Net (loss)/profit for the year		325,910,365	273,807,574
Transferred to Start-Up Fund		(3,259,104)	(2,738,076)
Balance at the end of the year		<u>1,398,461,164</u>	<u>1,372,321,157</u>
<b>16 Letters of guarantees</b>			
Balance for which the Bank is contingently liable in respect of guarantee issued favouring:			
Directors		238,086,047	257,816,558
Government		155,978,740	19,608,086
Banks and other financial institutions		56,884,956	210,510,830
Others		<u>450,949,743</u>	<u>487,935,474</u>
<b>17 Irrevocable letters of credit</b>			
Usance		640,292,312	165,577,608
Sight		546,530,001	296,701,812
		<u>1,186,822,313</u>	<u>462,279,420</u>
<b>18 Income statement</b>			
<b>Income</b>			
Interest, discount and similar income		1,245,512,156	1,622,953,664
Fee, commission and brokerage		29,470,907	21,298,442
Gains less losses arising from dealing securities		-	-
Gains less losses arising from investment securities		-	-
Gains less losses arising from dealing in foreign currencies		95,431,901	113,253,153
Income from non-banking assets		-	-
Other operating income		15,496,235	19,927,735
		<u>1,385,911,199</u>	<u>1,777,432,994</u>
<b>Expenses</b>			
Interest, fee and commission		338,796,077	706,776,938
Losses on loans and advances		-	-
Administrative expenses		446,654,547	441,606,901
Other operating expenses		41,660,964	37,764,840
Depreciation on banking assets		113,260,364	118,451,415
		<u>940,371,952</u>	<u>1,304,600,094</u>
<b>Operating Profit</b>		<u>445,539,247</u>	<u>472,832,900</u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>19 Interest income/profit on investments</b>			
Interest on loans and advances	19.1	480,975,067	566,192,737
Share of profit from financing and discounting	19.2	187,286,567	266,719,405
Interest/profit on placements with banks	19.3	101,146,517	258,310,965
		<u>769,408,151</u>	<u>1,091,223,107</u>
<b>19.1 Interest on loans and advances</b>			
Current finance		203,154,890	290,832,435
Term finance		254,049,541	242,488,685
Trust receipt		2,772,104	7,720,723
Staff financing		3,041,139	3,018,419
Finance against EDF		2,783,061	1,243,810
Agriculture finance		15,165,889	17,685,277
Foreign bill discount		-	-
Local bill discounted		8,443	3,203,388
		<u>480,975,067</u>	<u>566,192,737</u>
<b>19.2 Share of profit from financing and discounting</b>			
Profit on diminishing musharkah		2,431,606	12,788,843
Murabaha financing - LPO		179,963,342	237,659,239
Profit on bill discounted		2,747,127	6,238,623
Profit against EDF		119,288	71,770
Murabaha income trust receipt		2,025,204	9,960,930
		<u>187,286,567</u>	<u>266,719,405</u>
<b>19.3 Interest/profit on placements with banks</b>			
Interest from call money		89,643,579	221,531,786
Interest/profit from deposits with banks		11,502,938	36,779,179
		<u>101,146,517</u>	<u>258,310,965</u>
<b>20 Interest paid/profit shared on deposits and borrowings etc.</b>			
Interest on deposits	20.1	222,184,360	492,246,487
Profit shared on Mudaraba Deposit	20.2	94,455,159	199,308,267
Interest on borrowings	20.3	17,324,029	10,819,936
Interest on lease liabilities	20.4	4,832,529	4,402,248
		<u>338,796,077</u>	<u>706,776,938</u>
<b>20.1 Interest on deposits</b>			
Savings account		46,432,820	65,504,289
Royal profit deposit		36,488,759	76,374,280
Term deposit		139,262,781	350,367,918
		<u>222,184,360</u>	<u>492,246,487</u>
<b>20.2 Profit shared on Mudaraba Deposit</b>			
Mudaraba Savings Deposit		26,682,733	33,520,343
Mudaraba royal profit deposit		7,707,778	5,865,089
Mudaraba term deposit		60,064,648	159,922,835
		<u>94,455,159</u>	<u>199,308,267</u>
<b>20.3 Interest on borrowings</b>			
Interest paid on borrowings		17,324,029	10,786,032
Interest paid on Repo		-	33,904
		<u>17,324,029</u>	<u>10,819,936</u>
<b>20.4 Interest on borrowings</b>			
Interest on lease liabilities		4,832,529	4,402,248
		<u>4,832,529</u>	<u>4,402,248</u>
<b>21 Investment income</b>			
Discount on treasury bill		24,110,999	239,081,520
Mark-up on treasury bonds		377,485,728	328,058,570
Trading gain on treasury bills		-	-
Trading gain on Bangladesh Govt. Treasury Bonds		-	-
Loss on revaluation of T. Bond HFT		(197,439,851)	(13,785,015)
Profit/(Loss) on revaluation of T-bill HFT		-	-
Capital gain on treasury bills and Bangladesh Govt. Treasury Bonds		271,158,948	5,128,962
Capital loss on treasury bills and Bangladesh Govt. Treasury Bonds		(6,173,015)	-
Interest and amortization on securities		6,961,196	(26,753,480)
		<u>476,104,005</u>	<u>531,730,557</u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>22 Commission, exchange and brokerage</b>			
Fees, commission etc.		29,470,907	21,298,442
Exchange gains		95,431,901	113,253,153
		<u>124,902,808</u>	<u>134,551,595</u>
<b>23 Other operating income</b>			
Service charges recovered		2,676,959	4,242,699
L/C amendment		62,067	90,690
Locker rent		2,364,450	2,692,520
Charges		1,673,758	1,520,281
Courier charges		862,783	430,072
Cheque book charges		686,500	459,850
Profit on sale of fixed assets		6,583	1,636,722
UPAS LC interest income		2,748,297	4,629,854
Others		4,414,838	4,225,047
		<u>16,496,235</u>	<u>19,927,735</u>
<b>24 Salaries and allowances</b>			
Salaries & Allowances		195,630,123	192,406,787
Housing allowance		49,332,450	47,295,334
Conveyance allowance		11,482,328	11,111,011
Car allowance		10,901,425	10,747,344
Other allowances		1,414,503	1,209,798
Festival bonus		32,243,270	32,022,590
Performance bonus		19,101,985	26,470,666
Provident fund		12,122,120	11,456,643
Provision for gratuity		6,844,396	11,684,678
		<u>339,072,600</u>	<u>344,404,851</u>
<b>25 Rent, taxes, insurance, electricity etc.</b>			
Rates and taxes	25.1	14,514,840	14,769,538
Insurance		16,917,309	14,372,595
Cleaning and maintenance		5,352,347	9,277,838
Electricity and utilities		10,855,529	11,940,447
		<u>47,640,025</u>	<u>50,360,418</u>
<b>25.1 Rent, taxes, insurance, electricity, etc.</b>			
Rent, taxes, insurance, electricity, etc.		14,514,840	77,936,145
Reversal of rent expenses due to depreciation and interest expenses under IFRS 16		-	(63,166,607)
		<u>14,514,840</u>	<u>14,769,538</u>
<b>26 Legal expenses</b>			
Legal fees and charges		14,375	473,772
Consultancy fees		2,130,150	1,363,000
		<u>2,144,525</u>	<u>1,836,772</u>
<b>27 Postage, stamp, telecommunication etc.</b>			
Postage and couriers		2,082,317	1,597,397
Electronic mail and on-line connectivity		12,913,531	6,322,111
Telegram, fax, telex, SWIFT and internet charge		656,788	523,349
Telephone charges		862,283	1,444,374
		<u>16,514,919</u>	<u>9,887,231</u>
<b>28 Stationery, printing, advertisements etc.</b>			
Stationary and printing		4,953,502	6,669,628
Publicity and advertisement		158,250	407,650
		<u>5,111,752</u>	<u>7,077,278</u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>29 Country Head's salary and allowances</b>			
Salaries and Allowances		16,814,493	10,882,074
Festival bonus		2,394,750	2,284,750
Performance bonus		1,700,000	2,000,000
The Bank's contribution to provident fund		1,162,680	776,815
Car allowance		1,020,000	722,500
Provision for gratuity		968,900	913,900
		<u>24,060,823</u>	<u>17,580,039</u>
<b>30 Depreciation and repair of Bank's assets</b>			
Depreciation of Bank's Assets	8.1	113,260,364	118,451,415
Repair and Maintenance of Bank's Assets	30.1	11,434,278	9,606,437
		<u>124,694,642</u>	<u>128,057,852</u>
<b>30.1 Repair and Maintenance of Bank's Assets</b>			
Furniture, fixture and fittings		404,846	444,554
Rented premises		1,311,100	1,244,963
Office equipments		2,162,125	4,829,906
Computer maintenance		6,244,326	2,528,508
Motor vehicles		1,311,881	558,506
		<u>11,434,278</u>	<u>9,606,437</u>
<b>31 Other expenses</b>			
Bank charges, brokerage and commission		668,426	2,063,914
Archiving		1,651,881	2,860,027
Subscription and periodicals		2,581,760	6,694,142
Entertainment		4,517,789	3,780,228
Security		9,802,156	9,204,386
Traveling and conveyance		4,795,386	3,297,400
Car Fuel		5,798,273	4,930,657
Card centre charges		4,112,766	3,121,027
Operational Loss		5,123,910	-
Others		2,608,617	1,813,059
		<u>41,660,964</u>	<u>37,764,840</u>
<b>32 Provision for loans and advances/investments charged during the year</b>			
Provision for unclassified loans and advances/investments	32.1	16,783,139	(3,979,057)
Provision for classified loans and advances/investments	32.2	(2,426,078)	(941,327)
		<u>14,357,061</u>	<u>(4,920,384)</u>
<b>32.1 General provision</b>			
Provision made during the year		16,553,416	-
On general loans and advances/investments etc.		229,723	200,000
On special general Provision loans - Covid 19		16,783,139	200,000
Reversal of provision		-	(4,179,057)
		<u>16,783,139</u>	<u>(3,979,057)</u>
<b>32.2 Specific Provision</b>			
Specific provision made during the year		286,540	-
Reversal of provision		(2,712,618)	(941,327)
		<u>(2,426,078)</u>	<u>(941,327)</u>



