



# ANNUAL REPORT 2019

সাউথ বাংলা এগ্রিকালচার গ্র্যান্ড কমার্স ব্যাংক লিঃ

7<sup>th</sup>

Annual General Meeting (AGM) of South Bangla Agriculture & Commerce Bank Limited will be held on August 18, 2020 at Head office of the Bank, BSC Tower, 2-3 Rajuk Avenue, Motijheel, Dhaka-1000.

## Expansion

South Bangla Agriculture & Commerce (SBAC) Bank Limited started its journey in 2013 with a vision to be customer-friendly & trustworthy. The journey with a uniquely qualified leadership and a firm capital base of BDT 4089.6 million along with timeless service excellence elevated us to a capital position of BDT 6,224.05 million. Basing on a rock-solid capital foundation, our highly talented workforce has enabled us to offer our customers a wide array of differentiated financial solutions. Our unparalleled leadership, remarkable client-base and hard working workforce have led us to achieve a robust business growth with a balance sheet size of BDT 84,564.01 million, operating profit of BDT 2,269.18 million and extensive branch network of 82 branches & 06 Sub-branches. We, together with our vastly experienced leaders are firmly committed to uphold the customer's financial interests protected. As one of this country's new generation and fastest growing banks, we offer our customers innovative financial solutions, modern technology based 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, go AML etc.) within the shortest time. To run with the pace of financial digitalization we have already launched our apps-based digital wallet "Banglapay" with some unique features. We are here to deliver the latest financial services at the doorstep of the customer, so we have established a number of financial inclusion booths in the unbanked areas of the country. We have set up a goal of steady expansion ensuring the best customer services with reliable financial offerings and accordingly have drawn the strategic plan to achieve that goal. We are committed to the highest level of ethical standard, where top priority is given in ensuring the best product diversification & rendering the most delightful service as a team.





## Our Vision

To be a Leading-edge Bank exploring inclusive financial ecosystem by connecting individuals, corporate & communities maintaining high standards of governance, ethics and creating value for our stakeholders.



## Our Mission

- Ensure the best-run, customer-focused, integrated financial environment with a unique and inclusive employee culture.
- Ensure work efficiency, capital adequacy, asset quality and sound management.
- Deliver service excellence to all segments of customer.
- Provide personalized services to women entrepreneurs, agro, SME & MSMEs for sustainable growth.
- Protect the interest of the society by fulfilling corporate social responsibilities.

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## Letter of Transmittal

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

Subject: Annual Report 2019 of South Bangla Agriculture & Commerce Bank Ltd.

Dear Sir/Madam (s),

Reference to the above, we enclose herewith copy of Annual Report 2019 of South Bangla Agriculture & Commerce Bank Limited along with Audited Financial Statements as on 31st December 2019. 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.

A handwritten signature in black ink, appearing to read 'Md. Mokaddess Ali ACS'.

Md. Mokaddess Ali ACS  
Senior Vice President &  
Company Secretary

## NOTICE OF THE 7<sup>th</sup> ANNUAL GENERAL MEETING

Notice is hereby given to all Members of South Bangla Agriculture & Commerce Bank Limited (the "Company") that the 7th Annual General Meeting of the Members of the Company will be held online on Tuesday, August 18, 2020 at 11:00 am at Head office of the Bank, BSC Tower, 2-3 Rajuk Avenue, Motijheel, Dhaka-1000 to transact the following business and adopt necessary resolutions:

### AGENDA:

1. Confirmation of Minutes of the 6<sup>th</sup> Annual General Meeting.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2019.
3. To declare dividend out of the Profits for the year ended December 31, 2019.
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. 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.
6. To appoint practicing Professional Accountant or Secretary for certification on compliance of the Corporate Governance Code.
7. To approve the appointment of Independent Director.
8. To intimate expenditure regarding Vehicles of Bank's Pool.
9. To transact any other business with permission of the Chair.

Dhaka  
Date: 27.07.2020

By order of the Board



Md. Mokaddess Ali ACS  
Senior Vice President &  
Company Secretary

### NOTES:

- a. The date of Book Closure (Record Date) shall be July 26, 2020;
- b. The Shareholders whose names appear in the Register of Members of the Company as at the close of the business on July 26, 2020 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 July 26, 2020.
- f. The meeting will be held through virtual platform (zoom). Link, ID & Passcode to participate in the meeting will be sent later on through email addresses & Contract Nos as per our records.
- g. As per BSEC Notification no. BSEC/CMRRCD/2006-158/208/Admin /81 dated 20 June 2018, Annual Report-2019 will be sent in the form of soft copy to the Shareholders' e-mail addresses. It will also be available in the Bank's Website.





## Commitments

SBAC Bank Ltd. 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 the Bank employees work together to deliver effective results for our customers and community.

### Compliance Culture:

Good governance is the backbone of any organization. Compliance is the pr-requisite to establish good governance. In South Bangla Agriculture and Commerce Bank Limited, we believe in compliance Culture. 'Compliance first; profit is it's logical consequence' with this motto the Bank is moving forward to accomplish the organizational goal.

### Client Focus:

- Bank is mainly a service oriented organization. To meet the need of customer with satisfactory service, we adopted modern technology based Core Banking Solution. 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 help 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.
- 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 for our customers, shareholders and employees.

### Integrity:

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

### Innovation:

- Since our inception, the Bank believes innovation is 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 under privileged or unbanked.

### Teamwork:

- We ensure access to information openly within the stakeholders of the Bank.
- We believe in Total Quality Management (TQM) within the Bank.
- 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 that 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 contented 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 basic philosophy of human resources development of the bank and we believe that the Bank's unique corporate culture will be further developed by the continuation of practicing 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

Keeping the socio-economic trend in mind, we have set below our strategic priorities for the year 2020:

1. Islamic Banking has experienced a phenomenal growth and expansion in Bangladesh, we are going to step forward to Shariah Banking which provides a large opportunity, if we may create a trust that we are doing shariah practice properly within the Bank.
2. Our prime focused on the asset quality of the Bank. The Board as well as the Management have set goal of nominal classification. We have formulated policies and accordingly revised organizational structure to keep the non performing loan (NPL) below 1%.
3. We believe in compliance culture. Our philosophy is 'compliance first; profit is its logical consequence'. We must do business in compliance with the laws of the country.
4. The issue of reduction of discretionary cost has been being addressed on a priority basis.
5. Maintaining highest quality of customer services by offering best products compatible with customers' needs. We have already re-designed our products and services. Some lucrative liability products have been launched.
6. 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.
7. Continuation of diversification of credit portfolio in corporate exposure, focus 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.
8. Improvement of deposit mix by penetrating board-based customers, increase share of low cost and no cost deposit in total deposit, increase non-funded (non-interest fee based) business.
9. Maintaining required level of liquidity through skillfully managing asset-liability mismatch and recovery of past due loans.
10. Administering regular and effective monitoring and conducting recovery drive to ensure that loans and advances do not turn non-performing.
11. Diversification of products and services by introducing IT based innovative products and engaging alternate delivery channels.
12. Expediting delivery of inward remittance to increase the flow of foreign remittance.
13. Professional Development through online-based education and training platforms to continue with the capacity development programs.
14. Continuously improving internal governance through strengthening good corporate cultures, motivation, training and supervision at all levels of management.
15. Conduct Business Process Re-engineering in different functional areas to improve efficiency and bring in required structural changes.
16. Develop Human Resources Management system to motivate and retain Human Resources and transform them into Human Assets through continuous skill development.
17. 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.



## **COMPANY HISTORY**



## Corporate Information

Name of the Company	: South Bangla Agriculture and Commerce Bank Limited.
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 under Banking Companies Act 1991 (amended up to 2018)
Head Office (Registered)	: BSC Tower, 2-3 Rajuk Avenue, Motijheel, 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 & CEO	: Mr. Tariqul Islam Chowdhury
Company Secretary	: Mr. Md. Mokaddess Ali ACS
Auditors	: Hoda Vasi Chowdhury & Co., Chartered Accountants
Tax Consultants	: Islam and Co., Chartered Accountants
Legal Consultant	: Bhuiyan Islam and Zaidi.
No. of Branches	: 82
No. of Sub Branches	: 06
No. of Authorised Dealer	: 06
No. of Offshore Bank	: 01
No. of ATM Booth	: 33
No. of Employees	: 869
<b>Stock Summary</b>	
Authorized Capital	: Tk. 10,000 million
Paid up Capital	: Tk. 6,224.05 million
Face Value per Share	: Tk. 10
Chairman's Office	: Akram Tower (9 <sup>th</sup> Floor), 199, Sayed Nazrul Islam Sarani 15/5, Bijoy Nagar, Dhaka-1000.
E-Mail	: lockpurgroup@gmail.com

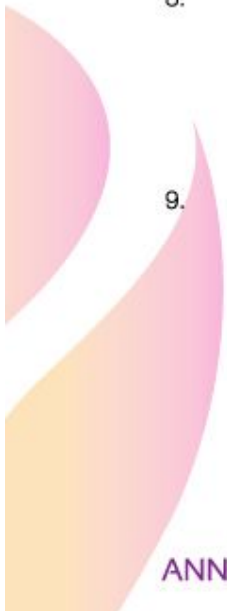
## Milestones

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.	25/03/2013
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	Opening 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	11/24/2015
20	Obtained Letter of Appreciation, awarded by Bangladesh Bank	4/12/2016
21	Obtained Patel Award of Sardar Patel Trust, Gujrat India	23/09/2016
22	Agreement on Green Transformation Fund for Export oriented Textile & Textile Products, Leather manufacturing industries and Jute products	09/02/2017
23	The Bank has achieved "Grade A" for Successful implementation of National Integrity Strategy Action plan for the Quarter April-June, 2017	30/06/2017
24	Signing Agreement with JICA for "Two Step Fund of Foreign Direct Investment Promotion Project(FDIPP) BD-P86"	14/02/2018



## UNIQUE ACHIEVEMENTS

1. The Bank has been rated A3 (long term) and ST-2 (short term) By Credit Rating Agency of Bangladesh Ltd. (CRAB) on June 27, 2018.
  2. SBAC Bank achieved "The Golden Globe Tigers Award 2018" (for Excellence and Leadership in Branding and Marketing) in the individual and Organization Category of Service Excellence as a recognition of our good governance and brand image.
  3. The bank has opened so far 82 branches maintaining rural-urban ratio 1:1.
  4. At the end of December 2019, Balance Sheet size of the bank reached to Tk. 84,564.01 million.
  5. The Bank made robust business growth in all respects of its business in 2019 i.e. the operating profit growth 16.85%, total assets growth 19.68%, total deposits growth 20.63%, total loans and advances growth 11.43%.
  6. The Bank earns net profit of Tk. 967.60 million in 2019 with a rising trend in compare to that of previous year.
  7. SBAC Bank Ltd. has been able to uphold the quality of it's assets at a significant level by keeping Non-performing loan (NPL) very low.
  8. Among the new banks, SBAC Bank Ltd. was first to go on live with SWIFT and open USD Nostro Account with Correspondent Banks in the USA, gets Credit Line Arrangement with foreign bank for LC confirmation and discounting thereof to facilitate foreign trade business.
  9. The Bank has made Drawing Arrangements 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
  10. NK Corporation, Xpress Money Services Ltd., Western Union Network, Ria Financial services and Turbo Cash under arrangement of Sub-agency/associate member.
  10. In order to support the Non-AD (Non-Authorized Dealer) branches, the bank established Central Trade Processing Unit (TPU) at Head Office.
  11. To transform the human resources into human asset, the bank established it's Training institute at the beginning of 2014.
  12. The Bank launched Online Banking Service from the 1st day of it's operation.
  13. Among the new generation banks, our Bank was the first to commence BACPS Operation, Inaugurate EFTN/ RTGS Operation and State of the Art Data Centre.
  14. 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.
  15. 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 will be disbursed at flexible terms and subsidized interest rate.



16. To strengthen the organizational capability and human resources base, the bank has recruited 100 talented, meritorious and deserving candidates as MTO (Management Trainee Officer) who had come out successful after rigorous selection procedures of which 75 joined the bank.
17. To combat Money Laundering and Terrorist Financing appropriate preventive measures have been taken.
18. The Bank got "Letter of Appreciation" for achieving agriculture finance target in 2016.
19. As an international recognition, the Bank achieved "Sardar Patel Award 2016" for the contribution in socio-economic development of our country.
20. Agreement on Foreign currency loan from 'Long Term Financing Facility' under their financing agreement with International Development Association (IDA) of World Bank (WB)' On August 04, 2016.
21. Agreement on 'Green Transformation Fund for Export oriented Textile & Textile Products, Leather manufacturing industries and Jute products' On 09 February, 2017.
22. The Bank has achieved "Grade A" for Successful implementation of National integrity strategy Action plan for the Quarter April-June, 2017.
23. Agreement with JICA on 'Two Step Fund of Foreign Direct Investment Promotion Project(FDIPP) BD-P86' On 14 February 2018.
24. we have introduced SBAC Digital Wallet "Banglapay" on 16<sup>th</sup> December 2018 to offer digital financial services through mobile phones, QR based point-of-sale and networks of small-scale agents.





Year	Long Term Rating	Short Term Rating	Date of Rating	Valid Till
2018	A <sub>3</sub>	ST-2	27 June 2018	30 September 2020
2017	A <sub>3</sub>	ST-2	21 June 2017	30 June 2018
2016	BBB <sub>1</sub>	ST-2	02 June 2016	30 June 2017

Long Term : A<sub>3</sub>

- Commercial Banks rated 'A<sub>3</sub>' have strong capacity to meet their financial commitments
- Judged to be of high quality with low credit risk.

BBB<sub>1</sub>

- Commercial Banks rated BBB<sub>1</sub> have adequate capacity to meet their financial commitments.

Short Term : ST-2

- Commercial Banks rated 'ST-2' category are considered to have strong capacity for timely repayment of obligations characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of funds.

Outlook : Stable

The above rating has been done by Credit Rating Agency of Bangladesh Ltd. (CRAB) on the basis of Financial Statements of 2018, 2017, 2016 and other qualitative & quantitative information.

# LEADERSHIP



## THE BOARD OF DIRECTORS



**Mr. S.M. Amzad Hossain**  
Chairman



**Mr. Talukder Abdul Khaleque**  
Vice-Chairman &  
Chairman, Executive Committee  
(Independent Director)



**Captain M. Moazzam Hossain**  
Director &  
Chairman, Risk Management Committee



**Mr. Abdul Kadir Molla**  
Director



**Begum Sofia Amjad**  
Director



**Mr. Abu Zafar Mohammad Shofiuddin**  
Director



**Al-haj Mizanur Rahman**  
Director



**Engr. Md. Moklesur Rahman**  
Director



**Ms. Kamrun Nahar**  
Director



**Mr. Hafizur Rahman Babu**  
Director



**Mr. Anwar Hussain**  
Director



**Mrs. Tahmina Afroz**  
Director



**Mr. Sk. Shyedujjaman**  
Director  
Nominated by:  
Moonstar ceramic industries Ltd.



**Mr. Mohammad Nawaz**  
Director



**Mr. Mohammed Ayub**  
Director



**Mst. Nasima Begum**  
Director  
Nominated by:  
Thermax Textile Mills Ltd.



**Mr. Sakhawat Hussain**  
Director  
Nominated by:  
Haj Shakhawat Anwara Eye Hospital Ltd.



**Dr. Syed Hafizur Rahman**  
Independent Director



**Mr. Md. Sajidur Rahman**  
Independent Director &  
Chairman, Audit Committee

## COMMITTEES OF THE BOARD

### EXECUTIVE COMMITTEE

Chairman

Mr. Talukder Abdul Khaleque

Members

Engr. Md. Moklesur Rahman

Mr. Anwar Hussain

Mr. Mohammad Nawaz

Mr. Sk. Shyedujjaman

### AUDIT COMMITTEE

Chairman

Mr. Md. Sajidur Rahman

Members

Mr. Abu Zafar Mohammad Shofiuddin

Al-Haj Mizanur Rahman

Dr. Syed Hafizur Rahman

Mr. Sakhawat Hussain

### RISK MANAGEMENT COMMITTEE

Chairman

Captain M. Moazzam Hossain

Members

Ms. Kamrun Nahar

Mr. Mohammad Nawaz

Mr. Mohammed Ayub

Dr. Syed Hafizur Rahman

### SECRETARY TO THE COMMITTEES

Mr. Md. Mokaddess Ali ACS

## List of Honorable Sponsor Shareholders



Mr. Maksudur Rahman



Mr. Motiur Rahman



Miss Tajori



Ms. Mysha Khabir



Mr. Mohammed Hasan



Mr. Md. Yakub



Mr. Iqbal Haider Chowdhury



Mr. Mohammed Nazrul Islam



Mr. A.K. Mizanur Rahman, FCA



Mr. Mainul Huq Khan  
Representing  
Padma Lamitube Ltd.



Mr. Mozaharul Haque Shahid



Mr. Md. Emdadul Haque



Mr. Md. Eathashamul Haque



Mr. Kafil Uddin Bhuiyan



Mr. Shahab Uddin Khan



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



Mr. Mohammad Imran



Mrs. Shamima Hossain



Ms. Sadnam Sadiana



Mr. Md. Mizanur Rahman



Ms. Shamsun Nahar Rahman



Mr. Mohammed Ilias



Mr. Md. Mizanur Rahman  
Representing  
M/S. Contech Construction Ltd.



Mr. Ayaz Waris Khan Warisi



Mr. Mohammad Abdul Hye



Mr. Md. Amzad Hossain  
Representing  
Rupsha fish & Allied Industries Ltd.



Mr. Md. Toyamur Islam Rasel



Barrister Ehsan-E-Moazzam  
Representing  
Agrovita Ltd.



Mr. Goutam Kumar Kundu  
Representing  
Southern Foods Ltd.



Mr. Md. Mahin



Mr. Md. Ezaz Uddin  
Representing  
M/S Moonstar Polymer Export Ltd.



Mr. Tabassum Arifin Rahman



Mr. Eshmam Arifin Rahman



Ms. Mahia Binte Mizan



Mr. Mohammed Belal



Mrs. Shirin Akter  
Representing  
Techno Electricals Ltd.



Mr. Khan Habibur Rahman  
Representing  
Moonstar Ceramic Industries Ltd.



Mr. A B M Ruhul Amin Howlader

## 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 and subsequently reappointed for a further period of three years on 10-02-2019. 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 corporate independent units named: Lockpur Fish Processing Co. Ltd., Khulna Printing & Packaging Ltd., Bagerhat Seafood Ind. Ltd., Shampa Ice & Cold Storage Ltd., Western Inn International Ltd., Metro Bricks Ltd., Moon Star Jute Mills Ltd., Khulna Builders Ltd., Bangladesh Poly Printing Int'l Ltd., Rupsha Fish & Allied Industries Ltd., Ideal Polymer Export Ltd., Eastern Polymer Ltd., Moon Star Fish Ltd. and Ocean Trade International. 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. As a philanthropist Mr. Hossain has established several schools, colleges, mosques and other socio-religious institutions. He was honored as Commercially Important Person (CIP) in export & in trade in 2015 and 2016 consecutively.





**Mr. Talukder Abdul Khaleque**

Independent Director & Chairman, Executive Committee of the Board.

Mr. Talukder Abdul Khaleque is an Independent Director & the Vice-Chairman of South Bangla Agriculture and Commerce Bank Limited. Moreover, he is the Chairman of Executive Committee of the Board. He graduated from M M City College in 1974. Mr. Talukder Abdul Khaleque is the proprietor of M/S. Nahar Trading. He is a veteran politician of Bangladesh. Mr. Talukder is former State Minister. Presently, he is the Mayor of Khulna City Corporation.



