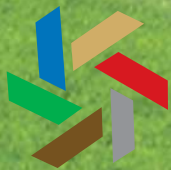




Annual Report 2016



SOUTH BANGLA AGRICULTURE & COMMERCE BANK LTD.

সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ

LOCAL BANK GLOBAL VISION



Freedom

Most of us see birds as a symbol of freedom or even as symbol of the future. The sight of their ability to soar high across the horizon instills a crave in the human heart who cannot fly without substitute wings. From time immemorial mankind has considered birds to be signs of eternal life. When birds fly sky only is their limit.

South Bangla Agriculture & Commerce Bank Limited (SBACBL) started its journey in 2013 with a clear vision to be customer-friendly. We started with two advantages: uniquely qualified leadership and BDT 408.96 crore in capitalization. Building on this rock-solid foundation enabled us to offer our customers a wide array of financial solutions. Combining these solutions with our wealth of experience enabled us to exercise judgment to propel our customers' financial interests forward.

As one of this country's new generation and fastest growing bank, we offer our customers innovative financial solutions, products and services for businesses as well as individuals. We are striving to keep our customers' stake protected by leading-edge security protocols and practices. All our efforts to ensure a continuous and steady growth has borne a series of successes which include deploying a world class Core Banking System and implementing all Central Bank initiated projects (BACPS, BEFTN, Online CIB, goAML etc.) within the shortest time.

We have set up clear goals and accordingly drawn strategic plan to achieve the goals. SBAC Bank commits itself to the highest ethical standards where sincerity and integrity are given priority to products and services. We want to be your bank-not just for today, but for a lifetime.



Annual General Meeting (AGM)
of SBAC Bank Ltd. will be held
at Rest House (Banglo),
Thermax Group, Borayetola,
Shibpur, Narsingdi





Our Vision

Our vision is to build Green Bangladesh free of poverty and pollution through sustainable development by application of latest information technology. We want to be the leading Private Commercial Bank in terms of efficiency, capital adequacy, asset quality, sound management, profitability with strong liquidity and Financial inclusion. Our cherished dream is to establish ourselves firmly at home and abroad as a front ranking Bank of the country.

Our Mission

- To provide a customer-friendly environment.
- To deliver service excellence for all of our corporate, agro based, SME and retail segments Particularly women agri and small entrepreneurs.
- To maximize shareholders' value.
- To establish different compatible delivery channels.
- To be pro-active in fulfilling our Social Responsibilities.



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Letter of Transmittal

All Shareholders of South Bangla Agriculture & Commerce Bank Limited
Registrar of Joint Stock Companies & Firms
Bangladesh Bank
Bangladesh Securities & Exchange Commission (BSEC)

Subject: Annual Report 2016 of South Bangla Agriculture & Commerce Bank Ltd.

Dear Sir/Madam (s),

Reference to the above, we enclose herewith copy of Annual Report 2016 of South Bangla Agriculture & Commerce Bank Limited along with Audited Financial Statements as at 31st December 2016. This report includes Income Statement, Balance Sheet, Cash Flow Statement, Liquidity Statement, Statement of Changes in Equity and Notes to the Accounts thereon of South Bangla Agriculture & Commerce Bank Limited.

This is for your kind information and ready reference.



Md. Mokaddess Ali
Vice President &
Company Secretary



NOTICE OF THE 4TH ANNUAL GENERAL MEETING

Notice is hereby given to all Members of South Bangla Agriculture & Commerce Bank Limited (the "Company") that the 4th Annual General Meeting of the Members of the Company will be held on Wednesday, May 10, 2017 at 11:00 a.m. at the Rest House (Banglo), Thermax Group, Borayetola, Shibpur, Narsingdi to transact the following business and adopt necessary resolutions :

AGENDA :

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2016.
2. To declare dividend out of the Profits for the year ended December 31, 2016.
3. To elect Directors in place of those who shall retire in accordance with the provisions of the laws and the Articles of Association of the Company.
4. To appoint Auditors of the Company for the term until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. Expenditure regarding Vehicles of Bank's Pool.
6. Approval for Appointment of Independent Director(s).
7. To transact any other business with permission of the Chair.

Dhaka
Date- 20/04/2017

By order of the Board,

Md. Mokaddess Ali
Vice President &
Company Secretary

NOTES:

- a. The date of Book Closure (Record Date) shall be April 20, 2017;
- b. The Shareholders whose names appear in the Register of Members of the Company as at the close of the business on April 20, 2017 will only be entitled to the dividend declared in the AGM, if any;
- c. Any member of the Company entitled to attend and vote at the General Meeting may appoint a proxy to attend and vote on his/her behalf;
- d. The instrument appointing proxy duly signed by the Member(s) and stamped must be submitted at the Registered Office of the Company at least 48 hours before the Meeting and
- e. Members are requested to notify change of address, if any, to the Company Secretariat on or before April 20, 2017.



Commitments

SBAC Bank is committed to be a source of positive impact for our people, our customers and the communities in which we do business. A number of core values embodies the way in which SBAC Bank employees work together to deliver effective results for our customers and community.

Client Focus :

- Our clients are at the center of our activities and their satisfaction is our ultimate objective.
- Our success is dependent on our ability to provide the best products and services to our clients; we are committed to helping our clients achieve their goals .

Hard Work :

- Discipline and perseverance govern our actions so as to achieve outstanding results for our clients and outstanding returns for our stakeholders.
- Seeking service excellence guides our commitment to our clients.
- We work with our clients to reach their current goals while anticipating and planning for their future objectives.

Transparency :

- We value open and clear communications which develop confidence and trust from our customers, shareholders and employees.

Integrity :

- Exemplify the highest standards of personal and professional ethics in all aspects of our business.
- Comply fully with the letter and spirit of the laws, rules and practices that govern SBAC Bank's business.
- Say what we do and do what we say.

Innovation:

- Since inception, SBAC Bank believes innovation as a core competitive advantage and promotes it accordingly.
- We strive to lead the financial services industry to a higher level of performance in serving the millions of our people who are still underserved or unbanked.



Teamwork:

- We collaborate, listen and share information openly within the Bank and with our partners, clients and shareholders.

Each one of us consistently represents SBAC Bank's total corporate image.

- We value and respect one another's cultural backgrounds and unique perspectives.

Respect to the Individual:

- We respect the individual whether an employee, a client, a shareholder or a member of the communities in which we live and operate.
- We treat one another with dignity and respect and take time to answer questions and respond to concerns.
- We firmly believe each individual must feel free to make suggestions and offer constructive criticism.
- SBAC Bank is a meritocracy, where all employees have equal opportunity for development and advancement based only on their merits.

OUR MANAGEMENT PHILOSOPHY

1. Growing Together with Our Customers:

Our bank has been sharing this philosophy as a starting point for all of our business activities since its formation. We believe that the creation and provision of new values based on customers' perspectives will strengthen the relationship of mutual trust between our customers and the Bank, and become a source of mutual development.

2. Contribute to the national and global community through our business:

Our Bank recognizes that contributing to "State of the Art System based Services" to our customers throughout the world leads to the development not only of local communities, but also the international community as a whole, and we conduct our business activities with the aim of providing the highest quality of solutions in each area of operations.

3. Develop human resources for creative and challenging activities:

Rather than being content with the present situation, we are constantly in search of new and better ideas to put into action in order to improve and enhance our business activities. This is the SBAC Bank's basic philosophy of human resources development, and we believe that the Bank's unique corporate culture will be further developed by continuing to practice this philosophy.

4. Maintain sound Corporate Culture based on high ethics and fairness:

We promote transparency and excellence and we comply with Provisions of Laws in the Bank's management and in all aspects of its business activities, and strive to further enhance its corporate value while conducting sound activities. We believe in ethical values, due diligence and good governance as a whole.

5. Take good care of people and the Planet:

By treating our stakeholders (such as shareholders, customers, business partners, employees and local residents) and the global environment with respect, we strive to continue to be a good company for both people and the earth.



STRATEGIC PRIORITIES:

- Expansion of branch network to make banking services available at important locations throughout the country. The Bank has already opened 54 branches up to December 31, 2016 and opening of 10 more branches is under process which to be completed by June 2017. The bank has a plan to increase number of branches to 70 by December 31, 2017 and 85 branches by December 31, 2018 .
- Maintaining highest quality of customer services by offering best products compatible with customers' needs.
- Financial inclusion through widening the coverage of banking services specially by including the disadvantaged section of society. The operation of Agent Banking will come into operation very soon.
- Continuation of diversification of credit portfolio in corporate exposure, focusing on retail, SME, direct green finance and agricultural loans, gender issues by providing loans to women entrepreneurs in SME segment and emphasize on geographical dispersion.
- Improvement of deposit mix by penetrating broad-based customers, increase share of low cost and no cost deposit in total deposit, increase non-funded (non-interest fee based) business.
- Maintaining required level of liquidity through skillfully managing asset-liability mismatch and recovery of past due loans.
- Administering regular and effective monitoring and conducting recovery drive to ensure that loans and advances do not turn non-performing.
- Diversification of products and services by introducing IT based innovative products and engaging alternate delivery channels.
- Expediting delivery of inward remittance to increase the flow of foreign remittance.
- Continuously improving internal governance through strengthening good corporate cultures, motivation, training and supervision at all levels of management.
- Conduct Business Process Re-engineering in different functional areas to improve efficiency and bring in required structural changes.
- Improvement of IT infrastructure in order to develop new IT based products and services.
- Develop Human Resources Management system to motivate and retain Human Resources and transform them into Human Assets through continuous skill development.
- Cost minimization and efficiency optimization at all levels of operation by ensuring budgetary control.
- Expansion of activities related to Corporate Social Responsibility and Green Banking within the framework of organizational goals.
- Maintaining strong capital base by ensuring borrowers' rating, concentrating on lending portfolio having lower capital charge, strengthening Internal Capital Adequacy Assessment Process (ICAAP).
- Ensuring efficient and effective risks management for sustainable business growth.
- Increasing brand visibility by creating positive image of the Bank.
- To add value for all stakeholders.
- To take appropriate measures to ensure AML/CFT
- To be compliant with all organizational and regulatory requirements by adherence to all laws, rules, regulations relating to banking.

COMPANY HISTORY





Corporate Information

Name of the Company	: South Bangla Agriculture and Commerce Bank Ltd.
Legal Form	: A public limited company incorporated in Bangladesh on 20th February 2013 under the companies Act 1994.
Date of incorporation	: 20th February 2013.
Date of Commencement of Business	: 20th February 2013.
Nature of Business	: Banking, a Scheduled Private Commercial Bank licensed as per Banking Companies Act 1991 (amended up to 2013)
Head Office (Registered)	: Sun Moon Star Tower 37, Dilkusha C/A, Dhaka - 1000
Phone	: (02) 9577207-11
Routing No	: 270270002
Fax No.	: +88 02 9577212
SWIFT	: SBACBDDH
Website	: www.sbacbank.com
Chairman	: Mr. S. M. Amzad Hossain
Managing Director	: Mr. Md. Rafiqul Islam
Company Secretary	: Mr. Md. Mokaddess Ali
Auditors	: Khan Wahab Shafique Rahman & Co.
Tax Consultants	: Islam and Co.
Legal Consultant	: Bhuiyan Islam and Zaidi.
No. of Branches	: 54
No. of ATM Booth	: 16
No. of Employees	: 676 (31.12.2016)
Stock Summary	
Authorized Capital	: Tk. 10,000 million
Paid up Capital	: Tk. 4,334.9 million
Face Value per Share	: Tk. 10
Chairman's Office	: Akram Tower (9th Floor), 199, Sayed Nazrul Islam Sarani 15/5, Bijoy Nagar, Dhaka-1000.
E-mail	: lockpurgroup@gmail.com

Milestone

SL.No.	Event Issue	Date
1	Letter of Intent	17-04-2012
2	Certificate of Incorporation	20-02-2013
3	Certificate for Commencement of Business	20-02-2013
4	License Issued by Bangladesh Bank favoring South Bangla Agriculture & Commerce Bank Ltd.	07-03-2013
5	Inclusion of SBAC Bank in Bangladesh Gazette	31-03-2013
6	Enlistment as Scheduled Bank	01-04-2013
7	Inauguration of Head Office	03-04-2013
8	Inauguration of Principal Branch	28-04-2013
9	Obtaining Foreign Currency Transactions License (Head Office & Principal Branch)	13-05-2013
10	Inauguration of SWIFT Operation	04-08-2013
11	Inauguration of BACPS & BEFTN Operation	20-11-2013
12	Openning of Nostro Account:	
	AB Bank (Mumbai Branch)	22-05-2013
	United Bank Of India	17-06-2013
	Sonali Bank (UK)	25-06-2013
	Mashreq Bank Psc (Newyork)	25-09-2013
	National Bank of Pakistan (Tokyo, Japan)	20-03-2014
	Mashreq Bank Psc (London, U.K)	23-06-2014
	Sonali Bank (Kolkata)	11-02-2015
13	Signing agreement with ITCL for launching ATM operation	23-11-2013
14	Live ATM and Card Operation	09-03-2014
15	1st AGM held on	31-03-2014
16	Establishment of Trade Processing Unit	01-07-2014
17	Joining the National Payment Switch Bangladesh (NPSB)	01-10-2014
18	UBAF, France (Union De Banques Arabes Et Francaises) approved credit line	December, 2014
19	Commencement of Foreign Remittance Services :	
	Wall Street Finance LLC, USA	20-07-2014
	Trans-Fast Remittance LLC, USA	19-10-2014
	Xpress Money Service Limited	22-12-2014
	Western Union Network	07-06-2015
	Placid NK Corporation, USA (Placid Express)	29-06-2015
	Continental Exchange Solution (Ria Financial Service)	06-07-2015
	Aman Exchange Company WLL, Kuwait	24-11-2015
20	Obtained Letter of Appreciation, awarded by Bangladesh Bank	12-04-2016
21	Obtained Patel Award of Sardar Patel Trust, Gujrat India	23-09-2016



UNIQUE ACHIEVEMENTS

1. The bank has opened so far 54 branches maintaining rural urban ratio 1:1 which is the highest number of branches among the conventional new banks. Another 10 branches to be opened within June 2017.
2. At the end of December 2016 Balance Sheet size of the Bank reached to Tk. 45,599.98 million.
3. Bank made robust growth in all respects of its business in 2016 i.e. the operating profit growth 88.58%, total assets growth 24.29%, total deposits growth 24.57%, total loans and advances growth 30.46%, earnings per share growth 163.86%.
4. SBAC Bank Ltd. earns net profit of Tk.949.46 million in 2016 which is the highest among the new generation banks.
5. SBAC Bank Ltd has been able to uphold the quality of its assets at the highest level keeping Non Performing Loan (NPL) "Zero".
6. Among the new banks, SBAC Bank Ltd. was first to go on live with SWIFT and open USD Nostro account with correspondent banks in USA, gets credit line arrangement with foreign bank for LC confirmation and discounting thereof to facilitate foreign trade business.
7. Bank established direct drawing arrangement with Wall Street Finance LLC, USA and Aman Exchange Company WLL, Kuwait. Remittance through Instant Cash and Account Credit has also been started with Transfast Remittance LLC, Placid NK Corporation, Xpress Money Services Ltd., Western Union Network, Ria Financial services, and Turbo Cash under arrangement of Sub-agency/associate member.
8. In order to support the Non-AD (Non-Authorized Dealer) branches, Bank established a central trade processing unit at Head office.
9. To transform the human resources into human asset, Bank established its Training Institute at the beginning of 2014.
10. Bank launched Online Banking Service from the 1st day of its operation.



A view of the Anniversary Ceremony of the Bank

11. Among the new generation banks, SBAC Bank was the first to commence BACPS Operation, Inaugurate EFTN / RTGS Operation and State of the Art Data Centre.
12. To foster inclusive growth, the bank has introduced Tk.10 privileged savings account, senior citizen savings account and students savings account. Besides the bank has obtained "AGENT BANKING" operation approval from Bangladesh Bank which will come into operation soon.
13. To fulfill the target of Green Finance at least 3% of total loan disbursed, the Bank has already formulated "Green Finance Policy" incorporating Bangladesh Bank approved green products duly approved by the Board. Under this policy the loan is being sanctioned and disbursed at flexible terms and subsidized interest rate.
14. To strengthen the organizational capability and human resources base, the bank has selected 100 talented, meritorious and deserving candidates as MTO (Management Trainee Officer) who have come out successful after rigorous selection procedures of which 75 joined the bank.
15. To combat Money Laundering and Terrorist Financing, appropriate measures have been taken.
16. The Bank got "**Letter of Appreciation**" for achieving agriculture finance target in 2016.
17. As an international recognition, the Bank achieved "**Sardar Patel Award 2016**" for the contribution in socio-economic development of our country.

Sardar Patel Award



SARDAR PATEL TRUST

Post Box No. 39, Anand-388001 (Gujarat), India, Ph.:(02692) 250640, Mob: +919909165708
Website: www.spet69anand.org, E-mail: asifthakor7@gmail.com

August 09, 2016

The Managing Director & CEO
SBAC Bank Limited
37 Dilkhusa C/A
Dhaka-1000

Sardar Patel Award for South Bangla Agriculture and Commerce Bank Limited

Dear Sir,

As you know that Sardar Bhallabhai Patel, the secular-spiritual leader of the Subcontinent, who pioneered the Independent movement of India from the British Colonial Rule, is remembered with pride. His contribution in this subcontinent was applauded by everybody. Recalling the contribution of Sardar Patel, the Indian government has made a platform by constituting Sardar Patel Trust for Education and Social Development, targeting to bring peace. By giving award, the Trust also gives appreciation to the national and international organizations for their contribution in Socio-economic development.

So far, the Trust has honoured different country leaders, statesman and organizations including Sri Lankan former President Chandrika Kumaratunga, Bangladesh Prime Minister Sheikh Hasina, Malaysian former Prime Minister Dr. Mahathir Mohammad, the BRAC, Grameen Bank and many more.

We have collected data of different Bangladeshi banks and the Jury Board has selected SBAC Bank Limited for Sardar Patel Award 2016 by analyzing the contribution of the bank in the economic development of Bangladesh.

The award ceremony will be held with the cooperation of Global Economist Forum during 23-24 September 2016 at Anand, Gujarat, India. As usual number of Indian ministers, foreign dignitaries and local elites will present in the award ceremony which will followed by a two-day World Economic and Sports Conference.

The function is included 3-day accommodation, food, airport transfer and site visit for the award recipients (maximum three from an organization). The authority has thus set registration fees of US\$ 3,000 (three thousand US dollars) for every organization.

Please ensure us whether your esteem bank is agreed to receive the award latest by 21 August 2016. It would be convenient to contact with Dr. Enayet Karim, President of Global Economist Forum (Mobile # 01713083876), 62/1 Purana Paltan, Dhaka-1000 for the Bangladeshi recipients. You are also requested to confirm Mr. Asifqbal A. Thakor, Coordinator of the award and conference (Mobile # +919909165708), Anand, Gujarat, India for arranging visa, hotel booking, airport transfer and other logistics.

You are advised to send the passport copies (information pages) for issuing a visa letter without any delay for avoiding the regular crowd of Indian High Commission in Bangladesh for obtaining visa on time.

Wishing success of your bank,

With warmest regards,

Dr. Molan Patel
Member Secretary



LEADERSHIP

THE BOARD AND ITS COMMITTEES

BOARD OF DIRECTORS

Chairman

Mr. S.M. Amzad Hossain

Vice Chairman

Talukder Abdul Khaleque

Directors

Mr. Maksudur Rahman

Mr. Abdul Kadir Molla

Mr. Abu Zafar Mohammad Shofiuddin

Engr. Md. Moklesur Rahman

Mr. Muhammad Mohsin

Captain M. Moazzam Hossain

Begum Sufia Amjad

Mr. Md. Amzad Hossain

Nominated by : Rupsha Fish & Allied Industries Ltd.

Mr. Hafizur Rahman Babu

Mr. Anwar Hussain

Mrs. Tahmina Afroz

Ms. Kamrun Nahar

Mr. Md. Mizanur Rahman

Nominated by M/S. Contech Construction Ltd.

Sk. Shyedujjaman

Mr. Mohammad Nawaz

Mst. Nasima Begum

Nominated by Thermax Textile Mills Ltd.

Dr. Syed Hafizur Rahman,

Managing Director & CEO

Mr. Md. Rafiqul Islam

COMPANY SECRETARY

Mr. Md. Mokaddess Ali

EXECUTIVE COMMITTEE

Chairman

Mr. Abdul Kadir Molla

Members

Mr. Abu Zafar Mohammad Shofiuddin

Engr. Md. Moklesur Rahman

Mr. Muhammad Mohsin

Mrs. Tahmina Afroz

Ms. Kamrun Nahar

Sk. Shyedujjaman

AUDIT COMMITTEE

Chairman

Captain M. Moazzam Hossain

Members

Mr. Hafizur Rahman Babu

Mr. Md. Mizanur Rahman,
Nominated by M/S. Contech
Construction Ltd.

Dr. Syed Hafizur Rahman

RISK MANAGEMENT COMMITTEE

Chairman

Mr. Maksudur Rahman

Members

Mr. Anwar Hussain

Mr. Mohammad Nawaz

Mr. Md. Amzad Hossain, Nominated by
Rupsha Fish & Allied industries Ltd.

SECRETARY TO THE COMMITTEES

Mr. Md. Mokaddess Ali



LIST OF HONORABLE SPONSOR SHAREHOLDERS



Mr. Mohammad Ayub



Mr. A.K. Mizanur Rahman, FCA



Mrs. Hazera Begum
Representing Abdul Gaffar & Co. (Pvt.) Ltd.



Mr. Amit Ganguly Pallab



Mr. Ayaz Waris Khan Warisi



Ms. Farjana Farhad



Mr. Goutam Kumar Kundu



Mr. Shakhawat Hossain
Representing Haji Shakhawat Anwara Eye Hospital Ltd.



Ms. Halima Khatun



Mr. Imtiaz Ahmed



Mr. Iqbal Haider Chowdhury



Mr. Kafil Uddin Bhuiyan



Mr. Mainul Huq Khan
Representing Padma Lamitube Ltd.



Mr. Md. Eathashamul Haque



Mr. Khan Habibur Rahman



Mr. Md. Emdadul Haque



Mr. Md. Mizanur Rahman



Mr. Md. Rezaul Haque



Al-Haj Mizanur Rahman



Mr. Mohammad Abdul Hye



Mr. Mohammad Imran



Mr. Mohammed Ilias



Mr. Mohammed Nazrul Islam



Mr. Motiur Rahman



Mr. Mozaharul Haque Shahid



Mr. Mrinal Kanti Debnath



Ms. Mysa Khabir



Mr. S.M. Alamgir



Mr. S.M. Jahangir



Ms. Sadnam Sadiana



Mrs. Sanawar Bano



Mr. Shahab uddin Khan



Mrs. Shamima Hossain



Ms. Shamsun Nahar Rahman



Mr. Sujit Kumar Saha



Miss Tajori



Mr. Md. Toyamur Islam Rasel



Barrister Ehsan-E-Moazzam
Representing Agrovita Ltd.



Mr. Sajid Mohammad Saad

DIRECTORS' PROFILE



Mr. S.M. Amzad Hossain

Chairman

Mr. S.M. Amzad Hossain, an eminent business personage of the country, has been elected Chairman of the first Board of Directors of South Bangla Agriculture and Commerce Bank Limited on February 20, 2013. A post-graduate from the University of Dhaka Mr. Hossain traversed a long path of business which for himself ramified into trade and other parts of commerce. More than three decades ago Mr. Hossain, in his early twenties, started a humble business in a hinterland at Bagerhat. By dint of all human qualities to the level of excellence his Shrimp cultivation very soon turned him an exporter. In quick succession he established the Lockpur Group which currently comprises 20 corporate

independent units of diversified products. His business acumen and personal salesmanship are behind the national and international prize-winning successes of the concerns of the group which he leads as its Chairman and CEO. A philanthropist Mr. Hossain has established several schools, colleges, mosques and other socio-religious institutions.



Talukdar Abdul Khaleque

Vice-Chairman

Mr. Talukder Abdul Khaleque is the Vice-Chairman of South Bangla Agriculture and Commerce Bank Limited since the inception on February 20, 2013. He graduated from M M City College in 1974. He is a veteran politician of Bangladesh. Mr. Talukder is former State Minister and former Mayor of Khulna City Corporation. Presently, he is a Member of Parliament as well.



Begum Sufia Amjad

Director

Begum Sufia Amjad is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. She has been Director since February 20, 2013. She is also associated with several business firms of Lockpur Group. She is a successful entrepreneur in frozen fish industry. She is the wife of Mr. S.M. Amzad Hossain and a decision maker in Lockpur Group. She is the Chairman of Southern Foods Ltd. She is also the Director of Bagerhat Sea Food Ind. Ltd., Shampa Ice & Cold Storage Ltd., Rupsha Fish & Allied Ind. Ltd., Metro Bricks Ltd., Moon Star Jute Mills Ltd., Western Inn International Ltd., Khulna Builders Ltd. & Khulna Agro Export (Pvt) Ltd.



Mr. Abdul Kadir Molla

Director & Chairman, Executive
Committee of the Board.

Mr. Abdul Kadir Molla is one of the Sponsor Directors of the Bank. He is also the Chairman of Executive Committee of the Board. He obtained his MBA degree from American World University. Mr. Molla is one of the successful ones having huge conglomerates in the spinning, dyeing and knitting industries. He started his business in 1997 and established Thermax Group Ltd. Presently, he is the Chairman & Managing Director of Thermax Textile Mills Ltd., Thermax Melange Spinning Mills Ltd., Thermax Knit Yarn Ltd., Thermax Spinning Ltd., Thermax Blended Yarn Ltd., Thermax Yarn Dyeing Ltd., Thermax Woven Dyeing Ltd., Thermax Yarn Dyed Fabrics Ltd., Adury Knit Composite Ltd., Adury Apparels Ltd., Thermax Check Fabrics Ltd., Sister Denim Composite Ltd., Indigo Spinning Ltd., Thermax Colour Cotton Ltd., Sister Garments Ltd., Sultana Filling Point Ltd. etc. Near about 14,000 (Fourteen Thousand) employments are provided by Thermax Group Ltd. Being 100% export oriented facilities, all the concerns of Thermax Group Ltd. earn foreign currency. Mr. Abdul Kadir Molla is very much fond of education. He is the founder of Panch Kandi Degree College, Monohardi, Narsingdi. He has own

educational institutes like as Abdul Kadir Molla City College, N.K.M. High School & Homes, Abdul Kadir Molla International School. He visited most of the countries in the world. He has a good reputation in overseas business. All the industries and institutes of Thermax Group Ltd. are in "State of the Art" under the dynamic leadership of Mr. Abdul Kadir Molla. He was honored as Commercially Important Person (CIP) in 2012 and as the highest individual tax payer for AY2012-13 for the country and the highest tax payer in Dhaka City Corporation for AY2013-14.



Mr. Maksudur Rahman

Director & Chairman, Risk Management Committee of the Board.

Mr. Maksudur Rahman is one of the Directors of South Bangla Agriculture and Commerce Bank Limited. He is also the Chairman of Risk Management Committee of the Board. He was born in 1950. He is a graduate having 41 years of business experience. He is the founder of the RSRM group and the Ratanpur Steel Re-rolling Mills Limited, one of the concerns of the RSRM group. He is the Managing Director of Ratanpur Steel Re-Rolling Mills Ltd. Upon completion of Graduation, Mr. Rahman started his business in the year 1972 and established a steel Re-rolling Mill in Chittagong in the year 1986. After realizing the business risk and diversification prospect regarding backward linkage, Mr. Rahman planned to start scrap ship breaking in the year 1990 and till now he is one of the pioneer businessmen in Chittagong in this sector. He owns two high-tech scrap ship breaking yard. In the mean-time he has proved himself as one of the intelligent business entrepreneurs in the country. Mr. Rahman gathered multi-dimensional business knowledge and he knows well how to reduce the systematic

risk in the business. As a result his foot print is on the various backward and forward linkage firms in the same industry as well as other business. He is engaged with various social development activities such as member of trustee board of Feni University at Feni, Hakkani Darbersharif Dhakil Madrasha at Faridpur and Chittagong Seniors Club.



Captain M. Moazzam Hossain

Director & Chairman, Audit Committee of the Board.

Captain M. Moazzam Hossain, F.C.I.T., is a Sponsor Director of the Bank. He is also the Chairman of Audit Committee of the Board. He was born on 01 June 1961 in Bangladesh. He obtained his M.Sc. Degree from Bundeswehr University, Germany in 1986. He also qualified Master Class I from Australian Maritime Safety Authority and is a Fellow of Chartered Institute of Transport (FCIT), UK. His student life was full of brilliant academic achievements. He started his career in Bangladesh Navy as a Commissioned Officer in 1980 and later on joined Merchant Fleet and commanded ocean going large ships/vessels as Captain and continued till 1995. Mr. Hossain is a successful entrepreneur, industrialist and a businessman of Bangladesh having diversified experience in the business of Bank, Financial Industries, Stock Brokerage and Investment Banking. Initially, he started his business focusing in Shipping, Ship Chartering and ocean going ship operation but presently he has extended his business and association with Agro based farming & fisheries, Land Developer and Real Estate, Retail chain super shops, River, Seaport and Bay dredging, Insurance, Venture capital, Private Universities and College etc.



Mr. A.Z.M Shofiuddin

Director

Mr. A.Z.M Shofiuddin is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He is a prominent business personality in the country. He obtained B.Com (Hons.), and M.Com (Marketing) degree from University of Dhaka in 1991 & 1992 respectively. He has started his business in 1992 and established SQ Group of Companies which extended to ten subsidiaries presently. He is the Chairman of Techno Electricals Ltd., SQ Wire & Cable Co. Ltd., & SQ Lights Ltd. He is also the Managing Director of TSCO Power Ltd., TS Transformers Ltd., sponsor Director of Microgenix BD Ltd., and Managing Partner of SQ Trading & Engineering.



Engr. Md. Moklesur Rahman

Director

Engr. Md. Moklesur Rahman is one of the visionary industrialists in Bangladesh. He is one of the Directors of South Bangla Agriculture and Commerce Bank Limited. He obtained his B.Sc. Civil Engineering degree from Chittagong University of Engineering and Technology (former Chittagong Engineering College), one of the top universities in Bangladesh. He has always been a dreamer and wanted to run his own business since the early age, after gaining experience while working in Gemcon Group. On 29 May, 2001, he finally realized his dream and started Contech Construction Ltd., one of the most highly respected SPC Piles & Poles suppliers in Bangladesh. He is a self made man, and did not inherit his business from anyone but founded Contech Construction Ltd. with the sweat of his brow. His amazing track record did not stop there. Later on 09 February, 2004 he founded Pre-Stressed Poles Ltd., to meet the exceptional demand for SPC Poles. He has always been forward thinking and wanted to diversify his business into other sectors. His largest start up to date has been B&T Cables Ltd. established on 11 January, 2005 to supply electrical wires and is the largest income generator in the B&T Group. Mr. Rahman is a hard working man and had

still not quenched his thirst for running new businesses and helping the economy of Bangladesh to grow. He also founded B&T Cold Storage, providing affordable perishable storage facilities to the mass of Bangladeshi farmers. He has always been a civil engineer at heart and founded B&T Development Limited, building apartments in prestigious locations in Dhaka such as Lalmatia, Banani, Gulshan & Khilgaon as well as providing affordable housing solutions elsewhere in Bangladesh. From his humble beginnings, he has come a long way to be one of the founding sponsor directors of South Bangla Agriculture and Commerce Bank Ltd. Since then, Mr. Moklesur Rahman has set his sights on giving back to the community of Bangladesh, the very same people who helped him reach where he is right now. He has donated generously to a number of educational and religious institutions, providing for the underprivileged people of Bangladesh with basic amenities such as food, clothing and shelter. Married to Mrs Quamrun Nahar and with two children, Engr. Md. Moklesur Rahman always believes in being honest and hard working.



Mr. Muhammad Mohsin

Director

Mr. Muhammad Mohsin is one of the the Sponsor Directors of South Bangla Agriculture and Commerce bank Limited. He obtained his MSS degree from Chittagong University in 1990. He has been in the business operation since 1982. With his tremendous managerial capacities and his foresight, Mr. Mohsin has built his business conglomerate with range of business. He is the Managing Director of Saad Musa Group and also the Managing Director of SM Avenue Motors, Chittagong Fibre Boards Ltd., Rokeya Spinning Mills Ltd., Emdad Etima Spinning Mills Ltd., Mahmud Sajid Cotton Mills Ltd., Sultana Habiba Fabric Mills Ltd., Saima Samira Textile Mills Ltd., M A Rahman Dyeing industry Ltd., Saad Musa Hometex & Clothing Ltd., Hasni Vanaspati Manufacturing Company Ltd., Ahmadi Oil Mills Ltd., Al-mustafa Industry Ltd., Saad Musa Property Management Ltd., Shade Developers Ltd., Saad Musa City Center, Saad Musa Fabrics Ltd. (Weaving Division), Saad Musa Fabrics Ltd. (Dyeing & Printing Division), Saad Musa Fabrics Ltd. (Garments Division), Cresnet Industries Ltd, and he is also the Director of BTMA Executive Committee. Mr. Mohsin is a renowned Industrialist. His outstanding

performance & contribution towards the development of National Economy are praise worthy. Due to his perseverance, Saad Musa Group was awarded with the National Export Trophy in the year 2010-11 & 2011-12 respectively and he is also selected as Commercially Important Persons (CIP) by the Bangladesh Govt. Under his dynamic leadership, he is also helping in promoting industrial development, exchange earning, job creation and poverty elevation of the country. His contribution towards the social activities is also remarkable. Mr. Mohsin is the founder Director of many schools, colleges & hospitals and also involved with other social activities. He is the founder Director of Chittagong Metropolitan Hospital Ltd., Imperial Hospital Ltd., South Point School & College, Chittagong Ideal School & College, South East University, National English School, Proactive Medical College & Hospital Ltd. & Asian Hospital Ltd. etc.



Mr. Hafizur Rahman Babu

Director

Mr. Hafizur Rahman Babu is one of the prominent business persons and renowned entrepreneurs of the country. He is a sponsor Directors of South Bangla Agriculture & Commerce Bank Ltd. and the Chairman of S.B. Group, a leading group of companies in Bangladesh which was established in the year 1990. The S.B. Group of companies is working in wide range of business activities with different subsidiary companies like S.B. Agro Fertilizer Limited, Sheikh Jute Mills Limited, Sheikh Cement Mills Limited, Joytun Securities International Limited, Joytun Developers Limited, Gold Hill Properties Limited, Joytun Tours & Travels etc. He is also the Member of Dhaka Stock Exchange Limited representing Joytun Securities International Limited. Besides, he is one of the founders of the Canadian Trillium School. He participated in various professional workshops and seminars at home and abroad and is also associated with many social, cultural and charitable organizations.



Mr. Anwar Hussain

Director

Mr. Anwar Hussain is one of the Sponsor Directors of the Bank. He is a young, well reputed and emerging business man in the country. He has obtained Bachelor Degree in Business Administration. He is a Proprietor of Anwar Corporation, Managing Director of H.A.R Industries Ltd., Director of Abdul Gaffar & Co. (Pvt) Ltd., Asuka CNG Refueling Station Ltd., SAFAH CNG Refueling Station Ltd. and AGI Corporation. His goal is to bring in new innovation and dynamism in his company.



Mst. Nasima Begum

Director

Nominated by Thermax Textile Mills Ltd.

Mst. Nasima Begum is one of the Directors of the Bank nominated by Thermax Textile Mills Ltd. She is a notable business person in the country particularly in the Garments sector. She is a director of Thermax Textile Mills Ltd., Thermax Knit Yarn Ltd., Thermax Blended Yarn Ltd., Thermax Spinning Ltd., Thermax Melange Spinning Mills Ltd., Adury Knit Composite Ltd., Adury Apparels Ltd., Thermax Yarn Dyeing Ltd., Thermax Woven Dyeing Ltd., Thermax Yarn Dyed Fabrics Ltd., Indigo Spinning Ltd., Sister Denim Composite Ltd., Thermax Check Fabrics Ltd, Thermax Colour Cotton Ltd., Sultana Filling Point Ltd. and Adury Fashion and Print Ltd. Besides her praiseworthy contribution to the economy, she has a remarkable contribution to the social development through her involvement with numerous Social Organizations and Educational institutes. Mst. Nasima Begum is the founder of N.K.M. High School & Homes, one of the members of governing body of Abdul Kadir Molla City College and also a member of Mazid Molla Foundation.



Mr. Md. Amzad Hossain

Director

Nominated by Rupsha Fish & Allied Industries Ltd.

Mr. Md. Amzad Hossain is one of the Directors of the Bank nominated by Rupsha Fish & Allied Industries Ltd. He started his banking career as Probationary Officer in Pubali Bank Ltd. in the 1975. Thereafter, he joined Bangladesh Commerce Bank Limited Higher Position of the said Bank with diversified responsibilities. Besides the above career, Mr. Md. Amzad Hossain is also a Director of Bangladesh Poly Printing International Limited, Ideal Polymer Export Ltd., International Core Factory Ltd., Khulna Printing and Packaging Ltd. He is also a Freedom Fighter of Bangladesh Liberation War.



Ms. Tahmina Afroz

Director

Mrs. Tahmina Afroz is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. She obtained her B.Sc. degree from Dhaka University. She is a notable business person in the country particularly in the Health Care Sector. She is also a Director of Anwer Khan Modern Medical College Hospital Ltd., Modern Diabetic Centre Ltd., Modern Holdings Ltd. and Haji Shakhawat Anwara Eye Hospital Ltd. She is a sponsor shareholder of Far East Finance & Investment Ltd.



Ms. Kamrun Nahar

Director

Ms. Kamrun Nahar is a Sponsor Director of South Bangla Agriculture and Commerce Bank Limited. She is a successful housewife in her personal life. Besides that, she is a successful businesswoman as well. She has business interest in diversified fields such as Insurance, Aviation and Travel, Education, Medical Services, Construction etc. She is also a founder and patron of different socio-cultural organizations in the country. She is the wife of Mr. Motiur Rahman who is ex-Director of the Bank and Chairman of MK Group.



Dr. Syed Hafizur Rahman

Independent Director

Dr. Syed Hafizur Rahman is an Independent Director of South Bangla Agriculture and Commerce Bank Limited. He obtained his Masters (Economics) Degree from Rajshahi University in 1982 and achieved the Ph.D. in Economics from Ochanomizu University, Japan in 1990. As a Scholar of Economics Dr. Rahman has contributed to the Knowledge through his publications such as 'Economics Development and To be Done' and 'Sankita Sankalpa'. Immediately after completing his Academic as well as professional education, Dr. Rahman started to implement his theoretical knowledge at Business Sector as an Entrepreneur and Established ShrimpeX.com, Coal Mark and Alliums Trade Associate. Presently, Dr. Rahman has a notable Contribution to the frozen food, coal marketing and Packaging Accessories sector of Southern zone. He is highly respected for his contribution to the society through his numerous welfare works and well recognized for his involvement with various socio-economic organizations such as, Bangladesh Economic Association, Bangladesh Red Crescent Society, Bangladesh Human Rights Commission, Bangladesh Debating Society, Khulna University & Rotary District Hospital, Umesh Chandra Public Library, Rajshahi University Alumni Association and Sonali Otis Club and Khulna Club Ltd., He is also the Chairman of SEED (Autistic Child Care Organization) and Trustee Board Member of BNSB Eye Hospital, Khulna.



Mr. Md. Mizanur Rahman

Director

Nominated by M/S. Contech Construction Ltd.

Mr. Md. Mizanur Rahman is one of the Directors of the Bank nominated by M/S. Contech Construction Ltd. He obtained his M.Com (Accounting) degree from Jagannath College & University in 1979. He is the Executive Director of Contech Construction Ltd. including its following sister concerns which are B & T Cables Ltd., B & T Development Ltd., B & T Cold Storage Ltd., B & T Distribution Ltd. & Pre-stressed Pole Ltd. Prior to joining the B & T group, he had served in several managerial position in Bangladesh Forest Industries Development Corporation for about 30 years. He also participated in different training courses from Management Development Centre & Bangladesh Institute of Management.



Mr. Mohammad Nawaz

Director

Mr. Mohammad Nawaz is one of the Directors of South Bangla Agriculture & Commerce Bank Limited. He is a renowned and successful industrialist of the country having diversified business portfolio. Mr. Nawaz was born in a respectable Muslim Family at Dhaka in July 25, 1975. He obtained his B.Sc. and Masters (Marketing & Management) Degree from University of Plymouth. In 2003, He did a Ph.D. in Chemistry as well. After returning to the Country in 2004, He started Famous Printing & Packaging Limited (famouspack), one of the leading flexible packaging industry supplying laminates to multinational companies such as Unilever, Pepsi, Coca Cola, Reckit Benkiser, Bayer, Syngenta etc. Famouspack also supply laminates to local corporate organizations, namely Square, Pran, Cocola, ACI, Ispahani etc. In 2005, He started Famous Iberchem Flavour & Fragrance Limited (joint venture with Iberchem Spain), the only manufacturer of Fragrance and Flavours in Bangladesh. Their client list includes - Square, ACI, Keya Cosmetics, Kohinoor, Cocola, Olympic, Nabisco, Olympic etc. He is also Director of Eden Multicare Hospital (100 bed hospital) in Dhanmondi. He is a member of Board of

Trustee in South East University, one of the leading private university of Bangladesh. He is also the Director of Famous Group of Companies Limited, Famous Printing & Packaging Ltd, Famous Iberchem Flavours & Fragrances Ltd., Famous General Agencies Ltd., Matcon limited, F.S. Printing & Packaging Ltd., Green Soap & Chemical Co. Ltd., and Famous Flavours & Fragrances Ltd.



Mr. SK. Shyed-Uj-Jaman
Director

Mr. SK. Shyed-Uj-Jaman is a Sponsor Director of South Bangla Agriculture and Commerce Bank Limited. He is a young and emerging entrepreneur of south Bengal. He obtained B.B.A. and M.B.A (Marketing) degree from AMC College, Bangalore in 2001 & 2003 respectively. He is a successful businessman in the frozen food industry. He is the Director of Rupsha Fish & Allied Ltd., Proprietor of M/S Towhid Fish and M/S Chaity Fish. He is a man of strong moral values and believes in ethical investment.



Mr. Md. Rafiqul Islam
Managing Director

Mr. Md. Rafiqul Islam is the Managing Director and Chief Executive Officer (CEO) of South Bangla Agriculture & Commerce Bank Ltd. He joined the Bank on April 1, 2013 and prior to assuming his current position, he was a Deputy Managing Director of Al-Arafah Islami Bank Ltd. Being recruited through Bankers Recruitment Committee, C/O Bangladesh Bank as Probationary Officer (Senior Officer), he started banking career in Pubali Bank Limited in 1977. In 1987 he joined National Bank Limited and served there for 10 years as Head of Kustia and Jessore Branch. In 1998, he joined Prime Bank Ltd. and was Head of Khulna Branch, Dilkusha Branch and also Head of Export Finance & Credit Division, Head Office. In 2007, he joined Jamuna Bank as Head of Principal Branch, Dilkusha and also served as Head of Foreign Exchange Branch, Motijheel, Dhaka. In 2009, he joined Al-Arafah Islami Bank Limited as Deputy Managing Director where he was assigned to look after Investment Portfolio including others. Mr. Islam has attended several banking related training programs and workshops both at home and abroad. He obtained his Post Graduation Degree from University of Dhaka, having a brilliant academic Background.



Management Committee of the Bank

Sl. No	Name	Designation	Position in the committee
1	Mr. Md. Rafiqul Islam	MD & CEO	Chairman
2	Mr. Md. Golam Faruque	SAMD	Member
3	Mr. Mostafa Jalal Uddin Ahmed	AMD	Member
4	Mr. Md. Ghulam Nabi	SEVP	Member
5	Mr. Md. Mamunur Rashid Molla	SEVP	Member
6	Mr. Shafiuddin Ahmed	SEVP	Member
7	Mr. Md. Mizanur Rahman	SVP	Member
8	Engr. Salauddin Ahmed	SVP	Member
9	Mr. Md. Masoodur Rahman	SVP	Member
10	Mr. Mohammad Asadul Haque	SVP	Member
11	Mr. Md Abu Bayazid Sk	VP	Member
12	Mr. Md. Mokaddess Ali	VP	Member Secretary
13	Mr. Md. Shafiul Azam	FVP	Member
14	Mr. Mannan Bapari	FVP	Member



List of Executives of the Bank

SL NO	Name	Designation
1	Mr. Md. Rafiqul Islam	MD & CEO Head Office
2	Mr. Md. Golam Faruque	SAMD Head Office, Dhaka
3	Mr. Mostafa Jalal Uddin Ahmed	AMD Head Office, Dhaka
4	Mr. Md. Ghulam Nabi	SEVP HRD & GSD, Head Office
5	Mr. Mohammed Salim Chowdhury	SEVP Agrabad Branch, Chittagong
6	Mr. Md. Mamunur Rashid Molla	SEVP Credit Division, Head Office, Dhaka
7	Mr. Shafiuddin Ahmed	SEVP International Division, Head Office, Dhaka
8	Mr. Md. Kamal Uddin	EVP Principal Branch, Dhaka
9	Mr. Md. Nurul Azim	EVP Gulshan Branch, Dhaka
10	Mr. Md. Altaf Hossain Bhuyan	EVP Banani Branch, Dhaka
11	Mr. Md. Mizanur Rahman	SVP ICT Division, Head Office
12	Mr. Md. Masoodur Rahman	SVP FAD, Head Office, Dhaka
13	Mr. Mohammad Asadul Haque	SVP Treasury Division, Head Office, Dhaka
14	Mr. Md. Saiful Islam	SVP Nawabpur Branch, Dhaka
15	Mr. Salahuddin Ahmed	SVP ICCD, Head Office, Dhaka
16	Mr. Abu Bayazid SK	VP BOD, Head Office, Dhaka
17	Mr. Yousuf Solaiman Russel	VP Dhanmondi Branch, Dhaka
18	Mr. Md. Mokaddess Ali	VP Board Division, Head Office, Dhaka
19	Mr. S.M. Iqbal Mehedi	VP Khulna Branch, Khulna
20	Mr. Emdad Haider	VP EPZ Branch, Chittagong
21	Mr. Asirul Haque	VP Panthapath Branch, Dhaka
22	Mr. Mohammed Imtiaz	VP Jubilee Road Branch, Chittagong
23	Mr. Foysal Ahmed	VP ICCD, Head Office, Dhaka
24	Mr. Minhazul Islam	VP Marketing Division, Head Office, Dhaka
25	Mr. Md. Monzur Murshed Khan	VP Rajshahi Branch, Rajshahi
26	Mr. Md. Sajedul Alam Khan	VP Jessore Branch, Jessore
27	Mr. Md. Rashed Mahbub Rabban	VP Agriculture Credit Department, Head Office, Dhaka
28	Mr. Muhammed Nizam Uddin	VP Uttara Branch, Dhaka
29	Mr. A.N.M. Moyeej Ahmed	FVP Principal Branch, Dhaka
30	Mr. Abu Salem Mohammad Hojaiffa Noman	FVP Mirpur Branch, Dhaka
31	Mr. Mohammad Shafiul Azam	FVP Card Division, Head Office, Dhaka
32	Mr. Sahab Uddin	FVP Bhatary Branch, Chittagong
33	Mr. Mannan Bapari	FVP CAD & RMD, Head Office, Dhaka
34	Mr. Mohammed Anwarul Kabir	FVP Gulshan Branch, Dhaka
35	Mr. Md. Mostafizur Rahman	FVP ICCD, Head Office, Dhaka
36	Mr. Md. Ziaul Latif	FVP Panthapath Branch, Dhaka
37	Mr. Md. Abdul Mannan	FVP Credit Division, Head Office, Dhaka
38	Mr. Md. Mahbubur Rahman	FVP Rangpur Branch, Rangpur
39	Mr. Md. Fakhruul Islam	AVP ICT Division, Head office
40	Mr. Sheikh Sharfuddin	AVP Motijheel Branch, Dhaka
41	Mr. Md. Mazharul Hasan	AVP ID, Head Office, Dhaka
42	Mr. Dewan Arifur Rahman	AVP Treasury, Head Office
43	Mr. A.N.M. Mejbahul Hasan	AVP ID, Head Office, Dhaka
44	Mr. Md. Sayeed Bin Islam	AVP Banani Branch, Dhaka
45	Mr. Hasan Mahmud	AVP ICCD, Head Office, Dhaka
46	Ms. Sultana Razia	AVP Dhanmondi Branch, Dhaka
47	Mr. Md. Delowar Hossain Mondol	AVP Bogra Branch, Bogra
48	Mr. Mohammad Yousuf Chowdhury	AVP Nasirabad Branch , Chittagong
49	Mr. Md. Shahidur Rahman	AVP Satkhira Branch, Satkhira
50	Mr. Bidhan Kumar Saha	AVP Katakhal Branch, Bagerhat
51	Mr. Md. Khalequzzaman	AVP Uttara Branch, Dhaka
52	Mr. Sankar Kumar Ghosh	AVP Narayangonj Branch , Narayangonj
53	Mr. Husban Ahmed Chowdhury	AVP Sylhet Branch, Sylhet
54	Mr. Md. Kamal Hosen	AVP Natore Branch, Natore
55	Mr. Syed Hafij Ahmed	AVP Barisal Branch, Barisal

CHAIRMAN'S ADDRESS



Bismillahir Rahmanir Rahim

Honorable Stakeholders, Distinguished Guest, Honorable Members of the Board, our dedicated Management Team and Staffs of South Bangla Agriculture and Commerce Bank Limited, Assalamualaikum and good morning.

I feel privileged and honored to welcome you all to the 4th Annual General Meeting of South Bangla Agriculture and Commerce Bank Limited. I take this opportunity to express my sincere gratitude and heartfelt thanks for your trust, confidence, support and continued co-operation for successful completion of the year 2016. On behalf of the Board of Directors I am delighted to present the Annual Report 2016 of the Bank for the year ended on December 31, 2016.

I, with a feeling of great pride want to let you know that, we completed the journey of 4 years this year and we are marching on forward with a positive trend in all respect of financial performance. Hope, our Annual Report 2016 has been comprehensive enough, so that you all can clearly perceive our operational and financial performances.

My honourable fellow shareholders,

As you are aware that Global growth for 2016 is now estimated at 3.1 percent, in line with the October 2016 forecast. Economic activity in both advanced economies and emerging market and developing economies (EMDEs) has been forecasted to accelerate in 2017-18, with global growth projected to be 3.4 percent and 3.6

percent respectively. But the updated World Economic Outlook (WEO) of January 2017 publishes that, Global output growth is estimated at about 3 percent (at an annualized rate) for the third quarter of 2016-broadly unchanged relative to the first two quarters of the year. There has been a stronger-than-expected pickup in growth in advanced economies. After a lackluster outturn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies.

This forecast is based on the assumption of a changing policy mix under a new administration in the United States and its global spillovers. This WEO forecast also incorporates a firming of oil prices following the agreement among OPEC members and several other major producers to limit supply.

The outlook for advanced economies has improved for 2017-18, reflecting somewhat stronger activity in the second half of 2016 as well as a projected fiscal stimulus in the United States. Growth prospects have marginally worsened for emerging market and developing economies.

The picture for emerging market and developing economies (EMDEs) remains much more diverse. The growth rate in China was a bit stronger than expected, supported by continued policy stimulus but activity was weaker than expected in some Latin American countries currently in recession, such as Argentina and Brazil, as well as in Turkey, which faced a sharp contraction in tourism revenues. Activity in Russia was slightly better than expected, in part reflecting firmer oil prices.



Elsewhere in emerging Asia, growth was also revised down in Indonesia, reflecting weaker-than-projected private investment, and in Thailand, in light of a slowdown in consumption and tourism. In Latin America, the growth downgrade reflects to an important extent more muted expectations of short-term recovery in Argentina and Brazil following weaker than-expected growth outturns in the second half of 2016. In the Middle East, growth in Saudi Arabia is expected to be weaker than previously forecast in 2017 as oil production is cut back in line with the recent OPEC agreement, while civil strife continues to take a heavy toll on a number of other countries.

Recent political developments widening of global imbalances coupled with sharp exchange rate movements increased restrictions on global trade and migration would hurt productivity and incomes. High corporate debt, declining profitability, weak bank balance sheets, and thin policy buffers imply the underlying vulnerabilities within these economies and these economies are still exposed to tighter global financial conditions.

According to the latest IMF and World Bank projections, global inflation is on an upward trajectory, edging up from their recent lows. Commodity prices are expected to rise in 2017, with oil prices increasing by over 20 percent, following a decline of over 15 percent in 2016. Non-energy prices are also projected to go up, reversing a decline of 3.1 percent in 2016.

Inflation in Euro zone picked up in December 2016 on the back of surging oil prices, recording at 1.1 percent, nearly double the rate of 0.6 percent in November 2016 and the highest in more than three years. In 2015, consumer price inflation in advanced economies was, at 0.3 percent, the lowest it had been since the global financial crisis. It edged up to about 0.5 percent in the first half of 2016 as the drag from oil prices diminished. Inflation has held steady in emerging market and developing economies as exchange rates remained broadly stable-or appreciated-in many countries and the effects of past exchange rate depreciations began to fade.

In Bangladesh both food and non-food CPI (consumer price index) inflation moderated, aided by favorable agricultural production, modest rise in global commodity prices, and cautious monetary policy stance. Average CPI inflation declined to 5.5 percent by December 2016, a five-year low and well within the FY17 ceiling. Bangladesh Bank (BB) projects annual average inflation to be around 5.3-5.6 percent in FY17. Projected rise of global commodity prices in 2017, however, may continue exerting some upward pressure on domestic prices.

Bangladesh Bank has taken various initiatives aimed at a socially responsible financing ethos and mainstreaming financial inclusion initiatives. A strategic focus has been placed on nudging finance toward

fostering social cohesion by devising policies to create a stronger base of the pyramid. Furthermore, given our population density and vulnerabilities to weather shocks and climate change, environmental sustainability is a central part of the national growth strategy.

My fellow shareholders,

I am pleased to share that Our Bank registered operating profit of Tk. 1,519.88 million showing the growth rate of 88.58% in respect of the previous year. Bank's total deposit rose to 38,337.20 million in 2016 which was 24.57% higher than previous year. Loans and Advances registered a growth of 30.46% by reaching Tk. 30,174.09 million in the year under review. Foreign trade was Tk. 25,961.60 million against Tk. 20,847.8 million in 2015, portraying a growth rate of 25.00%.

Earnings per Share (EPS) stood at Tk. 2.19. Non Performing Loans (NPL) ratio was 0% in 2016. Total Shareholders' Equity increased to Tk. 5,616.30 million in 2016 experiencing 15.08% growth over that of 2015. Return on Assets (ROA) was 2.31% and Return on Equity (ROE) was 18.09% as on December 31, 2016. Net Interest Margin (NIM) stood at 89.41% at the year end December 2016. At the end of 2016, Bank's capital to Risk Weighted Assets Ratio (CRAR) under Basel III was 18.59% against central bank's requirement of 10.625% (including buffer capital).

Taking into consideration all the macro economic constraints, the bank made a remarkable operating profit of Tk. 1,519.88 million and profit after tax increased by 165.21% from Tk. 949.46 million the previous year to Tk. 358.00 million.

Honorable Members,

Our Bank has strengthened its position in the Banking Industry not only in terms of leadership in key business segments, but also on technology platform, service excellence and business capabilities. In this regard, our Board is committed to formulate strategy for Information Technology (IT) and policy documents which ensure that IT strategy is aligned with business strategy.

We are determined to utilize new technology and launch innovative digital products & services to optimize the banking experience of our clients as well as attract and retain customers. During 2016, we continued to implement Technological Development and have made concerted efforts to simplify our IT Landscape. We could also be able to reduce time to market our banking products, ensuring system reliability and performance in information security risk management. In addition, new important tasks were added, including quality assurance for implemented software, cutting IT support costs and developing business growth platforms to facilitate the Bank's strategic advantage in the banking market. These enable our Bank to provide a secure, superior and seamless service experience to our customers.

In its constant endeavor to ensure customer

satisfaction, our Bank as an early adopter of technology has made significant efforts to introduce a host of services and facilities in 2016 as under:

- The Bank has upgraded its key Systems i.e. CBS & other Banking applications, Payment infrastructure etc. to their latest versions enabling access to new features, enhanced security and better scalability to meet growing demand of customers.
- A comprehensive Banking Dashboard and Reporting Tool has been implemented which is capable to generate various kinds of MIS Reports, Business Intelligence (BI) Dashboard, dynamic BI Reporting & Analysis etc.
- Initiatives have been taken to launch secured & user friendly Internet Banking for all customers which offers 24/7/365 banking to get a wide range of services gradually such as Fund Transfer, Mobile Top-up, Utility Payments etc. In this connection, customization and User Acceptance Testing (UAT) are underway and will be introduced shortly.
- Introducing One Time Password (OTP) based Network Access Control System to strengthen information security of banking IT functions
- ATM including CDM network has been expanded across the country allowing customer quick access to money.

During the year, many training programmes had been attended by the Bank's officials in premier institutions to keep themselves abreast of the advancements in IT, Information Security etc. Further, the Bank has conducted training programme for Bank Officials on awareness of Cyber Securities and Operations of CBS etc.

Therefore, recognizing that information technology plays an important role in the growth of a bank, SBAC Bank continues to invest and harness powerful solutions that will allow it to expand its market reach and address the changing needs of the clients.

Our Bank nourishes the commitment of service excellence, providing diversified and innovative Card products to its clients through latest technological facilities. To achieve the vision we are committed for providing the customer an uninterruptable round the clock transaction facilities. For the purpose SBAC Bank launched ATM/CDM services along with Debit card operations on 9th March 2014. We are now connected with more than 31 consortium banks and approximate 2000 shared ATMs through the consortium in all over the country. So far SBAC bank deployed 18 ATMs, 2 CDMs in different branch locations of the country and more ATMs are yet to be set up with new and existing branches soon.

For issuing credit cards, we have got Associate Membership from VISA Worldwide Pte. Ltd. on 1st

March 2017. After completing all sorts of formalities and system level parameter settings in Card Management system we have started issuing VISA Debit & Credit Cards from 9th June 2016. Considering the issue of cyber security, we have launched EMV Chip Card (Europay, Master and VISA platform) which is a global standard for credit and debit cards based on chip card technology. In accordance with initiatives of Bangladesh Bank, we have joined National Payment Switch Bangladesh (NPSB) In October 2014. As a result our card holder can withdraw cash from any Bank ATM countrywide, at the same way any Bank cardholder can withdraw money from SBAC Bank ATMs. Now SBAC Bank cardholder can get access to more than 7,600 ATMs countrywide for using their Debit cards.

Distinguished Shareholders,

We strive to practice and follow standard principles in accordance with the guidelines from Bangladesh Bank to ensure corporate governance and we are in constant efforts for adhering to the rules, regulations and guidelines of regulatory authorities. Our Bank believes implementation of good governance across the organization is the cornerstone of sustainability particularly when it involves dealing with multiple stakeholders including public depositors. The bank is currently fully compliant with the guidelines and directives of Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC) in its operation. Among the new Banks, our bank is the first to appoint Independent Director as per the provision of laws. To protect the interest of the stakeholders including depositors and shareholders, all statutory/assistive committees such as Executive Committee, Risk Management Committee, and Audit Committee remained functional round the year. Board always reviews the minutes of the committees of the board whereas Audit committee examines the adequacy of internal control and oversight functions on behalf of the Board of Directors. Other committees also play pivotal role as per their Terms of References (ToR).

As part of disclosures under Basel II and III, all the reports are published in the well circulated national dailies and communicated to the regulatory authorities including hosting on the Bank's website in accordance with their guidelines. All material information is incorporated in the reports so that the shareholders and broadly the stakeholders can get a true and fair view of the bank to facilitate their investment decisions

Dear Shareholders,

The bank continues to play its active role in Corporate Social Responsibility (CSR) specifically focusing on Healthcare, Education, Environment, Disaster Management, Art & Culture and other social welfare oriented arena, the details of which are given herein for your cognizance. For the sake of carrying out the CSR program in accordance to our objectives, the Board of



Directors in its 56th meeting held on December 27, 2016, decided to establish a foundation named "South Bangla Agriculture and Commerce Bank Foundation". We have granted our financial supports to Bangladesh Football Federation for "Bangabandhu Gold Cup International Football Tournament 2016", Child Day Care Center in Motijheel, Establish and Operate a Proyash School in Rangpur by Bangladesh Army, Holy Family Red Crescent Medical College Hospital to renovate and purchase of healthcare equipments, Various educational institutions, Bangladesh Red Crescent Society (Jessore), Khulna Shishu Hospital etc. Our Bank donated a healthy sum of Money to Prime Minister's Relief Fund and Blankets to Cold affected people in 2016. Notably, the Bank has donated Tk. 5,00,000.00 (Five lac) to build a home for the blind family of Mr. Md. Haris Mia who leads the family having four blind members. You will be happy to learn that on account of CSR activities, we expended Total of Tk. 3,28,54,709.70 (Taka Three Crore Twenty eight lac fifty four thousand nine and Paisa seventy Only) in the year 2016.

My honorable Colleagues,

The overall business environment in the banking sector 2016 was significantly more challenging than which was originally predicted. The operating profits of the country's Private Commercial Banks (PCBs) showed a mixed trend in 2016 mainly due to declining weighted average of spread between lending and deposits rates, sluggish trend in country's capital market and huge provisioning against non performing loans. A number of PCBs have been able to record only a modest growth of their operating profits.