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

	Notes	2021 Taka	2020 Taka
<b>33 Tax expenses</b>			
Current tax expenses	33.1	137,000,000	260,000,000
Deferred tax (credit)		(22,228,179)	(59,220,023)
		<u>114,771,821</u>	<u>200,779,977</u>
<b>33.1 Current tax expenses</b>			
Current year		97,272,432	213,413,201
Changes in estimates related to prior years		39,727,568	46,586,799
		<u>137,000,000</u>	<u>260,000,000</u>

**33.2 Reconciliation of effective tax rate:**

	2021		2020	
	%	Taka	%	Taka
Profit before income tax as per profit and loss account		440,682,186		474,587,551
Income tax as per applicable tax rate	40%	176,272,874	40%	189,835,020
<b>Factors affecting the tax charge for current period</b>				
Inadmissible expenses	9%	39,234,047	8%	38,842,861
Admissible expenses in the current year	-27%	(118,234,489)	-3%	(15,264,680)
Tax exempted income	0%	-	0%	-
Tax savings from reduced tax rates for dividend	0%	-	0%	-
Tax loss/(savings) from reduced tax rates for capi	0%	-	0%	-
Changes in estimates related to prior years	9%	39,727,568	10%	46,586,799
Effect of deferred tax	-5%	(22,228,179)	-12%	(59,220,023)
<b>Total tax expenses (credit)</b>	<b>26%</b>	<b>114,771,821</b>	<b>42%</b>	<b>200,779,977</b>

**33.3 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 Honourable 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 V for details.



Notes to the financial statements as at and for the year ended 31 December 2021 (continued)

34 Related party disclosures

2021 Taka	2020 Taka
--------------	--------------

i. Transactions with key management personnel

Key management personnel compensation for the year comprised:

Short-term employee benefits

Provident fund

Gratuity

94,505,546	70,758,764
3,928,026	2,482,137
3,416,091	1,493,068
<u>101,849,663</u>	<u>74,733,969</u>

ii. Related party transactions

Name of organization	Balance Type	Opening balance on 01 January 2021	Deposit made/Loan disbursed	Deposit withdrawn/ Loan recovery	Interest paid on Deposit/ Interest charged on loan	Interest payable as at 31 December 2021	VAT/Excise Duty paid during the year	Fees/ Commission charged	Closing balance on 31 December 2021
Bank Alfalah Bahrain	Borrowing	932,822,000	-	(932,822,000)	-	-	-	-	-
Bank Alfalah Karachi, Conventional	Vostro Deposit	38,519,964	211,797,345	(225,970,943)	-	-	(55,787)	(271,039)	24,799,693
Bank Alfalah Karachi, Islamic	Vostro Deposit	43,758,943	611,805,709	(624,879,353)	-	-	(44,333)	(26,044)	31,200,280



**Notes to the financial statements as at and for the year ended 31 December 2021 (continued)**

---

**35 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 179 (2020:186).

**36 Highlights on the overall activities**

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

**37 Employee related fraud**

There was no fraud occurred/reported to Bangladesh Bank during the year 2021 which may indicate the involvement of the Bank's employees. The Bank monitors its employees' performance and established controls to mitigate such risk if exist.

**38 Events after the reporting period**

The Bank is closely monitoring the impact of the developments on the Bank's businesses. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.

The management of the Bank has concluded that the effects of the COVID-19 outbreak represents a non-adjusting event in the financial statements of the company for the year ended 31 December 2021. While no material effects on the Bank's financial position, results of operations and cash flows have yet been identified at the date of these financial statements, management of the Bank has been closely monitoring and evaluating them during the 2021 financial year.





**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Highlights on the overall activities**  
**As at and for the year ended 31 December 2021**

**Annexure I**

(In Taka)				
Sl. No.	Particulars	Notes	2021	2020
1	Paid-up capital (Fund from head office)	13	4,454,035,286	4,449,788,025
2	Total capital	13.1	5,930,047,026	5,913,980,513
3	Capital surplus	13.1	1,930,047,026	1,913,980,513
4	Total assets		26,458,562,402	28,524,341,698
5	Total deposits	11	15,642,296,091	16,401,207,060
6	Total loans and advances/investments	7	12,629,103,254	11,061,504,366
7	Total contingent liabilities and commitments		5,075,727,277	4,139,657,078
8	Credit/investment deposit ratio		80.74%	67.44%
9	Percentage of classified loans/investments against total loans and advances/investments		2.81%	3.07%
10	Operating Profit/Profit before provision		445,539,247	472,832,900
11	(Loss)/profit after tax and provision		325,910,365	273,807,574
12	Amount of classified loans/investments	7.8	355,250,035	339,888,725
13	Provisions kept against classified loans/investments	12.1	231,141,808	233,567,886
14	Provision surplus/(deficit) against classified loans/investments	12.1	62,034,695	69,581,417
15	Cost of fund		2.15%	3.99%
16	Interest earning assets		23,257,279,851	25,148,059,678
17	Non-interest earning assets		3,201,282,551	3,376,282,020
18	Return on investment (ROI)		5.50%	6.75%
19	Return on assets (ROA) [PAT/ Average assets]		1.19%	0.96%
20	Income from investment	21	476,104,005	531,730,557