**Captain M. Moazzam Hossain**

Director & Chairman, Risk Management 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 Risk Management 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. Captain M. Moazzam Hossain is the Chairman of E-Securities Ltd. & Agrovita Ltd. At the same time, He is involved with Admiral Trading Corp., Ekushey Homes Ltd., United Corp. Advisory Ltd., Masters Ocean Voyage, Athena Venture and Equity Ltd., Radiant Dredging Ltd., Shoppers World Ltd., Canadian Trillinium School, Great Walls Land Property Ltd., Fareast International University, SS Steel Private Ltd.



**Mr. Abdul Kadir Molla**  
Director

Mr. Abdul Kadir Molla is one of the Sponsor Directors of the Bank. 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., Thermax Check Fabrics Ltd., Sister Denim Composite Ltd., Indigo Spinning Ltd., Thermax Colour Cotton Ltd., Sister Garments Ltd., Adury Knit Composite Ltd., Adury Apparels Ltd., Adury Fashion & Print Ltd., Adury Ring Denim Spun Ltd., Kadir Molla Medical College & Hospital Ltd., Sultana Enterprise and Sultana Filling Point Ltd. Mr. 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. Abdul Kadir Molla City College secured the second best result in Dhaka Board for last few years. 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.



**Begum Sufia Amjad**  
Director

Begum Sufia Amjad is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. 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. Besides, she holds a significant number of shares as a Director of Lockpur Fish Processing Co. Ltd., Bagerhat Sea Food Ind. Ltd., Shampa Ice & Cold Storage Ltd., Rupsha Fish & Allied Ind. Ltd., Metro Bricks Ltd., Moon Star Jute Mills Ltd., Moon Star Fish Ltd., Western Inn International Ltd., Khulna Builders Ltd., Khulna Printing & Packaging Ltd. She has a remarkable contribution in socio economic activities in her local area.



**Mr. Abu Zafar Mohammad Shofiuddin**  
Director

Mr. Abu Zafar Mohammad 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. He is the Chairman of SQ Group of Companies which is comprising sister concerns: SQ Wire & Cable Co. Ltd, SQ Trading & Engineering, SQ Light Ltd., SQ Wood Preservatives, SQ Wood Preservatives, SQ Power Solutions, SQ Energy Ltd., SQ Properties Ltd., SQ Service Ltd., Techno Electricals Ltd., TS Transformers Ltd., TSCO Power Ltd., SRN Power and BMIT Solutions Ltd., Power-Ad. Mr. Shofiuddin is involved with Stemz Health Care (BD) Ltd. & Building Dreams Ltd. also.



**Al-Haj Mizanur Rahman**  
Director

Al-Haj Mizanur Rahman is one of the Sponsor Directors of the Bank. Mr. Rahman is a prominent business personage having huge conglomerates in the Real estate, Construction, Housing and Print media sector. Al-Haj Mizanur Rahman, by dint of his dynamic leadership founded Moon Group of Industries Limited in 1989. Today, Moon Group of Industries Ltd, most commonly known as Moon Group, is one of the largest and leading business conglomerates of Bangladesh having Sister Concerns namely: Madina Properties Limited, M R Trading Company Limited, Moon Bangladesh Ltd., and Sun Moon Star Real Estate International etc. Besides, he has involved himself in different socio economic activities.



**Engr. Md. Moklesur Rahman**  
Director

Engr. Md. Moklesur Rahman is one of the visionary industrialists in Bangladesh. He is one of the Sponsor 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 Ltd., 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 Ltd., building apartments in prestigious locations in Dhaka such as Lalmatia, Banani, Gulshan & Khilgaon as well as providing affordable housing solutions elsewhere in Bangladesh. Presently, Engr. Md. Moklesur Rahman is involved with B&T Spinning Mills Ltd., B&T Distribution, B&T Meter Ltd., Tushar Ceramics Ltd., B&T Transformers Ltd. also. 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.



**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. Ms. Kamrun Nahar is the Founder and Proprietor of M/S. M.K. Fisheries. As a prominent entrepreneur she is engaged with Canadian Trillinium School, Noor Asset Development, Intelligent Technology Solutions Ltd. She is also a founder and patron of different socio-cultural organizations in the country.





**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 Director 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, Joytun Agro Auto Rice Mills Ltd., Sheikh Agro Food Industries, Sheikh Shipping Lines Ltd., Sheikh LPG Ltd, M/S. Sheikh Brothers, M/S. Hafizur Rahman Babu and Arising Trade International. 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 HAR Industries Ltd., Director of Abdul Gaffar & Co. (Pvt) Ltd., Asuka CNG Refueling Station Ltd., SAFAH CNG Refueling Station Ltd., AGI Flex Ltd. and AGI Corporation. His goal is to bring in new innovation and dynamism in his company.



**Mrs. 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. Mrs. Tahmina Afroz is the proprietor of Mother Trade Centre. She is also a Director of Anwer Khan Modern Hospital Ltd., Modern Diabetic Centre Ltd., Modern Holdings Ltd. and Haji Shakhawat Anwara Eye Hospital Ltd. She is a sponsor shareholder of Fareast Finance & Investment Ltd.



**Mr. Sk. Shyedujjaman**  
Director

Mr. Sk. Shyedujjaman is one of the Directors of South Bangla Agriculture and Commerce Bank Limited, nominated by Moonstar Ceramic Industries Ltd. He obtained BBA and MBA (Marketing) degree from AMC College, Bangalore in 2001 & 2003 respectively. He is a successful businessman in the frozen food industry. Mr. Sk. Shyedujjaman is involved with South East Union Ceramic Industries Ltd. He is the Proprietor of Mashiyat Fish Farm. He is a man of strong moral values and believes in ethical investment.



**Mr. Mohammad Nawaz**  
Director

Mr. Mohammad Nawaz is one of the Directors of South Bangla Agriculture and 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, England. 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 in Dhanmondi. He is a member of Board of Trustee in South East University, one of the leading private university is 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. Mohammed Ayub**  
Director

Mr. Mohammed Ayub is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He was born in a respectable Muslim family at Chittagong in 1962. He obtained his B.Com. degree from Chittagong University in 1981. He is a reputed and emerging business man in the country particularly in the port city having business in Garments Accessories Manufacturing & Export and Packaging Industries. He is the Managing Director of Ayub & Co Ltd., Proprietor of M/S. Pioneer Enterprise and United Enterprise. He is a Managing Partner of Pacific Enterprise and Owner of Ayub Trade Center, Chittagong.



**Mr. Sakhawat Hussain**  
Director

Mr. Sakhawat Hussain is one of the Directors of the Bank nominated by Haji Shakhawat Anwara Eye Hospital Ltd. He is a former banker. He obtained his post graduate degree from Rajshahi University in 1966. He had worked in Janata Bank Limited for about 30 years. Mr. Hussain is also associates with Modern Group of Company.



**Mst. Nasima Begum**

Director

Nominated by:

Thermax Textile Mills Ltd.

Mst. Nasima Begum is one of the Directors of South Bangla Agriculture and Commerce Bank Limited 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, She is one of the members of governing body of Abdul Kadir Molla City College and also a member of Mazid Molla Foundation.





**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 Ochano Mieju 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 Bagerhat Poultry and Fisheries, 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 Otit Club, Khulna. He is also the Chairman of SEED (Autistic Child Care Organization) and Trustee Board Member of BNSB Eye Hospital, Khulna.



**Mr. Md. Sajidur Rahman**  
Independent Director

Mr. Md. Sajidur Rahman is an Independent Directors of SBAC Bank Ltd. He is the Chairman of Audit Committee of the Board. He is a strong corporate leader in a multicultural and complex environment and impressive communicator with a passion for strategy, numbers, a keen eye for detail, and the ability to build and coach high performance teams. Mr. Md. Sajidur Rahman is the CEO of Telenor Health. He is at the advisory board of a number of companies in financial services, energy and technology. These companies include Oddup (from Hong Kong), Xendit (from Indonesia) and Coders Trust (from Denmark). He is also a director of US-DK Green energy (building the largest wind power plant in Bangladesh), Founder Institute and SD Asia & has an involvement with Indo-Bangla Trading, Nitex Ltd. and Lenden Ltd. Prior to his present position, Mr. Rahman was the Managing Director (Consumer Banking) of Standard Chartered Bank in Indonesia, Nigeria and Bangladesh. He was also a board member of Standard Chartered Gambia. It is also notable that, Mr. Rahman had exhibited his luminosity during the academic life. He completed his Master of Commerce (Marketing) & Bachelor of Commerce degree as First Class First from University of Dhaka. He also studied at London Business School and Oxford University. He is a regular speaker on topics of banking, financial services, health services and different technology trends. He is regularly invited to speak at different prominent forums including Financial Times of London, Bloomberg, Mobile World Congress, World IOT conference, Royal School of Medicine etc. His writings have been published in different journals including Tech In Asia.



**Mr. Tariqul Islam Chowdhury**  
Managing Director & CEO

Mr. Tariqul Islam Chowdhury is the Managing Director & Chief Executive Officer (CEO) of South Bangla Agricultural and Commerce Bank Limited. Prior to his holding of current office, he was the Additional Managing Director and Deputy Managing Director of the Bank. Before his joining SBAC Bank Ltd., Mr. Chowdhury enlightened the very vital post of Deputy Managing Director at Sonali Bank Limited. He started his banking career at Sonali Bank as Senior Officer (Financial Analyst) in 1984. During his long triumphant service, he served in different capacities particularly in- Chittagong and Faridpur as General Manager, Narayangonj and Chandpur as Deputy General Manager & Regional Head, Mr. Chowdhury also showed his extraordinary leadership capacity in each stage of his performance. Mr. Chowdhury, with 33 years of experience in banking profession has demonstrated his expertise in Bank Management having sound track records with diversified experiences in various types of project financing specially Industrial financing. In his Banking career, he has a noteworthy contribution in Credit, Investment, International Trade, Treasury Management, and Corporate Finance as well. He took part in various trainings, seminars and symposiums at home and abroad. He obtained his B.Com. (Hon's) Degree in 1980 and M.Com. Degree in 1981 in Accounting from the University of Dhaka. Mr. Chowdhury is a man of strong ethics having moral values, who has involved himself in different socio-economic and welfare activities.

## Our Senior Management in a Frame



## Our Management Team



Mr. Tariqul Islam Chowdhury  
MD & CEO



Mr. Mohammad Salim Chowdhury  
DMD



Mr. Md. Mamunur Rashid Molla  
DMD



Mr. Shafiuddin Ahmed  
DMD



Mr. Md. Altaf Hossain Bhuyan  
DMD



Mr. Md. Kamal Uddin  
DMD



Mr. Md. Nurul Azim  
SEVP



Mr. Md. Mizanur Rahman  
EVP



Mr. Salahuddin Ahmed  
EVP



Mr. Mohammad Asadul Haque  
EVP



Mr. Md. Masoodur Rahman FCA  
EVP



Mr. Md. Abu Bayazid Sk.  
SVP



Mr. Md. Mokaddess Ali ACS  
SVP



Mr. Md. Abdul Mannan  
SVP



Mr. A.N.M. Moyeej Ahmed  
VP



Mr. Md. Shafiul Azam  
VP



Mr. Abu Salem Mohammad Hossain Norran  
VP

## List of Executives

Sl No.	Name	Designation	Place of Posting
1	Mr. Tariqul Islam Chowdhury	MD & CEO	Head Office, Dhaka
2	Mr. Mohammed Salim Chowdhury	DMD	Head Office, Dhaka
3	Mr. Md. Mamunur Rashid Molla	DMD	Agrabad Branch, Chattogram
4	Mr. Shafiuddin Ahmed	DMD	Head Office, Dhaka
5	Mr. Md. Altaf Hossain Bhuyan	DMD	Banani Branch, Dhaka
6	Mr. Md. Kamal Uddin	DMD & CRO	Head Office, Dhaka
7	Mr. Md. Nurul Azim	SEVP	Principal Branch, Dhaka
8	Mr. Md. Mizanur Rahman	EVP	IT Division & HRD, Head office, Dhaka
9	Mr. Md. Saiful Islam	EVP	Dhanmondi Branch, Dhaka
10	Mr. Salahuddin Ahmed	EVP	Credit Administration Division, Head Office, Dhaka
11	Mr. Mohammad Asadul Haque	EVP	Treasury Division, Head Office, Dhaka Banking Operations Division, Head Office, Dhaka
12	Mr. Md. Masoodur Rahman	EVP	Financial Administration Division, Head Office, Dhaka
13	Mr. S.M. Iqbal Mehedi	EVP	Barishal Branch, Barishal
14	Mr. Md. Sajedul Alam Khan	SVP	Jashore Branch, Jashore
15	Mr. Md. Majibur Rahman	SVP	Narayangonj Branch, Narayangonj
16	Mr. Asirul Haque	SVP	Uttara Branch, Dhaka
17	Mr. Mohammed Imtiaz	SVP	Nasirabad Branch, Chattogram
18	Mr. Abu Bayazid SK	SVP	Islamic Banking Division (proposed), Head office, Dhaka
19	Mr. Md. Mokaddess Ali	SVP	Company Secretariat, Head Office, Dhaka Principal, SBAC Bank Training Institute, Head Office, Dhaka
20	Mr. Md. Abul Kalam Azad	SVP	Nawabpur Branch, Dhaka
21	Mr. Md. Abdul Mannan	SVP	ICC Division, Head Office, Dhaka Legal Affairs & Recovery Division, Head Office, Dhaka
22	Mr. Emdad Haider	VP	Khatunganj Branch, Chattogram
23	Mr. Md. Rashed Mahbub Rabban	VP	Rangpur Branch, Rangpur
24	Mr. Mohammed Anwarul Kabir	VP	Gulshan Branch, Dhaka
25	Mr. Md. Zakir Hossain	VP	Pragati Sharani Branch, Dhaka
26	Mr. Md. Ziaul Latif	VP	Credit Division, Head Office, Dhaka
27	Mr. Mannan Bapari	VP	Panthapath Branch, Dhaka
28	Mr. Md. Mostafizur Rahman	VP	Mirpur Branch, Dhaka
29	Mr. A.N.M. Moyeej Ahmed	VP	International Division, Head Office, Dhaka
30	Mr. Mohammad Shafiul Azam	VP	DFI Division, Head Office, Dhaka General Services Division, Head Office, Dhaka
31	Mr. Abu Salem Mohammad Hojaiffa Noman	VP	Credit Division, Head Office, Dhaka
32	Mr. Md. Mahbubur Rahman	FVP	Dinajpur Branch, Dinajpur
33	Mr. A.N.M. Mejbahul Hasan	FVP	International Division, Head Office, Dhaka
34	Mr. Md. Fakhru Islam	FVP	IT Division, Head office, Dhaka
35	Mr. Sheikh Sharfuddin	FVP	Motijheel Branch, Dhaka
36	Mr. Dewan Arifur Rahman	FVP	Treasury Division, Head Office, Dhaka
37	Ms. Sultana Razia	FVP	Legal Affairs & Recovery Division, Head Office, Dhaka
38	Mr. Md. Delowar Hossain Mondol	FVP	SBAC Corporate Branch, Dhaka
39	Mr. Md. Shahidur Rahman	FVP	Satkhira Branch, Satkhira
40	Mr. Bidhan Kumar Saha	FVP	Kaliganj Branch, Jhenaidah
41	Mr. Md. Mazharul Hasan	FVP	International Division, Head Office, Dhaka
42	Mr. Md. Khalequzzaman	FVP	ICC Division, Head Office, Dhaka
43	Mr. Md. Sayeed Bin Islam	FVP	Bashundhara Mohila Branch, Dhaka
44	Mr. Md. Kamal Hosen	FVP	Rajshahi Branch, Rajshahi
45	Mr. Syed Hafij Ahmed	FVP	KDA C/A Branch, Khulna
46	Mr. Sankar Kumar Ghosh	AVP	Legal Affairs & Recovery Division, Head Office, Dhaka
47	Mr. Salil Kumar Dutta	AVP	Abdullahpur Branch, Keranigonj, Dhaka

48	Mr. Mohammad Rafiqul Islam	AVP	Feni Branch, Feni
49	Mr. Md. Islamul Haque	AVP	Imamgonj Branch, Dhaka
50	Mr. Mohammed Gias Uddin	AVP	ICC Division, Head Office, Dhaka
51	Mr. Khondokar Noory Imam	AVP	Imamgonj Branch, Dhaka
52	Mr. Md. Manirul Islam	AVP	Moynamoti Branch, Cumilla
53	Mr. Imtiaz Rahman	AVP	IT Division, Head office, Dhaka
54	Mr. Abdul Kadir	AVP	Baburhat Branch, Narsingdi
55	Mr. Mohammad Rafiqul Hasan	AVP	Banglabazar Branch, Noakhali
56	Mr. K.M. Shamsul Bari	AVP	Keraniganj Branch, Dhaka
57	Mr. Md. Yasin Huda	AVP	Rajshahi Branch, Rajshahi
58	Mr. Mohd. Monjurul Alam	AVP	Khulna Branch, Khulna
59	Mr. Zabed Emdad Chowdhury	AVP	Islampur Branch, Sylhet
60	Mr. Ahammed Mehedi Imam	AVP	LARD, Head Office, Dhaka
61	Mr. Kaji Jasim Uddin	AVP	Gazipur Branch, Gazipur
62	Mr. Md. Mahasin Sarder	AVP	Hasnabad Branch, Dhaka
63	Mr. Shakibul Alam	AVP	IT Division, Head office, Dhaka
64	Mr. Razwanul Huq	AVP	Principal Branch, Dhaka
65	Mr. Mohammad Shah Kamal Sarkar	AVP	International Division, Head Office, Dhaka
66	Mr. Muhammad Akhteruzzaman	AVP	Agrabad Branch, Chattogram
67	Mr. Syed Shahjahan Sagar	AVP	Babu Bazar Branch, Dhaka
68	Mr. Mohammed Ikram Pasha	AVP	Jubilee Road Branch, Chattogram
69	Mr. Md. Abdur Rashid	AVP	Digraj Branch, Bagerhat
70	Mr. A. T. M. Noor Nabi Sarker	AVP	Cumilla Branch, Cumilla
71	Mr. Mohammad Abdul Basit	AVP	Sylhet Branch, Sylhet
72	Mr. Md. Abu Naser Chowdhury	AVP	Agrabad Branch, Chattogram
73	Mr. Md. Feroj Kabir	AVP	Mohakhali Branch, Dhaka
74	Mr. Shovan Barai	AVP	IT Division, Head office, Dhaka
75	Mr. Mohammad Jasim Uddin	AVP	ICC Division, Head Office, Dhaka
76	Mr. Md. Masud Kabir	AVP	Ashulia Branch, Dhaka
77	Mr. A. K. M. Asaduzzaman Talukder	AVP	Rangpur Branch, Rangpur
78	Mr. Zia Uddin Rony	AVP	General Services Division, Head Office, Dhaka
79	Mr. Ahmed Ismail	AVP	Agrabad Branch, Chattogram
80	Mr. Md. Kamruzzaman	AVP	Credit Division, Head Office, Dhaka
81	Mr. Mridha Nazmul Ahasan	AVP	Addabazar Branch, Cumilla
82	Mr. A.B.M. Shohel Pervez	AVP	International Division, Head Office, Dhaka
83	Mr. Muhammad Ali Yousuf	AVP	Gulshan Branch, Dhaka
84	Mr. Abdul Alim	AVP	Hemayetpur Branch, Dhaka
85	Mr. Md. Bellal Hossain	AVP	Ramganj Branch, Lakshmipur



## Chairman's Address

*Quality asset is our first priority. The Board has set clear goal of minimum classification. In the Bank, we believe in compliance culture. Our philosophy is 'compliance first; profit is its logical consequence'. We must do business in compliance with the laws of the country.*

### In the name of Almighty Distinguished Shareholders

I feel very privileged that by the grace of almighty Allah, this year our bank has stepped in to 7th years of journey and still has been going ahead with a momentum in our growth by accumulating a series of success one after another.