Amidst all odds, I am pleased to share that our Bank registered operating profit of Tk. 1,519.88 million 88.58% increase than the previous year. The Board of Directors recommended 15% stock dividend for the year ended December 31, 2016 which indicates the excellent performance of the Bank.

The year 2017 shall be another Challenging year for us due to high competition in the banking sector and cautious growth in the private investment. We shall have to compete with many competitors with strong position in the industry.

Excess of liquidity of the banking sector has been increasing over the years mainly due to a noticeably low level of demand for credits in the private sector. This low level of demand for loans and advances on the part of the private sector has been because of the worsen business situation of the country both in domestic and international market. Another reason behind the slow growth of credit is the rigid attitude of banks and financial institutions in giving loans due to a number of scams occurred in recent years.

There has been a shortage of efficient and effective human resources in the banking sector of Bangladesh.

In the backdrop of this shortage unhealthy and unethical practice of hunting from peer banks has become a regular phenomenon, which creates misunderstanding among friendly organizations; this should be avoided. Considering the fact, we are cautious to manage our human resources. As a part of motivation of Human Resources, the Board of Directors in its 59th meeting held on March 5, 2017 decided to increase the salary by 20%.

We are very much optimistic that the macroeconomic fundamentals will take further positive and stable trend in 2017 but at the same time there exist challenges to face in our journey ahead because the roads sometimes are bumpy and not smooth all along. We believe that private sector credit will pick up along with the new dimension in the overall economic activities spurring the economic growth.

I believe Bangladesh economy will continue to grow and macro-economic stability would exist as political stability has already returned. As all are optimistic, Bangladesh will maintain positive growth momentum and the bank shall perform well and grow in 2017 and beyond as we are always committed to building organization on sound fundamentals, prudence, diligence and financial acumen.

At last, but not the least and with immense pleasure and gratefulness, I express deep respect and thanks to the valued customers, indispensable patrons, dear shareholders, Board Members and the management for supporting to maintain satisfactory performance of the Bank. I would like to thank the Management for their decision making skills under different macro-economic situations and believing in the vision of the Bank and taking it forward despite the typical challenges each year industry has to face toughness in varied forms. My deepest gratitude goes to the regulators specially Bangladesh Bank, Bangladesh Securities and Exchange Commission, Registrar of joint stock companies & Firms and external auditors for their invaluable guidance from which we have found proper direction, inspiration, confidence and the passion to excel.

Finally, I would like to end with the note that our march to excellence is ongoing and will continue through various 'strategic routes' setting aside the adversities & the challenges due to its strong pillars of fundamentals. We, therefore, hope that you will be part of our continuous journey to a brighter, rewarding 2017 and so on.

Thank you all for your continued support and for being with our Bank.

On behalf of the Board of Directors

S. M. Amzad Hossain
Chairman



OVERVIEW OF MANAGING DIRECTOR & CEO

"SBAC Bank Ltd has been able to uphold the quality of its assets at the highest level keeping Non Performing Loan (NPL) "Zero", maintain adequate capital, liquidity and improve quality of customer services. We have already opened 54 branches with full-fledged online banking facilities and achieved expected progress in all areas in 2016 having Balance Sheet Size of Tk.45, 599.98 million and net profit of Tk.949.46 million being the highest among the new generation banks"

Bismillahir Rahmanir Rahim,

I am very privileged and feel honored to present the progress and achievements of the bank for the year 2016. Despite challenges of competition in the banking industry especially being a new generation bank, downward trend of yield on advances, increasing Non Performing Loan (NPL) in the Banking industry and excess liquidity pile up with the banks, SBAC Bank Limited has been able to record progress in almost all the areas of operation in 2016 keeping NPL at "Zero". The bank has earned Tk. 1,519.83 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities, developed work environment with effective and efficient workforce and took appropriate measures for Risk Management.

The sound development of a Bank cannot take place when it is not serving in a healthy, growing real economy. Global growth is expected to pick up to 3.4 percent in 2017 and 3.6 percent in 2018,

according to the IMF World Economic Outlook Update, January 2017. Growth in emerging market and developing economies is expected to rise slightly in 2017 to 4.5 percent. Despite an improving outlook for the advanced economies, growth risks have increased reflecting policy uncertainties and implementation risks, accompanied by the balance sheet weaknesses in the euro area, geopolitical tensions in the Middle East and other parts of the world. In Asia, India's growth forecast for the current fiscal year has been trimmed by one percentage point to 6.6 percent, largely due to the negative spillovers on consumption and investment from the demonetization measures. China's growth forecast has been revised up to 6.5 percent in 2017, due to expectation of continued policy support but the risks of a sharper slowdown from rapid credit growth-related vulnerabilities remain elevated. This forecast is based on the assumption of a changing policy mix under a new administration in the



United States and its global spillovers. Staff now projects some near-term fiscal stimulus and a less gradual normalization of monetary policy.

Bangladesh economy showed its resilience in all economic indicators registering 7.11% GDP growth against 4.1% GDP growth of developing countries. The Government of Bangladesh projected the economic growth at 7.2% for 2017-2018. The country entered into lower middle income group on World Bank's classification. The international reserve stood at USD 32092.2 million at the end of December 2016 which was more than six months import cost. The private sector credit growth exceeded 15.00 percent in December 2016. All three sectors of the economy: agriculture, industry, and services are performing well. Industrial growth has been faster than others as expected. The average CPI inflation in Bangladesh has shown a declining trend for the last couple of years. Inflation, which was 7.28 percent in July 2014, gradually fell to 6.19 percent in December 2015 and 5.03 percent (point to point) in December 2016, indicating further decline owing to decreasing fuel and commodity prices. The Foreign Direct Investment inflows during FY 2015-16 was USD 2003.53 million against USD 1833.87 million in FY 2014-15. The Remittance for FY 2015-16 was USD 14,931.18 million against USD 15,316.91 million in FY 2014-15 registering 2.52% negative growth. Total import and export stood USD 40,030.8 million and USD 34,241.9 million respectively in the FY 2015-16. The monetary stance in January-June 2017 takes these recent economic and financial sector developments into account and will target a monetary growth which aims to bring average inflation down to 5.3% to 5.6%, while ensuring that credit growth is sufficient to stimulate inclusive economic growth. The ceiling for private sector credit growth of 16.5% has been kept well in line with economic growth targets

Total Deposits (excluding interbank deposits and Government deposits) in the banking system stood at Tk. 8,402,682 million in December 2016 against Tk. 7,450,231 million in December 2015, registering 12.78 % increase and total Bank Credits including Investments stood at Tk. 8,834,160 million in December 2016 against Tk. 7,914,282 million in December 2015, registering 11.62% increase over the year. Non-performing loans (NPLs), in gross terms, increased at the end of December 2016 to Tk.621,700 million (9.20 percent of total loans) which was Tk. 513,710 million (8.30 percent of total loans) at the end of December 2015.

SBAC Bank has made healthy growth in all areas in 2016. The operating profit stood at Tk. 1,519.88 million for the year ended December 2016 against Tk. 805.95 million for the year ended December 2015, registering 88.58% growth. Total assets stood at Tk. 45,599.98 million (24.29% growth), total deposits Tk. 38,337.20 million (24.57% growth), total loans and advances Tk. 30,174.09 million (30.46% growth), earnings per share Tk.2.19 (163.86% growth), advance deposits ratio 78.71%, capital adequacy ratio 18.59% (against regulatory requirement 10.625%), surplus capital Tk. 1,821.62 million and Income per employee Tk. 4.38 million. The bank has opened so far 54 branches maintaining rural urban ratio 1:1 which is the highest number of branches among the new banks. As an international recognition, the Bank achieved "Sardar Patel Award 2016 " for the contribution in socio-economic development of our country. Besides the Bank got "Letter of Appreciation" for achieving agriculture finance target for Bangladesh Bank.

We firmly believe in sustainable development. Accordingly we have integrated sustainability principles into day to day activities of the Bank. Our aim is to do the best to ensure that the credit we extend to our customers is utilized for environmentally sound and sustainable purposes which are ultimately turned into economic development of the country. We have diversified the credit portfolio in corporate exposure, emphasized on retail, SME and agricultural loan, addressed gender issue by providing loans to women entrepreneurs in SME segment and also emphasized on geographical diversification. SBAC Bank since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2016 as well. Out of total loans and advances, we disbursed Tk.14,816.41 million to SME sector , Tk. 9,990.19 million as Industrial credit, Tk.664.44 million as Agriculture loan and Tk.2,751.96 million as Trade & Commerce. Sound lending policies have been adopted for appraisal and assessment of the credit proposals to reduce the risks at acceptable level. Strong monitoring activities are in force at the post sanction stage to keep keen eye on the borrowers and their business resulting the zero NPL (Non Performing Loan) ratio at the end of December 2016.

As we are committed to uphold the interest of depositors, we are playing trustworthy and stewardship functions. We attracted depositors by offering lucrative rates and benefits. The deposits of SBAC Bank stood at Tk. 38,337.20 million at the end of 2016. This has

become possible by the support of branch network and high standard service provided to depositors along with concerted and unwavering efforts of the employees of the Bank.

Non Interest earning through foreign trade business plays vital role in the profitability of bank. Now we are maintaining 16 Nostro Accounts in 4 foreign Currencies i.e. USD, GBP, EURO and JPY with 9 reputed foreign banks at major financial centers to settle our cross border trade transactions smoothly. We are maintaining RMA (Relationship Management Application) with 169 banks and their world-wide branches.

We have correspondent relationship with world renowned banks like Mashreqbankpsc, Wells Fargo Bank, Habib American Bank, Agriculture Bank of China, Bank of Communication, Habib Bank AG Zurich, Habib Bank Ltd, Punjab National Bank, ICICI Bank, Axis Bank, Yes Bank, Woori Bank, RHB Bank Berhad, Malaysia, National Commercial Bank, Banco De Sabadell S.A, UBAF. SBAC Bank Ltd has credit line arrangement for LC confirmation and discounting thereof with Mashreqbankpsc, Habib American Bank, UBAF (Union De Banques Arabes Et Francaises), Sonali Bank (UK) Ltd., Habib Bank AG Zurich and Banca UBAE. We are also expecting confirmation facility from Axis Bank, Yes Bank, Punjab National Bank, ICICI Bank and United Bank Ltd soon. Out of 54 branches, 6 branches have AD (Authorized Dealer) license. In order to smooth operation of foreign exchange business of Non-AD branches, SBAC Bank Ltd established a central Trade Processing Unit at Head Office.

Bank is a legal channel for remittance procurement. SBAC Bank Ltd is committed to handle remittance inflow from the expatriate Bangladeshis. We are the pioneer of having tie up with an exchange company as a direct agent for remittance business among the new generation Banks. We established direct drawing arrangement with Aman Exchange Company WLL, Kuwait, in 2015. We also have another direct drawing arrangement with Wall Street Finance LLC since 2014. We have arrangement with renowned exchange house in the form of associate member such as Transfast Remittance LLC and Placid NK Corporation with the help of Jamuna Bank Ltd., Xpress Money Services Ltd and Western Union Network with the help of Mercantile Bank Ltd., and Ria Financial services with the help of Southeast Bank Ltd. We are going to make such more arrangements with Banks and Remittance Company. Export, Import and Remittance services have been increasing over the years. Total Exports, Import and Remittances in 2016 were USD

110.89 million, USD 219.96 million and USD 15.25 million respectively against USD 126.19 million, USD 137.64 million and USD 3.43 million respectively in 2015.

We have prepared the financial statements as at and for the year ended 31 December 2016 to present fairly, in all material respects, its state of affairs, the results of its operations, cash flows and changes in equity complying all the rules and regulations applicable in this regards.

SBAC Bank formulated an Internal Control and Compliance (ICC) Policy Guidelines duly approved by the Board. The ICC Guidelines are being used for effective internal control mechanism to safeguard shareholders' investments, depositor's assets and others stakeholders interest. The Internal Control and Compliance practices of SBAC Bank include - control environment, risk assessment, control activities, segregation & rotation of duties, accounting information and reconciliation, IT security and self-assessment/monitoring.

SBAC Bank has always been in the forefront of implementing different risk management tools and techniques. Banking business is in fact a business of taking and administering risk. So it is vital to manage the risks efficiently. The risk management strategy of SBAC Bank is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The Board's Risk Management Committee formulated policy and strategy to reduce the risks involved in the business of Banking. Besides the Bank formed Risk Management Department (RMD) & Risk Management Team to analyze and measure business risk for taking effective steps to reduce the risks. We have taken sufficient measures to prevent money laundering and terrorist finance.

SBAC Bank recognizes the impact of shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per directives of the Bangladesh Bank, the banks are required to maintain capital at 10.625% (MCR 10.00% + 0.625 buffer capital for 2016) of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher. Total capital stood at Tk. 5,821.62 million in 2016 registering surplus capital of Tk. 1,821.62 million and capital adequacy ratio (CAR) is 18.59%.

Human Resources of any organization are an important asset and key to success. SBAC Bank is working with a vision of converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution. A healthy environment has been created where employees enjoy working with pride. We



believe that human resources are main elements behind success and future sustainability of the bank. The bank is developing and motivating the workforce with contemporary HR policies and attractive benefits. SBAC bank is not only offering a job but also creating opportunities for learning, challenging and rewarding career. The total regular employees of the Bank stood at 676 as on December 31, 2016. The Bank established Training Institute in 2014 for development of human resources. The bank offered over 649 employees, at all levels, a wide range of training opportunities throughout the year in order to develop their professional competencies, increase their knowledge, and improve their skill so that they can contribute to Bank's mission and enhance their individual opportunities for future growth.

The bank adheres strictly to the regulatory guidelines on Corporate Governance & Corporate Sustainability. We have focused on specific key areas namely, nation building, enhancement of market place, promotion of the work place, support to the community and protection of environment.

Being a socially responsible Bank, SBAC Bank engages itself in CSR activities. The Bank incurred expenses by Tk. 32.80 million in 2016 which was Tk.6.61 million in 2015 and Tk. 4.64 million in 2014 under CSR activities.

The environmental degradation needs to be tackled in a concerted manner by all. Society demands that business also takes responsibility in safeguarding the planet. As a responsible Corporate Citizen, SBAC Bank Ltd enforced its Green Banking initiatives since inception of its operation. "A Green Banking Policy" of South Bangla Agriculture & Commerce Bank has been formulated and approved by the Board of Directors. To fulfill the target of Green Finance which is at least 3% of total loan disbursed, the Bank has already formulated "Green Finance Policy" incorporating Bangladesh Bank approved green products duly approved by the Board. Under this policy the loan will be disbursed at flexible terms and subsidized interest rate. Total outstanding of Green Finance at end of 2016 was Tk.326.27 million which were disbursed in setting up HHK, solar system, recycling and recyclable products etc.

SBAC Bank believes in inclusive banking by including the disadvantaged section of the society in the formal financial systems. The bank has introduced Tk.10 Privileged Savings Account, Senior Citizen Saving Account and Students Saving Account. Besides, the bank has already obtained "AGENT BANKING" operation approval from Bangladesh Bank which will come into operation soon.

As a Corporate body, during the calendar year 2016, we contributed Tk.663.66 million as withholding tax,

advance income tax, VAT and excise duty to national exchequer which was Tk. 467.41 million in 2015.

The Management of the Bank engages its all out efforts to maximize the shareholders' wealth. The shareholders' equity stood at Tk. 5,616.33 million in 2016 as against Tk. 4,880.21 million in 2015 and Earnings per share Tk. 2.19 in 2016 as against Tk.0.83 in 2015 registering 163.86% growth.

Our strategic priorities and action plans for future are to expand branch network throughout country to make banking facilities available at the remote area. The Bank has already opened 54 branches and opening of 10 more branches is under process which will be completed by June 2017. We want to improve Deposit Mix by maintaining efficient deposit mix, increasing share of low cost and no cost deposit in total deposit; increase non-funded business; maintain adequate level of liquidity; diversify products and services by introducing IT based innovative products and alternate delivery channels; improve internal governance through strengthening good corporate cultures, motivation, training and supervision in all levels of management; strengthen internal control and monitoring; develop Human Resources Management System to motivate and retain the Human Resources and transform Human Resources to Human Capital through proper training in every aspects of working area; expansion of activities related to Corporate Social Responsibility and Green Banking.

I conclude with sincere thanks and gratitude to the honorable Governor of Bangladesh Bank and his efficient team for their time-befitting policies, guidance and supports. I would like to express my humble gratitude to our honorable Chairman, Board of Directors and other members of the Board for their support, guidance and co-operation. Thanks are also due to all our shareholders/ stakeholders and employees for their continuous support and guidance for making SBAC Bank what is today. I am also thankful to our valued customers for their continuous support and unwavering confidence in us.

In fine we beg to add that we build upon our strengths and we are confident that we can make 2017 another prosperous years and cross more mile stones.

Md. Rafiqul Islam
Managing Director & CEO

PERFORMANCE HIGHLIGHTS





PERFORMANCE HIGHLIGHTS

(Amount in Million Taka)

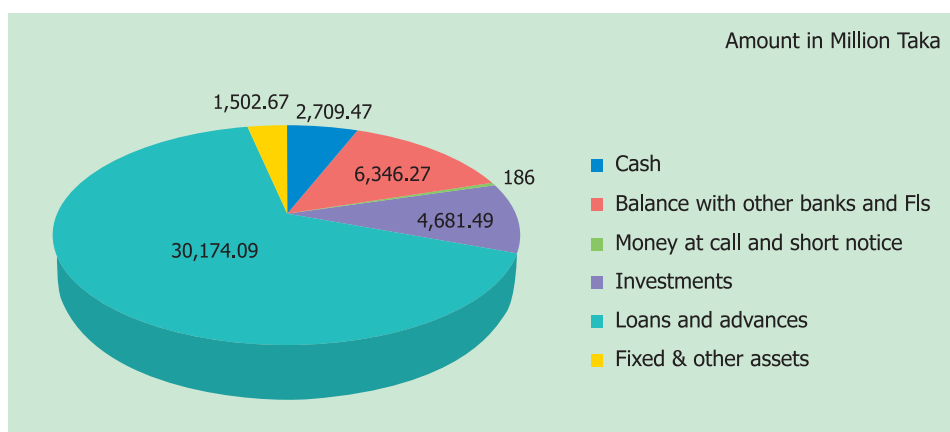
Particulars	2016	2015	2014	2013	Change in 2016 (Compare to 2015)
1	2	3	4	5	6=(2-3)
Number of Branches	54	44	34	12	10
Number of ATMs	18	11	04	NIL	07
Total assets/Total Liabilities	45,599.98	36,687.94	23,835.40	8,673.89	8,912.04
Interest earning assets	41,387.85	33,246.69	21,177.31	7,537.73	8,141.16
Non interest earning assets	4,212.13	3,441.25	2,658.09	1,136.16	770.88
Total shareholders' Equity	5,616.33	4,880.21	4,242.71	4,137.70	736.12
Total capital (Tier I +II)	5,821.62	4,785.18	4,364.66	4,170.15	1,036.44
Surplus/(deficit) capital	1,821.62	785.18	364.66	170.15	1,036.44
Capital to Risk Weighted Asset Ratio (CRAR)	18.59%	21.19%	29.54%	61.99%	(2.6)
Total deposits	38,337.20	30,775.38	18,641.90	4,441.95	7,561.82
Total loans and advances	30,174.09	23,128.29	13,518.05	3,006.76	7,045.80
Total contingent liabilities and commitments	9,245.37	4,987.95	2,976.73	501.37	4,257.42
Advance deposits ratio (%)	78.71%	75.15%	72.51%	67.69%	(3.56%)
Total Income	5,269.40	3,881.22	1,975.37	469.49	1,388.17
Total Expenses	3,749.51	3,075.27	1,656.95	330.33	674.24
Total Export	8,760.31	9,905.70	5,662.20	838.38	(1145.39)
Total Import	17,596.80	10,942.10	7,969.00	819.64	6654.70
Total Remittance	1,199.76	269.40	70.60	0.78	930.36
Profit before tax and provision (Operating Profit)	1,519.88	805.95	318.42	139.16	713.93
Profit after tax and provision (Net Profit)	949.46	358.01	66.00	46.34	591.45
Classified advance	NIL	22.33	NIL	NIL	(22.33)
Classified loans to advance ratio	NIL	0.10%	NIL	NIL	(0.10)
Yield on Advance (%)	12.67%	14.10%	15.37%	15.81%	(1.43)
Cost of fund (%)	9.47%	10.95%	13.27%	15.45%	(1.48)
Net spread (%)	3.20%	3.15%	2.10%	0.36%	0.05
Return on investment (ROI) (%)	18.17%	17.57%	11.50%	9.43%	0.6
Return on Assets (ROA) (%)	2.31%	1.18%	0.41%	0.53%	1.13
Return on Equity (ROE) (%)	18.09%	7.85%	1.58%	1.92%	10.24
Earnings per share (EPS)	2.19	0.83	0.16	0.11	1.36
Net Asset Value Per Share	12.96	11.93	10.75	10.20	1.03
Number of Employees	676	577	377	187	99

Total assets:

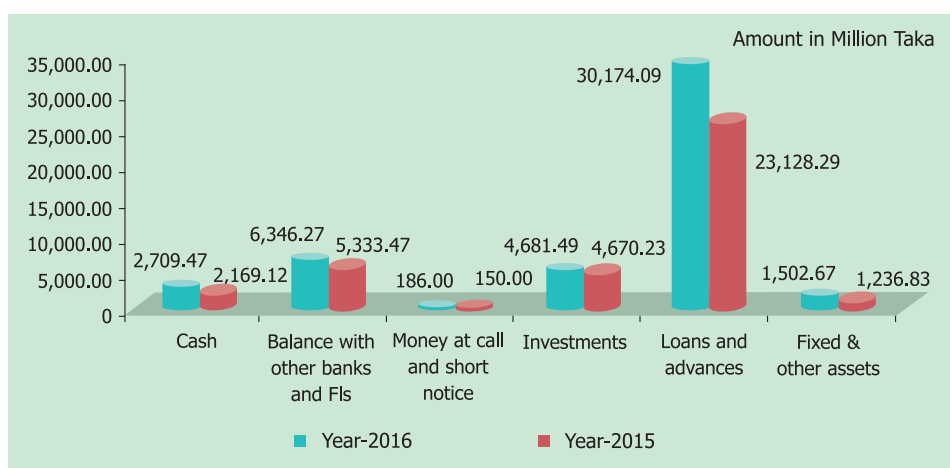
(Amount in Million Taka)

Particulars	2016	2015	Growth (%)
Cash	2,709.47	2,169.12	24.91
Balance with other banks and FIs	6,346.27	5,333.47	18.98
Money at call and short notice	186.00	150.00	24
Investments	4,681.49	4,670.23	0.24
Loans and Advances	30,174.09	23,128.29	30.46
Fixed & other assets	1,502.67	1,236.83	21.49
Total Assets	45,599.98	36,687.94	24.29

Total Assets as on 31.12.2016



Comparison of Assets in 2016 & 2015





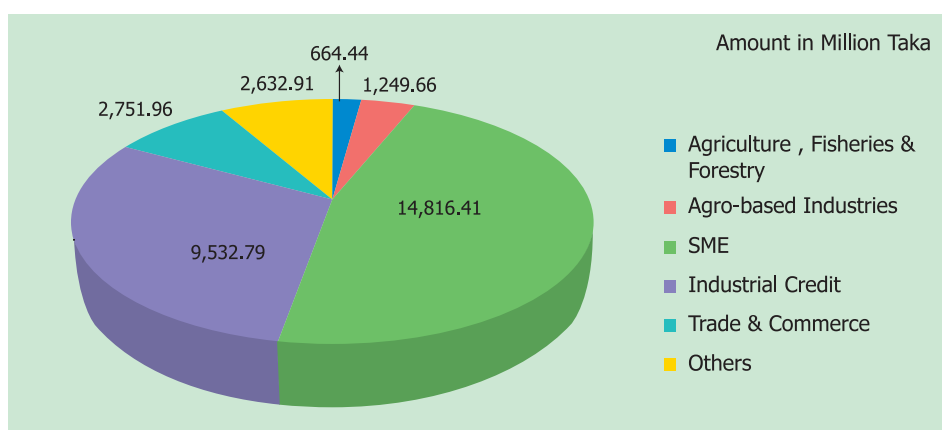
Loans and advances:

i) Sector wise Loans and Advances:

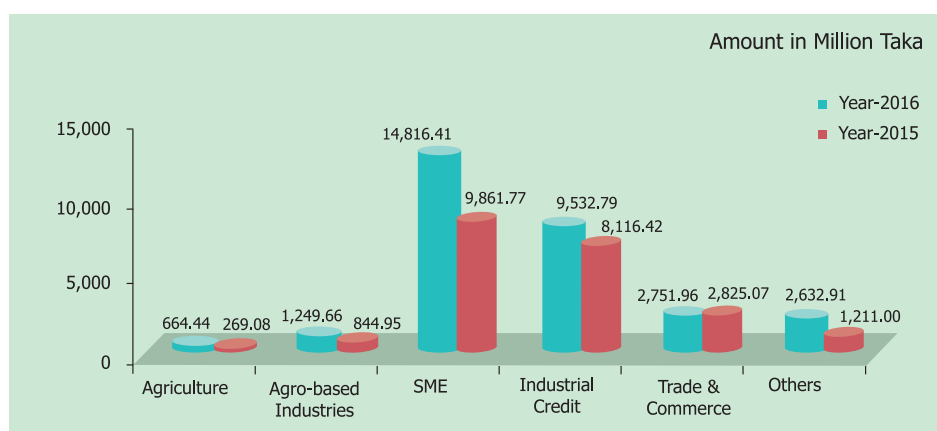
(Amount in Million Taka)

Particular of Sectors	2016	2015	Growth (%)
Agriculture, Fisheries & Forestry	664.44	269.08	146.93
Agro-based Industries	1,249.66	844.95	47.89
Small & Medium Enterprise (SME)	14,816.41	9,861.77	50.24
Industrial Credit	9,532.79	8,116.42	17.45
Trade & Commerce	2,751.96	2,825.07	(2.59)
Others	2,632.91	1,211.00	117.41
Total	30,174.09	23,128.29	30.46

Sector wise Loans and Advances as on 31.12.2016



Comparison of sector wise Loans and Advances in 2016 & 2015

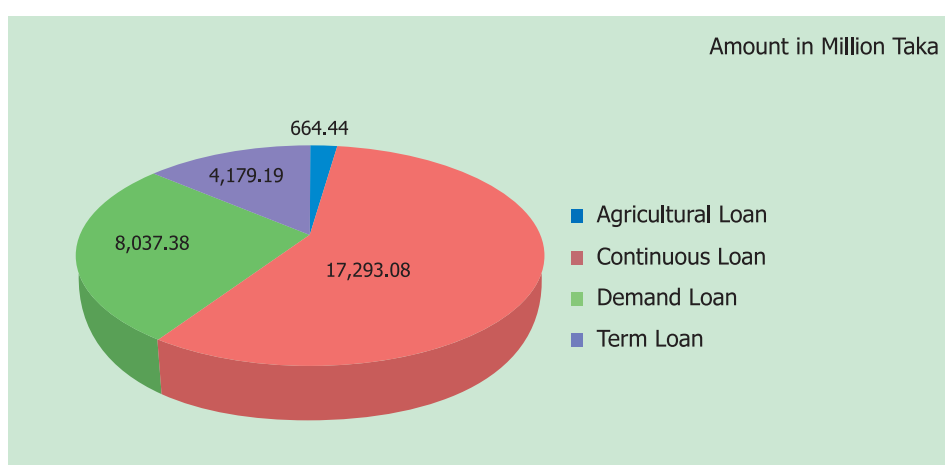


ii) Category-wise Loans and Advances

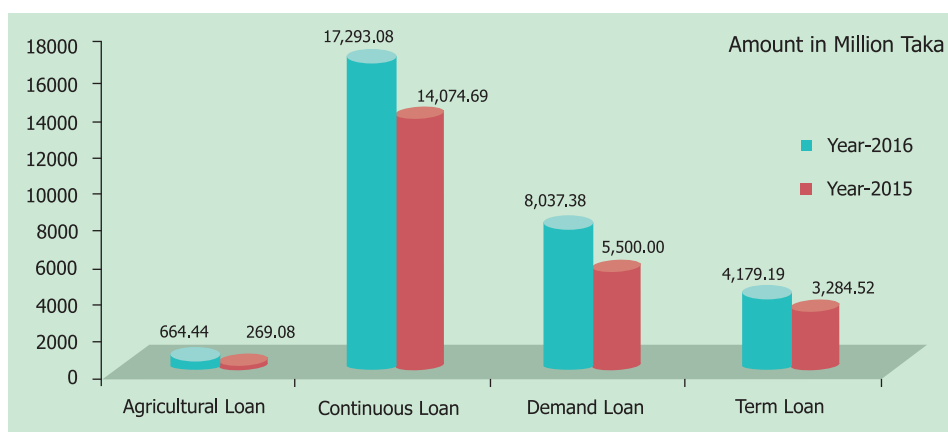
(Amount in Million Taka)

Category of Loans and Advances	31-12-2016	31-12-2015	Growth (%)
Agricultural Loan	664.44	269.08	146.93%
Continuous Loan	17,293.08	14,074.69	22.87%
Demand Loan	8,037.38	5,500.00	46.13%
Term Loan	4,179.19	3,284.52	27.24%
Total	30,174.09	23,128.29	30.46%

Category-wise Loans and Advances as on 31.12.2016



Comparison of category-wise Loans and Advances in 2015 & 2014



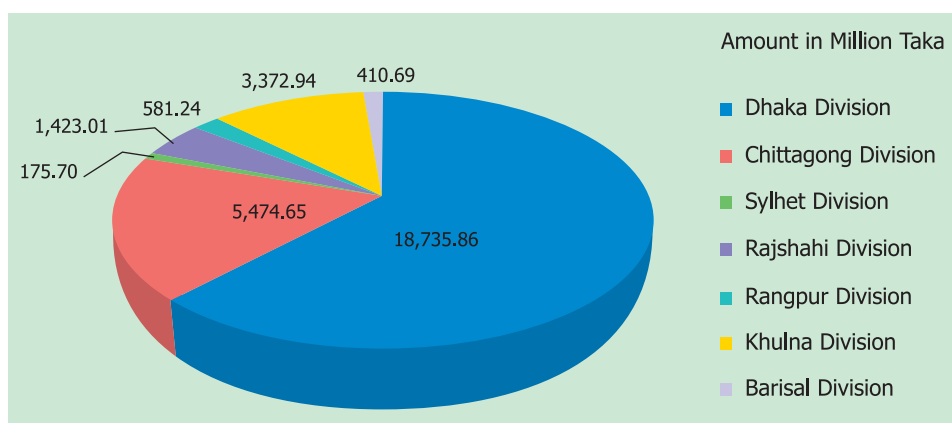


iii) Division wise Loans and Advances :

(Amount in Million Taka)

Name of Division	Outstanding as on 31.12.2016	% of total Loans & Advances
Dhaka Division	18,735.86	62.09
Chittagong Division	5,474.65	18.14
Sylhet Division	175.70	0.58
Rajshahi Division	1,423.01	4.72
Rangpur Division	581.24	1.93
Khulna Division	3,372.94	11.18
Barisal Division	410.69	1.36
Total	30,174.09	100.00

Division wise of Loans and Advances as on 31.12.2016



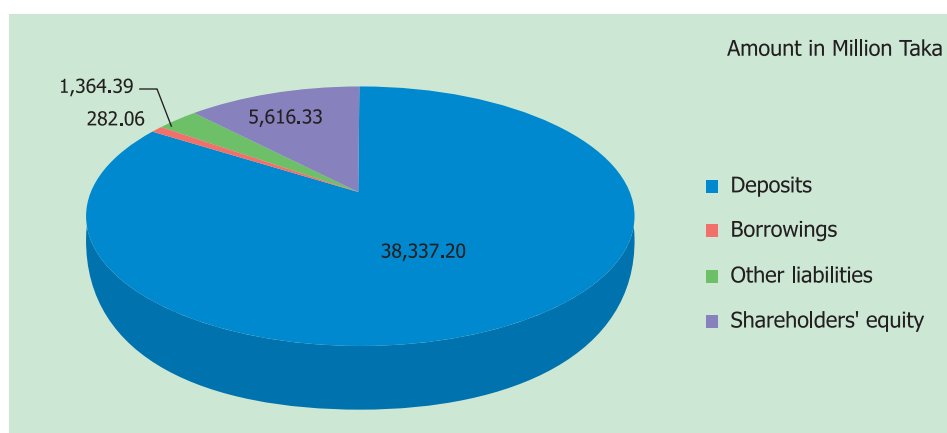
Total Liabilities:

Amount in Million Taka

Particulars	2016	2015	Growth (%)
Deposits	38,337.20	30,775.38	24.57
Borrowings	282.06	231.83	21.67
Other liabilities	1,364.39	800.52	70.44
Shareholders' equity	5,616.33	4,880.21	15.03
Total liabilities	45,599.98	36,687.94	24.29

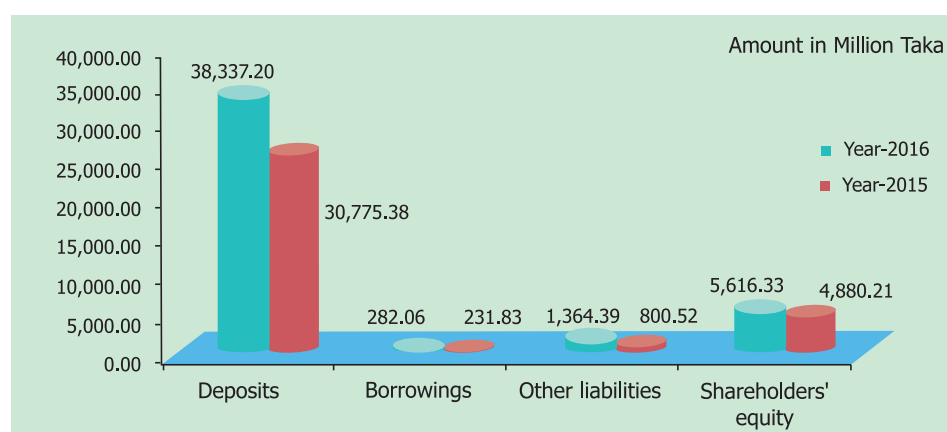
Total Liabilities as on 31.12.2016:

Amount in Million Taka



Comparison of Liabilities in 2016 & 2015

Amount in Million Taka

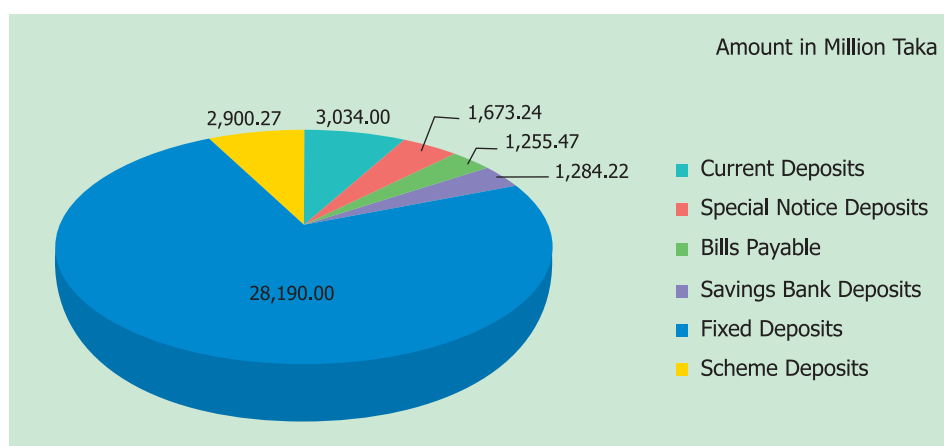




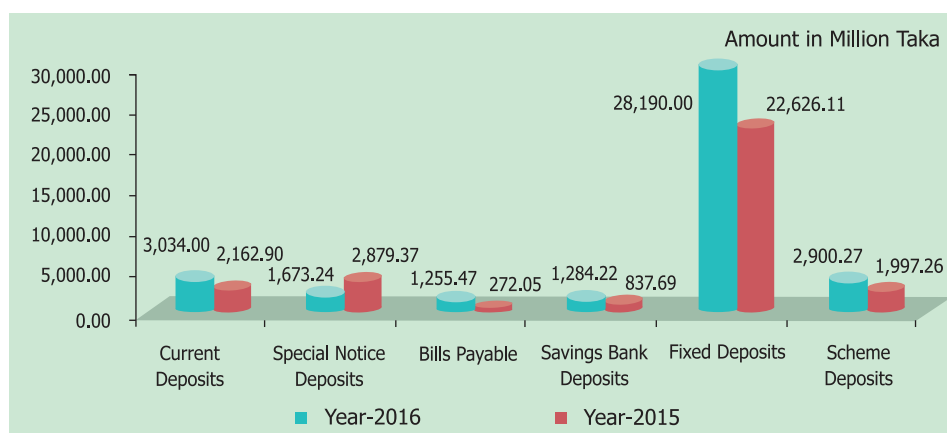
Deposits:

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2016	2015		2016	2015
Current Deposits	3,034.00	2,162.90	40.27	7.91	7.03
Special Notice Deposits	1,673.24	2,879.37	(41.88)	4.36	9.36
Bills Payable	1,255.47	272.05	361.48	3.28	0.88
Savings Bank Deposits	1,284.22	837.69	53.30	3.35	2.72
Fixed Deposits	28,190.00	22,626.11	24.59	73.53	73.52
Scheme Deposits	2,900.27	1,997.26	45.21	7.57	6.49
Total	38,337.20	30,775.38	24.57	100.00	100.00

Deposit Mix as on 31.12.2016:



Comparison of Deposit Mix in 2016 & 2015

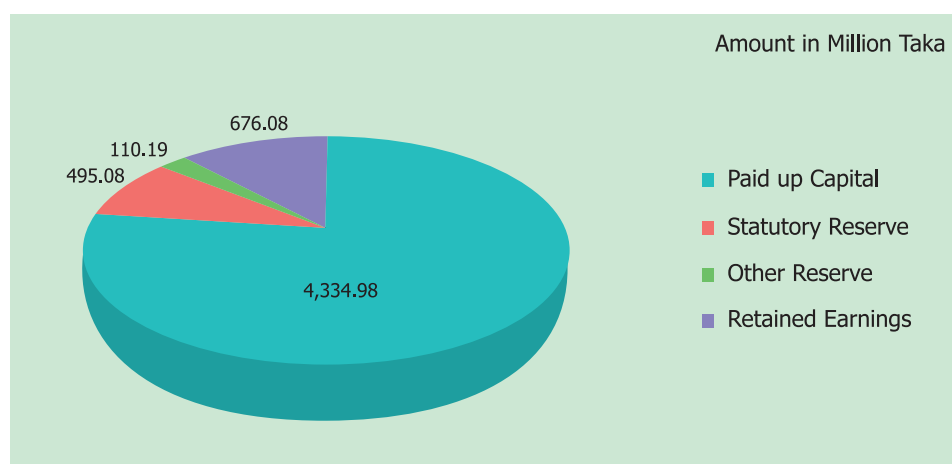


Shareholders' Equity:

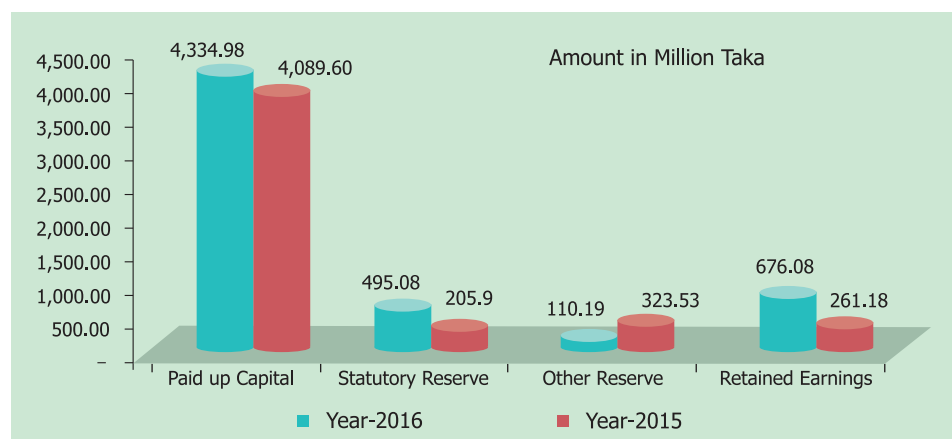
Amount in Million Taka

Particulars	2016	2015	Growth (%)
Paid up Capital	4,334.98	4,089.60	6.00
Statutory Reserve	495.08	205.90	140.44
Other Reserve	110.19	323.53	(65.94)
Retained Earnings	676.08	261.18	158.89
Total Shareholders' equity	5,616.33	4,880.21	15.08

Shareholders' Equity as on 31.12.2016:



Comparison of Shareholders' Equity in 2016 & 2015

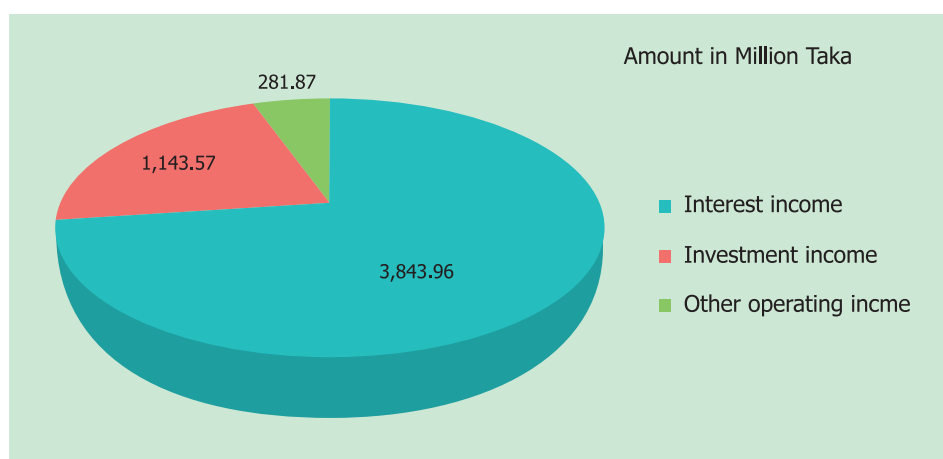




Total Income:

Types of Income	Outstanding Taka in Million		Growth (%)	Income Mix (%)	
	2016	2015		2016	2015
Interest income	3,843.96	2,861.11	34.35	72.95	73.72
Investment income	1,143.57	833.15	37.26	21.70	21.46
Other operating income	281.87	186.96	50.76	5.35	4.82
Total income	5,269.40	3,881.22	35.77	100.00	100.00

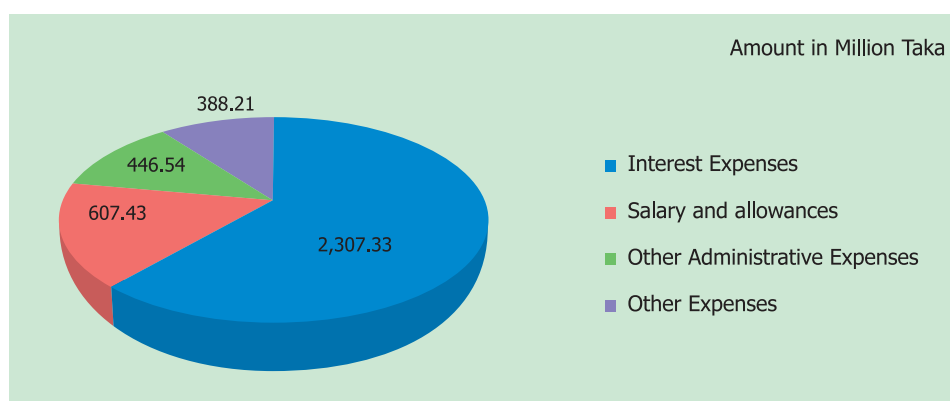
Total Income as on 31.12.2016:



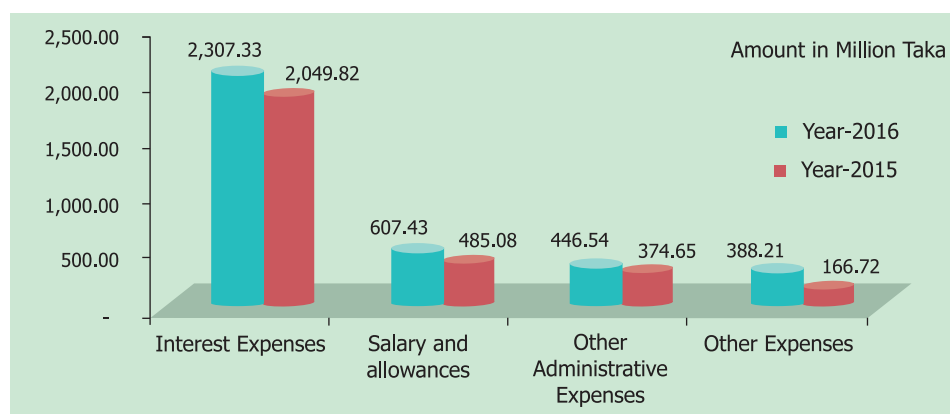
Total Expenses:

Types of Expense	Outstanding Taka in Million		Growth (%)	Expense Mix (%)	
	2016	2015		2016	2015
Interest Expenses	2,307.33	2,049.82	12.56	61.53	66.65
Salary and allowances	607.43	485.08	25.22	16.21	15.77
Other Administrative Expenses	446.54	374.65	19.33	11.91	12.17
Other expenses	388.21	165.72	133.60	10.35	5.40
Total Expenses	3,749.51	3,075.27	21.92	100.00	100.00

Total Expenses as on 31.12.2016



Comparison of Expenses in 2016 & 2015



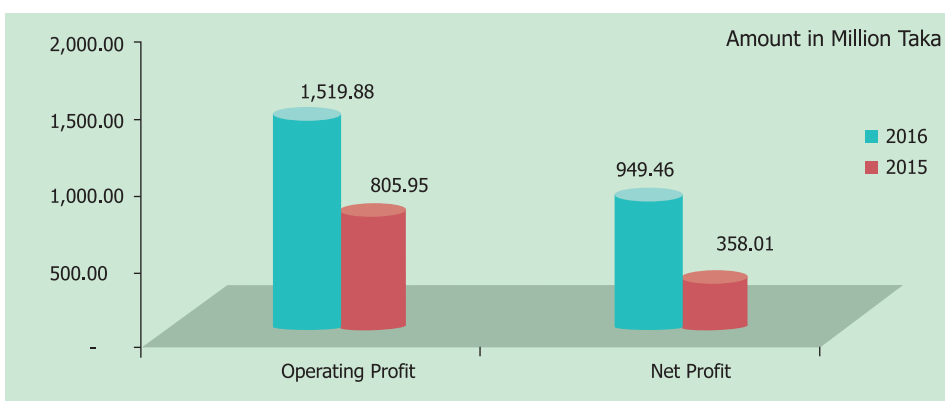


Profitability:

Amount in Million Taka

Particulars	2016	2015	Growth (%)
Operating Profit	1,519.88	805.95	88.58
Net Profit	949.46	358.01	165.21

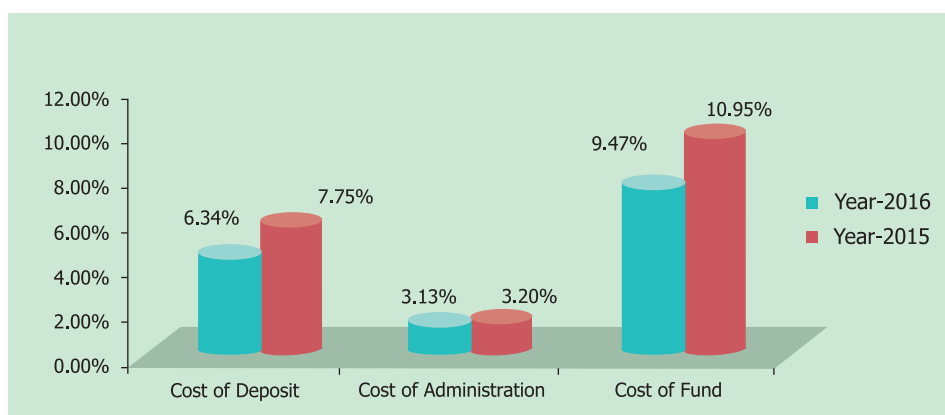
Comparison of Profitability in 2016 & 2015



Average Cost of Funds:

Types of Income	2016	2015	Change
Cost of Deposit	6.34%	7.75%	(1.41)
Cost of Administration	3.13%	3.20%	(0.075)
Cost of Fund	9.47%	10.95%	(1.48)

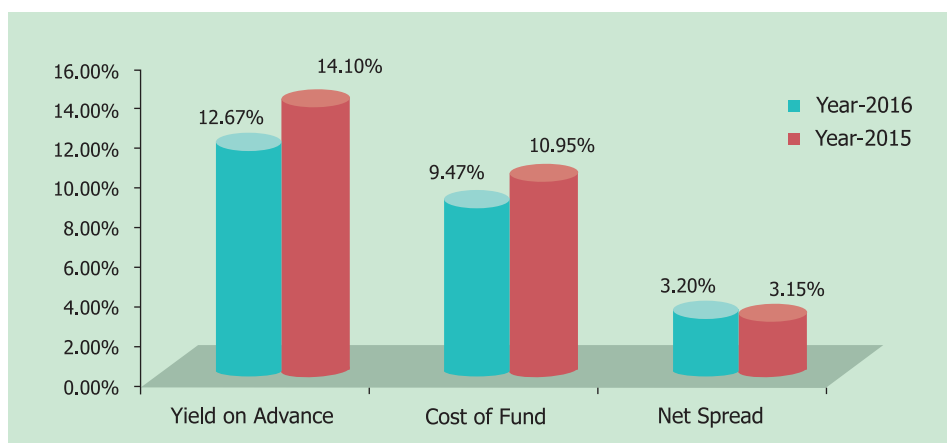
Comparison of Cost of Deposit , Cost of Administration & Cost of Fund in 2016 & 2015



Net Spread:

Types of Income	2016	2015	Change
Yield on Advance	12.67%	14.10%	(0.57)
Cost of Fund	9.47%	10.95%	(2.32)
Net Spread	3.20%	3.15%	1.75

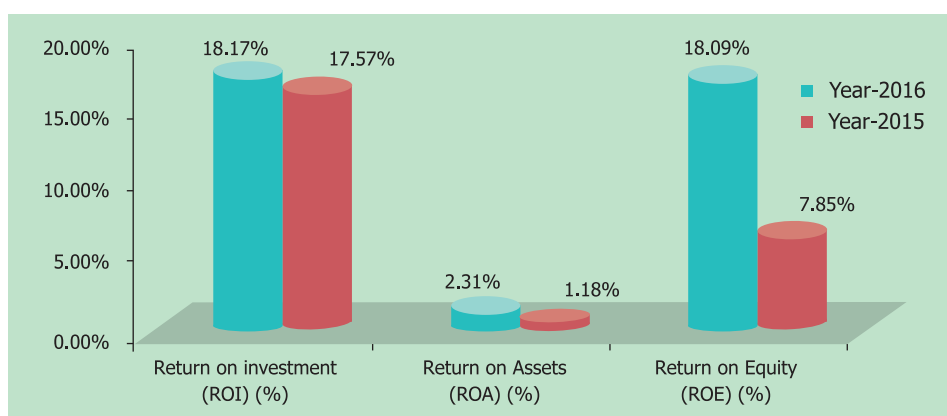
Comparison of Yield on Advance, Cost of Fund & Net Spread in 2016 & 2015



Return:

Particulars	2016	2015
Return on investment (ROI) (%)	18.17%	17.57%
Return on Assets (ROA) (%)	2.31%	1.18%
Return on Equity (ROE) (%)	18.09%	7.85%

Comparison of Return in 2016 & 2015





DIRECTORS' REPORT



DIRECTORS' REPORT 2016

(Under Section 184 of Companies Act 1994)



Meeting of Board of Directors in progress

The Board of Directors of South Bangla Agriculture & Commerce (SBAC) Bank Limited has the pleasure and feels honored in welcoming you all to the Annual General Meeting (AGM) and presenting the 4th Annual Report and Audited Financial Statements for the year 2016 along with the Report of the Auditors to the shareholders. A brief overview of the global trend and the performance of Bangladesh economy vis-à-vis our Bank and our strategic plan for 2017-2018 have also been provided in this Report.

GLOBAL ECONOMY: An Overview

Global growth is expected to pick up to 3.4 percent in 2017 and 3.6 percent in 2018, according to the IMF World Economic Outlook Update, January 2017. Growth in emerging market and developing economies is expected to rise slightly in 2017 to 4.5 percent. Despite an improving outlook for the advanced economies, growth risks have increased reflecting policy uncertainties and implementation risks, accompanied by the balance sheet weaknesses in the euro area, geopolitical tensions in the Middle East and other parts of the world. In Asia, India's growth forecast for the current fiscal year has been trimmed by one percentage point to 6.6 percent, largely due to the negative spillovers on consumption and investment from the demonetization measures. China's growth forecast has been revised up to 6.5 percent in 2017, due to expectation of continued policy support but the risks of a sharper slowdown from rapid credit growth-related vulnerabilities remain elevated.

Overview of the World Economic Outlook projections:

Particular	Actual		Projections	
	2015	2016	2017	2018
A. GDP Growth Rate:				
World	3.2	3.1	3.4	3.6
Advanced Economies	2.1	1.6	1.9	2.0
USA	2.6	1.6	2.3	2.5
Euro Area	2.0	1.7	1.6	1.6
Japan	1.2	0.9	0.8	0.5
Other Advanced Economies	2.0	1.9	2.2	2.4
Emerging Market and Developing Economies	4.1	4.1	4.5	4.8
China	6.9	6.7	6.5	6.0
India	7.6	6.6	7.2	7.7
Bangladesh	6.51	7.11	7.2	-

Source: IMF World Economic Outlook Update January, 2017

World Outlook 2017:

After a lackluster outturn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. However, there is a wide dispersion of possible outcomes around the projections, given uncertainty surrounding the policy stance of the new U.S. administration and its global ramifications. The outlook for advanced economies has improved for 2017-18, reflecting somewhat stronger activity in the second half of 2016 as well as a projected fiscal stimulus in the United States. Growth prospects have marginally worsened for emerging market and developing economies, where financial conditions have generally tightened. Near-term growth prospects were revised up for China, due to expected policy stimulus, but were revised down for a number of other large economies-most notably India, Brazil and Mexico. This forecast is based on the assumption of a changing policy mix under a new administration in the United States and its global spillovers. Staff now projects some near-term fiscal stimulus and a less gradual normalization of monetary policy. This WEO forecast also incorporates a firming of oil prices following the agreement among OPEC members and several other major producers to limit supply.



BANGLADESH ECONOMY: An Overview

Domestic output growth Performance:

According to the estimates by the Bangladesh Bureau of Statistics (BBS), GDP growth in FY2016 is 7.11 percent which was 6.06 and 6.55 percent in FY 2014 & 2015 respectively. Several indicators point to robust economic activity in the first half of FY'17, aided by macroeconomic and political stability, and strong domestic demand. Private credit growth at around 15-16 percent is at a three-year high, with strong demand coming from trade, construction, and small and medium enterprise (SME) sector, which helps productivity and job creation. Medium and large-scale manufacturing industry also grew robustly. Export growth moderated but has held up relatively well (4.4 percent in December 2016), compared to peers and is expected to pick up. The buoyancy in activity is somewhat softened by the decline in remittance. Based on the recent economic developments, BB's econometric model estimate, and sectoral analysis, growth is projected to be above 7 percent (7-plus) in FY'17. Looking ahead, the government's reform initiatives to improve the business climate and ease infrastructure bottlenecks, including by developing special economic zones, should help crowd in both private domestic and foreign direct investments that can create more jobs, raise productivity, and potential growth.

Inflation:

Twelve-month average CPI inflation in Bangladesh has shown a slowly declining trend for the last couple of years. CPI inflation has been steadily coming down to 5.03 percent (point-to-point) in December 2016, pulling down annual average to 5.5 percent, benefitting from both favorable food and nonfood inflation dynamics. Non-food inflation has eased to 4.5 percent (point-to-point) in December, down from 7.1 percent a year ago, reflecting favorable domestic production and global commodity prices. Average core inflation (non-food, non-fuel), a traditional measure of underlying long-term inflation, has also nosed down but remains elevated at around 7.6 percent in December, indicating inflation can pick up if buffeted by adverse shocks. Bangladesh Bank (BB) projects annual average inflation to be around 5.3-5.6 percent in FY'17. Projected rise of global commodity prices in 2017, however, may continue exerting some upward pressure on domestic prices.

Foreign Direct Investment (FDI):

Foreign Direct Investment stood at USD 2003.53 million during FY 2015-2016 which was USD 1833.87 million in

FY 2014-2015 registering 9.25% growth. Foreign Direct Investment stood at USD 613.9 million during FY 2016-2017 (July-September period).

Remittances:

The Remittance during (July, 2016 to December, 2016) is recorded US\$ 6,166.85 million against US\$ 7443.96 million during (January, 2016 to June, 2016). The Remittance for FY 2015-2016 was USD 14,931.16 million against USD 15,316.91 million in the FY 2014-2015 registering 2.52% negative growth. The inward flow of remittance has been on a downturn due to falling petroleum prices in the global market as a result developing activities in the Middle-eastern countries squeezed since their economy largely depends on the petroleum oil. Besides, depreciation of the Great Britain Pound (GBP) and the Euro against the US currency was attributed as one of the reasons for the remittance fall. However, it is projected to grow the remittance by 2.5 percent in FY2017.

Government borrowing from the banking system:

Total Govt. domestic borrowings (net) from banking system decreased by Tk.189.6 billion during July-January of FY'17. Govt. borrowed Tk. 299.8 billion (of which Tk. 288.9 billion through NSD instruments) from other than banks during July-January of FY'17, which already has exceeded the total budget target from non-banking sources. As the interest rate of NSD certificate is significantly higher than any other interest rate prevailing in the domestic market, Govt. borrowing is increasing much through NSD certificate.

Import, Export & International Reserve:

Import Payments in Bangladesh during July - December 2016 was recorded US\$17211.8 million. In FY 2015-16 it was recorded US\$ 40030.8 million whereas it was US\$ 40579.3 million in FY 2014-15. Export Payments in Bangladesh during July - December 2016 was recorded US\$16798 million. In FY 2015-16 it was recorded US\$ 34241.9 million whereas it was US\$ 31209 million in FY 2014-15. The international reserve stood at USD 32092.2 million at the end of December 2016 which was USD 30137.6 million at the end of June 2016 registering growth of 6.48 percent. The international reserve stood at USD 32556.7million at the end of February 2017.

Private sector credit growth:

Credit to the public sector, however, has declined by 1.3 percent in November 2016, far below the programmed ceiling of 10.8 percent growth. The government did not borrow from the banking system to finance the

budget deficit (planned bank financing of budget at Taka 389 billion); instead, repaid outstanding loans to the tune of Taka 111 billion. Non-bank budget financing shifted from market-based tools (bank loans and government securities) to non-market instruments, e.g., National Savings Certificates (NSCs). Bangladeshi corporates are now being allowed to tap foreign sources of financing. Political uncertainty and infrastructural bottlenecks are holding the pace of expected private investment back.

Call money market:

The weighted average call money rate in the inter-bank money market decreased to 3.62% in December 2016 from 3.90% in January 2016. The call money rate decreased to 3.50% in February 2017.

Lending Rates and Deposit Rates:

The New Year of 2016 enters a new era of lower interest rates regime. The government has indicated to lower sanchaypatra rates that supposedly impede banking

deposit rates from falling. The central bank has sustained its pressure on all banks to reduce their spread by lowering NPLs and enhancing efficiency. If the results are summed up, lower lending rates will be the catalyst for investment stimulation. The average lending rate fell from 10.39 percent in June 2016 to 09.93 percent in December, 2016. The average deposit rate fell from 5.54 percent to 5.22 percent over the same period. Consequently, the average spread, which sits on top of the average deposit rate to give us the average lending rate, fell from 4.85 percent in June 2016 to 4.71 percent in December 2016.

Banking Industry Outlook:

Total Deposits (excluding interbank deposits and Government deposits) in the banking system stood at Tk. 8,402,682 million in December 2016 registering 12.78 % increase and total Bank Credits including Investments stood at Tk. 8,834,160 million in December 2016 registering 11.62% increase over the year.

Deposits held in Deposit Money Banks : (Taka in Millions)					
Items	December, 2016	December, 2015	December, 2014	Percentage Changes of December, 2016 over	
				December, 2015	December, 2014
Demand Deposits*	906,607	752,282	656,360	20.51	38.12
Time Deposits*	7,496,075	6,697,949	5,932,156	11.92	26.36
Total	8,402,682	7,450,231	6,588,516	12.78	27.54

Source: Statistics Department, Bangladesh Bank.

* Excludes Interbank Deposits and Government Deposits.

Bank Credit (Taka in Millions)					
Items	December, 2016	December, 2015	December, 2014	Percentage Changes of December, 2016 over	
				December, 2015	December, 2014
Advances	6,888,701	6,016,872	5,274,637	14.49	30.60
Bills (Import & Inlands Bills)	242,429	193,005	176,858	25.61	37.08
Investments	1,703,030	1,704,405	1,776,051	-0.08	-4.11
Total	8,834,160	7,914,282	7,227,546	11.62	22.23

Source: Statistics Department, Bangladesh Bank., Note: 1. Advances include Advance, Money at Call, Balances with NBFIs & Accrued Interest., 2. Investments include T. Bills, T. Bonds, Share & Securities.