**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Liquidity Statement**  
**(Analysis of maturity of assets and liabilities)**  
**As at 31 December 2021**

Particulars	(In Taka)					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
<b>Assets</b>						
Cash	398,112,805	-	-	-	987,999,184	1,386,111,989
Balance with other banks and financial institutions	179,825,526	3,438,200,000	-	-	-	3,618,025,526
Money at call and on short notice	-	-	-	-	-	-
Investments	159,000	-	1,363,342,451	3,832,881,175	1,675,791,675	6,872,174,301
Loans and advances / investments	2,505,783,683	5,043,846,262	4,431,372,021	501,220,476	146,880,812.00	12,629,103,254
Fixed assets including premises, furniture and fixtures	-	-	-	42,924,499	2,365,122	45,289,621
Other assets	7,933,223	10,268,469	482,936,205	1,298,004,852	-	1,799,142,749
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>3,091,814,237</b>	<b>8,492,314,731</b>	<b>6,277,650,677</b>	<b>5,675,031,002</b>	<b>2,813,036,793</b>	<b>26,349,847,440</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	2,312,559,369	40,141,408	125,047,298	-	-	2,477,748,075
Deposits	1,700,573,158	3,390,574,719	2,655,523,539	7,895,624,675	-	15,642,296,091
Provision and other liabilities	13,861,113	171,663,654	-	538,311,011	1,674,418,251	2,398,254,029
<b>Total liabilities</b>	<b>4,026,993,640</b>	<b>3,602,379,781</b>	<b>2,780,570,837</b>	<b>8,433,935,686</b>	<b>1,674,418,251</b>	<b>20,518,298,195</b>
<b>Net liquidity gap</b>	<b>(935,179,404)</b>	<b>4,889,934,950</b>	<b>3,497,079,840</b>	<b>(2,758,904,684)</b>	<b>1,138,618,542</b>	<b>5,831,549,245</b>



Annexure III

**Bank Alfalah Limited**  
**Bangladesh Operations**  
**Balance with other banks - Outside Bangladesh (Nostro Accounts)**  
**As at 31 December 2021**

Name of the Bank	Currency Type	2021			2020		
		FC Amount	Rate	Equivalent BDT	FC Amount	Rate	Equivalent BDT
Standard Chartered Bank, New York	USD	1,750,175	85.8000	150,164,980	595,214	84.8020	50,475,371
Standard Chartered Bank, Mumbai	ACUD	48,494	85.8000	4,160,744	185,183	84.8020	15,703,875
Bank Alfalah Limited, Karachi	ACUD	9,067	85.8000	777,980	9,067	84.8020	768,931
National Bank of Pakistan, New York	USD	-	85.8000	-	-	84.8020	-
Standard Chartered Bank, London	GBP	6,255	115.7271	723,909	6,034	114.4954	690,893
Standard Chartered Bank, Frankfurt	EURO	4,119	97.3830	401,121	4,909	103.8740	509,939
Standard Chartered Bank, Tokyo	JPY	37,897	0.7464	28,286	137,271.00	0.8188	112,397
				<b>156,257,020</b>			<b>68,261,406</b>



Bank Alfalah Limited  
Bangladesh Operations  
Currency Analysis  
As at 31 December 2021

The table below summarizes the currency-wise analysis of assets and liabilities as at 31 December 2021. 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 2021					Total in BDT
	Taka	Equivalent BDT of USD	Equivalent BDT of GBP	Equivalent BDT of EURO	Equivalent BDT of JPY	
<b>Asset</b>						
Cash in hand	219,367,402	595,624	-	-	-	219,963,026
Balance with Bangladesh Bank and its agent bank	672,763,158	493,380,338	4,001	959	507	1,166,148,963
Balance with other banks and financial institutions	973,568,506	2,643,303,704	723,909	401,121	28,286	3,618,025,526
Money at call and short notice	-	-	-	-	-	-
Investments	6,872,174,301	-	-	-	-	6,872,174,301
Loans and advances	12,416,954,509	212,148,745	-	-	-	12,629,103,254
Fixed assets	154,004,583	-	-	-	-	154,004,583
Other assets	1,799,142,749	-	-	-	-	1,799,142,749
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>23,107,975,208</b>	<b>3,349,428,412</b>	<b>727,910</b>	<b>402,080</b>	<b>28,793</b>	<b>26,458,562,402</b>
<b>Liabilities</b>						
Borrowings from other banks, financial Institutions and agents	1,930,700,346	547,047,729	-	-	-	2,477,748,075
Deposit	15,233,801,980	408,336,953	157,157	-	-	15,642,296,091
Other liabilities	2,032,362,545	365,891,484	-	-	-	2,398,254,029
<b>Total liabilities</b>	<b>19,196,864,871</b>	<b>1,321,276,167</b>	<b>157,157</b>	<b>-</b>	<b>-</b>	<b>20,518,298,195</b>
<b>Net position</b>	<b>3,911,110,338</b>	<b>2,028,152,245</b>	<b>570,752</b>	<b>402,080</b>	<b>28,793</b>	<b>5,940,264,207</b>



**Bank Alfalah Limited  
Bangladesh Operations  
Statement of Tax Position  
As at 31 December 2021**

Tax files up to Income Year 2008 and 2014 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	31,123,312	Under appeal
2011	2012-2013	4,718,678	18,303,607	50,591,153	59,058,394	49,182,085	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	83,927,345	47,285,494	121,024,996	121,024,996	Under appeal
2015	2016-2017	159,037,342	167,355,008	32,853,966	192,308,007	192,308,206	Under appeal
2016	2017-2018	123,875,855	129,731,789	59,273,662	183,149,517	183,149,596	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	254,048,776	-	214,687,991	214,687,991	Tax clearance certificate received
2020	2021-2022	211,424,260	172,809,694	-	211,424,260	211,424,260	Tax clearance certificate received
2021	2022-2023	97,272,432	63,794,747	-	97,272,432	98,000,000	Return to be submitted within due date
<b>Total</b>		<b>1,267,352,277</b>	<b>1,298,004,853</b>	<b>275,944,548</b>	<b>1,552,825,929</b>	<b>1,525,152,900</b>	



**Bank Alfalah Limited**  
**Motijheel Islamic Banking Branch**

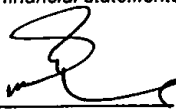
Independent auditor's report and financial statements  
as at and for the year ended 31 December 2021