On behalf of the Board of Directors of South Bangla Agriculture and Commerce Bank Ltd., it is my pleasure to place before you the Annual Report 2019 and the financial statements of the Bank for the year ended 31st December 2019. I express my heartfelt gratitude to you for your continued support and the cooperation you have given throughout the year. It is a pleasure to be with you at the 7th Annual General Meeting of the Bank.

If we look at the world economy, we would find that global growth has been revised down by 0.2 and 0.1 percentage points for 2019 and 2020 respectively. The downward revision reflected continued trade tension, tighter global financial conditions, and higher commodity prices, as well as a weaker outlook for some key emerging market and developing economies arising from country-specific factors. Among the advanced economies, US growth steadily increased during 2017 and 2018, driven by the strong fiscal stimulus and is anticipated to moderate in 2019, partly due to the protective trade measures against the backdrop of a maturing business cycle (World Economic Outlook, January 2019). Growth performance for 2018 and the outlook for 2019 in the

Euro Area are also anticipated to decline in 2018 and 2019 due to the Brexit and the recently adopted trade measures by the US administration. Among the emerging and the developing economies, China and a number of Asian economies are also expected to experience somewhat a weaker growth in 2019.

The economy of Bangladesh manifested a mixed trend of economic activities during the first quarter of FY20 (Q1FY20) where strong government expenditure, higher LNG import, favorable electricity production and robust remittance inflows (16.5 percent growth in Q1FY20) helped boost domestic demand, while weak export and import performance (-2.7 percent and -2.6 percent growth, respectively) and an attenuated private credit growth (10.7 percent) pointed to some deceleration.

Islamic Banking has experienced a phenomenal growth and expansion in Bangladesh in the backdrop of strong public demand and support for the system along with its gradually increasing popularity across the world. As a result, a number of full-fledged Islamic Banks has been established, while a good number of conventional banks have come forward to offer services compliant with Islamic Shariah through opening of Islamic branches along with conventional ones. There is also a trend of conversion of conventional banks into Islamic bank. Shariah Banking provides a large opportunity, if we may create a trust that we are doing shariah practice properly within the Bank.





In view of the above the Board of Directors of Southe Bangla Agriculture and Commerce Bank Ltd. in its 104th meeting has decided to convert the Bank into fully shariah based bank and accordingly application has been submitted to Bangladesh Bank. Proper Islamic Banking requires a very good understanding of product development as per shariah law and forms and it is not easy to launch Shariah products properly for the first time. To harvest the benefit of shariah Based banking, we are going to equip our team with the skill set best in the market. In order to build up the Strong capacity to address the issue of designing shariah compliance products, balance sheet management, excess liquidity management and determination of price our training institute has designed a comprehensive online training program which includes inter alia Skill Development on Shariah Banking, Leadership develop program, Capacity Building Program, Professional Development Program, Foundation Training Program, etc. despite covid19 pandemic world-wide.

The outbreak of pandemic Covid-19 all over the world has affected the political, social, economic, religious and financial structures of the whole world. World's topmost economies such as the US, China, UK, Germany, France, Italy, Japan and many others are at the verge of collapse. Besides, Stock Markets around the world have been pounded and oil prices have fallen off a cliff. Also, many experts on economic and financial matters have warned about the worsening condition of global economic and financial structure. In view of the above, our strategic priority has focused on Shariah Banking which provides a large opportunity, if we may create a trust that we are doing shariah practice properly within the Bank. It also include inter alia; technology Based Products and Services, 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 the society, conduct business process re-engineering, develop Human Resources Management system etc. Despite the uncertain and challenging economic environment, our Bank has delivered another good year. The Bank's strategy and focus of serving our customers remains paramount. We continue to move onward with perseverance and at the same time we are sensitive to changes in the external environment, while competing strongly in all the market segments that we serve.

Financially, our Bank turned in a solid performance. We took advantage from both the favorable and unfavorable conditions in the banking industry to enable us to reach a position of long-term sustainability. Our strength, confidence and your cooperation helped

us make 11.57% growth in operating profit in a challenging environment. In 2019, our operating profit stood at Tk. 2,269.18 million. Our total assets stood at Tk. 84,564.01 million, compared to Tk. 70,661.31 million in 2018, with a growth rate of 19.68%. During the year our total deposits was Tk. 71,540.16 million in comparison to Tk. 59,304.33 million in 2018, showing a growth rate of 20.63%. During the year 2019 the total import business of SBAC Bank stood Tk. 28,110.90 million (equivalent USD 334.65) against Tk. 27,353.00 million (equivalent USD 325.60 million) in 2018. Export business stood Tk.17,060.40 million (equivalent USD 203.10) whereas in the year 2018 it was Tk. 16,399.66 million (equivalent USD 197.58 million). Our Net Profit was Tk. 967.60 million and the earning per Share (EPS) was Tk.1.55 in 2019. Our Capital and Revenues grew to Tk. 6,224.05 million and Tk. 2,138.91 million in 2019, respectively, which indicate strengthening of capital base and sustainability of the Bank. During the year 2019 we maintained a healthy Advance Deposit Ratio (ADR) of 78.21% which indicates a sound liquidity and treasury management. In accordance with Bangladesh Bank guidelines, we are happy to inform you that our Capital to Risk Weighted Asset Ratio (CRAR) was 14.73% against 12.5% of our total Risk weighted Assets (RWA) which was in line with Basel-III Accord to guard against the types of financial and operational risks the banks face. Given the volatility of the global and national economy this is of paramount importance. With the Vision of Digital Bangladesh, the Bank has introduced so many innovative digital products in line with the use of digital technology in the country. SBAC Bank started Basic Digital Financial Services (DFS) from the inception of its Card Division. So far we have installed 34 ATMs, 2 CDMs in different branch locations of the country and more ATMs are underway to be set up with new and existing branches soon. 70% of total population are using popular digital platform "Mobile Phone" in Bangladesh. To harvest the advantages of the platform, we have introduced SBAC Digital Wallet "Banglapay" on 16th December 2018 by offering digital financial services through mobile phones, QR based point-of-sale, and networks of small-scale agents. Banglapay has the potential to reach more people, at a lower cost, and with greater convenience than traditional banking services. Our Bank has a strong operating platform and a clear, focused strategy. Tight management of risks, capital and costs will continue to be a priority. Quality asset is our first priority. The Board has set clear goal of minimum classification. In the Bank, we believe in compliance culture. Our philosophy is 'compliance first; profit is its logical consequence'. We must do business in compliance with the laws of the country. Expansion

of branch network to make banking services available at important locations throughout the country has also been prioritized. The Bank has already opened 82 branches, 6 sub-branches along with 33 ATM booths up to December 31, 2019 and opening of 9 more branches 5 sub-branches are under process and to be completed by December, 2020. We are committed to work for the People and with this impetus SBAC Bank Ltd. has actively engaged in socially responsible projects throughout the year. SBAC Bank Ltd. has launched a Corporate Social Responsibility (CSR) Desk to further expand, expedite and consolidate its social responsibility activities. The Desk will help the bank put focus its on different CSR activities and ensure transparency. The Bank is a socially responsible corporate citizen. The Board of SBAC Bank Ltd. has approved a policy for Corporate Social Responsibility (CSR). Under the CSR program, the Bank has a remarkable contribution towards Education, Preventive and Curative Healthcare, Emergency Disaster Relief, Financial Inclusion, Community Investments by way of donations etc. Under CSR Program the Bank has spent Tk. 7.50 crore (Taka seven crore fifty lac only) among poor meritorious students, healthcare facilities among sick people and disadvantaged community.

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 2019, our contributions amounted to Total Tk. 1,571.36 million (Withholding Tax 584.99, Advance Income Tax 787.99, VAT and Excise Duty 198.38) during the year. The Bank always keeps employee friendly environment. During the year regular evaluation of the employee has been done and all festival and handsome incentive bonuses have also been paid. I would like to express my gratitude to the Government of Bangladesh, the Bangladesh Bank, the Securities and Exchange Commission, the Registrar of Joint Stock Companies & Firms, the Dhaka Stock Exchange and the Chittagong Stock Exchange and Central Depository Bangladesh Limited for all their support during this year.

In conclusion, I would like to thank all our Directors for their guidance and support. I also would like to thank to our respective Shareholders, clients, patrons, well wishers, and all employees for their continued support and cooperation, without which the bank would not be able to attain its current position. As we continue our work to deliver ever-higher standards of service and performance for our customers, our Shareholders, stakeholders and our communities, we look forward to your continued cooperation and support for 2020. May Allah help, guide and shower unending blessings upon us.

Allah Hafiz,



S. M. Amzad Hossain  
Chairman



The 6th Annual General Meeting of South Bangla Agriculture and Commerce (SBAC) Bank Limited was held at Le Meridien Dhaka on Thursday May 23, 2019. Mr. S.M. Amzad Hossain, Chairman of SBAC Bank, presided over the meeting. Bank's Vice-Chairman & Khulna City Mayor Mr. Talukder Abdul Khaleque, Board Director Captain M. Moazzam Hossain, Engr. Md. Moklesur Rahman, Mr. Abdul Kadir Molla, Mr. Abu Zafar Mohammad Shofuiddin, Begum Sufia Amjad, Mr. Md. Amzad Hossain, Mr. Mohammad Nawaz, Al-Haj Mizanur Rahman, Mr. Sk. Shyedujjaman, Mr. Anwar Hussain, Mrs. Tahmina Afroz, Mrs. Kamrun Nahar, Mr. Sakhawat Hussain, Mr. Mohammed Ayub, Independent Director Dr. Syed Hafizur Rahman & Mr. Md. Sajdur Rahman including Bank's Managing Director and CEO Mr. Md. Golam Faruque, AMD Mr. Mostafa Jalal Uddin Ahmed, Company Secretary Mr. Md. Mokaddess Ali were present in the meeting. The board of directors of the bank has recommended 10.00 per cent stock dividend for the year ended on December 31, 2018.

## Images of Branch Opening Ceremonies in 2019



SBAC Bank Babubazar Branch Opening



SBAC Bank Ramganj, Laxmipur Branch Opening



SBAC Bank Lohagara Branch opening Program



SBAC Bank Kaliganj Branch, Jhenaidah Opening Program



SBAC Bank Mohakhali Branch opening Program



SBAC Bank Polashbari, Gaibandha Branch Opening Program



SBAC Bank Jatrabari Sub-Branch Opening



SBAC Bank Gopalganj Sub-Branch Opening



SBAC Bank Panchar Sub-Branch Opening



SBAC Bank opens its Sub-Branch at Muladi, Barishal.



## ANALYSIS OF THE MANAGEMENT

*Our strategic focus is on Shariah Banking which provides a large opportunity, if we may create a trust that we are doing shariah practice properly within the Bank. It also include inter alia; to focus on the wide-range of Products and Services based on state of the art technology, emphasize on increasing of fee-base income, quality customer service, financial inclusion by including the disadvantaged section of society.*

### **Bismillahir Rahmanir Rahim,**

It's my great pleasure to welcome you all to this year's Annual General Meeting of South Bangla Agriculture and Commerce Bank Ltd. celebrating our 2019 accomplishments. I am also highly privileged and feel honored to present our strategic achievements of the Bank in 2019.

South Bangla Agriculture and Commerce Bank Limited (SBAC Bank Ltd.) along with others new peer Banks started their operation in 2013 with uneven competition in the Banking Industry. Despite the challenges, SBAC Bank Limited has been able to record progress in almost all the areas of operations in 2019.

But the year 2020 has started with the Covid19 pandemic and the economic shutdown in advanced economies and other part of the globe which have disrupted billions of lives and are jeopardising decades of development progress. As a result, Global growth is forecasted at 2.90 percent for 2019, its lowest level since 2008-09 and a 0.4 percentage point downgrade from the April 2019 World Economic Outlook published by the IMF. Global Growth is projected at -4.9 percent in 2020 (a 1.9 percentage point downward revision compared with April 2020 world economic outlook forecast).

The COVID-19 pandemic is causing an unprecedented disruption to the global economy. The resultant socio-economic impact is being transmitted through different channels. The

International Monetary Fund (IMF) warned that the pandemic might push the global economy into the worst recession since the Great Depression of the 1930s, and far worse than the one triggered by the Global Financial Crisis in 2008-09, with the poorest countries being the hardest hit. As per IMF projections, the global economy would contract by -4.9 per cent in 2020, while the World Bank thinks the global economy will decline by 5.2 per cent for the same period. Using simulations from a general equilibrium modelling exercise, the Asian Development Bank (ADB) derives that the global economy could lose between \$ 5.8 trillion and \$ 8.8 trillion – equivalent to 6.4 per cent to 9.7 per cent of the global gross domestic product (GDP).

However, Bangladesh economy achieved a significant growth during the FY19 with a continuation of decade wide steady growth of the country. The covid-19 pandemic has had a more negative impact on the activities of the 1st half of 2020 than anticipated and the recovery is projected to be more gradual than previous forecast. In 2021, global growth is projected at 5.4% only by the IMF.

Robust growth momentum continues in the Bangladesh economy amid tepid global growth environment, with 8.15 percent real GDP growth estimated by BBS for FY19 against global growth projection averaging 3.7 percent for 2019 in emerging market and developing economies.

The strong 8.15 percent FY19 real GDP growth was broad based across economic sectors, supported both by strong domestic demand and by external demand reflected in 10.5 percent export growth.

Inflationary pressures during spells of high and rising GDP growth are quite natural with available factors of production all running at or around capacity levels. There is also risk of some crop loss driven further increase in inflationary pressure in FY20 if the monsoon floods now inundating sizeable areas in Bangladesh which may prolong or recur.

We strongly believe in transparency which depends on open, honest, and accessible communication based on information to publics to increase participation of stakeholders to hold organizations accountable.

For the above purpose, we have prepared the financial statements as at and for the year ended 31 December 2019 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. 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 in which the estimate is revised and in any future 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 2019.

SBAC Bank has clear Internal Control and Compliance (ICC) Guidelines. The ICC Guidelines are being used to an effective internal control mechanism to safeguard shareholders' investments, depositors' assets and others stakeholders interest. The Board has delegated to the Audit Committee for the review of the adequacy and effectiveness of the system of internal controls. A resonant internal control system helps a bank grow in a safe and sustainable way. The design and implementation of any internal control system depends largely on a bank's size, the mode of its operation and its risk profile. 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.

Despite the uncertain and challenging economic environment, our Bank has delivered another good year. During the year the bank has attained remarkable growth operating profit along others indicators as under:

Taka in million

Particulars	2019	2018	2017	2016	2015
Total assets	84,564.01	70,661.31	58,940.78	45,599.98	36,687.94
Total shareholders' Equity	8,362.96	7,429.71	6,538.99	5,616.33	4,880.21
Total capital	8,371.06	7,841.83	7,012.70	5,821.62	4,785.18
Surplus capital	1,266.76	1,977.89	2,296.84	1,821.62	785.18
(CRAR)	14.73%	15.88%	16.54%	18.59%	21.19%
Total deposits	71,540.16	59,304.33	50,121.49	38,337.20	30,775.38
Total loans and advances	56,000.74	50,254.94	43,284.97	30,174.09	23,128.29
Advance deposits ratio (%)	78.21%	82.50%	83.99%	78.71%	75.15%
(Operating Profit)	2,269.18	2,033.84	1,819.29	1,519.88	805.95
(Net Profit)	967.60	879.59	982.04	949.46	358.01
Yield on Advance (%)	12.88%	12.99%	12.03%	12.67%	14.10%
Cost of fund (%)	10.47%	10.41%	9.51%	9.47%	10.95%
Net spread (%)	2.41%	2.58%	2.52%	3.20%	3.15%
Return on investment (ROI) (%)	11.03%	13.67%	18.19%	18.17%	17.57%
Return on Assets (ROA) (%)	1.25%	1.36%	1.88%	2.31%	1.18%
Return on Equity (ROE) (%)	12.25%	12.59%	16.16%	18.09%	7.85%
Earnings per share (EPS)	1.55	1.55	1.74	1.90	0.83
Net Asset Value Per Share	13.44	13.13	13.12	12.96	11.93

We are committed to uphold the interest of depositors, as we are playing trustworthy and stewardship functions. We are attracting depositors by offering lucrative rates and benefits. The deposits of SBAC Bank stood at Tk. 71,540.16 million in 2019. This has become possible by the support of branch network and high standard service provided to customers along with campaign carried out by our team for mobilization of deposit. To uphold this growth momentum, we have formulated our plan keeping 20% growth in Deposit and Advance and 50% growth in foreign trade and others non-funded business. We have also focused on well-skewed branch network along with good numbers of sub-branches no or low cost deposit.

In view of the above, The strategic priorities and actions plans as stated in the bank's Strategic Plan 2020 are summarized as under:

- ✓ We are going to transform the bank into Shariah Banking which provides a large opportunity, if we may create a trust that we are doing shariah practice properly within the Bank.
- ✓ Healthy asset quality of the Bank. A Rigorous Recovery Plan has been formulated for the recovery of overdue/classified loans:
- ✓ We believe in compliance culture. Our philosophy is 'compliance first; profit is its logical consequence'. We must do business in compliance with the laws of the country.
- ✓ Technology Based Products and Services: Technology adoption would be necessary for transformation Technology Based Products and Services.
- ✓ The issue of reduction of discretionary cost has been being addressed on a priority basis.

- ✓ Maintaining highest quality of customer services by offering high-tech products and services compatible with customers' needs.
- ✓ Financial inclusion through widening the coverage of banking services specially by including the disadvantaged section of society.

Taking measurable and manageable risk being the main focus of the bank, our Bank 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, we have adopted effective risk management policy 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.

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 10.00 percent of its risk-weighted assets under Basel-III or Tk. 400.00 crore whichever is higher.



Tier-I capital should be minimum 50 percent of total capital. Total capital stood at Tk. 8,371.06 million in 2019 registering surplus capital of Tk. 1,266.76 million and capital to risk weighted asset ratio (CRAR) is 14.73% which indicates a sound financial management.

Human Resources of any organization is an important asset and a key to success. SBAC Bank is working with a vision of transforming 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. 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 SBAC bank is not only offering a job but also creates opportunities for learning, challenging and rewarding career. For this purpose the Bank has established its own Training Institute equipped with modern information system which provides broad-based online training facilities during such a pandemic situation. For the year 2020 training calendar includes inter alia Leadership develop program, Capacity Building Program, Professional Development Program, Foundation Training Program, Skill Development on Shariah Banking etc. The bank adheres strictly to the regulatory guidelines on corporate governance & corporate sustainability. We have 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.

The Bank is a socially responsible corporate citizen. Being a socially responsible Bank, SBAC Bank has started CSR activities at the beginning year of its operation. We are committed to work for the people and are actively engaged in social projects throughout. Under CSR Program the Bank has spent Tk. 7.50 crore (Taka seven crore fifty lac only) among poor meritorious students, healthcare facilities among sick people and disadvantaged community..

I conclude with sincere thanks and gratitude to the honorable Governor of Bangladesh Bank & his able team and other Govt. bodies for judicious guidance and support. I convey my gratitude to the honorable Chairman, the Board of Directors, valued customers and shareholders of the bank for their support, guidance and co-operation. I appreciate the winning spirit of my team, their dedication, commitment towards their responsibilities. I also express my gratitude to all the correspondents of medias who contributed vast in covering our news.

Allah Hafiz

Tariqul Islam Chowdhury  
Managing Director and CEO



# DIRECTORS' REPORT





# Directors' Report 2019

*(Under Section 184 of Companies Act 1994 and Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 of Bangladesh Securities and Exchange Commission)*

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 Annual Report 2019 and Audited Financial Statements for the year 2019 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 2020 have also been provided in this Report.