Non-performing loans (NPLs), in gross terms, increased at the end of December 2016 to Tk.621,700 million (9.20 percent of total loans) which was Tk. 513,710 million (8.30 percent of total loans) at the end of December 2015. The provision maintenance ratio at end of December 2016 reached 84.98 percent which was

86.10 percent in December 2015. The banking sector aggregate CRAR under BASEL-III at end of December 2016 stood 10.80 percent. Both the return on assets (ROA) and return on equity (ROE) increased to 0.60% & 8.30% respectively in September 2016 which were 0.57 and 6.57 percent respectively in September 2015.



Bangladesh Economy Outlook 2017:

The Government projected the economic growth at 7.2% for 2016-2017. The monetary program for H2 FY'17 takes into account the recent economic and financial sector developments and will target a monetary growth path aiming at keeping average inflation below 5.8 percent. The monetary program framework is based on the ceilings for broad money and reserve money growth of 15.5 and 14.0 percent, respectively. This is consistent with domestic credit growth within 16.4 percent and private sector credit growth within 16.5 percent by June 2017. These are indicative ceilings deemed sufficient to accommodate projected GDP growth target, even allowing for some unforeseen extra growth spurt. Broad money (M2) growth for FY'17 is set at 15.5 percent, based on the FY'17 GDP growth and CPI inflation targets of 7.2 and 5.8 percent respectively. Domestic credit is projected to grow by 16.4 percent y-o-y in FY'17, with credit to private sector grow by 16.5 percent and credit to the public sector by 15.9 percent. It is projected that both food and non-food CPI inflation will be moderated, aided by favorable agricultural production, modest rise in global commodity prices, and growth supportive yet cautious monetary policy stance. Average CPI inflation declined to 5.5 percent by December 2016, a five-year low and well within the FY'17 ceiling as well as Bangladesh Bank (BB) projects annual average inflation to be around 5.3-5.6 percent in FY'17. However, projected rise of global commodity prices in 2017 may continue exerting some upward pressure on domestic prices.

HISTORY OF SBAC BANK LIMITED:

With the slogan "Local Bank Global Vision" SBAC Bank Limited started its journey on April 28, 2013 with the firm commitment of excellent customer service with a difference. Its vision remains to be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having adequate liquidity. The bank has now well decorated 54 branches located at important places of Bangladesh with full-fledged online facilities (another 10 branches are under process to open within June 2017).

AREA OF PRINCIPAL ACTIVITIES OF SBAC BANK LIMITED:

The principal activities of the bank are banking and related businesses. The banking businesses include deposits taking, cash withdrawal, extending credit to corporate organizations, organizing syndication deals,

retail and SME financing, trade financing, project financing, agro-based project financing, agriculture loans, green financing, lease and hire purchase financing, remittance services, international trade financing etc.

REVIEW OF INTERNAL CONTROL SYSTEMS:

The bank has Board approved Internal Control and Compliance (ICC) Policy/Guidelines. The ICC Guidelines are being used as an effective internal control mechanism to safeguard shareholders' investments, the depositors' assets and other stakeholders' interest as well. The Board retains the ultimate responsibility for its operations, though has delegated to the Audit Committee for the review of the adequacy and effectiveness of the system of internal controls. The Internal Control and Compliance practices of SBAC Bank Limited include - control environment, risk assessment, control activities, segregation & rotation of duties, accounting information and reconciliation, IT security and self-assessment/monitoring.

REVIEW OF FINANCIAL REPORTING:

The Board of Directors is responsible for the preparation and fair presentation of financial statements in accordance with applicable financial reporting framework, laws and regulations.

• Fair Presentation of Financial Statements

Financial Statements for the year ended on 31 December 2016 have been prepared in a very fair way with inclusion of all material aspects viz, it's state of affairs, the results of its operations, cash flows and changes in equity. Opinion of the External Auditors, KHAN WAHAB SHAFIQUE RAHMAN & CO.s has been incorporated in the report.

• Maintenance of Proper Books of Accounts

Books of account as required by laws have been kept by SBAC Bank Limited properly. The External Auditors KHAN WAHAB SHAFIQUE RAHMAN & CO., Chartered Accountants have provided their positive opinion in their report in the "Opinion Paragraph".

• Application of Accounting Policies and Accounting Estimates

Appropriate accounting policies have been consistently applied in preparation of the financial statements of the Bank and the accounting estimates are based on reasonable and prudent judgment. Estimates and underlying assumptions are reviewed on ongoing basis and any revisions to these are recognized in the period

affected. The significant accounting policies applied and accounting estimates used for preparation of the financial statements of the Bank have been stated in details in notes of the Financial Statement 2016.

• **Preparation of Financial Statements as per BAS/ BFRS and any departure there-from**

The financial statements of the Bank for the year ended on 31 December 2016 have been prepared under historical cost convention and in accordance with Bangladesh Financial Reporting Standards (BFRSs), the "First Schedule" (section 38) of the Bank Companies Act 1991(amended 2013), as amended by the BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Rules 1987 and other laws and rules applicable in Bangladesh.

• **Going Concern of Bank's Business**

There are no significant doubts upon the Bank's ability to continue as a going concern. The financial statements of the Bank have been prepared on the assumption that the entity (i.e. SBAC Bank Limited) is a going concern and will continue operation in the foreseeable future. Hence, it is assumed that SBAC Bank Limited has neither intention nor the need to liquidate or curtail materially the scale of its operations.

• **Disclosure of Related Party Transactions**

The related party transactions have been disclosed in details in the Financial Statements 2016.

RISK MANAGEMENT:

SBAC Bank Limited has always been in the forefront of implementing different risk management tools and techniques. The "Risk" of any banking institution may be defined as the possibility of incurring losses, financial or otherwise. Banking business is in fact a business of taking and administering risk. So it is vital to manage all these risks efficiently. In today's challenging financial and economic environment, effective risk management is must for sustainable growth in shareholders' value. In banking arena, key risks include that of credit, market, operational, AML/CFT, liquidity, reputation, environment and other risks like strategic risk, concentration risk, compliance risk etc. The risk management strategy of SBAC Bank Limited is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

We have taken sufficient measures to prevent money laundering and terrorist finance. The implementation of goAML software is on the

track. Details of risk management are given in the "Risk Management" section of this Annual Report.

CAPITAL MANAGEMENT:

Capital management of the bank is based on the objective to maintain an adequate capital base to support the projected business and regulatory requirement. This is done by drawing an annual planned business growth vis-à-vis capital requirement.

SBAC Bank Limited recognizes the impact of shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per directives of the Bangladesh Bank, the banks are required to maintain capital at 10.00 percent of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher. Tier-I capital should be minimum 5.50 percent of total capital (including buffer capital). The bank also has been successfully implementing Basel-III as its Tier-I capital is more than the requirement and has significant holdings of Government Treasury Bills/Bonds which will support the maintenance of liquidity coverage ratio. Details of capital are as follows:

Amount in Million Taka

A. Core capital (Tier –I)	2016	2015	2014
i. Common Equity Tier-I capital			
Paid up capital	4,334.98	4,089.60	4,089.60
Statutory reserve	495.07	205.90	60.44
Surplus / (deficit) in profit & loss account	676.09	261.18	48.64
Less: Regulatory Adjustments:	-	-	-
Deferred tax assets	-	(6.23)	-
Total Common EquityTier-I capital	5,506.14	4,550.45	4,198.68
ii. Additional Common Equity Tier-I capital	-	-	-
Total Core capital (Tier–I)	5,506.14	4,550.45	4,198.68
B. Supplementary capital (Tier –II)			
General provision on unclassified loans & Off-balance sheet exposures	302.27	217.11	143.96
Revaluation reserve for HFT securities	22.01	22.01	22.02
Less: Regulatory Adjustments:	-	-	-
Revaluation reserve for HFT securities	(8.80)	(4.40)	-
Total Supplementary capital (Tier–II)	315.48	234.72	165.98
C. Total capital (A + B)	5,821.62	4,785.17	4,364.66
Total risk weighted assets	31,311.95	22,578.27	14,776.64
D. Required capital 10% on risk weighted assets or 400.00 crore whichever is higher	4,000.00	4,000.00	4,000.00
E. Surplus of capital (C-D)	1,821.62	785.17	364.66
F. Capital adequacy ratio (MCR 10%)	18.59%	20.19%	29.54%
G. Capital adequacy ratio (MCR + Buffer = 10.625%)*	18.59%	-	-
H. Capital Adequacy ratio- Common Equity Tier-1capital (Minimum 4.5%)	17.58%	20.15%	28.41%
I. Capital Adequacy ratio-core capital (Tier-I) (Minimum 5.50%)	17.58%	20.15%	28.41%



HUMAN RESOURCES:

In an era of progressively more competitive business environment, the Bank is ever more watchful of the importance of its people as a key success factor. SBAC Bank therefore aims to create a working environment that enables employees to realize their full capabilities and build for themselves a fulfilling career. So Human Resources Division sets its goal to help SBAC Bank Limited achieve its strategic mission, while ensuring employees are engaged and motivated to help the Bank succeed. HR has targeted its operational initiatives to align to the SBAC Strategic Plan by converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution.

The HR Division has a focus to establish SBAC Bank Limited as the best employer of choice in the banking sector by creating an attractive, inclusive and safe environment that recognizes the talents and encourages employees to take ownership for their professional and personal growth. HR Division has been coming up with relentless recommendations and contributions in each stage of employee life cycle starting from hire to retire. The Division has undertaken an initiative to align its core HR functions including but not limiting to attracting, developing, retaining talents with the strategy of the bank.

The following factors differentiate SBAC Bank Ltd. as an excellent work place from generally good work places around the country.

• Compensation & Benefit policy

The Bank offers following financial and non-financial benefits for the employees of the bank to ensure a better lifestyle and better career growth.

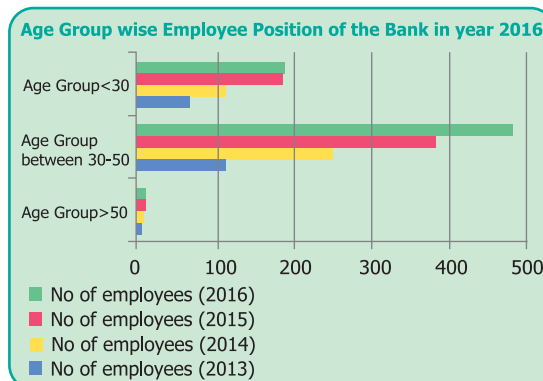
Attractive compensation package	Retirement Benefits
Festival & Incentive Bonus	Provident Fund
Annual Increment	Gratuity
Loan Facilities	Leave Fare Assistance
Training & Workshop	Fair Promotion Policy

• Diversity in workforce

From inception, the bank is trying to bring diversity in workforce in context of age, gender, ethnicity and locality. There is an increasing trend in workforce along with the business and span of service. With 54 branches, the bank is a proud employer of a diversified pull of people.

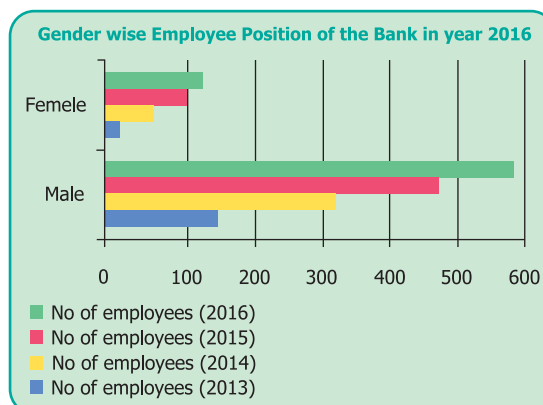
Total Workforce by Age Group

Age ranges	Total no. employees			
	2016	2015	2014	2013
Above 50:	12	11	10	6
30-50	476	381	251	115
Below 30	188	185	116	66
Total	676	577	377	187



Total Workforce by Gender:

Particular	2016	2015	2014	2013
No. of Female Employee	116	98	63	27
No. of Male Employee	560	479	314	160
Total	676	577	377	187



• Excellent Working environment

A healthy environment has been created where employees enjoy working with pride. Believing that human resources are main elements behind success and future sustainability of the bank, the bank is developing and motivating the workforce with contemporary HR policies and attractive benefits. The bank is not only offering a job but also creates opportunities for learning, challenging and rewarding career.

• Quality of working relations

People treat each other as friends, colleagues and co-workers; support and help each other to get the job done.

• Having a say:

Employees can participate in decision making process which will build up their confidence and also help the Bank to get innovative ideas for developing new products and improvement of existing operations in an effective and efficient manner.

• Training, Learning and Development

To transform the human resources into human asset, South Bangla Agriculture & Commerce Bank Limited established its Training Institute at the beginning of 2014. Since inception, the Training Institute of the Bank took initiatives for arranging different training programs and workshops to turn the employees into useful and effective workforce. In 2016, the Institute arranged 01 Foundation Training course for Trainee Officers where 26 Trainee officers participated and completed the programs. Another 13 training programs/workshops were arranged by the Training Institute in 2016 where 649 employees of different grades of the Bank participated. Details of the training programs/workshops, no. of participants are as follows:

Details of Training Courses/Workshops held in 2016:

SL NO	Name Of Course/Workshop	Start date	End date	Duration (working days)	No. of Participants
01	Foundation Training Course (4th Batch)	06.02.2016	03.03.2016	23	26
02	Prevention of Money Laundering	11.02.2016	11.02.2016	01	26
03	ISS Reporting	10.02.2016	10.02.2016	01	26
04	Workshop on ISS Reporting	03.02.2016	03.02.2016	01	36
05	Workshop on ISS Reporting	04.02.2016	04.02.2016	01	33
06	Workshop on Preparation of ICAAP Report	14.05.2016	14.05.2016	01	54
07	Workshop on AML/CFT	25.10.2016	25.10.2016	01	120
08	Flora Banking Software (7 workshop)	11.10.2016	15.10.2016	05	328
Total				34	649

Apart from in house training in training institute, SBAC bank facilitated 60 officials to participate in training/workshops in renowned organizations like Bangladesh Bank, BIBM, BBTB etc



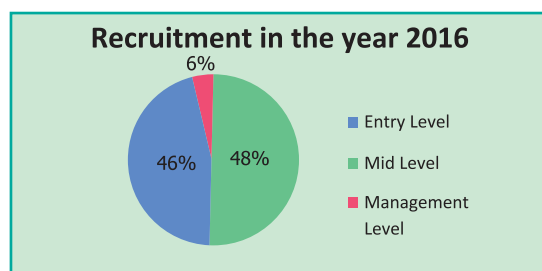
Closing ceremony of Foundation Training Course of Trainee Officers

• Recruitment and Selection

The recruitment and selection unit of HR Division has carried out a massive talent acquisition during 2016. Along with developing an internal pool of competent workforce, HR Division also ensure that there is steady flow of skilled and experienced employees from the job market who can deal with the new challenges of time. HR also contributes in the management and leadership development in every area of the bank.

Recruitment in 2016

Particular	2016
Entry Level Entrance	46%
Mid Level Entrance	48%
Management Level Entrance	6%
Total	100%



Instead of simply filling up the employee gap in certain positions of the bank, the recruitment and selection team emphasized on the "Best Fit" philosophy that can assure placing right people in right place at the right time. For the expansion of Branch Network the HR Division has facilitated the recruitment for a total of 107 including both fresh and lateral candidates in 2016.

INTERNATIONAL TRADE FINANCE:

Trade Finance service is one of the concentrated area of business of South Bangla Agriculture and Commerce



Bank Ltd. Trade business is being performed through Six (06) Authorized Dealer (AD) branches including a Trade Processing Unit (TPU) which supports Non-AD branches of the Bank. Export, Import and Remittance business has been increasing over the years.

Export:

Economic growth of a country is unattainable without export. Economic development derives when export increases at a faster pace as compared to import. Lower export contributes lower foreign exchange thus a lower purchasing capacity of a nation. In order to patronize the exporter as well as the economy of the country and to boost up income from export financing activities SBAC Bank Ltd adopted export friendly trade strategy. RMG (Ready Made Garments) sector is the largest sector of foreign currency earnings of the country, SBAC Bank Ltd adopted a customer friendly financing strategy to finance RMG, Spinning, Sweater, Knit, Woven, Dyeing and finishing sectors. SBAC Bank Ltd always takes care for the agriculture based exporter. Henceforward, SBAC Bank will continue its support to the non-traditional exporter like: vegetable, fruit, handicrafts etc. Apart from Ready Garments, other export items of SBAC Bank are frozen shrimp, raw jute, shoddy cotton, rice bran oil, pet bottle etc. Our exporter mainly exports their manufactured items destined to UK, USA, Canada, Hongkong, Germany, Turkey, Poland, Norway, Denmark, Dubai, Japan, Italy, Switzerland, France, Greece, Netherland and India. In the year 2016, SBAC Bank Ltd handled BDT 8760.31 million (equivalent USD 110.89 million) export business from 3386 number of export documents. In the year of 2015 export figure was BDT 9905.70 million (equivalent USD 126.19 million). Whereas this figure was BDT 5662.20 million (equivalent USD 72.13 million) in the year of 2014.

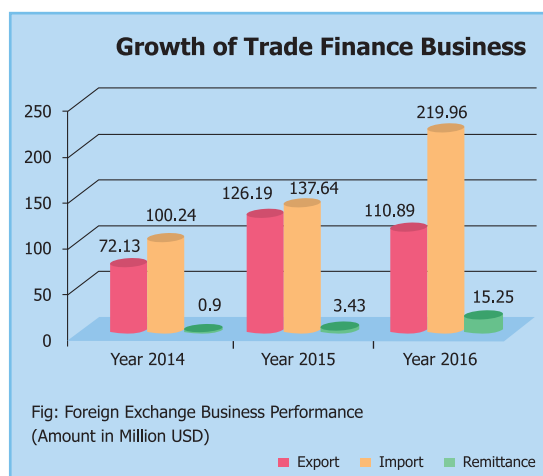
Import:

Import from overseas is essential in order to meet people's need as well as industrial needs. It is mentionable that Bangladesh is an Import based economy though its export volume is increasing over the last decades. Import Customers of SBAC Bank Ltd are various types. Among them export oriented garments industry and general traders are remarkable. The main import items includes rice, wheat, onion, garlic, mustard oil cake, assorted food items, fresh fruits, poultry feeds, medical equipment, chemicals, motor vehicles, coal, bicycle parts, computer parts, raw cotton, polyester yarn, packaging materials, raw materials and capital machinery of export oriented industry. They Import

mainly from USA, UK, China, Taiwan, Singapore, India, Brazil, Germany, UAE, Argentina, Qatar, Thailand, Indonesia, Malaysia, Canada, Finland, Italy, and Japan. In the year 2016, SBAC Bank Ltd handled BDT 17596.80 million (equivalent USD 219.96 million) import business from 3327 number of LCs. In the year of 2015 import figure was BDT 10942.10 million (equivalent USD 137.64 million). Where as this figure was BDT 7969.00 million (equivalent USD 100.24 million) in the year of 2014.

Remittance:

Remittances play a significant role in developing countries' economy, individual households and businesses. Money sent home by Bangladeshi expatriates contribute to development of the country. Bangladesh Bank being the central bank of Bangladesh always encourages scheduled banks to procure remittance through banking channel. South Bangla Agriculture and Commerce Bank Ltd. is also committed to handle remittance inflow from the expatriate Bangladeshis. We established direct drawing arrangement with Aman Exchange Company WLL, Kuwait, and Wall Street Finance LLC, USA. We have also established arrangement with renowned exchange house in the form of associate member such as Transfast Remittance LLC and Placid NK Corporation with Jamuna Bank Ltd., Xpress Money Services Ltd. and Western Union Network with Mercantile Bank Ltd., Ria Financial services with Southeast Bank Ltd. and Turbo Cash with Trust Bank Ltd. In the year 2016, SBAC Bank received BDT 1199.76 million (equivalent USD 15.25 million) as wage earners remittance. In the year of 2015 our bank received BDT 269.40 million (equivalent USD 3.43 million) as wage earners remittance whereas this figure was BDT 70.60 million (equivalent USD 0.90 million) in the year 2014.



Correspondent Banking:

Correspondent Banking relationship and Foreign Trade business is related to each other. Without having sound Correspondent Banking relationship bank can't step forward. The Bank has continued efforts and endeavor to develop relationship with foreign correspondents worldwide to facilitate the International Trade operation of the Bank. As on 31st December 2016, the number of foreign correspondents is 169 Banks spread across 38 countries and number of Nostro accounts with foreign correspondent banks stood 16 (sixteen) in 4 major international currencies. The bank also enjoys credit lines from the correspondent banks for adding confirmation to letter of credit as and when needed which is facilitating international trade.

Here is glimpse of correspondent banking of SBAC Bank Ltd:

Category	Number
Authorized Dealer Branches	06
Relationship Management Application(RMA)	169
Nostro Account	16
Credit Line with foreign correspondent	06
Direct Drawing arrangement with Exchange House for Remittance services	02
In-Direct (Sub-agent) Drawing arrangement with Exchange House for Remittance services	06

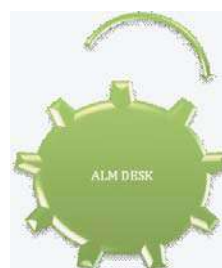
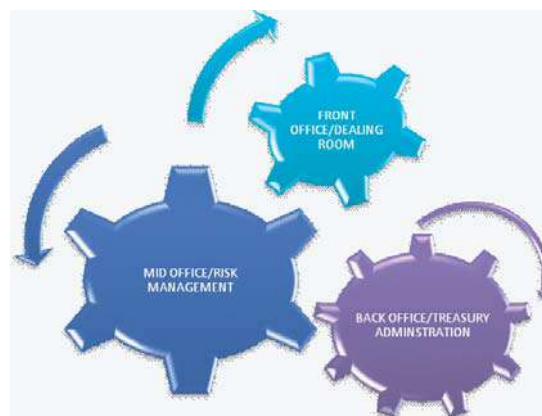
TREASURY OPERATIONS:

The Treasury of a bank is responsible for balancing and managing the daily cash flow and liquidity of funds within the bank. It also handles the bank's investments in securities, foreign exchange, asset-liability management and cash instruments.

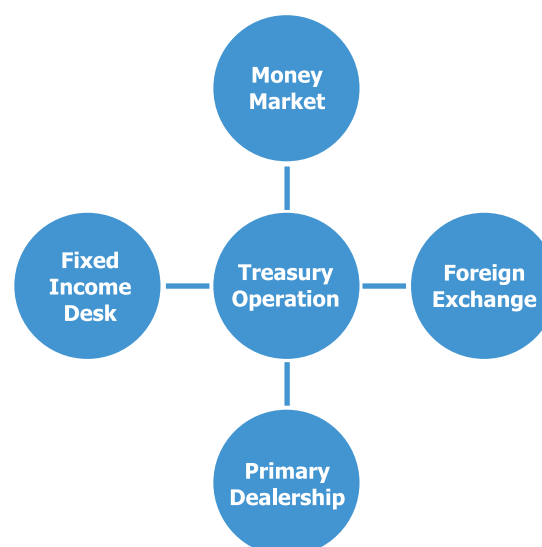
Treasury Division at SBAC Bank has been playing vital role in managing its Balance Sheet in terms of both size and quality since inception of the bank. SBAC Treasury has established itself as an outstanding profit centre through significant contribution to the bottom line of the bank.

Treasury Division of SBAC Bank has been delivering complete package of Treasury solution to its customers. We have separate Front Office, Mid-Office, Back-Office with separate reporting lines as per Bangladesh Bank Guidelines with the ultimate goal of managing liquidity and mitigating its operational, financial and reputational risk. We have also dedicated ALM Desk under Treasury.

TREASURY DIVISION



SBAC TREASURY OPERATION IS SEGREGATED INTO FOLLOWING PARTS:





Money Market:

Treasury of SBAC not only involved in day to day fund management, it forecast fund movement and liquidity and thus actively move to the Money Market. Our Money Market Desk is vibrant in dealing of Call, Repo, Reverse Repo, Treasury Line, Term etc. Money Market Desk of Treasury Division is primarily responsible for maintaining CRR, SLR and Wholesale Borrowing & Funding Limit of the Bank.

Since the banks are having excess liquidity, interbank call money rate in the banking sector reached its lowest point at 2.50% after July 2010. Rates are ranging from 2.50% to 4.50% where most of the deals are getting settled between 3.00% and 3.50%. Interest rates for Treasury Bills and Bonds also slipped significantly. 91days T-Bill cut off got hit at 2.92% which is even lower than the call money rate. Bangladesh bank has started to constrict the acceptance of reverse repo from the beginning of last fiscal year in an attempt to force the banks and non-banking financial institutions (NBFIs) to invest their excess liquidity in different productive sectors.

Money market and its instruments are simply crushed for less scope for investment opportunity. Banks are slashing interest rate on deposits to accommodate themselves with the prevailing market scenario. Banks are facing severe pressure on investment scope and squeezed acceptance of reverse repo has panicked the market severely.

Fixed Income

Security trading department in SBAC Treasury Front Office is responsible for investment in government securities including treasury bills and bonds that qualify for SLR. Being a primary dealer, SBAC treasury is actively involved in secondary trading of government securities throughout the year for generating profit for the Bank. This desk always operates within the policy frame approved by the Board of Directors of the Bank. The philosophy is to manage funds efficiently and maximize income within certain parameters and limits. It also includes use of effective duration, rate shock analysis, as well as total return to analyze and manage the investment portfolio and determine the effect of movements on the yield and value of the bank's portfolio.

Foreign Exchange

Foreign Exchange Reserve, a country holds to buffer out imbalances foreign receipts and payments. Main

objectives of the Central bank for holding foreign exchange reserves includes maintenance and safety of adequate level of reserve to meet foreign obligations, liquidity of reserve for the purpose of monetary and exchange rate management and finally, optimal return from the reserves assuming controlled risks in a prudent manner that will preserve the nominal value of the reserve.

SBAC Bank Foreign Exchange Desk is engaged in Foreign Exchange market through buy and sell of foreign currency in Inter-bank Market. The Bank has good sources of Foreign Currency through its own export customers and Non-residence Remittances. Throughout the year, SBAC Treasury always kept its open position within its set limit of USD 12.66 million. SBAC Treasury makes forecast about future exchange rate movement on a regular basis and maintains its open position according to its future projection- that is when treasury's forecast is BDT will depreciate against USD and the projected depreciation rate of BDT is more than the Money Market funding rate, it maintains and holds position long. When Treasury's projection is appreciation of BDT against USD, it maintains its position short.

Asset Liability Management (ALM)

The Asset Liability Committee (ALCO) of the SBAC Bank monitors Market Risks and Liquidity Risks analysing the market views, competition and the prospective target market. ALCO prepares the liquidity plan as per the Maturity Profile of Assets and Liabilities. ALCO takes necessary market information from Treasury Division, Finance & Accounts Division and from all other well conversant members of the committee to take strategic decisions. ALCO also includes invitees to enrich the decision making process by their valuable understanding.

Through ALCO, SBAC Bank makes all major strategic plans regarding interest rates on Deposits and Advances, Market Risk, Foreign Exchange Risk and compliance with the regulatory requirement of Bangladesh Bank. In every ALCO meeting the key points of the discussion are minuted and the action points are highlighted to strengthen the balance sheet position.

Primary Dealer

SBAC bank is a primary dealer (PD) operates in an attempt to establish a sound, efficient and vibrant 'secondary market of the government securities' by active Participation of market makers, operators and the market participants. A total of 20 leading commercial

banks are working as primary dealers in treasury bills and government bonds while other banks and NBFIs are not required involving their funds in related operations. However during 2016, interest rates on the government treasury bills and bonds decreased significantly as most of the scheduled banks rushed to invest their excess liquidity in the government tools amid a sluggish business situation in the country.

Treasury Priorities in 2017:

- Continuously improvising and mitigating risk in integrated treasury operation.
- Continuing to explore new avenues to utilize market opportunities especially in the field of derivatives.
- Maximizing portfolio size as well as returns by discovering new investment opportunities.
- Putting more efforts to build rapport with external and internal counterparts.
- Managing Balance Sheet with specific focus on interest rate movement.
- Creating stronger sales desk of Government Securities.
- Automation of Treasury Front office and ALM activities.

GENERAL SERVICES DIVISION:

The General Services Division (GSD) is the office responsible for the procurement and acquisition of supplies and services in support of the Bank's business as per board approved procurement policy of the bank.

GSD works with following objectives:

- To procure required services, goods, materials and equipments by ensuring quality, safety, and cost-effectiveness.
- To ensure that procurement transactions are conducted in a manner providing full and open competition whenever practicable.
- To comply with procurement policies.
- To solicit the participation of all qualified and responsible bidders and suppliers in the procurement process.
- To enhance accountability of the GSD and its participating officers for their procurement decisions and actions.
- To assure equity for all parties involved in the procurement process.

- To obtain the best value for the money spent.
- To eliminate the possibility of corruption or unethical practices in the procurement process.

Achievements of GSD for the year 2016:

1. Commencement of banking operation through collecting licenses and NOCs from different government organizations.
2. Timely inauguration of 10 new Branches around the urban areas as well as rural areas of our country.
3. Introducing more secured newly designed security instruments (i.e. cheque leaves) in compliance with Bangladesh Bank instructions and equipping the branches with proper and modern state of the art technology to make banking more secure for our customers.
4. Working as active participant with Bangladesh Bank during CSR activities around the extremities of Bangladesh.



A Branch Opening ceremony in progress

GSD Target in 2017:

1. Expanding our network through inauguration of new Branches at strategic points around Bangladesh.
2. Creating a strong and wide network of ATM booths to create values in the mind of our customers.
3. Strengthening the internal database for asset management.

INFORMATION TECHNOLOGY DIVISION

SBAC Bank has strengthened its position in the Banking Industry not only in terms of leadership in key business segments, but also on technology platform, service excellence and business capabilities. In this regard, our Board is committed to formulate strategy for Information Technology (IT) and policy documents which ensure that IT strategy is aligned with business strategy, review IT risks, ensure proper balance of IT investments for sustaining the Bank's growth, oversee the aggregate



funding of IT at Bank-level, ascertain if the management has resources to ensure the proper management of IT risks and review contribution of IT to business. As a new generation Bank, our Bank has deployed Technology as a Strategic Business enabler - to build a distinct competitive advantage and to achieve superior standards of Customer Service.

SBAC Bank is determined to utilize new technology and launch innovative digital products & services to optimize the banking experience of our clients as well as attract and retain customers. During 2016, we continued to implement Technological Development and has made concerted efforts to simplify our IT Landscape, reduce time-to-market for banking products, ensure system reliability and performance, information security, risk & compliance. In addition, new important tasks were added, including quality assurance for implemented software, cutting IT Support Costs and developing business growth platforms to facilitate the Bank's strategic advantage in the banking market. This enables our Bank to provide a secure, superior and seamless service experience to our customers.

In its constant endeavor to ensure customer satisfaction, our Bank as an early adopter of technology has made significant efforts to introduce a host of services and facilities in 2016:

- Bank has upgraded its key Systems i.e. CBS & other Banking applications, Payment infrastructure etc. to their latest versions enabling access to new features, enhanced security and better scalability to meet growing demand of customers.
- A comprehensive Banking Dashboard and Reporting Tool has been implemented which is capable to generate various kinds of MIS Reports, BI Dashboard, dynamic BI Reporting & Analysis etc.
- Initiatives have been taken to launch secured & user friendly Internet Banking for all customers which offers 24/7/365 banking to get a wide range of services gradually such as Fund Transfer, Mobile Top-up, Utility Payments etc. In this connection, customization and UAT are underway and will be introduced shortly.
- Introducing OTP based Network Access Control System to strengthen information security of banking IT functions
- ATM including CDM network has been expanded across the country allowing customer quick access to money.

During the year, many training programmes had been attended by the Bank's officers in premier institutions to keep themselves abreast with the advancements in IT, Information Security etc. Further, the Bank has conducted training programme for Bank Officials on awareness of IT Security & Operation, CBS etc.

Therefore, recognizing that information technology plays an important role in the growth of a bank, SBAC Bank continues to invest and harness powerful solutions that will allow it to expand its market reach and address the changing needs of the clients.

ATM & CARDS SERVICES:

Formation of Card Division: SBAC Bank Card division started its journey with the commitment of service excellence, providing diversified and innovative Card products to its clients through latest technological facilities. To achieve the vision and commitment & for providing the customer an uninterrupted round the clock transaction facilities, SBAC Bank launched ATM/CDM services along with Debit card operations on 9th March 2014 with the technical assistance of country's largest ATM & Card service provider ITCL (IT Consultants Ltd). ITCL consists with more than 31 consortium banks and approximate 2000 shared ATMs are connected with this consortium in all over the country.

So far SBAC bank deployed 18 ATMs, 2 CDMs in different branch locations of the country and more ATMs are yet to be set up with new and existing branches soon. From the inception of Card Division we have introduced Proprietorship Debit card to our account holders and so far we have issued 9,000 debit cards.

VISA Membership: For issuing credit cards, it is a pre-requisite to have affiliation with International payment processing organization like VISA, MasterCard or Amex. This type of affiliation is not only helpful for payment processing but also improves the image, marketability and rating of the bank towards local and international financial institutions. As VISA is a well-accepted international payment brand and has a larger market share in local & international card market, so initially we have pursued with VISA worldwide for their affiliation and membership. On 1st March 2017 we have got Associate Membership from VISA Worldwide Pte. Ltd. After completing all sorts of formalities and system level parameter settings in Card Management system we have started issuing VISA Debit & Credit Cards from 9th June 2016.

Implementation of EMV Chip Card: EMV is a global standard for credit and debit cards based on chip card technology. The standard covers the processing of credit and debit card payments using a card that contains a microprocessor chip. Now a day's Chip and PIN is one of the two verification methods that EMV enabled cards can employ. Rather than physically signing a receipt for identification purposes, the user just enters a personal identification number (PIN). This number must correspond to the information stored on the chip. Chip and PIN technology makes it much harder for fraudsters to replicate the card, so if someone steals a card, they can't make fraudulent purchases unless they know the four-digit PIN.

So to protect the cardholder's transactions from the fraudster and secure the card data, we have implemented the latest processor based card technology for our valued cardholders.

Joining to National Payment switch (NPSB): To comply & accommodate with the great initiative of Bangladesh Bank, we have joined National Payment Switch Bangladesh (NPSB) in October 2014. As a result our card holder can withdraw cash from any Bank ATM countrywide, at the same way any Bank cardholder can withdraw money from SBAC Bank ATMs. Now SBAC Bank cardholder can get access to more than 7,600 ATMs countrywide for using their Debit cards.

Introducing VISA Debit & Credit Cards: After having VISA membership licensing we have introduced latest technology based EMV Debit & Credit Cards for our valued customers. We have implemented a full range of Credit products like 1) SBAC VISA Classic Credit Card 2) VISA Gold multi currency Credit Card & 3) VISA Platinum Multi Currency Credit Cards.

We have also customized products for frequent travelers and Businessmen, like International Credit Card against RFCD account and ERQ account. However with complete range of Credit card products SBAC bank cardholders can enjoy seamless shopping, dining, health service and other services from different service outlets all over the country. The corporate discount tie up program are also undergoing with different types of business entities to offer our valued cardholders privileged services and attractive discounts while using their Debit & Credit cards in selected merchant outlets including Hospitals, Hotels, Restaurants and Shopping Malls.

We have also introduced multifactor authentication & OTP (one time password) for online purchase, hotel booking, railway ticket purchase and e-commerce transactions to protect fraudulent transactions and unauthorized use of cards.

The expansion of ATM & CDM network, installation of ATMs to all branches and prime public places are under

process. For ensuring more security and providing customized features to our card holders, SBAC Bank is working for implementation of own processing card centre with world class card management system with robust switch, ATM & POS controller. We are also trying to cover all individual active accounts by issuing SBAC Bank debit cards.

CORPORATE SUSTAINABILITY:

In respect of corporate sustainability, SBAC Bank Limited has focused on specific key areas namely, nation building, and enhancement of market place, promotion of the work place, support to the community and protection of environment.

CORPORATE GOVERNANCE:

The bank adheres strictly to the regulatory guidelines on corporate governance. Details of Corporate Governance of the Bank are given in the "CORPORATE GOVERNANCE" section of this Annual Report.

CSR ACTIVITIES:

Being a socially responsible Bank, SBAC Bank Limited has started CSR activities at the beginning year of its operation. CSR activities performed by South Bangla Agriculture & Commerce (SBAC) Bank Ltd are as follows:

Amount in Million Taka

Particulars	2016	2015	2014
CSR	32.80	6.61	4.64



The Chairman of the Bank handing blankets to the honorable Prime Minister as part of CSR program.

The CSR activities of the Bank in 2016 are as follows :

- Bank distributed 4,500 number of blankets to the cold stricken poor people in different areas in Bangladesh and Bank also donated 5,000 blankets to Prime Minister's Relief & Welfare fund.
- The Bank donated for " Bangabandhu Gold Cup Football tournament 2016".



- The Bank donated to Bangladesh Bank in 2016 for establishing Day Care Center ".
- Donation to establish and operate a Proyash School in Rangpur by Bangladesh Army.
- Donation to Holy Family Red Crescent Medical College Hospital to renovate and purchase of healthcare equipments.
- Donation to various educational institutions.
- Donation to DMP (traffic - east) for umbrella.
- Donation to Bangladesh Red Crescent Society, Jessore.
- Donation to Khulna Press Club.
- Donation to Khulna Shishu Hospital.
- Donation to Mr. Md. Haris Mia for construction of residence (4 among 5 members of his family are blind).



Mr. Md. Mokaddess Ali, VP & Company Secretary of the Bank handing over the key of house built by Bank for the Blind family of Mr. Haris Miah under the CSR Program of the Bank.

GREEN BANKING:

Under the guidance of Bangladesh Bank and us, being a socially responsible Bank, "A Green Banking Policy" of South Bangla Agriculture & Commerce Bank Limited has been formulated and approved by the Board of Directors. Green banking considers all the social and environmental factors along with financial priorities with an aim to protect the environment as well as to foster the economic development in a more environment friendly way. It is an opportunity to make a positive contribution to environmental and social concerns by enacting policies designed so that the business operations do not degrade the environment or turns harmful for the society. It covers a multitude of areas from a bank being environment friendly to how their money is invested. Details of Green Banking of the Bank are given in the "GREEN BANKING" section of this Annual Report.

INCLUSIVE BANKING:

SBAC Bank believes in inclusive banking by including the

disadvantageous section of the society in the formal financial systems. The bank has introduced Tk.10 privileged saving account, senior citizen saving account and students saving account. Besides the bank has already obtained "AGENT BANKING" operation approval from Bangladesh Bank which shall be come in to operation very soon.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Being a responsible corporate citizen, SBAC Bank Limited regularly pays corporate tax on time. We also deposit excise duty, withheld tax and VAT to Govt. exchequer on time deducted from employees' salary as well as payments to customers and vendors. During the calendar year 2016, our contributions are as follows:

(Amount in Million Taka)

Particulars	2016	2015	2014	2013
Withholding Tax	296.36	254.11	103.61	16.82
Advance Income Tax	269.89	146.16	38.89	21.08
VAT and Excise Duty	97.41	67.14	40.60	10.19
Total	663.66	467.41	183.10	48.09

PERFORMANCE OF SBAC BANK LIMITED IN 2016:

The operation of SBAC Bank Limited including eight other new Banks started in 2013 which heightened the competition in the Banking arena. Despite various challenges, SBAC Bank Limited has been able to record progress in almost all the areas of operation in 2016. The bank earned Tk. 1,519.88 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities. Trade finance, remittances and other ancillary businesses have also been expanded compare to the operation in 2015. The Financial performances of the Bank are as follow:

Total Assets

Total assets of the bank stood at Tk. 45,599.98 million in 2016 as against Tk. 36,687.93 million in 2015 registering a growth of 24.29 percent. The increase in assets was mainly driven by growth of customer deposits. The growth of deposits was used for funding growth in credit and holding of securities for SLR purpose and as a primary dealer. The economy witnessed a satisfactory growth scenario in credit and deposits mobilization.

Cash and Balance with Bangladesh Bank & its Agent:

The position of Cash and Balance with Bangladesh Bank & its Agent of the bank is Tk.2,709.46 million in 2016 of which Tk. 335.65 million in the form of cash and rest of

Tk. 2,373.81 million held with Bangladesh Bank & its Agent as against Tk. 2,169.12 million in 2015 of which Tk. 268.67 million in the form of cash and rest of Tk.1,900.45 million held with Bangladesh Bank & its Agent registering growth of 24.91 percent. The growth in deposits increased the Cash Reserve Requirement of the bank which is maintained with the Bangladesh Bank and its agent.

Balance with other banks and financial institutions:

The position of balance with other banks and financial institutions is Tk. 6,346.26 million in 2016 of which Tk.6,211.05 million in Bangladesh and Tk.135.21 million outside Bangladesh as against Tk. 5,333.47 million in 2015 of which Tk. 5,236.82 million in Bangladesh and Tk. 96.65 million outside Bangladesh. The balance with other banks and financial institutions in Bangladesh increased by Tk. 1,012.79 million (Tk. 6,346.26 million - Tk. 5,333.47 million) in 2016 due to increase balance with other Banks & Financial Institutions. The balance in outside Bangladesh increased by Tk. 38.56 million (Tk. 135.21 million - Tk. 96.65 million) in 2016 due to increase in both number and balance of nostro accounts maintained with overseas banks. Adequate funds were maintained with correspondent banks for payment against LC commitments.

Investment

The position of Investment of the Bank is Tk. 4,681.49 million in 2016 as against Tk. 4,670.23 million in 2015. The investment increased during the year 2016 by Tk. 11.26 million (Tk. 4,681.49 million - Tk. 4,670.23 million). The bank purchased government treasury bills to cover the increased SLR

requirement and for high yield. In addition, as a primary dealer, Bank had to buy government treasury bills/bonds which were devolved by Bangladesh Bank.

Loans and Advances:

The SBAC Bank Limited since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2016. The loans and advances stood at 30,174.09 million in 2016 against Tk. 23,128.29 million in 2015 registering growth of 30.46 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bank decreased to 12.67 percent from the level of 14.80 percent of previous year due to decrease of lending rates.

To minimize risks, the loans and advances has been given to diversified sectors. The sector wise disbursed loans and advances are shown below:

(Amount in Million Taka)

Particular of Sectors	2016	2015	Growth (%)
Agriculture, Fisheries and Forestry	664.44	269.08	146.93
Agro-based Processing Industries	1,249.66	844.95	47.89
Small & Medium Enterprise (SME)	14,816.41	9,861.77	50.24
RMG & Textile Industries	3,582.86	2,937.93	21.95
Hospitals, Clinics & Medical Colleges	149.14	375.04	(60.23)
Trade & Commerce	2,751.96	2,825.07	(2.59)
Transport and Communications	521.04	619.29	(15.86)
Rubber & Plastic Industries	882.74	863.92	2.18
Iron, steel & Aluminum Industries	1,310.67	1,301.39	0.71
Printing & Packaging Industries	334.38	336.32	(0.58)
Other Manufacturing Industries	2,220.19	1,682.53	31.96
Housing & Construction	260.56	159.86	62.99
Consumer Credit	152.16	146.02	4.20
Others	1,277.88	905.10	41.19
Total	30,174.09	23,128.29	30.46



Glimpse of diversified sectoral financing



An Alpini Factory financed under SME of the Bank



A ship financed by the Bank



A bank financed spinning mills



A factory of Poultry Feed finance by SBAC Bank Ltd.



A Poultry Farm Financed by SBAC Bank Ltd.



A trader of items of broken ship financed by SBAC Bank Ltd.
under SME programme



SBAC Bank Ltd. financed fish project



An Agricultural Firm financed by SBAC Bank Ltd.

Liabilities

The liabilities (excluding equity) of the Bank stood at Tk. 39,983.65 million in 2016 of which Tk. 38,337.20 million (95.88%) was deposit and rest Tk. 1646.45 million (4.12%) was borrowing & other liabilities as against Tk. 31,807.73 million in 2015 of which Tk. 30,775.38 million (96.75%) was deposit and rest Tk. 1032.35 million (3.25%) was other liabilities registering growth of 25.70%. The increase in liability was mainly due to growth in deposits. The borrowings from other banks, financial institutions and agents stood at Tk. 282.06 million in 2016 which represents Bank's borrowing from Bangladesh Bank under various Refinance Scheme & EDF.

Deposits

The deposits of the Bank stood Tk. 38,337.20 million in 2016 as against Tk. 30,775.38 million in 2015 registering growth of 24.57 percent. The growth was supported by branch network and high standard service provided to customers along with concerted and unwavering efforts of the employees of the Bank. Fixed deposits remained the main component of deposits contributing 73.53 percent of the total deposits. Interest cost of deposit decreased to 6.34 percent as against 7.75 percent of the previous year as a result of decrease in rates of high cost term deposits fueled by the liquidity position in the market. The clientele group of the Bank was individuals, corporation, NGO, NBFI, government bodies etc.

The Growth and Deposit Mix of the Bank is as follows:

Types of Deposit	Amount in Million Taka		Growth (%)	Deposit Mix (%)	
	2016	2015		2016	2015
Current Deposits	3,034.00	2,162.90	40.27	7.91	7.03
Special Notice Deposits	1,673.24	2,879.37	(41.88)	4.36	9.36
Bills Payable	1,255.47	272.05	361.48	3.28	0.88
Savings Bank Deposits	1,284.22	837.69	53.30	3.35	2.72
Fixed Deposits	28,190.00	22,626.11	24.59	73.53	73.52
Scheme Deposits	2,900.27	1,997.26	45.21	7.57	6.49
Total	38,337.20	30,775.38	24.57	100.00	100.00

Shareholders' Equity

The shareholders' equity of the Bank stood Tk. 5,616.33

million in 2016 as against Tk. 4,880.20 million in 2015 registering growth of 15.08%. The shareholders' equity of the Bank consists of Paid-up capital, Statutory Reserve, Revaluation Reserve on Govt. Securities and Retained Earning. The strong growth in shareholders' equity will help the bank to expand its business.

TOTAL PROPERTY & ASSETS & TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY OF THE BANK

Amount in million Taka

Particulars	2016	2015	Growth(%)
Cash	2,709.47	2,169.12	24.91
Balance with other banks and FIs	6,346.27	5,333.47	18.99
Money at call and short notice	186.00	150.00	24.00
Investments	4,681.49	4,670.23	0.24
Loans and advances	30,174.09	23,128.29	30.46
Fixed & other assets	1,502.67	1,236.82	21.49
TOTAL PROPERTY AND ASSETS	45,599.98	36,687.93	24.29
Deposits	38,337.20	30,775.38	24.57
Borrowings	282.06	231.83	21.67
Other liabilities	1,364.39	800.52	70.44
Total Shareholders' equity	5,616.33	4,880.20	15.03
TOTAL LIABILITIES AND CAPITAL	45,599.98	36,687.93	24.29

Interest Income

The interest income stood at Tk. 3,843.96 million in 2016 as against Tk. 2,861.10 million in 2015 showing growth of 34.35 percent. Interest income consists of Interest earned from loans & advances amounting Tk. 3,433.46 million and Interest received on FDR & SND account kept with other banks and financial institutions amounting Tk. 410.49 million. The reasons for growth of Interest Income are due to increase of loans and advances and investment in banks and financial institutions. Details of Interest Income are as follows:



Types of Interest Income	Amount in Million Taka		Growth (%)	Interest Income Mix (%)	
	2016	2015		2016	2015
Interest earned from loans & advances	3,433.46	2,448.66	40.22	89.32	85.58
Interest received from Banks & Financial Institutions	410.49	412.45	(0.47)	10.68	14.42
Total Interest Income	3,843.96	2,861.11	79.94	100.00	100.00

Non-Interest Income & Other Operating Income

Non-interest income consists of Commission, Exchange earnings, Brokerage etc. and other operating income consists of appraisal

Interest Expense

The interest expense stood at Tk. 2,307.33 million in 2016 as against Tk. 2,049.82 million in 2015 showing growth of 12.56 percent. Interest cost of deposits was the main component of interest expenses whereas interest cost of borrowings also had impact in 2016. Interest cost of deposits decreased to 6.34 percent in 2016 from 7.75 percent in the previous year due to decrease in rates of interest on deposits arising from high liquidity in the market. Moreover, high liquidity in the market induced the bank, a Primary Dealer, to go for mobilization of deposits at low cost. Details of Interest Expense are as follows:

Types of Interest Expense	Amount in Million Taka		Growth (%)	Interest Expense Mix (%)	
	2016	2015		2016	2015
Interest on Deposits	2,221.25	1,961.00	13.27	96.27	95.67
Interest on Borrowings	86.07	88.82	(3.09)	3.73	4.33
Total Interest expense	2,307.33	2,049.82	12.56	100.00	100.00

fees, accounts maintenance charge, postage & SWIFT recovery charge etc. The Non-Interest Income & Other Operating Income stood at Tk. 281.87 million in 2016 of which Tk.213.02 million was non-interest income and Tk. 68.84 million was other operating income as against Tk. 186.96 million in 2015 of which Non-interest income was Tk. 138.07 million and other operating income was Tk. 48.89 million showing growth of 50.76 percent. The growth was due to overall growth of banking business of the bank in 2016.

Total Operating Income

The operating income stood at Tk. 2,962.06 million in 2016 as against Tk. 1,831.40 million in 2015 showing growth of 61.73 percent. The operating income increased due to increase in interest income,

Net Interest Income

The net interest income stood at Tk. 1,536.63 million in 2016 as against Tk. 811.29 million in 2015 showing growth of 89.41 percent. Net Interest Income increased due to increase in Interest earned from loans & advances and Interest received from Banks & Financial Institutions and decrease of interest expense on deposits.

investment income and other operating & non interest income.

Investment Income:

The investment income of the bank consists of interest / discount earned on treasury bills / bonds, gain on government security trading, dividend received on shares and capital gain from sale of securities of listed companies. The investment income stood at Tk. 1,143.57 million in 2016 as against Tk. 833.15 million in 2015 showing growth of 37.36 percent. Net Interest Income increased due to increase in Investment in Government Securities and capital gain on sale of shares of listed companies.

Total Operating Expense

Total operating expenses include salary and allowances, rent, taxes, insurance, electricity, legal expenses, postage, stamp, telecommunication, stationery, printing, advertisement, Managing Director's salary and allowances, Directors' fees, Auditors' fees, depreciation, amortization and repair of fixed assets etc which stood at Tk. 1,442.18 million in 2016 as against Tk. 1,025.46 million in 2015 registering growth of 40.63 percent. The item wise expenses including Directors fees are disclosed in the Financial Statements section of this Annual Report. The operating expenses increased during the year 2016 mainly due to increase in manpower expenses for 10 new branches and other operating expenses.

The bank has recruited efficient Officials to perform the banking activities. The total regular employees of the Bank stood at 676 as on December 31, 2016. The productivity of the employees is measured in the following ratio:

Amount in million Taka

Particular	2016	2015	Growth (%)
Income per employee	4.38	3.17	38.17
Expense per employee	2.13	1.78	19.66
Profit before provision per employee	2.25	1.40	60.71
Profit before tax per employee	2.14	1.26	69.84
Assets per employee	67.46	63.58	06.10

Provision of Classified Loans:

In 2016, there was no Non Performing Loan (NPL). So Bank didn't require any specific provision for the year 2016. The specific provision for classified loans for the year 2015 was Tk.3.35 million.

General Provision

The provision against unclassified loans and advances including off-balance sheet exposures was made to the tune of Tk. 85.16 million during 2016 of which Tk. 39.47 million was made for unclassified loans and advances and Tk. 45.69 million was made for off- balance sheet exposures as against Tk. 73.14 million in 2015 of which Tk. 55.48 million was made for unclassified loans and advances and Tk. 17.66 million was made for off-balance sheet exposures. The additional requirement of General Provision was required due to increase in loans & advances and off-balance sheet exposures.

Provision for diminution in value of investment

There was no provision for diminution in value of investment for the year 2016 since there was no diminution in value of investment in 2016 whereas the provision of Tk. 2.12 million was made in 2015 for diminution in value of investment.

Net Profit before Tax

After making above provisions, net profit before tax of SBAC Bank Limited stood at Tk. 1,445.88 million in 2016 as against Tk. 727.33 million in 2015 showing growth of 98.79 percent. The growth was due to overall growth of banking business of the bank in 2016.

Provision for Income Tax

Provision against income tax of SBAC Bank Limited was Tk. 496.42 million in 2016 as against Tk. 369.32 million in 2015. The requirement was increased due to increase of net profit before tax in 2016.

Net Profit after Tax

Net profit after tax stood at Tk. 949.45 million in 2016 as against Tk. 358.00 million in 2015 showing growth of 165.21 percent. The growth was due to overall growth of banking business of the bank in 2016.

EPS, ROA and ROE stood at Tk. 2.19, 2.31 percent & 18.09 percent respectively in 2016 as against Tk.0.83, 1.18 percent and 7.85 percent respectively in 2015.

Statutory Reserve

As per Bank Companies Act 1991 (amended in 2013), 20 percent of profit before tax is required to be transferred to statutory reserve. As such an amount of Tk. 289.17 million has been transferred to statutory reserve in 2016 which was Tk. 145.47 million in 2015. Total statutory reserve stood at Tk. 495.07 million as on December 31, 2016 which was Tk. 205.90 million as on December 31, 2015.

Dividends

The distributable profit stood Tk. 676.09 million as on December 31, 2016 against Tk. 261.18 million in 2015. The Board of Directors recommended 15% stock dividend for the year 2016 in the Board Meeting no. 60 held on April 02, 2017 which shall be finally approved in the 4th Annual General Meeting. For the year 2015 it has approved 6% stock dividend.

OPERATING PERFORMANCE OF THE BANK

Amount in million Taka

Particulars	2016	2015	Growth (%)
Interest Income	3,843.96	2,861.10	34.35
Less: Interest Expense	(2,307.33)	(2,049.82)	12.56
Net Interest Income	1,536.63	811.28	89.41
Investment Income	1,143.57	833.15	37.26
Non-Interest Income & Other Operating Income	281.87	186.97	50.76
Total Operating Income	2,962.06	1,831.40	61.74
Less: Operating Expense	(1,442.18)	(1,025.45)	40.64
Profit before provision	1,519.88	805.95	88.58
Less: Provision	(74.00)	(78.62)	(5.88)
Net Profit before Tax	1,445.88	727.33	98.79
Provision for Income Tax	(496.42)	(369.32)	34.41
Net Profit after Tax	949.45	358.01	165.20
Less: Statutory Reserve	289.17	145.47	98.78
Profit available to ordinary share holders	660.28	212.54	210.66
Earnings Per Share (EPS)	Tk. 2.19	Tk. 0.83	163.86
Return on Equity (ROE)	18.09%	7.85%	130.45
Return on Assets (ROA)	2.31%	1.18%	95.76



MEETINGS IN 2016:

During the year 2016, 15 Board Meetings, 11 Executive Committee Meetings, 07 Audit Committee Meetings and 04 Risk Management Committee Meetings were held. Details of the participation are as follows:

Sl. No.	Name of Director	Meetings (2016)							
		Board		EC		AC		RMC	
		Held	Attend.	Held	Attend.	Held	Attend.	Held	Attend.
1	Mr. S.M. Amzad Hossain	15	14	-	-	-	-	-	-
2	Mr. Talukder Abdul Khaleque	15	13	-	-	-	-	-	-
3	Mr. Abdul Kadir Molla	15	15	11	11	-	-	-	-
4	Captain M. Moazzam Hossain	15	15	-	-	7	7	-	-
5	Mr. Maksudur Rahman	15	12	-	-	-	-	4	4
6	Begum Sufia Amjad	15	12	-	-	-	-	-	-
7	Mr. Abu Zafar Mo hammod Shofiuddin	15	13	11	6	-	-	-	-
8	Engr. Md. Moklesur Rahman	15	14	11	11	-	-	-	-
9	Mr. Md. Amzad Hossain	15	14	-	-	-	-	4	2
10	Mr. Hafizur Rahman Babu	15	15	-	-	7	7	-	-
11	Mr. Anwar Hussain	15	14	-	-	-	-	4	4
12	Mrs. Tahmina Afroz	15	9	11	2	-	-	-	-
13	Mr. Muhammad Mohsin	15	13	11	9	-	-	-	-
14	Mrs. Kamrun Nahar	15	15	11	10	-	-	-	-
15	Mr. Md. Mizanur Rahman Nominated by : M/S. Contech Construction Ltd.	15	14	-	-	7	7	-	-
16	Mr. Sk. Shyedujjaman	15	15	11	11	-	-	-	-
17	Mr. Mohammad Nawaz	15	12	-	-	-	-	4	2
18*	Mst. Nasima Begum Nominated by : Thermax Textile Mills Ltd	15	6	-	-	-	-	-	-
19*	Dr. Syed Hafizur Rahman	15	4	-	-	7	2	-	-

* Approval regarding appointment of Mst. Nasima Begum was obtained from Bangladesh Bank on July 16, 2016 and Approval regarding appointment of Dr. Syed Hafizur Rahman was obtained from Bangladesh Bank on September 28, 2016.

PATTERN OF SHAREHOLDING:

The Pattern of Shareholding of SBAC Bank Limited along with name wise details is as follows:

- Parent/Subsidiary/Associated companies and other related parties : NIL
- Shareholding of Directors, Chief Executive Officer/Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children:

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
1	Mr. S.M. Amzad Hossain	Chairman	21,200,000	Begum Sufia Amjad	20,140,000
				S. M. Ruhan Hossain	Nil
2	Mr. Talukder Abdul Khaleque	Vice-Chairman	1,120,000	Mrs. Habibun Nahar	Nil
3	Mr. Abdul Kadir Molla	Director	21,200,000	Mst. Nasima Begum	Nil
				Nawrin Sultana Adury	Nil
4	Captain M. Moazzam Hossain	Director	21,620,000	Mrs. Farzana Moazzam	Nil
				Eshmam-E-Moazzam	Nil
5	Mr. Maksudur Rahman	Director	18,126,000	Mrs. Shamsun Nahar Rahman	2,120,000
6	Begum Sufia Amjad	Director	20,140,000	Mr. S.M. Amzad Hossain	21,200,000
				S. M. Ruhan Hossain	Nil
7	Mr. Abu Zafar Mohammad Shofiuddin	Director	21,200,000	Mrs. Afroza Sultana	Nil
				A Z M Sahib Quader	Nil
8	Mr. Md. Amzad Hossain Nominated by : Rupsha Fish & Allied Industries Ltd.	Director	18,000,000	Mrs. Nargis Hossain	Nil
9	Engr. Md. Moklesur Rahman	Director	21,200,000	Mrs. Quamrun Nahar	Nil
10	Mr. Hafizur Rahman Babu	Director	15,900,000	Mrs. Nasima Rahman Nipa	Nil
				Nusaiba Rahman Raita	Nil
11	Mr. Anwar Hussain	Director	2,650,000	Mrs. Fadia Naz	Nil
12	Mrs. Tahmina Afroz	Director	21,200,000	Mr. Anwer Hossain Khan	Nil
				Adil Mohammad Khan Akash	Nil
13	Mr. Muhammad Mohsin	Director	12,720,000	Mrs. Shamima Nargis	Nil
14	Mrs. Kamrun Nahar	Director	5,300,000	Mr. Motiur Rahman	4,240,000
				Manjum Hasan Khabir	Nil
15	Mr. Md. Mizanur Rahman Nominated by : M/S. Contech Construction Ltd.	Director	21,200,000	Mrs. Sufia Akmal	Nil



16	Mr. Sk. Shyedujjaman	Director	2,120,000	Mrs. Sadnam Sadiana	Nil
				Suhain Maisah Zaman	Nil
				Mashiyat Safeerah Shiza	Nil
17	Mst. Nasima Begum Nominated by : Thermax Textile Mills Ltd.	Director	21,200,000	Mr. Abdul Kadir Molla	21,200,000
				Nawrin Sultana Adury	Nil
18	Mr. Mohammad Nawaz	Director	17,384,000	Mrs. Sufia Begum	Nil
				Mohammad Nuh Yaseen	Nil
				Sanowara Siddiqa	Nil
				Mohammad Farook Nawaz	Nil
19	Dr. Syed Hafizur Rahman	Independent Director	Nil	Mrs. Parveen Akthar Banu	Nil
				Syed Imtiaz Afridee	Nil
				Syeda Fahria Tasmeem Lazbee	Nil
20	Mr. Md. Rafiqul Islam	Managing Director & CEO	Nil	Mrs. Nurunnahar Begum	Nil
21	Mr. Md. Masoodur Rahman	SVP & CFO	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	Nil
22	Mr. Md. Mokaddess Ali	VP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Anima Mehraj Mehrin	Nil
				Hasnine Farhad	Nil
23	Engr. Salahuddin Ahmed	SVP & Head of ICC	Nil	Ms. Sabina Yeasmin	Nil
				Saifuddin Ahmed	Nil
				Saida Rafia	Nil
				Saida Rukaiya	Nil

Executives [top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit]

SL. No.	Name	Status	No. of Shares
1	Mr. Mostafa Jalal Uddin Ahmed	AMD	Nil
2	Mr. Mohammad Salim Chowdhury	SEVP	Nil
3	Mr. Mamunur Rashid Molla	SEVP	Nil
4	Mr. Shafiuddin Ahmed	SEVP	Nil
5	Mr. Md. Altaf Hossain Bhuyan	EVP	Nil

APPOINTMENT OF AUDITORS:

RE-APPOINTMENT OF AUDITORS:

KHAN WAHAB SHAFIQUE RAHMAN & CO., Chartered Accountants was appointed as external auditors of the bank for the year 2016. They have completed 01 (One) year as external auditors. They have expressed their willingness to continue as external auditors for the year



A view of the 3rd AGM of SBAC Bank

2017. As per Bangladesh Bank guidelines they are eligible for re-appointment.

ANNUAL GENERAL MEETING:

Annual General Meeting will be held on Wednesday, May 10, 2017 at 11:00 a.m. at Rest House (Banglo), Thermax Group, Borayetola, Shibpur, Narsingdi. The Financial Statements were approved in the 60th Board Meeting held on April 02, 2017 for presentation to the shareholders.