**Bank Alfalah Limited, Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Balance Sheet**  
**as at 31 December 2021**

Particulars	Notes	2021 Taka	2020 Taka
<b>Property and assets</b>			
<b>Cash</b>			
	1	266,563,053	271,716,242
Cash In hand (including foreign currencies)		72,139,729	73,779,701
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		194,423,324	197,936,541
<b>Balance with other banks and financial institutions</b>			
	2	300,000,000	300,000,000
In Bangladesh		300,000,000	300,000,000
Outside Bangladesh		-	-
<b>Placement with banks and other financial institutions</b>			
		-	-
<b>Investments in shares and securities</b>			
		-	-
Government (Prize Bond)		-	-
Others		-	-
<b>Investments</b>			
	3	3,273,432,617	3,061,609,556
General investments etc.		3,269,780,373	3,043,240,295
Bills purchased and discounted		3,652,244	18,369,261
<b>Fixed assets including premises, furniture and fixtures</b>			
	4	687,361	19,853,134
<b>Other assets</b>			
	5	1,689,155,363	1,942,954,424
<b>Non-banking assets</b>			
		-	-
<b>Total property and assets</b>		<b>5,529,838,394</b>	<b>5,596,133,356</b>
<b>Liabilities and capital</b>			
<b>Liabilities</b>			
<b>Placement from banks and other financial institutions</b>			
		40,790,709	-
<b>Deposits and other accounts</b>			
	6	5,335,816,963	5,413,658,897
Al-wadeeah current and other deposit accounts		728,328,241	843,385,169
Bills payable		378,711,869	25,383,368
Mudaraba saving deposits		2,049,334,433	2,358,562,412
Mudaraba term deposits		2,179,442,420	2,186,327,948
<b>Other liabilities</b>			
	7	153,230,722	182,474,459
Differed tax liabilities/(assets)		-	-
<b>Total liabilities</b>		<b>5,529,838,394</b>	<b>5,596,133,356</b>
<b>Capital/shareholders' equity</b>			
Retained earnings	8	-	-
<b>Total shareholders' equity</b>		<b>-</b>	<b>-</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,529,838,394</b>	<b>5,596,133,356</b>

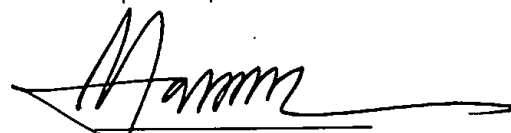
The annexed notes 1 to 26 form an integral part of these financial statements.

  
 Head of Finance

  
 Country Operations Head

  
 Country Head

As per our report of same date.

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

Dhaka, 14 MAR 2022

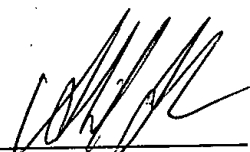
**Bank Alfalah Limited, Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Balance Sheet**  
**as at 31 December 2021**

Particulars	Notes	2021 Taka	2020 Taka
<b>Off balance sheet items</b>			
<b>Contingent liabilities</b>			
Acceptances and endorsements		206,503,202	58,941,208
Letters of guarantee	9	338,905,245	291,230,960
Irrevocable letters of credit (including back to back bills)	10	566,263,795	395,546,044
Bills for collection		48,518,524	123,323,494
Value of Bangladesh Sanchaypatra		270,800,000	270,800,000
<b>Total</b>		<u>1,430,990,766</u>	<u>1,139,841,706</u>
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
<b>Total</b>		<u>-</u>	<u>-</u>
<b>Total off-balance sheet items including contingent liabilities</b>		<u>1,430,990,766</u>	<u>1,139,841,706</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 Head of Finance


  
 \_\_\_\_\_  
 Country Operations Head

  
 \_\_\_\_\_  
 Country Head

As per our report of same date.

Dhaka, 14 MAR 2022



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

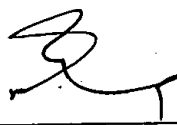


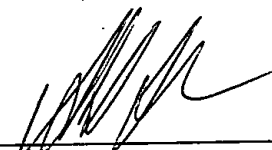
**Bank Alfalah Limited, Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Profit and Loss Account**  
**For the year ended 31 December 2021**

Particulars	Notes	2021 Taka	2020 Taka
Investment income	12	198,789,506	288,960,749
Profit paid on deposits	13	(94,818,981)	(200,828,931)
<b>Net investment income</b>		<b>103,970,525</b>	<b>88,131,818</b>
Income from investment in shares/securities	14	-	-
Commission, exchange and brokerage	15	59,061,237	23,210,500
Other operating income	16	4,232,174	4,674,633
<b>Total operating income (a)</b>		<b>167,263,936</b>	<b>116,016,951</b>
Salaries and allowances	17	23,085,142	38,549,269
Rent, taxes, insurance, electricity etc.	18	4,690,786	5,191,599
Legal & Professional expenses		-	15,000
Postage, stamps, telecommunication etc.	19	1,662,379	1,542,266
Stationery, printing, advertisement etc.	20	583,590	1,024,158
Shariah supervisory committee's fees and expenses		-	-
Auditors' fees		-	-
Depreciation and repair to Bank's assets	21	13,075,747	12,946,523
Zakat expenses		-	-
Other expenses	22	3,447,825	3,473,932
<b>Total operating expenses (b)</b>		<b>46,545,469</b>	<b>62,742,747</b>
<b>Profit before provision (c=a-b)</b>		<b>120,718,467</b>	<b>53,274,204</b>
Provision for investments		1,747,554	(5,268,254)
General provision	7.1	1,747,554	(5,268,254)
Specific provision	7.1	-	-
Provision for off-balance sheet items		3,659,540	(2,441,149)
Provision for diminution in value of investments in shares		-	-
Other provisions		-	-
<b>Total provision (d)</b>		<b>5,407,094</b>	<b>(7,709,403)</b>
<b>Total profit before tax (e= c-d)</b>		<b>115,311,373</b>	<b>60,983,607</b>
Provision for taxation:			
Current tax expense		-	-
Deferred tax expense / (income)		-	-
<b>Total provision for taxation</b>		<b>-</b>	<b>-</b>
<b>Net profit / (loss) after tax</b>		<b>115,311,373</b>	<b>60,983,607</b>

The annexed notes 1 to 26 form an integral part of these financial statements.

  
 Head of Finance


  
 Country Operations Head

  
 Country Head

As per our report of same date.

Dhaka, 14 MAR 2022



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

**Bank Alfalah Limited, Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Cash Flow Statement**  
**For the year ended 31 December 2021**

Particulars	2021 Taka	2020 Taka
<b>Cash flows from operating activities</b>		
Investment income receipts in cash	198,789,506	288,960,749
Profit paid on deposits	(93,252,204)	(215,728,481)
Fees and commission receipts in cash	13,834,707	10,581,480
Recoveries on loans previously written-off	-	-
Cash payments to employees	(23,085,142)	(38,549,269)
Cash payments to suppliers	(6,891,527)	(8,006,563)
Income taxes paid	-	-
Receipts from other operating activities	49,458,704	17,303,653
Payments for other operating activities	(3,989,644)	(4,268,204)
<b>Operating loss before changes in operating assets and liabilities</b>	<b>134,864,400</b>	<b>50,293,365</b>
<b>Increase/decrease in operating assets and liabilities:</b>		
Statutory deposits	-	-
Purchase/sale of trading securities	(211,823,061)	589,569,659
Investments to customers	138,487,688	(1,376,059,894)
Other assets	(293,891,532)	1,057,980,443
Deposits and other accounts from other banks	216,049,598	(348,630,747)
Deposits and other accounts from customers	(29,542,991)	(12,239,367)
Other liabilities	(180,720,298)	(89,379,906)
Cash generated from/(used in) operating assets and liabilities	(45,855,898)	(39,086,541)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(45,855,898)</b>	<b>(39,086,541)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale/redemption of securities	-	-
Payment for purchase of securities	(88,000)	(182,250)
Purchase of fixed assets	-	-
Sale of fixed assets	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(88,000)</b>	<b>(182,250)</b>
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(45,943,898)</b>	<b>(39,268,791)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>571,716,242</b>	<b>610,985,033</b>
<b>Cash and cash equivalents at end of the year</b>	<b>525,772,344</b>	<b>571,716,242</b>
Cash in hand (including foreign currencies)	72,139,729	73,779,701
Balance with other banks and financial institutions	300,000,000	300,000,000
Balance with Bangladesh Bank and its agent bank (including foreign)	194,423,324	197,936,541
Placement from banks and other financial institutions	(40,790,709)	-
	<b>525,772,344</b>	<b>571,716,242</b>

The annexed notes 1 to 26 form an integral part of these financial statements.