## Global Economy: An Overview

As per World Economic Outlook (Oct, 2019), the global economy is in a synchronized slowdown, with growth for 2019 downgraded again—to 3 percent—its slowest pace since the global financial crisis. This is a serious climbdown from 3.8 percent in 2017, when the world was in a synchronized upswing. This subdued growth is a consequence of rising trade barriers; elevated uncertainty surrounding trade and geopolitics; idiosyncratic factors causing macroeconomic strain in several emerging market economies; and structural factors, such as low productivity growth and aging demographics in advanced economies. Global growth in 2020 is projected to improve modestly to 3.4 percent, a downward revision of 0.2 percent from our April projections. However, unlike the synchronized slowdown, this recovery is not broad based and is precarious. Growth for advanced economies is projected to slow to 1.7 percent in 2019 and 2020, while emerging market and developing economies are projected to experience a growth pickup from 3.9 percent in 2019 to 4.6 percent in 2020. About half of this is driven by recoveries or shallower recessions in stressed emerging markets, such as Turkey, Argentina, and Iran, and the rest by recoveries in countries where growth slowed significantly in 2019 relative to 2018, such as Brazil, Mexico, India, Russia, and Saudi Arabia. A notable feature of the sluggish growth in 2019 is the sharp and geographically broad-based slowdown in

manufacturing and global trade. A few factors are driving this. Higher tariffs and prolonged uncertainty surrounding trade policy have dented investment and demand for capital goods, which are heavily traded. The automobile industry is contracting owing also to idiosyncratic shocks, such as disruptions from new emission standards in the euro area and China that have had durable effects. Consequently, trade volume growth in the first half of 2019 is at 1 percent, the weakest level since 2012. In contrast to weak manufacturing and trade, the services sector across much of the globe continues to hold up; this has kept labor markets buoyant and wage growth healthy in advanced economies.

The divergence between manufacturing and services has persisted for an atypically long duration, which raises concerns of whether and when weakness in manufacturing may spill over into the services sector. Some leading indicators, such as new services orders, have softened in the United States, Germany, and Japan, while remaining robust in China. It is important to keep in mind that the subdued world growth of 3 percent is occurring at a time when monetary policy has significantly eased almost simultaneously across advanced and emerging markets. The absence of inflationary pressures has led major central banks to move preemptively to reduce downside risks to growth and to prevent de-anchoring of inflation expectations, in turn supporting buoyant financial conditions. In our assessment, in the absence of such monetary stimulus, global growth would be lower by 0.5 percentage points in both 2019 and 2020. This stimulus has therefore helped offset the negative impact of US-China trade tensions, which is estimated to cumulatively reduce the level of global GDP in 2020 by 0.8 percent. With central banks having to spend limited ammunition to offset policy mistakes, they may have little left when the economy is in a tougher spot. Fiscal stimulus in China and the United States have also helped counter the negative impact of the tariffs.

Advanced economies continue to slow toward their long-term potential. For the United States, traderelated uncertainty has had negative effects on investment, but employment and consumption continue to be robust, buoyed also by policy stimulus. In the euro area, growth has been downgraded due to weak exports, while Brexit-related uncertainty continues to weaken growth in the United Kingdom. Some of the biggest downward revisions for growth are for advanced economies in Asia, including Hong Kong Special Administrative Region, Korea, and Singapore, a common factor being their exposure to slowing growth in China and spillovers from US-China trade tensions.

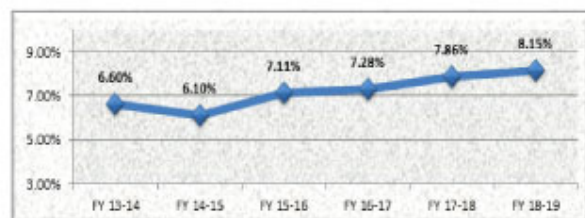
Growth in 2019 has been revised down across all large emerging market and developing economies, linked in part to trade and domestic policy uncertainties. In China, the growth downgrade reflects not only escalating tariffs but also slowing domestic demand following needed measures to rein in debt. In a few major economies, including India, Brazil, Mexico, Russia, and South Africa, growth in 2019 is sharply lower than in 2018, also for idiosyncratic reasons, but is expected to recover in 2020. Growth in low-income developing countries remains robust, though growth performance is more heterogenous within this group. Robust growth is expected for noncommodity exporters, such as Vietnam and Bangladesh, while the performance of commodity

exporters, such as Nigeria, is projected to remain lackluster. Downside risks to the outlook are elevated. Trade barriers and heightened geopolitical tensions, including Brexit-related risks, could further disrupt supply chains and hamper confidence, investment, and growth. Such tensions, as well as other domestic policy uncertainties, could negatively affect the projected growth pickup in emerging market economies and the euro area. A realization of these risks could lead to an abrupt shift in risk sentiment and expose financial vulnerabilities built up over years of low interest rates. Low inflation in advanced economies could become entrenched and constrain monetary policy space further into the future, limiting its effectiveness. The risks from climate change are playing out now and will dramatically escalate in the future, if not urgently addressed. As policy priorities go, undoing the trade barriers put in place with durable agreements and reining in geopolitical tensions top the list. Such actions can significantly boost confidence, rejuvenate investment, halt the slide in trade and manufacturing, and raise world growth. In its absence, and to fend off other risks to growth and raise potential output, economic activity should be supported in a more balanced manner. Monetary policy cannot be the only game in town and should be coupled with fiscal support where fiscal space is available and where policy is not already too expansionary. A country like Germany should take advantage of negative borrowing rates to invest in social and infrastructure capital, even from a pure cost-benefit perspective.

## BANGLADESH ECONOMY: An Overview

Bangladesh economy achieved a significant growth during the FY18 with a continuation of decade wide steady growth of the country. According to the final estimates by Bangladesh Bureau of Statistics (BBS), real gross domestic product (GDP), supported by manufacturing and services, grew robustly by 7.86 percent in FY17, outperforming the average growth of 4.6 percent for emerging market and developing economies in 2018, which was 6.06, 6.55, 7.11 and 7.28 percent in FY 2014, 2015, 2016 & 2017 respectively. It is for the third time that in the course of the last two decades (since FY2007) the GDP growth exceeds 7 percent. To achieve the growth target of FY2017-2018 the growth of the largest three sectors i.e. agricultural sector, industrial sector and service sector was 4.19, 12.06 and 6.39 respectively compare to the growth of FY2016-17 of these three sectors 2.97, 10.22, and 6.69 respectively. As per the information of Bangladesh

Bureau of Statistics (BBS), the contribution of agricultural sector, industrial sector and service sector to the GDP in FY 2018 was 14.23, 33.66 and 52.11 percent respectively against the contribution of 14.74, 33.42 and 52.85 percent of the same sectors respectively on the GDP of FY2017, which reflects the negative growth of agricultural sector and service sector and positive growth of industrial sector.



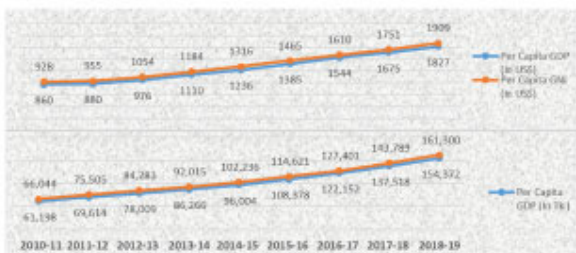
Sources: Bangladesh Bureau of Statistics

Gross Domestic Product (GDP) at current market prices stood at Tk. 25,42,482.60 crore in FY2018-19 which was Tk.22,50,479.30 crore in FY2017-18.



Sources: Bangladesh Bureau of Statistics

On the other hand, per capita national income in FY2018-19 stood at Tk.1,60,440 which was Tk. 1,43,789 in the FY2017-18. In US dollar, per capita national income stood at USD 1,751 and USD 1,909 in FY2017-18 and FY2018-19 respectively. Per capita GDP and national income during the period from FY2010-11 to FY2018-19 are shown in the following Graph:



Sources: Bangladesh Bureau of Statistics

### Inflation:

The annual inflation rate in Bangladesh edged up to 5.75 percent in December of 2019 from 6.05 percent in the prior month. It was the highest inflation rate since September 2017, as both food (6.41 percent vs 5.49 percent in October) and non-food products (5.47 percent vs 5.45 percent) prices advanced faster. The inflation rates for rural and urban areas were 6.01 percent and 6.12 percent, compared with October's figures of 5.36 percent and 5.67 percent respectively. On a monthly basis, consumer prices rose 0.11 percent, following a 0.51 percent in the previous month.



Source: [tradingeconomics.com/bangladesh/inflation](http://tradingeconomics.com/bangladesh/inflation)

### Capital Market Developments and Prospects

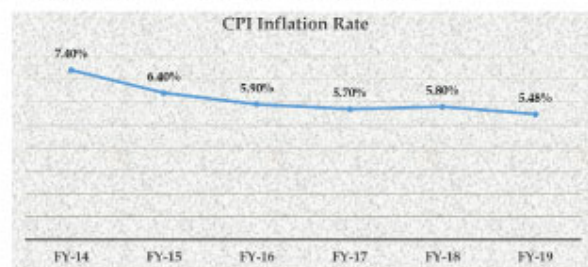
The capital market presents a mixed trend during Q1FY20, as reflected in price indices, market capitalization, issued capital, price earnings ratio and

turnover. Total turnover and issued capital increased while movements of price indices moderated during the quarter under review. The movements in the stock indices show that price adjustments in both the domestic and the global equity markets were corrected during the first quarter of FY20. Market capitalization plummeted by 7.6 percent to BDT 3175.0 billion in Q1FY20 from Q4FY19.

The key indicators of the capital market, DSE broad index (DSEX) and DSE-30 index, declined in Q1FY20 compared to Q4FY19. The DSEX index dropped by 8.7 percent in Q1FY20 from previous quarter and 7.8 percent declined from Q1FY19. The DSE-30 index also fell by 8.8 percent in Q1FY20 from previous quarter. Sector-wise index 1 shows that Telecommunication sector reached the highest (3273) while Textile sector remained the lowest level (165).

### Price Developments

Headline CPI inflation (12-month average) was stable around 5.49 percent in Q1FY20 compared to that in Q4FY19. Average food inflation declined to 5.38 percent in September 2019 from 5.51 percent in June 2019 whereas, average nonfood inflation lifted up continuously to 5.67 percent at the end of Q1FY20 from the bottom of 3.50 percent in December 2017 (Chart II.1). These upward movements in average nonfood inflation was offset by downward movements from food items inflation, reflected in almost stable average headline inflation during the first quarter FY20, which was close to yearly target of 5.5 percent for FY20.



Sources: Bangladesh Bank; and Bangladesh Bureau of Statistics.

### External Sector Developments

Current account deficit narrowed down to 0.21 percent of GDP in Q1FY20 from 0.45 percent of GDP in Q1FY19, the lowest in the last nine quarters, due to an upturn in remittance growth (about 17 percent) and slight improvement in primary income account. Despite improvement in current account deficit, overall balance turned in to negative territory in Q1FY20 because of lower inflow in capital and financial account, a 70.15 percent lower compared to that in Q1FY19.

The inflows in capital and financial account slided by 70.15 percent in Q1FY20 from the level of Q1FY19 because of falling in foreign loan and net investment. Notably, about 60 percent of current account deficit was financed by the capital and financial account

inflows in Q1FY20 and the rest are financed from reserve position.

Remittance inflows grew by 16.97 percent in Q1FY20 compared to the same quarter of previous fiscal year. Strong growth in remittance inflows was due to the government policy of 2 percent cash incentives on remittance inflows through formal channel. The remittance inflows from Gulf region constituted around 59 percent of total remittance inflows during the quarter under review, with highest remittance inflows coming from Saudi Arabia. On the other, remittance inflows from Euro Region and Asia Pacific region grew by 32.20 percent and 12.91 percent respectively during this quarter under review.

In line with the development of external sectors, exchange rate dynamics generally reflected some market forces to appreciate NEER and REER indices by 1.3 percent and 4.1 percent (y/y) at the end of September 2019.

#### Money and Credit Market Developments

Broad money (M2) grew by 11.9 percent (y/y) in Q1FY20, slightly higher than the target of 11.3 percent for the first-half of FY20, driven mainly by a significant rise in government borrowings from the banking system. However, private credit growth continued to languish on the back of moderated import demand partly because of slow down of exports, and net foreign asset (NFA) maintained a lower positive growth despite a hefty inflow of remittances. Some respite on liquidity condition arising from growing bank deposits was cancelled out by the rising government borrowings from the banking sector, putting upward pressure on the interbank money market rates as well as interest rates on various government securities.

A rise in government credit from the banking system by 44.4 percent helped pick up M2 growth to 11.9 percent in Q1FY20, in line with the target of 11.3 percent for the H1FY20 and 12.5 percent for FY20, while private sector credit growth moderated to 10.7 percent partly in the slowdown of credit mainly to the industry sector in the face of decelerated exports and partly to the trade-related sectors.

Mandatory online transactions and rise of source tax on the interest rates on national savings certificates (NSCs) siphoned bulk of the private savings to the banking system from NSCs. As a result, banks deposit growth picked up to 11.9

percent in Q1FY19 compared to 9.2 percent and 9.9 percent growth in Q1FY19 and Q4FY19, respectively.

Consequently, the ratio of liquid asset excess of SLR to total demand and time liabilities (TDTL) decreased to 7.2 in September 2019 from 7.6 percent in June 2019 (Chart III.3). Therefore, the interest rates in the call money market and interbank repo rates continued creeping up from 4.55 percent and 5.24 percent in June 2019 to 5.04 percent and 5.78 percent at the end Q1FY20, respectively.

The retail market rates also followed similar directions, but with different speeds. The weighted-average interest rate on deposit increased to 5.65 percent in Q1FY20 from 5.43 percent in Q4FY19 against a marginal increase in the interest rate on lending to 9.56 percent in Q1FY20 from 9.58 percent in Q4FY19, pulling down the spread by 15 basis points to 3.91 percent.

#### Banking Sector Performance

##### Bank Industry Outlook:

The banking industry of Bangladesh is a mixed one comprising nationalized, private and foreign commercial banks. Many efforts have been made to explain the performance of these banks. Understanding the performance of bank requires knowledge about the profitability and the relationships between variables like market size, bank's risk and bank's market size with profitability. The banking industry is experiencing major transition for the last two decades. It is becoming an imperative for banks to endure the pressure coming from both domestic and external factors and prove to be profitable.

Banking sector's indicators show a mixed performances during Q1FY20 compared to Q1FY19, reflected in rising non-performing loans (NPL), stable capital adequacy, rising liquidity condition and improving provision maintained. During Q1FY20, overall NPL and net NPL edge up driven mainly by increasing NPL of the private commercial banks (PCBs).

Domestic credit increased by 6.04 percent and stood at TK.1,216,202.50 crore in November 2019 over end June 2019, which increased by 3.97 percent to Tk. 1,062,174.80 crore during the same

increased over the reported period due mainly to significant increase in credit to public sector including government. Credit to public sector increased by 32.03 percent in November 2019 over end June 2019 against the increase of 4.63 percent during the same period of the preceding fiscal year. In November last year, private sector credit growth dropped to 9.87 percent, which is the lowest since 2008 at least.

The amount of Non-Performing Loans (NPLs) in the country's banking sector reached an all-time high of Tk.116,288 crore in September-2019 which was 11.99% of total loans and advances of the Banks. The volume of Non-Performing Loans (NPLs) jumps by 23.83 percent or Tk. 22,377 crores in September-2019 compare to December-2018. However, the amount of NPLs in December-2018 and June 2019 were Tk.93,911 crore and Tk. 112,425 crore respectively.

Among the total NPLs in Banking sector, the amount of NPLs with Six Stated owned Commercial Banks (SoCBs) is Tk. 54,922 crores, Private Commercial Banks (PCBs) is Tk.54,574 crores, Nine Foreign Commercial Banks (FCBs) is BDT. 2,091 crores & Two Specialized Banks (SBs) is BDT. 5,500 crore in September-2019.

Overall capitalization in the banking industry

remained stable at the end of Q2FY19. The CRAR modestly rose from 11.4 percent in Q3FY19 to 11.7 percent in Q4FY19. Private commercial banks remained well capitalized with CRAR around 12.7 percent at the end of this June 2019 quarter. Capital position of SCBs registered an improvement from 6.9 percent in Q3FY19 to 8.5 percent in Q4FY19.

Inward Remittances increased by 25.46 percent and stood at US\$ 9403.40 million during July-December 2019 against the increase of 8.12 percent to US\$ 7495.35 million during the same period of the last fiscal year. Inward Remittances increased over the reported period due mainly to government's announcement to provide 2 percent cash incentive on remittance through legal channel, applicable for an expatriate remitting maximum US\$ 1500 or equivalent each time without any document.

Banking sector's indicators show a mixed performances during Q1FY20 compared to Q1FY19, reflected in rising non-performing loans (NPL), stable capital adequacy, rising liquidity condition and improving provision maintained. During Q1FY20, overall NPL and net NPL edge up driven mainly by increasing NPL of the private commercial banks (PCBs).

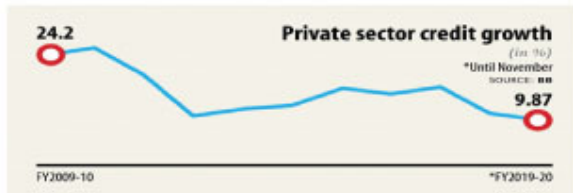
#### Deposit and Advance Position of Scheduled Banks (In percent)

Bank groups	Year-on-year growth of deposit, % (excluding interbank)*		Year-on-year growth of advances% (excluding interbank)		Advance Deposit Ratio (ADR)	
	Sep.19	Jun.19	Sep.19	Jun.19	Sep.19	Jun.19
SCBs	6.3	5.1	12.7	11.9	60.4	58.7
PCBs	14.2	13.6	12.0	12.8	83.4	85.1
FCBs	16.2	21.9	3.6	10.0	61.0	66.6
SBs	6.7	6.9	9.2	7.8	77.2	79.8
All	12.0	11.5	11.7	12.4	76.6	77.5

Sources: Bangladesh Bank Quarterly Report, Sep-2019

### Credit Structure

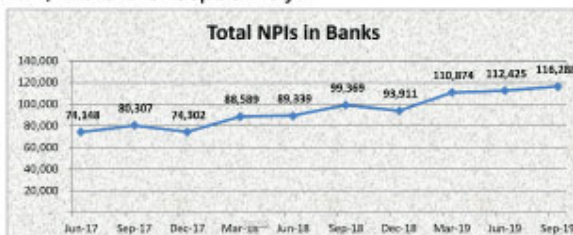
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Source: The Daily Star, January 05, 2020

### Asset Quality

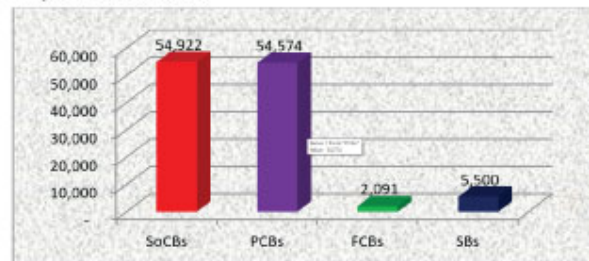
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Sources: Bangladesh Bank Quarterly Report, September-2019 & The Financial Express dated November 28, 2019

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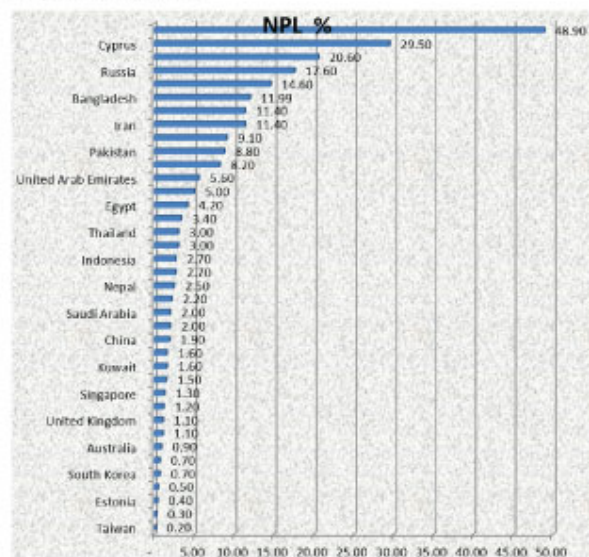
### Share of Non-Performing Loans (NPLs) of Banks on September-2019



The Financial Express dated November 28, 2019

### Non-performing loans - Country position:

Global highest value was in Ukraine: 48.90 percent and the lowest value was in Taiwan: 0.20 percent in September 2019



Source: www.ceicdata.com/en/indicator/non-performing-loans-ratio

### Capital Adequacy

Overall capitalization in the banking industry remained stable at the end of Q2FY19. The CRAR modestly rose from 11.4 percent in Q3FY19 to 11.7 percent in Q4FY19. Private commercial banks remained well capitalized with CRAR around 12.7 percent at the end of this June 2019 quarter. Capital position of SCBs registered an improvement from 6.9 percent in Q3FY19 to 8.5 percent in Q4FY19.