A view of the 3rd AGM

ROTATION OF DIRECTORS:

In compliance with the section 91(2) of the Companies Act 1994, regulation 79-82 of First Schedule of the Companies Act 1994 and Article 101(2) of Articles of Association of the Bank, rotation of the Directors will be held in the 4th Annual General Meeting of the Bank to be held on May 10, 2017.

STRATEGIC PLAN FOR 2017-2018:

The strategic priorities and actions plans as stated in the bank's Strategic Plan (2017-2018) are mentioned below:

1. Expansion of branch network to make banking services available at important locations throughout the country. The Bank has already opened 54 branches up to December 31, 2016 and opening of 10 more branches is under process which to be completed by June 2017. The bank has a plan to increase number of branches to 70 by December 31, 2017 and 85 branches by December 31, 2018 .
2. Maintaining highest quality of customer services by offering best products compatible with customers' needs.
3. Financial inclusion through widening the coverage of banking services specially by including the disadvantaged section of society. The operation of Agent Banking will come into operation very soon.
4. Continuation of diversification of credit portfolio in corporate exposure, focusing on retail, SME, direct green finance and agricultural loans, gender issues by providing loans to women entrepreneurs in SME segment and emphasize on geographical dispersion.
5. Improvement of deposit mix by penetrating broad-based customers, increase share of low cost and no cost deposit in total deposit, increase non-funded (non-interest fee based) business.
6. Maintaining required level of liquidity through skillfully managing asset-liability mismatch and recovery of past due loans.
7. Administering regular and effective monitoring and conducting recovery drive to ensure that loans and advances do not turn non-performing.
8. Diversification of products and services by introducing IT based innovative products and engaging alternate delivery channels.
9. Expediting delivery of inward remittance to increase the flow of foreign remittance.
10. Continuously improving internal governance through strengthening good corporate cultures, motivation, training and supervision at all levels of management.
11. Conduct Business Process Re-engineering in different functional areas to improve efficiency and bring in required structural changes.



A View of Annual Business Conference

12. Improvement of IT infrastructure in order to develop new IT based products and services.
13. Develop Human Resources Management system to motivate and retain Human Resources and transform them into Human Assets through continuous skill development.
14. Cost minimization and efficiency optimization at all levels of operation by ensuring budgetary control.
15. Expansion of activities related to Corporate Social Responsibility and Green Banking within the framework of organizational goals.
16. Maintaining strong capital base by ensuring borrowers' rating, concentrating on lending portfolio having lower capital charge, strengthening Internal Capital Adequacy Assessment Process (ICAAP).
17. Ensuring efficient and effective risks management for sustainable business growth.
18. Increasing brand visibility by creating positive image of the Bank.
19. To add value for all stakeholders.
20. To be compliant with all organizational and regulatory requirements by adherence to all laws, rules, regulations relating to banking.

On behalf of the Board of Directors

S.M Amzad Hossain
Chairman of the Board of Directors

Glimpse of Miscellaneous Activities



The honorable Chairman of the Bank receiving an International Award from Sardar Patel Trust



KDA Branch Opening Ceremony



EPZ Branch Opening Ceremony



The honorable Chairman of the Bank handing over the keys of buses to a school under CSR Program



Signing Ceremony of Participation Agreement for Green Transformation Fund



Signing Ceremony of Participating Agreement for long term Financing Facility under Financial Sector Support Project (FSSP) assisted by The World Bank



Anniversary Ceremony of the Bank



Inauguration of an ATM Booth of SBAC Bank Ltd.

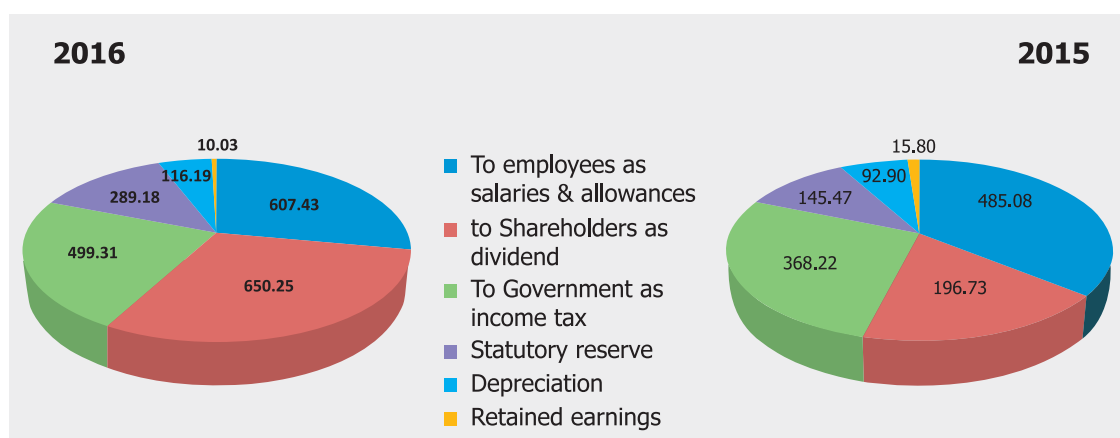


Value Added Statement

Value added is the wealth accretion made by South Bangla Agriculture & Commerce Bank Limited through providing banking and other financial services. Value created from the income from banking services and other financial services is the excess of cost of service rendered. The value added statement shows the total wealth created, how it was distributed to meet certain obligations, reward to those who have created it and portion retained for continuing operation and expansion of the bank. The value added statement of the bank is given below:

(Figures in million)

	2016 Taka	%	2015 Taka	%
Value Created				
Income from Banking Services	5,269.40		3,881.21	
Less: Cost of services & Supplies	3,025.90		2,497.30	
Value added by banking service	2,243.50		1,383.91	
Non-banking income	-		-	
Provision for deferred tax	2.89		(1.10)	
Provision for loans & other assets	(74.00)		(78.61)	
	2,172.39		1,304.20	
Value distributed				
To employees as salaries & allowances	607.43	27.96%	485.08	37.19%
To shareholders as dividend (Proposed)	650.25	29.93%	196.73	15.08%
To Government as income tax	499.31	22.98%	368.22	28.23%
	1,756.99	80.88%	1,050.03	80.51%
Value retained (to maintain and continue operations)				
Statutory reserve	289.18	13.31%	145.47	11.15%
Depreciation	116.19	5.35%	92.90	7.12%
Retained earnings	10.03	0.46%	15.80	1.21%
	415.40	19.12%	254.17	19.49%
	2,172.39	100.00%	1,304.20	100.00%



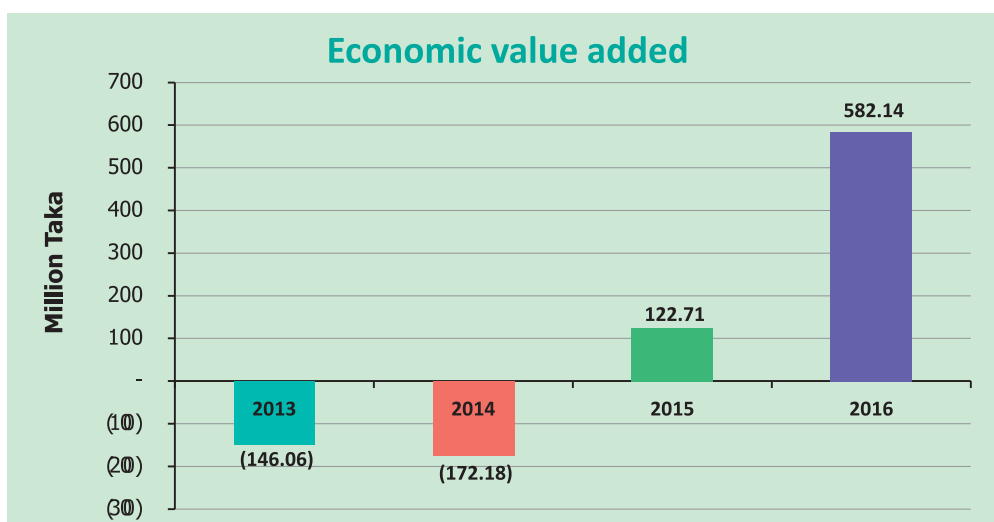
Economic Value Added (EVA) Statement

Economic value added (EVA) is the measure of financial performance of an organization. It is based on the principle that since a company's management employs equity capital to earn profit, it must pay for the use of this equity capital. This management tool is useful to stakeholders to take decision for increasing wealth.

EVA is equal to Profit after Tax (PAT) plus the provision for loans & other assets less written off loans during the year minus cost of equity. The cost of equity is the opportunity cost that the shareholders forego. For 2016 this cost of equity is calculated on the basis of the return on 5 years Treasury Bonds plus 2% risk premium.

(Figures in million)

	2016 Taka	2015 Taka	2014 Taka	2013 Taka
Shareholders' equity	5,616.33	4,880.21	4,242.71	4,137.70
Add: Provision for loans & advances and other assets	302.27	234.03	155.41	33.68
Closing Shareholders' equity	5,918.60	5,114.24	4,398.12	4,171.38
Opening shareholders' equity	5,114.24	4,398.12	4,171.38	4,089.60
Average shareholders's equity	5,516.42	4,756.18	4,284.75	4,130.49
Earnings				
Profit after taxation	949.46	358.01	66.00	46.34
Add: Provision for loans & advances and other assets	74.00	78.61	121.74	33.68
	1,023.46	436.62	187.74	80.02
Average cost of equity	8.00%	6.60%	8.40%	8.21%
Cost of average equity	441.31	313.91	359.92	226.08
Economic value added	582.14	122.71	(172.18)	(146.06)





RESPONSIBILITY





Report of the Chief Risk Officer (CRO)

Risk Management in Bank operations includes risk identification, measurement and assessment and its objective is to minimize negative effects of the risks on the financial result and capital of the bank. South Bangla Agriculture & Commerce Bank (SBAC) is committed to its stakeholders to attain a sustainable business growth commensurate with its strategies and policies. To this end, the bank has adopted Core Risk management policy issued by Bangladesh bank and is implementing those meticulously. In this context, SBAC Bank has prepared the Risk Management Guidelines which was approved by the Board of Directors and bank follows the guidelines to risk identification, measurement, assessment and to minimize the risk of the Bank.

SBAC Bank is increasingly focusing on development of appropriate risk management framework for managing risks of the bank. Risk Management Department (RMD) has been set up in the bank headed by Chief Risk Officer. This department monitors and reports various types of risks and develops appropriate risk culture in the bank. Major activities of RMD include preparing half yearly Comprehensive Risk Management Report, Monthly Risk Management Report, performing stress testing, process manuals, developing various risk models, and acting as operational layer for internal Capital Adequacy Assessment process. The Comprehensive Risk Management Report identifies and measures potential risks in bank's activities and Bank arranges meetings of Board's Risk Management Committee and apprises the Board/Executive committee of the identified risks and management's recommendations to address the risks to the RMD for taking appropriate steps. Besides as per instruction of Bangladesh Bank vide DOS Circular Letter No.13 dated September 09, 2015 Bank has prepared Risk Appetite considering the key risk areas which was approved by the Board.

Risk management framework: In compliance with Bangladesh Bank's guidelines, SBAC Bank has formed a Risk Management Team comprising of members from all key business/risk areas with the objective of analyzing and measuring business risks and taking mitigating

steps. In line with Bangladesh Bank, BRPD Circular No. 11 dated October 27, 2013; the Board of Directors has formed Risk Management Committee headed by Mr. Maksudur Rahman to look after the risk management issues of the Bank. In the year 2016, four (4) meetings of RMC were held. Instruction of RMC was communicated to the division/branches for compliance. To support this strategic risk management, the Bank has put in place a risk management framework, which consists of four key components.

1. Strategy and risk appetite: The Board establishes a strategy for the Bank and articulates a Statement of Risk Appetite that is consistent with that strategy. The Bank has set Risk Appetite for Earning Risk, Capital Risk, Credit Risk, Market Risk and Liquidity Risk which has been approved by the Board of Directors. Besides, a Comprehensive Risk Management Policy has been adopted which has been duly approved by the Board of Directors.

2. Governance: The role of the Board, Board Executive Committee, Board Risk Management Committee, Board Audit Committee, and Management Committees of the Bank in the framework is summarized in the Risk Management guidelines. The Board has overall responsibility for ensuring effective risk management within the Bank. Credit, market, liquidity, and operational risk - generally those matters regulated by the Prudential Regulation Authority - are monitored by the Risk Committee and led at the Executive level by the Chief Risk Officer.

3. Policies: Policies have been established for the management of each risk type and are subject to annual Board review and approval. They specify responsibility for managing each risk and requirements for measurement and reporting.

4. Management Information (MI): MI is produced so that each risk type can be monitored. The MI is produced on a range of frequencies and levels of detail, as appropriate for each risk and level of monitoring, from daily monitoring of liquidity by management to quarterly



update on regulatory risk for the Board. Effective MI relies on robust IT systems and high quality data.

Pillar-1 of Basel -III: Minimum Capital Requirement (MCR)

During the establishment of the bank, SBAC Bank fully complied the Revised Regulatory Capital framework for banks in line with Basel- III. At the end of the year 2016, SBAC Bank maintained capital requirement 18.59% of Risk Weighted Assets (RWA) against regulatory requirement 10.625% including buffer capital. SBAC Bank complied fully Pillar -1 under Credit Risk, Market Risk and operational risk.

For effective and efficient management of credit risks, credit functions have been segregated into (a) credit approval, (b) credit administration, (c) credit monitoring, and (d) recovery. The bank has a board approved credit policy where major policy guidelines, growth strategy, exposure limits and risk management strategies have been described in details.

In order to assess and address issues emanating from liquidity and other market related risks, meeting of bank's Asset Liability Committee (ALCO) is held regularly, at least once in a month. Treasury Department actively manages market risks within the limits fixed by ALCO. Operational risk events, resulting from inadequate or failed internal processes, people, and system or from external events are looked into by internal control & compliance division (ICCD). ICCD conduct regular and special audit and inspection. During 2016, all auditable 44 (Forty Four) branches were audited. 1 (One) special inspections were made on the branches. The work of Audit & Inspection of ICCD was under the direct supervision of Audit committee of the Board.

Pillar- 2 of Basel-III:

Supervisory Review Process (SRP) Supervisory Review Process (the 2nd Pillar of Basel-III) of Risk Based Capital Adequacy Framework is intended to ensure that banks have adequate capital to support all the risks in their business and at the same time to encourage banks to develop and use better risk management techniques in monitoring and managing their risk.

A sound and vibrant SRP for a bank requires three-layer structure:

1. Strategic Layer
2. Managerial Layer
3. Operational Layer

Under strategic layer the Risk Management Committee of the Board of Directors will bear the responsibility on behalf of the Board to implement SRP in the Bank. The

Committee will supervise the activities and performance of managerial layer and monitor that layer. Under managerial layer bank must have an exclusive body naming SRP Team which will be constituted by the concerned departmental heads of a bank headed by the Managing Director and the Team will assess the overall risk profile and a strategy for maintaining adequate capital. The formation and modification of SRP Team and its Terms of Reference (ToR) must be approved by the Board of Directors and to be notified to Bangladesh Bank. The Board of Directors in its 69th meeting on March 12, 2017 approved the SRP Team and ToR of SRP Team. Under operational layer the operational layer of the Bank basically responsible for correspondences with the regulator, collection of information from branches and concerned divisions, calculation of capital requirement under ICAAP reporting, and implementation of the tasks assigned by the SRP Team. In the year 2015, SBAC Bank has been maintained total capital at Tk.478.52 crore whereas required minimum plus additional capital at Tk.409.12 crore i.e. surplus capitals stood at Tk.69.40 crore. The bank conducts Stress Testing on its financial position on quarterly basis and reports the outcomes to Bangladesh bank, as part of 2nd pillar of BASEL-III Accord.

Pillar- 3 of Basel-III:

Market Discipline SBAC Bank delivers appropriate disclosures to meet the regulatory requirements as per international best banking practices. Disclosures on the position of the bank's risk profile, capital adequacy and risk management system have been included in the Annual Report also.

Conclusion:

From the above it appears that SBAC bank is trying to manage all risks relating to its activities and services efficiently and effectively. The board and bank management are well aware that identifying, measuring, monitoring and controlling various types of risks are vital for health of a bank as well as the whole financial system. In this context, the meetings of Risk Management Committee of the Board, Risk Management Team and SRP Team of the Bank were held properly to instruct the Risk Management Division for minimizing the risk of the Bank. Basel-III implementation in Bangladesh has been started from January 2016 and will end in December 2019. SBAC Bank is committed to take the challenge of Basel-III implementation in the bank.

Md. Golam Faruque

Senior Additional Managing Director & CRO



RISK MANAGEMENT

Risk management is the deliberate acceptance of risk for profit-making. It requires informed decision on the tradeoff between risk and reward, and uses various financial and other tools to maximize risk-adjusted returns within pre-established limits.

Risk-taking is an inherent element of the banking business and, indeed, profits are in part the reward for successful risk taking in business. On the other hand, excessive and poorly managed risk can lead to losses and thus endanger the safety of a bank's depositors.

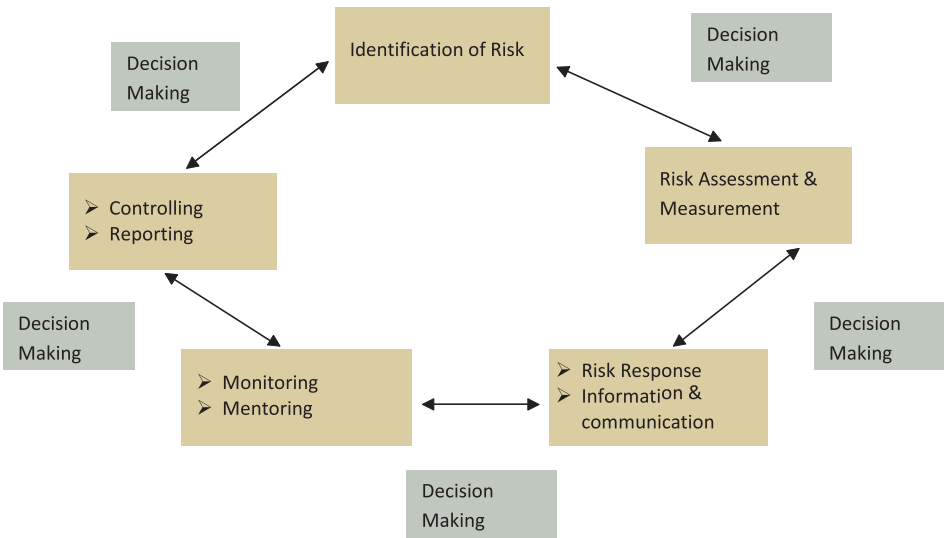
Risk is an integral part of the banking business and SBAC Bank's aim is to deliver superior shareholders' value by achieving an appropriate tradeoff between risk and returns. In banking arena, key risks include credit,

market, operational, liquidity, reputation risk and other risks like strategic risk, concentration risk, compliance risk etc. The risk management strategy of SBAC Bank is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. In this context, the RMD has prepared Risk Management Guideline which was approved by the Board of Director.

1. Development Process- Risk Management Framework

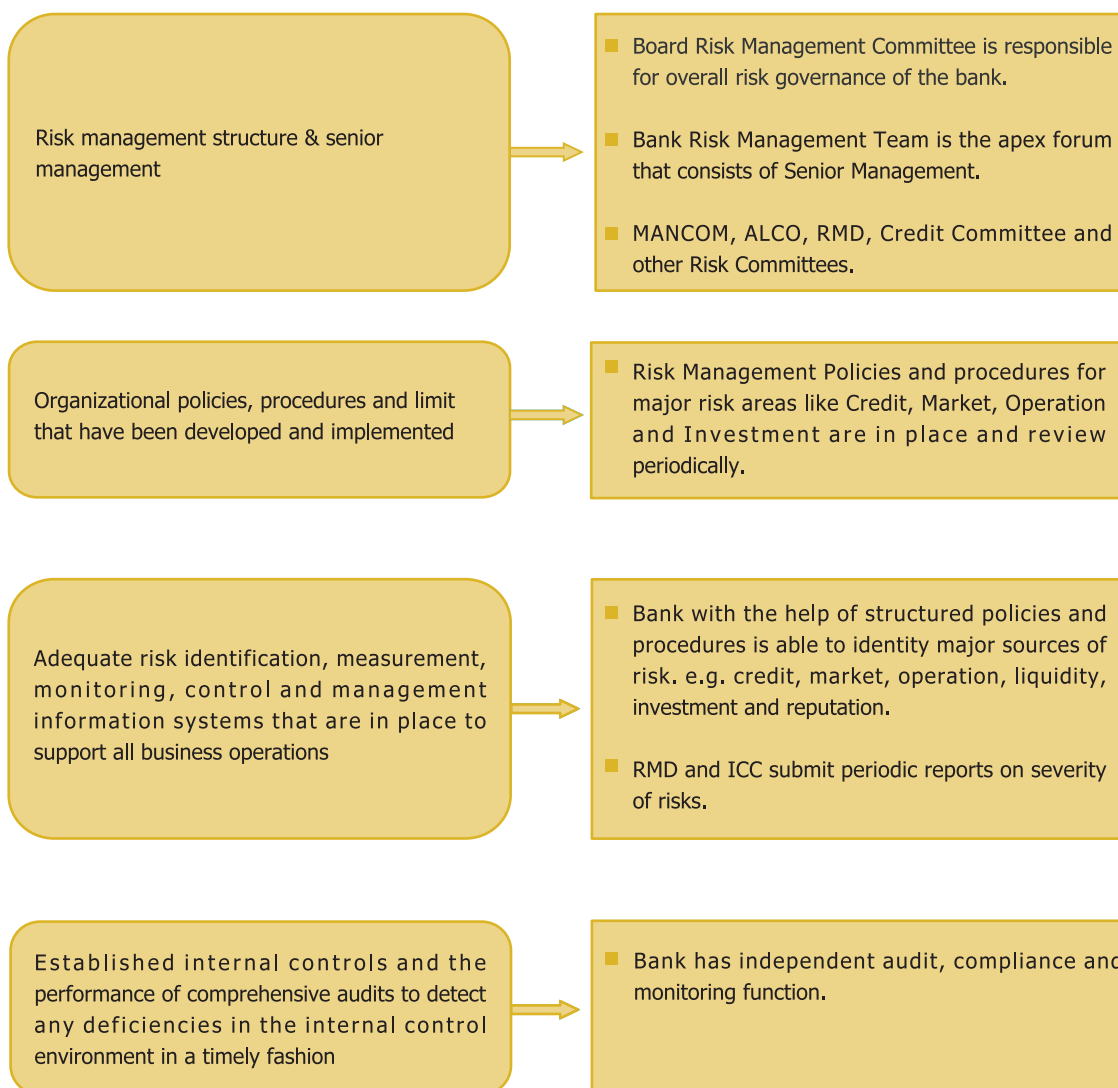
Know your business → Rank portfolio of risks → Quantify risk appetite → Merge risk blueprint with organizational strategy → Established governance and management structures → Build systems and infrastructure → Develop policies and procedures.

SBAC BANK RISK MANAGEMENT FRAMEWORK





2. Key elements of Risk Management System:



3. Principles of Risk Management

The main principles of Risk Management are the protection of SBAC Bank's financial health by mitigating risks. The key principles are described as follows:

3.1. Protecting the Bank's financial strength:

SBAC Bank controls risks in order to limit the impact of potential adverse event, both on its capital and on its financial results. The risk appetite distributes proportional for the available capital and other appropriate base. In this context, the RMD has prepared the Risk Appetite which was approved by the Board of Directors.

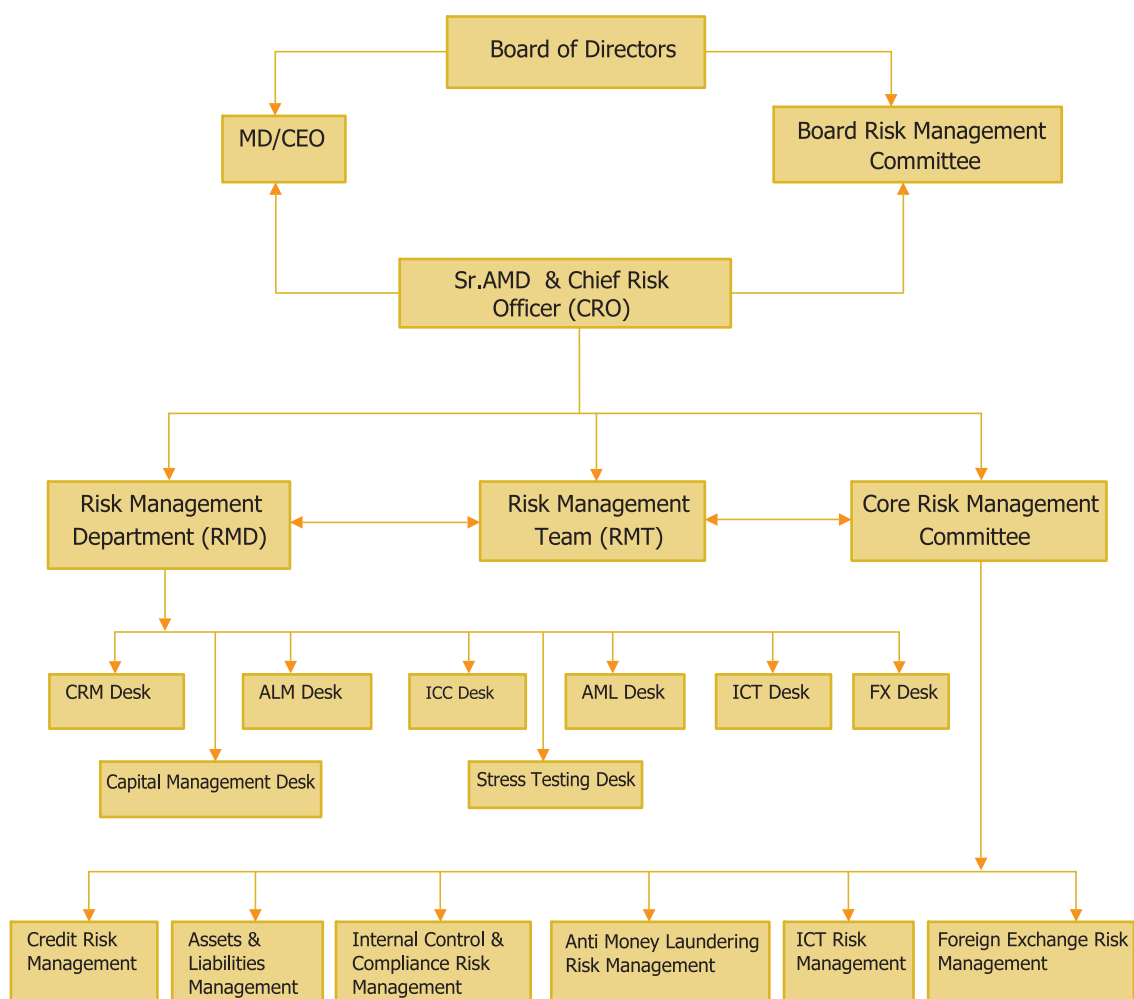
3.2 Protect Reputation: Reputation is essential for the proper performance of a bank and needs to be sustained for banking industries. SBAC Bank always tries to hold its reputation to sustain the banking industries.

3.3 Risk Transparency: For good insight into SBAC Bank positions, it is vital to identify all risks. Risks must always be considered as accurately as possible and documented in order to be able to make sound business decision.

3.4 Management Responsibility: The management of bank is responsible for its result as well as for their risks associated with its operations. A balance is made between risk and return, while, of course duly observing the relevant risk limits.

3.5 Independent Risk Control: This is the structured process of identifying, measuring, controlling, monitoring and reporting risks. In order to ensure integrity, the Risk Management Department operates independently to administer risks.

4. Organizational Structure of Risk Management:





4.1. Board Risk Management Committee:

As per directives of Bangladesh Bank circular no. 11 dated November 27, 2013, SBAC Bank formed a Risk Management Committee consisting of 4 (four) members of the Board of Directors. The members of the committee are given below:

Sl. No.	Name of the Directors	Position in the Committee
1	Mr. Maksudur Rahman	Chairman
2	Mr. Anwar Hussain	Member
3	Mr. Mohammad Ayub	Member
4	Mr. Mohammad Nawaz	Member
5	Mr. Khan Habibur Rahman	Member

4.1.1: Role of the Board Risk Management Committee:

The major duties and powers of the Risk Management Committee include, among others:

- Examining and amending risk strategies, risk management policies, risk preference, overall risk management system and internal control procedures of the Bank, supervising and assessing the implementation and effectiveness thereof according to the overall strategy of the Bank, making suggestions in that respect to the Board of Directors;
- Supervising and assessing the establishment, organizational structure, working procedures and effects of the risk management department, and making suggestions for improvement;
- Supervising and assessing the risk control by the senior management in respect of credit, market and operation, and making suggestions for improving the Bank's risk management and internal control;
- Conducting regular assessments on the risk management policies, risk preference and overall risk

management status of the Bank, and making suggestions in that respect to the Board of Directors;

- Ensuring appropriate knowledge, experience, and expertise of lower-level managers and staff involved in risk management;
- Ensuring sufficient staff resources for each risk management activity;
- Establishing committees and sub-committees to be in charge of ongoing risk management; and
- Other duties and powers required by laws, administrative regulations, rules, relevant provisions of the securities for the regulatory authority, and as may be authorized by the Board of Directors.

4.2. Risk Management Team with Executives of the Bank:

Pursuant to Bangladesh Bank Letter No: DOS (RMMS)1154/1/SBAC/2013-397 dated December 02, 2013, SBAC Bank formed Risk Management Department (RMD) to analyze and measure business risk with taking effective steps to reduce the risks involved in the business of Banking. The Bank also formed a Risk Management Team with the following executives of the bank:

Sl.No.	Name & Designation	Position
1	Mr. Md. Golam Faruque, Senior Additional Managing Director	Chairman
2	Mr. Mostafa Jalal Uddin Ahmed, Additional Managing Director	Member
3	Mr. Md. Ghulam Nabi, Senior Executive Vice President, Head of HRD	Member
4	Mr. Md. Mamunur Rashid Molla, Senior Executive Vice President, Head of Credit	Member
5	Mr. Shafiuddin Ahmed, Senior Executive Vice President, Head of ID	Member
6	Mr. Md. Mizanur Rahman, Senior Vice President, Head of ICT	Member
7	Engr. Salahuddin Ahmed, Senior Vice President, Head of ICCD	Member
8	Mr. Md. Masoodur Rahman, Senior Vice President, Head of FAD	Member
9	Mr. Mohammad Asadul Haque, Senior Vice President, Head of Treasury	Member
10	Mr. Md. Abu Bayazid Sk., Vice President, Head of BOD	Member
11	Mr. Md. Rashed Mahbub Rabban, Vice President, Head of Agriculture Credit Division	Member
12	Mr. Mannan Bapari, First Vice President, Head of RMD	Member Secretary
13	Mr. Mohammad Shafiul Azam, First Vice President, Head of Card	Member

4.3. Core Risk of the Bank:

4.3.1. Credit Risk:

Credit risk refers to the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs.

Credit risk can be classified as follows:

- **Credit default risk:** The risk of loss arising from a debtor being unlikely to pay its loan obligations in full is called default risk. Default risk may impact all credit-sensitive transactions, including loans, securities and derivatives.
- **Concentration risk:** The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten a bank's core operations. It may arise in the form of single name concentration or industry concentration.
- **Country risk:** The risk of loss arising from a sovereign state freezing foreign currency payments (transfer/conversion risk) or when it defaults on its obligations (sovereign risk); this type of risk is prominently associated with the country's macroeconomic performance and its political stability.

4.3.2. Asset Liability Management Risk:

Asset Liability Management (ALM) can be defined as a mechanism to address the risk faced by a bank due to a mismatch between assets and liabilities either due to liquidity or changes in interest rates.

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. These risks should be managed in a manner that contributes adequately to earnings and limits risk to the financial margin and member equity.

Proper management of asset/liability risk is facilitated through board approved policy, which sets limits on asset and liability mix, as well as the level of interest rate risk and foreign currency risk. Policy is also set out guidelines for the pricing, term and maturity of loans and deposits. The use of derivatives, if any, is controlled by policy, which state among other things that derivatives must only be used to limit interest rate risk and must never be used for speculative or investment purposes.

The scope of the ALM function of SBAC Bank covers the following processes:

I. Liquidity risk: The current and prospective risk arises when the bank is unable to meet its obligations as they come due without adversely affecting the bank's financial conditions. From an ALM perspective, the focus is on the funding liquidity risk of the bank, meaning its ability to meet its current and future cash-flow obligations and collateral needs, both expected and unexpected. This mission thus includes the bank liquidity's benchmark price in the market.

II. Interest rate risk: The risk of losses resulting from movements in interest rates and their impact on future cash-flows. Generally because a bank may have a disproportionate amount of fixed or variable rates instruments on either side of the balance-sheet. One of the primary causes is mismatches in terms of bank deposits and loans.

III. Currency risk management: The risk of losses resulting from movements in exchange rates- to the extent that cash-flow assets and liabilities are denominated in different currencies.

IV. Funding and capital management: It is a mechanism to ensure the maintenance of adequate capital on a continuous basis. It is a dynamic and ongoing process considering both short- and longer-term capital needs and is coordinated with a bank's overall strategy and planning cycles.

The ALM function scope covers both a prudential component (management of all possible risks and rules and regulations) and an optimization role (management of funding costs, generating results on balance sheet position), within the limits of compliance (implementation and monitoring with internal rules and regulatory set of rules). ALM intervenes in these issues of current business activities but is also consulted to organic development and external acquisition to analyze and validate the funding terms options, conditions of the projects and any risks (i.e., funding issues in local currencies).

4.3.3. Internal Control and Compliance Risk:

Internal Control and Compliance is a management process designed to achieve:

- Effective and efficient operations
- Reliable financial reporting
- Compliance with laws and regulations

The Board of Directors has approved updated policy guidelines on Internal Control & Compliance Risk (ICC) management thereby restructuring the organizational chart of the Bank in accordance with the



instructions of Bangladesh Bank for managing core risks. Internal Control & Compliance Division of the Bank, under direct supervision of Audit Committee of the Board, has been implementing detail guidelines on ICC risk management to assess and mitigate risks and as part of it, the ICCD has been segregated into three (3) independent units; namely :-

- a) Audit & inspection unit
- b) Monitoring unit
- c) Compliance unit

The units have been functioning independently & separately with direct reporting lines to the Head of IC&CD. Beside, Audit & Inspection Unit directly report to the Audit Committee of the Board. In addition, Departmental Control Function Check List (DCFCL) has been introduced in the branches under direct supervision of Monitoring Unit of IC&CD. Loan Documentation Checklist and Quarterly Operation Report have been brought in practice under supervision of dedicated unit.

Internal audit has been conducted on branches and departments of Head on periodical basis to ensure compliance of Banks and Regulatory authority policies. Core Risk Guidelines of Bangladesh Bank on Internal Control and Compliance, the MANCOM reviews on regular basis the overall effectiveness of internal control system and provide a certification on the effectiveness of Internal Control Policy, Practice and procedure.

Effective control of the capital assessment process includes an independent review and, where appropriate, the involvement of internal or external audits. The Bank's Board of Directors has the responsibility to ensure that management establishes a system for assessing the various risks, develops a system to relate risk to the Bank's capital level, and establishes a method for monitoring compliance with internal policies. Board's audit committee, internal auditors, external auditors and Risk Management Division are actively involved, wherever necessary, to assess compliance status and adequacy of capital of the Bank.

4.3.4. AML/CFT Risk:

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. The Bangladesh Bank Guideline on Anti-Money Laundering contains the following major issues which have been incorporated in bank's policy:

- Dully filled in KYC (Know Your Customer) Form is a must for account opening;

- TP (Transaction Profile) in which every customer must specify what will be the frequency and amount of transaction;
- There should be a monitoring function to monitor unusual/suspicious transaction which needs to be reported to the Bangladesh Bank;
- AML/TF Risk registered for customers;
- Cash Transaction Report (CTR) is to be sent to the Bangladesh Bank on every month for the customers depositing or withdrawing cash above Tk.1.00 million in a day in a bank branch;
- Record is maintained for 5(five) years;
- Appoint BAMLCO in every branch and CAMLCO at Head Office;
- MD & CEO's message addressing all officials of the bank at regular interval to take measures against ALM/CFT;
- Train officials on AML/CFT;
- STR & SAR are reported as and when needed.

4.3.5 Information & Communication Technology Risk:

We are living in an era of information and communication technology and the banks have become more technology driven these days. Use of computer, internet has become a common practice in the banking industry. There are certain risks involved in the use of information and communication technology. This risk may arise from malfunction of system, failure of network, lack of knowledge about the use of technology, virus attack, hacking etc.

To manage ICT related risk, SBAC Bank has adopted Core Banking Software "Florabank Online Core Banking Solution" for its Bank management. ICT Department has controls over password, User ID maintenance, input control, network security, virus protection, internet and e-mail. Data centre has been set up and disaster recovery plan has been formulated as part of Business Continuity Planning.

4.3.6. Foreign Exchange Risk:

Foreign exchange risk is the exposure of a bank's financial strength to the potential impact of movements in foreign exchange rates. The risk is that adverse fluctuations in exchange rates may result in a reduction in measures of financial strength.

i) Board of Directors and Senior Management Oversight for mitigation Foreign Exchange Risk:

- Board of Directors of the Bank:
- Approved a policy on foreign exchange risk;

- Review, at least once a year, the policy, techniques, procedures, and information systems referred to in that policy;
- Ensure adherence to the policy techniques, procedures and informational systems referred to in that policy;
- Ensure that qualified and competent persons i.e. senior management, are employed to manage and control the bank's exposure to foreign exchange;

ii) Strategy, Monitoring and Control:

A bank establishes a written policy on foreign exchange risk that:

- Includes a statement of principles and objectives governing the extent to which a bank is willing to assume foreign exchange risk;
- Establishes prudent limits on a bank's exposure to foreign exchange risk;
- Clearly defines the levels of personnel who have the authority to trade in foreign exchange; and
- Clearly identifies the different currencies, which have been approved for transaction within the company.

4.4. Core Risk Management Committees:

SBAC Bank exclusively manages 6 (six) core risks and has designed and implemented in the guidelines of Bangladesh Bank. The Bank formed six core risk management committees which conduct meeting monthly. The major concerns of the committees are as under:

4.4.1. Credit Risk Management Committee:

The committee supervises and monitors issues related with credit concentration, credit risk grading, corporate & SME clients rating, non-performing loans & advances, residual risk against credit, provision against classified loans & advances, credit mix, Combating Terrorist Financing, asset quality etc.

4.4.2. Foreign Exchange Risk Management Committee:

The committee oversees foreign exchange risk, treasury, net open position, import & export business, dealing room operations and antimoney laundering aspects in foreign exchange transactions etc.

4.4.3. Information & Communication Technology Risk Management Committee:

The committee monitors and supervises the risks related to data security, physical security, network security, disaster recovery, fraud, forgery, system failure and business continuity etc.

4.4.4. AML/CFT Risk Management Committee:

The committee looks after the money laundering activities, STR, SAR, CTR, KYC and TP related compliances. The committee also supervises and monitors the entire transactional activities of the Bank including money laundering aspects involved with foreign exchange transactions as well as Combating Terrorist Financing.

4.4.5. Internal Control and Compliance Risk Management Committee:

The committee assesses and mitigates the risk related to compliance with regulatory requirements, set rules of the Bank, internal checking system, lapses, fraud, forgeries, violations of the set rules etc.

4.4.6. Asset Liability Committee (ALCO):

The committee looks after the asset-liability risk, liquidity risk, Advance Deposit Ratio (ADR), deposit mix, credit mix, gap analysis etc. under direct guidance of the CEO.

4.5. Risk Management Department:

In compliance with Bangladesh Bank letter no. DOS (RMMS) 1154/1/SBAC/2013-397 dated December 02, 2013, SBAC formed a separate 'Risk Management Department' under Chief Risk Officer to ensure following activities in Bank:

- Designing of organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it;
- Formulation of overall risk assessment and management policies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining at every individual unit level an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines as provided by Bangladesh Bank;
- Reviewing and updating risks on systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them;
- Formulation of strategies and different models in consistent with risk management policy based on IT Policy and in house IT support which can identify, measure, monitor and maintain acceptable risk levels of the bank;
- Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the bank.
- Ensure compliance with the core risks management



guidelines at the department level, and at the individual desk level;

- Analysis of self resilience capability by the Basel-II & III and Stress Testing of the bank;
- Review Risk Appetite of the Bank;
- Initiation to measure different market conditions, vulnerability in investing in different sectors;
- Risk Management Department of SBAC Bank is arranging monthly meeting on various issues to determine strategies in consistent with risk management policy, which can measure, monitor, and maintain acceptable risk level of the bank. Minutes of each meeting is submitted to Bangladesh Bank on monthly & half yearly basis;
- Besides, Risk Management Paper is also being prepared on monthly basis and the minutes of the meeting is prepared to address different areas of risk and their mitigating tools & techniques guided by the members of Risk Management Team.

The Risk Management Department (RMD) does have direct reporting line with the Risk Management Committee of the Board having dotted line to the Chief Risk Officer (CRO) of the Bank.

4.5.1. Capital Assessment under Basel-III:

Capital Assessment of the bank is based on the objective of maintaining an adequate capital base to support the projected business and regulatory requirement. This is done by drawing an annual planned business growth vis-à-vis capital requirement.

4.5.1.1. Adequate capital:

- Regulatory requirements to promote bank safety and soundness.
- Mitigate moral hazard problems of deposit by increasing shareholders' exposure to bank.
- Market confidence is important to depositors and other bank claimants.

4.5.1.2. Practical applications of capital assessment:

Strategic:

- Manage stock analysis, e.g., reveal under-valued businesses
- Strategic planning, e.g., project capital needs, quantify impact on capital ratios
- Risk management, e.g., estimate probability of ruin and impact on stock price

Tactical:

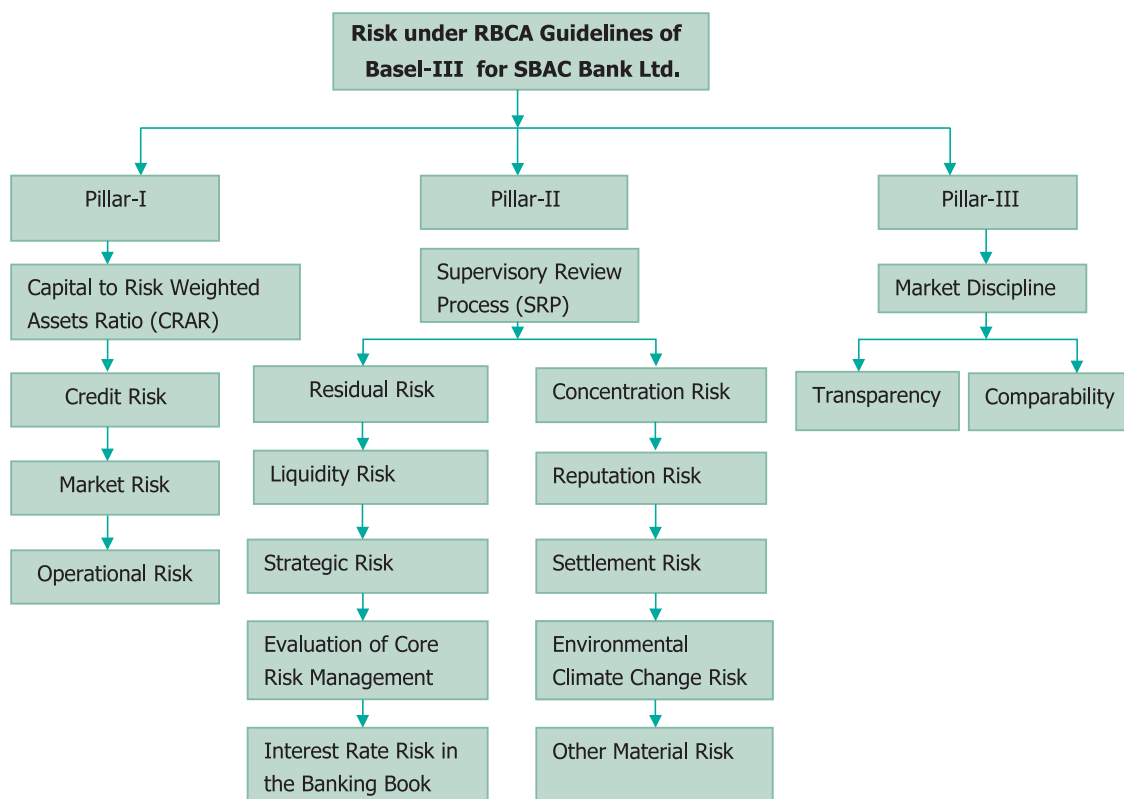
- Funding decisions, e.g., identify stock repurchase opportunities
- Risk-return tradeoff decisions
- Identifying highest value-added projects
- Asset-liability management (ALM)
- Provide incentive compensation aligned with increasing value

4.5.2. Capital Position of SBAC Bank Limited:

As per directives of the Bangladesh Bank, every bank is required to maintain capital at 10.625% including buffer capital of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher for the year 2016. Minimum Common Equity Tire-1 (CET-1) capital should be minimum 4.5 percent of total capital. SBAC Bank maintained total eligible capital Tk.582.16 crore as on 31.12.2016 which was Tk.478.52 crore as on 31.12.2015. The Capital Adequacy Ratio of the bank was 18.59% as on 31.12.2016 of which CET-1 was 17.62% against 21.19% as on 31.12.2015. So, SBAC Bank maintains excess capital as per requirement of Bangladesh Bank and bank stood on strong base capital.

4.5.3. Risks under the Guidelines on Risk Based Capital Adequacy (BASEL-III):

To cope up with the international best practices and make the bank's capital shock absorbent, 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised regulatory capital framework in line with Basel III) was introduced from January 01, 2009 as a parallel run with BRPD Circular No. 10, dated November 25, 2002 (Basel I). At the end of parallel run, Basel III regime started from January 2015 and the guidelines on RBCA came fully into force with its subsequent supplements/revisions. Under RBCA guidelines, SBAC Bank considers the following risk against Pillar-1 & Pillar-2.



4.5.3.1 Capital to Risk Weighted Assets Ratio (CRAR):

As per guidelines of Risk Based Capital Adequacy (RBCA) of Bangladesh Bank, every scheduled bank should maintain Capital to Risk Weighted Assets Ratio including buffer capital of 10.625% of Risk Weighted Assets (RWA). Under this requirement, Capital Adequacy Ratio of the Bank stood at 18.59% of RWA as on 31.12.2016. While calculating Risk Weighted Assets, Credit Risk, Market Risk and Operational Risk are taken into consideration. These are described below:

A) Credit Risk:

Credit Risk is defined as the potential losses that bank's borrower or counter party will fail to meet its obligations accordance with agreed terms. This includes non-payment of capital or interest within the agreed period at the agreed rate of interest and in the agreed currency due to unwillingness of the counter party or decline in his/her financial abilities resulting from adverse environment.

SBAC Bank Limited has well written procedure both for appraisal and regular monitoring of credit risk. Regular

reviews are held and risks identified. Risks are mitigated in a number of ways namely recourse to collateral, counter-guarantees from shareholder/ third parties. Adequate margins are maintained on the collateral to guard against adverse fluctuation in the market price of collateral.

i) Credit Policy:

Credit Policy of the Bank capture the core principles for identifying, measuring and managing credit risk of the bank. These policies are approved by the Board of Directors and are designed to meet the organizational requirements that exist today and to provide flexibility for the future. The policy is also revised from time to time to make it up-to-date. SBAC Bank recognizes that a critical factor in the bank's continued profitability and stability is its effective risk management capabilities. SBAC Bank also ensures its risk management strength and strives to continuously promote a proactive risk management culture in the bank.



ii) Lending guidelines:

Bank's credit strategy is to determine the risk appetite of the Bank. So Bank's focus is to maintain a credit portfolio keeping in mind of our risk absorbing capacity. Thus its strategy is invigorating loan processing steps including identifying, measuring, containing risks as maintaining a balance portfolio through minimizing loan concentration, encouraging loan diversification, expanding product range, streamlining security, insurance etc. as buffer against unexpected cash flow.

iii) Credit Assessment:

A thorough credit and risk assessment is to be conducted prior to the granting of loans, and at least annually thereafter for all facilities. The results of this assessment shall be present in a Credit appraisal that originates from the Relationship Manager ("RM") and approved by Credit Risk Management (CRM). The RM should be the owner of the customer relationship, and will be held responsible to ensure the accuracy of the entire credit application submitted for approval. RMs shall follow the Bank's lending guidelines and shall conduct due diligence on new borrowers, principals and guarantors.

iv) Risk Assessment:

Credit proposals shall contain summarizing of the results of the RMs risk assessment and include, as a minimum, the following details:

- Amount and type of loan(s) proposed.
- Purpose of loans.
- Loan structure (Tenor, Covenants, Repayment schedule, Interest etc.)

- Security arrangements

- Marketing aspects

- Management capability

v) Credit Risk Grading:

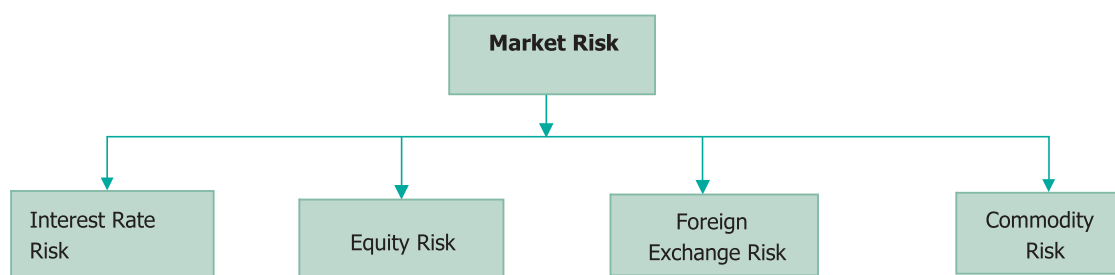
Credit risk grading is an important tool for credit risk management as it helps to understand various dimensions of risk involved in the underlying credit transaction. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality of credit portfolio of a Bank or a branch. The credit risk grading system is vital to take decisions both at the pre-sanction stage as well as at post-sanction stage.

vi) Credit Risk Mitigation:

The Bank believes that a key component of a disciplined credit culture is adherence to internal policies and procedures. Hence, comprehensive Credit Policies have been established in the Bank to ensure quality and transparency of investment decisions at all times. A well-defined approval hierarchy supported by high ethical standards, established policies, procedures and practices function as the core credit risk mitigation in the overall investment culture of Bank.

B) Market Risk:

Market risk is the risk of potential losses in balance sheet and off-balance sheet positions of the bank arising from adverse movements in market prices such as interest rates, foreign exchange rates, equity prices and commodity prices.



The main objective of the market risk is to ensure that bank's activities which are exposed to various market risks are generating optimum returns and downside risks are in control and within the limit of agreed appetite.

i) Interest Rate Risk:

Interest Rate Risk is the potential impact on a Bank's earnings and net assets values due to change in market interest rate. Interest risk arises when a Bank's principal and interest cash flows (including final maturities) both on and off-balance sheet, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. Bank's lending, funding and investment activities give rise to interest rate risk.

ii) Foreign Exchange Risk:

Foreign Exchange Risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. Foreign exchange risk may also arise as a result of exposures of banks to profit rate risk arising from the maturity mismatches of foreign currency positions.

The SBAC Bank has established Risk Tolerance limits for foreign exchange exposure within the directives of Central Bank of Bangladesh in order to ensure that any adverse exchange rate movements on the results of the Bank due to un-hedged foreign exchange positions are managed within acceptable parameters.

iii) Equity Price Risk:

Equity price risk is the risk of losses caused by changes in equity prices. These losses could arise because of changes in the value of listed shares held directly by the bank. Market to market is the tool bank applies for making full provision against losses arisen from changes in the market price of securities.

iv) Commodity Risk:

Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be grains, metals, gas, electricity etc. A commodity enterprise needs to deal with the following kinds of risks:

- Price risk (Risk arising out of adverse movements in the world prices, exchange rates, basis between local

and world prices)

- Quantity risk
- Cost risk (Input price risk)
- Political risk

C) Operational Risk:

Operational risk refers to the risk of losses resulting from the inadequacy or failure of internal process, systems and people or external events. Capability to carry out a large number of transactions effectively and accurately while complying with applicable laws and regulations.

Key Processes of the Management of Operational Risk in the Bank are based on the concept of 'Risk vs. Service vs. Cost' and Operational Risk is effectively managed with least inconvenience to the clients.

i) Mitigating operational risk:

Operational Risks result from inadequate or failed internal process, people and system or from external events. Within the Bank, Operational Risk may arise from negligence and dishonesty of the employees, lack of management supervision, inadequate operational control, lack of physical security, poor technology, lack of automation, non-compliance of regularity requirements, internal and external fraud etc.

Operational Risk Management Framework has been designed to provide a sound and well controlled operational environment and thereby mitigate the degree of operational risk.

4.5.3.2. Supervisory Review Process:

Supervisory Review Process is the Second Pillar of Basel-III of Risk Based Capital Adequacy Framework which is intended to ensure that banks have adequate capital to support all the risks in their business and at the same time to encourage banks to develop and use better risk management techniques in monitoring and managing their risks.

The key principle of the SRP is that "banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level". Bank must be able to demonstrate that chosen internal capital targets are well founded and that these targets are consistent with their



overall risk profile and current operating environment. Bank management will clearly bear primary responsibility and Board of Directors hold the tertiary responsibility for ensuring that the bank has adequate capital to support its risks. Under SRP, there must have three layers such as managerial layer, strategic layer and operational layer.

Under Managerial Layer SBAC Bank formed an exclusive body naming SRP Team which was constituted by the concerned departmental heads of the bank and headed by Managing Director. The SRP Team and its Terms of Reference (ToR) were approved by the Board of Directors. The members of the SRP Team are as follows:

SL. No.	Name	Designation	Contact No. (Direct)	E-mail address
01	Mr.Md. Rafiqul Islam	Managing Director & Head of SRP Team	9577202	rafiq@sbacbank.com
2	Mr. Md. Golam Faruque	Senior Additional Managing Director and Member Secretary of SRP Team	029511769 01755540116	golam.faruque@sbacbank.com
3	Mr. Mostafa Jalal Uddin Ahmed	Additional Managing Director and Member of SRP Team	9511769 (Ext-250) 01755518796	mjuahmed@sbacbank.com
4	Mr. Md. Ghulam Nabi	Senior Executive Vice President (Head of HRD) & Member of SRP Team	9577204	nabi.g@sbacbank.com
5	Mr. Md. Mamunur Rashid Molla	Senior Executive Vice President, Head of Credit & Member of SRP Team	9511825	mamun@sbacbank.com
6	Mr. Shafiuddin Ahmed	Senior Executive Vice President (Head of ID) & Member of SRP Team	9577207 (Ext-207) 01708518118	shafiuddin@sbacbank.com
7	Mr. Md. Mizanur Rahman	Senior Vice President (Head of IT) & Member of SRP Team	9577207 (Ext-223) 01711155558	mizan@sbacbank.com
8	Engr. Salahuddin Ahmed	Senior Vice President (Head of ICCD) & Member of SRP Team	9577207 (Ext-211) 01714038319	suahmed@sbacbank.com
9	Mr. Md. Masoodur Rahman	Senior Vice President (Head of FAD) & Member of SRP Team	9577207 (Ext-216) 01921099753	masoodur.rahman@sbacbank.com
10	Mr. Mohammad Asadul Haque	Senior Vice President (Head of Treasury) & Member of SRP Team	9577206	asad.haque@sbacbank.com
11	Mr. Md. Mokaddess Ali	Vice President (Company Secretary) & Member of SRP Team	9577203	mmali.cs@sbacbank.com
12	Mr. Md. Abu Bayazid SK.	Vice President (Head of BOD) & Member of SRP Team	9577207 (Ext-224) 01711397632	bayazid.sk@sbacbank.com
13	Mr. Md. Rashed Mahbub Rabban	Vice President (Head of Agriculture) & Member of SRP Team	01787 693 893	rashed.mahbub@sbacbank.com
14	Mr. Mannan Bapari	First Vice President (Head of RMD) & Member of SRP Team	9577207 (Ext-230) 01717145670	mannan.bapari@sbacbank.com
15	Mr. Mohammad Shafiul Azam	First Vice President and (Head of Card) & Member of SRP Team	9577207 (Ext-231) 01716316117	shafiul.azam@sbacbank.com

A) Residual Risk:

Under 2nd Pillar of Basel-III, SBAC Bank always considers the residual risk against error in documentation and error in valuation of collateral. Risk Based Capital Adequacy (RBCA) framework and other supervisory regulations on credit risk, the management of SBAC Bank allows offsetting credit or counterparty risk with collateral along with the legal and financial documents. Improper application of different techniques give rise to additional risks that may render the overall risk management less effective. Accordingly, these additional risks (e.g. documentation risk, valuation risk) are termed as Residual Risks. Apart from the capital maintained against credit risk under Pillar 1 (Minimum Capital Requirement) of RBCA, additional capital requirement is to be estimated against different aspects of residual risk related to the loans & advances portfolio of SBAC Bank.

In the context of Bangladesh, Bangladesh Bank (BB) has observed that Residual Risk arises mainly out of the following situations:

I. Error in Documentation:

Banks collect and preserve documents against loans and advances to have legal protection in case of adverse events like default of loan. Lack of required and duly filled-up documents and erroneous or fake or forged documents will lead to the amplification of overall risk aspects of loan portfolio and the reduction in the strength of legal shield that slacks the ownership of the bank on collateral and consequently hinders the recovery of loan.

II. Error in valuation of collateral:

Banks require appropriate valuation of collateral (both physical and financial) and guarantee (bank guarantee and personal guarantee) against loans and advances for mitigation of default probability. The improper valuation or overvaluation of collateral can lead to overstated scenario of risk mitigation for collateralized loan. That will raise the default probability of the loan.

B) Liquidity Risk:

Liquidity risk is the risk that the bank cannot promptly fulfill its payment obligations due to unforeseen factors or be forced to placement funds on unfavorable terms. In-addition to the more traditional Static Liquidity Gap Report (prepared with certain assumptions to classify non maturing assets and non maturing liabilities). Dynamic Liquidity Gap Reports which incorporate all contacted as well as anticipated inflows and outflows are regularly discussed at monthly

meeting of Risk Management Team to ascertain real cash flow mismatches. Appropriate measures are then initiated to ensure that the bank's overall liquidity risk is maintained at a moderate level.

The Treasury Division of the Bank determines the adequacy of the liquidity position by doing analysis based on the following factors:

- Historical funding requirement
- Current liquidity position
- Anticipated loan disbursement
- Anticipated future funding needs
- Present and future earning capacity
- Sources of funds
- Socio economic perspective of present and near future
- Regulatory guidelines
- Capital planning
- GAP analysis
- Stress Testing with minor, moderate and major shock showing absorbing capacity

C) Strategic Risk:

Strategic risk means the current or prospective risk to earnings and capital arising from imperfection in business strategy formulation, inefficiencies in implementing business strategy, non-adaptability/less adaptability with the changes in the business environment and adverse business decisions. Strategic risk induces operational loss that consequentially hampers the capital base.

In this context, strategic risk possesses a significant space in the Internal Capital Adequacy Assessment Process (ICAAP) of the banks. The aspects of strategic risk in respect of Pillar 2 of RBCA are as follows:

- CAMELS rating
- Operating expenses
- Classified loans ratio
- Recovery of classified loan
- Written-off Loans
- Interest Waiver
- Base rate calculation methodology
- Strategic Plans
- Rescheduling of loans and advances

D) Evaluation of Core Risk Management:

Bangladesh Bank introduced core risk management system for assessing the risk management environment and practices in banks in 2003. In that respect, BB identified 6 (six) risk areas which are termed as core risks through issuing industry best practices framework.



Those frameworks provided benchmark to be followed by the banks and suggested the banks to develop own assessment methodology for each core risks as well as to calculate own risk rating at least once a year. Thus, rigorous risk management framework of banks would require own assessment methodology and annual review. To ensure the stability of the business model and the soundness of the operational structure, appraisal of risk management structure of a bank is necessary. In this respect, SBAC Banks has developed its own methodology for assessing each core risk separately which was approved by Board of Directors. Based on these approved methodologies, SBAC Banks conducts rigorous review on annual basis and derive rating for each risk. The capital charge against Appraisal of Core Risk Management Methodology is as follows:

- Capital charge is applied for each risk separately,
- No capital charge is imposed for risk ratings of 1 (Strong) and 2 (Satisfactory),
- For risk ratings of 3 (Fair), 4 (Marginal) and 5 (Unsatisfactory); capital charge is derived by multiplying the MCR with 15% of minimum CRAR set by BB from time to time.