**Bank Alfalah Limited, Bangladesh Operations**  
**Motijheel Islamic Banking Branch**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2021**

**For the year ended 31 December 2020**

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

**For the year ended 31 December 2021**

Particulars	Fund deposited with Bangladesh Bank	Surplus in profit and loss account	Total equity
Balance as at 1 January 2021	-	-	-
Net loss for the period	-	115,311,373	115,311,373
Transferred to Bangladesh country office	-	(115,311,373)	(115,311,373)
<b>Balance as at 31 December 2021</b>	-	-	-

*The annexed notes 1 to 26 form an integral part of these financial statements.*



## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>1</b>	<b>Cash</b>		
	Cash in hand (Including foreign currency)	1.1 72,139,729	73,779,701
	Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	1.2 194,423,324	197,936,541
		<u>266,563,053</u>	<u>271,716,242</u>
<b>1.1</b>	<b>Cash in hand</b>		
	Local currency	72,136,125	71,055,692
	Foreign currencies	3,604	2,724,009
		<u>72,139,729</u>	<u>73,779,701</u>
<b>1.2</b>	<b>Balance with Bangladesh Bank and its agent bank(s)</b>		
	Local currency	194,423,324	197,936,541
	Foreign currencies	-	-
		<u>194,423,324</u>	<u>197,936,541</u>
<b>1.a</b>	<b>Cash Reserve Requirement (CRR) for Islamic Banking</b>		
	4% of average Demand and Time Liabilities		
	Required reserve	170,533,477	186,738,355
	Actual reserve held	194,838,751	197,939,877
	Surplus	<u>24,305,274</u>	<u>11,201,522</u>
	Actual reserve held	4.57%	4.24%
<b>1.b</b>	<b>Statutory Liquidity Requirement (SLR) for Islamic Banking</b>		
	5.5% of required Average Demand and Time Liabilities:		
	Required reserve	234,483,531	256,765,239
	Actual reserve held	253,515,003	256,773,719
	Surplus	<u>19,031,472</u>	<u>8,480</u>
	Actual reserve held	5.95%	5.50%
	Held for Statutory Liquidity Requirement:		
	Cash in hand	72,139,729	73,779,701
	Excess of daily reserve	24,305,274	11,201,522
	Other Eligible Securities	157,070,000	79,190,000
	Foreign currency used in BDT	-	92,602,496
		<u>253,515,003</u>	<u>256,773,719</u>
<b>2</b>	<b>Balance with other banks and financial institutions</b>		
	In Bangladesh	2.1 300,000,000	300,000,000
	Outside Bangladesh	-	-
		<u>300,000,000</u>	<u>300,000,000</u>
<b>2.1</b>	<b>Inside Bangladesh</b>		
	Mudaraba Term deposit:		
	Export Import Bank of Bangladesh Ltd.	300,000,000	300,000,000
		<u>300,000,000</u>	<u>300,000,000</u>
<b>2.2</b>	<b>Maturity-wise groupings of balance with other banks and financial institutions</b>		
	On demand	-	-
	Not more than 3 months	300,000,000	300,000,000
	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>300,000,000</u>



## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka	
<b>3 Investments</b>				
General Investments	3.1	3,269,780,373	3,043,240,295	
Bills purchased and discounted	3.9	3,652,244	18,369,261	
		<u>3,273,432,617</u>	<u>3,061,609,556</u>	
<b>3.1 General Investments etc.</b>				
In Bangladesh				
Murabaha (LPO)		3,228,397,453	2,353,630,710	
Trust receipts		-	79,338,044	
Diminishing Musharakah		-	70,699,259	
Advance against Murabaha		472,282	472,282	
Finance Against Foreign Bill		-	-	
Finance Against EDF		40,910,638	-	
Spot Murabaha		-	539,100,000	
		<u>3,269,780,373</u>	<u>3,043,240,295</u>	
Outside Bangladesh		<u>-</u>	<u>-</u>	
		<u>3,269,780,373</u>	<u>3,043,240,295</u>	
<b>3.2 Maturity-wise grouping</b>				
Repayable On demand		-	-	
Not more than 3 months		1,783,748,497	1,359,553,416	
More than 3 months but not more than 1 year		1,489,684,120	1,702,056,140	
More than 1 year but not more than 5 years		-	-	
More than 5 years		-	-	
		<u>3,273,432,617</u>	<u>3,061,609,556</u>	
<b>3.3 Investments on the basis of significant concentration</b>				
Advances to Chief executive, other Senior executives and other Officers		-	-	
Industrial loans and advances		3,273,432,617	3,061,609,556	
		<u>3,273,432,617</u>	<u>3,061,609,556</u>	
<b>3.4 Industry-wise classification of investments</b>				
		<b>2021</b>	<b>2020</b>	
	% of Total Loan	BDT	% of Total Loan	
			BDT	
Agri Business	0.04%	1,330,000	2.02%	66,235,665
Automobile dealers	0.00%	-	0.00%	-
Cement	2.51%	82,000,000	0.00%	-
Chemicals	0.27%	8,851,228	1.86%	60,800,712
Financial Institutions & MFIs	2.29%	75,050,000	1.91%	62,485,517
Food & Personal Care Products	34.65%	1,134,149,583	32.25%	1,055,700,833
Manufacturing & sale of Domestic Appliances:	17.16%	561,687,500	12.64%	413,600,000
Metal & Allied	0.00%	-	3.82%	125,100,000
Others/Miscellaneous	5.46%	178,768,749	0.00%	-
Printing & Publishing	0.96%	31,327,667	0.66%	21,661,658
Real Estate/Construction	0.00%	-	0.00%	-
Services	0.00%	-	1.41%	46,113,594
Textile Composite / Garments Manufacturing	12.38%	405,360,203	11.31%	370,195,074
Textile Spinning	21.96%	719,000,000	12.65%	414,000,000
Textile Weaving	1.88%	61,425,446	4.62%	151,099,721
Trading	0.44%	14,482,241	0.48%	15,866,782
Vanaspati & Allied Industries	0.00%	-	7.90%	258,750,000
	<u>100%</u>	<u>3,273,432,617</u>	<u>94%</u>	<u>3,061,609,556</u>



## Notes to the financial statements as at and for the year ended 31 December 2021

## 3.5 Geographical location-wise investments

	2021		2020	
	% of Total Loan	BDT	% of Total Loan	BDT
Dhaka Division	100%	3,273,432,617	100%	3,061,609,556
Chittagong Division	0%	-	0%	-
Sylhet Division	0%	-	0%	-
	<b>100%</b>	<b>3,273,432,617</b>	<b>100%</b>	<b>3,061,609,556</b>

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

	2021		2020	
	% of Total Loan	BDT	% of Total Loan	BDT
<b>Unclassified:</b>				
Standard including staff murabaha	99.99%	3,272,960,334	99.98%	3,061,137,273
Special Mention Account (SMA)	0.00%	-	0.00%	-
	<b>99.99%</b>	<b>3,272,960,334</b>	<b>99.98%</b>	<b>3,061,137,273</b>
<b>Classified:</b>				
Substandard	0.00%	-	0.00%	-
Doubtful	0.00%	-	0.00%	-
Bad or loss	0.01%	472,283	0.02%	472,283
	<b>0.01%</b>	<b>472,283</b>	<b>0.02%</b>	<b>472,283</b>
	<b>100.00%</b>	<b>3,273,432,617</b>	<b>100.00%</b>	<b>3,061,609,556</b>