### Capital to Risk Weighted Asset Ratios by Types of Banks (In percent)

Type of Banks	2018			2019		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
State Owned Commercial Banks	2.9	2.0	6.1	1.9	6.9	8.5
Specialized banks	-33.7	-31.9	-14.0	-31.7	-31.7	-31.2
Private Commercial Banks	12.1	12.2	12.2	12.8	12.7	12.7
Foreign Commercial Banks	24.6	23.0	26.7	26.0	28.0	28.7
All Banks	10.1	10.0	10.9	10.5	11.4	11.7

Source: Bangladesh Bank Quarterly Report, September-2019

### Remittance:

Inward Remittances increased by 25.46 percent and stood at US\$ 9403.40 million during July-December 2019 against the increase of 8.12 percent to US\$ 7495.35 million during the same period of the last fiscal year. Inward Remittances increased over the reported period due mainly to government's announcement to provide 2 percent cash incentive on remittance through legal channel, applicable for an expatriate remitting maximum US\$ 1500 or equivalent each time without any document.

### Country wise Remittance Inflows

Country-wise inflow of remittances during July-September 2019 shows that the largest amount of remittances was received from KSA (USD 946.48 million), which is 20.96 percent of total remittances, followed by UAE (13.83 percent), USA (10.85 percent), Kuwait (8.36 percent), United Kingdom (7.89 percent), Malaysia (6.98 percent), Oman (6.33 percent) and other countries (23.87 percent).

### Bank wise Remittance Inflow:

Banks, as the most important functionary of the financial system, act as the legal channels for remittance mobilization.

Among the different group of commercial banks, Private Commercial Banks (PCBs) collect the highest amount of remittance, followed by State owned Commercial Banks (SOCBs), Foreign Commercial Banks (FCBs) and Specialized Banks (SB).

During the period under report, PCBs have collected USD 3338.44 million (73.95 percent of total), which is 1.76 percent lower than the previous quarter and 18.07 percent higher than the same quarter of preceding year respectively. Among the PCBs, Islami Bank Bangladesh Ltd. (IBBL) collected highest amount of remittance with USD 898.12 million (19.89 percent of total), and stood first position in all banks.

During July-September 2019, SOCBs have collected USD 1068.71 million (23.67 percent of total), which is 1.13 percent and 10.46 percent higher than the previous quarter and the same quarter of the previous year respectively. Among SOCBs, Agrani Bank Ltd. (ABL) held the top position with USD 469.61 million and Sonali Bank Ltd. (SBL) attained the second position with USD 308.88 million.

Foreign Commercial Banks have collected USD 34.05 million (0.75 percent of total) during July-September 2019, which is 6.30 percent lower than the previous quarter and 0.18 percent higher

than the same quarter of 2018. Among FCBs, Woori Bank Ltd. has collected the highest amount of remittances with USD 18.2 million. (Source: Quarterly Report on Remittance Inflows September-2019, Bangladesh Bank)

SBAC Bank Limited collect Tk. 456.37 crore remittance during 2019

### Financial Inclusion

In recent times, financial inclusion seems to be the most willful tool to ensure inclusive and sustainable economic development in the world. With a view to building a sustainable economic infrastructure of the country and realizing the importance of financial inclusion, Bangladesh Bank has been engaged in the exploration and promotion of innovative and successful policy initiatives to bring the financially excluded marginal population under the umbrella of financial inclusion. The major policy initiatives taken by Bangladesh Bank to promote financial inclusion are as follows:

- Bangladesh Bank has issued various circulars time to time to open bank account (popularly known as TK 10 bank account) with a minimum deposit of Tk. 10 to include the under-privileged and financially excluded population in the formal banking services. People from various classes and professions such as farmers, hardcore poor, workers of city corporation, shoe and leather, and RMG, physically challenged persons, beneficiary under the social security program and freedom fighters along with other financially excluded groups are included in this category.

- With a view to facilitate the farmers for keeping their Tk. 10 account effective by providing credit under minimum conditions, Bangladesh Bank has created a revolving refinance fund worth of Tk.200 crore from its own source. Small, marginal, and landless farmers are the main target groups of this refinance scheme. Tk. 405.47 crore has been disbursed under this scheme up to September-2019.

- Total 20,331,804 accounts under financial inclusion Up to September 30, 2019.

- Total Deposit under financial inclusion is Tk. 2173.56 crore up to September 30, 2019.

- Total Remittance under financial inclusion is Tk. 245.90 crore through 59,100 accounts up to September 30, 2019.

### Sources:

\* Global Economic prospect, June 2019, World Bank

- \* Bangladesh Bank Website
- \* Global Financial Stability Report, IMF
- \* Wikipedia
- \* World Economic Outlook IMF, October 2019
- \* Bangladesh Bank quarterly
- \* Bangladesh Economic Review, Ministry of Finance
- \* Others Sources

**The segment-wise or product-wise performances:**

Banking means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise. Thus the Banking product may be classified into two; Liability Products (Deposit Products) and Asset Products (lending products). In this context our bank has well-designed Liability and Asset Products. The segment-wise or product-wise performances are as under:

**Liability Products:** Deposit is the main source of finance. Our Bank has some lucrative deposit product offering attractive profit rate such as: Saving Account, Surokha Sonchoyi Hisab, Short Term Notice Deposit, Term Notice Deposit, Student Savings Account Tk. 10, 50 & 100 Privileged Account, Senior Citizen Account as Checking Accounts. There are several types of Term Deposit Products such as Fixed Deposit Accounts (01 month, 03 months, 6 months 12 month etc.), Monthly Benefit Scheme (Appropriate for those who want to get a specific monthly return for their deposited amount), Special Benefit Scheme: (Deposited amount will be double/triple at maturity), Monthly Savings Scheme: Lakhpoti Savings Scheme, Surokha Millennium Scheme.

It is mentionable that Customers can deposit in any branches of SBAC Bank Ltd. For the Account holder, there will be Insurance Coverage up to Tk. 5,00,000.00 (five lac) in case of Accidental Death and Tk. 50,000.00 (fifty thousand) for normal death (in some cases). Annual Insurance Premium will be paid by the bank for each account holder.

**Asset Product:**

The Bank has the following asset products:

**Corporate Financing:**

- \* Working Capital Finance

- \* Project Finance
- \* Term Finance
- \* Trade Finance
- \* Lease Finance
- \* Syndication Loan

**Retail Credit:**

- \* Consumer Finance
- \* Credit Card- Local Card, International Card, Dual Currency Card

**SME Financing:**

- \* Working Capital Loan [ CC(Hypo), CC(Pledge)]
- \* Trade Finance (L/C, LTR, IDBP)
- \* Transport Loan
- \* Commercial/Residential House Building Loan
- \* Work Order Loan
- \* Bidder's Loan
- \* Project Loan
- \* Women Entrepreneur's Loan
- \* Small Business Loan
- \* Green Financing

**Agriculture Credit:**

- \* General Agricultural Credit
- \* 10.00 Taka Account Loan

**Corporate Financing:**

SBAC Bank Ltd. is providing a wide range of financial services, offering specialist advice and loan products to corporate clients to meet diverse demands of changing market scenario. We have expertise to customize products & services to meet specific requirements of our clients. We are committed to serve our customer with extensive branch network all over the country to expedite our client's business growth. We facilitate your business to face the challenges and realize opportunities, now and in the future. Our main focus is relationship based banking and understanding corporate & institutional business environments.

Our experienced Branch Managers & their team can respond to and anticipate customer needs and give competitive business advantages to them. Products and services for commercial and business customers include: Working Capital Finance, Project Finance, Term Finance, Trade Finance, Lease Finance, Syndication Loan etc.



#### Working Capital Finance:

Business Enterprises engaged in manufacturing/trading/ service business are eligible to avail Working Capital Loan to meet day to day expenses for processing of manufacturing and selling product & services. Working capital products include both fund and non-fund based products. Fund-based working capital products include secured over draft, cash credit, packing credit, short-term loans payable on demand bank guarantees. Non-fund based products include bank guarantee; performance guarantees and bid bonds are also supporting the business of our customers.

#### Project Finance:

SBAC Bank Ltd. provides project loan to set up /BMRE of long-term infrastructure and industrial projects/ service unit on the basis of debt and equity rather than the balance sheets of project sponsors. Project financing have been recognized as an important and crucial mode of finance for a financial institution for substantial growth of its industrial credit vis-à-vis managing long term finance. Growth of project finance/Industrial credit of a developing country like Bangladesh is considered as a key parameter for transforming her dream into a mid income country group.

Hence, apart from trade and commercial finance; SBAC Bank Ltd. from the very beginning has been an active partner of the private sector in developing large and medium scale industry of the country. The Bank has been financing Term Loan (Industrial) facility for establishing new project and/or BMRE of various projects in the sectors viz. textile, garments, power, steel, telecom, pharmaceuticals, packaging, consumer products, health, CNG refueling, Real estate.

#### Term Finance:

SBAC Bank Ltd. is offering short term & mid term finance to the customers to meet emergency financial needs of our project/business.

#### Trade Finance:

##### Import

##### Letter of Credit

Business Enterprises can avail Non-funded facility for import / procurement of raw materials, machinery, equipment, merchandise item.

##### Loan against Imported Merchandise (LIM) and Trust Receipt (LTR)

Business Enterprises engaged in import

merchandise can avail working capital for retirement of import documents.

##### Export:

##### Pre-shipment finance:

Back to Back L/C, EDF, ECC, SOD (Working Capital Finance), Packing Credit.

##### Post-shipment finance:

Foreign Documentary Bills Purchase, Inward Documentary Bill Purchase.

##### Lease Financing

Lease financing became a thrust sector for individual and small enterprise besides medium and large enterprises. SBAC Bank Ltd. has been providing lease finance facility to its customer for acquisition of manufacturing and service equipments for all major industrial sectors. The facility helps the customer to have better financial flexibility under budgetary constraints and to enjoy tax benefit. SBAC Bank Ltd. offers financing vehicles/ CNG conversion/ refueling plant/ sea or river transport, capital machinery/ plat/ equipment/ lift / generator/ boiler, construction equipment/ computer for IT education center, medical equipment etc.

##### Syndication Finance:

SBAC Bank Ltd. along with other commercial banks have been financing large scale projects under syndication arrangement to raise and meet huge credit need of a company. This arrangement allows the Banks to share expertise among them and diversify its credit risks. To cater the need of leading corporate house SBAC Bank Ltd. has been raising fund from the banking sector on behalf of the customer through syndication arrangement.

##### Retail Credit:

Retail Credit is mass- credit services for individual customers to avail credit facilities directly from our wide branch network all over the country. With a view to provide faster and more convenient centralized online banking services, most of our branches have been brought under the real time online banking system.

SBAC Bank Ltd. offers a wide variety of loan product & value added services to suit banking requirements of the individual clients. Products and services for individual customer include: Consumer Finance, Any Purpose Loan, Auto Loan, Professionals' Loan, Education Loan , Home Renovation Loan, Credit Card etc.

### SME Financing:

The growth of Small and Medium enterprises (SMEs) in terms of size and number has multiple effects on the national economy, specifically on employment generation, GDP growth, and poverty alleviation in Bangladesh. At present, Small & Medium Enterprise sector is playing a vital role in creation of new generation entrepreneurs and 'Entrepreneurs Culture' in the country. Experience shows that borrowers of small enterprise sector prefers collateral free loan since normally they cannot offer high value security to cover the exposure.

To facilitate SME sector of the country, SBAC Bank Ltd. provides credit facilities to the small & medium entrepreneurs across the country whose access to traditional credit facilities are very limited. We are offering different products for selected target groups, such as - Transport Loan, Commercial/Residential House Building Loan, Work Order Loan, Bidder's Loan, Working Capital Loan, Project Loan, Trade Finance, Women Entrepreneur's Loan, Small Business Loan, Green Financing etc.

### Agriculture Credit:

Bangladesh is an agro-based country and majority of our population dependant on Agriculture. Although maximum of the total population is dependent on agriculture, its contribution to GDP has gradually come down. Moreover, every year a huge amount of food grain and other agricultural products are imported to meet the demand of the country.

In order to achieve desired growth in agriculture sector of the country, we are committed to increase our present loan portfolio in agricultural sector. SBAC Bank Ltd. is offering Agriculture Loan to the various Agricultural sectors like Fishery, Dairy, Beef Fattening, Poultry etc. for individuals & group at micro level.

### FINANCIAL PERFORMANCE OF THE BANK IN 2019:

South Bangla Agriculture and Commerce Bank Limited along with eight other new Banks started its journey in 2013 which heightened the competition in the Banking arena. Despite various challenges, the Bank has been able to record progress in almost all the areas of operation in 2019. The bank earned Tk.

2,269.18million 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 2018. The Financial performances of the Bank are as follow:

### Total Assets:

Total assets of the bank stood at Tk. 84,564.01 million in 2019 as against Tk. 70,661.31 million in 2018 registering a growth of 19.68 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. 4,436.60 million in 2019 of which Tk. 759.25million in the form of cash and rest of Tk. 3,677.35 million held with Bangladesh Bank & its Agent as against Tk. 4,088.39million in 2018 of which Tk. 546.10 million in the form of cash and rest of Tk. 3,542.29 million held with Bangladesh Bank & its Agent registering growth of 8.52 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. 7,016.90 million in 2019 of which Tk. 6,414.43million in Bangladesh and Tk. 602.46 million outside Bangladesh as against Tk.7,038.85million in 2018 of which Tk. 6,693.35 million in Bangladesh and Tk. 345.50 million outside Bangladesh. The balance in outside Bangladesh increased by Tk. 256.97 million (Tk. 602.47 million – Tk. 345.50 million) in 2019 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 Tk15,034.61 million in 2019 as against Tk. 7,032.56million in 2018. The investment increased during the year 2019 by Tk. 8,002.05 million (Tk. 15,034.61million - Tk. 7,032.56million). 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:

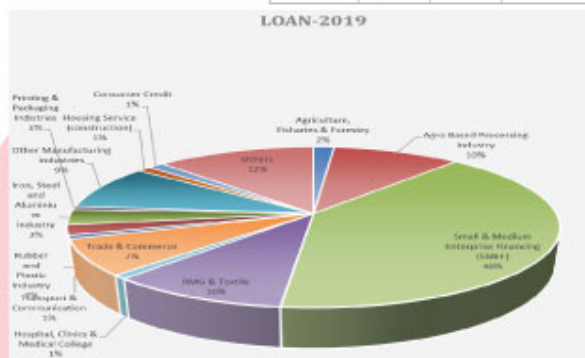
The SBAC Bank Limited since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2019. The loans and advances stood at 56,000.74million in 2019 againstTk. 50,254.94million in 2018 registering growth of 11.43 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bankdecreased to 12.88 percent from the level of 12.99 percent of previous year due to decrease of lending rates.

To minimize risks, the loan and advances has been given to diversified sectors.

*The sector wise disbursed loan and advances are shown below:*

(Amount in million Taka)

Particular of Sectors	2019	2018	2017	2018 to 2019 Growth%
Agriculture, Fisheries & Forestry	889.39	792.39	784.07	12.10%
Agro Based Processing Industry	5,522.33	2,245.47	1,702.19	145.93%
Small & Medium Enterprise Financing (SMEF)	22,538.46	20,410.79	17,105.04	10.72%
RMG & Textile	5,668.95	4,374.64	4,171.59	29.55%
Hospital, Clinics & Medical College	431.07	540.81	713.19	-20.25%
Trade & Commerce	4,059.93	5,659.23	5,046.71	-28.26%
Transport & Communication	468.21	426.37	307.35	-4.26%
Rubber and Plastic Industry	1,159.70	1,134.97	912.96	2.18%
Iron, Steel and Aluminum Industry	1,732.30	1,759.92	1,576.16	-1.57%
Printing & Packaging Industries	370.81	351.44	302.7	5.51%
Other Manufacturing Industries	4,983.24	8,975.93	7,171.63	-44.46%
Housing Service (construction)	596.62	636.43	680.29	-6.26%
Consumer Credit	692.91	188.5	155.24	267.59%
Others	6,086.83	2,757.03	2,655.84	149.79%
	56,000.74	50,254.94	43,284.96	11.43%



### Liabilities:

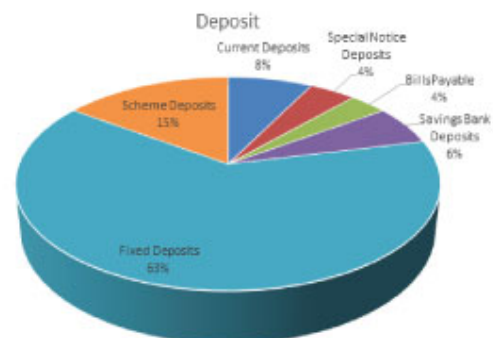
The liabilities (excluding equity) of the Bank stood at Tk. 76,201.04 million in 2019 of which Tk. 71,540.16million (93.88%) was deposit and rest Tk. 3,543.84 million (6.12%) was borrowing & other liabilities as against Tk. 63,231.60 million in 2018 of which Tk. 59,304.33 million (93.79%) was deposit and rest Tk. 3,126.11 million (6.21%) was other liabilities registering growth of 20.42%. The increase in liability was mainly due to growth in deposits. The borrowings from other banks, financial institutions and agents stood at Tk1,117.04million in 2019 which represents Bank's borrowing from Bangladesh Bank under various Refinance Scheme & EDF.

### Deposits:

The deposits of the Bank stood Tk. 71,540.16 million in 2019 as against Tk. 59,304.33million in 2018 registering growth of 20.63 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 63.38 percent of the total deposits. Interest cost of deposit increased to 7.76 percent as against 7.43 percent as against the previous year as a result of increase 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, NBF, government bodies etc.