E) Interest Rate Risk in the Banking Book (IRRBB):

IRRBB is the current or potential risk to the interest rate sensitive assets and liabilities of a bank's balance sheet as well as the off-balance sheet items arising out of adverse or volatile movements in market interest rate. Volatile movements of market interest rate adversely affect the value of interest rate sensitive assets and liabilities that consequentially results in the loss of equity value. In the context of Pillar 2, the assessment of loss of equity value due to IRRBB is vital as this is the outcome of poor asset liability management that shows the inefficiency of the risk management framework of the bank.

The susceptibility of banks to IRRBB can be estimated through Simple Sensitivity Analysis and Duration Gap Analysis.

i) SBAC Bank Steps for conducting Simple Sensitivity Analysis:

- Calculate all on-balance sheets Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL),
- Plot the RSA and RSL into different time buckets on the basis of their maturity,
- Calculate the maturity gap by subtracting RSL from RSA ($GAP = RSL - RSA$),
- Calculating the changes in the Net Interest Impact

(NII) by multiplying the changes in interest rate with the Gap.

ii) SBAC Bank takes following steps for conducting Duration Gap Analysis:

- Estimate the market value of all on-balance sheet rate sensitive assets and liabilities of the bank to arrive at market value of equity,
- Calculate the durations of each class of asset and the liability of the on-balance sheet portfolio,
- Arrive at the aggregate weighted average duration of assets and liabilities,
- Calculate the duration GAP by subtracting aggregate duration of liabilities from that of assets,

F) Concentration Risk:

Concentration risk arises when any bank invests its most or all of the assets to single or few individuals or entities or sectors or instruments. That means when any bank fails to diversify its loan and investment portfolios, concentration risk emerges. Downturn in concentrated activities and/or areas may cause huge losses to a bank relative to its capital and can threaten the bank's health or ability to maintain its core operations. In the context of Pillar-2, SBAC Bank follows two types of concentration risk:

i) Credit Concentration Risk: When the credit portfolio of a bank is concentrated within a few individuals or entities or sectors, credit concentration risk arises. SBAC Bank has constructed well diversified credit portfolio.

ii) Market Concentration Risk: When the investment portfolio of a bank is concentrated within a few instruments or any instrument of few companies or any instrument of few sectors, market concentration risk arises. The investment portfolio of SBAC Bank is well diversified.

iii) Assessment of Credit Concentration Risk:

To assess the credit concentration risk, following aspects of SBAC Bank's loan portfolio will be considered:

- Sector wise exposure,
- Division wise exposure (Geographic Concentration),
- Group wise exposure (Outstanding amount more than),
- Single borrower wise exposure (Outstanding amount more than),
- Top borrower wise exposure (Top 10-50 borrowers will be counted)

iv) Assessment of Market Concentration Risk: To assess the market concentration risk, following aspects of SBAC Bank's investment portfolio are evaluated:

- Instrument (financial securities) wise investment,
- Sector wise investment in listed instruments,
- Currency wise investment of foreign exchange portfolio.

G) Reputation Risk:

Reputation risk is the current or prospective indirect risk to earnings and capital arising from adverse perception of the image of the Bank on the part of Customers, Shareholders, Investors, Counterparties, Business Partners, Credit Rating Agencies, Regulators, and General Public. Reputation risk may originate from the lack of compliance with industry service standards, failure to deliver on commitments, lack of customer-friendly service and fair market practices, low or inferior service quality, unreasonably high costs, a service style that does not harmonize with market benchmarks or customer expectations, inappropriate business conduct or unfavorable authority opinion and actions.

In context of Bangladesh, SBAC Bank is taking the following steps for mitigation of reputation risk:

- Credit Rating conducted by ECAs
- Internal fraud
- External fraud
- Non-payment or delayed payment of accepted bills (foreign & domestic)
- Quality of customer service

H) Settlement Risk:

Settlement risk arises when an executed transaction is not settled at the standard settlement system suggests or within predetermined method. The banks pose to the risk when it fulfills its contractual obligations (payment or delivery), but the counterparty fails or defaults to do the same. Non-receiving or delayed receiving of receivable bills (foreign & domestic) will be evaluated to assess settlement risk. Number of such cases and the total value in taka will be examined. If total value in taka from such cases in a year (reporting year) equals at least 5% of the total loans and advances, capital charge will be imposed which is the multiplication of the MCR with 10% of minimum CRAR set by BB from time to time.

I) Environmental Climate Change Risk:

Environmental and climate change risk refers to the uncertainty or probability of losses that originates from any adverse environmental or climate change events (natural or manmade) and/or the non-compliance of the prevailing national environmental regulations. This is a facilitating element of credit risk arising from environmental issues. These can be due to environmental impacts caused by and/or due to the prevailing environmental conditions.

These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction. Environmental and climate change risk can hamper the business stability of the borrowers in respect of both- i) profitability and ii) reputation. Consequentially, the extent of risk for the banks will be higher.

To evaluate this risk, SBAC Bank follows Sector Environmental Due Diligence (EDD) Check List specified in Guidelines on Environmental Risk Management (ERM) issued vide BRPD Circular No. 01/2011 dated 30/01/2011. Besides, the Bank considered 'Environment Risk' as a part of core risk in its approved Credit Policy. To evaluate this risk, SBAC Bank follows Sector Environmental Due Diligence (EDD) Check List specified in Guidelines on Environmental Risk Management (ERM) issued vide BRPD Circular No. 01/2011 dated 30/01/2011. Besides, the Bank considered 'Environment Risk' as a part of core risk in its approved Credit Policy.

4.5.3.3. Market Discipline:

The purpose of Market discipline in the Revised Capital adequacy Framework is to complement the minimum capital requirements and the supervisory review process. The aim of introducing Market discipline in the revised framework is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets.

4.5.4. Stress Testing:

Stress Testing is a risk management technique used to evaluate the potential effects of Bank's financial condition of a specific event and/or movement in a set of financial variables. It is also an integral part of the Capital Adequacy Framework. The traditional focus of stress testing relates to exceptional but plausible events. SBAC Bank performs quarterly basis stress testing within the scope of Bangladesh Bank FSD circular no. 01 dated September 24, 2012.



A) The position of Capital to Risk Weighted Assets (CRAR) after shocks on 31.12.2016:

Individual Shocks	Minor changes in CRAR	CRAR after shock (%)	Moderate changes in CRAR	CRAR after shock (%)	Major changes in CRAR	CRAR after shock (%)
Performing loans directly downgraded to B/L: Sectoral Concentration-1	-0.08	18.51	-0.23	18.36	-0.39	18.21
Performing loans directly downgraded to B/L: Sectoral Concentration-2	-0.07	18.52	-0.20	18.39	-0.34	18.25
Increase in NPLs due to default of top large loan borrowers	-2.90	15.69	-8.19	10.40	-11.51	7.08
Negative shift in NPLs categories	0.00	18.59	0.00	18.59	0.00	18.59
Decrease in the FSV of collateral	0.00	18.59	0.00	18.59	0.00	18.59
Increase in NPLs	-0.59	18.00	-2.38	16.22	-6.08	12.51
Interest Rate	-1.53	17.07	-3.05	15.54	-4.58	14.01
FEX: Currency Appreciation	-0.03	18.56	-0.06	18.53	-0.10	18.50
Equity Shock	-0.00	18.59	-0.00	18.59	-0.00	18.59
Combined Shock	-2.15	16.45	-5.49	13.10	-10.75	7.84

The scope of stress testing is limited to simple sensitivity analysis. The methodology and calibration of shocks of stress testing are described below:

B) Credit Shock:

Stress test for credit risk assesses the impact (on the bank capital to risk weighted assets ratio or CRAR) of the increase of non-performing loans triggered by five predetermined shock events with three levels of shock-minor, moderate and major. The five shock events are given below:

i) Performing Loans directly downgraded to B/L-Sectoral Concentration 1 (SME Loans):

It is a measure of the concentration risk where the bank has the highest loans i.e. SME loans. It assumes that 3%, 9% and 15% of the performing loans will be directly downgraded to B/L category in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before apply the shock for December quarter 2016 against the requirement of 10.625% including buffer capital showing excess CRAR 7.965%. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 18.52%, 18.36% and 18.21% in minor, moderate and major respectively when considering individual shock.

ii) Performing Loans directly downgraded to B/L Sectoral Concentration 2 (Trade Service) :

It is a measure of the concentration risk where the bank has the highest second loans i.e. Trade Service. It assumes that 3%, 9% and 15% of the performing loans will be directly downgraded to B/L category in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 18.52%, 18.39% and 18.25% in minor, moderate and major respectively when considering individual shock.

iii) Increase in NPLs due to default of top large borrowers:

It represents the scenario of the bank when top large borrowers default. It is assumed that top 3, 7 and 10 borrowers of the bank will default in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 15.69%, 10.40% and 7.08% in minor, moderate and

major respectively when considering individual shock. The bank as a part of strategy is reducing the exposure of large investment borrower and focusing on diversification of credit portfolio like SME, Agriculture and Agri-based Industries. However, the bank is continuously monitoring the performance of large loan borrowers. Besides, a good amount of security coverage is also maintained against those large loans.

iv) Negative shift in NPLs categories:

It represents the shift of loans from one NPL category to the next NPL category. It is based on the assumption of 5%, 10% and 15% downward shift in the NPLs categories in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock, the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 18.59%, 18.59% and 18.59% in minor, moderate and major shock respectively when considering individual shock.

v) Decrease in the Forced Sale Value (FSV) of the collateral:

It represents the bank's condition when FSV of collateral decreases sharply. It is based on the assumption that FSV of collateral will fall by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 18.59%, 18.59% and 18.59% in minor, moderate and major respectively when considering individual shock.

vi) Interest rate shock:

It represents the condition of the bank when interest rate changes significantly. It is based on the assumption that interest rate will change by 1%, 2% and 3% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 17.07%, 15.54% and 14.01% in minor, moderate and major respectively when considering individual shock.

vii) Foreign exchange shock:

It represents the condition of the bank when exchange

rate changes significantly. It is based on the assumption that exchange rate will change by 5%, 10% and 15% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 18.56%, 18.53% and 18.50% in minor, moderate and major respectively when considering individual shock.

viii) Equity shock:

It represents the bank's condition when market value of share falls sharply. It is based on the assumption that share price will change by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 18.59%, 18.59% and 18.59% in minor, moderate and major respectively when considering individual shock.

C) Combined Shock:

The stress test also measures effect of combined shocks on Capital to Risk Weighted Assets Ratio (CRAR) for assumptions that includes: decrease in the FSV of the collateral, increase in Non Performing Loans, negative shift in NPL categories, change in interest rate, change in foreign exchange rate and change in the market value of shares and securities. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 18.59% before applying the shock for December quarter 2016. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 16.45%, 13.10% and 7.84% in minor, moderate and major shock respectively when considering combined shock.

4.5.5. Risk Management Paper & Comprehensive Risk Management Report:

In compliance with Bangladesh Bank, Risk Management Department prepares Risk Management Report (RMR) & Comprehensive Risk Management Report and presents it before Risk Management Team on monthly basis & half yearly basis for taking necessary steps to mitigate various risks which are being submitted to Bangladesh Bank in time.



4.5.6. Internal Capital Adequacy Assessment Process (ICAAP) Report:

Internal capital adequacy assessment process (ICAAP), including an evaluation of the bank's preferred risk profile, the actual risks identified, the means by which they will be mitigated, and what risks will be covered by capital. The ICAAP reporting must be approved by the Board of Directors of the banks before submitting to Bangladesh Bank. The information provided in the ICAAP reporting will be verified by Inspection Departments of Bangladesh Bank. In the year 2016 SBAC Bank sent the ICAAP Report based on December 31, 2015 and Supplementary Documents after approval of the Board of Directors which was accepted by Bangladesh Bank.

4.5.7. Policy & Strategy:

Risk Management Department of SBAC Bank prepares different types of policy & strategy to fulfill the compliance of Bangladesh Bank and effectively monitor & control the various risk of the bank. The core risks management committee of the bank and Risk Management Team take necessary strategy for CAMELS rating, operating expenses, and classified loans ratio, recovery of classified loan, written-off loans, interest waiver, and base rate calculation methodology.

5. Road map for implementing Basel-III guidelines:

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 spillover from the financial sector to the real economy. These new global regulatory and supervisory standards mainly address the following areas:

- 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;
- Increase the risk coverage of the capital framework;
- Introduce leverage ratio to serve as a backstop to the risk-based capital measure;
- Raise the standards for the supervisory review process (Pillar 2); and
- Public disclosures (Pillar 3) etc.

Bangladesh Bank vide BRPD Circular No. 18 dated December 21, 2014 issued Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel-III). The Bank's implementation status of Basel-III guidelines is as under:

Particulars	Basel-III required for 2016	Bank Position	Remarks
Minimum Common Equity Tire-1 (CET-1) Capital Ratio	4.50%	17.62%	Excess 13.12%
Minimum Capital plus Capital Conservation Buffer (Buffer 2.50% up to 2019, 0.625% each year)	5.125%	17.62%	Excess
Minimum T-1 Capital Ratio	5.50%	17.62%	Excess 12.12%
Minimum Total Capital Ratio	10.00%	18.59%	Excess 8.59%
Minimum Total Capital plus Capital Conservation Buffer	10.625%	18.59%	Excess 7.965%
Phase –in of deduction from Tire-1: Excess Investment over 10% of a bank's equity in the equity of Bank	40.00%	Nil	-
Phase –in of deduction from Tire-2 Revaluation Reserve (RR): RR for Fixed Assets, Securities and Equity	40.00%	40.00%	-
Leverage Ratio	3.00%	11.19%	Excess 8.19%
Liquidity Coverage Ratio	≥ 100%	320.45%	Excess 220.45%
Net Stable Funding Ratio	> 100%	122.98%	Excess 22.98%

Therefore, in the context of capital adequacy for implementation of Basel-III, SBAC Bank is in a secured position. Moreover, the management of the Bank tries to hold the position for implementation of Basel-III to emphasis for lending the rated corporate clients.



GREEN BANKING



Green Banking :

Global warming is an issue that calls for a compatible response across the globe. The rapid changes in climate will be too great to necessitating many eco-systems to suitably adapt, since the changes have direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. society demands that business also take responsibilities in safeguarding the planet. In addition, Bangladesh is one of the most climatically vulnerable countries. Floods, tropical cyclones, storm surges, droughts are likely to become more frequent and severe in the coming years. Banks/Financial Institutions (FIs) in Bangladesh need to protect their exposures from the risks arising out of the deteriorating environmental scenario and climate changes. The development of financial products to respond to environmental challenges has reached a stage that environmental finance can be recognized as an emerging field of research and practice.

In line with global developments and responses to the environmental degradation, financial sector in Bangladesh should play an important role as one of the key stakeholders. Banking sector in Bangladesh took steps in this regard particularly in the field of green financing but the activities got new momentum after the issuance of Policy Guidelines for Green Banking by Bangladesh Bank in this regard. SBAC Bank limited recognizes that balancing non-financial factors such as environmental and social issues with financial priorities are essential with a view to demonstrate the characteristics of good corporate governance. There are direct impacts on the environment through the daily consumption of energy and other resources. In addition, there are indirect effects on the environment through the provision of financial services to projects in environmentally sensitive areas. As advised by Bangladesh Bank, Green Banking Policy needs to be covered through time framework segregating into three distinct phases. SBAC Bank has already performed the following activities/initiatives relating to the Green Banking:

a) Policy Formulation and Governance :

The Board of Directors of SBAC Bank Limited approved comprehensive "Green Banking Policy" in line with

global norms so as to protect environmental degradation and ensure sustainable banking practices.

The Risk Management Committee of the Board has been empowered to perform as High Powered Committee for reviewing the bank's environmental policies, strategies and programs. The Committee has been continuously monitoring and supervising the activities of Green Banking of the Bank. The Bank abolished "Green Banking Policy Implementation Unit (GBPIU)" and formed Sustainable Finance Unit along with Sustainable Finance Committee entrusting the responsibilities of designing, evaluating and administering sustainable finance and CSR activities of the Bank. Total available fund for direct green finance for 2017 is Tk. 445.00 million being 3% of total new loan to be disbursed in 2017.

b) Incorporation of Environmental Risk in CRM :

The Environmental Risk has been incorporated in the Board approved Credit Policy of the Bank. As per Environmental Risk Management (ERM) guidelines of Bangladesh Bank, the Bank made Environmental Risk Rating (EnvRR) mandatory while appraising credit proposals. The project(s) having high Environmental Risk is/are not being eligible for credit facilities in the Bank. In the year 2016, there were 41 bank financed projects applicable for Environment Due Diligence and the Bank assessed the Environmental Risk of those projects and found low Environment Risk. The Bank financed Tk. 1274.73 million to the 41 projects in 2016 having status "Standard" at the end of 2016.

c) In-house Environment Management:

With a view to developing in-house Environment Management, the Bank developed "In-house Environment Management Guidelines of SBAC Bank Limited along with other issues under Phase-I of the Green Banking Policy" which was approved by the Risk Management Committee of the Board (High Power Committee) for implementing Green Banking of the Bank. In the guidelines, 4-R Principle (Reduce, Reuse, Replace and Recycle), Paper saving, Energy saving, and Green Procurement have been taken into considerations for optimum use of resources. The following action plans have been set forth:





i. Take measures to save electricity, energy, water, paper and stationery consumption. As such progress report of the consumption pattern of paper, stationery, electricity, energy, water etc. is required to be prepared and reviewed periodically (at least monthly) by the branches and Head Office divisions for taking appropriate measures for improving efficiency i.e. utilization of resources. Details consumption of utilities/inventories of the Bank in the year 2016 and 2015 are as follows:

Sl No.	Particular		Amount in Million Taka		Growth %
			2016	2015	
01	Consumption of water		0.59	0.57	3.51
02	Consumption of paper		2.11	1.51	39.74
03	Consumption of energy	Electricity	24.11	17.94	34.39
		Gas	0.11	0.11	0
		Fuel	3.83	2.51	52.59
Total =			30.75	22.64	35.82

N.B.: The expenses have been increased by 35.82% since new 10 branches came into operation in the year of 2016 along with the existing 44 branches.

ii. On line communication is being extensively used (wherever possible) for office management in place of printed documents, especially when multiple copies are required, to save papers.

iii. Installation of energy efficient electronic equipments and automatic shutdown of computers, fans, lights, air coolers etc. have been implemented in consultation with concerned divisions of Head Office gradually for reducing electricity consumption.

iv. Use of solar energy at the premises as an alternative source of electricity is initiated in consultation with and approval from concerned authority of the Bank. The bank has installed solar energy system in its branches. In the year of 2016, 27 branches are powered by solar energy against 21 branches in 2015, registering 28.57% growth.

v. Preserving maintenance schedule of Generators and Air Conditioners and other major electrical and electronic equipments for monitoring performance as well as fuel/energy efficiency.

Particular	2016	2015	Growth %
No. of Branches Powered by Solar Energy	27	21	28.57

vi. All officials of the bank have been advised to ensure that their PC, Fan and other office equipments are turned off whenever those are not in use for prolonged period of time. Office schedule should be maintained properly so that unnecessary stay in Branch/ head office could be avoided and as such office period should be utilized effectively.

vii. In procurement of vehicles and other electrical and electronic equipments, fuel/energy efficiency should be considered with priority.

viii. Planning corporate business travel well ahead and in coordinated manner to economize costs.

ix. Create awareness among the employees for efficient use of electricity, paper, stationery, water, fuel and reuse of equipments and paper. Officials are encouraged to print both sides of a page for draft copy.

x. All branches/divisions should focus on minimizing use of resources at every possible aspect of work. All officials of the bank have been advised to discharge their duties in environmentally responsible ways.

d) Introducing Green Finance :

The Board of Directors of the Bank approved "Green Finance Policy of SBAC Bank Limited" to extend credit facilities for the environmental friendly products/projects so far identified by Bangladesh Bank under comparatively more favorable terms and conditions and the Bank has allocated Tk.445.00 million for Green Finance to encourage/support environmental friendly products/projects as well as to achieve target set by Bangladesh Bank. SBAC Bank signed a participation agreement with Bangladesh Bank on February 12, 2015 on refinance scheme for renewable energy & environmental friendly financeable sectors. So far the Bank financed Tk. 328.42 million to 3 projects under Direct Green Finance against which outstanding amount as on 31.12.2016 was Tk. 326.28 million whereas Bank availed Tk. 50.00 million from Bangladesh Bank under refinance scheme.

e) Online Banking :

SBAC Bank has opened 54 branches at 1:1 rural-urban ratio. Our Branches are fully equipped with modern

banking facilities having full-fledged online banking facilities through renowned Florabank Online Core Banking Solution.

f) Supporting Employee Training:

The Training Institute of the Bank is continuously arranging training program on Green Banking. Besides, circulars/instructions/advices on Green Banking have been issued to make the employees aware of Green Banking. The Bank is also placing the employees to participate training program/ workshop/seminar on Green Banking organized by various organizations/institutions.

g) Climate Risk Fund:

A fund of Tk.445.00 million has been allocated to finance green products/projects. The Bank shall also finance economic activities of the areas susceptible to flood, cyclone and drought at regular interest rates without charging additional risk premium. Bank distributed 4,500 number of blankets to the cold stricken poor people in different areas in Bangladesh and Bank also donated 5,000 blankets to Prime Minister's Relief & Welfare fund, donated Tk. 0.14 million to DMP (traffic - east) for making umbrella, Tk. 1.00 million to Holy Family Red Crescent Medical Collage Hospital to renovate and purchase healthcare equipments, Tk. 0.50 million to Mr. Md. Haris Mia (4 among 5 members of his Family are blind) for construction of house and Tk. 9.75 million to the Prime Minister's Relief & Welfare Fund for flood affected people.

h) Other issues relating to Green banking:

As a responsible corporate entity, SBAC Bank shall reinforce its Green Banking initiatives by adopting followings policies:

- The Bank shall formulate sector specific environmental policies to finance those sectors so as to protect the environment.
- The bank shall support economic activities of the flood, cyclone, and drought prone areas with soft term financing and shall create "Climate Risk Fund" to support contingencies in adverse climatic conditions.
- The bank recognize the environmental burden caused by consumption of resources and release of wastes from own business activities and aim to protect the environment through resource recycling as well as efficient use of energy and resources. We are committed to continually minimize our operational environmental impacts, by monitoring environmental performance; setting improvement targets; and by implementing and evaluating environmental management programs that save energy and water, manage wastes, recycle materials, reduce business trips, and promote green procurement and providing wide range of e-banking services.
- The bank shall improve in-house environmental education and support and promote environmental protection activities of individual directors and employees both during and outside working hours.
- The bank shall inform its customers, shareholders, and the general public about the targets and the performance of its environmental actions that collectively aim at improving the quality of environment and climate.
- The bank shall support initiatives of third parties i.e. non-profit agencies, organizations or institutions that generate added value by benefiting both humans and the environment.
- The bank shall set up Green Branches to expedite Green banking Activities.
- SBAC Bank Limited shall comply with all laws and regulations relating to environmental protection as well as other requirements of green banking.





Report of Audit Committee of the Board

Report of the Audit Committee of the Board of Directors in Compliance with Corporate Governance Guidelines of

Bangladesh Securities and Exchange Commission issued through their notification No.SEC/CMRRCD/2016-158/134/Admin/44 dated August 07, 2012 for the year ended 2016.

The Audit Committee of the Board was duly reconstituted by the Board of Directors of the Bank in

its 53rd meeting held on September 29, 2016 in compliance with Bangladesh Bank guidelines and corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC). Audit Committee efficiently conducted the monitoring activities as assigned by the Board and also played an effective role in supervision of execution of strategies and work plans so formulated towards smooth operation of the bank. The Committee supervised whether banking activities were carried out in line with the prevailing laws, rules and regulations imposed by the regulatory authorities. The committee also reviewed the Financial Statements, Internal Control Management, Audit System and relevant policies thereof.

Composition:

As per BRPD Circular No.11 dated October 27, 2013 and Corporate Governance Guidelines of BSEC the composition of the Audit Committee of a bank shall comply with the followings:

- Members of the committee shall be selected from among the directors of the Board.
- Audit Committee of the Board shall comprise maximum 05 (five) members including at least 2 (two) members from independent directors;
- Audit Committee shall be constituted with those members of the Board, who are not Executive Committee Members.
- Members may be elected for a term of 03 (three) years.
- Company Secretary of the Bank shall be the secretary of the Committee.

Brief profile of the Audit Committee:

SL.	Name	Status with the Bank	Status with the committee	Educational Qualification	No. of meetings held	No. of meetings attended
1	Capt. M. Moazzam Hossain	Director	Chairman	M.Sc	7	7
4	Mr. Md. Mizanur Rahman	Director	Member	M.Com	7	7
3	Dr. Syed Hafizur Rahman	Independent Director	Member	Ph.D	7	2
4	Mr. Hafizur Rahman Babu	Director	Member	SSC	7	7

Duties and responsibilities:

Internal control:

- Evaluate whether the bank Management has been able to build a compliance culture with respect to bank's
- internal control system; whether bank employees/workforce have been clearly advised about their duties and responsibilities in this regard and whether management has established full control on their activities;
- Review all initiatives taken by bank Management as regards building a suitable Management Information System (MIS) along with the state of computer application in banking system and uses thereof;
- Consider the oversight of bank's compliance on recommendations made from time to time concerning establishment of an internal control mechanism/framework by internal as well as external auditors;
- Apprise the board and shareholders regarding any fraud-forgery, internal control lapses found by internal or external auditors and inspection team of regulatory authority or identification of such other areas and remedial measures therein.

Disclosure of financial report:

- Scrutinize whether true and fair view of the statement of affairs is reflected in annual financial statements and prevailing rules, regulations and standards along with Bangladesh Bank guidelines are adhered to making such statements;
- Exchange views with the external auditors and the Managing Director and CEO before consideration of the financial statements.

Internal Audit

- Review whether internal audit activities is able to conduct its operation and independent of Bank Management;
- Review internal audit activities and its organizational structure and ensure that no untoward hurdles or limitations create bottleneck to internal audit activities;
- Verify the skills and effectiveness of internal audit system;
- Examine appropriateness of management consideration about observations/recommendations of the internal auditors regarding banking operation and mitigation of irregularities identified.
- Review Management Letter issued by Bangladesh Bank & other External Auditors and Management response thereto as a part of compliance activities.
- Convene audit meetings just after completion of the reports, rather than waiting for compliance from branches.
- Review the compliance status on a regular interval.
- Proper and timely review of all quarterly and monthly statements.

External Audit:

- Review Letter of intent (LOI's) of the Audit Firms and upon scrutinizing recommends for appointment.
- Review auditing activities of external auditors and their audit report;
- Examine appropriateness of management reply about observations/recommendations of the external auditors regarding banking operation and mitigation of irregularities identified.
- Submit recommendations for appointment of external auditors to perform statutory audit of the bank.
- Review auditing activities of external auditors and their audit report;
- Examine appropriateness of management reply about observations/recommendations of the external auditors regarding banking operation and mitigation of irregularities identified.
- Submit recommendations for appointment of external auditors to perform statutory audit of the bank.

Meeting of the committee:

As per provision of laws, 7(Seven) meetings of the Committee were held in the year 2016. The committee, from time to time invited the Managing Director, the Head of Internal Control & Compliance Department and

other responsible officials entrusted with internal control activities or any other personnel to participate in their meeting, as deemed necessary. All recommendations/ observations of the committee were recorded in minutes. The meetings held in 2016 were as under:

SL	Meeting No.	Held on
1	12th	Sunday, February 28, 2016
2	13th	Thursday, March 10, 2016
3	14th	Tuesday, April 26, 2016
4	15th	Thursday, July 21, 2016
5	16th	Tuesday, August 30, 2016
6	17th	Tuesday, October 25, 2016
7	18th	Tuesday, December 20, 2016

Key activities in 2016:

The major areas focused by the Audit Committee of the Board during 2016 are outlined below:

- Self Assessment of Anti-Fraud Internal Controls under DOS Circular Letter No. 17 dated November 07, 2012 of Bangladesh Bank.
- Audit Plan for the year 2016.
- Summary of Loan Classification and Provision as on December 31, 2016.
- Review and recommendation on Annual Accounts (Audited) along with the reports of the External Auditors thereon for the year ended 31st December 2016.
- Review and recommendation of Half-yearly Financial Statements (Un-audited) of the Bank for the period ended 30th June 2016.
- Review of Quarterly Financial statements.
- Recommendation for approval of the revised policy of the different Divisions of the Bank.
- Recommendation for approval of different formats for Assessing Credit Applications.
- Stress Testing Reports of the Bank.
- Review summary of Loan classification and provision as on 31.03.2016, 30.06.2016 and 30.09.2016 and 31.12.2016

Steps taken for implementation on effective internal control procedure of the Bank as advised by the Audit Committee:

The Committee would have placed its report regularly to the Board of Directors of the Bank mentioning its review results and recommendations on internal control system, compliance with rules and regulations and establishment of good governance within the organization.



- Recommended for arranging video Conference system to discuss the observations and compliance status with the respective branch manager during Audit Meetings.
- Recommended for IT Test Area & Lab facilities to build up technical expertise through practical exercises.
- Directed Management to arrange special training program to acquaint all the employees about the range & use of T-24 System for controlling lapses in banking system T24. Remarkable that Flora Bank CBS web and Report has been introduced on October 16, 2016, in this regard Audit Committee also advised to build up expertise through practical exercises and training.
- Reviewed and recommended for fortifying ICC Division through experienced and trained Professional manpower.
- Advised to post required number of personnel to ICCD for effectively forming audit team and compliance team independently.
- Directed Internal Control & Compliance Division to audit the unaudited branches with reasonable and justified interval.
- Advised to inform the branches/divisions to instantly communicate with Internal Control & Compliance Division if any financial incidence/irregularities take place.
- Recommended to establish a self monitoring system for better and effective monitoring over the branches.
- Reviewed the reports of internal and external audits. During the review of reports against the internal and external audits, the Audit Committee expressed their concern for major irregularities at the branches.
- Suggested for immediate improvement against the deficiencies in operational activities at the branches.
- Advised for improvement of systems to promote the operational activities of Branch to a certain efficient level.
- Advised to immediately report the major irregularities to the Chairman of Audit Committee through e-mail before preparation of audit reports.
- Advised to check each and every audit report by the line management time and again to ensure its reliability and standard.
- Advised to ensure implementation of recommendations made by different committee of the board meticulously.
- Advised for thoroughly checking the Transaction Profile of the Accounts during audit to ensure reliability of transactions.
- Recommended for taking effective initiatives by ICCD of the Bank to strengthen overall monitoring, so that no fraudulent activities can take place in the bank.
- Advised to meticulously comply with all terms and conditions of the credit approvals for disbursement by the branches.
- Advised to allow land as collateral security after proper verification of its genuineness from respective A.C. land office.
- Advised to recover overdue loans/Advance and to take remedial measures to restraint further classification/bad in future.
- Suggested to be more cautious regarding take over loan so that other Bank may not get opportunity to transfer any classified/bad loan at our end.
- Advised to decentralize loan portfolio in order to enhance SME loans.
- Recommended for complying with the detail guidelines of Bangladesh Bank and other Regulatory Authorities for opening of all types of accounts at the branches.
- Recommended for complying with the detail guidelines of Bangladesh Bank following BRPD circular 03 dated 08.03.2016 and BRPD circular 06 dated 04.09.2016 on Internal Control and Compliance in Bank.
- Advised to corroborate compliance maintaining excellence of customer services at Branch level.
- Advised to issue Debit and Credit cards carefully and to maintain security of ATM system very cautiously to avoid the fraudulent transactions.
- Advised to train the officers/executives of the branches and to make them aware about their individual responsibilities in duties.
- Suggested for installation of Disaster Recovery site (DRS) for Data Center of the Bank.
- Advised to take necessary steps for maintaining file management in order to keep perfect workable environment at office, radical modification of cleanliness program and to manage fire and sudden incidents.
- Recommended for arranging fire drill/training in order to manage fire and sudden incidents and to collect and install required equipments in this regard.
- Advised to pay more attention regarding protection of information of the Bank.
- Suggested for special monitoring on rural branches of the Bank.

Approval of Financial Statements:

The Audit Committee reviewed and examined the Bank's Annual Financial Statements for the year ended December 31, 2016, prepared by the Management and audited by External Auditors Khan Wahab Shafique Rahman & CO, Chartered Accountants with a recommendation to the Board for consideration and approval.

The Audit Committee accords its sincere thanks and gratitude to Members of the Board, Management Team and the Auditors for their continuous support to make the bank compliant in its journey towards banking excellence.

Capt. M. Moazzam Hossain
Chairman, Audit Committee of the Board

Corporate Governance Practices in South Bangla Agriculture and Commerce Bank Limited

Conceptual Framework

Corporate governance is the structure and process by which companies are directed and governed. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholders' concerns. Corporate governance also contributes to development, increased access to capital, encourages new investments, boosts economic growth, and provides employment opportunities

It is the set of principles, policies, procedures and clearly defined responsibilities, accountabilities and structured administration to overcome the conflicts of interest inherent in the corporate bodies. Corporate in today's business world is subject to a variety of conflicts of interest due to its inherent complexities in forms and structures. Good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risks and safeguard against mismanagement. The objectives of corporate governance is to eliminate or mitigate conflicts of interest particularly those between management and shareholders. From the view point of conflicts of interest, two relationships (between management and shareholders and directors and shareholders) are the primary focus of most of the systems of corporate governance. Board members owe a duty to make decisions based on what ultimately is the best for the long-term interests of the shareholders. In order to do this effectively, Board members need a combination of three things: independence, experience and resources.

Guiding Philosophy of Corporate Governance Practices

As our Bank is incorporated as a legal entity, it is guided in its corporate governance practices mainly by two regulatory bodies: Bangladesh Bank (Central Bank of Bangladesh) and Bangladesh Securities and Exchange Commission (BSEC). However, the Bank's corporate governance philosophy encompasses not only regulatory and legal requirements but also various internal rules, policies, procedures and practices based on the best practices of local and global banks. At SBACBL we attach a simple meaning to 'Corporate Governance' which is 'Due Diligence' in observing responsibilities by the Board as well as by the management to safeguard the interest of key stakeholders i.e. depositors, shareholders, employees and the society at large. Two

very important aspects of a good corporate governance structure are "Transparency" and "Accountability" backed by strong Internal Control and Compliance Structure and MIS capabilities. As per COSO Guidelines all the 4 (Four) pillars (Board of Director/ Audit Committee, Management, Internal Audit and external Audit) of Corporate Governance are well functioning within the organization.

Board of Directors

Board of Directors of South Bangla Agriculture and Commerce Bank Ltd. comprises competent and professionally skilled persons with a view to formulating policy-guidelines and supervising business activities of the bank efficiently as well as ensuring good governance in the bank. The responsibilities of the board of directors of the Bank are more important than those of other companies; because in case of a bank-company it is essential to earn and maintain confidence of the depositors as its business is mainly run with the depositors' money.

Our Board of Directors is fully committed to maintaining the highest standard in corporate governance, professionalism and integrity in driving South Bangla Agriculture & Commerce Bank Ltd. to create and deliver long-term sustainable value. In line with the Bank's mission and vision, the Board has continued to ensure that the highest standards in corporate governance are upheld, with a view to enhancing stakeholders' value, increasing investors' confidence, establishing customers' trust in building a competitive organization.

SBAC Bank Limited has its own Articles of Association by which Appointment of Directors is governed. Moreover the Bank always complies with the prescriptions of the regulatory authorities regarding appointment of directors. In this connection Circulars of Bangladesh Bank (BB), notification of Bangladesh Securities and Exchange Commission (BSEC), provisions of Bank Companies Act, 1991, (amended up to 2013) and Companies Act 1994 are strictly followed. The number of the board members of the Bank is 19 including one independent directors.

The following articles are adopted for ensuring good governance regarding constitution of board of directors, their duties & responsibilities and other related activities:



Formation of Board of Directors

The newly amended Section 15 of the Bank Companies Act, 1991 (amended up to 2013) includes provisions for prior approval of Bangladesh Bank before the appointment of new directors, as well as dismissal, termination or removal of any director from the post; director's fit & proper criteria; maximum number of directors; appointment of independent directors; appointment of maximum number of 2(two) directors from a family etc. The Board of Directors of our bank is formed as per provisions of laws.

Composition

All directors of the Board are non-executive directors. As per section 15(9) of Bank Companies Act 1991 (amended up to 2013) Mr. Syed Hafizur Rahman has been appointed as independent director which is partial compliance of the aforesaid provision of laws. The Chairman has been independent of the CEO, and has been in practice from the inception of SBAC Bank. This also complies with Section 1.4 of the BSEC's notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012 on Corporate Governance Guidelines.

Selection and Appointment of New Directors

In context to the selection and appointment of new directors, the existing Board of Directors has the following obligations and duties:

- 1) Frequent assessment of the size and structure of the Board and the mix of knowledge, skills, experience and perceptions that may be necessary to allow the Board to perform its functions
- 2) Recognize any capabilities not sufficiently represented and approve the procedure necessary to be certain that an applicant proposed by the shareholders with those capabilities is nominated.

The directors are selected by the shareholders in the Annual General Meeting. Casual vacancies, if any, are filled up by the Board in accordance with the provision of the Companies Act 1994 and Articles of Association of the Bank.

Under section 15(4) of the Bank Companies Act, 1991 (amended up to 2013), prior approval is taken at the time of appointment of new directors from Bangladesh Bank and along with the application following documents are submitted:

- a. Personal information of the nominated person (Appendix-ka);
- b. Nominated person's declaration (Appendix-kha);
- c. Declaration of confidentiality by the nominated person (Appendix-ga);
- d. In case of Independent director, the approval letter from Bangladesh Securities and Exchange commission;
- e. In case of Independent director, a declaration of the director concerned as per Appendix-gha (he will also submit declaration under Appendix-ka, kha & ga);
- f. CIB report of the nominated person;
- g. Updated list of the directors.

Retirement and Re-election of Directors

As per section 91(2) of the Companies Act 1994, regulation 78-82 of First Schedule of the Companies Act 1994 and Article 101(2) of Articles of Association of the Bank, each year one-third of the Directors retire from office and being eligible, may offer themselves for re-election by shareholders at the Annual General Meeting.

Independent Director (ID)

As per SEC Circular No. EC/ CMRRCD/ 2006-158/ 134/Admin/ 44 dated August 07, 2012, 1/5th of total number of Directors should be Independent Directors. But as per section 15(9) of Bank Companies Act 1991 (amended up to 2013) should appoint maximum 3 (three) IDs out of twenty Directors.

Vacation of office of Director

- a. The office of a director shall be vacated as per provision specified in section 108 (1) of the Companies Act, 1994. Besides, if any director becomes defaulter and does not repay the loan within two months after getting a notice under section 17 of the Bank Companies Act, 1991; provides false statement at the time of appointment or fails to fulfill the minimum eligibility criteria, the office of the director will be vacated,
- b. If the office of a director is vacated by a notice under section 17 of Bank Companies Act 1991, the person will not be eligible to become a director of the bank for one year from the date of repayment of the total amount due to the bank. It is mentionable here that the dues can be adjusted with the shares held by the director in that bank. When a director receives a

notice under section 17 of Bank Companies Act, 1991, he/she cannot transfer his/her shares of that bank until he/she repays all the liabilities of the notifying bank or financial institution.

- c. Besides, Bangladesh Bank can remove a director or chairman of the bank for conducting any kind of activities that is detrimental to the interest of the banks depositors or against the public interest under Section 46 and can suspend the board of a banking company under Section 47 of BCA, 1991.

Removal of Directors from office

According to section 108(2) of the Companies Act, 1994, with the prior approval of Bangladesh Bank, directors may be removed from his office for the reason specified in its Articles of Association. For this purpose, the reason and grounds of the dismissal/removal and copy of the decision of the board and list of directors should be submitted to Bangladesh Bank. In this case, the removal will be effective from the date of Bangladesh Bank's approval.

Appointment of Alternate Director

Subject to compliance of section 101 of the Companies Act, 1994, the Board of Directors may appoint alternate directors to act for a director during his absence for a continuous period of not less than three months from Bangladesh. In this context, the following instructions are followed:

- a. Bank has to collect and properly maintain the documentary evidences relating to departure and arrival of the original director. If there is any exception, the chief executive officer should immediately inform it to Bangladesh Bank.
- b. The copy of the decision of the board regarding appointment of alternate director, with original director's probable date of returning from abroad, is sent to Bangladesh Bank within 7 days of taking the decision and the director's arrival date is intimated to Bangladesh Bank immediately after his/her return.
- c. Any loan defaulter or any person who is not eligible to become a director as per any rules & regulation is not appointed as an alternate director.
- d. As appointment of alternate director is a temporary measure, therefore, he/she is not included in any kind of committee constituted by the board.

- e. While in the office, an alternate director or his/her affiliated organization will not get any kind of loan facilities from his bank. In case of previous loan, enhancement of limit or extension of time period or any kind of exemption or interest waiver will not be allowed. Moreover, all restrictions applicable to directors according to rules & regulations will also be applicable to the alternate director.

Information Regarding Directors

As per BRPD Circular No. 11 dated October 27, 2013 our Bank ensures the following regarding directors' information:

- a. the Bank keeps an updated list of banks' directors,
- b. Bank sends a list of directors' to other banks or financial institutions immediately after the appointment or release of director.
- c. the Bank displays a list of directors in the website and updates it on a regular basis.

Role and Responsibilities of the Board

To ensure good governance in the bank there is a specific demarcation of responsibilities and authorities among controlling bodies over bank's affairs in compliance with provisions of Bank Companies Act, 1991 (amended up to 2013). The newly included Section 15(kha) & (ga) give responsibility to the board of directors for establishing relevant policies such as policy for investments, procurement of assets, recruitment, risk management, internal controls, internal audit and compliance and for ensuring their implementation.

The Board of SBAC Bank Ltd. is responsible for the periodic review and approval of the overall strategies, business and significant policies of the Bank. The Board also sets the Bank's core values, adopts proper standards to ensure that the Bank operates with integrity and complies with the relevant rules and regulations.

Authority of the Board of Directors

a) Work-planning and strategic management:

The board determines the objectives and goals and to this end chalks out strategies and work-plans on annual basis. It specially engages itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural changes



and reformation for enhancement of institutional efficiency and other relevant policy matters. It analyzes/monitors, at quarterly rests, the development of implementation of the work-plans.

The board has its analytical review incorporated in the Annual Report as regards the success/failure in achieving the business and other targets set out in its annual work-plan and appraises the shareholders of its opinions/ recommendations on future plans and strategies. It sets the Key Performance Indicators (KPIs) for the CEO & officers immediate two tiers below the CEO and has it evaluated from time to time.

b) Credit and Risk management:

The policies, strategies, procedures etc. in respect of appraisal of loans/investments proposals, sanction, disbursement, recovery, reschedule and write-off thereof are made with the board's approval under the purview of the existing laws, rules and regulations. The board specifically delegates the authority of sanction of loan/investment and such delegations are desirably made among the CEO and other higher executives as much as possible. No directors, however, interfere, direct or indirect, into the process of loan approval.

The board frames policies for risk management and get them complied with and monitors the compliance at quarterly rests and review the concerned report of the risk management team and incorporates in the minutes of the board meeting. The board monitors the compliance of the guidelines of Bangladesh Bank regarding core risks management.

c) Internal control management:

The board is vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. The board establishes such an internal control system so that the internal audit process can be conducted independently from the management. It reviews the reports submitted by its audit committee at quarterly rests regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.

d) Human resources management and development:

Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules are framed and

approved by the board. The chairman or the directors in no way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the board of directors is included in the selection committees for recruitment and promotion to different levels. Recruitment, promotion, transfer & punishment of the officers immediate two tiers below the CEO shall, however, rest upon the board. Such recruitment and promotion are carried out complying with the service rules.

The board focuses its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals and to the adoption of latest electronic and information technologies and the introduction of effective Management Information System (MIS). The board gets these programmes incorporated in its annual work plan.

The board composes Code of Ethics for every tier and they follow it properly. It promotes healthy code of conducts for developing a compliant culture.

e) Financial management:

The annual budget and the statutory financial statements are finalized with the approval of the Board of Directors. The board reviews/monitors the positions in respect of bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures on a quarterly basis.

The board frames the policies and procedures for bank's purchase and procurement activities and accordingly approves the delegation of authority for such expenditures. The maximum possible delegation of such power of expenditure rests on the CEO and higher executives. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be taken with the approval of the board.

The board reviews whether an Asset-Liability Committee (ALCO) has been formed and it is working according to Bangladesh Bank guidelines.

f) Appointment of Chief Executive Officer (CEO):

Corporate Governance requires segregation of Management from ownership. In order to accomplish the organizational goal, one of the major responsibilities of the Board of Directors is to put in place efficient Management headed by the Chief Executive Officer (CEO). The Board should clearly define the roles, duties and responsibilities of CEO and other top executives appointed by them. While the Board will appoint a CEO, they must make a fit and proper test i.e. regarding the honesty, integrity, efficiency, experience and other attributes of the incumbent. They will also ensure the compliance with provisions of laws in respect of appointment of CEO.

g) Other responsibilities of the Board:

The board is entrusted with the responsibilities assigned by Bangladesh Bank.

The Board's responsibilities include but not limited to:

- Analyzing and approving the strategies and business plans for the Bank
- Approval of the Bank's annual budget and carrying out periodic review of the achievements by the various operating divisions against their respective business targets
- Setting the minimum standards and establishing policies on the management of credit risks and other key areas of the Bank's operations
- Ensuring that the operating infrastructure, system of control, system for risk identification and management, financial and operational controls are in place and properly implemented
- Reviewing the adequacy and efficacy of the Bank's internal control systems
- Overseeing the Bank's businesses vis-à-vis business plans
- Succession planning including ensuring that all candidates appointed to senior management positions are capable and experienced and program are in place to provide for the orderly succession of senior management
- Reviewing succession planning and talent management plans for the Bank and approving the appointment and compensation of senior management staff

- Approving changes in the corporate organization structure
- Approving policies relating to corporate branding, public relations, investor relations and shareholder communication programs
- Reviewing the Bank's strategies on promotion of sustainability focusing on environmental, social and governance aspects

The Board duly complies with the circulars/guidelines issued by Bangladesh Bank, notifications issued by Bangladesh Securities and Exchange Commission, provisions of Bank Companies Act 1991 (amended up to 2013) and the Companies Act 1994 regarding the responsibility and accountability of the Board, its Chairman and Managing Director.

Code of Conduct for the Board of Directors

The Board of Directors follows a Code of Conduct which was adopted to provide guidance to directors to carry out their duties and responsibilities due-diligently and within the scope of their authority, as set forth in the laws of the country as well as in the Memorandum and Articles of Association of the Bank.

The Code of Conduct states:

- 1) The Members shall act honestly in good faith and in the best interests of the shareholders and the company;
- 2) The members shall not make improper use of information acquired as a director;
- 3) The members shall not take improper advantage of the position as a director;
- 4) The members will be obligated to be independent in judgment and actions and take all reasonable steps to be satisfied as to the soundness of decision taken by the Board of Directors;
- 5) Confidential information acquired by the members in the course of exercise of directorial duties shall be treated as the property of the company and it will be improper to disclose or allow it to be disclosed, unless that disclosure has been authorized by the company, or the person from whom the information has been received;
- 6) Members shall make every effort to attend all Board and Committee Meetings during their tenure. They will not absent themselves without good reasons or without confirming leave of absence;



- 7) To maximize effectiveness of the Board/Committee Meetings, contribution of individual director shall be monitored and appraised on an annual basis;
- 8) Board members having interest of any nature in the agenda of the meeting shall declare beforehand the nature of their interest and withdraw themselves from the room unless they have a dispensation to speak;
- 9) Training opportunities/orientation/workshops will be arranged for the members (especially for the newly inducted members) to make them acquainted with the international best practices, their fiduciary obligations, Code of Conduct etc.
- 10) Members shall always maintain 'Fit and Proper Test Criteria', clean CIB status and other obligations declared by the Primary and other Regulators
- 11) Members shall be judicious about their entitlement of benefits/privileges as per Banking Companies Act -1991 (amended up to 2013) and all circulars issued by Bangladesh Bank and shall be willing to produce supporting documents, if required;
- 12) Every Director will assure annually signing a confirmation that they have gone through, have complied with and will continue to comply with the set of codes approved by the Board of Directors.

Directors' Remuneration

Directors are not eligible to any remuneration other than fees for attending meetings of the Board and its Committees. As per BRPD Circular letter No. 11 dated October 04, 2015 and Article 95 of Articles of Association of the Bank directors are eligible to the remuneration of BDT 8,000 only for each meeting attended by them. The following conditions are applicable as under:

- Meeting should be held in the same town or city where the Bank is head quartered. However, the meetings may be held other places subject to intimation to Bangladesh Bank in advance;
- Remuneration is applicable for 2 (two) meetings of Board of Directors, 4 (four) meetings of Executive Committee and 1 (one) meeting for Risk Management and Audit Committee monthly.
- Travel Bill and two days Hotel bill is payable for the directors traveling within the country and three days Hotel bill for directors (foreigners) coming from out of the country subject to submission of bills of actual expenditures to the bank for preserve;

Meeting of Board:

The Board meets as required to discuss business strategies, financial performance, matters pertaining to compliance and governance as well as reports on matters deliberated by the respective committees. The Board reviews, amongst others, the financial performance of the Bank, risk management and compliance reports and approve the quarterly results of the Bank at its meeting. The meetings of the Board are scheduled in advance for the Directors to plan their schedules. In addition, Special Board meetings may be held when necessary, for decision on major transactions and ad-hoc matters that require the Board's urgent attention and decisions. A Board meeting is held at the beginning of the year to discuss the Bank's Business plan and Budget.

Meeting papers on the proposals and reports are delivered to the Directors prior to the meetings, giving them sufficient time to evaluate the proposals and if necessary, request additional information. This enables the Board to function and discharge their responsibilities effectively. The minimum information required for the Board to make an informed and effective decision includes background, objective, key issues, rationale, financial and non-financial impact of the proposal. Directors who are unable to attend a meeting due to unavoidable circumstances are encouraged to provide feedback to the Chairman on matters to be deliberated for their views to be given due consideration at the meetings.

Board of directors may meet once or more than once in a month if necessary. But Board of directors meets at least once in every three months. As per provisions of laws notice of the meeting is duly served and quorum is ensured before the meeting in progress. Only the Directors attend the Board Meeting. Other than directors only Managing Director & CEO and the Company secretary attend the Meetings. In this connection BRPD Circular Letter No. 23 dated December 26, 2013 is strictly complied with.

Formation of committees from the Board of Directors:

As per provision of laws, the bank can form an Executive Committee, an Audit Committee and a Risk Management Committee with the directors. Board cannot form any other permanent, temporary or sub-committee except the above mentioned three committees.

Executive committee:

Executive committee should be formed with the members of the board to continue the urgent and routine works between the intervals of two board meetings. Executive committee will perform according to their terms of reference determined by the Board of Directors.

Organizational structure:

- i. Members of the committee will be nominated by the board of directors from themselves;
- ii. The executive committee will consist of maximum 07 (seven) members;
- iii. Members may be appointed for a 03 (three)-year term of office;
- iv. Chairman of the Board of Directors may be the chairman of the executive committee;
- v. Company secretary of the bank shall be the secretary of the executive committee.

Qualifications of the Members:

- i. Integrity, dedication, and opportunity to spare time in the functions of committee will have to be considered while nominating a director to a committee;
- ii. Each member should be capable of making valuable and effective contributions in the functioning of the committee;
- iii. To perform his or her role effectively each committee member should have adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and its risks.

Roles and Responsibilities of the Executive Committee:

- i. The executive committee can decide or can act in those cases as instructed by the Board of directors and those not specifically assigned on full board through the Bank Companies Act, 1991 and other laws and regulations.
- ii. The executive committee can take all necessary decisions or can approve cases within power delegated by the board of directors.
- iii. All decisions taken in the executive committee are placed for ratification in the next board meeting.

Meetings

- i. The executive committee can sit any time as it may deem fit.
- ii. The committee may invite Chief Executive Officer, Head of internal audit or any other Officer to its meetings, if it deems necessary;
- iii. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to the committee members well in advance before each meeting;
- iv. All decisions/observations of the committee should be noted in minutes.

Audit Committee:

As per BSEC notification No. SEC/ CMRRC/ 2006-158/129/ Admin/ 44 dated 7th August 2012 on Corporate Governance and BRPD Circular No. 11 dated October 27, 2013 the Audit Committee of the Board is formed. The current Audit Committee consists of 3 members. One of the members of the committee is from Finance and Accounting background. The head of internal audit always has direct access to the audit committee and can express his issues in front of the committee. The Audit Committee has a terms of reference and is empowered to investigate/question employees and retain external counsel as required.

The board approves the objectives, strategies and overall business plans of the bank and the audit committee assists the board in fulfilling its oversight responsibilities. The committee reviews the financial reporting process, the system of internal control and management of financial risks, the audit process, and the bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

Organizational structure:

- i. Members of the committee shall be nominated by the board of directors from the directors;
- ii. The audit committee shall comprise of maximum 05 (five) members, with minimum 2 (two) independent director;
- iii. Audit committee shall consist of the directors who are not executive committee members;
- iv. Members may be appointed for a 03 (three) year term of office;
- v. Company secretary of the bank shall be the secretary of the audit committee.



Qualifications of the Member:

- i. Integrity, dedication, and opportunity to spare time in the functions of committee will have to be considered while nominating a director to the committee ;
- ii. Each member should be capable of making valuable and effective contributions in the functioning of the committee;
- iii. To perform his or her role effectively each committee member should have adequate understanding of the detailed responsibilities of the committee membership as well as the bank,s business, operations and its risks.
- iv. Professionally experienced persons in banking/financial institutions specially having educational qualification in Finance, Banking, Management, Economics, Accounting will get preference in forming the committee.

Roles and Responsibilities of the Audit Committee

Internal Control:

- i. Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have clear understanding of their roles and responsibilities;
- ii. Review management's actions in computerization of the banking activities;
- iii. Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management;
- iv. Consider reports relating to fraud, forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authorities and place it before the board after reviewing whether necessary corrective measures have been taken by the management.

Financial Reporting:

1. Audit committee shall check whether the financial statements reflect the complete and concrete information and determine whether the statements arc prepared according to existing rules & regulations, accounting principles and standards enforced in the country such as Bangladesh Accounting Standards, International Accounting Standards, Bangladesh Financial Reporting Standards, International Financial

Reporting Standards and as per relevant prescribed accounting standards set by Bangladesh Bank;

2. Discuss with management and the external auditors to review the financial statements before its finalization.

Internal Audit:

- I. Audit committee shall monitor whether internal audit functions are carried out independently from the management.
- i. Review the activities of the internal audit and the organizational structure and ensure that no unjustified restrictions or limitations hinder the internal audit process:
- ii. Examine the efficiency and effectiveness of internal audit functions;
- iii. Examine whether the findings and recommendations made by the internal auditors arc duly considered by the management.

External Audit

- i. Review the performance of the external auditors and their audit reports;
- ii. Examine whether the findings and recommendations made by the external auditors arc duly considered by the management.
- iii. Make recommendations to the board regarding the appointment of the external auditors.

Compliance with existing laws and regulations:

The Committee shall review whether the laws and regulations framed by the regulatory authorities (Bangladesh Bank, Bangladesh Securities and exchange Commission, Registrar of Joint Stock Companies and Firms and other bodies) and internal regulations approved by the board are being complied with.

Other Responsibilities:

- i. Submission of compliance report to the board on quarterly basis on regularization of the omissions, frauds and forgeries and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities;
- ii. External and internal auditors will submit item audit report, if the committee solicit;
- iii. Perform other oversight functions as desired by the Board of Directors and evaluate the committee's own performance on a regular basis.

Meetings:

- i. The audit committee should hold at least 4 meetings in a year and it can sit any time as it may deem fit;
- ii. The committee may invite Chief Executive Officer, Head of internal audit or any other Officer to its meetings, if it deems necessary;
- iii. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to the committee members well in advance before each meeting;
- iv. All decisions/observations of the committee should be noted in minutes.
- v. Company secretary of the bank shall be the secretary of the audit committee.

Reporting of the Audit Committee

The Audit Committee of the Bank has the following reporting requirements :

Reporting to the Board of Directors

The Audit Committee shall report on its activities to the Board of Directors. It shall immediately report to the Board of Directors on the following findings, if any:-

- a. report on conflicts of interests;
- b. suspected or presumed fraud or irregularity or material defect in the internal control system;
- c. suspected infringement of laws, including securities related laws, rules and regulations;
- d. any other matter which shall be disclosed to the Board of Directors immediately.

Reporting to the Authorities

The Board of Directors will evaluate the findings and recommendation of the Audit Committee. If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such findings to the regulatory authorities, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.

Reporting to the Shareholders and General Investors:

Report on activities carried out by the Audit Committee,

including any report made to the Board of Directors shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the Bank.

Risk Management Committee:

To play an effective role in mitigating impending risks arising out from strategies and policies formulated by the Board and to carry out the responsibilities efficiently, a risk management committee is formed by the Board of Directors. The present committee comprises three members. After identifying and assessing several risk factors like credit risks, foreign exchange risks, internal control and compliance risks, money laundering risks, information and communication risks, management risks, interest risks, liquidity risks etc.; the risk management committee shall scrutinize whether appropriate risk management measures are being put in place and applied and whether adequate capital and provision is being maintained against the risks identified.

Organizational Structure:

- i. Members of the committee shall be nominated by the board of directors from themselves;
- ii. The Risk Management Committee shall comprise maximum 05 (five) members;
- iii. Members may be appointed for a 03 (three) year term of office;
- iv. Company secretary of the bank shall be the secretary of the Risk Management Committee.

Qualifications of the Member:

- i. Integrity, dedication, and opportunity to spare time in the functions of committee will have to be considered while nominating a director to the committee;
- ii. Each member should be capable of making valuable and effective contributions in the functioning of the committee;
- iii. To perform his or her role effectively each committee member should have adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and its risks.

Roles and Responsibilities of the Risk Management Committee:

Risk identification & control policy :

Formulation and implementation of appropriate strategies for risk assessment and its control is the responsibility of Risk Management Committee. Risk



Management Committee will monitor risk management policies & methods and amend it if necessary. The committee will review the risk management process to ensure effective prevention and control measures.

Construction of organizational management structure:

The responsibility of Risk Management Committee is to ensure an adequate organizational structure for managing risks within the bank. The Risk Management Committee will supervise formation of separate Risk Management Department and monitor their activities for the compliance with instructions of all risks related guidelines.

Analysis and approval of Risk Management policy:

Risk management policies & guidelines of the bank should be reviewed annually by the committee. The committee will propose amendments if necessary and send it to the Board of Directors for their approval. Besides, other limits including lending limit should be reviewed at least once annually and should be amended, if necessary.

Storage of data & Reporting system:

Adequate record keeping & reporting system developed by the bank management will be approved by the risk management committee. The committee will ensure proper use of the system. The committee will minute its proposal, suggestions & summary in a specific format & inform the Board of Directors.

Monitoring the implementation of overall Risk Management Policy:

Risk Management Committee will monitor proper implementation of overall risk management policies. They will monitor whether proper steps have been taken to mitigate all risks including lending risk, market risk, and management risk.

Other responsibilities:

- i. Committee's decision and suggestions should be submitted to the Board of Directors quarterly in short form;
- ii. Comply instructions issued from time to time by the controlling body;
- iii. Internal & external auditor will submit respective evaluation report on the concern issue whenever required by the committee.

Meetings:

- i. The risk management committee should hold at

least 4 meetings in a year and it can sit any time as it may deem fit;

- ii. The committee may invite Chief Executive Officer, Chief Risk Officer and any other Officer to its meetings, if it deems necessary;
- iii. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to committee members well in advance before each meeting;
- iv. All decisions/observations of the committee should be Recorded in minutes.
- v. Company secretary of the bank shall be the secretary of the Risk Management Committee.

Training for the Directors:

The directors shall make themselves fully aware of the banking laws and other related rules and regulations for performing duties properly. Training is also encouraged for directors by the Board, especially on Corporate Governance. Training is encouraged both at home and abroad. Three directors of the Bank attended in an workshop regarding Revisiting Corporate Governance Regulations for Banks in Bangladesh organized by International Finance Corporation and Bangladesh Bank jointly on January 31, 2015.

Chairman of the Board of Directors:

The Chairman of the Board is elected to the office of Chairman by the directors. The Board considers that the Chairman is independent.

The role and responsibilities of the Chairman :

- a) The Chairman of the board of directors does not personally possess the jurisdiction to apply policy making or executive authority. He /she does not participate or interfere in the administrative or operational and routine affairs of the bank.
- b) The chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall initiate necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the board along with the statement of the CEO.

- c) The chairman may be offered an office-room, a personal secretary/ assistant, one peon/MLSS, one telephone at the office, one mobile phone to use inside the country and a vehicle in the business-interest of the bank subject to the approval of the board.

Besides this, the Chairman may/shall assume any other responsibility if the Board assigns within the purview of the Rules, Regulations, Acts and Articles of the Bank. The Chairman's responsibilities are defined by the Board as directed by BSEC's notification on Corporate Governance Guidelines and BRPD circular No. 11 dated october 27, 2013 issued by Bangladesh Bank.

Role of the Chairman and CEO are independent

The Chairman of the Board is not the Managing Director of the Company. The role of Chairman and the Managing Director is independent and detached from each other.