## 3.7 Particulars of required provision for investments

	2021		2020	
	Base for Provision	Required provision	Base for Provision	Required provision
<b>Unclassified:</b>				
Standard (Other than SME)	3,108,527,196	31,085,272	2,908,965,465	29,089,655
Standard (SME)	142,633,140	356,583	97,992,279	244,981
Standard (Agri Loan)	21,800,000	218,000	54,360,000	543,600
Special Mention Account (SMA)	-	-	-	-
	<b>3,272,960,336</b>	<b>31,659,855</b>	<b>3,061,317,744</b>	<b>29,878,236</b>
<b>Classified:</b>				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Bad or loss	445,320	445,320	445,320	445,320
	<b>445,320</b>	<b>445,320</b>	<b>445,320</b>	<b>445,320</b>
	<b>3,273,405,656</b>	<b>32,105,175</b>	<b>3,061,763,064</b>	<b>30,323,556</b>
<b>Total provision maintained (Shortfall)/Surplus provision</b>		<b>32,194,861</b>		<b>30,447,307</b>
		<b>89,686</b>		<b>123,751</b>



## Notes to the financial statements as at and for the year ended 31 December 2021

	2021 Taka	2020 Taka
<b>3.8 Particulars of investments</b>		
i) Investments considered good in respect of which the banking company is fully secured	3,273,432,617	3,061,609,556
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;	-	-
	3,273,432,617	3,061,609,556
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	472,283
Increase/(Decrease) during the year	-	-
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	69,606	75,810
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
<b>3.9 Bills purchased and discounted</b>		
Bills purchased and discounted excluding treasury bills:		
In side Bangladesh	3,652,244	18,369,261
Outside Bangladesh	-	-
	<u>3,652,244</u>	<u>18,369,261</u>
<b>3.10 Maturity grouping of bills discounted and purchased</b>		
Payable within one month	-	45,060
Over 1 month but less than 3 months	3,565,357	12,382,800
Over 3 months but less than 6 months	-	5,941,401
6 months or more	-	-
	<u>3,565,357</u>	<u>18,369,261</u>



## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
4 Fixed assets including premises, furniture and fixtures			
Fixed assets	4.1	687,361	1,151,855
Right of use assets	4.2	-	18,701,279
		<u>687,361</u>	<u>19,853,134</u>

## 4.1 Fixed assets including premises, furniture and fixtures

	Motor vehicles	Computer and accessories	Office equipment	Staff equipment	Furnitures and fixtures	Leasehold improvement	Total
<b>Cost</b>							
Balance at 1 January 2020	1,890,000	13,740,155	10,751,244	13,500	20,294,987	3,212,018	49,901,904
Additions	-	-	182,250	-	-	-	182,250
Disposals	-	(92,000)	-	-	-	-	(92,000)
<b>Balance at 31 December 2020</b>	<b>1,890,000</b>	<b>13,648,155</b>	<b>10,933,494</b>	<b>13,500</b>	<b>20,294,987</b>	<b>3,212,018</b>	<b>49,992,154</b>
Balance as at 1 January 2021	1,890,000	13,648,155	10,933,494	13,500	20,294,987	3,212,018	49,992,154
Additions	-	46,000	42,000	-	-	-	88,000
Disposals	-	(46,000)	(140,000)	-	-	-	(186,000)
<b>Balance as at 31 December 2021</b>	<b>1,890,000</b>	<b>13,648,155</b>	<b>10,835,494</b>	<b>13,500</b>	<b>20,294,987</b>	<b>3,212,018</b>	<b>49,894,154</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2020	1,889,999	12,649,461	10,435,014	13,500	20,049,327	2,995,671	48,032,972
Depreciation	-	469,160	262,538	-	74,824	83,760	890,282
Disposals	-	(82,955)	-	-	-	-	(82,955)
<b>Balance at 31 December 2020</b>	<b>1,889,999</b>	<b>13,035,666</b>	<b>10,697,552</b>	<b>13,500</b>	<b>20,124,151</b>	<b>3,079,431</b>	<b>48,840,299</b>
Balance as at 1 January 2021	1,889,999	13,035,666	10,697,552	13,500	20,124,151	3,079,431	48,840,299
Depreciation	-	304,432	99,427	-	62,630	37,512	504,001
Disposals	-	2,493	(140,000)	-	-	-	(137,507)
<b>Balance as at 31 December 2021</b>	<b>1,889,999</b>	<b>13,342,591</b>	<b>10,656,979</b>	<b>13,500</b>	<b>20,186,781</b>	<b>3,116,943</b>	<b>49,206,793</b>
<b>Carrying amounts</b>							
At 1 January 2020	1	1,090,694	316,230	-	245,660	216,347	1,868,932
At 31 December 2020	1	612,489	235,942	-	170,836	132,587	1,151,855
At 31 December 2021	1	305,564	178,515	-	108,206	95,075	687,361





## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>4.2 Right of use assets</b>			
<b>Cost</b>			
Balance at 1 January		37,402,559	-
Additions		-	59,054,088
Disposals		-	(21,651,529)
		<u>37,402,559</u>	<u>37,402,559</u>
<b>Accumulated depreciation</b>			
Balance at 1 January		18,701,280	-
Depreciation		12,029,927	11,261,969
Disposals		6,671,352	7,439,311
		<u>37,402,559</u>	<u>18,701,280</u>
<b>Carrying amounts</b>		<u>-</u>	<u>18,701,279</u>
<b>5 Others assets</b>			
<b>Income generating other assets</b>			
<b>Non-income generating other assets</b>			
i) Investment in shares of subsidiary companies:			
- In Bangladesh		-	-
- Outside Bangladesh		-	-
ii) Stationery, stamps, printing materials, etc.		137,520	59,310
iii) Advance rent and advertisement		-	-
iv) Profit receivables	5.1	-	-
v) Security deposits		-	-
vi) Preliminary, formation and organizational expenses, renovation, development and prepaid expenses		-	-
vii) Branch adjustment		1,420,421,836	1,530,928,320
viii) Suspense account		-	-
ix) Silver		-	-
x) Others	5.2	268,596,007	411,966,794
		<u>1,689,155,363</u>	<u>1,942,954,424</u>
		<u>1,689,155,363</u>	<u>1,942,954,424</u>
<b>5.1 Profit receivables</b>			
Profit Receivable from placement with Banks		-	-
Mark up receivables on bill purchased and discounted		-	-
		<u>-</u>	<u>-</u>
<b>5.2 Others</b>			
Other Receivable		300	180,470
Sundry debtors miscellaneous (Receivable from Bangladesh Bank)		268,595,707	411,786,324
		<u>268,596,007</u>	<u>411,966,794</u>
<b>6 Deposits and other accounts</b>			
Al-wadeeah current and other deposit accounts	6.1	728,328,241	843,385,169
Bills payable	6.2	378,711,869	25,383,368
Mudaraba savings deposits	6.3	2,049,334,433	2,358,562,412
Mudaraba term deposits	6.4	2,179,442,420	2,186,327,948
		<u>5,335,816,963</u>	<u>5,413,658,897</u>
<b>6.1 Al-wadeeah current and other deposit accounts</b>			
Al-wadeeah current deposits		242,593,282	421,771,231
Alfalah Udyog Current Account		69,205,801	51,003,287
Foreign currency deposits		348,742,716	316,498,536
Sundry deposits	6.1.1	67,786,442	54,112,115
		<u>728,328,241</u>	<u>843,385,169</u>



## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>6.1.1 Sundry deposits</b>			
Margin Accounts - Local Currency		61,284,550	41,567,424
Margin Accounts - Foreign Currency		6,501,892	7,797,423
Sundry Deposit		-	4,747,268
		<u>67,786,442</u>	<u>54,112,115</u>
<b>6.2 Bills Payable</b>			
Payment order - Inside Bangladesh		378,597,874	25,052,917
Demand draft payable - Inside Bangladesh		113,995	112,678
Unclaimed PO - Inside Bangladesh		-	212,984
Unclaimed DD/TT - Inside Bangladesh		-	4,789
		<u>378,711,869</u>	<u>25,383,368</u>
<b>6.3 Mudaraba savings deposits</b>			
Special Notice Deposit (SND)		1,021,954,227	1,275,110,139
Alfalah Salary Account (ASA)		2,069,322	447,936
Alfalah Rising Star (ARS)		7,368,956	5,200,306
Alfalah Premium Plus (APP)		279,925,886	201,074,373
Saving Deposits		580,267,302	621,969,959
Mudaraba Royal Profit deposits		157,748,740	254,759,699
		<u>2,049,334,433</u>	<u>2,358,562,412</u>
<b>6.4 Mudaraba term deposits</b>			
Mudaraba Term Deposit (MTDR)		2,179,442,420	2,186,327,948
		<u>2,179,442,420</u>	<u>2,186,327,948</u>
		<u>5,335,816,963</u>	<u>5,413,658,897</u>
<b>6.5 Deposits concentration</b>			
Inter-bank deposits	6.5.1	1,016,941,079	1,271,920,886
Vostro Deposit	6.5.2	66,891,581	105,803,306
Customer and other deposits		4,251,984,303	4,035,934,705
		<u>5,335,816,963</u>	<u>5,413,658,897</u>
<b>6.5.1 Inter-bank deposits</b>			
Jamuna Bank Limited		23,901	23,962
Pubali Bank Limited		-	1,199,589
AB Bank Limited		15,810	16,361
Prime Bank Limited		14,801,177	14,795,638
Islami Bank Bangladesh Limited		31,646,246	31,524,731
Shahjalal Islami Bank Limited		2,760,386	2,665,550
Al-Arafah Islami Bank Limited		425,245,956	919,603,996
The City Bank Limited		2,427,081	302,081,901
Trust Bank Limited		540,011,925	-
Bank Asia Limited		8,597	9,158
		<u>1,016,941,079</u>	<u>1,271,920,886</u>
<b>6.5.2 Vostro Deposit</b>			
Bankislami Pakistan Limited		10,891,608	23,524,400
Bank Alfalah Ltd, Karachi (Conventional)		24,799,693	38,519,964
Bank Alfalah Ltd, Karachi (Islamic)		31,200,280	43,758,942
		<u>66,891,581</u>	<u>105,803,306</u>
<b>6.6 Maturity grouping of deposits</b>			
Repayable On demand		297,692,119	322,733,095
Repayable within 1 month		282,398,364	1,315,326,910
Over 1 month but within 6 months		1,609,493,883	2,282,144,154
Over 6 months but within 1 year		452,919,043	796,884,674
Over 1 year but within 5 years		2,693,313,554	696,570,065
Over 5 years but within 10 years		-	-
10 years or more		-	-
		<u>5,335,816,963</u>	<u>5,413,658,897</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 2021 (cut off basis) to Bangladesh Bank.



## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>7 Other Liabilities</b>			
Provision for Investments	7.1	32,194,861	30,447,307
Provision for off-balance sheet exposures	7.2	13,824,722	10,165,182
Profit suspense and compensation suspense	7.3	69,606	75,810
Unearned Income on Islamic Finance		54,678,255	73,059,345
Accrued expenses		579,728	534,500
Salaries & Allowances Payable		1,148,533	816,401
Profit payable on deposit & borrowings	7.4	45,645,968	44,079,191
Withholding tax on profit on deposits		761,038	2,183,418
Withholding tax payable		3,124,401	1,358,573
Withholding VAT payable		320,028	279,298
Excise duty payable		416,500	555,860
Advance commission on Letter of Guarantee (L/G)		208,312	-
Unclaimed ATM/POS		29,972	34,396
Lease liabilities		-	18,607,182
Miscellaneous		228,798	277,996
		<u>153,230,722</u>	<u>182,474,459</u>
<b>7.1 Provision for investments</b>			
<b>A. General Provision</b>			
Provisions held at the beginning of the year		30,001,987	35,270,241
Provision made during the year		1,747,554	-
Provision no longer required		-	5,268,254
Net of provision (reversed)/made during the year		<u>1,747,554</u>	<u>(5,268,254)</u>
Provisions held at the end of the year		<u>31,749,541</u>	<u>30,001,987</u>
<b>B. Specific Provision</b>			
Provisions held at the beginning of the year		445,320	445,320
Profit on investment waiver during the year		-	-
Adjustment with prior year		-	-
Provision no longer required		-	-
Written off during the year		-	-
Recoveries of amounts previously written off		-	-
Specific provision made during the year		-	-
Net Charge to Profit and Loss Account		-	-
Provisions held at the end of the year		<u>445,320</u>	<u>445,320</u>
Total provision on investments		<u>32,194,861</u>	<u>30,447,307</u>
<b>7.2 Provision for off-balance sheet exposures</b>			
Balance as at 1 January		10,165,182	12,606,331
Provision made during the year		3,659,540	-
		<u>13,824,722</u>	<u>12,606,331</u>
Adjustments made during the year		-	2,441,149
Balance as at 31 December		<u>13,824,722</u>	<u>10,165,182</u>
<b>7.3 Profit suspense and compensation suspense</b>			
Profit suspense	7.3.1	69,606	75,810
Compensation suspense		-	-
		<u>69,606</u>	<u>75,810</u>
<b>7.3.1 Profit suspense account</b>			
Balance at the beginning of the year		75,810	69,606
Amount transferred to profit Suspense Account during the year		-	6,204
Amount recovered in Interest Suspense Account during the year		6,204	-
Amount written off during the year		-	-
Profit on investment waiver during the year		-	-
Balance at the end of the year		<u>69,606</u>	<u>75,810</u>



## Notes to the financial statements as at and for the year ended 31 December 2021

Notes	2021 Taka	2020 Taka
<b>7.4 Profit payable on deposit</b>		
Profit Payable on Borrowings	33,938	
Savings Deposit	15,134,195	5,670,671
30 days mudaraba term deposit	97,534	20,502
90 days mudaraba term deposit	2,966,832	940,503
180 days mudaraba term deposit	2,107,770	1,002,193
365 days mudaraba term deposit	19,597,334	22,371,816
Broken days mudaraba term deposit	1,855,452	4,515,634
15 months mudaraba term deposit	1,287,412	3,120,506
7 months mudaraba term deposit	197,003	1,416,547
13 months mudaraba term deposit	1,902,567	4,163,180
2 years mudaraba term deposit	244,917	539,994
3 years mudaraba term deposit	221,014	317,645
	<u>45,645,968</u>	<u>44,079,191</u>
<b>8 Retained earnings</b>		
Balance as at 1 January	-	-
Adjustment for loan provision	-	-
Net profit/(loss) for the year	115,311,373	60,983,607
	<u>115,311,373</u>	<u>60,983,607</u>
Transferred to Bangladesh country office	(115,311,373)	(60,983,607)
Balance as at 31 December	<u>-</u>	<u>-</u>
<b>9 Letters of guarantees</b>		
a) Claims lodged with the Bank company not recognized as loan		
b) Money for which the Bank is contingently liable in respect of guarantees given favouring:		
Directors or officers		
Government	238,086,047	244,343,784
Banks and other financial institutions	46,858,650	
Others	53,960,548	46,887,176
	<u>338,905,245</u>	<u>291,230,960</u>
<b>10 Irrevocable letters of credit</b>		
Usance	134,860,806	163,594,784
Sight	431,402,989	231,951,260
	<u>566,263,795</u>	<u>395,546,044</u>
<b>11 Income statement</b>		
<b>Income:</b>		
Profit, discount and similar income	198,789,506	288,960,749
Dividend income		
Commission, exchange and brokerage	13,834,707	10,581,480
Gains less losses arising from dealing in foreign currencies	45,226,530	12,629,020
Other operating income	4,232,174	4,674,833
	<u>262,082,917</u>	<u>316,845,882</u>
<b>Expenses:</b>		
Profit paid on deposits	94,818,981	200,828,931
Administrative expenses	30,563,716	47,101,564
Other operating expenses	3,447,825	3,473,932
Depreciation on banking assets	504,001	890,282
	<u>129,334,523</u>	<u>252,294,709</u>
Income over expenditure	<u>132,748,394</u>	<u>64,551,173</u>



## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>12</b>	<b>Investment income</b>		
	<b>Share of profit from financing and discounting</b>		
	Murabaha Financing	179,963,342	237,106,910
	Profit on Diminishing Musharkah	2,431,606	12,788,843
	Profit on bill discounted	2,747,127	6,238,623
	Profit against EDF	119,288	71,770
	Murabaha income trust receipt	2,025,205	10,513,258
		<u>187,286,568</u>	<u>266,719,404</u>
	<b>Profit on placement with banks</b>		
	Profit on term placements	11,502,938	22,241,345
	Profit on Savings Deposit with Banks		
		<u>11,502,938</u>	<u>22,241,345</u>
		<u>198,789,506</u>	<u>288,960,749</u>
<b>13</b>	<b>Profit paid on deposits</b>		
	<b>Profit shared on deposits &amp; borrowings</b>		
	Mudaraba Royal Profit Deposit	7,707,778	5,865,089
	Mudaraba Savings Deposit	26,660,728	33,502,315
	Alfaiah Salary Account (ASA)	22,006	18,028
	Modaraba term deposit	60,064,648	159,922,835
	Interest on lease liabilities	330,062	1,469,851
	Profit paid on Borrowings	33,759	50,813
		<u>94,818,981</u>	<u>200,828,931</u>
<b>14</b>	<b>Income from investment in shares/securities</b>		
	Mark-up on zero coupon bonds	-	-
	Dividend income on preference share	-	-
		<u>-</u>	<u>-</u>
<b>15</b>	<b>Commission, exchange and brokerage</b>		
	Fees, commission etc.	13,834,707	10,581,480
	Exchange earnings	45,226,530	12,629,020
		<u>59,061,237</u>	<u>23,210,500</u>
<b>16</b>	<b>Other operating income</b>		
	Service charges recovered	604,269	983,272
	Charges recovered	837,680	705,952
	Cheque Book charges recovered	178,800	99,351
	Charges on documentary credit		
	Courier charges recovered	675,919	430,072
	Other Income	1,584,615	706,313
	UPAS LC Profit Spread	350,891	1,749,673
	Gain on disposal of fixed asset		
		<u>4,232,174</u>	<u>4,674,633</u>
<b>17</b>	<b>Salaries and allowances</b>		
	Salaries & Allowances	13,824,769	22,809,634
	Housing allowance	3,513,080	5,859,277
	Conveyance allowance	878,257	1,473,395
	Other allowances	269,929	195,008
	Festival bonus	1,982,560	3,417,643
	Performance bonus	816,401	2,146,401
	The Bank's contribution to provident fund	885,146	1,387,911
	Car allowance	915,000	1,260,000
		<u>23,085,142</u>	<u>38,549,269</u>



## Notes to the financial statements as at and for the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
<b>18</b>	<b>Rent, taxes, insurance, electricity etc.</b>		
	Rent, rates and taxes	1,893,348	2,100,076
	Cleaning and maintenance	865,994	1,168,153
	Electricity and Utilities	1,931,444	1,923,370
		<u>4,690,786</u>	<u>5,191,599</u>
<b>19</b>	<b>Postage, stamps, telecommunication etc.</b>		
	Postage and couriers	716,263	558,166
	Electronic mail and on-line connectivity	450,700	531,939
	Telegram, fax, telex, SWIFT and internet charge	394,073	338,336
	Telephone charges	101,343	113,825
		<u>1,662,379</u>	<u>1,542,266</u>
<b>20</b>	<b>Stationery, printing, advertisement etc.</b>		
	Table stationery	201,473	202,219
	Books and periodicals	-	2,928
	Printing stationery	320,288	770,081
	Computer stationery	61,829	48,930
	Publicity	-	-
		<u>583,590</u>	<u>1,024,158</u>
<b>21</b>	<b>Depreciation and repair to bank's assets</b>		
	Depreciation of bank's assets	12,533,928	12,152,251
	Repair & Maintenance of bank's assets	21.1 541,819	794,272
		<u>13,075,747</u>	<u>12,946,523</u>
<b>21.1</b>	<b>Repair &amp; Maintenance of bank's assets</b>		
	Furniture, fixture and fittings	37,100	70,200
	Rented premises	-	-
	Office equipments	217,777	527,435
	Computer maintenance	286,942	196,637
	Motor vehicles	-	-
		<u>541,819</u>	<u>794,272</u>
<b>22</b>	<b>Other expenses</b>		
	Bank charges, brokerage and commission	2,930	50,520
	Entertainment	299,009	411,758
	Security charges	1,878,910	1,053,951
	Traveling and conveyance	99,141	131,406
	Car fuel	356,292	610,685
	Other	811,543	1,215,612
		<u>3,447,825</u>	<u>3,473,932</u>
<b>23</b>	<b>Related parties</b>		
	<b>Current deposit account</b>		
	Bank Alfalah, Karachi	55,999,973	82,278,906
		<u>55,999,973</u>	<u>82,278,906</u>
<b>24</b>	<b>Other related party transactions</b>		
	The bank had no related party transactions which were required to be disclosed.		
<b>25</b>	<b>Number of employees</b>		
	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 (2020: 22).		
<b>26</b>	<b>Employee related fraud</b>		
	There was no fraud occurred/reported to Bangladesh Bank during the year 2021 which may indicate the involvement of the Bank's employees. The Bank monitors its employees' performance and established controls to mitigate such risk if exist.		



## Appendix A

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

Particulars	Amounts in BDT					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Assets</b>						
Cash	72,139,729	-	194,423,324	-	-	266,563,053
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	-	1,783,748,497	1,489,684,120	-	-	3,273,432,617
Fixed assets including premises, furniture and fixtures	-	-	-	687,361	-	687,361
Other assets	268,596,007	-	-	1,420,559,356	-	1,689,155,363
Non banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>640,735,736</b>	<b>1,783,748,497</b>	<b>1,684,107,444</b>	<b>1,421,246,717</b>	<b>-</b>	<b>5,529,838,394</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	-	-	40,790,709	-	-	40,790,709
Deposits and other accounts	580,090,484	1,073,381,534	989,031,392	2,693,313,554	-	5,335,816,963
Other liabilities	4,621,967	1,016,838	45,645,968	101,945,949	-	153,230,722
<b>Total liabilities</b>	<b>584,712,451</b>	<b>1,074,398,372</b>	<b>1,075,468,069</b>	<b>2,795,259,503</b>	<b>-</b>	<b>5,529,838,394</b>
<b>Net liquidity gap</b>	<b>56,023,285</b>	<b>709,350,125</b>	<b>608,639,375</b>	<b>(1,374,012,786)</b>	<b>-</b>	<b>-</b>