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

Types of Deposit	Amount Taka in Million		Growth (%)	Deposit Mix (%)	
	2019	2018		2019	2018
Current Deposits	5,502.07	4,747.68	15.89%	7.69%	8.01%
Special Notice Deposits	3,026.64	2,140.63	41.39%	4.23%	3.61%
Bills Payable	2,420.68	1,651.82	46.55%	3.38%	2.79%
Savings Bank Deposits	4,329.31	2,758.44	56.95%	6.05%	4.65%
Fixed Deposits	45,341.90	41,543.32	9.14%	63.38%	70.05%
Scheme Deposits	10,919.56	6,462.44	68.97%	15.26%	10.90%
<b>Total</b>	<b>71,540.16</b>	<b>59,121.49</b>	<b>42.73%</b>	<b>100%</b>	<b>100%</b>



### Shareholders' Equity:

The shareholders' equity of the Bank stood Tk8,362.96 million in 2019 as against Tk. 7,429.71million in 2018 registering growth of 12.56%. 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	2019	2018	Growth (%)
Cash	4,436.60	4,088.39	8.52%
Balance with other banks and FIs	7,016.90	7,038.85	-0.31%
Money at call and short notice	0	80	-
Investments	15,034.61	7,032.56	113.79%
Loans and advances	56,000.74	50,254.94	11.43%
Fixed & other assets	2,075.16	2,166.57	-4.22%
<b>TOTAL PROPERTY AND ASSETS</b>	<b>84,564.01</b>	<b>70,661.31</b>	<b>19.68%</b>
Deposits	71,540.16	59,304.34	20.63%
Borrowings	1,117.04	801.15	39.43%
Other liabilities	3,543.84	2,996.11	18.28%
Total Shareholders' equity	8,362.96	7,559.71	10.63%
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>84,564.01</b>	<b>70,661.31</b>	<b>19.68%</b>

### Interest Income:

The interest income stood at Tk. 7,357.32 million in 2019 as against Tk. 6,420.41million in 2018 showing growth of 14.59percent. Interest income consists of Interest earned from loans & advances amounting Tk. 6,691.66 million and Interest received on FDR & SND account kept with other banks and financial institutions amounting Tk. 665.66 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 (Taka in Million)		Growth (%)	Interest Income Mix (%)	
	2019	2018		2019	2018
Interest earned from loans & advances	6,691.66	5,889.38	13.62%	90.95	91.73
Interest received from Banks & Financial Institutions	665.66	531.03	25.35%	9.05	8.27
<b>Total Interest Income</b>	<b>7,357.32</b>	<b>6,420.41</b>	<b>14.59%</b>	<b>100</b>	<b>100</b>

### Interest Expense:

The interest expense stood at Tk. 4,847.32 million in 2019 as against Tk. 3,869.22 million in 2018 showing growth of 25.28percent. Interest cost of deposits was the main component of interest expenses whereas interest cost of borrowings also had impact in 2019. Interest cost of deposits increased to 7.76 percent in 2018 from 7.43 percent

in the previous year due to increase 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 (Taka in Million)		Growth (%)	Interest Expense Mix (%)	
	2019	2018		2019	2018
Interest on Deposits	4,783.08	3,808.40	25.59	98.67	98.43
Interest on Borrowings	64.24	60.82	5.62	1.33	1.57
<b>Total Interest expense</b>	<b>4,847.32</b>	<b>3,869.22</b>	<b>25.28</b>	<b>100</b>	<b>100</b>

### Net Interest Income:

The net interest income stood at Tk.2,510.00 million in 2019 as against Tk. 2,551.19million in 2018. Net Interest Income decreased due to increase of cost of deposits and decrease in yield on loans and advances.

### 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.1,217.52 million in 2019 as against Tk. 917.54 million in 2018. Net Interest Income increase due to increase in Investment in Government Securities and capital gain on sale of shares of listed companies.

### Non-Interest Income & Other Operating Income:

Non-interest income consists of Commission, Exchange earnings, Brokerage etc and other operating income consists of appraisal fees, accounts maintenance charge, postage & SWIFT recovery charge etc. The Non-Interest Income & Other Operating Income stood at Tk.625.19 million in 2019 of which Tk. 625.19 million was non-interest income and Tk. 120.80 million was other operating income as against Tk.535.19 million in 2018 of which Non-interest income was Tk. 443.21million and other operating income was Tk.91.99million showing growth of 16.82 percent. The growth was due to overall growth of banking business of the bank in 2019.

### Total Operating Income:

The operating income stood at Tk.4,352.72 million in 2019 as against Tk. 4,003.93 million in 2018 showing growth of 8.71percent. The operating income increased due to investment income and other operating & non interest income.

### 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. 2,083.54million in 2019 as against Tk. 1,970.10 million in 2018 registering growth of 5.78 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 2019 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 869 as on December 31, 2019. The productivity of the employees is measured in the following ratio:

(Amount in Million Taka)

Particular	2019	2018	Growth (%)
Income per employee	5.01	4.99	0.40
Expense per employee	2.4	2.46	-2.44
Profit before provision per employee	2.61	2.54	2.76
Profit before tax per employee	2.03	2.05	-0.98
Assets per employee	97.31	88.21	10.32

### Provision of Classified Loans (Specific provision):

In 2019, the amount of Non Performing Loan (NPL) was Tk. 3,408.95million. The specific provision for classified loans for the year 2019 was Tk. 971.50 million.

### General Provision:

The provision against unclassified loans and advances including off-balance sheet exposures was made to the tune of Tk. 517.58 million during 2019 of which Tk. 383.92 million was made for unclassified loans and advances and Tk. 133.65 million was made for off-balance sheet exposures as against Tk. 455.66 million in 2018 of which Tk. 344.84 million was made for unclassified loans and advances and Tk. 110.82 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 2019 since there was no diminution in value of investment in 2018.

### Net Profit before Tax:

After making above provisions, net profit before tax of SBAC Bank Limited stood at Tk.1,764.35million in 2019 as against Tk.1,641.22 million in 2018 showing growth of 7.50 percent. The growth was due to overall growth of banking business of the bank in 2019.

### Provision for Income Tax:

Provision against income tax of SBAC Bank Limited was Tk. 796.75 million in 2019 as against Tk. 761.64 million in 2018. The requirement was increased due to increase of net profit before tax in 2019.

### Net Profit after Tax:

Net profit after tax stood at Tk. 967.60million in 2019 as against Tk.879.59 million in 2018 showing growth of 10.01 percent. The growth was due to overall growth of banking business of the bank in 2019. EPS, ROA and ROE stood at Tk. 1.55, 1.25 percent &12.25 percent respectively in 2019 as against Tk. 1.41, 1.36 percent and 12.40 percent respectively in 2018.

### 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. 352.87million has been transferred to statutory reserve in 2019 which was Tk. 328.24million in 2018. Total statutory reserve stood at Tk. 1,479.78 million as on December 31, 2019 which was Tk. 1,126.91 million as on December 31, 2018.

### OPERATING PERFORMANCE OF THE BANK

(Amount in Million Taka)

Particulars	2019	2018	2017	2016	2015	Growth (%) [2018 to 2019]
Interest Income	7,357.32	6,420.41	4,764.88	3,843.96	2,861.10	14.59%
Less: Interest Expense	4,847.32	3,869.22	2,802.48	2,307.33	2,049.82	25.28%
Net Interest Income	2,510.00	2,551.19	1,962.40	1,536.63	811.28	-1.61%
Investment Income	1,217.52	917.54	1,006.84	1,143.57	833.15	32.69%
Non-Interest Income & Other Operating Income	625.19	535.2	506.86	281.87	186.97	16.81%
Total Operating Income	4,352.72	4,003.93	3,476.10	2,962.96	1,831.40	8.71%
Less: Operating Expense	2,083.54	1,970.1	1,656.82	1,442.18	1,025.45	5.76%
Profit before provision	2,269.18	2,033.83	1,819.28	1,519.88	805.95	11.57%
Less: Provision	504.83	392.62	301.37	74.00	78.62	28.58%
Net Profit before Tax	1,764.35	1,641.21	1,517.91	1,445.88	727.33	7.50%
Provision for Income Tax	796.75	761.64	535.9	496.42	369.32	4.61%
Net Profit after Tax	967.60	879.57	982.01	949.45	358.01	10.01%
Less: Statutory Reserve	352.87	328.24	303.59	289.17	145.47	7.50%
Profit available to ordinary share holders	614.73	551.33	678.42	660.28	212.54	11.50%
Earnings Per Share (EPS)	Tk. 1.55	Tk. 1.41	Tk. 1.97	Tk. 2.19	Tk. 0.83	17.02
Return on Equity (ROE)	12.53%	12.40%	16.16%	18.09%	7.85%	1.21%
Return on Assets (ROA)	1.25%	1.36%	1.88%	2.31%	1.18%	-8.09%

We have a remarkable contribution to the Government Exchequer. We have contributed total 1,571.36 million as Withholding Tax, AIT and VAT & Excise Duty as under:

Particulars	Withholding Tax	Advance Income Tax	VAT and Excise Duty	Total
2019	584.99	787.99	198.38	1,571.36
2018	445.95	768.74	185.25	1,399.94
2017	347.20	613.06	155.98	1,010.37
2016	296.36	269.89	97.41	663.66
2015	254.11	146.16	67.14	467.41
2014	103.61	38.89	40.60	183.10
2013	16.82	21.08	10.19	48.09

### Cost of Fund, Gross Profit Margin and Net Profit Margin:

As of 31-12-2019 the Bank's cost of fund was 10.47%. Interest bearing asset was Tk. 73,970,203,123. Interest Income was Tk. 7,357.32 and interest expense Tk. 4,847.32. Considering the others incomes and expenses Bank's operating income stood at Tk. 9,200.04. Bank's Gross profit margin was 24.66% and Net Profit Margin was Tk. 10.52%.

### Discussion on continuity o any extraordinary activities and their implications (gain or loss):

There is no incident of any extra-ordinary activities (gain or loss).....

### Bank's Role in the International Business:

International Division plays a vital for smooth operation, overall supervision and control of foreign trade and foreign exchange business of the Bank. The foreign trade business of South Bangla Agriculture and Commerce Bank Ltd. has been facilitating by International Division (ID). The main areas of function of International Division are, Correspondent Banking Relationships, Trade Processing Unit (TPU), Treasury Back Office, Trade Settlement & Regulatory Reporting Unit and Inward Wage-earner Remittance Unit. From the very beginning of the journey of the bank, International Division has been playing a significant role in upholding the foreign trade business through its 6 (Six) Authorized Dealer (AD) branches including Trade Processing Unit (TPU). Trade Processing Unit started its journey at Head Office on July 1, 2014 to support Foreign Exchange businesses of our Non-AD branches. Now all our 82 branches are capable of handling Import and Export business of their clients like any AD Branches.

### Correspondent Banking:

Correspondence Banking is inevitable for conducting foreign trade business. SBAC Bank Ltd has been maintaining fervent correspondent banking relationship with internationally reputed banks to

facilitate foreign trade and other international transactions such as advising, confirmation, reimbursement of L/Cs, discounting of bills, international transfers, documentary bills collection, guarantee etc. As on 31st December 2019 the number of foreign correspondents is 206 Banks spread across 54 countries. The Bank maintains 12 Nostro Accounts in 4 major currencies with reputed international banks around the world. The Bank is also enjoying confirmation lines of around USD 80.00 million as well as funded credit lines with more than 25 reputed banks worldwide.

Bank has implemented fully automated SWIFT owned Sanction Screening system at our SWIFT Server to screen all incoming and outgoing transactions related to foreign trade. This screening solution has been procured from SWIFT, Belgium and the solution is considered as the most robust sanctions screening system. The solution will scrutinize all the SWIFT messages as per sanctioned list of OFAC, UN, EU, UKHMT, HKMA, AUSTRAC, BFIU etc. Bank has also introduced Automated Sanction Screening system of Flora Bank CBS for filtering all transactions which helped us to reach international standard to ensure strict compliance of Trade Based Money Laundering and combating terrorist financing.

Here is glimpse of correspondent banking of SBAC Bank Ltd:

Category	Number
Authorized Dealer Branches	6
Relationship Management Application( RMA)	206
Nostro Account	12
Credit Line/ Add Confirmation facilities with foreign Banks	25
Direct Drawing arrangement with Exchange House for Remittance services	5
In-Direct (Sub-agent) Drawing arrangement with Exchange House for Remittance services	6

### Foreign Trade Business:

The span as well as the volume of our bank's foreign trade business is emerging day by day. SBAC Bank provides support to its clients to meet their need of foreign trade business. There are various types of import customers of SBAC Bank among them export oriented garments industry, and general traders are mentionable. In the year 2019 the total import business of SBAC Bank stood BDT 28110.90 million (equivalent USD 334.65) whereas in 2018 it was BDT 27,353.00 million (equivalent USD 325.60 million). Import volume in the year 2017, 2016 was BDT 25,900.50 million (equivalent USD 312.05 million), BDT 17,596.80 million (equivalent USD 219.96 million) respectively.

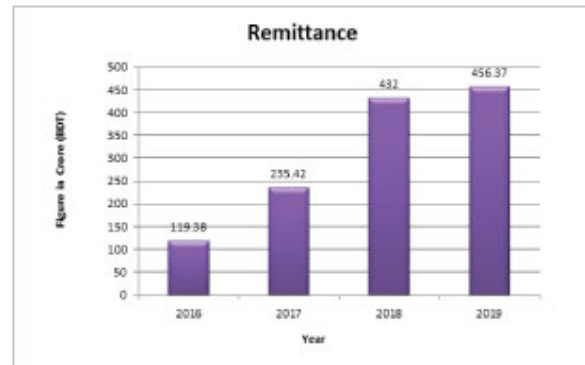
In order to patronize the exporter as well as the economy of the country and to boost up income from export financing activities SBAC Bank Ltd adopted a customer friendly financing strategy to

finance the RMG (Ready Made Garments) and agriculture based exporter. In the year 2019 total export business of SBAC Bank Ltd stood BDT 17060.40 million (equivalent USD 203.10) whereas in the year 2018 it was BDT 16,399.66 million (equivalent USD 197.58 million). Export volume in the year 2017, 2016 was BDT 11,710.17million (equivalent USD 141.51 million) BDT 8,760.31million (equivalent USD 110.89 million) respectively.



### Remittance:

Remittance is the second most important sources of foreign exchange earnings for Bangladesh after readymade garments (RMG). Bank is a legal channel for remittance procurement. As central bank Bangladesh Bank always encourage scheduled banks to procure remittance through banking channel. SBAC Bank Ltd is also committed to handle remittance inflow from the expatriate Bangladeshis. We are the pioneer of having tied up with an exchange company as a direct agent for remittance business among the new generation Banks. We have direct drawing arrangement with Aman Exchange Company WLL, Kuwait, Wall Street Finance LLC, USA, Al-Ansari Exchange LLC, UAE, Worldwide West 2 East Services Ltd, UK, (A/C: Sha Global), and LCC Trans-sending Ltd, UK (A/C: Small World). We have also 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., Western Union Network with the help of Mercantile Bank Ltd., Ria Financial services with the help of Southeast Bank Ltd., and Turbo Cash with Trust Bank Limited. In the year 2019, SBAC Bank received 4563.7 million (equivalent USD 54.33 million) as wage earners remittance. Remittance figure was 2018 BDT 4,319.98million (equivalent USD 53.05 million) BDT 2,354.22million (equivalent USD 28.45 million) in the year 2017, BDT 1199.76million (equivalent USD 15.25 million) in the year 2016.



### Treasury Operations:

Treasury Division pays attention on minimizing risk, enabling timely liquidity generation both in local currency and foreign currency, ensuring stability in yields, while also facilitating compliance. SBAC Treasury runs with separate Trading and Risk Management units and also with the concept of centralized Foreign Exchange and Money Market activities for efficiency. Treasury Division manages the Bank's Balance Sheet and ensure regulatory compliance with all

regulatory and risk ratios, manage the ALCO processes, ensure FX gains through the management of FX business, capital gains through the management of securities trading, drive interest income from investments in money market products and engage in forecasting and proper planning, thereby maximizing treasury gains, while minimizing exposure and market risks of the Bank. SBAC Bank's Treasury Division is constantly evolving to serve the dynamic needs of the organization.

Treasury functions of SBAC Bank are broadly categorized as follows:

- Money Market
- Fixed Income Trading
- Foreign Exchange
- Asset Liability Management

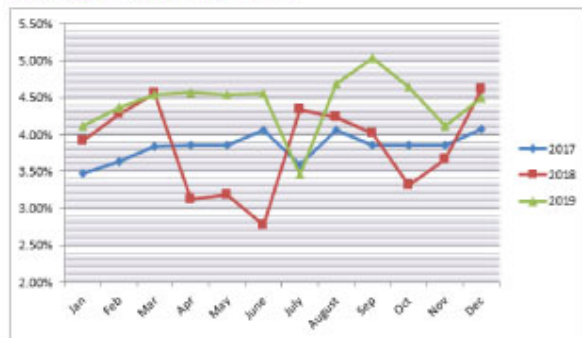
### Money Market Desk:

The primary activity of this desk is to manage the liquidity requirements of the Bank through money market products, including Call Money, Notice Money, Term Money, Repo/ Reverse Repo and FX Swaps. Our Treasury has been very active in interbank Money Market through superior forecasting of the market, managing liquidity gaps and thus contributes significantly to the bottom line of the Bank.

In 2019 Money Market was moderately tight as Government borrowing was increased enormously

from the beginning of the year due to shortage of revenue collection and less sale of national savings certificate. But average Call Money rate hovered below 4.50% as the Central Bank gave Repo facilities throughout the year.

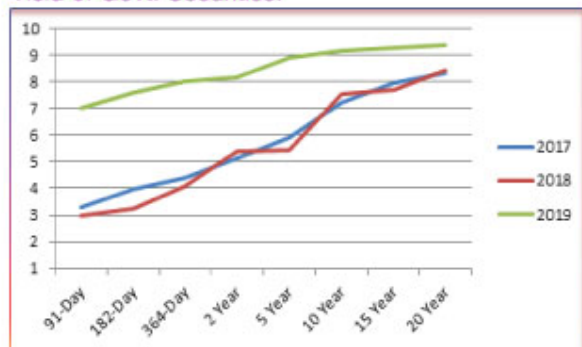
**Average Call Money Rate:**



**Fixed Income Investment Desk:**

SBAC Bank Fixed Income Desk deals with Treasury Bills, Bangladesh Bank Bill, Fixed Rate Treasury Bonds and Floating Rate Treasury Bonds. This Desk makes interest rate forecast and take position on Government Securities. As a Primary Dealer (PD) Bank, SBAC Bank's Treasury is responsible to participate in primary auction of the government securities at least for the amount of own underwriting obligation. SBAC, Treasury has been playing a dynamic role in developing an active and vibrant secondary market of government securities. Fixed Income Investment Desk has been generating a healthy yield in the mode of interest income and capital gain from the holding of securities and trading. Government borrowing from the banking system increased significantly in this financial year due to decrease in sales of national savings certificate and less revenue collection. The rates of Government securities increased substantially & yield curve moved outward in 2019 that encouraged our Treasury to make immense fresh investment to enhance the bond portfolio.

**Yield of Govt. Securities:**

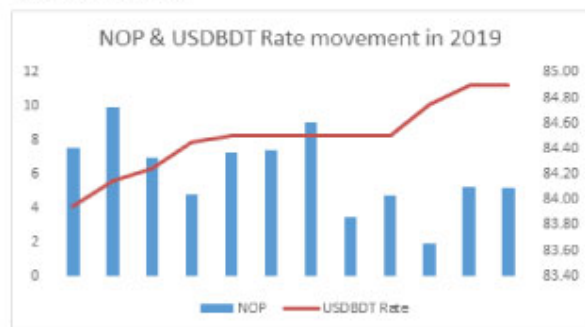


**Foreign Exchange Desk:**

The Foreign Exchange (FX) Desk manages the day-to-day FCY requirements and also the surplus/shortfall of the Bank's FCY holdings. This Desk continuously makes forecast on movement of future exchange rate and maintains its open position efficiently within the limit of USD 12.66 Million.

As country's trade deficit kept widening in 2019, the local currency depreciated by 1.19% against USD from January to December 2019. Corporate houses responded by hedging their future positions, which also contributed to this upward pressure in USD/BDT rate. In 2019, the FX market in Bangladesh was tight in terms of liquidity and demand for USD/BDT was also relatively high. The interbank market was closely

monitored by Bangladesh Bank with the selling of USD to the interbank market to ensure market stability. Amidst all these challenges, our foreign exchange activities related to imports, exports, remittance, interbank and corporate trading generated substantial exchange gain considering market context.