Role and Responsibilities of the CEO

The responsibilities and authorities of the Managing Director are as follows:

- i) In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plans, efficient implementation thereof and prudent administrative and financial management.
- ii) The CEO shall ensure compliance of the Bank Companies Act, 1991 (amended up to 2013) and/or other relevant laws and regulations in discharging routine functions of the bank.
- iii) The CEO shall include information on violation of any law, rules, regulation including Bank Companies Act, 1991 (amended up to 2013) while presenting memos before the Board or the committee formed by the board.
- iv) CEO shall provide all sorts of information to Bangladesh Bank about the violation of Banking Companies Act, 1991 and/ or any violation of Laws, rules and regulations.
- v) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the

basis of the human resources policy and sanctioned strength of employees as approved by the board. The board or the chairman of any committee of the board or any director shall not get involved or interfere in such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at two tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training

Besides, the Managing Director shall assume any other responsibility if the Board assigns within the purview of the Rules, Regulations, Acts and Articles of the Bank.

Appointment of Chief Financial Officer (CFO), Head of Internal Audit And Company Secretary (CS):

As per BSEC notification No. SEC/ CMRRC/ 2006-158/129/ Admin/ 44 dated 7th August 2012 on Corporate Governance, the Bank appoints a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors clearly defines respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.

Role of the Company Secretary

Company Secretary is responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Bank, as well as best practices of governance. He is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Bank, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

The responsibilities of the Company Secretary include:

- i) To act as a point of communication among the management, board of directors and company shareholders.
- ii) To ensure that the Bank complies with its governing document, policies, company law and any other relevant legislation i.e. regulations of Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies and Firms, Bourses etc. He will support and advise the Chair by



ensuring smooth functioning of the Board. He will work in association with the Chief Executive Officer and other Trustees to ensure proper discharge of activities & operations of the Bank.

- iii) To support the Chairman in the smooth functioning of the Board. Receive agenda items from management and ensure consented agenda items are tabled at Board meetings. This is done in consultation with the Chief Executive Officer and the Chair.
- iv) In line with Bangladesh Bank guidelines the company secretary has to act as the Secretary to the sub committees of the Board of Directors. In this area of risk mitigation, the Company Secretary has a pivotal role to play in support of the members of the Sub Committees, Board Audit Cell, Audit & Inspection Division, Risk Management Division and Internal Control & Compliance Division.
- v) Act as a custodian of Bank's governing documents and policies. Ensure the Bank pursues its objects as defined in its governing document. He should act as a custodian of the interests of the Bank. So, it is his prime duty to protect and safeguard such interests of the Bank at all levels: statutory, administrative, and arbitrational and in other policy matters. He should also ensure that Board meeting minutes are signed by the Chair once they have been confirmed and copies filed and kept at the Bank.
- vi) Ensure the appointment of Bank's board members, that those appointed are not disqualified in law and are eligible to be members under the provisions of the governing documents and policies, and that the appointment procedure laid down in the governing document and policies are followed.
- vii) Make sure that the Directors have information to enable them to comply with the decisions and fulfill their responsibilities. This includes organizing the induction of new Directors also.
- viii) Ensure that Board meetings are held in compliance with Bank's governing documents and arrangements for the meetings are made.
- ix) Confirms that Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) are conducted effectively and in accordance with the

provisions of laws and Bank's governing document. This includes checking that a quorum is present, adequate notice is served, notice period is maintained etc. Also make sure that agenda and minutes of AGMs and EGMs are circulated among the members and submitted to the regulators in a timely manner.

- x) File the annual list of members and summary of share capital together with the authenticated Balance Sheet and the Profit and Loss account. Issue Dividend Warrants, bonus share certificates and make arrangement for disposal of fractional shares, if any
- xi) Maintain strict confidentiality of information, manage situations like conflict of interest, identify problems and implement or recommend solutions
- xii) Maintain and liaise with various associated/regulatory bodies viz. BAB, ABB, Chambers/other bodies, BSEC, BB, RJSC and other regulators

Roles and Responsibilities of Chief Financial Officer (CFO):

The Chief Financial Officer (CFO) is responsible for:

- i. Analyzing financial strategy, financial condition and position of the bank.
- ii. He will be responsible for successful implementation of financial system as per International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as applicable, Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Bangladesh Bank guidelines, Companies Act 1994, Bank Companies Act 1991 and Bangladesh Securities and Exchange Commission (BSEC) Regulations etc.
- iv. The CFO will work in close touch with the Managing Director & CEO and report to him.
- v. The CFO will get full executive power and hold charge of Financial Administration Division.
- vi. He is accountable for the financial, budgeting and Risk Management Operations including the development of financial and operational strategies and monitoring of control systems designed to preserve bank's assets and report accurate financial positions.

Role and responsibilities of ICCD Head

- i) To Assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control.
- ii) To Ensure the quality and adequacy of the organization's internal controls system and risk management process, and their effectiveness and outcomes.
- iii) Overseeing whether the bank is complying with regulatory norms as well as internal policies, processes, procedures, strategies and directives in order to achieve the corporate objectives of the bank.
- iv) To Design and develop annual audit plan, getting it approved by the bank's competent authority and arrange regular as well as special audit/inspection of Branches and Divisions of the bank as per plan
- v) To Develop job routine, constantly explore and assess the high risk areas, conduct special audit and recommend strategies to mitigate risks.
- vi) To Communicate the irregularities identified to the board and senior management regularly and propose corrective actions for control.
- vii) To Maintain strong ties with central bank officials as an intermediary for the bank to resolve issues safeguarding bank's interest.
- viii) To Prepare, maintain and archive all documents relating to financial health and risk profiling of bank.
- ix) To Prepare capital based risk audit framework that allowed streamlining the financial health assessment process
- x) To Prepare the occasional and periodic risk reports that communicate the severity of the risk as well as mitigation tools
- xi) Lead the team with full satisfaction optimizing the utilization of resources
- xii) Establish and maintain guidelines for a system of internal control.

Appraisal and evaluation of Board of Directors and CEO

There is not a scheme for annual appraisal of the board's performance till date, but the company is abiding by the Code of Conduct which was formulated by the Board. There is a three year strategic Priorities & Action Plan for the evaluation of the CEO/Management on an annual basis and it is revised from time to time accordingly by the Board.

Management Committee

SBAC Bank Ltd. has a Management Committee (MANCOM) which comprises Managing Director, Deputy Managing Directors, Head of Human Resources Division, Head of ID, Head of Credit, Head of IT, Head of GSD, Head of ICCD, Head of BOD Company Secretary and CFO to review, discuss and decide on important business issues. In addition to the regular roles and responsibilities, the Committee also governs all related policies and practices in pursuance of the Bank's short and long-term objectives.

The Committee plays an independent role, operating as an overseer; and if required, makes recommendations to the Board of Directors of the Bank for its consideration and final approval for any policy. The role of the Committee is to assist the Board of Directors to ensure that bank is run with good governance. The Committee performs all the functions necessary to fulfill its roles towards the organizational goals.

Certification of CEO and CFO Regarding Financial Statements

The CEO and CFO shall certify to the Board of Directors that:

- a. they have reviewed financial statements for the year;
- b. to the best of their knowledge these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- c. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- b. there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.



**Certificate of compliance of corporate governance guidelines to the Shareholders
of
South Bangla Agriculture & Commerce Bank Limited**

We have examined the status report alongwith the relevant documents of South Bangla Agriculture & Commerce Bank Limited regarding the compliance of the provisions of Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) under notification No.SEC/ CMRRCD/2006-158/134/admin/44dated August 7, 2012 for the year ended 31 December 2016.The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the review of the procedures and implementations thereof as adopted by the Management in ensuring compliance with the conditions of Corporate Governance.

In our opinion and to the best of our knowledge, information and explanations provided to us, we certify that the Company has complied with the conditions of Corporate Governance Guidelines as stipulated by the Bangladesh Securities and Exchange Commission except appointment of Independent Directors which are partially complied with and full compliance are under process.We further state that such compliance is neither an assurance as to the future viability of the Company nor a certification on the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Dated: Dhaka;
16 March, 2017.


Islam & Co.
Chartered Accountants

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Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969):

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status (Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1	Board Size			
1.1	Board members should not be less than 5 (five) and not more than 20 (twenty)	√		
1.2	Independent Director (ID)			
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.			Partially Complied, Noted for Full Compliance
1.2 (ii)	Conditions of Independent director: a) Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company; b) Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/ her family members also should not hold above mentioned shares in the company; c) Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies; d) Who is not a member, director or officer of any stock exchange; e) Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market; f) Who is not a partner or an executive or was not a Partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm; g) Who shall not be an independent director in more than 3 (three) listed companies; h) Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);			



	(i) Who has not been convicted for a criminal offence involving moral turpitude.	√		
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM). The Appointments are duly approved at AGM	√		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90(ninety) days.	√		
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	√		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3(three) years, which may be extended for 1(one) term only	√		
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		
1.3 (ii)	The person should be a Business Leader/ Corporate Leader/ Bureaucrat/ University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The independent director must have at least 12(twelve) years of corporate management/professional experiences.	√		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			Not applicable (No Special Case arose)
1.4	Chairman of the Board and Chief Executive Officer:			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company and the Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		
1.5	The Directors' Report to Shareholders shall include following additional statements			
1.5 (i)	Industry outlook and possible future developments in the industry.	√		
1.5 (ii)	Segment-wise or product-wise performances.	√		
1.5 (iii)	Risks and concerns.	√		

1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		
1.5 (vi)	Basis for related party transactions a statement of all related party transactions should be disclosed in the annual report.	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.			N/A
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.			N/A
1.5 (x)	Remuneration to directors including independent directors.	✓		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		
1.5 (xii)	Proper books of account of the issuer company have been maintained	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		



1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized			N/A
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.			N/A
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxi) (c)	Executives (top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.)	√		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more votes' interest in the company (name wise details).	√		
1.5 (xxii) (a)	A brief resume of the director	√		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas;	√		
1.5 (xxii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2	Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS):			
2.1	Appointment: The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Requirement to attend the Board Meetings: Attendance of CFO and the company secretary at Board of Directors' meeting	√		
3	Audit Committee:			

3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
3.1	Constitution of the Audit Committee:			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1 (ii)	Constitution of Committee with Board members including at least one Independent Director	✓		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Filing of casual vacancy in committee.	✓		
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.			Noted for Compliance
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process.	✓		
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.	✓		
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		

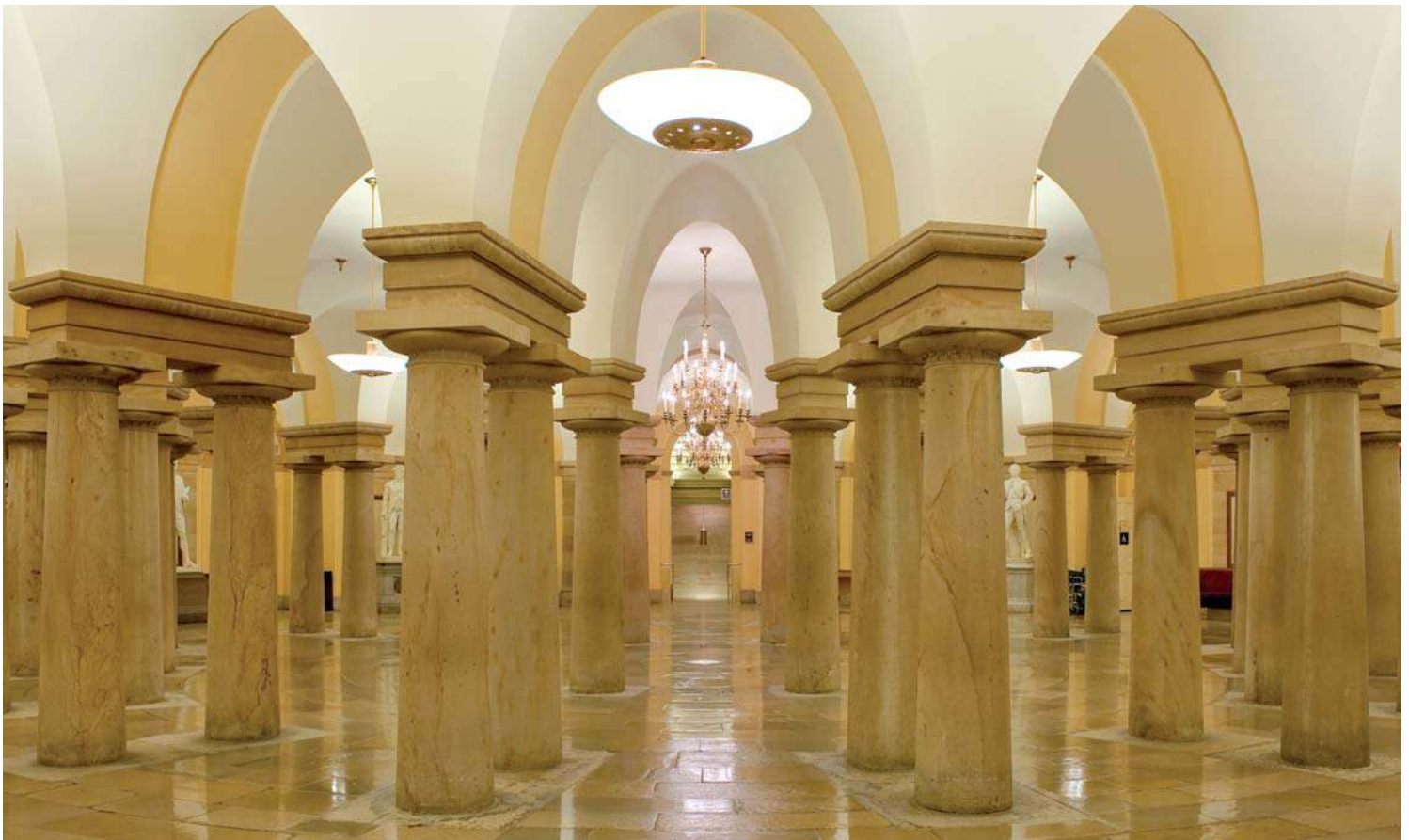


3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category.			N/A
3.4	Reporting of Audit Committee:			
3.4.1	Reporting to the Board of Directors			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii) (a)	Reporting of conflict of Interest	✓		
3.4.1 (ii) (b)	Reporting of any fraud or irregularity	✓		
3.4.1 (ii) (c)	Reporting of violation of laws	✓		
3.4.1 (ii) (d)	Reporting of any other matter	✓		
3.4.2	Reporting to the Authorities			
	If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.			N/A
3.5	Reporting to Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	✓		

4	External/Statutory Auditors			
	The issuer company should not engage its external / statutory auditors to perform the following services of the company; namely:			
4 (i)	Appraisal or valuation services or fairness opinions.	√		
4 (ii)	Financial information systems design and implementation.	√		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4 (iv)	Broker-dealer services.	√		
4 (v)	Actuarial services.	√		
4 (vi)	Internal audit services.	√		
4 (vii)	Any other service that the Audit Committee determines.	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√		
4 (ix)	Audit/certification services on compliance of corporate governance	√		
5	Subsidiary Company			N/A
6	Duties of Chief Executive Officer (CEO) And Chief Financial Officer (CFO):			
6 (i)	The CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:			
6 (i) (a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6 (i) (b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the company's code of conduct.	√		
7	Reporting and Compliance of Corporate Governance:			
7 (i)	The company shall obtain a certificate from a Professional Accountant/Secretary (Chartered Accountant/Cost & Management Accountant/Chartered Secretary) regarding compliance with conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		



Disclosures under Risk Based Capital (Basel III)



South Bangla Agriculture and Commerce Bank Ltd.

Disclosures under Risk Based Capital (Basel III) For the year ended on 31 December 2016

Background: These disclosures under Pillar III of Basel III are made according to revised 'Guidelines on Risk Based Capital Adequacy (RBCA)' for banks issued by Bangladesh Bank (Central Bank of Bangladesh) in December 2014. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar I and the Supervisory Review Process (SRP) under Pillar II of Basel III.

The purpose of market discipline in the Revised Capital Adequacy Framework is to disclose relevant information on capital adequacy in relation to various risks of the bank so that stakeholders can assess the position of a bank regarding holding of assets, identify the risks relating to the assets and capital adequacy and can make economic decision. The disclosures under Pillar-III of Basel III framework of the bank as on 31 December 2016 are as under:

- A) Scope of Application
- B) Capital Structure
- C) Capital Adequacy
- D) Credit Risk
- E) Equities: Disclosures for Banking Book Positions
- F) Interest Rate Risk in Banking Book (IRRBB)
- G) Market Risk
- H) Operational Risk
- I) Liquidity Ratio
- J) Leverage Ratio
- K) Remuneration



A) Scope of Application

Qualitative Disclosures:		
a)	The name of the top corporate entity in the group to which this guidelines applies.	South Bangla Agriculture and Commerce Bank Ltd. (the Bank)
b)	An outline of differences on the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the credit is risk-weighted).	The Risk Based Capital Adequacy framework applies to South Bangla Agriculture and Commerce Bank Limited on "Solo Basis" as there is no subsidiary of the bank on reporting date.
c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative Disclosures:		
d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries	Not applicable

B) Capital Structure

Qualitative Disclosures:	
a)	<p>Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or in Tier 2 capital.</p> <p>In terms of Section 13 of the Bank Company Act, 1991 (Amended upto 2013), the terms and conditions of the main features of all capital instruments have been segregated in terms of the eligibility criteria set forth vide BRPD Circular No. 18 dated 21 December 2014 [Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III)] and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows:</p> <p>Common Equity Tier 1 (CET1) capital instruments</p> <p>Paid-up share capital: Issued, subscribed and fully paid up share capital of the Bank.</p> <p>Non-repayable share premium account: N/A</p> <p>Statutory reserve: As per Section 24 of the Bank Company Act, 1991 (Amended upto 2013), an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund.</p> <p>Dividend equalization account: N/A</p> <p>Retained earnings: Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.</p> <p>Additional Tier 1 (AT1) capital instruments</p> <p>Instruments issued by the banks that meet the qualifying criteria for AT1: N/A</p> <p>Tier 2 capital instruments</p> <p>General provision against unclassified loans and off-balance sheet exposures: As per Bangladesh Bank directive, amount of provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered maximum upto 1.25% of credit risk weighted assets.</p> <p>Subordinated debt capital: N/A</p> <p>Assets revaluation reserves: N/A</p> <p>Revaluation reserves of HTM securities: N/A</p> <p>Revaluation reserves of HFT securities: As per Bangladesh Bank's instruction, until 31 December 2014, 50% of revaluation reserve of HFT securities has been considered. Revaluation Reserve (RR) based on the position as of 31 December 2014 will be deducted @ 20% on yearly basis from 2015 to 2019 under Basel III guideline.</p>



Quantitative Disclosures																				
b)	The amount of Common Equity Tier 1 (CET1) Capital	<div>The amount of Common Equity Tier 1 (CET1) Capital as per disclosures in the audited financial statements as of 31 December 2016 are as follows:</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Paid up capital</td><td>4,334.98</td></tr><tr><td>Non-repayable share premium account</td><td>-</td></tr><tr><td>Statutory reserve</td><td>495.08</td></tr><tr><td>General reserve</td><td>-</td></tr><tr><td>Retained earnings</td><td>676.09</td></tr><tr><td>Dividend equalization account</td><td>-</td></tr><tr><td>Other (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total of Tier 1 Capital [A]</td><td>5,506.15</td></tr></table>	Particulars	Amount	Paid up capital	4,334.98	Non-repayable share premium account	-	Statutory reserve	495.08	General reserve	-	Retained earnings	676.09	Dividend equalization account	-	Other (if any item approved by Bangladesh Bank)	-	Sub-Total of Tier 1 Capital [A]	5,506.15
Particulars	Amount																			
Paid up capital	4,334.98																			
Non-repayable share premium account	-																			
Statutory reserve	495.08																			
General reserve	-																			
Retained earnings	676.09																			
Dividend equalization account	-																			
Other (if any item approved by Bangladesh Bank)	-																			
Sub-Total of Tier 1 Capital [A]	5,506.15																			
c)	The amount of Additional Tier 1 (AT1) Capital	<div>The amount of Additional Tier 1 (AT1) Capital as per disclosures in the audited financial statements as of 31 December 2016 are as follows:</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Non-cumulative irredeemable preference shares</td><td>-</td></tr><tr><td>Instruments issued by the banks that meet the qualifying criteria for AT1</td><td>-</td></tr><tr><td>Other (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total AT1 Capital [B]</td><td>-</td></tr></table>	Particulars	Amount	Non-cumulative irredeemable preference shares	-	Instruments issued by the banks that meet the qualifying criteria for AT1	-	Other (if any item approved by Bangladesh Bank)	-	Sub-Total AT1 Capital [B]	-								
Particulars	Amount																			
Non-cumulative irredeemable preference shares	-																			
Instruments issued by the banks that meet the qualifying criteria for AT1	-																			
Other (if any item approved by Bangladesh Bank)	-																			
Sub-Total AT1 Capital [B]	-																			
d)	The amount of Tier 2 Capital	<div>The amount of Tier 2 Capital as per disclosures in the audited financial statements as of 31 December 2016 are as follows:</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>General provision against unclassified loans and off-balance sheet exposures</td><td>302.27</td></tr><tr><td>All other preference shares</td><td>-</td></tr><tr><td>Subordinate debt</td><td>-</td></tr><tr><td>Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFTSecurities)</td><td>22.01</td></tr><tr><td>Other (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total of Tier 2 Capital [C]</td><td>324.28</td></tr></table>	Particulars	Amount	General provision against unclassified loans and off-balance sheet exposures	302.27	All other preference shares	-	Subordinate debt	-	Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFTSecurities)	22.01	Other (if any item approved by Bangladesh Bank)	-	Sub-Total of Tier 2 Capital [C]	324.28				
Particulars	Amount																			
General provision against unclassified loans and off-balance sheet exposures	302.27																			
All other preference shares	-																			
Subordinate debt	-																			
Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFTSecurities)	22.01																			
Other (if any item approved by Bangladesh Bank)	-																			
Sub-Total of Tier 2 Capital [C]	324.28																			
e)	Regulatory Adjustments / Deductions from Capital	<div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Deferred tax assets</td><td>-</td></tr><tr><td>Revaluation Reserves for Fixed Assets, Securities (40% for the year 2016) from Tier 2 Capital</td><td>8.81</td></tr><tr><td>Sub-Total of Regulatory Adjustments / Deductions from Capital [D]</td><td>8.81</td></tr></table>	Particulars	Amount	Deferred tax assets	-	Revaluation Reserves for Fixed Assets, Securities (40% for the year 2016) from Tier 2 Capital	8.81	Sub-Total of Regulatory Adjustments / Deductions from Capital [D]	8.81										
Particulars	Amount																			
Deferred tax assets	-																			
Revaluation Reserves for Fixed Assets, Securities (40% for the year 2016) from Tier 2 Capital	8.81																			
Sub-Total of Regulatory Adjustments / Deductions from Capital [D]	8.81																			
f)	Total Eligible Capital	<div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Total Eligible Capital [A+B+C-D]</td><td>5,821.62</td></tr></table>	Particulars	Amount	Total Eligible Capital [A+B+C-D]	5,821.62														
Particulars	Amount																			
Total Eligible Capital [A+B+C-D]	5,821.62																			

C) Capital Adequacy

Qualitative Disclosures																							
a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	<p>The Bank assesses the adequacy of its capital in terms of Section 13 (1) of the Bank Company Act, 1991 (Amended up to 2013) and instruction contained in BRPD Circular No. 18 dated 21 December 2014 [Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Basel III)]. However, in terms of the regulatory guidelines, the Bank computes the capital charge / requirement as under:</p> <p>i. Credit risk : On the basis of Standardized Approach;</p> <p>ii. Market risk : On the basis of Standardized Approach; and</p> <p>iii. Operational risk: On the basis of Basic Indicator Approach.</p> <p>The Bank assesses the capital requirement considering the existing size of portfolio, concentration of portfolio to different risk weight groups, asset quality, profit trend etc. on quarterly rest. The Bank also forecasts the adequacy of capital in terms of its capacity of internal capital generation, maintaining the size of the portfolio, asset quality, conducting credit rating of the borrowers, segregation of portfolio to different risk weight groups etc. As of 31 December 2016, Bank maintained total capital (CET 1 and Tier 2) of Taka 5,821.62 million against the minimum requirement of Taka 4,000.00 million with a surplus of Taka 1,821.62 million. Bank's capital to risk-weighted asset (CRAR) as of 31 December 2016 stood at 18.59% (consisting of 17.58% in CET 1 capital and 1.01% in Tier 2 capital) against the regulatory requirement of minimum 10%. This surplus capital both in term of absolute amount and ratio (CRAR) is considered to be adequate to absorb all the material risks to which the Bank may be exposed in future. The Bank maintained more than adequate capital against the regulatory requirement to uphold and strengthen the confidence of its investors, depositors and other stakeholders.</p>																					
Quantitative Disclosures																							
b)	Capital Requirement for Credit Risk	<p>In million Taka</p> <table> <tr> <th>Particulars</th><th>Risk Weighted Assets (RWA)</th><th>Minimum Capital Requirement (MCR)</th></tr> <tr> <td>Credit Risk</td><td></td><td></td></tr> <tr> <td>On-balance sheet</td><td>23,059.55</td><td>2,305.95</td></tr> <tr> <td>Off-balance sheet</td><td>2,994.98</td><td>299.50</td></tr> <tr> <td>Total</td><td>26,054.53</td><td>2,605.45</td></tr> </table>	Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)	Credit Risk			On-balance sheet	23,059.55	2,305.95	Off-balance sheet	2,994.98	299.50	Total	26,054.53	2,605.45						
Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)																					
Credit Risk																							
On-balance sheet	23,059.55	2,305.95																					
Off-balance sheet	2,994.98	299.50																					
Total	26,054.53	2,605.45																					
c)	Capital Requirement for Market Risk	<p>In million Taka</p> <table> <tr> <th>Particulars</th><th>Risk Weighted Assets (RWA) Capital Charge</th><th>Minimum Capital Requirement (MCR)</th></tr> <tr> <td>Market Risk</td><td></td><td></td></tr> <tr> <td>Interest rate related instruments</td><td>3290.00</td><td>329.00</td></tr> <tr> <td>Equities</td><td>0.00</td><td>0.00</td></tr> <tr> <td>Foreign exchange position</td><td>130.52</td><td>13.05</td></tr> <tr> <td>Commodities</td><td>-</td><td>-</td></tr> <tr> <td>Total</td><td>3420.52</td><td>342.05</td></tr> </table>	Particulars	Risk Weighted Assets (RWA) Capital Charge	Minimum Capital Requirement (MCR)	Market Risk			Interest rate related instruments	3290.00	329.00	Equities	0.00	0.00	Foreign exchange position	130.52	13.05	Commodities	-	-	Total	3420.52	342.05
Particulars	Risk Weighted Assets (RWA) Capital Charge	Minimum Capital Requirement (MCR)																					
Market Risk																							
Interest rate related instruments	3290.00	329.00																					
Equities	0.00	0.00																					
Foreign exchange position	130.52	13.05																					
Commodities	-	-																					
Total	3420.52	342.05																					
d)	Capital Requirement for Operational Risk	<p>In million Taka</p> <table> <tr> <th>Particulars</th><th>Risk Weighted Assets (RWA)</th><th>Minimum Capital Requirement (MCR)</th></tr> <tr> <td>Market Risk</td><td>1,836.91</td><td>183.69</td></tr> <tr> <td>Total</td><td>1,836.91</td><td>183.69</td></tr> </table>	Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)	Market Risk	1,836.91	183.69	Total	1,836.91	183.69												
Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)																					
Market Risk	1,836.91	183.69																					
Total	1,836.91	183.69																					



e)	Total Risk Weighted Assets (RWA), Total Minimum Capital Requirement (MCR) and Total Eligible Regulatory Capital	In million Taka	
		Particulars	Amount
		Total Risk Weighted Assets (RWA)	
		Credit Risk	
		On-balance sheet	23,059.55
		Off-balance sheet	2,994.98
		Total Credit Risk [i]	26,054.53
		Market Risk [ii]	3,420.52
		Operational Risk [iii]	1,836.91
		Total Risk Weighted Assets (RWA) [i+ii+iii]	31,311.96
		Total Minimum Capital Requirement (MCR)[10% of RWA or Tk. 4,000.00 million whichever is higher]	
		Credit Risk	
		On-balance sheet	2,305.95
		Off-balance sheet	299.50
		Total Credit Risk [i]	2,605.45
		Market Risk [ii]	342.05
		Operational Risk [iii]	183.69
		Total Risk Weighted Assets [10% of RWA]	3,131.19
		Total Minimum Capital Requirement (MCR)	4,000.00
		Total Eligible Regulatory Capital	5,821.62
f)	Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio:	In million Taka	
		Particulars	Amount
		Total Capital to Risk-weighted Assets Ratio (CRAR)	18.59%
		Common Equity Tier 1 Capital to Risk-weighted Assets Ratio	17.58%
		Total Tier 1 Capital to Risk-weighted Asset Ratio	17.58%
		Tier 2 Capital to Risk-weighted Asset Ratio	1.01%
g)	Capital Conservation Buffer	As per BB roadmap for implementation of Basel III, creation of Capital Conservation Buffer (CCB) has been made effective from January, 2016.	
h)	Available Capital under Pillar 2 Requirement	In million Taka	
		Particulars	Amount
		Total Eligible Regulatory Capital [A]	5,821.62
		Minimum Capital Requirement under Pillar 1 [B]	4,000.00
		Capital Conservation Buffer [C]*	195.70
		Minimum Capital Requirement including Capital Conservation Buffer [D=B+C]	4,195.70
		Available Capital for Pillar 2 [E=A-D]	1,625.92

* As per BB directive, it is applicable from January, 2016.

D) Credit Risk

Qualitative Disclosures	
a) The general qualitative disclosure requirement with respect to credit risk, including:	
(i) Definitions of past due and impaired (for accounting	<p>As per relevant Bangladesh Bank guidelines, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective / Quantitative Criteria and (ii) Qualitative judgment. For this purposes, all loans and advances are grouped into four (4) categories namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro Credit.</p> <p>Definition of past due/overdue:</p> <p>i) Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date;</p> <p>ii) Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date;</p> <p>iii) In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/ overdue from the following day of the expiry date;</p> <p>iv) The Short-term Agricultural and Micro-Credit if not repaid within the fixed expiry date for repayment will be considered past due/overdue after six months of the expiry date.</p> <p>However, a continuous loan, demand loan or a term loan which will remain overdue for a period of 02 (two) months or more, will be put into the "Special Mention Account (SMA)", the prior status of becoming the loan into impaired/classified/ non-performing.</p> <p>Definition of impaired / classified / non-performing loans and advances are as follows:</p> <p>Continuous loan are classified are as follows:</p> <ul style="list-style-type: none"> • Substandard: If it is past due /overdue for 3 (three) months or beyond but less than 6 (six) months; • Doubtful: If it is past due / overdue for 6 (six) months or beyond but less than 9 (nine) months; • Bad / Loss: If is past due / overdue for 9 (nine) months or beyond <p>Demand loan are classified are as follows:</p> <ul style="list-style-type: none"> • Substandard: If it remains past due / overdue for 3 (three) months or beyond but not over 6 (six) months from the date of expiry or claim by the Bank or from the date of creation of forced loan; • Doubtful: If it remains past due / overdue for 6 (six) months or beyond but not over 9 (nine) months from the date of expiry or claim by the Bank or from the date of creation of forced loan; • Bad / Loss: If it remains past due / overdue for 9 (nine) months or beyond from the date of expiry or claim by the Bank or from the date of creation of forced loan. <p>Fixed Term Loans are classified are as follows:</p> <p>a) In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting upto Taka 10 lacs is not repaid within the due date, the classification is as under:</p> <ul style="list-style-type: none"> • Substandard: If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loan will be classified as 'Sub- standard'; • Doubtful: If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire loan will be classified as 'Doubtful'; • Bad / Loss: If the amount of past due installment is equal to or more than the amount of installment (s) due within 12 (twelve) months, the entire loan will be classified as 'Bad/Loss';



	<p>b) In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 10 lacs is not repaid within the due date, the classification is as under:</p> <ul style="list-style-type: none">• Substandard : If the amount of past due installment is equal to or more than the amount of installment (s) due within 3 (three) months, the entire loan will be classified as 'Sub- standard';• Doubtful: If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loan will be classified as 'Doubtful';• Bad / Loss: If the amount of past due installment is equal to or more than the amount of installment(s) due within 9 (nine) months, the entire loan will be classified as 'Bad/Loss'. <p>Short-term Agricultural and Micro-Credit: The Short-term Agricultural and Micro-Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Sub-standard' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.</p>																																																																		
ii) Description of approaches followed for specific and general allowances and statistical methods	<p>The Bank follows the relevant Bangladesh Bank guideline for determination of general and specific allowances for loans and advances. Firstly, the base for provision for the unclassified and classified loans are calculated as under:</p> <p>a) Calculation of base for provision for unclassified /standard loans: Outstanding amount less suspended interest, if any;</p> <p>b) Calculation of base for provision for the classified loans, the higher of the following two amounts:</p> <p>i. Outstanding amount less suspended interest less value of eligible securities; or</p> <p>ii. 15% of outstanding amount.</p> <p>Secondly, the following rates are applied on base for provision for determination of general and specific allowances for loans:</p> <table><tr><th colspan="2">Particulars</th><th>Short Term Agriculture and Micro Credit</th><th colspan="3">Consumer Financing</th><th>Small Enterprise Financing</th><th>Credits to BHs/MBs / SDs</th><th>All Other Credits</th></tr><tr><th></th><th></th><th></th><th>Other than HF & LP</th><th>HF</th><th>LP</th><th></th><th></th><th></th></tr><tr><td rowspan="2">Unclassified</td><td>Standard</td><td>2.5%</td><td>5%</td><td>2%</td><td>2%</td><td>0.25%</td><td>2%</td><td>1%</td></tr><tr><td>SMA</td><td>2.5%</td><td>5%</td><td>2%</td><td>2%</td><td>0.25%</td><td>2%</td><td>1%</td></tr><tr><td rowspan="3">Classified</td><td>SS</td><td>5%</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td></tr><tr><td>DF</td><td>5%</td><td>50%</td><td>50%</td><td>50%</td><td>50%</td><td>50%</td><td>50%</td></tr><tr><td>B/L</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr></table> <table><tr><td>HF= House Financing</td><td>LP = Loan for Professional</td><td>SD =Stock Dealer</td></tr><tr><td>BH = Broker House</td><td>MB = Merchant Bank</td><td></td></tr></table>	Particulars		Short Term Agriculture and Micro Credit	Consumer Financing			Small Enterprise Financing	Credits to BHs/MBs / SDs	All Other Credits				Other than HF & LP	HF	LP				Unclassified	Standard	2.5%	5%	2%	2%	0.25%	2%	1%	SMA	2.5%	5%	2%	2%	0.25%	2%	1%	Classified	SS	5%	20%	20%	20%	20%	20%	20%	DF	5%	50%	50%	50%	50%	50%	50%	B/L	100%	100%	100%	100%	100%	100%	100%	HF= House Financing	LP = Loan for Professional	SD =Stock Dealer	BH = Broker House	MB = Merchant Bank	
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(iii) Discussion of the bank's credit risk Management policy	<p>The salient features of the Bank credit risk management policy and procedures are as under:</p> <ul style="list-style-type: none">• Credit policy approved by the Board: The Board approves the Credit Risk Management Policy of the Bank for ensuring the best practice in credit risk management and maintaining quality of assets. The credit policy/manual has been put in place in compliance with Bangladesh Bank's guidelines on credit risk management and other rules & regulations circulated by BB from time to time. The policy envisages making credit decisions based on sound lending principles and practices supported by reliable and accurate financials, management integrity, industry/ technical analysis, environmental due diligence, industry information of the borrowing entity/ company etc.																																																																		

	<ul style="list-style-type: none"> • Credit approval is delegated properly: Authorities are properly delegated ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system. • Independent Credit Risk Management Division: There is an independent Credit Risk Management Division to assess credit risks and suggest the mitigation procedures & techniques while processing the credit proposals by the Credit Division for approval. • Separate Credit Administration Division: A separate credit administration division confirms that perfected security documents are in place before disbursement. The division also monitors borrower's compliance with lending covenants and agreed terms and conditions. • Independent Credit Monitoring & Recovery Division and Management Recovery Committee: An independent and fully dedicated Credit Monitoring & Recovery Division monitors the performance and recovery of loans, identify early signs of delinquencies in portfolio and take corrective measures including legal actions to mitigate risks, improve loan quality and to ensure timely recovery of loans. This division also monitors risk status of loan portfolio and ensures adequate loan loss provision. There is a dedicated and high-level management recovery committee to deal with the problem loans for early and most appropriate settlements. • Credit operations are subject to independent internal Audit: Internal Control & Compliance Division independently verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control, documentation and overall Credit Risk Management System. • Reporting to Board/Executive Committee/Risk Management Committee: Overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio are regularly reported to the Board of Directors/ Executive Committee/ Risk Management Committee of the Board for information and guidance <p>Above all, the Risk Management Division is regularly guiding the Credit Risk Management Division (s) on increasing the collateral coverage, product/sector specific diversification of credit exposures, single borrower exposures limit, large loan portfolio ceiling as stipulated by Bangladesh Bank, improving the asset quality, conducting credit rating of the borrowers to minimize the capital charge against credit risk of the Bank.</p> <p>Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans are regularly reported to the Board of Directors/ Risk Management Committee of the Board.</p>
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Quantitative Disclosures:																																																														
b)	Total gross credit risk exposures broken down by major types of credit exposures	<p>Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2016:</p> <p style="text-align: right;">In million Taka</p> <table> <tr> <th>Particulars</th><th>Exposure</th><th>Mix (%)</th></tr> <tr><td>Overdrafts</td><td>8,403.28</td><td>27.85%</td></tr> <tr><td>Cash Credit</td><td>10,978.52</td><td>36.38%</td></tr> <tr><td>Loans against Trust Receipt</td><td>2,956.44</td><td>9.80%</td></tr> <tr><td>Export Packing Credit</td><td>20.93</td><td>0.07%</td></tr> <tr><td>Payment against Document–Sight L/C</td><td>256.01</td><td>0.85%</td></tr> <tr><td>Payment against Document–EDF</td><td>16.24</td><td>0.05%</td></tr> <tr><td>Time Loans</td><td>1,181.39</td><td>3.92%</td></tr> <tr><td>EDF Loans</td><td>150.10</td><td>0.50%</td></tr> <tr><td>Lease Finance</td><td>460.45</td><td>1.53%</td></tr> <tr><td>House Building Finance</td><td>167.30</td><td>0.55%</td></tr> <tr><td>General Term Loans</td><td>2,518.88</td><td>8.35%</td></tr> <tr><td>SME Term Loans</td><td>847.52</td><td>2.81%</td></tr> <tr><td>Agriculture Term Loans</td><td>72.76</td><td>0.24%</td></tr> <tr><td>Personal Loans</td><td>51.32</td><td>0.17%</td></tr> <tr><td>Auto Loans</td><td>10.58</td><td>0.04%</td></tr> <tr><td>Staff Loans</td><td>195.42</td><td>0.65%</td></tr> <tr><td>Others</td><td>19.34</td><td>0.06%</td></tr> <tr><td>Bills Purchased and Discounted</td><td>1,867.61</td><td>6.19%</td></tr> <tr><td>Total</td><td>30,174.09</td><td>100.00%</td></tr> </table>	Particulars	Exposure	Mix (%)	Overdrafts	8,403.28	27.85%	Cash Credit	10,978.52	36.38%	Loans against Trust Receipt	2,956.44	9.80%	Export Packing Credit	20.93	0.07%	Payment against Document–Sight L/C	256.01	0.85%	Payment against Document–EDF	16.24	0.05%	Time Loans	1,181.39	3.92%	EDF Loans	150.10	0.50%	Lease Finance	460.45	1.53%	House Building Finance	167.30	0.55%	General Term Loans	2,518.88	8.35%	SME Term Loans	847.52	2.81%	Agriculture Term Loans	72.76	0.24%	Personal Loans	51.32	0.17%	Auto Loans	10.58	0.04%	Staff Loans	195.42	0.65%	Others	19.34	0.06%	Bills Purchased and Discounted	1,867.61	6.19%	Total	30,174.09	100.00%
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c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	<p>Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December 2016 are as follows:</p> <p style="text-align: right;">In million Taka</p> <table> <tr> <th>Particulars</th><th>Outstanding Amount</th><th>Mix (%)</th></tr> <tr><td>Dhaka Division</td><td>18,735.86</td><td>62.09%</td></tr> <tr><td>Chittagong Division</td><td>5,474.65</td><td>18.14%</td></tr> <tr><td>Khulna Division</td><td>3,372.94</td><td>11.18%</td></tr> <tr><td>Rajshahi Division</td><td>1,423.02</td><td>4.72%</td></tr> <tr><td>Barisal Division</td><td>410.69</td><td>1.36%</td></tr> <tr><td>Rangpur Division</td><td>581.23</td><td>1.93%</td></tr> <tr><td>Sylhet Division</td><td>175.70</td><td>0.58%</td></tr> <tr><td>Total</td><td>30,174.09</td><td>100.00%</td></tr> </table>	Particulars	Outstanding Amount	Mix (%)	Dhaka Division	18,735.86	62.09%	Chittagong Division	5,474.65	18.14%	Khulna Division	3,372.94	11.18%	Rajshahi Division	1,423.02	4.72%	Barisal Division	410.69	1.36%	Rangpur Division	581.23	1.93%	Sylhet Division	175.70	0.58%	Total	30,174.09	100.00%																																	
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d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposures.	<p>Industry or counterparty type distribution of exposures, broken down by major types of credit exposures as per the disclosures in the audited financial statements as of 31 December 2016 are as follows:</p> <p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Outstanding Amount</th><th>Mix (%)</th></tr> </thead> <tbody> <tr><td>Agriculture, Fisheries and Forestry</td><td>664.44</td><td>2.20%</td></tr> <tr><td>Agro base Processing Industries</td><td>1,249.66</td><td>4.14%</td></tr> <tr><td>Small & Medium Enterprise Financing</td><td>14,816.41</td><td>49.10%</td></tr> <tr><td>RMG & Textile Industries</td><td>3,582.86</td><td>11.87%</td></tr> <tr><td>Hospitals, Clinics & Medical Colleges</td><td>149.14</td><td>0.49%</td></tr> <tr><td>Trade & Commerce</td><td>2,751.96</td><td>9.12%</td></tr> <tr><td>Transport and Communications</td><td>521.04</td><td>1.73%</td></tr> <tr><td>Rubber & Plastic Industries</td><td>882.73</td><td>2.93%</td></tr> <tr><td>Iron, Steel & Aluminum Industries</td><td>1,310.67</td><td>4.34%</td></tr> <tr><td>Printing & Packaging Industries</td><td>334.38</td><td>1.11%</td></tr> <tr><td>Other Manufacturing Industries</td><td>2,220.19</td><td>7.36%</td></tr> <tr><td>Housing & Construction Industries</td><td>260.56</td><td>0.86%</td></tr> <tr><td>Consumer Credit</td><td>152.16</td><td>0.50%</td></tr> <tr><td>Others</td><td>1,277.89</td><td>4.24%</td></tr> <tr><td>Total</td><td>30,174.09</td><td>100.00%</td></tr> </tbody> </table>	Particulars	Outstanding Amount	Mix (%)	Agriculture, Fisheries and Forestry	664.44	2.20%	Agro base Processing Industries	1,249.66	4.14%	Small & Medium Enterprise Financing	14,816.41	49.10%	RMG & Textile Industries	3,582.86	11.87%	Hospitals, Clinics & Medical Colleges	149.14	0.49%	Trade & Commerce	2,751.96	9.12%	Transport and Communications	521.04	1.73%	Rubber & Plastic Industries	882.73	2.93%	Iron, Steel & Aluminum Industries	1,310.67	4.34%	Printing & Packaging Industries	334.38	1.11%	Other Manufacturing Industries	2,220.19	7.36%	Housing & Construction Industries	260.56	0.86%	Consumer Credit	152.16	0.50%	Others	1,277.89	4.24%	Total	30,174.09	100.00%
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N/A	-	-	-	-																								
Total	-	-	-	-																								
g)	Specific and General Provision	<div>a) Total specific and general provision : Specific and general provision for loans portfolio and general provision for off-balance sheet exposures of the Bank as per audited financial statements as of 31 December 2016 was as under :</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>General provision for loans and advances</td><td>209.82</td></tr><tr><td>Specific provision for loans and advances</td><td>0.00</td></tr><tr><td>General provision for off-balance sheet exposures</td><td>92.45</td></tr><tr><td>Total</td><td>302.27</td></tr></table> <div>b) b) Charges for specific general provision during the period : Specific and general provision for loans portfolio and general provision for off-balance sheet exposures of the Bank charged during the year as per audited financial statements for the year ended 31 December 2016 was as under :</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>General provision for loans and advances</td><td>39.47</td></tr><tr><td>Specific provision for loans and advances</td><td>(2.59)</td></tr><tr><td>General provision for off-balance sheet exposures</td><td>45.62</td></tr><tr><td>Total</td><td>82.56</td></tr></table>	Particulars	Amount	General provision for loans and advances	209.82	Specific provision for loans and advances	0.00	General provision for off-balance sheet exposures	92.45	Total	302.27	Particulars	Amount	General provision for loans and advances	39.47	Specific provision for loans and advances	(2.59)	General provision for off-balance sheet exposures	45.62	Total	82.56						
Particulars	Amount																											
General provision for loans and advances	209.82																											
Specific provision for loans and advances	0.00																											
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General provision for loans and advances	39.47																											
Specific provision for loans and advances	(2.59)																											
General provision for off-balance sheet exposures	45.62																											
Total	82.56																											
h)	Gross Non Performing Assets (NPAs)	<div>Position of Non Performing Loans and Advances including bills purchased and discounted of the Bank as per audited financial statements for the year ended 31 December 2016 was as under :</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Gross Non Performing Assets (NPAs)</td><td>0.00</td></tr><tr><td>Non Performing Assets (NPAs) to Outstanding Loans and Advances</td><td>0.00%</td></tr><tr><td>Movement of Non Performing Assets (NPAs)</td><td></td></tr><tr><td>Opening Balance</td><td>22.33</td></tr><tr><td>Additions / adjustment during the year (net)</td><td>(22.33)</td></tr><tr><td>Closing balance</td><td>0.00</td></tr><tr><td>Movement of specific provision for NPAs</td><td></td></tr><tr><td>Opening balance</td><td>3.35</td></tr><tr><td>Add : provision made during the year</td><td></td></tr><tr><td>Less : Write-off</td><td>(0.76)</td></tr><tr><td>Add : Write-back of excess provision</td><td>(2.59)</td></tr><tr><td>Closing balance</td><td>0.00</td></tr></table>	Particulars	Amount	Gross Non Performing Assets (NPAs)	0.00	Non Performing Assets (NPAs) to Outstanding Loans and Advances	0.00%	Movement of Non Performing Assets (NPAs)		Opening Balance	22.33	Additions / adjustment during the year (net)	(22.33)	Closing balance	0.00	Movement of specific provision for NPAs		Opening balance	3.35	Add : provision made during the year		Less : Write-off	(0.76)	Add : Write-back of excess provision	(2.59)	Closing balance	0.00
Particulars	Amount																											
Gross Non Performing Assets (NPAs)	0.00																											
Non Performing Assets (NPAs) to Outstanding Loans and Advances	0.00%																											
Movement of Non Performing Assets (NPAs)																												
Opening Balance	22.33																											
Additions / adjustment during the year (net)	(22.33)																											
Closing balance	0.00																											
Movement of specific provision for NPAs																												
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Add : provision made during the year																												
Less : Write-off	(0.76)																											
Add : Write-back of excess provision	(2.59)																											
Closing balance	0.00																											

E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures:					
a) The general qualitative disclosures requirement with respect to equity risk, including :					
Differentiation between Holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Not applicable				
Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	Quoted shares are valued at cost. Provisions are made for any loss arising from diminution in value of investment.				
Quantitative Disclosures:					
b) Value disclosed in the balance sheet on investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	<p style="text-align: right;">In million Taka</p> <table> <tr> <th>At Cost</th><th>At Market Value</th></tr> <tr> <td>0.00</td><td>0.00</td></tr> </table>	At Cost	At Market Value	0.00	0.00
At Cost	At Market Value				
0.00	0.00				
c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2015) period.	(12.06) million Taka				
d) <ul style="list-style-type: none"> Total unrealized gains (losses) Total latent revaluation gains (losses) Any amounts of the above included in Tier II capital. 	<p>-</p> <p>-</p> <p>No</p>				
e) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.	Capital charge on banking book equities has been BDT 0.00 million, calculated by giving 125% risk weight.				



F) Interest Rate Risk in Banking Book (IRRBB)

Qualitative Disclosure:																																																						
a)	<div><div>The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.</div><div><div>Interest rate risk is the potential impact on the Bank's earnings (Net Interest Income- NII) and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), for both On and Off-balance sheet exposures, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The portfolio of assets and liabilities in the banking book sensitive to interest rate changes is the element of interest rate risk.</div><div>The immediate impact of changes in interest rates is on the Bank's net interest income (difference between interest income accrued on rate sensitive asset portfolio and interest expenses accrued on rate sensitive liability portfolio) for particular period of time, while the long term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and off-balance sheet exposures are affected.</div><div>Key assumptions on loan prepayments and behavior of non-maturity deposits:</div><div><div>a) Loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule;</div><div>b) Loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and re-priced accordingly;</div><div>c) Non-maturity deposits namely current, saving deposits are segregated into different time buckets on the basis of past trend of withdrawal, seasonality, religious festivals, geographical perspective and re-priced accordingly. However, the behavior of withdrawal of non-maturity deposits of the Bank is more or less stable.</div></div><div>The Bank measures the IRRBB as per the regulatory guidelines on a quarterly rest.</div></div></div>																																																					
Quantitative Disclosures:																																																						
b)	<div><div>The impact of changes in interest rate for On-balance sheet rate sensitive assets and liabilities of the Bank as per the audited financial statements as of 31 December 2016 is furnished below:</div><div>In million Taka</div><table><tr><th rowspan="2">Particulars</th><th colspan="5">Residual Maturity Bucket</th></tr><tr><th>1 month</th><th>3 month</th><th>6 month</th><th>1 year</th><th>1 year above</th></tr><tr><td>Rate Sensitive Assets [A]</td><td>8,100.10</td><td>6,878.60</td><td>7,281.30</td><td>10,596.00</td><td>8,687.50</td></tr><tr><td>Rate Sensitive Liabilities [B]</td><td>3,239.70</td><td>11,535.30</td><td>6,387.20</td><td>6,767.90</td><td>6,626.20</td></tr><tr><td>GAP [A – B]</td><td>4,860.40</td><td>(4,656.70)</td><td>894.10</td><td>3,828.10</td><td>2,061.30</td></tr><tr><td>Cumulative GAP</td><td>4,860.40</td><td>203.70</td><td>1,097.80</td><td>4,925.90</td><td>6,987.20</td></tr><tr><td>Interest Rate Change (IRC) [Note 1]</td><td>1%</td><td>1%</td><td>1%</td><td>1%</td><td>1%</td></tr><tr><td>Quarterly Earnings Impact [GAP X IRC]</td><td>48.60</td><td>2.04</td><td>10.98</td><td>49.26</td><td>69.87</td></tr><tr><td>Cumulative Earnings Impact</td><td>48.60</td><td>50.64</td><td>61.62</td><td>110.88</td><td>180.75</td></tr></table></div> <div>Note 1: Assuming 1% rise in interest for both asset and liability portfolio of the Bank.</div>	Particulars	Residual Maturity Bucket					1 month	3 month	6 month	1 year	1 year above	Rate Sensitive Assets [A]	8,100.10	6,878.60	7,281.30	10,596.00	8,687.50	Rate Sensitive Liabilities [B]	3,239.70	11,535.30	6,387.20	6,767.90	6,626.20	GAP [A – B]	4,860.40	(4,656.70)	894.10	3,828.10	2,061.30	Cumulative GAP	4,860.40	203.70	1,097.80	4,925.90	6,987.20	Interest Rate Change (IRC) [Note 1]	1%	1%	1%	1%	1%	Quarterly Earnings Impact [GAP X IRC]	48.60	2.04	10.98	49.26	69.87	Cumulative Earnings Impact	48.60	50.64	61.62	110.88	180.75
Particulars	Residual Maturity Bucket																																																					
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G) Market Risk

Qualitative Disclosures:													
Views of Board of Directors on trading / investment activities:	<p>The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet:</p> <p>i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk.</p>												
Methods used to measure Market risk:	<p>As per relevant Bangladesh Bank guidelines, Standardize approach has been used to measure the market risk for capital requirement for of the Bank. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculate capital charges for "Specific Risk" and "General Market Risk".</p>												
Market Risk management system:	<p>The Treasury Division of the Bank manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Assets-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meet at least once in a month.</p> <p>The Risk Management Division also reviews the market risk parameters on monthly basis and recommends on portfolio concentration for containing the RWA.</p>												
Policies and processes for mitigating market risk	<p>There are approved limits for credit deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on a daily basis to review the prevailing market condition, exchange rate, foreign exchange position, and transactions to mitigate foreign exchange risks.</p>												
Quantitative Disclosures:													
The capital requirements for market risk	In million Taka												
	<table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Interest Rate Risk</td><td>329.00</td></tr><tr><td>Equity Position Risk</td><td>0.00</td></tr><tr><td>Foreign Exchange Risk</td><td>13.05</td></tr><tr><td>Commodity Risk</td><td>-</td></tr><tr><td>Total Capital Requirement of Market Risk</td><td>342.05</td></tr></table>	Particulars	Amount	Interest Rate Risk	329.00	Equity Position Risk	0.00	Foreign Exchange Risk	13.05	Commodity Risk	-	Total Capital Requirement of Market Risk	342.05
	Particulars	Amount											
	Interest Rate Risk	329.00											
	Equity Position Risk	0.00											
	Foreign Exchange Risk	13.05											
	Commodity Risk	-											
Total Capital Requirement of Market Risk	342.05												



H) Operational Risk

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce Operational Risk	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Internal Control and Compliance Division (IC&CD) to protect against all operational risk. As a part of continued surveillance, the management committee (MANCOM), Risk Management Committee (at the management level), independent Risk Management Division regularly reviews different aspects of operational risk. The analytical assessment was reported to the Board/ Risk Management Committee/Audit Committee of the Bank for review and formulating appropriate policies, tools & techniques for mitigation of operational risk.
ii) Performance gap of executives and staffs	The Bank has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. The Bank's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
iii) Potential external events	Like other peers, the Bank operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. based on the overall perspective of the country. Potential external events and related downside risk, namely, political impasse, damage of Bank's delivery channel including ATM, fear of theft/ robbery in banks vaults, compliance/ adjustment due to changes of regulatory policy stance, laws & regulations etc. are managed to keep within tolerable limit.
iv) Policies and processes for mitigating operational risk	<p>The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. A policy guideline on Risk Based Internal Audit (RBIA) System is in operation. As per RBIA, branches with high risk status and subjected to more frequent audit by Internal Control and Compliance Division (IC&CD). IC&CD directly reports to Audit Committee of the Board.</p> <p>Currently, the Bank is using some models or tools for mitigating operational risk such as Self Assessment of Anti-fraud Internal Control; Quarterly Operational Report (QOR) and Departmental Control Function Check List (DCFCL) in line with the Bangladesh Bank's relevant Instructions and recommendations. It is required to submit the statement on Self Assessment of Antifraud Internal Control to Bangladesh Bank on quarterly rest.</p> <p>In addition, there is a Vigilance Cell established in 2013 to reinforce the operational risk management of the Bank. Bank's Anti-Money Laundering activities are headed by CAMLCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. The Complaint Management Cell was also engaged in mitigating the operation risks of the Bank. Apart from that, there is adequate check and balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.</p>

v) Approaches for calculating capital charge for operational risk	<p>The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 [Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Base I II)]. The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:</p> $K = [(GI_1 + GI_2 + GI_3) \alpha]/n$ <p>Where:</p> <p>K = the capital charge under the Basic Indicator Approach</p> <p>GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)</p> <p>α = 15 percent</p> <p>n = number of the previous three years for which gross income is positive.</p> <p>Besides, Gross Income (GI) is calculated as "Net Interest Income" plus "Net non-Interest Income". The GI is also the net result of :</p> <ul style="list-style-type: none">i) Gross of any provisions;ii) Gross of operating expenses, including fees paid to outsourcing service providers;iii) Excluding realized profits/losses from the sale of securities held to maturity in the banking book;iv) Excluding extraordinary or irregular items;v) Excluding income derived from insurance.																
Quantitative Disclosures:																	
The capital requirements for market risk	183.69 million Taka																
Capital Charge for Operational Risk- Basic Indicator Approach	<div>Amount in million Taka</div> <table><tr><th>Year</th><th>Gross Income (GI)</th><th>Average Gross Income (AGI)</th><th>Capital Charge = 15% of AGI</th></tr><tr><td>2014</td><td>855.37</td><td>395.77</td><td>59.37</td></tr><tr><td>2015</td><td>998.36</td><td>728.55</td><td>109.28</td></tr><tr><td>2016</td><td>1820.09</td><td>1,224.61</td><td>183.69</td></tr></table>	Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge = 15% of AGI	2014	855.37	395.77	59.37	2015	998.36	728.55	109.28	2016	1820.09	1,224.61	183.69
Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge = 15% of AGI														
2014	855.37	395.77	59.37														
2015	998.36	728.55	109.28														
2016	1820.09	1,224.61	183.69														



I) Liquidity Ratio

In line with the provisions of liquidity risk management under Basel III, Bangladesh Bank on the basis of the relevant guideline of Bank for International Settlements (BIS) has identified the (i) Liquidity Coverage Ratio (LCR); (ii) Net Stable Funding Ratio (NSFR); and (iii) Leverage under the purview of 'Liquidity' ratio vide BRPD Circular No. 18 dated 21 December 2014 and DOS Circular No. 1 dated 1 January 2015.

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce Liquidity Risk	<p>The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the EC of the Board also reviews the liquidity position while reviewing the management information system (MIS) report on monthly basis.</p> <p>Upon reviewing the overall liquidity position along with the outlook of the Bank's funding need, investment opportunity, market/industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates policies etc. The Board always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.</p>
ii) Methods used to measure Liquidity Risk	<p>The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods / tools to measure the liquidity position / risk of the Bank. However, under Basel III, the following methods and tools are mandated for measuring the liquidity risk.</p> <p>a) Liquidity Coverage Ratio (LCR): Liquidity Coverage Ratio ensures to maintain an adequate level of stock of high quality liquid assets that can be converted into cash to meet its liquidity needs (i.e. total net cash outflows) over the next 30 calendar days.</p> <p>b) Net Stable Funding Ratio (NSFR): Net Stable Funding Ratio aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that, available stable funding (ASF) should be at least equal to required stable funding (RSF).</p> <p>ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability. RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or "long-term" and therefore requires stable funding.</p> <p>In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner:</p> <ul style="list-style-type: none"> a) Asset-Liability Maturity Analysis (Liquidity profile); b) Whole sale borrowing capacity; c) Maximum Cumulative Outflow (MCO); <p>Besides the above, the following tools are also used for measuring liquidity risk:</p> <ul style="list-style-type: none"> a) Stress Testing (Liquidity Stress); b) Net open position limit - to monitor the FX funding liquidity risk

iii) Liquidity risk management system	<p>In SBAC Bank Ltd., at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director along with other senior management.</p> <p>Treasury Division (Front Office) upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank's approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/profitability as well as overall market behavior and sentiment etc.</p> <p>Apart from the above, Risk Management Division also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division (s) on regular interval.</p>								
iv) Policies and processes for mitigating Liquidity Risk	<p>The Asset-Liability (ALCO) policy leads the process & procedures for mitigation of liquidity risk of the Bank.</p> <p>ALCO works under specific Terms of References (functions) approved by the Board.</p> <p>Treasury Division (Front Office) and ALM desk under regular supervision of Top Management reviews the overall liquidity position of the Bank and takes appropriate strategy, process in line with the industry position for managing liquidity risk of the Bank.</p>								
Quantitative Disclosures:									
i) Liquidity Coverage Ratio (LCR)	<p>The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2016 was as under:</p> $\text{Liquidity Coverage Ratio (LCR)} = \frac{\text{Stock of High quality liquid assets}}{\text{Net cash outflows over the next 30 calendar days}^*}$ <table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Liquidity Coverage Ratio (LCR)</td><td>≥ 100%</td><td>320.45%</td></tr></table> <p>* If Total weighted cash inflows over next 30 days is greater than 75% of Total weighted cash outflows then, for calculation of LCR, 25% of Total weighted cash outflows over next 30 days will be taken instead of Net cash outflows over the next 30 calendar days.</p>	Particulars	Ratio (%)		Bangladesh Bank Requirement	Bank's Position	Liquidity Coverage Ratio (LCR)	≥ 100%	320.45%
Particulars	Ratio (%)								
	Bangladesh Bank Requirement	Bank's Position							
Liquidity Coverage Ratio (LCR)	≥ 100%	320.45%							
ii) Net Stable Funding Ratio (NSFR)	<p>The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2016 was as under:</p> $\text{Net Stable Funding Ratio (NSFR)} = \frac{\text{Available amount of stable funding (ASF)}}{\text{Required amount of stable funding (RSF)}}$ <table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Net Stable Funding Ratio (NSFR)</td><td>≥ 100%</td><td>124.34%</td></tr></table>	Particulars	Ratio (%)		Bangladesh Bank Requirement	Bank's Position	Net Stable Funding Ratio (NSFR)	≥ 100%	124.34%
Particulars	Ratio (%)								
	Bangladesh Bank Requirement	Bank's Position							
Net Stable Funding Ratio (NSFR)	≥ 100%	124.34%							



<p>iii) Stock of High Quality Liquid Assets (SHQLA)</p>	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the Stock of High Quality Liquid Assets (SHQLA) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2016 was as under:</p> <p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>Cash in hand</td><td>335.65</td></tr> <tr> <td>Balance with Bangladesh Bank</td><td>2,373.81</td></tr> <tr> <td>Un-encumbered approved securities</td><td>4,681.49</td></tr> <tr> <td>Total Stock of High Quality Liquid Assets (SHQLA)</td><td>7,390.95</td></tr> </tbody> </table>	Particulars	Amount	Cash in hand	335.65	Balance with Bangladesh Bank	2,373.81	Un-encumbered approved securities	4,681.49	Total Stock of High Quality Liquid Assets (SHQLA)	7,390.95
Particulars	Amount										
Cash in hand	335.65										
Balance with Bangladesh Bank	2,373.81										
Un-encumbered approved securities	4,681.49										
Total Stock of High Quality Liquid Assets (SHQLA)	7,390.95										
<p>iv) Total net cash outflows over the next 30 calendar days</p>	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, total net cash outflows over the next 30 calendar days of South Bangla Agriculture & Commerce Bank Limited based on the position as of 31 December 2016 was as under:</p> <p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>Total weighted cash outflows over next 30 days [A]</td><td>9,224.86</td></tr> <tr> <td>Total weighted cash inflows over next 30 days [B]</td><td>7,422.86</td></tr> <tr> <td>Total net cash outflows over next 30 days [A-B]</td><td>1,802.00</td></tr> </tbody> </table>	Particulars	Amount	Total weighted cash outflows over next 30 days [A]	9,224.86	Total weighted cash inflows over next 30 days [B]	7,422.86	Total net cash outflows over next 30 days [A-B]	1,802.00		
Particulars	Amount										
Total weighted cash outflows over next 30 days [A]	9,224.86										
Total weighted cash inflows over next 30 days [B]	7,422.86										
Total net cash outflows over next 30 days [A-B]	1,802.00										
<p>v) Available amount of stable funding</p>	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the available amount of stable funding (ASF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2016 was as under:</p> <p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Weighted Amount</th></tr> </thead> <tbody> <tr> <td>Available amount of Stable Funding (ASF)</td><td>40,422.66</td></tr> <tr> <td>Total</td><td>40,422.66</td></tr> </tbody> </table>	Particulars	Weighted Amount	Available amount of Stable Funding (ASF)	40,422.66	Total	40,422.66				
Particulars	Weighted Amount										
Available amount of Stable Funding (ASF)	40,422.66										
Total	40,422.66										
<p>vi) Required amount of stable funding</p>	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the required amount of stable funding (RSF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2016 was as under:</p> <p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Weighted Amount</th></tr> </thead> <tbody> <tr> <td>Required amount of Stable Funding (RSF)</td><td>32,509.70</td></tr> <tr> <td>Total</td><td>32,509.70</td></tr> </tbody> </table>	Particulars	Weighted Amount	Required amount of Stable Funding (RSF)	32,509.70	Total	32,509.70				
Particulars	Weighted Amount										
Required amount of Stable Funding (RSF)	32,509.70										
Total	32,509.70										

J) Leverage Ratio

Qualitative Disclosures										
i) Views of BOD on system to reduce excessive leverage	<p>The Board of Directors primarily views on the growth of On and Off balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasises on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.</p> <p>At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the credit-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset-liability gap within the tolerable limit to manage the liquidity risk.</p>									
ii) Policies and processes for managing excessive on and off balance sheet leverage	<p>First and foremost, Bank's policy is to maintain the Leverage Ratio (Tier 1 capital as proportion to total adjusted On and Off balance sheet asset) well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits & borrowing, loans & advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed on monthly basis.</p> <p>Measures are taken to contain the growth of overall size of balance sheet (On and Off balance sheet exposures aggregately) considering short term outlook of the industry indicators as well as possible growth of equity (Tier 1 capital) of the Bank on quarterly rest.</p> <p>With regard to managing the excessive leverage, the regulatory stance through the monetary policy initiatives i.e. the scope of expected business potential (growth), estimated money supply, inflation, resulting the estimated overall liquidity of the industry as well as the Bank in particular is also considered.</p>									
iii) Approach for calculating exposure / Leverage	<p>The exposures of balance sheet representing the overall position of the Bank as of the reporting date are calculated and presented in terms of applicable relevant accounting standards, i.e., IASs (BASs), IFRSs (BFRSs), etc.</p> <p>The accounting values of assets and liabilities are also presented and measured at gross. Netting of assets and liabilities are also made where permitted in compliance with the respective accounting standards and the regulatory instruction.</p> <p>For calculating "leverage", the Bank follows the 'Leverage Ratio' approach / method as suggested by Bangladesh Bank.</p>									
Quantitative Disclosures:										
i) Leverage Ratio	<p>Leverage Ratio (LR) under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2016 was as under:</p> $\text{Leverage Ratio (LR)} = \frac{\text{Tier 1 Capital (after related adjustment)}}{\text{Total Exposure (after related deductions)}}$ <table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Liquidity Coverage Ratio (LR)</td><td>> 3%</td><td>11.16%</td></tr></table>		Particulars	Ratio (%)		Bangladesh Bank Requirement	Bank's Position	Liquidity Coverage Ratio (LR)	> 3%	11.16%
Particulars	Ratio (%)									
	Bangladesh Bank Requirement	Bank's Position								
Liquidity Coverage Ratio (LR)	> 3%	11.16%								



ii) On balance sheet exposure	<div>Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2016 was as under:</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Total On Balance Sheet Assets [A]</td><td>45,599.98</td></tr><tr><td>Less : Total Specific Provision [B]</td><td>0.00</td></tr><tr><td>Total Adjusted On Balance Sheet Exposure [A – B]</td><td>45,599.98</td></tr></table>	Particulars	Amount	Total On Balance Sheet Assets [A]	45,599.98	Less : Total Specific Provision [B]	0.00	Total Adjusted On Balance Sheet Exposure [A – B]	45,599.98																				
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Total Adjusted Exposure [A + B – C]	49,337.92																												

K) Remuneration

Qualitative Disclosures	
a) Information relating to the bodies that oversee remuneration	
i) Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy / policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank.
ii) Composition of the main body overseeing remuneration	The MANCOM is headed and chaired by the Managing Director of the Bank; along with other members of top executive management (Deputy Managing Directors) and the Heads of different functional divisions of Head Office. The Company Secretary of the Bank acts as the Member Secretary of the MANCOM.
iii) Mandate of the main body overseeing remuneration	The mandate of the Management Committee (MANCOM) as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.
iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.
v) A description of the scope of the bank's remuneration policy (e.g.by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate the 'Pay Structure' and 'employee benefits' by regions. However, variation in remuneration is in practice based on nature of job/business line/activity primarily bifurcated for the employees who are directly recruited by the Bank and the headcounts/employees explored through outsourcing service providers as per rule. As of 31 December 2016, the Bank had no foreign subsidiaries and branches outside Bangladesh.
vi) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	The Bank consider the members of the senior management, branch managers and the employees engaged in different functional divisions at Head Office (except the employees involved in internal control, risk management and compliance) as the material risk takers of the Bank.
b) Information relating to the design and structure of remuneration processes	
i) An overview of the key features and objectives of remuneration policy.	<p>Remuneration and other associated matters are guided by the Bank's Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/hiring of experienced, talented workforce focusing on sustainable growth of the Bank.</p> <p>The following are the job grades of SBAC Bank Ltd.</p> <ul style="list-style-type: none"> • Senior Executive Vice President • Executive Vice President • Senior Vice President • Vice President • First Vice President • Assistant Vice President • First Assistant Vice President • Senior Executive Officer • Executive Officer • First Executive Officer • Senior Officer • Management Trainee Officer • Officer • Trainee Officer <p>Managing Director and CEO, Additional Managing Director, Deputy Managing Director is not a permanent position. It is affixed term contractual position.</p> <p>The remuneration of an employee have the following components:</p> <ul style="list-style-type: none"> • Basic Salary • House Rent



	<ul style="list-style-type: none"> • Medical Allowance • Conveyance Allowance • Utility Allowance • House Maintenance Allowance • Leave Fair Allowance <p>Salaries are confidential between the employees concerned and the Management. The salary range for these job grade is reviewed from time to time by the management committee.</p> <p>In addition to this, an employee may also receive performance bonus/award/grants etc as decided by the Board/Management of the bank from time to time.</p>
ii) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made.	Human Resources Division under guidance of MANCOM, the Board and senior management reviews the issues of remuneration & its associated matters from time to time.
iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.
c) Description of the ways in which current and future risks are taken in account in the remuneration processes	
i) An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit / default risk, compliance & reputational risk, liquidity risk, operational risk, regulatory risk and strategic risk are mostly considered when implementing the remuneration measures for each employee/group of employee.
ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature & type of business lines / segments etc. These measures are primarily focused on the business target / goals set for each area of operation, branch vis-a-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit-deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.
iii) A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	No material change has been made during the year 2016 that could the affect the remuneration.
d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	
iv) An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs) while approving the business target / budget for each year for the Bank and business lines / segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence / approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.

	<p>Eligibility criteria are as follows:</p> <p>Confirmed and Employees on Probation joined within 31st December of the year before the performing year.</p> <p>However, bonus will be calculated on Pro Rata Basis on the basis of Joining date for the rest of the calendar year.</p>
ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her / his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked / impacted to the same extent.
iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics / scorecard.
e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The Bank pays variable remuneration i.e. annual increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate / individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per the Bank's rule.
ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not Applicable
f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	
i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.	The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and / or Payment Order / Cheque), as the case may be, as per rule / practice.
ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	<p>The following variable remuneration has been offered by the Bank to its employees:</p> <p>Annual Increment</p> <p>Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to the Bank's values.</p>



Quantitative Disclosures				
i)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 11 (Eleven) meetings of the Management Committee (MANCOM) held during the year 2016. All the members of MANCOM are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the Management Committee for attending the meeting except their regular remuneration.		
ii)	Number of employees having received a variable remuneration award during the financial year.	Number of Employees having received a variable remuneration award during the year 2016 was: No of Employee: 586 Total Amount: Tk. 43.48 milion		
iii)	Number and total amount of guaranteed bonuses awarded during the financial year.	The following number and total amount of Guaranteed bonuses awarded during the year 2016:		
		Particulars	Number of Employees	Total Amount of Guaranteed Bonuses (in million Taka)
		Guaranteed Bonus awarded during the year 2016	676	40.78
iv)	Number and total amount of sign-on awards made during the financial year.	There was no sign-on awards made in 2016.		
v)	Number and total amount of severance payments made during the financial year.	There was no severance payment made during the year 2016.		
vi)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	There was no deferred remuneration, split into cash, shares and share-linked instruments and other forms made in 2016.		
vii)	Total amount of deferred remuneration paid out in the financial year.	There was no deferred remuneration paid out in the financial year 2016.		
viii)	Breakdown of amount of remuneration awards for the financial year.	Fixed and variable remuneration paid in 2016 are as follows :		
		In million Taka		
		Particulars	Amount	
		Fixed Pay	499.51	
		Variable Pay	43.48	
Total Fixed and Variable Pay		542.99		

20 March, 2017

The Board of Directors
South Bangla Agriculture and Commerce Bank Limited
37 Dilkusha C/A (Level - 10)
Dhaka-1000.

SUB: Managing Director & CEO and Chief Financial Officer (CFO) Declaration to the Board.

The following is provided to the Board of Directors of South Bangla Agriculture and Commerce Bank Limited in our capacity as the persons responsible for performing the functions of Managing Director & CEO and Chief Financial Officer of the Bank.

In accordance with the notification of Bangladesh Securities and Exchange Commission No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 we declare that for the financial year ended 31 December, 2016:

- i) We have reviewed the financial statements for the year ended 31 December 2016 and that to the best of our Knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;;
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;
- ii) There are, to the best of knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violation of the Bank's code of conduct.



Md. Masoodur Rahman ACA
Chief Financial Officer



Md. Rafiqul Islam
Managing Director & CEO



FINANCIAL STATEMENT



Independent Auditors' Report

To the Shareholders of
South Bangla Agriculture and Commerce Bank Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements and Internal Controls

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of the Bank. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion of the

effectiveness of the entity's internal control systems. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the Bank.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Bank Company Act 1991 as amended and the rules and regulations issued by Bangladesh Bank, we also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) to the extent noted during the course of our audit work performed on the basis stated under the Auditors' Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:
 - i. Internal audit, internal control and risk management arrangements of the Bank as disclosed in note 2.17 of the financial statements appeared to be adequate;
 - ii. Nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank;



c) 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;

d) the balance sheet and the profit and loss account of the Bank dealt with by the report are in agreement with the books of account;

e) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and Bangladesh Financial Reporting Standards as explained in note No 2.1 as well as with related guidance, Circulars issued by Bangladesh Bank and decision taken in tripartite meeting amongst Inspection team of Bangladesh Bank, External Auditors and the Management of South Bangla Agriculture and commerce Bank Limited held on 14.03.2017 and subsequent letter Ref.: No-DBI-

1/132/2017-39 dated 20.03.2017 issued by Bangladesh Bank;

f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;

g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

h) the information and explanation required by us have been received and found satisfactory;

i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 3,252 person hours for the audit of the books and account of the Bank and

Dhaka, April 02, 2017

Khan Wahab Shafique Rahman & Co.
(Khan Wahab Shafique Rahman & Co.)
Chartered Accountants

Balance Sheet

As at 31 December 2016

	Notes	2016 Taka	2015 Taka
PROPERTY AND ASSETS			
Cash			
Cash in hand (Including foreign currencies)	3	335,651,998	268,672,224
Balance with Bangladesh Bank and its agent bank(s)	4	2,373,813,862	1,900,452,362
		2,709,465,860	2,169,124,587
Balance with other banks and financial institutions			
In Bangladesh	5	6,211,056,496	5,236,817,127
Outside Bangladesh		135,210,292	96,650,301
		6,346,266,788	5,333,467,429
Money at call and short notice			
	6	186,000,000	150,000,000
Investments :			
	7		
Government		4,681,491,529	4,634,934,659
Others		-	35,298,356
		4,681,491,529	4,670,233,015
Loans and advances			
	8		
Loans, cash credits, overdrafts etc.		28,306,481,017	21,099,757,056
Bills purchased & discounted		1,867,611,799	2,028,530,780
		30,174,092,816	23,128,287,837
Fixed assets including land, buildings, furniture and fixtures			
	9	468,795,762	482,500,159
Other assets			
	10	1,033,871,858	754,322,370
Non-banking assets			
		-	-
TOTAL ASSETS		45,599,984,613	36,687,935,396
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents			
	11	282,066,258	231,830,583
Deposits and other accounts			
	12		
Current deposits and other accounts		3,033,998,158	2,162,901,318
Special notice deposits		1,673,239,342	2,879,373,981
Bills payable		1,255,470,065	272,047,778
Savings bank deposits		1,284,222,550	837,694,896
Fixed deposits		28,189,998,960	22,626,106,757
Term deposits		2,900,271,526	1,997,260,205
		38,337,200,601	30,775,384,934
Subordinated bonds			
		-	-
Other liabilities			
	13	1,364,386,983	800,507,950
TOTAL LIABILITIES		39,983,653,842	31,807,723,467
Shareholders' equity			
Paid up capital	14	4,334,976,000	4,089,600,000
Statutory reserve	15	495,076,904	205,900,450
General reserve		-	-
Other reserves (revaluation reserve on Govt. Securities)	16	110,189,960	323,527,836
Retained earnings	17	676,087,907	261,183,643
TOTAL SHAREHOLDERS' EQUITY		5,616,330,771	4,880,211,929
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		45,599,984,613	36,687,935,396

Accompanying notes form an integral part of these financial statements.



Chairman



Director



Director



Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co.
Khan Wahab Shafique Rahman & Co
Chartered Accountants

Date : April 02, 2017



	2016 Taka	2015 Taka
OFF-BALANCE SHEET ITEMS		
Contingent liabilities	18	
Acceptance and endorsements	1,856,855,059	1,246,874,286
Letters of guarantee	2,346,444,973	1,689,909,306
Irrevocable letters of credit	3,805,785,291	1,740,362,630
Bills for collection	701,183,799	165,303,368
	8,710,269,121	4,842,449,591
Other contingent liabilities		
Value of Bangladesh Sanchayapatra in hand	535,100,000	145,500,000
Value of travelers' cheques in hand	-	-
	535,100,000	145,500,000
Total contingent liabilities	9,245,369,121	4,987,949,591
Other commitments		
Lease rental commitments	-	-
Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Spot and forward foreign exchange rate contracts	-	-
other exchange contracts	-	-
	-	-
Claims against the Bank not acknowledged as debt	-	-
Total other commitments	-	-
Total off balance sheet items (including contingent liabilities)	9,245,369,121	4,987,949,591
Net asset value per share (NAV)	12.96	11.93

Accompanying notes form an integral part of these financial statements.


Chairman


Director


Director


Managing Director & CEO

Signed in terms of our report of even date.

Date : April 02, 2017


Khan Wahab Shafique Rahman & Co
Chartered Accountants

Profit and Loss Account

For the year ended 31 December 2016

	Notes	2016 Taka	2015 Taka
Interest income	21	3,843,962,422	2,861,104,335
Less: Interest paid on deposits and borrowings	22	2,307,330,523	2,049,815,201
Net interest income		1,536,631,899	811,289,134
Investment income	23	1,143,568,991	833,150,116
Commission, exchange and brokerage	24	213,022,174	138,066,068
Other operating income	25	68,843,851	48,895,044
		1,425,435,016	1,020,111,227
Total operating income		2,962,066,915	1,831,400,361
Salary and allowances	26	594,936,744	474,277,078
Rent, taxes, insurance, electricity etc.	27	264,422,335	213,124,542
Legal & professional expenses	28	915,275	1,643,958
Postage, stamp, telecommunication etc.	29	23,565,732	18,608,732
Stationery, printing, advertisement etc.	30	20,262,010	27,433,298
Managing director's salary and allowances	31	12,490,000	10,800,000
Directors' fees and other benefits	32	3,040,000	1,691,000
Audit fees	33	345,000	345,000
Repairs, maintenance and depreciation	34	134,000,483	111,808,815
Other expenses	35	388,206,517	165,722,852
Total operating expenses		1,442,184,096	1,025,455,276
Profit before provision		1,519,882,819	805,945,086
Provision for loans and advances			
Specific provision	13.5	(2,589,842)	3,348,842
General provision (including off balance sheet items)	13.5&13.6	85,156,596	73,147,874
		82,566,754	76,496,717
Provision for rebate to good borrowers	13.7	5,000,000	-
Provision for diminution in value of investment	13.4	(13,566,206)	2,116,411
Total provision		74,000,548	78,613,128
Profit before taxes		1,445,882,271	727,331,958
Provision for taxation			
Current tax	13.2	499,312,267	368,221,041
Deferred taxes (income)/ expenses	13.3	(2,886,714)	1,103,937
		496,425,553	369,324,977
Net profit after taxation		949,456,718	358,006,980
Appropriations			
Statutory reserve	15	289,176,454	145,466,392
Transferred to retained earnings	17	660,280,264	212,540,589
		949,456,718	358,006,980
Earnings per share (EPS)	36	2.19	0.83

Accompanying notes form an integral part of these financial statements.



Chairman



Director



Director



Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co.

Khan Wahab Shafique Rahman & Co
Chartered Accountants

Date : April 02, 2017



Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016 Taka	2015 Taka
A) Cash flows from operating activities			
Interest received		3,843,962,422	2,861,104,335
Interest paid		(2,343,217,435)	(1,905,894,119)
Dividend received		1,643,143	723,131
Gain on sale of shares		-	242,880
Income from Government securities		1,179,014,781	785,788,072
Fees, commission, exchange & brokerage received		213,022,174	138,066,068
Cash paid to employees		(614,926,744)	(479,077,078)
Cash paid to suppliers		(296,101,462)	(241,047,509)
Income taxes paid		(305,957,715)	(157,849,063)
Received from other operating activities		68,843,851	48,895,044
Paid for other operating activities		(410,316,411)	(188,314,294)
Operating cash flow before changes in operating assets and liabilities		1,335,966,604	862,637,465
Increase / (decrease) in operating assets & liabilities			
Changes in trading securities		35,298,356	205,599,530
Loans and advances to other banks		-	-
Loans and advances to customers		(7,046,563,979)	(9,610,238,380)
Other assets	37	(10,680,707)	92,640,533
Deposits from other banks		202,074,869	(299,861,735)
Deposits from customers		7,395,627,712	12,289,421,578
Other liabilities	38	(10,436,683)	28,128,391
		565,319,569	2,705,689,918
Net cash received from operating activities		1,901,286,173	3,568,327,384
B) Cash flows from investing activities			
Changes in non-trading securities		-	-
Changes in Government securities		(213,337,876)	279,499,003
Purchase of property, plant and equipment		(102,486,468)	(269,173,649)
Sale proceeds of fixed assets		-	-
Net cash used in investing activities		(315,824,344)	10,325,354
C) Cash flows from financing activities			
Borrowing from other banks, financial institutions and agents		50,235,675	(407,014,849)
Issue of share capital		-	-
Net cash received from financing activities		50,235,675	(407,014,849)
D) Net increase / (decrease) in cash and cash-equivalents (A + B + C)		1,635,697,503	3,171,637,888
E) Cash and cash-equivalents at beginning of the period		12,287,526,674	9,115,888,786
F) Cash and cash-equivalents at end of the period (D + E)		13,923,224,178	12,287,526,674
G) Cash and cash-equivalents at end of the period			
Cash in hand including foreign currencies	3	335,651,998	268,672,224
Balances with Bangladesh Bank and its agent bank(s) including foreign currencies	4	2,373,813,862	1,900,452,362
Balances with other Banks and Financial institutions	5	6,346,266,788	5,333,467,429
Money at call and short notice	6	186,000,000	150,000,000
Government securities	7	4,681,491,529	4,634,934,659
		13,923,224,178	12,287,526,674

Accompanying notes form an integral part of these financial statements.

Chairman

Director

Director

Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co.

Khan Wahab Shafique Rahman & Co
Chartered Accountants

Date : April 02, 2017

Statement of Changes in Equity

For the period ended 31 December 2016

Particulars	Paid Up Capital Taka	Statutory Reserve Taka	General Reserve Taka	Other Reserve Taka	Retained Earnings Taka	Total Taka
Balance as on 01 January 2016	4,089,600,000	205,900,450	-	323,527,836	261,183,643	4,880,211,929
Prior period adjustment	-	-	-	-	-	-
Net profit for the period	-	-	-	-	660,280,264	660,280,264
Transfer to statutory reserve	-	289,176,454	-	-	-	289,176,454
Revaluation of Govt. treasury bills, bonds and other Investments	-	-	-	(213,337,876)	-	(213,337,876)
Stock dividend issued	245,376,000	-	-	-	(245,376,000)	-
Balance as on 31 December 2016	4,334,976,000	495,076,904	-	110,189,960	676,087,907	5,616,330,771
Balance as on 31 December 2015	4,089,600,000	205,900,450	-	323,527,836	261,183,643	4,880,211,929

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



Chairman



Director



Director



Managing Director & CEO

Signed in terms of our report of even date.


Khan Wahab Shafique Rahman & Co
 Chartered Accountants

Date : April 02, 2017



Liquidity Statement (asset and liabilities maturity analysis)

As at 31 December 2016

Particulars	Within one month Taka	Within one to three months Taka	Within three to twelve months Taka	Within one to five years Taka	More than five years Taka	Total Taka
Assets:						
Cash in hand including balance with Bangladesh Bank and its agent Banks	474,438,245	-	-	-	2,235,027,616	2,709,465,860
Balance with other banks & financial institutions	2,096,266,788	3,950,000,000	300,000,000	-	-	6,346,266,788
Money at call and short notice	186,000,000	-	-	-	-	186,000,000
Investments	480,700	30,246,337	195,699,400	303,844,496	4,151,220,596	4,681,491,529
Loans and advances	4,960,125,624	3,806,520,736	17,206,420,278	2,695,343,620	1,505,682,558	30,174,092,816
Fixed assets including premises, furniture and fixtures	8,629,469	17,258,938	77,665,221	262,734,946	102,507,188	468,795,762
Other assets	299,822,839	165,419,497	144,742,060	423,887,462	-	1,033,871,858
Non-Banking assets	-	-	-	-	-	-
Total Assets	8,025,763,665	7,969,445,508	17,924,526,959	3,685,810,525	7,994,437,958	45,599,984,613
Liabilities:						
Borrowing from other banks, financial institutions and agents	61,553,195	97,889,827	66,522,999	45,683,571	10,416,667	282,066,258
Deposits and other accounts	4,150,353,842	10,347,403,896	13,559,452,131	7,815,475,268	2,464,515,465	38,337,200,601
Provisions and other liabilities	9,955,684	48,138,775	985,167,089	18,856,630	302,268,805	1,364,386,983
Total Liabilities	4,221,862,720	10,493,432,498	14,611,142,219	7,880,015,469	2,777,200,936	39,983,653,842
Net liquidity gap	3,803,900,945	(2,523,986,990)	3,313,384,740	(4,194,204,944)	5,217,237,021	5,616,330,771

Net result of liquidity statement represents the shareholders' equity.

Chairman

Director

Director

Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co.
Khan Wahab Shafique Rahman & Co
Chartered Accountants

Date : April 02, 2017

Notes to the Financial Statements

For the year ended 31 December 2016

1 General information

1.1 Status of the bank

South Bangla Agriculture and Commerce Bank Limited ("the Bank") was incorporated in Bangladesh as a public limited company with limited liability by shares as on February 20, 2013 under the Companies Act 1994 to carry out banking business. It obtained license from Bangladesh Bank for carrying out banking business on March 25, 2013 under Bank Companies Act 1991. The Bank has been carrying out its business through its Fifty Four (54) branches all over Bangladesh.

1.2 Principal activities

The principal activities of the Bank are to provide a comprehensive range of financial services; personal and commercial banking, trade services, cash management, treasury operation, security and custody services.

2 Basis of preparation of financial statements and significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the bank as at 31st December, 2016 have been prepared on going concern basis under historical cost convention and in accordance with the "First Schedule" of the Bank Companies Act, 1991 as amended by BRPD Circular No. 14 dated 25th June 2003, other Circulars of Bangladesh Bank, Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BASs), the Companies Act 1994, the Securities and Exchange Rules 1987, and other laws and rules applicable for Banks in Bangladesh. In case of any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and BFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank prevailed. Material departures from the requirements of BFRS are as follows:

i) Investment in shares and securities

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

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

(ii) Revaluation gains/losses on Government securities

BFRS: As per requirement of BAS 39 where securities fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognized through profit and loss account. Securities designated as Held to Maturity (HTM) are measured using amortized cost method and interest income is recognized through profit and loss account.

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

iii) Provision on loans and advances/investments

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

Bangladesh Bank: As per BRPD Circular No.14 (23rd September 2012), BRPD Circular No. 19 (27th December 2012) and BRPD Circular No. 05 (29th May 2013) a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad/loss loans has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD Circular No. 10 dated 18th September 2007 and BRPD Circular No. 14 dated 23rd September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

iv) Recognition of interest in suspense

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



Bangladesh Bank: As per BRPD Circular No. 14 dated 23 September 2012, once a loan is classified, 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.

v) Other comprehensive income

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

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

vi) Financial instruments – presentation and disclosure

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

vii) Financial guarantees

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

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

viii) Cash and cash equivalents

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

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bonds are not shown as cash and cash equivalents. Money at call and on short notice is presented on the face of the

balance sheet, and treasury bills, prize bonds are shown in investments.

ix) Non-banking asset

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

Bangladesh Bank: As per BRPD Circular No. 14 dated 25th June 2003, there must exist a face item named Non-banking assets.

x) Cash flow statement

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

Bangladesh Bank: As per BRPD Circular No. 14 dated 25th June 2003, cash flow is the mixture of direct and indirect methods.

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

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

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

xii) Presentation of intangible assets

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

Bangladesh Bank: There is no regulation for intangible assets in BRPD Circular No. 14 dated 25th June 2003.

Management:

a) An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

b) Software represents the value of computer application software licensed for use of the Bank. Intangible assets are carried at cost, less accumulated amortization and any impairment losses. Initial cost comprises license fees paid at the time of purchase and other directly attributable expenditure that are incurred in customizing the software for its intended use.

c) Expenditure incurred on software is capitalized only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognized as capital improvement and added to the original cost of software.

d) Software is amortized using the straight line method over the estimated useful life or usable license period commencing from the month of application when software is available for use.

xiii) Off-balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; hence 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 25th June 2003, off balance sheet items (e.g. Letters of credit, Letters of guarantee etc.) must be disclosed separately on the face of the balance sheet.

xiv) Loans and advances net of provision

BFRS: BFRS: Loans and advances/Investments should be presented net of provision.

Bangladesh Bank: As per BRPD Circular No. 14 dated 25th June 2003, provision on loans and advances/investments are presented separately as liability and cannot be netted off against loans and advances.

2.2 Use of estimates and judgment

The preparation of the Financial Statements in conformity with BFRS/BAS requires management to make judgments, estimates and assumptions. These judgments, estimates and assumptions affect the application of accounting policies and the reported amount of assets and liabilities as well as income and expenses in the Financial Statements presented. Actual result may differ from the estimates and assumptions made.

Estimates and underlying assumptions are reviewed on an ongoing basis which will be disclosed in the financial statements as and when required. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

2.3 Consistency

In accordance with BFRS framework for the presentation of financial statements together with BAS – 1 and BAS – 8, the Bank discloses its information consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies, correction of errors, the amount involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS – 8. However, for changes in the accounting estimates the related amount is recognized prospectively in the current period and in the next period or periods.

2.4 Foreign currency transactions

a) Functional and presentation currency items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates, i.e. the

functional currency. The financial statements of the Bank are presented in Bangladeshi Taka which is the Bank's functional and presentation currency.

b) Foreign currencies translation

Amounts in foreign currency are translated in accordance with the principles set forth in BAS 21 -- "The Effects of Changes in Foreign Exchange Rates". As per this standard monetary items not denominated in BDT and cash transactions not completed at the reporting date are translated into BDT using current market rates. Non-monetary items carried at fair value are translated into BDT using current market price at the reporting date and non-monetary items carried at cost are translated using the rate applicable at the time of acquisition. Transaction rates are used to translate the items related to income and expenses.

c) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance sheet date.

d) Transaction gains and losses

The resulting exchange transaction gains and losses are included in the profit and loss account.

2.5 Cash flow statement

Cash flow statement has been prepared in accordance with BAS 7 – "Statement of Cash Flows" under direct method for the period classified by operating activities, investing and financing activities as recommended in the Bangladesh Bank BRPD Circular no. 14 dated 25th June 2003. The Statement shows the structure of changes in cash and cash equivalents during the financial year.

2.6 Statement of changes in equity

Statement of changes in equity has been prepared in accordance with BAS 1 – "Presentation of Financial Statements" and as per the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25th June, 2003. The statement reflects information about the increase or decrease in net assets or wealth. The statement also shows item-wise movement along with the description of changes from the end of last year to the end of current year.

2.7 Statement of liquidity

The liquidity statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as at the close of the year as per following basis:



Particulars	Basis of Use
Cash, Balance with Bangladesh Bank and its agent banks, Balance with other banks and financial institutions, money at call and short notice etc.	Maturity/behavioral trend.
Investments	Residual maturity term.
Loans and advances	Repayment/maturity schedule and behavioral trend (non-maturity products).
Fixed assets	Useful life.
Other assets	Realization/amortization basis.
Borrowings from other banks and financial institutions	Maturity/repayment term.
Deposits and other accounts	Maturity and behavioral trend (non-maturity products).
Other long term liabilities	Maturity term.
Provision and other liabilities	Settlement/adjustment schedule basis.

2.8 Reporting period

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

Significant Accounting Policies

2.9 Assets and basis of their valuation

2.9.1 Investment in Govt. Securities

All investment securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accreted, using the effective yield method and are taken to discount income. The valuation method of investments used are:

Held to Maturity (HTM): Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortized cost-others' are classified as held to maturity.

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 measured at fair value and any change in the fair value is recognized in other reserve as a part of equity.

Value of investments has been enumerated as follows:

Items	Applicable accounting value
Government Securities - Treasury Bills-HTM	Amortized value
Government Securities - Treasury Bills-HFT	Market value
Government Securities - Treasury Bonds-HTM	Amortized value
Government Securities - Treasury Bonds-HFT	Market value
Prize Bond	At cost

2.9.2 Investment in listed / quoted securities

These securities are bought and held primarily for the purpose of selling them in future or hold for dividend income. These are reported at cost. Unrealized gains are not recognized in the profit and loss account. But provision for diminution in value of investment is recognized in the profit and loss account.

2.9.3 Loans and advances

a) Loans and advances are stated in the balance sheet on gross basis.

b) Commission and discounts on bills purchased and discounted are recognized at the time of realization.

c) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. These written off accounts however will not undermine / affect the claimed amount against the borrower. Detailed memorandum records for all such written off accounts are meticulously maintained and followed up. Before being written off 100% provision is made against loans and advances.

2.9.4 Lease finance

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee as per BAS 17 - "Leases". All other leases are classified as operating leases as per BAS 17 - "Leases".

Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the bank's net investment outstanding in respect of the leases.

2.9.5 Property, plant and equipment

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the assets can be reliably measured.

a) All fixed assets are stated at cost less accumulated depreciation as per BAS-16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly

attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged off as revenue expenditure in the period in which it is incurred.

b) Depreciation is charged for the period at the following rates using straight-line method on all fixed assets:

Category of fixed assets	Rate
Motor vehicles	20%
Machinery & equipments	20%
Furniture & Fixture	10%
Interior Decoration	10%
Computer & Accessories	20%
Software	20% or for remaining usable periods
Other tools	20%

c) For additions during the period, depreciation is charged from the month those have been booked and for disposal depreciation is charged up to the previous month of disposal.

d) On disposal of fixed assets, the book value of the assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the book value of the asset and net sale proceeds.

e) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalized as part of the cost of the asset as per BAS 23.

2.9.6 Intangible asset

An intangible asset is to be recognized only if it is probable the future economic benefits attributable to the asset will flow to the bank and the cost of the asset can be measured reliably. Recognition & measurement of intangible asset are guided by BAS 38 – “Intangible Asset”. Due to following BRPD circular no. 14 dated 25th June 2003 intangible assets are not disclosed in a separate line rather in is reported under fixed assets. However, separate line item along with the rate of amortization is identifiable in the detail schedule of fixed assets.

2.9.7 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant considering the overall financial condition of the Bank.

2.9.8 Non banking assets

There are no assets acquired in exchange for loan during the period of financial statements.

2.9.9 Securities purchased under re-sale agreement

Securities purchased under re-sale agreements are treated as collateralized lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as loans and advances to customers or loans to other banks.

The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

2.9.10 Receivables

Receivables are recognized when there is a contractual right to receive cash or another financial asset from another entity.

2.9.11 Reconciliation of inter-bank and inter-branch account

Accounts with regard to inter-bank 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 as on the reporting date are insignificant.

2.10 Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

2.11 Statutory reserve

Bank Companies Act, 1991 requires the Bank to transfer 20% of its current year's profit before tax to reserve until such reserve equals to its paid up capital.

2.12 Other reserve

Other reserve comprises investment revaluation reserve and fixed assets revaluation reserve. When carrying amount of an item of property, plant and equipment is increased as a result of revaluation, the increased amount is classified directly to equity under heading of assets revaluation reserve as per BAS 16 – “Property, Plant and Equipment”. As per Bangladesh Bank DOS circular no. 5 dated 26th May 2008, revaluation gain arising from revaluation of government securities under HFT category is kept directly in equity under revaluation gain account which is disclosed with other reserve while preparing the financial statements.

2.13 Deposits and other accounts

Deposits by customers and banks are recognized when the Bank enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

2.14 Borrowings from other banks, financial institutions and agents

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from banks. These are stated in the balance sheet at amounts payable. Interest paid / payable on these borrowings is charged to the profit & loss account.



2.15 Basis for valuation of liabilities and provisions

2.15.1 Employees benefits

a. Short term benefits

Short-term benefits are employee benefits which fall due wholly within twelve month after the end of the period in which the employees render the related service. The Bank provides various short term benefits to its employees like incentive bonus, leave fare assistance etc.

b. Provident fund

The benefits of provident fund are given to the employees of the Bank in accordance with the Provident Fund Rules as per section 2(52) of Income Tax Ordinance, 1984. The Provident Fund was recognized by National Board of Revenue on 12th May 2015. Separate bank account is maintained to manage the fund. All confirmed employees of the Bank contribute 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount to the Fund. Interest earned from the investments of fund is credited to the members' accounts on yearly basis.

c. Gratuity

As per the Employees Service Rules of the Bank, gratuity shall be admissible to all regular employees who have completed continuous service for a period of 7 (seven) years in the Bank but in case of experienced banker recruited through head hunting the admissible period is 5 (five) years. The amount of gratuity shall be calculated at the rate of 2 (two) months' last drawn basic pay for each completed years of service. The National Board of Revenue is yet to recognize the Gratuity Fund on 10 April, 2016.

d. Other benefits

Other benefits include house building, consumer finance and car loan at a concessional rate.

2.15.2 Provision for liabilities

Provision are recognized in the Balance Sheet when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with BAS 37 -- "Provisions, Contingent Liabilities and Contingent Assets".

2.15.3 Provision for Off-balance sheet items:

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. Provision @1% against off-balance sheet exposures (L/Cs and Guarantees etc) in addition to the existing provisioning arrangement is made as per BRPD Circular No. 14 dated 23rd September, 2012.

2.15.4 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act, 2016 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS 12 - "Income Taxes".

2.15.5 Provision for deferred tax

Deferred tax is accounted for all temporary timing

differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purpose. Tax rate prevailing at the balance sheet date is used to determine deferred tax.

2.16 Revenue recognition

The revenues during the period are recognized complying with all conditions of revenue recognition as prescribed in BAS 18 -- "Revenue Recognition".

2.16.1 Interest income

In terms of the provision of the BAS 18 -- "Revenue", the interest income is recognized on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified. It is then kept in interest suspense account. After the loan is classified as bad, interest ceases to be applied and recorded in the memorandum account. Interest on classified advances is accounted for on a cash receipt basis.

2.16.2 Investment income

Interest income on investments is recognized on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognized when it is realized.

2.16.3 Fees and commission income

Fees and commission income arising on services provided by the Bank are recognized on a cash receipt basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of affecting the transactions.

2.16.4 Dividend income on shares

Dividend income on shares is recognized during the period in which it is declared and ascertained.

2.16.5 Interest paid on borrowings and deposits

Interest paid on borrowings and deposits is calculated on daily basis and recognized on accrual basis.

2.16.6 Management and other expenses

Expenses incurred by the Bank are recognized on accrual basis whenever necessary.

2.17 Risk management

2.17.1 Internal Control and Compliance Management

Operational loss may arise from error and fraud due to weakness of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and Compliance Division undertakes periodic and special audit of the branches and departments at Head Office for review of the operation and compliance with statutory requirements. The Audit Committee of the Board reviews the reports of the Internal Control and Compliance Division.

2.17.2 Foreign Exchange Risk Management

Foreign exchange risk is defined as the potential change in earnings arising due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements.

Treasury Department independently conducts the transactions and the Back Office of treasury is responsible for verification of the deals and recording of

their entries in the books of account. All foreign exchange transactions are revalued at Mark to Market rate at the month end. All Nostro accounts are reconciled on monthly basis and outstanding entries are reviewed on regular basis.

2.17.3 Credit Risk Management

Credit Risk is defined as potential loss arising from the failure of a counter-party to meet financial obligations as per contractual agreement with the Bank. Bank manages credit risk meticulously. The Bank extends credit facilities to different clients in different sectors after ensuring due diligence and mitigating risk factors as per guidelines set by Bangladesh Bank, the Board of Directors and Management Credit Committee of the Bank.

The Bank has segregated duties of the executives/officers involved in credit related activities. A separate marketing division is there at Head Office entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, two separate units have been formed namely Credit Risk Management Division, Credit Administration Division. Credit Risk Management Division is entrusted with the duties of maintaining asset quality, assessing risks involved in lending, sanctioning credit and formulating policies/strategies for lending operation. Credit Risk Grading (CRG) is also made for individual borrowers.

2.17.4 Asset Liability Management

The Asset Liability Committee (ALCO) of the Bank monitors market risks and liquidity risks of the Bank. The market risks emanate from potential change in earnings due to change in rate of interest, foreign exchange rates which are not of trading nature. ALCO reviews liquidity requirements of the Bank, the maturity of assets and liabilities, deposit and lending, pricing strategies and the liquidity contingency plan. The primary objective of the ALCO is to monitor and avert significant volatility in Net Interest Income (NII), return on assets, investment value and exchange earnings. The ALCO also monitors the Capital Adequacy Ratio on monthly/quarterly basis.

2.17.5 Money Laundering Risk Management

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has a designated Chief Anti Money Laundering Compliance Officer at Head Office and Branch Anti Money Laundering Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been compiled and transaction profile has been introduced. Training has been

continuously imparted to all categories of officers and executives for developing awareness and skills for identifying suspicious activities.

2.17.6 Information and Communication Technology Security Risk Management

Transformation of business processes in response to technology-driven customers' needs and services has brought in tremendous change in information technology platform in the bank. The bank has adopted measures to protect the information and communication platform from unauthorized access, modification, virus, disclosure and destruction in order to ensure business continuity, data safety and security thereby protecting customers' interest at large.

2.17.7 Internal Audit Management

Internal audit is an independent, objective assurance and consulting activity designed to add value and to detect human errors and non-compliance with Internal Control Procedures. The bank has formed an Internal Audit Department under Internal Control & Compliance Division which are conducting internal audit on a regular basis of every branch and division at Head Office and report the findings to the Audit Committee of the Board of Directors. The Audit Department takes necessary steps to regularize the irregularities detected at the time of audit.

2.17.8 Fraud and Forgeries Management

The Internal Control and Compliance Division takes initiatives for preparing guidelines / instructions on a regular basis to prevent and detect frauds & forgeries. The ICCD communicate the guidelines / instructions to the branches and divisions at Head Office on a regular basis. The division is constantly monitoring and supervising for compliance with the guidelines / instructions so that the occurrence of fraud & forgeries comes to nil.

2.18 Earnings per share (EPS)

Earnings per share (EPS) have been calculated in accordance with BAS 33 – "Earnings per Share", which is shown on the face of the Profit & Loss Account. This has been calculated by dividing the net profit after tax by the weighted average number of ordinary shares outstanding as on December 31st 2016.

No diluted earnings per share are required to be calculated for the period, as there was no element or scope for dilution during the period under review.

2.19 Off-setting financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount reported in the Balance Sheet when and only when the Bank has a legal right to offset the recognized amount and 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 by the accounting standards or for gains or losses arising from a group of similar transactions.



	2016 Taka	2015 Taka
3. Cash in hand (including foreign currencies)		
Local currency	334,022,251	268,483,824
Foreign currencies	1,629,748	188,400
	335,651,998	268,672,224
4. Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		
Bangladesh Bank		
In local currency	2,266,484,328	1,806,808,126
In foreign currencies	107,329,535	93,644,236
	2,373,813,862	1,900,452,362
Sonali Bank Limited (as Agent of Bangladesh Bank) - local currency	-	-
	2,373,813,862	1,900,452,362

The above Balance represents amount as per Bank Book. The differences due to reconciling items with Bangladesh Bank are not material and most of the items are subsequently adjusted.

4.1 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 33 of the Banking Companies Act, 1991 (revised up to 2013) and of instructions contained in DOS Circular No. 01 dated 19 January, 2014 and MPD Circular No. 01 dated 23 June, 2014 issued by Bangladesh Bank.

The Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 6.50% has been calculated and maintained with Bangladesh Bank in current account and 13% Statutory Liquidity Ratio on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank etc. Both the reserves maintained by the Bank are in excess of the statutory requirements, as shown below:

4.1.1 Cash Reserve Requirement (CRR) : 6.50% of average demand and time liabilities

Required reserve	2,235,027,616	1,672,355,950
Actual reserve maintained		
Balance with Bangladesh Bank - local currency	2,265,286,210	1,800,652,209
Surplus / (deficit)	30,258,594	128,296,259
Maintained ratio	6.59%	7.00%

The above balance with Bangladesh Bank represents amount as per Bangladesh Bank Book.

CRR is maintained at 6.59% on 31.12.2016 against minimum requirement of 6.50% to fulfil the cumulative shortage during December 2016 and to maintain CRR requirement on 01.01.2017.

4.1.2 Statutory Liquidity Ratio (SLR) : 13% of average demand and time liabilities

Required reserve	4,470,055,233	3,344,711,890
Available for maintenance :		
Cash in hand (including foreign currencies)	335,651,998	268,672,224
Balance with Sonali Bank Limited (as an agent of Bangladesh Bank)	-	-
Excess of CRR requirement	30,258,594	128,296,259
Unencumbered approved securities (treasury bills and bonds, debentures etc.)	4,681,010,829	4,634,623,359
	5,046,921,421	5,031,591,842
Surplus / (deficit)	576,866,188	1,686,879,952
Maintained Ratio	14.68%	19.56%
Average time and demand liabilities	34,385,040,250	25,728,553,000

SLR is maintained through Government Securities. The Bank invested in Government Securities at higher than the minimum requirement considering Bank's liquidity position, safety of investments and return.

	2016 Taka	2015 Taka
5. Balance with other banks and financial institutions		
In Bangladesh (note 5.1)	6,211,056,496	5,236,817,127
Outside Bangladesh (note 5.2)	135,210,292	96,650,301
	6,346,266,788	5,333,467,429
5.1 In Bangladesh		
Balance with other banks :		
In current deposit accounts with		
Sonali Bank Limited	2,229,636	10,457,690
Mercantile Bank Limited	-	1,500,000
Dutch Bangla Bank Limited	5,013,520	16,170
Eastern Bank Limited	1,776,516	-
	9,019,671	11,973,860
In special notice deposit accounts with		
Janata Bank Limited	1,267,353,558	77,082,529
Eastern Bank Limited	200,813,272	2,778,598
Sonali Bank Limited	160,305,335	-
Mercantile Bank Limited	62,713	36,573
Bank Asia Limited	24	24
Standard Bank Limited	527,780	508,967
Jamuna Bank Limited	20,869	21,208
Al-Arafa Islami Bank Limited	36,220	10,563,873
Trust Bank Limited	22,589,892	12,229,817
Union Bank Limited	29,351	5,528
IFIC Bank Limited	75,275	2
Rupali Bank Limited	222,536	1,616,149
	1,652,036,825	104,843,268
In fixed deposit accounts with		
Janata Bank Limited	-	500,000,000
Trust Bank Limited	-	300,000,000
Eastern Bank Limited	250,000,000	-
Midland Bank Limited	250,000,000	-
NRB Global Bank Limited	250,000,000	-
	750,000,000	800,000,000
Balance with financial institutions :		
Lanka Bangla Finance Limited	-	300,000,000
Phoenix Finance Limited	500,000,000	400,000,000
People's Leasing and Financial Services Limited	-	100,000,000
International Leasing & Financial Services Limited	300,000,000	400,000,000
United Finance Limited	200,000,000	300,000,000
Uttara Finance Limited	200,000,000	-
Prime Finance & Investment Limited	150,000,000	-
IDLC Finance Limited	600,000,000	-
Delta Brac Housing Finance Company Limited	-	400,000,000
Industrial & Infrastructure Development Finance Company Ltd.	500,000,000	620,000,000
G. S. P. Finance & Investment Limited	-	150,000,000
Bangladesh Industrial Finance Company Limited	-	200,000,000
Fareast Finance and Investment Limited	-	150,000,000
First Finance Limited	-	200,000,000
FAS Finance Limited	200,000,000	300,000,000
Premier Leasing and Finance Limited	300,000,000	350,000,000
Bay Leasing & Investment Limited	-	100,000,000
Union Capital Limited	300,000,000	200,000,000
MIDAS Financing Limited	100,000,000	150,000,000
IPDC Finance Limited	450,000,000	-
	3,800,000,000	4,320,000,000
	6,211,056,496	5,236,817,127



5.2 Outside Bangladesh

In demand deposit accounts (non-interest bearing) with

Particulars	Currency	2016			2015		
		Amount in foreign currency	Exchange rate for per unit foreign currency	Amount in Taka	Amount in foreign currency	Exchange rate for per unit foreign currency	Amount in Taka
Sonali Bank (UK) Ltd.	USD	25,016.29	78.7000	1,968,782	11,814.73	78.5000	927,456
Sonali Bank (UK) Ltd.	EURO	-	82.1785	-	8,317.14	85.8005	713,615
Sonali Bank (UK) Ltd.	GBP	-	96.3682	-	1,981.76	116.3527	230,583
Mashreq Bank PSC, New York	USD	648,118.59	78.7000	51,006,933	578,329.09	78.5000	45,398,834
AB Bank, Mumbai	ACU	191,974.38	78.7000	15,108,384	456,971.24	78.5000	35,872,242
United Bank of India, Kolkata	ACU USD	67,932.51	78.7000	5,346,289	122,548.72	78.5000	9,620,075
National Bank of Pakistan, Tokyo	JPY	586,375.00	0.6743	395,393	686,935.00	0.6550	449,942
Mashreq Bank PSC, London	GBP	7,959.18	96.3682	767,012	6,178.14	116.3527	718,843
Mashreq Bank PSC, London	EURO	39,909.54	82.1785	3,279,706	13,357.97	85.8005	1,146,121
Sonali Bank Ltd. Kolkata	ACU	75,922.21	78.7000	5,975,078	20,033.00	78.5000	1,572,591
United Bank of India, Kolkata	ACU EURO	-	82.1785	-	-	-	-
Habib American Bank, NY	USD	387,296.15	78.7000	30,480,207	-	-	-
Habib Metropolitan Bank Ltd., Karachi	ACU	9,747.65	78.7000	767,140	-	-	-
AXIS Bank Ltd., Mumbai	ACU	255,595.54	78.7000	20,115,369	-	-	-
				135,210,292	96,650,301		
In demand deposit accounts (interest bearing)				-	-		
Total Outside Bangladesh				135,210,292	96,650,301		

	2016 Taka	2015 Taka
5.3 Maturity grouping of balance with other banks and financial institutions		
On demand	144,229,963	108,624,161
Within one month	1,952,036,825	1,554,843,268
Within one to three months	3,950,000,000	2,020,000,000
Within three to twelve months	300,000,000	1,650,000,000
Within one to five years	-	-
More than five years	-	-
	6,346,266,788	5,333,467,429

6. Money at call and short notice

With banks

NRB Commercial Bank Limited	170,000,000	-
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With non bank financial institutions

Bangladesh Industrial Finance Company Limited	16,000,000	-
MIDAS Financing Limited	-	50,000,000
National Finance Limited	-	100,000,000
	16,000,000	150,000,000
	186,000,000	150,000,000

	2016 Taka	2015 Taka
7. Investments		
Government securities		
Treasury bills		
91-day treasury bills	-	-
182-day treasury bills	-	-
364-day treasury bills	195,699,400	-
30-day Bangladesh Bank bills	-	-
	195,699,400	-
Treasury bonds		
2-Year treasury bonds	260,445,485	82,374,916
5-Year treasury bonds	73,645,348	74,014,833
10-Year treasury bonds	414,620,402	1,132,175,164
15-Year treasury bonds	1,921,556,753	2,270,836,064
20-Year treasury bonds	1,815,043,441	1,075,222,382
	4,485,311,429	4,634,623,359
Total treasury bills and bonds	4,681,010,829	4,634,623,359
Prize bonds	480,700	311,300
Total Government securities	4,681,491,529	4,634,934,659
Other investments		
Reverse- REPO with Bangladesh Bank	-	-
Shares in quoted companies (at cost) (note 7.2)	-	35,298,356
	-	35,298,356
	4,681,491,529	4,670,233,015
7.1 Classification of investments		
Government treasury bills and bonds		
Held for Trading (HFT)	2,624,106,302	2,569,740,745
Held to Maturity (HTM)	2,056,904,527	2,064,882,613
Total investments in government securities	4,681,010,829	4,634,623,359
Prize bonds	480,700	311,300
Reverse-REPO with Bangladesh Bank	-	-
Other investments	-	35,298,356
	4,681,491,529	4,670,233,015
7.2 Shares in quoted companies (at cost)		
Lanka Bangla Finance Ltd.	-	19,095,195
Summit Purbchal Power Co. Ltd.	-	16,203,161
	-	35,298,356
7.3 Maturity grouping of investments		
On demand	480,700	311,300
Within one month	-	35,298,356
Within one to three months	30,246,337	-
Within three to twelve months	195,699,400	51,319,844
Within one to five years	303,844,496	105,069,904
More than five years	4,151,220,596	4,478,233,610
	4,681,491,529	4,670,233,015



7.4 Maturity grouping of investments

In terms of the instructions contained in DOS Circular No. 6 dated 15 July 2010, the disclosure requirements for REPO and Reverse REPO transactions of the Bank are furnished below :

7.4.1 Disclosure regarding outstanding REPO as on 31 December 2016

Sl. No.	Name of the counterparty	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
-	-	-	-	-

7.4.2 Disclosure regarding outstanding Reverse REPO as on 31 December 2016

Sl. No.	Name of the counterparty	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
-	-	-	-	-

7.4.3 Disclosure regarding overall transactions of REPO and Reverse REPO for the year ended 31 December 2016

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
	Taka	Taka	Taka
Securities sold under repo :			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	97,617,700	813,950,500	182,819,237
Securities purchased under reverse repo			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	-	-	-

	2016 Taka	2015 Taka
8. Loans and advances		
Loans , cash credit, overdrafts etc. (note 8.1)	28,306,481,017	21,099,757,056
Bills purchased and discounted (note 8.2)	1,867,611,799	2,028,530,780
	30,174,092,816	23,128,287,837

8.1 Loans , cash credit, overdrafts etc.

In Bangladesh:

Overdrafts	8,403,277,652	6,076,746,002
Cash credit :		
General cash credit	3,904,784,313	3,900,591,194
Agriculture cash credit	72,815,444	16,149,489
SME cash credit	7,000,918,488	4,858,138,123
	10,978,518,245	8,774,878,806

	2016 Taka	2015 Taka
Loans :		
Loans against trust receipt	2,956,436,832	2,080,966,804
Export packing credit	20,931,278	12,497,594
Payment against document -(sight L/C)	256,012,916	121,039,655
Payment against document - (EDF)	16,239,959	54,026,114
Time loans	1,181,386,939	466,075,246
EDF loans	150,103,199	153,642,342
Demand loans	7,624,068	-
Lease finance	460,446,003	531,318,493
House building finance	167,298,869	58,608,214
General term loans	2,518,875,224	1,997,565,637
SME term loans	847,523,837	494,670,072
Agriculture term loans	72,755,650	29,998,330
Short term micro credit	249,962	-
Personal loans	51,323,325	56,842,506
Auto loans	10,578,799	8,017,101
Credit Card	11,477,424	-
Staff loans	195,420,837	182,864,140
	8,924,685,120	6,248,132,249
	28,306,481,017	21,099,757,056
Outside Bangladesh	-	-
	28,306,481,017	21,099,757,056
8.2 Bills purchased and discounted		
Payable in Bangladesh		
Inland bills purchased and discounted	1,843,157,323	2,004,699,735
Payable outside Bangladesh		
Foreign bills purchased and discounted	24,454,475	23,831,046
	1,867,611,799	2,028,530,780
8.3 Maturity grouping of loans and advances including bills purchased and discounted		
On demand	2,668,731,531	1,148,492,985
Within one month	2,291,394,094	1,763,161,717
Within one to three months	3,806,520,736	4,517,056,289
Within three to twelve months	17,206,420,278	13,953,904,012
Within one to five years	2,695,343,620	1,534,436,481
More than five years	1,505,682,557	211,236,354
	30,174,092,816	23,128,287,837
8.4 Loans and advances including bills purchased and discounted are classified into following broad categories		
(a) Loans and advances (note 8.1)		
In Bangladesh		
Loans	8,924,685,120	6,248,132,249
Cash credit	10,978,518,245	8,774,878,806
Overdraft	8,403,277,652	6,076,746,002
	28,306,481,017	21,099,757,056
Outside Bangladesh	-	-
	28,306,481,017	21,099,757,056
(b) Bills purchased and discounted		
In Bangladesh	1,843,157,323	2,004,699,735
Outside Bangladesh	24,454,475	23,831,046
	1,867,611,799	2,028,530,780
	30,174,092,816	23,128,287,837



	2016 Taka	2015 Taka
8.5 Loans and advances including bills purchased and discounted on the basis of significant concentration		
i. Loans and advances to Directors of the bank	393,227,740	256,628,428
ii. Loans and advances to CEO and other senior executives	169,300,918	163,930,336
iii. Staff loans other than in sl. no. ii	26,119,919	18,933,804
iv. Loans and advances to customers' group	29,585,444,238	22,688,795,269
	30,174,092,816	23,128,287,837

iv. Disclosure on large loans

Disclosure on large loans i.e. loan sanctioned to any individual or enterprise or any organization of a group amounting to 10% or more of the Bank's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Mentionable that, total capital of the Bank was Taka 5,821,618,266 as at 31 December 2016 and Taka 4,785,178,152 as at 31 December 2015.

iv (a) Number of the clients to whom loans and advances sanctioned more than 10% of the Bank's total capital	21	21
iv (b) Amount of outstanding loans and advances to the clients mentioned in iv (a) above	9,403,838,133	8,378,031,656
iv (c) Amount of classified loans and advances out of the amount mentioned in iv (b) above	-	-
iv (d) Measures taken for recovery of the amount mentioned in iv (c) above	-	-

8.6 Geographical location-wise loans and advances including bills purchased and discounted

Dhaka Division	18,735,859,876	14,559,301,800
Chittagong Division	5,474,651,962	4,875,163,321
Khulna Division	3,372,938,042	2,329,780,419
Sylhet Division	175,704,743	102,311,254
Rajshahi Division	1,423,016,000	878,692,062
Barisal Division	410,687,675	261,075,681
Rangpur Division	581,234,517	121,963,299
	30,174,092,816	23,128,287,837

8.7 Industry-wise loans and advances including bills purchased and discounted

Agriculture, fisheries and forestry	664,443,003	269,081,166
Agro base processing industries	1,249,662,500	844,954,802
Small & medium enterprise financing (SMEF)	14,816,405,438	9,861,771,974
RMG & textile industries	3,582,860,902	2,937,933,165
Hospitals, clinics & medical colleges	149,142,323	375,037,148
Trade & commerce	2,751,957,452	2,825,071,325
Transport and communications	521,039,543	619,287,990
Rubber & plastic industries	882,733,544	863,917,102
Iron, steel & aluminium industries	1,310,674,303	1,301,387,837
Printing & Packaging industries	334,383,152	336,321,217
Other manufacturing industries	2,220,190,796	1,682,534,599
Housing & construction industries	260,557,317	159,865,768
Consumer credit	152,164,020	146,021,646
Others	1,277,878,524	905,102,097
	30,174,092,816	23,128,287,837

2016
Taka

2015
Taka

8.8 Required provision for loans and advances including bills purchased and discounted

Particulars	Amount of outstanding loans and advances as at 31 December 2016	Base for Provision	Rate	Amount of required provision as at 31 December 2016	Amount of required provision as at 31 December 2015
I) Unclassified loans and advances :					
a) Consumer finance	68,245,622	68,245,622	5.00%	3,412,281	2,672,118
b) Staff loans	195,420,837	195,420,837	0.00%	-	-
c) Housing finance	167,298,869	167,298,869	2.00%	3,345,977	1,172,164
d) Loans to professional	139,041	139,041	2.00%	2,781	13,716
e) Small enterprise finance	14,835,362,160	14,835,362,160	0.25%	37,088,405	24,598,616
f) Loans to BH, MB, SD, etc.	703,612,017	703,612,017	2.00%	14,072,240	16,277,523
g) Agricultural credit	656,885,734	656,885,734	2.50%	16,422,143	6,727,029
e) Others	13,547,128,537	13,547,128,537	1.00%	135,471,285	118,879,581
	30,174,092,816	30,174,092,816		209,815,114	170,340,747
(II) Sub-standard	-	-	20.00%	-	-
(III) Doubtful	-	-	50.00%	-	-
(IV) Bad / loss	-	-	100.00%	-	3,348,842
Total provision required	30,174,092,816	30,174,092,816		209,815,114	173,689,589
Total provision maintained				210,270,444	173,689,589
Surplus / (deficit)				-	-

8.9 Classification of loans and advances including bills purchased and discounted

Unclassified (including staff loans)

I) Standard	29,810,319,284	22,873,155,876
ii) Special mention account (SMA)	363,773,532	232,806,344
	30,174,092,816	23,105,962,220
Sub-standard	-	-
Doubtful	-	-
Bad / loss	-	22,325,617
Total	30,174,092,816	23,128,287,837