**Asset Liability Management (ALM) Desk:**

The Bank has separate Asset Liability Management (ALM) Desk under Treasury, which analyses, evaluates and interprets the market scenario and provide valuable inputs in SBAC Asset Liability Management Committee (ALCO) on a regular basis to ensure the right balance between product profile, cost and risk exposure. ALCO, which is comprised of senior management of SBAC, meets at least once in a month to discuss the current local and global market outlook, major issues that may shake the existing interest rate, liquidity and to decide on policy regarding interest rates and thrust sectors. ALM Desk official prepare ALCO papers incorporating local and global economic updates, market liquidity forecasts, interest rate projections, balance sheet analysis and proposes it to ALCO. SBAC Treasury has done exceptionally well in this area by keeping management well-informed of





crucial changes in the market and pricing techniques of liabilities and assets. In 2019, effective and timely change in rates by ALCO played a vital role in the significant growth of Nil. A new ALM policy has been formulated by ALM Desk keeping BASEL III liquidity ratios (LCR & NSFR) in mind and central bank's ALM guidelines into active consideration. Managing balance sheet composition is a vital part for the bank. SBAC Treasury is always learning from the market and getting updated time to time to manage balance sheet composition at optimum level.

#### INFORMATION TECHNOLOGY DIVISION:

SBAC Bank is committed to enhance the customer value proposition through technology-led innovation, and creating multiple alternate ways to serve our valued customers. In this regard, initiatives have been taken to maintain and enhance our service excellence through maximum use of technology and other innovations. We ensure that customer feedback received from different research and survey programs are immediately channeled to respective business and support wings so that necessary product and process reengineering and restructuring can be initiated to meet up customers' expectation.

#### Digitalization:

Digitalization is driving the banking of tomorrow and SBAC Bank is moving ahead with the adoption of technology to enable smarter, faster and more efficient processes with 24/7 availability. We started our digitalization journey to automate fulfilment of customer journeys end to end and to enable self-service using "BanglaPay"-Mobile/APP Banking Service of SBAC Bank. We are also planning to extend our digital Banking services by using analytics to make the right offer at the right price to customers at online channels and enable them to avail new services entirely online. We are also exploring entirely new business models and value-added services such as our Digital collection solutions that will help corporate customers in digitalizing their day-to-day business operations.

SBAC Bank's digital approach is not only confined to our innovative products and services. We place great importance on up skilling our workforce with digital capabilities, while improving our processes and infrastructure to enhance customer experience and operational efficiencies. We have taken a measured approach in digital investments and develop innovations in-house through our Technology team. In an increasingly competitive banking landscape, our aim is to deliver what our customers want in a fast, secure and easy manner.

#### Cyber Security

SBAC Bank places cyber security as the cornerstone of our banking platform, to maintain trust and credibility among our customers. With increasingly diverse ways in which our customers are interacting with their assets, we place great emphasis on ensuring the safety and integrity of each transaction – to safeguard our customers from potential losses and mitigate the Bank against potential regulatory and reputational consequences. We continued to place great importance on cyber security and preventive measures as banking services become increasingly accessible online and more customers start integrating technology into their daily lives. Besides continuous real-time monitoring to detect and respond to cyber attacks, we proactively promote cyber security awareness through internal and external campaigns and collaborate with regulators and peer Banks for insights on potential threats.

#### Cyber Risk

Cyber Risk is the risk of loss of data and income arising from cyber-attack, as well as the costs incurred to remedy the situation. The scenario of such losses could be from Distributed Denial of Service ("DDOS") attack, data leakage/theft, electronic payment interception and ransomware. Cyber risk is a type of technology risk that refers to threats or vulnerabilities emanating from connectivity to external networks or the internet on internal technology infrastructure. Following measures have been taken to minimize Cyber Risk:

- Continuous upgrades to our IT infrastructure to minimize the risk of disruptions and mitigate the risk of any single point of failure.
- Continuous cyber risk assessment on our outsourced service providers to ensure they comply with our security requirements.
- Conducted surveillance via internal detection controls to ensure prevention controls are effective and participated in industry-wide cyber exercises.
- Continuous cyber awareness campaigns and assessments based on our Risk Management Policy.
- A Cyber Resilience Policy has been drafted to manage security with a multi-layered approach that encompasses people, processes, and technology, as well as facilitate and builds our ability to anticipate, withstand, contain and promptly recover from cyber-attacks and events that disrupt usual business operations and services.
- A Security Incident Response Team is established with specific roles and responsibilities to identify, protect, detect, respond and recover from any cyber risk incident.

### ATM & CARDS SERVICES:

#### Stepping in to Digital Financial Services:

Digital Bangladesh is one of the nation's dreams, and so special emphasis is given on the application of digital technologies to realize Vision 2021. The government of Bangladesh implemented a large number of projects relating to digital technologies and a number of these are already underway. Digital Bangladesh with Vision 2021 is a big impetus for the use of digital technology in the country. Several projects of Government for digitalization have been completed and a big number of projects are under progress.

There are over 12 crore mobile subscribers and 4.3 crore Internet subscribers are enjoying the fruits of digitization in numerous areas of activities. The ultimate objective is to make more and more services available at the doorsteps of the people with increased digitalization where possible. A few examples of available digital services are registration for admission to academic institutions, publication of results of examinations, registration for jobs abroad, registration of pilgrimage, collection of official forms, online submission of tax returns, online tendering, SMS services for lodging complaints to police stations, online bill payments for utility services etc.

So in line with the government initiatives, under the guidance and support by Bangladesh Bank & Ministry of Finance & ICT, Commercial Banks are focusing on Digital Financial Inclusion. "Digital financial inclusion" can be defined as digital access to and use of formal financial services by excluded and underserved populations. Digital financial services (DFS) has opened the delivery of basic financial services to the unbanked & under-banked population through innovative technologies like mobile-phone-enabled solutions, electronic money models and digital payment platforms.

SBAC Bank started Basic Digital Financial Services (DFS) from the inception of its Card Division. To achieve the vision and commitment & for providing the customer an uninterrupted round the clock digital transaction facilities, SBAC Bank launched ATM/CDM services along with Debit card operations on 9th March 2014. So far we have deployed 34 ATMs, 2 CDMs in different branch locations of the country and more ATMs are underway to be set up with new and existing branches soon. Though initially we have introduced Proprietorship Debit card but for wider acceptability and ensure more security, we have introduced VISA Debit & Credit Cards for our customers. Till the date we have issued 30,000

Debit Cards & approximately 3,000 credit cards.

#### Introducing of Digital Wallet Banglapay:

70% of total population are using popular digital platform "Mobile Phone" in Bangladesh. So based on this we have introduced SBAC Digital Wallet "Banglapay" on 16th December 2018 by offering digital financial services through mobile phones, QR based point-of-sale, and networks of small-scale agents. Banglapay has the potential to reach more people, at a lower cost, and with greater convenience than traditional banking services.

With the rapid global expansion of mobile technology, mobile banking and other digital financial services are helping vast numbers of excluded people to access formal financial services. Mobile network operators, governments, and financial institutions, ranging from large commercial banks to microfinance institutions, recognize and have begun to leverage the potential of DFS. As DFS models are being tested with varying degrees of success around the world, so we believe our existing and potential customer will enjoy the maximum banking facilities through their mobile phone across the country.

#### Basic Features of Banglapay:

1. Can Operate Bank Account 2. Fund Transfer 3. Utility or Bill Payment 4. Online purchase 5. Shopping/Purchase 6. Hotel Booking (Local) 7. Ticket Purchase 8. Card Bill Payment 9. Account to Account transfer 10. Transfer to Wallet 11. Cash out from Branch 12. Cash out from Agent. 13. School & Hospital Bill payment. 14. Cheque/Pay Order Request 15. Positive Pay 16. Card Block 17. Account/Card Balance Inquiry 18. Mobile Topup and many more.

***There are some milestone of Card Division which we have achieved over the period:***

**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 2016 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. These transactions are often referred to as "Chip and PIN" because PIN entry is required to verify the customer is the genuine cardholder. 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 Cardholder can withdraw cash from any Bank ATM countrywide, at the same way other 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.

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 un-authorized use of cards. Our Card also support dynamic currency transaction by which our international cardholder can by online game or

software.

**Contact less Card:** For faster processing of Card transaction and ensure more security, recently VISA worldwide pte. Ltd announced to introduce contactless Card to all its member banks. Meanwhile we have completed necessary certification and testing and we are going to issue Contactless Card to our valued Cardholder soon.

**Card Loyalty Program:** Under corporate discount tie up program our valued cardholder can enjoy privileged services and attractive discounts while using their Debit & Credit cards in selected merchant outlets including Hospitals, Hotels, restaurants and shopping malls.

**0% EMI Facility:** Customer can enjoy interest free EMI (Equal Monthly Installment) facility for purchasing goods or services from selective merchant outlets. Cardholder can also enjoy EMI facility of his/her card's un-used balance with an attractive & competitive interest rate.

**Other facilities:** We have fund transfer facility with reduced flat interest rate, customer can avail this facility by using their Card Cheque, SBAC Bank account transfer, other bank account transfer through BEFTN.

**24 Hours Customer service:** To provide 24 hours seamless card services, we have introduced 24 hours customer service with intelligent monitoring tools. Our customer service are providing 24 hours support to the cardholder by answering their query and executing the requests. We are going to introduce call center solution and interactive chatting apps for our customers soon applying artificial intelligence and historical data.

**E statement & SMS alert:** SBAC Bank provides E-statement and SMS alert for every transactions, statement notification, payment alert and greetings SMS to all Credit Cardholders. By SMS transaction notification a cardholder can secure his/her card from un-authorized or fraudulent use.

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. Transforming the conventional banking in digital banking & diversifying the present banking products, expansion of ATM & CDM network, installation of ATMs to all branches and prime public places are under process.

### Risks and concerns:

In simple word, Banking means taking risk but risk should be measurable and managed. 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. Details of risk management are given in the "Risk Management" section of this Annual Report in the page No. 106-119

### 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 percent of total capital (10 percent). 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.

### 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.

### Adequate capital:

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

### 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

### Capital Position of SBAC Bank Limited:

As per directives of the Bangladesh Bank, every bank is required to maintain capital at 12.50% including buffer capital of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher for the year 2019. Minimum Common Equity Tier-1 (CET-1) capital should be minimum 4.5 percent of total capital. SBAC Bank maintained total eligible capital Tk.837.11 crore as on 31.12.2019 which was Tk. 784.18 crore as on 31.12.2018. The Capital to Risk Weighted Asset Ratio of the bank was 14.73% as on 31.12.2019 of which CET-1 was 13.82%. As on 31.12.2018 CRAR of the bank was 15.88%. So, SBAC Bank maintains excess capital as per requirement of Bangladesh Bank and the bank stands on strong capital base.

### *Detailed Discussion on related party transactions along with a statement showing amount, nature of related party, nature transactions and Basis of transactions of all related party transactions:*

As per Bank Companies Act 1991(amended up to 2018) and Corporate Governance Guide Lines issue by Bangladesh Securities and Exchange Commission (Notification No. No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03

June 2018) have provided the necessary provisions for related party transactions. As per general instruction in the First Schedule of Bank Companies Act 1991 (amended up to 2018) (general instruction Kha 11(ka)). A statement of all related party transactions has been disclosed in the Financial Statements as Annex A

**Statement of utilization of proceeds raised through public issues, rights issues, and/or any other instruments:**

The Bank has not gone for Initial Public Offering (IPO) yet. Therefore statement of utilization of proceeds from public issues (IPO/RPO), rights issues, private placement and/or through any others instruments is not relevant for us.

**Explanation on the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.**

The Bank has not gone for Initial Public Offering (IPO) yet. Therefore statement of utilization of proceeds from public issues (IPO/RPO), rights issues, private placement and/or through any others instruments is not applicable for us.

**Explanation on any significant variance that occurs between Quarterly Financial performance and Annual Financial Statements:**

The Bank has faced a little variance occurred between

Quarterly Financial performance and Annual Financial Statements. No significant variance occurred in spite of greater volatility in the financial sectors.

**Statement of Remuneration paid to the directors including independent directors:**

Directors are not eligible to any remuneration other than fees for attending meetings of the Board and its Committee. 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 (EC) and 1 (one) meeting for Risk Management Committee (RMC) and Audit Committee (AC) 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;

**Statement of Remuneration to Directors including Independent Directors with Details of Meetings attended by the Board Members during the year 2019:**

Name	Remuneration	Remarks
Mr. S.M. Amzad Hossain	112000.00	Attended Meetings- 14 (Board)
Mr. Talukder Abdul Khaleque	136000.00	Attended Meetings- 13 (Board) & 04 (AC) * Appointed at EC on 3012-2019
Mr. Abdul Kadir Molla	120000.00	Attended Meetings- 11 (Board) & 04 (EC)
Captain M. Moazzam Hossain	208000.00	Attended Meetings- 13 (Board) & 13 (EC) * Appointed at RMC on 3012-2019
Begum Sufia Amjad	104000.00	Attended Meetings- 13 (Board)
Mr. Abu Zafar Mohammad Shofiuddin	112000.00	Attended Meetings- 10 (Board) & 04 (AC)
Engr. Md. Moklesur Rahman	96000.00	Attended Meetings- 12 (Board) * Appointed at EC on 3012-2019
Al-Haj Mizanur Rahman	168000.00	Attended Meetings- 12 (Board) & 09 (EC) * Appointed at AC on 3012-2019
Mr. Hafizur Rahman Babu	184000.00	Attended Meetings- 12 (Board) & 11 (EC)
Mr. Anwar Hussain	168000.00	Attended Meetings- 12 (Board), 05 (AC) & 04 (RMC) * Appointed at EC on 3012-2019
Mrs. Tahmina Afroz	56000.00	Attended Meetings- 07 (Board)
Ms. Kamrun Nahar	88000.00	Attended Meetings- 11 (Board) * Appointed at RMC on 3012-2019
Mr. Sakhawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital	120000.00	Attended Meetings- 11 (Board) & 04 (RMC) * Appointed at AC on 3012-2019
Mr. Sk.Shyedujaman	168000.00	Attended Meetings- 11 (Board) & 10 (EC)
Mr. Mohammad Nawaz	144000.00	Attended Meetings- 08 (Board) & 10 (EC) * Appointed at RMC on 3012-2019
Mr. Mohammed Ayub	112000.00	Attended Meetings- 10 (Board) & 04 (RMC)
Dr. Syed Hafizur Rahman	120000.00	Attended Meetings- 12 (Board) & 03 (AC) * Appointed at RMC on 3012-2019
Mr. Md. Sajidur Rahman	32000.00	Attended Meetings- 04 (Board) * Appointed as director on 06-05-2019 & Appointed at AC on 3012-2019
Total Remuneration	2248000.00	

### REVIEW OF FINANCIAL REPORTING:

A Statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, the result of its operations cash flows and changes in equity:

The financial statements prepared by the management has presented fairly its state of affairs, the result of its operations, cash flows and changes in equity. Balance Sheet, Income Statement, Statement of Changes of Ownership and Cash flow Statement etc. are presented in Annual Report under respective heads.

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. The Financial Statements have been audited by the External Auditor and reviewed by the Audit Committee of the Board of Directors of the Bank. The financial Statements have been recommended for final approval of the shareholders by the Board of Directors of the Bank.

Financial Statements for the year ended on 31 December 2019 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. Fair Presentation of Financial Statements has been made in Annual Report 2019 and accordingly Opinion of the External Auditors, Hoda Vasi Chowdhury & Co. has been incorporated in the report.

A Statement that proper books of account of the issuer company have been maintained:

The bank is fully complied in keeping the proper books of accounts with the International Accounting Standard (IAS), Bangladesh Accounting Standard (BAS), International Financial Reporting Standard (IFRS) and Bangladesh Financial Reporting Standard (BFRS). Details are disclosed in the section 2.0 of notes of Financial Statements in the Auditors Report. In this regards External Auditors Hoda Vasi Chowdhury & Co., Chartered Accountants have provided their positive opinion in their report in the "Opinion Paragraph".

A Statement that 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:

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 in which the estimate is revised and in any future 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 2019.

Statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment:

The financial statements of the bank as at 31st December, 2019 have been prepared on going concern basis under historical cost convention and in accordance with the "First Schedule" of the Bank Companies Act, 1991(amended up to 2018) and 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 will prevail.

Statement that the system of internal control is sound in design and has been effectively implemented and monitored:

The bank has Board approved Internal Control and Compliance (ICC) Policy/Guidelines. The ICC Guidelines are being used to 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.

Effective information system – the key component of an effective internal control mechanism is already in place, which is being periodically reviewed towards making it still effective. In addition, the Bank has established the following internal control measures:

- Strengthened the Internal Control and Compliance Department to ensure comprehensive audit of the branches and Corporate HQ at periodic intervals;
- Review of the Bank's performance on a quarterly basis at Board level;
- Established authority limits for transactions and expenses;
- Review of Bangladesh Bank's audit report and Management's compliance thereof at regular intervals;
- Ensuring strict compliance to all regulatory requirements, both existing and new.

Statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress:

There is a well defined corporate governance practice prevailing in the Bank as per Corporate Governance Code issued the Bangladesh Securities and Exchange Commission (Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018). Therefore minority shareholders have been protected from any sorts of abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress. Moreover the Bank has been compliant with provision of laws of the country protecting the interest of minority shareholders.

Statement that there is no significant doubt 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 there of shall be disclosed:

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

The total number of Board meetings held during the year and attendance by each director:  
MEETINGS IN 2019:

Bank Limited has neither intention nor the need to liquidate or curtail materially the scale of its operations. Explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained: There is no significant deviations occurred from the last year's operating results of our Bank.

Statement where key operating and financial data of at least preceding 5 (five) years shall be summarized:

Key operating and financial data of at least preceding 5 (five) years has been disclosed in the section 'Financial Highlights' (Page# 88).

explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year:

The Board of Directors recommended 10% stock dividend for the year 2019 in it's 106th meeting held on June 29, 2019. The recommended dividend shall be finally approved in the 7th Annual General Meeting to be held on August 18, 2020.

Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend:

No bonus share or stock dividend has been or shall be declared as interim dividend for the year ended on 31-12-2019.