8.10 Particulars of loans and advances including bills purchased and discounted

i) Loans considered good in respect of which the banking company is fully secured	27,214,359,103	20,383,245,633
ii) Loans considered good for which the banking company holds no security other than the debtor's personal guarantee	2,797,569,692	2,632,714,626
iii) Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	162,164,020	112,327,577
iv) Loans adversely classified; provision not maintained there against	-	-
	30,174,092,816	23,128,287,837
v) Loans due by directors or officers of the banking company or any of them either separately or jointly with any other person	588,648,577	439,492,568
vi) Loan due from companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in case of private companies as members	393,227,740	256,628,428
vii) Maximum total amount of advances, including temporary advances made at any time during the period to directors or managers or officers of the banking companies or any of them either separately or jointly with any other persons	562,528,658	439,492,568



	2016 Taka	2015 Taka
viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firm 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	393,227,740	256,628,428
ix) Due from other banking companies	-	-
x) Amount of classified loan on which interest has not been charged	-	-
(a) (Decrease)/increase in specific provision	-	-
(b) Amount of loan written off during the year	-	-
(c) Amount realized against loan previously written off	-	-
(d) Amount of provision kept against loan classified as bad/loss as on the Balance Sheet date	-	3,348,842
(e) Interest creditable to the interest suspense accounts	-	-
xi) Cumulative amount of the written off loan:	-	-
xii) Amount written off in the year	-	-
xiii) Amount of written off loan for which lawsuit has been filed for recovery	-	-

8.11 Bills purchased and discounted

Payable -		
In Bangladesh	1,843,157,323	2,004,699,735
Outside Bangladesh	24,454,475	23,831,046
	1,867,611,799	2,028,530,780

8.12 Bills purchased and discounted on the basis of the residual maturity grouping

On demand	804,057,368	-
Within one month	198,148,479	114,376,733
Within one to three months	256,843,812	1,321,934,517
Within three to twelve months	608,562,140	592,219,531
Within one to five years	-	-
More than five years	-	-
	1,867,611,799	2,028,530,780

9. Fixed Assets (Annexure - B)	2016	2015
	Taka	Taka
Motor vehicles	27,127,310	27,127,310
Machinery and equipments	183,704,859	154,326,995
Furniture and fixtures	61,104,030	51,604,656
Interior decoration	198,153,179	159,402,945
Computers and accessories	177,388,174	160,469,244
Softwares	73,548,042	71,048,042
Other tools	19,868,828	14,428,763
	740,894,422	638,407,954
Less : Accumulated depreciation	272,098,660	155,907,795
	468,795,762	482,500,159
10. Other Assets		
Advance income tax (note 10.1)	524,356,425	218,398,710
Stock of stationeries and stamps (note 10.2)	8,081,723	2,297,373
Advance rent, advertisement, etc. (note 10.3)	278,709,782	314,331,678
Accrued interest and commission receivable	156,377,691	193,466,625
Advance and security deposits	504,484	492,264
Suspense accounts (note 10.4)	65,841,752	25,335,719
	1,033,871,858	754,322,370
10.1 Advance income tax		
Opening balance	218,398,710	72,172,251
Add : Paid during the year		
Income tax deducted at source	267,001,700	30,686,898
Income tax paid u/s 64 & 74 of Income Tax Ordinance 1984	38,956,015	115,539,561
	305,957,715	146,226,459
	524,356,425	218,398,710
Less : Adjustment during the year	-	-
Closing balance	524,356,425	218,398,710
10.1.1 Assessment year wise break up of advance income tax		
2014 - 2015	122,366,697	122,366,697
2015 - 2016	246,237,897	96,032,013
2016 - 2017	155,751,831	-
	524,356,425	218,398,710
10.2 Stock of stationeries and stamps		
Stock of printing stationeries	1,510,293	548,137
Stock of security stationeries	5,169,690	902,936
Stock of stamps	1,401,740	846,300
	8,081,723	2,297,373
10.3 Advance rent, advertisement, etc.		
Advance rent	277,201,982	313,919,141
Prepaid advertisement	1,507,800	412,538
	278,709,782	314,331,678
10.4 Suspense accounts		
Sundry debtors	29,813,494	1,169
Suspense for Sanchayapatra	3,654,820	1,056,317
Advance against expenses	400,873	4,870,350
Advance against fixed assets (note 10.4.1)	27,569,512	16,966,133
Other prepaid expenses	4,403,052	2,441,750
	65,841,752	25,335,719



	2016 Taka	2015 Taka
10.4.1 Advance against fixed assets		
Advance against fixed assets has been made for which final bill has not being received :		
Furniture and fixtures	-	1,015,119
Interior Decoration	6,069,512	13,951,014
Machineries and equipments	-	-
Computers, accessories and software	21,500,000	2,000,000
	27,569,512	16,966,133
11. Borrowings from other banks, financial institutions and agents		
a) In Bangladesh		
Refinance from Bangladesh Bank		
Agro based industries	53,682,853	61,800,000
Green industries	51,875,000	-
Small enterprise entrepreneurs	27,616,667	16,557,474
Export Development Fund (EDF)	148,891,738	153,473,109
	282,066,258	231,830,583
b) Outside Bangladesh	-	-
	282,066,258	231,830,583
11.1 Residual maturity grouping of borrowings from other banks, financial institutions and agents		
On demand	3,433,333	-
Within one month	58,119,861	9,107,496
Within one to three months	97,889,827	42,568,439
Within three to twelve months	66,522,999	167,828,099
Within one to five years	45,683,571	12,326,549
More than five years	10,416,667	-
	282,066,258	231,830,583
12. Deposits and other accounts		
Current deposits and other accounts [note : 12.1]	3,033,998,158	2,162,901,318
Special notice deposits	1,673,239,342	2,879,373,981
Bills payable	1,255,470,065	272,047,778
Savings bank deposits	1,284,222,550	837,694,896
Fixed deposits	28,189,998,960	22,626,106,757
Other term deposits [note : 12.2]	2,900,271,526	1,997,260,205
	38,337,200,601	30,775,384,934

	2016 Taka	2015 Taka
12.1 Current Deposits and other accounts		
Current deposits	1,534,752,985	1,083,865,802
FGN currency deposits	9,966,809	5,722,228
ERQ accounts	2,780,365	13,805,508
FC held against BTB L/Cs	290,338,837	145,775,391
Non resident Taka account	11,658,850	3,448,642
Non resident foreign currency account	5,939,081	62,172
Resident foreign currency account	285,795	-
Margin against L/Cs	452,363,962	248,609,303
Margin against L/Gs	103,530,149	79,171,013
Margin on SOD (pay order)	59,082,188	3,606,385
Margin on LDBP	762,400	554,000
Security Deposit	9,309,459	8,869,330
Sundry deposits - excise duty	31,774,450	3,739,431
Sundry deposits - local bills	10,202,250	45,661,498
Sundry deposits - Sanchayapatra	18,200,000	13,800,000
Sundry deposits - other	8,126,602	4,896,829
Sundry deposits - foreign correspondents charge	1,672,349	2,625,398
Sundry deposits - risk fund	337,700	205,500
Sundry deposits - advance installment on Lease	976,740	268,400
Sundry deposits - Tax Deducted at source	28,692,503	14,142,914
Sundry deposits - VAT collected at source	2,350,697	1,122,376
Sundry deposits - VAT deducted Service Bills	6,943,071	3,265,111
Sundry deposits - card settlement account	1,001,496	847,758
Interest payable on deposits	442,949,419	478,836,330
	3,033,998,158	2,162,901,318
12.2 Other term deposits		
MSS Deposits	649,543,334	271,182,736
MBS Deposits	1,384,684,629	1,045,607,400
Special Deposit Scheme	850,758,695	674,991,800
Other Savings Schemes	15,284,867	5,478,269
	2,900,271,526	1,997,260,205
12.3 Segregation of deposits and other accounts		
Other than inter-bank deposits	37,634,987,469	30,275,246,668
Inter-bank deposits (Note 12.4)	702,213,134	500,138,265
	38,337,200,601	30,775,384,934
12.4 Details of inter-bank deposits		
Uttara Bank Limited	500,000,000	500,000,000
Mutual Trust Bank Limited	200,000,000	-
Mercantile Bank Limited	1,538,071	-
Trust Bank Limited	532,774	-
Janata Bank Limited	142,289	138,265
	702,213,134	500,138,265



	2016 Taka	2015 Taka
12.5 Residual maturity grouping of deposits and other accounts		
On demand	905,192,377	726,647,836
Within one month	3,245,161,464	3,044,331,549
Within one to three months	10,347,403,896	7,836,739,655
Within three to six months	7,392,552,085	4,219,403,116
Within six to twelve months	6,166,900,046	3,718,442,133
Within one to five years	7,815,475,268	7,444,972,165
More than five years	2,464,515,465	3,784,848,480
	38,337,200,601	30,775,384,934
12.6 Unclaimed deposits for ten years and more held by the bank	-	-
12.7 As on the reporting date of these financial statements, there were no valuable items unclaimed for ten years or more held by the bank.		
13. Other liabilities		
Sundry creditors	14,501,775	30,466,443
Provision for expenses	33,637,000	21,488,385
Central clearing, EFT adjustment account and NPSB account	9,955,684	4,427,700
Provision for gratuity (note 13.1)	-	7,500,000
Provision for taxation (note 13.2)	980,167,089	480,854,821
Provision for deferred tax liability (note 13.3)	18,856,630	21,743,344
Provision for diminution in value of investment (note 13.4)	-	13,566,206
Provision on loans & advances (note 13.5)	209,815,114	173,689,589
General provision on Off Balance Sheet exposures (note 13.6)	92,453,691	46,771,462
Provision for rebate to good borrowers (note 13.7)	5,000,000	-
	1,364,386,983	800,507,950
13.1 Provision for gratuity		
Opening balance	7,500,000	1,500,000
Add : Provision made for the year	8,000,000	6,000,000
	15,500,000	7,500,000
Less : transferred to gratuity fund during the year	15,500,000	-
Closing balance	-	7,500,000
13.2 Provision for taxation		
Opening balance	480,854,821	124,256,385
Add : Provision made for the year	499,312,267	368,221,041
	980,167,089	492,477,425
Less : Adjustment during the year	-	11,622,604
Closing balance	980,167,089	480,854,821
13.2.1 Provision for income tax has been kept as per the provisions of Income Tax Ordinance 1984. Assessment of income tax has been finalized with tax authority up to the year 2013.		
13.3 Provision for deferred tax liability		
Opening balance	21,743,344	20,639,407
Add : Deferred tax liability / (assets) for the year (note 13.3.1)	(2,886,714)	1,103,937
	18,856,630	21,743,344
Less : Adjustment during the year	-	-
Closing Balance	18,856,630	21,743,344

	2016 Taka	2015 Taka
13.3.1 Detailed calculation of deferred tax liability / (assets)		
In terms of instructions contained in BRPD Circular No. 11 dated 12 December 2011 and provision of BAS 12 - Taxation, the detail calculation of deferred tax (assets) / liability of the Bank is furnished as under :		
i) Temporary timing difference in written down value (WDV) of fixed assets :		
WDV (carrying amount) of fixed assets	468,795,762	482,500,159
WDV of fixed assets as per Tax (Tax Base) as on the balance sheet date	421,654,188	412,567,591
	47,141,575	69,932,567
ii) Temporary timing difference in provision for gratuity and intangible assets	-	15,574,208
Total amount of temporary timing difference in liability /	47,141,575	54,358,359
Effective tax rate	40.00%	40.00%
Net Deferred tax liability / (assets)	18,856,630	21,743,344
Deferred tax expense / (income) for the year	(2,886,714)	1,103,937

13.4 Provision for diminution in value of investments

Opening balance	13,566,206	11,449,795
Add : Provision made for the year	-	2,116,411
	13,566,206	13,566,206
Less: Adjustment during the period	13,566,206	-
Closing balance	-	13,566,206

Provision has been kept on unrealized loss (gain net off) according to DOS Circular No. 4 dated 24 November 2011.

13.5 Provision for loans and advances (note 8.8)

A. General provision on loans and advances

Opeing balance	170,340,747	114,852,929
General provision for the year	39,474,367	55,487,818
Provision held at the year end	209,815,114	170,340,747

B. Specific provision for bad and doubtful loans and advances

Opening balance	3,348,842	-
Less : Fully provided debt written-off (for final settlement)	759,000	-
Add : Recoveries of amounts previously written-off	-	-
Add : Specific provision for the year	-	3,348,842
Less : Provision no more required for loans realized	2,589,842	-
Add : Net charge to profit and loss account	-	-
Provision held at the end of the year	-	3,348,842

Total (A + B)	209,815,114	173,689,589
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	2016 Taka	2015 Taka
13.6 Provision for off balance sheet exposures		
Opening balance	46,771,462	29,111,405
Add : Provision made for the year	45,682,229	17,660,057
	92,453,691	46,771,462
Less: Adjustment during the period	-	-
Closing balance	92,453,691	46,771,462

13.7 Provision for rebate to good borrowers

Opening balance	-	-
Add : Provision made for the year	5,000,000	-
	5,000,000	-
Less: Paid during the period	-	-
Closing balance	5,000,000	-

13.8 As per lease agreement of the bank's head office premises, total leased space was 33,050 sft. Bangladesh Bank in its inspection report as on 31.03.2014 pointed out that the actual measured space was 29,050 sft. i.e. the bank had been paying excess rent for 4,000 sft. They also advised the bank to pay rent as per actually measured space. Accordingly, the bank has been paying rent as per instruction of Bangladesh Bank. The lessor subsequently brought the matter to the court claiming rent as per agreement. As the issue was sub-judice, the bank made provision (included within provision for expenses) amounting to Tk 5,935,321 for above noted 4,000 sft.

14. Share capital

14.1 Authorized share capital

1,000,000,000 ordinary shares of Tk. 10/- each	10,000,000,000	10,000,000,000
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14.2 Issued, subscribed and paid up share capital

433,497,600 ordinary shares of Tk. 10/- each	4,334,976,000	4,089,600,000
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14.3 Raising of capital

The paid-up share capital of the Bank was raised in the following manner :

From the sponsor shareholders

By issuing 408,960,000 ordinary shares of Taka 10 each	4,089,600,000	4,089,600,000
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Stock dividend

Stock dividend @ 0.06 against 1 existing share of Tk 10 each for the year 2015	245,376,000	-
	4,334,976,000	4,089,600,000

14.4 Group-wise shareholding position

Particulars	2016			2015		
	No. of shares	Percentage (%) of holding	Taka	No. of shares	Percentage (%) of holding	Taka
Sponsor directors	283,480,000	65.39%	2,834,800,000	291,500,000	71.28%	2,915,000,000
Sponsor shareholders	150,017,600	34.61%	1,500,176,000	117,460,000	28.72%	1,174,600,000
Total	433,497,600	100.00%	4,334,976,000	408,960,000	100.00%	4,089,600,000

14.5 Range-wise shareholdings as on 31 December 2016

Range of holding of shares	No of share holders	Percentage % of share holding	No of shares	Taka
Less than 500	-	0.00%	-	-
500 - 5,000	-	0.00%	-	-
5,001 - 10,000	-	0.00%	-	-
10,001 - 20,000	-	0.00%	-	-
20,001 - 30,000	-	0.00%	-	-
30,001 - 40,000	-	0.00%	-	-
40,001 - 50,000	-	0.00%	-	-
50,001 - 1,00,000	3	0.04%	180,000	1,800,000
1,00,001 - 10,00,000	6	0.48%	2,080,000	20,800,000
10,00,001 and above	49	99.48%	431,237,600	4,312,376,000
Total	58	100.00%	433,497,600	4,334,976,000

14.6 Capital adequacy ratio

As per Section 13 of the Bank Companies Act, 1991 (Amended in 2013) and instructions contained in BRPD Circular Letter No. 11 dated 14 August 2008, BRPD Circular No. 10 dated 10 March 2010, BRPD Circular No. 35 dated 29 December 2010, BRPD Circular No. 18 dated 21 December 2014 [Guidelines on Risk Based capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)], the risk based capital (eligible regulatory capital) of the Bank as of 31 December 2016 stood at Taka 5,821,618,266 against the risk based capital requirement of Taka 4,000,000,000. As a result, there was a capital surplus of Taka 1,821,618,266 in risk based capital adequacy as on 31 December 2016.

As per Section 13(2) of the Bank Companies Act, 1991 (Amended in 2013) and instructions contained in BRPD Circular Letter No. 11 dated 14 August 2008, the paid-up share capital, statutory reserve, other reserves and retained earnings should be at least Taka 4,000 million. The paid-up share capital, statutory reserve and retained earnings of the Bank was Taka 5,506,140,811 (paid-up share capital Taka 4,334,976,000; statutory reserve Taka 495,076,904 and retained earnings Taka 676,087,907) as on 31 December 2016.

Details of capital adequacy ratio are furnished below :

Tier - I (Core capital)

Paid up capital	4,334,976,000	4,089,600,000
Statutory reserve	495,076,904	205,900,450
Retained earnings	676,087,907	261,183,643
	5,506,140,811	4,556,684,093

Less : Regulatory Adjustments:

Deferred tax assets	-	6,229,683
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Total Tier - I Capital	5,506,140,811	4,550,454,410
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Tier - II (Supplementary capital)

General provision on unclassified loans and off-balance sheet exposures	302,268,805	217,112,209
50% of Revaluation reserve as on 31 December 2014	22,014,417	22,014,417
	324,283,222	239,126,625

Less : Regulatory Adjustments:

Revaluation reserve for HFT securities	8,805,767	4,402,883
	315,477,455	234,723,742

Tier - III (Additional supplementary capital)	-	-
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A. Total capital	5,821,618,266	4,785,178,152
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B. Total risk weighted assets	31,311,954,512	22,578,266,601
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C. Required capital - 10% on risk weighted assets or 400.00 crore whichever is higher	4,000,000,000	4,000,000,000
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Surplus/(shortfall) (A - C)	1,821,618,266	785,178,152
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Capital adequacy ratio on core capital (against standard of minimum 5.00%)	17.58%	20.15%
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Capital Adequacy ratio on total capital (against standard of minimum 10.00%)	18.59%	21.19%
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15. Statutory reserve

As per Section 24(1) of the Bank Companies Act, 1991, an amount equivalent to 20% of profit before taxes for the year has been transferred to the statutory reserve fund.

Opening balance	205,900,450	60,434,058
Add : Transferred from profit during the year	289,176,454	145,466,392
Closing balance	495,076,904	205,900,450

16. Revaluation reserve on Govt. Securities

Opening balance	323,527,836	44,028,833
Add : Reserve made during the year	(213,337,876)	279,499,003
Closing balance	110,189,960	323,527,836

17. Retained earnings

Opening balance	261,183,643	48,643,054
Add : Net profit during the year	660,280,264	212,540,589
Less : Issuance of Stock Dividend	(245,376,000)	-
Closing balance	676,087,907	261,183,643



	2016 Taka	2015 Taka
18. Contingent liabilities		
Acceptances and endorsements	1,856,855,059	1,246,874,286
Letters of Guarantee (note 18.1)	2,346,444,973	1,689,909,306
Irrevocable letters of credit (note 18.2)	3,805,785,291	1,740,362,630
Bills for collection (note 18.3)	701,183,799	165,303,368
	8,710,269,121	4,842,449,591
18.1 Letters of guarantee		
Money for which the bank is contingently liable in respect of guarantees issued favoring:		
Directors	-	-
Government	399,939,716	125,902,935
Banks and other financial institutions	-	-
Others	1,946,505,257	1,564,006,371
	2,346,444,973	1,689,909,306
18.2 Irrevocable letters of credit		
Local		
Irrevocable letters of credit- sight	24,827,682	3,430,915
Irrevocable letters of credit- usance	400,213,774	-
Irrevocable letters of credit- back to back	53,879,472	39,498,264
	478,920,928	42,929,180
Foreign		
Irrevocable letters of credit- sight	3,236,254,369	1,185,452,519
Irrevocable letters of credit- usance	48,624,134	436,212,649
Irrevocable letters of credit- back to back	41,985,859	75,768,283
	3,326,864,362	1,697,433,451
	3,805,785,291	1,740,362,630
18.3 Bills for collection		
Outward local bills	4,003,043	337,803
Local documentary bills for collection	312,307,673	54,961,489
Foreign documentary bills for collection	384,873,083	110,004,076
	701,183,799	165,303,368
19. Particulars of profit and loss account		
Income		
Interest, discount and similar income (note 21)	3,843,962,422	2,861,104,335
Dividend income (note 23)	1,643,143	723,131
Fees, commission and brokerage (note 24)	113,704,979	73,180,193
Gains less losses arising from dealing in securities (note 23)	-	242,880
Gains less losses arising from investment securities (note 23)	1,141,925,848	832,184,105
Gains less losses arising from dealing in foreign currencies (note 24)	99,317,195	64,885,874
Income from non-banking assets	-	-
Other operating income (note 25)	68,843,851	48,895,044
Profit less losses in interest rate changes	-	-
	5,269,397,438	3,881,215,562
Expenses		
Interest, fee and commission (note 22)	2,307,330,523	2,049,815,201
Losses on loans and advances	-	-
Administrative expenses (note 20)	937,786,714	766,835,093
Other operating expenses (note 35)	388,206,517	165,722,852
Depreciation on banking assets (note 34)	116,190,864	92,897,331
	3,749,514,619	3,075,270,477
Profit before provision	1,519,882,819	805,945,086

	2016 Taka	2015 Taka
20. Administrative expenses		
Salary and allowances (note 26)	594,936,744	474,277,078
Rent, taxes, insurance, electricity etc. (note 27)	264,422,335	213,124,542
Legal & professional expenses (note 28)	915,275	1,643,958
Postage, stamp, telecommunication etc. (note 29)	23,565,732	18,608,732
Stationery, printing, advertisement etc. (note 30)	20,262,010	27,433,298
Managing Director's salary and allowances (note 31)	12,490,000	10,800,000
Directors' fees and other benefits (note 32)	3,040,000	1,691,000
Audit fees (note 33)	345,000	345,000
Repairs and maintenance (note 34)	17,809,619	18,911,484
	937,786,714	766,835,093

21. Interest Income

Interest on loans and advances

Interest on cash credit	1,305,694,146	871,270,760
Interest on SOD	778,009,077	688,954,908
Interest on OD General	65,497,114	152,862
Interest on local bills discounted	287,751,268	232,903,159
Interest on foreign bills purchased	676,957	156,261
Interest on import finance	352,603,547	264,940,618
Interest on export finance	3,004,911	1,171,376
Interest on other demand loans	130,205,525	47,969,479
Interest on lease finance	67,191,335	68,457,427
Interest on house building loans	16,912,308	5,989,111
Interest on general term loans	298,535,872	201,994,140
Interest on SME loans	106,943,187	50,953,875
Interest on consumer credit scheme	1,532,690	596,044
Interest on credit card	163,513	-
Interest on agriculture & rural credit	8,284,052	2,974,130
Interest on staff loans	10,459,777	10,171,640
	3,433,465,278	2,448,655,790

Interest on money at call and short notice	7,682,097	89,995,451
Interest on FDR with other banks	320,597,719	277,643,477
Interest on SND with other banks	82,217,328	44,809,617
	3,843,962,422	2,861,104,335

22. Interest paid on deposits and borrowings

Interest on Deposits

Interest on savings deposits	37,913,848	20,069,155
Interest on special notice deposits	51,344,207	52,250,267
Interest on monthly savings schemes	49,300,329	18,796,730
Interest on monthly benefit schemes	134,141,120	98,660,783
Interest on special benefit schemes	84,902,546	60,956,735
Interest on fixed deposits	1,863,653,271	1,710,261,121
	2,221,255,322	1,960,994,792

Interest on call borrowing	62,583,875	26,035,207
Interest on credit lines	828,125	5,856,250
Interest on Bangladesh Bank Re-financing facilities	5,190,030	3,831,866
Interest on borrowing under REPO	17,473,172	53,097,085
	2,307,330,523	2,049,815,201



	2016 Taka	2015 Taka
23. Investment Income		
Dividend Received on Shares	1,643,143	723,131
Income on treasury bills, bonds and debentures		
Interest on treasury bonds	503,363,574	465,777,090
Interest on treasury bills	4,564,844	12,735,607
Interest on reverse REPO	-	2,758,487
Gains on trading of government securities	633,997,430	350,912,921
	1,141,925,848	832,184,105
Gains on Capital Market	-	242,880
	1,143,568,991	833,150,116
24. Commission, Exchange and Brokerage		
Fees, commission and brokerage		
Commission on bills & remittance	1,455,369	556,498
Commission on letters of credit	59,951,757	37,985,387
Commission on letters of guarantee	34,173,863	23,759,282
Commission on acceptances	17,502,408	10,815,339
Commission on add confirmation	570,583	10,882
Commission on bank underwriting	51,000	52,806
	113,704,979	73,180,193
Exchange earnings (net)	99,317,195	64,885,874
	213,022,174	138,066,068
25. Other Operating Income		
Banking service charge	55,895,979	41,323,435
Postage charge recovery	720,508	572,616
SWIFT charge recovery	8,128,786	4,475,423
Card operation charge	1,210,878	576,764
Miscellaneous income	2,887,701	1,946,806
	68,843,851	48,895,044
26. Salary and Allowances		
Basic salary	213,069,554	192,505,918
House rent allowance	94,869,732	73,868,187
Conveyance allowance	19,970,694	14,814,783
Medical allowance	29,306,569	23,577,435
House maintenance allowance	23,717,005	18,712,794
Utility allowance	23,675,005	18,616,594
Leave fare assistance	24,610,132	18,797,465
Festival bonus	39,789,653	32,550,574
Incentive bonus	42,477,160	14,267,684
Holiday banking allowance	401,000	-
Bank's contribution on provident fund	19,011,465	14,447,556
Provision for gratuity	8,000,000	6,000,000
Salary to casual labourer	56,038,775	46,118,088
	594,936,744	474,277,078
27. Rent, taxes, insurance, electricity etc.		
Rent	199,482,314	168,144,302
Rates and taxes	15,903,732	7,265,949
Utilities	24,816,914	21,112,334
Insurance	24,219,375	16,601,957
	264,422,335	213,124,542

	2016 Taka	2015 Taka
28. Legal and professional expenses		
Legal expenses	485,050	1,075,958
Professional fees	430,225	568,000
	915,275	1,643,958
29. Postage, stamp, telecommunication etc.		
Postage	1,401,097	1,260,845
Telephone, fax etc.	3,577,893	2,757,144
Internet	15,187,896	12,308,743
SWIFT	3,398,846	2,282,000
	23,565,732	18,608,732
30. Stationery, Printing, Advertisement etc.		
Computer stationery	2,270,567	1,490,303
Printing stationery	2,527,115	3,057,925
Security stationery	282,981	549,274
Petty stationery	6,184,322	5,359,113
Advertisement and publicity	8,997,026	16,976,683
	20,262,010	27,433,298
31. Managing Director's salary and allowances		
Basic salary	5,250,000	4,650,000
House rent allowance	1,749,996	1,549,989
House maintenance allowance	875,004	775,011
Medical allowance	1,749,996	1,549,989
Festival bonus	990,000	800,000
Incentive bonus	1,000,000	700,000
Utility allowance	875,004	775,011
	12,490,000	10,800,000
32. Directors' fees		
Meeting attendance fees	3,040,000	1,691,000
Each director of the bank was paid Tk. 8,000/- per attendance in board meeting and committee meeting held.		
33. Audit fees		
Audit fees	300,000	300,000
VAT on audit fees	45,000	45,000
	345,000	345,000
34. Repairs, maintenance and depreciation		
Repair and maintenance - bank's vehicles	494,242	457,995
Repair and maintenance	17,315,377	18,453,489
Depreciation / amortization:		
Motor vehicles	5,425,462	5,425,462
Machinery and equipments	31,730,315	25,076,465
Furniture & fixtures	5,445,081	4,174,826
Interior decoration	16,401,155	10,896,429
Computer and peripherals	32,604,620	30,423,373
Software	21,400,936	14,747,132
Office tools and accessories	3,183,296	2,153,644
	116,190,864	92,897,331
	134,000,483	111,808,815



	2016 Taka	2015 Taka
35. Other Expenses		
Entertainment expenses	11,263,356	6,815,852
Training expenses	759,488	1,835,772
Local travel expenses	5,342,147	4,778,867
Fuel expenses - bank's vehicles	927,776	1,063,911
Fuel and maintenance expenses - executives' vehicles	35,992,418	31,760,425
Subscriptions to trade associations	2,968,457	1,923,852
Expenses on bank's CSR activities	32,793,080	6,613,295
Business promotion and development	2,631,334	3,802,516
News papers & periodicals	898,418	314,778
Charges & duties to Government	265,940	79,250
Conveyance	1,544,994	1,519,106
Cash carrying charge	1,996,673	1,486,126
Cartage and freight	72,654	38,320
Washing and cleaning	986,702	911,747
Nostro account charges	1,734,405	195,527
Remittance charges	366,165	187,432
Clearing House and other bank charge	3,858,153	1,562,568
Expenses on AGM	191,510	166,524
Expenses on managers' conference	381,540	70,411
Miscellaneous expenses	747,517	224,685
Loss on sale/purchase of securities & investments	46,058,683	613,029
Loss on revaluation of investment	235,672,812	98,113,357
Branch & head office inauguration expenses	752,294	1,645,502
	388,206,517	165,722,852

36. Earning per share (EPS)

a) Net profit after tax	949,456,718	358,006,980
b) Number of ordinary shares	433,497,600	433,497,600
Earnings per share (a ÷ b)	2.19	0.83

Earnings per share has been calculated in accordance with BAS - 33: "Earnings Per Share (EPS)".
Previous year's figures have been adjusted for the issue of bonus shares during the year.

37. Increase / (decrease) of other assets

Closing -

Stock of stationeries and stamps	8,081,723	2,297,373
Advance rent, advertisement, etc.	278,709,782	314,331,678
Security deposits	504,484	492,264
Suspense accounts	65,841,752	25,335,719
	353,137,741	342,457,035

Opening -

Stock of stationeries and stamps	2,297,373	2,217,193
Advance rent, advertisement, etc.	314,331,678	317,114,555
Security deposits	492,264	308,819
Suspense accounts	25,335,719	115,457,001
	342,457,035	435,097,568
	10,680,707	(92,640,533)

	2016 Taka	2015 Taka
38. Increase / (decrease) of other liabilities		
Closing -		
Sundry creditors	14,501,775	30,466,443
Central EFT adjustment account	9,955,684	4,427,700
	24,457,459	34,894,142
Opening -		
Sundry creditors	30,466,443	1,696,972
Central EFT adjustment account	4,427,700	5,068,779
	34,894,142	6,765,751
	(10,436,683)	28,128,391

39. Net asset value (NAV) per share

a) Capital / shareholders' equity for the period	5,616,330,771	4,880,211,929
b) Number of outstanding shares	433,497,600	408,960,000
Net asset value (NAV) per share (a÷b)	12.96	11.93

40. Net operating cash flow (NOCF) per share

a) Net cash flow from operating activities	1,901,286,173	3,568,327,384
b) Number of outstanding shares	433,497,600	408,960,000
Net operating cash flow (NOCF) per share (a÷b)	4.39	8.73

41. Risk Factors and Risk Management

The Bank is following comprehensive Core Risks Management guidelines issued by Bangladesh Bank. Credit Risk Grading is done for all commercial exposures to minimize credit risks. Bank's Asset Liability Committee is entrusted with the responsibility of managing short-term & long-term liquidity. ALM guidelines have also been implemented. The Bank has established its KYC & operation control procedures for prevention of Money Laundering. The Bank has strengthened the internal control system and audit division to guard against lapses, fraud and forgeries. A comprehensive ICT policy has been formulated as per Bangladesh Bank guidelines and approved by the board of directors to minimize ICT risks which is followed meticulously.

42. Disclosure on audit committee of the Board

The Audit Committee of the Board was duly reconstituted by the Board of Directors of the Bank in its 53rd meeting held on 29 September 2016 compliance with BRPD Circular No. 11 dated 27 October 2013 of Bangladesh Bank and Corporate Governance Guidelines (SECCMRRCD/2006-158/134/Admin/44) dated August 07, 2012 of Bangladesh Securities and Exchange Commission (BSEC). The members of the Audit Committee of the Board as on 31 December 2016 is as under:

Name of the Member	Status with the Bank	Status in the Committee	Educational Qualification
Capt. M. Moazzam Hossain	Director	Chairman	M.Sc.
Mr. Md. Mizanur Rahman	Director	Member	M.Com.
Dr. Syed Hafizur Rahman	Independent Director	Member	Ph.D.
Mr. Hafizur Rahman Babu	Director	Member	S.S.C.

The Audit Committee of the Board convened 05 (five) meetings during 2016 further in which, among others, the following salient issues were discussed :

- Summary report on the audit findings of Bangladesh Bank and Bank's Internal Control & Compliance Department and corrective actions taken thereof.
- The Committee reviewed the Management Letter / Report for the year 2015 submitted by the external auditors of the Bank.
- The Committee reviewed the Quarterly, Half-yearly and Annual Financial Statements of the Bank.



- d) The Committee reviewed the Yearly Report on over all position as on 31 December 2015 as submitted by Internal Control & Compliance Division under the Risk Based Internal Audit system of the Bank.
- e) The Committee reviewed the introduction of modern, efficient Internal Control & Compliance system to mitigate the risks.
- f) The Committee reviewed the Annual Financial Statements for the year ended 31 December 2016.

43. Number of employees

As per the Schedule XI of the Companies Act, 1994, the number of employees (including contractual employees) engaged for the whole year or part thereof who received more than total remuneration of Tk 36,000 per annum or Tk 3,000 per month were 696 as at 31 December 2016 compared to 598 as at December 2015.

44. Events after the balance sheet date

The Board of Directors in its 60th meeting held on 02 April 2017 recommended dividend @ 15% (fifteen percent) for the year 2016. The total amount of dividend is Tk. 650,246,400 (Taka Sixty five crore two lac forty six thousand four hunderd) only.

45. General

- i) Figures appearing in these financial statements have been rounded off to the nearest Taka.
- ii) Figures of 2015 have been rearranged as per current year's presentation.


Chairman


Director


Director


Managing Director & CEO

Annexure - A

South Bangla Agriculture and Commerce Bank Ltd

Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Related party information is given below:

i) Directors' interest in different entities:

SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
1	Mr. S. M. Amzad Hossain	Chairman	2,12,00,000 & 4.89%	1. Lockpur Fish Processing Co. Ltd. 2. Khulna Printing & Packaging Ltd. 3. Bagerhat Seafood Ind. Ltd. 4. Shampa Ice & Cold Storage Ltd. 5. Western Inn International Ltd. 6. Metro Bricks Ltd. 7. Moon Star Jute Mills Ltd. 8. Khulna Builders Ltd. 9. Bangladesh Poly Printing Int'l Ltd. 10. Rupsha Fish & Allied Industry Ltd. 11. Ideal Polymer Export Ltd. 12. Eastern Polymer Ltd. 13. Moon Star Fish Ltd. 14. Khulna Apparels Ltd. 15. Woman Wears Ltd. 16. Ocean Trade International	80.00% 20.00% 75.00% 90.00% 20.00% 51.00% 44.00% 51.00% 50.00% 45.00% 30.00% 50.00% 60.00% 50.00% 50.00% 100.00%	
2	Mr. Talukder Abdul Khaleque	Vice-Chairman	11,20,000 & 0.26%	1. M/S Nahar Trading 2. Bangladesh Poly Printing Int'l Ltd. 3. Eastern Polymer Ltd. 4. Moon Star Polymer Export Ltd.	100.00% 30.00% 50.00% 25.00%	
3	Begum Sofia Amjad	Director	2,01,40,000 & 4.65%	1. Lockpur Fish Processing Co. Ltd. 2. Khulna Printing & Packaging Ltd. 3. Bagerhat Seafood Ind. Ltd. 4. Shampa Ice & Cold Storage Ltd. 5. Western Inn International Ltd. 6. Metro Bricks Ltd. 7. Moon Star Jute Mills Ltd. 8. Khulna Builders Ltd. 9. Rupsha Fish & Allied Industry Ltd. 10. Ideal Polymer Export Ltd. 11. Moon Star Fish Ltd. 12. Khulna Apparels Ltd. 13. Woman Wears Ltd.	20.00% 10.00% 25.00% 10.00% 60.00% 49.00% 7.41% 49.00% 23.00% 30.00% 40.00% 50.00% 50.00%	
4	Mr. Abu Zafar Mohammad Shofiuddin	Director	2,12,00,000 & 4.89%	1. SQ Wire & Cable Co. Ltd 2. SQ Trading & Engineering 3. SQ Light Ltd. 4. SQ Wood Preservatives 5. Techno Electricals Ltd. 6. TSCO Power Ltd. 7. TS Transformers Ltd 8. Microgenix BD Ltd.	32.24% 55.00% 35.00% 35.00% 16.89% 19.50% 34.50% 25.00%	



SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
5	Mr. Abdul Kadir Molla	Director	2,12,00,000 & 4.89%	1. Thermax Textile Mills Ltd. 2. Thermax Knit Yarn Ltd. 3. Thermax Spinning Ltd. 4. Thermax Blended Yarn Ltd. 5. Indigo Spinning Ltd. 6. Thermax Melanage Spinning Mills Ltd. 7. Thermax Yarn Dyeing Ltd. 8. Adury Knit Composite Ltd. 9. Adury Apparels Ltd. 10. Thermax Woven Dyeing Ltd. 11. Thermax Yarn Dyed Fabrics Ltd. 12. Sister Denim Composite Ltd. 13. Thermax Check Fabrics Ltd. 14. Thermax Colour Cotton Ltd. 15. Sister Garments Ltd. 16. Sultana Filling Point Ltd. 17. Adury Fashion & Print Ltd. 18. Adury Ring Denim Spun Ltd. 19. Kadir Molla Medical College & Hospital Ltd. 20. Sultana Enterprise	29.98% 30.00% 60.00% 30.00% 55.00% 60.00% 50.00% 50.00% 12.00% 60.00% 20.00% 19.00% 60.00% 20.00% 50.00% 55.00% 60.00% 20.00% 30.00% 100.00%	
6	Engr. Md. Moklesur Rahman	Director	2,12,00,000 & 4.89%	1. Contech Construction Ltd. 2. Pre Stressed Pole Ltd. 3. B&T Cables Ltd. 4. B&T Cold Storage Ltd. 5. B&T Development Ltd. 6. B&T Spinning Mills Ltd. 7. Echo Electricals Ltd. 8. B&T Distribution 9. B&T Meter 10. Tushar Ceramics Ltd. 11. B&T Transformer Ltd.	65.00% 65.00% 70.00% 6.67% 33.33% 50.00% 55.00% 100.00% 100.00% 25.00% 33.33%	
7	Mr. Md. Amzad Hossain, Nominated by Rupsha Fish & Allied Industry Ltd.	Director	1,80,00,000 & 4.15%	1. Khulna Printing & Packaging Ltd. 2. Bangladesh Poly Printing International Ltd. 3. Ideal Polymar Export Ltd. 4. International Core Factory Ltd.	5.00% 5.00% 10.00% 10.00%	
8	Mr. Maksudur Rahman	Director	1,81,26,000 & 4.18%	1. Ratanpur Steel Re-Rolling Mills Ltd. 2. Ratanpur Shipping Lines Ltd. 3. Ratanpur Ship Re-cycling Inds. Ltd. 4. Ratanpur Shipping Services Ltd. 5. Ratanpur Real-State Ltd. 6. Sapphire Corporation Ltd.	22.69% 60.00% 60.00% 40.00% 25.00% 65.00%	
9	Mrs. Tahmina Afroz	Director	2,12,00,000 & 4.89%	1. Anwer Khan Modern Hospital Ltd. 2. Haji Shakhawat Anwara Eye Hospital Ltd. 3. Modern Diabetic Centre Ltd. 4. Far East Finance & Investment Ltd. 5. Modern Holdings Ltd. 6. Mother Trade Centre	10.00% 10.00% 10.00% 1.34% 50.00% 100.00%	

SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
10	Mr. Muhammad Mohsin	Director	1,27,20,000 & 2.93%	1. Chittagong Fibre Board Ltd. 2. SAAD MUSA Fabrics Ltd. (Weaving 3. SAAD MUSA Fabrics Ltd. (Dyeing 4. Rokeya Spining Mills Ltd. 5. Emdad Etima Spinning Mills Ltd. 6. Mahamud Sajid Cotton Mills Ltd. 7. Sultana Habiba Fabrics Mills Ltd. 8. Saima Samira Textiles Mills Ltd. 9. SAAD MUSA Fabrics Ltd. (Garments 10. M A Rahaman Dyeing Industry Ltd. 11. SAAD MUSA Hometex & Clothing Ltd. 12. Hasni Vanaspati Manufacturing Co. Ltd. 13. Ahmadi Oil Mills Ltd. 14. Al-Mustafa Vegetable Oil Industry 15. SAAD MUSA Housing Complex 16. Desh Computers 17. SAAD MUSA City Centre 18. MARSS Automobile 19. Crescent Industries Ltd. 20. SAAD MUSA Properties Ltd. 21. Shade Developers Ltd. 22. Crescent Park Neighbor Hood 23. SAAD MUSA Fishing Project 24. S M Avenue Motors	43.33% 40.08% 40.08% 55.27% 55.27% 55.27% 55.27% 40.08% 40.40% 40.40% 79.18% 78.00% 77.12% 100.00% 100.00% 100.00% 2.50% 100.00% 86.78% 100.00% 100.00% 100.00%	
11	Mr. Hafizur Rahman Babu	Director	1,59,00,000 & 3.67%	1. Joytun Securities International Ltd. 2. Joytun Developers Ltd. 3. S.B. Agro Fertilizer Industries Ltd. 4. Sheikh Cement Mills Ltd. 5. Gold Hill Properties Ltd. 6. Sheikh Jute Mills Ltd. 7. M/S. Sheikh Brothers 8. M/S. Hafizur Rahman Babu 9. Joytun Tours & Travels 10. Joytun Agro Auto Rice Mills Ltd. 11. Sheikh Shipping Lines Ltd. 12. Sheikh LPG Ltd. 13. Sheikh Agro Food Industries	85.12% 50.00% 33.33% 18.18% 15.00% 16.67% 100.00% 100.00% 100.00% 33.33% 33.33% 33.33% 100.00%	
12	Mr. Anwar Hussain	Director	26,50,000 & 0.61%	1. SAFAH CNG Refuelling Station Ltd . 2. Anwar Corporation 3. HAR Industries Ltd. 4. Abdul Gaffar & Co. (Pvt.) Ltd. 5. Asuka CNG Filling Station Ltd. 6. AGI Corporation	8.33% 100.00% 30.00% 30.40% 25.00% 100.00%	
13	Ms. Kamrun Nahar	Director	53,00,000 & 1.22%	1. Canadian Trillinium School 2. Noor Asset Development 3. Intelligent Technology Solutions Ltd. 4. MK Fisheries 5. People's Leasing & Financial Services Ltd.	12.50% 25.00% 33.33% 100.00% 1.00%	
14	Mr. Md. Mizanur Rahman, Nominated by M/S. Contech Construction Ltd.	Director	2,12,00,000 & 4.89%	Executive Director, M/S. Contech Construction Ltd.	N/A	



SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
15	Capt. M. Moazzam Hossain	Director	2,16,20,000 & 4.99%	1. E-Securities Ltd. 2. Agrovita Ltd. 3. Admiral Trading Corp. 4. Ekushey Homes Ltd. 5. United Corp. Advisory Ltd. 6. Masters Ocean Voyage 7. Athena Venture and Equity Ltd. 8. Radiant Dredging Ltd. 9. Shoppers World Ltd. 10. Paramount Properties Ltd. 11. SS Steel Private Ltd. 12. Canadian Trillinium School 13. Sonar Bangla Insurance Ltd. 14. People's Leasing and Financial Services 15. Great Walls Land Property Ltd 16. Fareast International University	66.08% 60.00% 100.00% 35.00% 20.00% 100.00% 15.00% 42.00% 20.00% 30.00% 8.00% 25.00% 10.00% 2.40% 27.00% Member, Board of Trustees	
16	Mr. Sk. Shyeduljuman	Director	21,20,000 & 0.49%	1. Sadiana Trading 2. South East Union Ceramic Industries Ltd.	100.00% 5.00%	
17	Mr. Mohammad Nawaz	Director	1,73,84,000 & 4.01%	1. Famous Printing & Packaging Ltd. 2. Famous Iberchem Flavours & 3. Famous General Agencies Ltd. 4. Matcon limited 5. F.S. Printing & Packaging Ltd. 6. Green Soap & Chemical Co. Ltd. 7. Famous Flavours & Fragnances Ltd. 8. Eden Multicare Hospital	29.15% 29.16% 29.05% 28.96% 29.11% 29.07% 40.00% 2.50%	
18	Mst. Nasima Begum Nominated by Thermax Textile Mills Ltd.	Director	2,12,00,000 & 4.89%	1. Thermax Textile Mills Ltd. 2. Thermax Knit Yarn Ltd. 3. Thermax Spinning Ltd. 4. Thermax Blended Yarn Ltd. 5. Indigo Spinning Ltd. 6. Thermax Melanage Spinning Mills Ltd. 7. Thermax Yarn Dyeing Ltd. 8. Adury Knit Composite Ltd. 9. Adury Apparels Ltd. 10. Thermax Woven Dyeing Ltd. 11. Thermax Yarn Dyed Fabrics Ltd. 12. Sister Denim Composite Ltd. 13. Thermax Check Fabrics Ltd. 14. Thermax Colour Cotton Ltd. 15. Sister Garments Ltd. 16. Sultana Filling Point Ltd. 17. Adury Fashion & Print Ltd. 18. Adury Ring Denim Spun Ltd. 19. Kadir Molla Medical College & Hospital	25.00% 30.00% 40.00% 30.00% 45.00% 40.00% 50.00% 50.00% 8.00% 40.00% 20.00% 19.00% 40.00% 20.00% 50.00% 45.00% 40.00% 20.00% 25.00%	
19	Dr. Syed Hafizur Rahman	Independent Director	N/A	1. Shrimpex.com 2. Coal Mark 3. Alliums Trade Associate	100.00% 100.00% 100.00%	

As per clause 94(1) of Articles of Association of South Bangla Agriculture and Commerce Bank Limited the qualifying number of shares for a director is 10,00,000 (ten lac) which is 0.24% of paid up Capital of the Bank. As per Notification No. SEC/CMRRCD/2009-193/119/ Admin/34 dated November 22, 2011 of Bangladesh Securities and Exchange Commission, the qualifying No. of shares of a director should be at least 2.00% of paid up Capital, which is mandatory only for listed companies. As per regulation 2(5&6) of listing regulations of Dhaka Stock Exchange Limited the Bank is not yet become a listed company.

ii) Significant contract where bank is a party and wherein Directors have interest : NIL

iii) Shares issued to Directors and executives without consideration or exercisable at discount: NIL

iv) Related party transactions (loan to directors):

(Amount in Crore taka)

Name of the Borrower	Representing Director	Nature of Facilities	Outstanding as at 31 Dec 2016	Outstanding as at 31 Dec 2015
Mother Trade Center	Mrs Tahmina Afroz,	Cash Credit	-	10.33
Haji Shakwat Anwera Eye Hospital	Mrs Tahmina Afroz,	Cash Credit	1.32	10.33
Khulna Builders Ltd.	Mr. SM Amzad Hossain & Mrs. Begum Sufia Amzad	Cash Credit	16.00	-
Radiant Dredging Ltd.	Capt. M. Moazzam Hossain	Lease Finance & Cash Credit	6.18	5.00
Saima Samira Textile Miles Ltd.	Mr. Mohammad Mohsin	Cash Credit	10.27	-
Anwar Hussain & Imran Hossain	Mr. Anwar Hussain	House Building Loan	1.43	-
M M Fisheries	Mrs. Kamrunnahr	SOD (Gen)	4.11	-

v) Lending policies to related parties:

Related parties are allowed loans and advances as per the guidelines of Bangladesh Bank and credit policy of the bank.

vi) Business other than banking business with any related concern of the directors as per section 8 (2) of the Banking Companies Act 1991:

a) Lease agreement made with the directors / related concerns:

Nature of contract	Branch Name	Name of the Director and related by	Remarks
Lease agreement	Katakhali Branch	Mr. S. M. Amzad Hossain, Director & owner of the premises	Lease period: 01-07-2013 to 30.06.2023

b) Brokerage house :

Name of the Party	Relationship	Nature of Transaction	Amount
E-Securities Ltd.	Capt. M. Moazzam Hossain and common director	Brokerage house commission	Tk. 81,633

vii) Investment in securities of the Directors and their related concern: NIL

South Bangla Agriculture and Commerce Bank Limited

Schedule of Fixed Assets
as at 31 December 2016

Particulars	Cost		Disposals during the year	Balance at 31 December 2016		Accumulated Depreciation		On disposal during the year	Balance as at 31 December 2016		Net book value as at 31 December 2016
	Balance as at 01 January 2016	Additions during the year		Taka	Taka	Balance as at 01 January 2016	Charge for the year		Taka	Taka	
Motor vehicles	27,127,310	-	-	27,127,310	7,240,879	5,425,462	-	-	12,666,341	14,460,969	
Machinery and equipments	154,326,995	29,377,865	-	183,704,859	41,520,481	31,730,315	-	-	73,250,797	110,454,062	
Furniture and fixtures	51,604,656	9,499,374	-	61,104,030	7,183,478	5,445,081	-	-	12,628,558	48,475,472	
Interior decoration	159,402,945	38,750,234	-	198,153,179	16,167,563	16,401,155	-	-	32,568,718	165,584,461	
Computers and accessories	160,469,244	16,918,931	-	177,388,174	63,363,417	32,604,620	-	-	95,968,037	81,420,137	
Softwares	71,048,042	2,500,000	-	73,548,042	17,259,854	21,400,936	-	-	38,660,790	34,887,252	
Other tools	14,428,763	5,440,065	-	19,868,828	3,172,123	3,183,296	-	-	6,355,418	13,513,410	
At 31 December 2016	638,407,954	102,486,468	-	740,894,422	155,907,795	116,190,864	-	-	272,098,660	468,795,762	
At 31 December 2015	369,234,305	269,173,649	-	638,407,954	63,010,465	92,897,331	-	-	155,907,795	482,500,159	

Rate of Depreciation

Depreciation is charged for the period at the following rates using straight-line method on all fixed assets :

Particulars	Rate
Motor vehicles	20%
Machinery and equipments	20%
Furniture and fixtures	10%
Interior decoration	10%
Computers and accessories	20%
Softwares	20% or usable licence period
Other tools	20%



Annexure - C

South Bangla Agriculture and Commerce Bank Limited

Highlights on the overall activities of the bank

(Amount in Tk.)

Sl. No.	Particulars	2016	2015
01	Paid up capital	4,334,976,000	4,089,600,000
02	Total capital (Tier I +II)	5,821,618,266	4,785,178,152
03	Surplus/(deficit) capital	1,821,618,266	785,178,152
04	Total assets	45,599,984,613	36,687,935,396
05	Total deposits	38,337,200,601	30,775,384,934
06	Total loans and advances	30,174,092,816	23,128,287,837
07	Total contingent liabilities and commitments	9,245,369,121	4,987,949,591
08	Advance deposits ratio (%)	78.71%	75.15%
09	Classified loans to advance ratio (%)	0.00%	0.10%
10	Profit after tax and provision	949,456,718	358,006,980
11	Classified advances	-	22,325,617
12	Provision kept against classified advances	-	3,348,842
13	Surplus/(deficit) provision	-	-
14	Cost of fund (%)	9.47%	10.95%
15	Interest earning assets	41,387,851,133	33,246,689,924
16	Non interest earning assets	4,212,133,480	3,441,245,471
17	Return on investments (ROI) (%)	18.17%	17.57%
18	Return on Assets (ROA) (%)	2.31%	1.18%
19	Income from investments	1,143,568,991	833,150,116
20	Earnings per share	2.19	0.83
21	Profit per share	2.19	0.88
22	Price - earnings ratio (times)	N/A	N/A



List of Existing Branches

SL NO.	Branch	Address	Phone Number
1.	Principal Branch	Zaman Chamber 47, Dilkusha C/A, Dhaka - 1000	02-9587346-48
2.	Hemayetpur Branch	Ashraf Shopping Complex, Jadurchar, Hemayetpur Bazar, Savar, Dhaka.	02-7724939
3.	Agrabad Branch	96, Agrabad Ba/A Agrabad, Chittagong	031-2516183-85
4.	Bhatiary Branch	N.D. Bhaban, DT Road, Bhatiary, Shitakunda, Chittagong	037-2781271
5.	Khulna Branch	Chamber Building Complex, 05, KDA Avenue Khan a Sobur Road, Khulna	041-733464, 733426
6.	Katakhali Branch	Katakhali More, Khulna Mongla Road, Fakirhat, Bagerhat	046-6356117
7.	Keranigonj Branch	Aktar Tower, Bridge Road, South Kadamtoli Aganagar South Keranigonj, Dhaka.	02-7764456-57
8.	Uttara Branch	Plot-71, Sector-07, Cosmo Shopping Centre, Azampur Uttara, Dhaka	02-7911951, 7911863, 7911471
9.	Gulshan Branch	Casablanca 114, Gulshan Avenue Dhaka-1212	02-9853091
10.	Velanagar Branch	Mahbub Molla Concord Tower, Jailkhana More, DC Road Narshingdi Sadar, Narshingdi	02-9452487-88
11.	Imamgonj Branch	Crown Bhaban 59, Midford Road, Imamgonj, Dhaka	02-7342223
12.	Ashulia Branch	Holding: 4104 Baipile, Bashundhara, Ashulia, Dhaka	02-7789414-15
13.	Dhanmondi Branch	A M M Center, Shat Masjid Road, Road - 3/A, House - 56/A Dhanmondi, Dhaka.	02-9665264, 9665267
14.	Sylhet Branch	11, Naya Shorok, Sylmart Complex East Zinda Bazar, Sylhet.	0821-726297-98
15.	Jubilee Road Branch	Ali Building (2nd Floor), 837, Jubilee Road, Chittagong.	031-2856695-96
16.	Bogra Branch	Padma Mansion, Dutta Store (2nd Floor) 742, Jhautola, Rajabazar, Bogra.	051-69727, 62412, 62108
17.	Mawna Branch	Hazi Abdul Khaleque Master Super Market, Mulaid, Telihati, Sreepur, Gazipur.	0447-8984788
18.	Islampur Branch	Siddik Mansion, Islampur Bazar, Thana - Shahporan, Sylhet.	0821-762168
19.	Modunaghat Branch	South Madarsha, Rashid Bari, Hathazari, Chittagong.	031-671552, 671542
20.	Shyamnagar Branch	469, Moti Morol Super Market Badghata, Shyamnagar Satkhira.	04-72644182
21.	Gazipur Branch	Tajpur Tower (2nd Floor) Bhaoal College Road, Chandura Square, Gazipur.	02-9294506-07
22.	Moynamoti Branch	Mostafa Palace and Hazi Faruk Plaza, Nischintopur, Moynamoti Cantonment, Comilla.	081-73740
23.	Bangla Bazar Branch	Patowari Plaza (1st Floor), Nadna, Bangla Bazar, Sonaimuri, Noakhali.	01787-693618
24.	Banani Branch	28 & 30, Kemal Ataturk Avenue, Banani, Dhaka.	02-9822365-68
25.	Chuknagar Branch	Holding # 240 (1st Floor), Chuknagar, Dumuria, Khulna.	01787-693625
26.	Satkhira Branch	Holding # 44/46 (Gr. Floor), Sultanpur, Satkhira Sadar, Satkhira.	0471-63806, 63804, 63010
27.	Barisal Branch	City Plaza (1st & 2nd Floor), 449 K.B. Hemayet Uddin Road, Barisal.	0431-2177718, 2177714
28.	Sarbolokkhona Branch	Holding #26 (1st Floor), Bagher Bitar Bazar, Sarbolokkhona, Manohardi, Narsingdi.	01787-693621

SL NO.	Branch	Address	Phone Number
29.	Rajshahi Branch	ARC Bijoy Tower, Holding # 3415 (Old), 30 (New), Rani Bazar, Boalia, Rajshahi.	0721-773375, 773653, 773395, 773693
30.	Nababpur Branch	Holding # 219/220 (Old), 42 (New), Nababpur Road, Sutrapur, Dhaka.	02-9512007, 9512016, 9512047, 9512059
31.	Mirpur Branch	Galaxy Hospital Bhaban, Holding# 29 & 30, Section# 6, Main Road#1, Mirpur, Dhaka.	02-9032960-63
32.	Shibu Market Branch	Kutub Ail, Khijirpur, Fatullah, Narayanganj.	7635122, 7635123
33.	Ghonapara Branch	Ghonapara, Vate Dour, Gopalganj.	01714-747065
34.	Digraj Branch	Shaheen Market, Digraj, Biddar Baon, 2 Burir Danga - Union, Mongla, Bagerhat	0466-275208, 275209
35.	Baburhat Branch	Shekher Char, Methorpotti Baburhat, Narsingdi	02-9446060
36.	Narayanganj Branch	Building#71, 99 Bangabandu Road, Ukil Para, Narayanganj	02-7647593
37.	Motijheel Branch	68 Purana Paltan, Motijheel, Dhaka	02-9511241
38.	Rangpur Branch	Paper Palace Tower (1st Floor), Paira Chattar, Rangpur	0521-56481-3
39.	Jessore Branch	36 (Old), 84 (New) Rabindranath Road (1st Floor), Jessore	042172124
40.	Takerhat Branch	Takerhat Mor, Takerhat, Madaripur	066-23563991
41.	Fatikchhari Branch	S A Centre (1st Floor) College Road, Bibirhat, Fatikchhari, Chittagong,	030-2256345
42.	Nasirabad Branch	Yakub Trade Centre, 89/304 East Nasirabad, Chittagong	031-2550321
43.	Bhomra Branch	C&F Association Bhaban (1st Floor), Bhomra, Satkhira	047181133-35
44.	Morrelganj Branch	Morrelganj Mor, Bagerhat	0465-656418
45.	Hasnabad Branch	Shamsu Rani Villa, Hasnabad, South Keranigonj, Dhaka-1311.	01787 693 620
46.	Kharabad Baintola Branch	Sundarban Shopping Centre, Kharabad Baintola, Amirpur, Batiaghata, Khulna.	01711 398 751
47.	Chalakchar Branch	Chalakchar Bazar, Monohardi, Narsingdi.	01787 693 648
48.	Natore Branch	555, Nahar Market, Kanaikhali, Natore.	01787 693 830
49.	Maligram Branch	Maligram Bazar, Bhanga, Faridpur.	01714 084 822
50.	Panthapath Branch	Salim Centre, 19/2, West Panthapath, Dhaka-1205	01787 693 893
51.	Mouchak Branch	Mouchak, Kaliakoir, Gazipur.	01787 693 645
52.	KDA C/A Branch, Khulna	Mojid Sarani, Shib Bari, KDA C/A, Khulna.	01711 392 097
53.	Dinajpur Branch	Monija Khatun Complex, South Munshipara, Dinajpur.	01787 693 643
54.	EPZ Branch, Chittagong	AminTower, Bandortila, Sailors Coloni, EPZ, Chittagong.	01787 693 604

Proposed Branches:

Feni Branch	371, S.S.K. Road, West Baraipur, Feni Sador, Feni
Kushtia Branch	"Noor Tower", 262/2, N.S. Road, Kushtia Sador, Kushtia
Progoti Saroni Branch	"Manama M S Toren", Ga-99/3/A & B, Progoti Saroni, Middle Badda, Dhaka.
Lobonchora Branch	Modina Tower, Lobonchora bandh bazaar Main Road, Lobonchora, Khulna City Corporation, Khulna
Khatungonj Branch	Khatungonj, Kotwali, Chittagong
Jibonnagar Branch	Jibonnagar, Chuadanga
Addabazar Branch	Addabazar, P.S- Barura, Dist.-Comilla
Faltita Branch	Battola Bazar, Faltita, Fakirhat, Bagerhat
Amin Bazar Branch	Amin Bazar, Savar, Dhaka
Banaripara Branch	Banaripara Pourasova, Barisal



Head Office, Sun Moon Star Tower, 37 Dilkusha Commercial Area, Dhaka-1000.

PROXY FORM

I/We
of (Address)
being Member(s) of South Bangla Agriculture & Commerce Bank Limited and entitled to vote, hereby
appoint Mr./Mrs./Ms/Miss

.....
of (Address) as my/our
Proxy to attend and vote on my/our behalf at the 4th AGM of the Company to be held at 11:00 a.m on
Wednesday, May 10, 2017 or at any adjournment thereof.

Signed this day of, 2017.

Signature of Proxy

Signature of Member

Folio No.

No. of Shares held

Revenue
Stamp

Tk. 20/-

N.B: This Proxy Form, duly completed (as recorded with the Bank) and signed (in accordance with the specimen signature recorded with Bank), must be deposited at the Registered Office of the Company at least 48 (forty eight) hours before the Meeting. Proxy is invalid if not signed and stamped as explained above.

ATTENDANCE SLIP

I hereby record my attendance at the 4th AGM of the Company being held on Wednesday, May 10, 2017 at 11:00 a.m. at Rest House (Banglo), Thermax Group, Borayetola, Shibpur, Narsingdi.

Name of Member/Proxy (In Block Letters)

Folio No.

No. of Shares held.....

Signature of the Member/Proxy

Date

N.B: 1. Members attending the Meeting in person or by proxy are requested to complete the Attendance Slip and deposit the same at the registration counter on the day of the Meeting.

2. Please note that AGM can be attended only by the Members or properly constituted Proxy. Therefore, any friend or children accompanying the Members or Proxy cannot be allowed in the Meeting.



Head Office

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