During the year 2019, 14 Board Meetings, 13 Executive Committee Meetings, 05 Audit Committee Meetings and 04 Risk Management Committee Meeting were held. Details of the participants are as follows:

Sl. No.	Name of Director	Meeting (2019)												Remarks	
		Board			EC			AC			RMC				
		Held	Att end	Abs ent	Hel d	Atte nd	Abs ent	He ld	Atte nd	Abs ent	Hel d	Atten d	Abs ent		
1	Mr. S.M. Amzad Hossain	14	14	0											
2	Mr. Talukder Abdul Khaleque	14	13	01	13	0	13	05	04	01					Appointed at EC On 30-12-2019
3	Mr. Abdul Kadir Molla	14	11	03	13	04	09								
4	Captain M. Moazzam Hossain	14	13	01	13	13	0				04	0	04		Appointed at RMC On 30-12-2019
5	Begum Sufia Amjad	14	13	01											
6	Mr. Abu Zafar Mohammad Shofiuddin	14	10	04				05	04	01					
7	Engr. Md. Moklesur Rahman	14	12	02	13	0	13								Appointed at EC On 30-12-2019
8	Al-Haj Mizanur Rahman	14	12	02	13	09	04	05	0	05					Appointed at AC On 30-12-2019
9	Ms. Kamrun Nahar	14	11	03							04	0	04		Appointed at RMC On 30-12-2019

10	Mr. Hafizur Rahman Babu	14	12	02	13	11	02							
11	Mr. Anwar Hussain	14	12	02	13	0	13	05	05	0	04	04	0	Appointed at EC On 30-12-2019
12	Mrs. Tahmina Afroz	14	07	07	13	0	13							
13	Mr. Sakhawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital	14	11	03				05	0	05	04	04	0	Appointed at AC On 30-12-2019
14	Mr. Sk. Shyedujjaman Nominated by: Moonstar ceramic industries Ltd.	14	11	03	13	10								
15	Mr. Mohammad Nawaz	14	08	06	13	10					04	0	04	Appointed at RMC On 30-12-2019
16	Mr. Mohammed Ayub	14	10	04							04	04	0	
17	Dr. SyedHafizur Rahman	14	12	02				05	03	02	04	0	04	Appointed at RMC On 30-12-2019
18	Md. Sajidur Rahman	14	04	08				05	0	05				Appointed as director on 06-05-2019 & Appointed at AC on 30-12-2019

**Report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:**

The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-

- (a) Parent or Subsidiary or Associated Companies and other related parties (name wise details): Nil  
 (b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit & Compliance and their spouses and minor children:

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
01	Mr. S.M. Amzad Hossain	Chairman	2,20,00,000	Begum Sufia Amjad	2,09,00,000
				S. M. Ruhan Hossain	Nil
02	Mr. Talukder Abdul Khaleque	Independent Director & Vice - Chairman	Nil	Mrs. Habibun Nahar	Nil
03	Mr. Abdul Kadir Molla	Director	3,04,38,430	Mst. Nasima Begum	Nil
04	Captain M. Moazzam Hossain	Director	3,10,41,455	Farzana Moazzam	Nil
05	Begum Sufia Amjad	Director	2,09,00,000	Mr. S.M. Amzad Hossain	2,20,00,000
				S. MRuhan Hossain	Nil
06	Mr. Abu Zafar Mohammod Shofiuddin	Director	3,04,38,430	Mrs. Afroza Sultana	Nil
				A Z M Sahib Quader	Nil



07	Ms. Kamrun Nahar	Director	76,09,607	Mr. Motiur Rahman	7,24,086
08	Engr. Md. Moklesur Rahman	Director	3,04,38,430	Mrs. Quamrun Nahar	Nil
09	Mr. Hafizur Rahman Babu	Director	2,28,28,822	Mrs. Nasima Rahman Nipa	Nil
				Nusaiba Rahman Raita	Nil
10	Mr. Anwar Hussain	Director	38,04,804	Mrs. Fadia Naz	Nil
11	Mrs. Tahmina Afroz	Director	3,04,38,430	Mr. Anwer Hossain Khan	Nil
				Adil Mohammad Khan Akash	Nil
12	Al-Haj Mizanur Rahman	Director	2,20,00,000	Mrs. Razia Rahman	Nil
13	Mr. Sk. Shyeduj-Jaman	Director	24,97,000	Sadnam Sadiana	12,48,500
				Suhain Maisah Zaman	Nil
				Mashiyat Safeerah Shiza	Nil
14	Mr. Sakhawat Hussain Nominated by: Haji Shakhawat Anwara Eye Hospital Ltd.	Director	Nil	Ms. Rokeya Begum	Nil
15	Mr. Mohammad Nawaz	Director	2,49,59,512	Sufia Begum	Nil
				Mohammad Nuh Yaseen	Nil
				Sanowara Siddiqi	Nil
				Mohammad Farook Nawaz	Nil
				Sanowara Saudah	Nil
16	Mr. Mohammed Ayub	Director	2,54,44,430	Mrs. Shalina Islam Chowdhury	Nil
17	Dr. Syed Hafizur Rahman	Independent Director	Nil	Ms. Parveen Akter Banu	Nil
18	Mr. Md. Sajidur Rahman	Independent Director	Nil	Humaira Ayesha Khan	Nil
				Irvan Kaiser Rahman	Nil
19	Mst. Nasima Begum Nominated by: Thermax Textile Mills Ltd.	Director	Nil	Mr. Abdul Kadir Molla	3,04,38,430
20	Mr. Tariqul Islam Chowdhury	Managing Director & CEO	Nil	Sharmin Akhter Chowdhury	Nil
				Mohammad Saadman Tarik	Nil

21	Mr. Md. Masoodur Rahman	EVP & CFO	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	Nil
				Abraz Mustahsan Rahman	Nil
22	Mr. Md. Mokaddess Ali	SVP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Anima Mehraj Mehrin	Nil
				Hasnine Farhad	Nil
23	Mr. Md. Abdul Mannan	SVP & Head of ICC	Nil	Ms. Habsa Begum	Nil
				Mashia Ahlam	Nil
				Naifa Ahlam	Nil

(c) 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	Designation
1	Mr. Mohammed Salim Chowdhury	DMD
2	Mr. Md. Mamunur Rashid Molla	DMD
3	Mr. Shafiuddin Ahmed	DMD
4	Mr. Md. Altaf Hossain Bhuyan	DMD
5	Md. Kamal Uddin	DMD

**Explanation:**

For the purpose of this clause, the expression "executive" means 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.

(d) Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details):

There is no Shareholders holding ten percent (10%) or more voting interest in the company.

**In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:**

- a) A brief resume of the director;
- b) Nature of his or her expertise in specific functional areas;
- c) names of companies in which the person also holds the directorship and the membership of committees of the board;

A brief resume of the directors, Nature of his/her expertise in specific functional areas and names of companies in which the person also holds the directorship and the membership of committees of the board have been published in section 'Directors Profile'.

***A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:***

Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on the above issues has been published in the page No.51-54 as Management's Overview. The statement include inter alia (a) accounting policies and estimation for preparation of financial statements; (b) changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes; (c) comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof; (d) compare such financial performance or results and financial position as well as cash flows with the peer industry scenario; (e) briefly explain the financial and economic scenario of the country and the globe; (f) risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and (g) future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM.

***Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A***

Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) has been disclosed as per Annexure-A in page No. 199

***The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C***

The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 has been disclosed as per Annexure-B and Annexure-C in the page no.142-154

**CORPORATE GOVERNANCE:-**

The bank adheres strictly to the regulatory guidelines on corporate governance. We believe in compliance Culture and commit to establish Corporate Governance. As a recognition of our good governance and branding image, we have achieved "

The Golden Globe Tigers Award 2018" (for Excellence and Leadership in Branding and Marketing) in the individual and Organization Category of Service Excellence at Pullman Kuala Lumpur City Centre Hotel in Malaysia. These may simply be addressed as a part of accomplishment towards the organizational goal and encouraging to all stake holders as well. Details of Corporate Governance of the Bank are given in the "CORPORATE GOVERNANCE" section of this Annual Report.

**CSR ACITIVITIES:**

The Bank is a socially responsible corporate citizen. We are committed to work for the people and are actively engaged in social projects throughout. The Board of SBAC Bank Ltd. has approved a policy for Corporate Social Responsibility (CSR). Under the CSR program, the Bank has a remarkable contribution towards Education, Preventive and Curative Healthcare, Emergency Disaster Relief, Financial Inclusion, Community Investments by way of donations etc. Under CSR Program the Bank has spent Tk. 7.50 crore (Taka seven crore fifty lac only) among poor meritorious students, healthcare facilities among sick people and disadvantaged community. The Bank also donated Prime Minister's Relief & Welfare Fund (0.75 crore only) in the form of Pay Order and distribution of blankets. In the year 2019 the Bank paid Tk. 4.00 lac to Child Day Care Centre for Private Banks in Motijheel. Blankets worth of Tk. 0.96 crore (Taka ninety six lac only) were distributed for the cold bitten people particularly in the northern districts of the country.



(Amount in million Taka)

Year	2019	2018	2017	2016	2015	2014
		98.20	80.98	32.80	6.61	4.64

#### GREEN BANKING:

Under the guidance of Bangladesh Bank and we, 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:

Hundred percent financial inclusion is one of the mottos of SBAC Bank Ltd. It believes in inclusive banking by including the disadvantageous section of the society in the formal financial systems. The bank has introduced Tk.10 privileged savings account, senior citizen savings account and students savings account. To build an inclusive banking backbone throughout the country using existing banking network by expanding business center in unbanked areas, we are going to introduce Financial Inclusion Branch under our existing Branches in line with the Central Bank's Guidelines. These branches will act like an individual branch, customer can get all sort of banking service in those branches except foreign exchange transactions. Opening of about 30 branches are undergoing and waiting for Bangladesh Bank approval. These branches will be small in size and operate by limited permanent and contractual employee. This model will be cost effective and eco-friendly which can able to reach breakeven within shortest period.

To make vibrant the digital payment habit up to grassroots level the Bank has introduce such a sophisticated payment system/ Digital Wallet "Bangla Pay" that any account holder can provide or receive ordinary financial service to or from any account holder. We

have introduced SBAC Digital Wallet "Banglapay" on 16th December 2018 by offering digital financial services through mobile phones, QR based point-of-sale, and networks of small-scale agents. Banglapay has the potential to reach more people, at a lower cost, and with greater convenience than traditional banking services. With the rapid global expansion of mobile technology, the scope of mobile banking and other digital financial services are widening to help vast numbers of underprivileged people access formal financial services.

#### ANNUAL GENERAL MEETING:

Annual General Meeting will be held on 18-08-2020 at 11:00 am. The Financial Statements were reviewed and recommended for final approval of the 6th AGM in the 106th meeting of Board of Directors of the Bank held on June 29, 2020.

#### RE-APPOINTMENT OF AUDITORS:

Hoda Vasi Chowdhury & Co., Chartered Accountants was appointed as external auditors of the bank for the year 2019 in the 6th AGM held on May 23, 2019. They have completed 01 (one) year as external auditors. They have expressed their willingness to continue as external auditors for the year 2020. As per provision of laws they are eligible for re-appointment. The Board of Directors in its 106th meeting of held on June 29, 2020 has recommended for their reappointment.

#### ELECTION 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 the following persons (one third of the Directors excluding Independent Directors) shall retire from the office of the Directors effective from the close of business of the 7th Annual General Meeting of the Bank to be held on 18-08-2020 but they will be eligible for re-election:

1. Mr. S.M. Amzad Hossain
2. Begum Sufia Amjad
3. Mr. Abu Zafar Mohammad Shofiuddin
4. Mr. Abdul Kadir Molla
5. Engr. Md. Moklesur Rahman
6. Mst. Nasima Begum

### HUMAN RESOURCES:

A talented and skilled workforce is the lifeblood of every organization. In support of that, SBAC Bank therefore aims to create a work environment that enables employees to realize their full capabilities and build for themselves a fulfilling career. Through the Human Resources Division, SBAC Bank Limited is committed to providing human resource leadership and expertise that promotes excellence in Bank's Service built on the values of competence, impartiality, integrity, respect, and service.

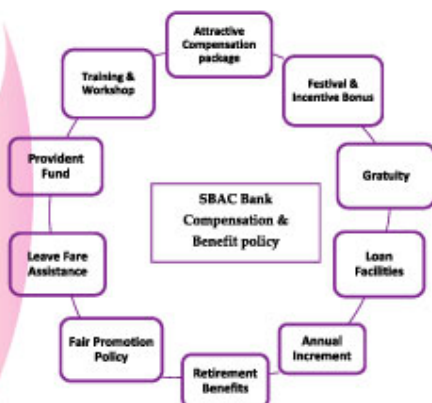
Human Resources Division sets its goal to help SBAC Bank Limited achieve its strategic mission, while ensuring employees are engaged and motivated to help the Bank succeed. HR has targeted its operational initiatives to align to the SBAC Strategic Plan by converting human resources into human capital 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 hiring to retirement. 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.



### Diversity in workforce:

Human Resource Division is committed to attracting and retaining a talented and diverse workforce. Therefore, 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 82 branches and 4 sub-branches, the bank is a proud employer of a diversified pull of people.

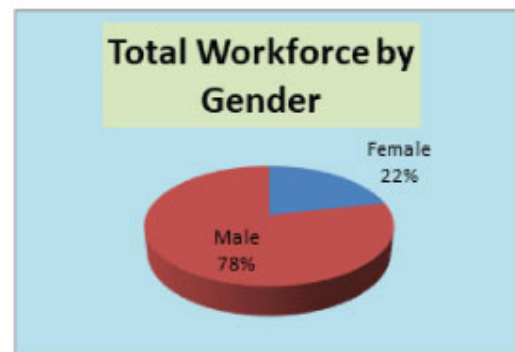
### Total Workforce by Age Group

Age ranges	Age: Above 50 Years	Age: 30-50 Years	Age: Below 30 Years	Total
Number of employees	30	662	177	869



### Total Workforce by Gender:

Number of Female Employees	188
Number of Male Employees	681
Total	869



### 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 creating 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 2019, the Institute arranged training programs/workshops including foundation training for the fresh employees where 910 employees of different grades of the Bank participated.

In addition to Training Institute trainings, Human Resources Division nominated employees to training courses, workshops and seminars on different topics in different organizations in 2019. A total of 67 employees of SBAC Bank participated in training in different resourceful places like BIBM, BAB, BBTA, BAFEDA, Dun & Bradstreet South Asia Middle East Ltd etc.

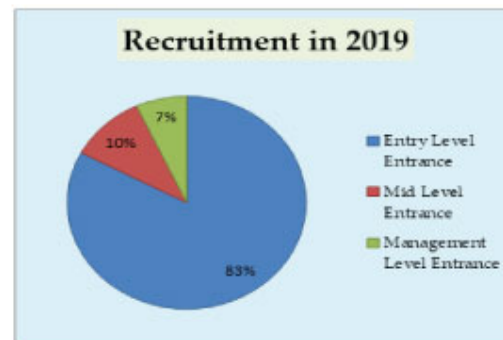
### Recruitment and Selection

The recruitment and selection unit of HR Division has carried out a massive talent acquisition during 2019. Along with developing an internal pool of competent workforce, HR Division also ensures 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 2019

Particular	2019
Entry Level Entrance	83%
Mid Level Entrance	12%
Management Level Entrance	5%
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 87 including both fresh and lateral candidates in 2019.

### STRATEGIC PLAN FOR 2020:

The strategic priorities and actions plans as stated in the bank's Strategic Plan (2020) are mentioned below:

- Islamic Banking has experienced a phenomenal growth and expansion in Bangladesh, we are going to step forward to Shariah Banking which provides a large opportunity, if we may create a trust that we are doing shariah practice properly within the Bank. To harvest the benefit of shariah Based banking, we have adopt comprehensive training policy to equip our team with the skill set best in the market. In order to build strong capacity to design shariah compliance products and service and fix pricing we have taken a comprehensive training program which includes inter alia Leadership develop program, Capacity Building Program, Professional Development Program, Foundation Training Program, Skill Development on Shariah Banking etc.
- Our prime focused on the asset quality of the Bank. The Board as well as the Management have set goal of zero classification. We have formulated policies and accordingly revised organizational structure to keep the non performing loan (NPL) below 1%. A Robust Recovery Plan has been formulated for the recovery of overdue/classified loans:
  - We believe in compliance culture. Our philosophy is 'compliance first; profit is its logical consequence'. We must do business in compliance with the laws of the country.
  - Technology Based Products and Services: Technology adoption would be necessary for transformation Technology Based Products and Services. Enforcement of these might have notable cost implications. Integrated role in retail banking service through high-quality networks for all service delivery channels.
  - The issue of reduction of discretionary cost has been being addressed on a priority basis.
  - Maintaining highest quality of customer services by offering best products compatible with customers' needs. We have already re-designed our products and services. Some lucrative liability products have been launched.
  - 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, focus 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 board-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.
- Professional Development through online-based education and training platforms to continue with the capacity development programs.
- 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.
- 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.
- Maintain 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 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







## PERFORMANCE HIGHLIGHTS

(Taka Fig in Million)

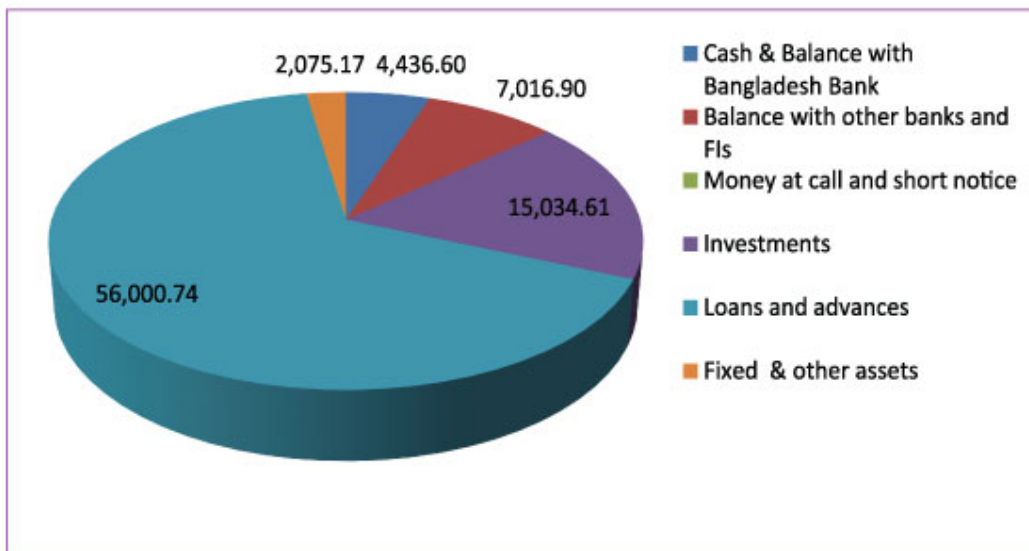
Particulars	2019	2018	2017	2016	2015
1	2	3	4	5	6
Number of Branches	82	74	64	54	44
Number of ATMs	34	25	22	18	11
Total assets/Total Liabilities	84,564.01	70,661.31	58,940.78	45,599.98	36,687.94
Interest earning assets	73,970.20	63,003.66	53,613.97	41,387.85	33,246.69
Non interest earning assets	10,593.80	7,657.65	5,326.81	4,212.13	3,441.25
Paid up capital	6,224.05	5,658.23	4,985.22	4,334.98	4,089.60
Total shareholders' Equity	8,362.96	7,429.71	6,538.99	5,616.33	4,880.21
Total capital (Tier I +II)	8,371.06	7,841.83	7,012.70	5,821.62	4,785.18
Surplus/(deficit) capital	1,266.76	1,977.89	2,296.84	1,821.62	785.18
Capital to Risk Weighted Asset Ratio (CRAR)	14.73%	15.88%	16.54%	18.59%	21.19%
Total deposits	71,540.16	59,304.33	50,121.49	38,337.20	30,775.38
Total loans and advances	56,000.74	50,254.94	43,284.97	30,174.09	23,128.29
Total contingent liabilities and commitments	15,335.40	12,004.77	11,763.83	9,245.37	4,987.95
Advance deposits ratio (%)	78.21%	82.50%	83.99%	78.71%	75.15%
Total Income	9,200.04	7,873.15	6,266.64	5,269.40	3,881.22
Total Expenses	6,930.86	5,839.31	4,447.35	3,749.51	3,075.27
Profit before tax and provision (Operating Profit)	2,269.18	2,033.84	1,819.29	1,519.88	805.95
Profit after tax and provision (Net Profit)	967.60	879.59	982.04	949.46	358.01
Total Export	17,060.41	16,399.66	11,710.17	8,760.31	9,905.70
Total Import	28,110.87	27,352.96	25,900.58	17,596.80	10,942.10
Total Remittance	4,563.65	4,319.98	2,354.23	1,199.76	269.40
Classified advance	3,408.95	991.66	375.25	NIL	22.33
Classified loans to advance ratio	6.09%	1.97%	0.87%	NIL	0.10%
Yield on Advance (%)	12.88%	12.99%	12.03%	12.67%	14.10%
Cost of fund (%)	10.47%	10.41%	9.51%	9.47%	10.95%
Net spread (%)	2.41%	2.58%	2.52%	3.20%	3.15%
Return on investment (ROI) (%)	11.03%	13.67%	18.19%	18.17%	17.57%
Return on Assets (ROA) (%)	1.25%	1.36%	1.88%	2.31%	1.18%
Return on Equity (ROE) (%)	12.25%	12.40%	16.16%	18.09%	7.85%
Earnings per share (EPS)	1.55	1.41	1.74	1.90	0.83
Net Asset Value Per Share	13.44	13.13	13.12	12.96	11.93
Number of Employees	869	801	716	676	577

### Total Assets

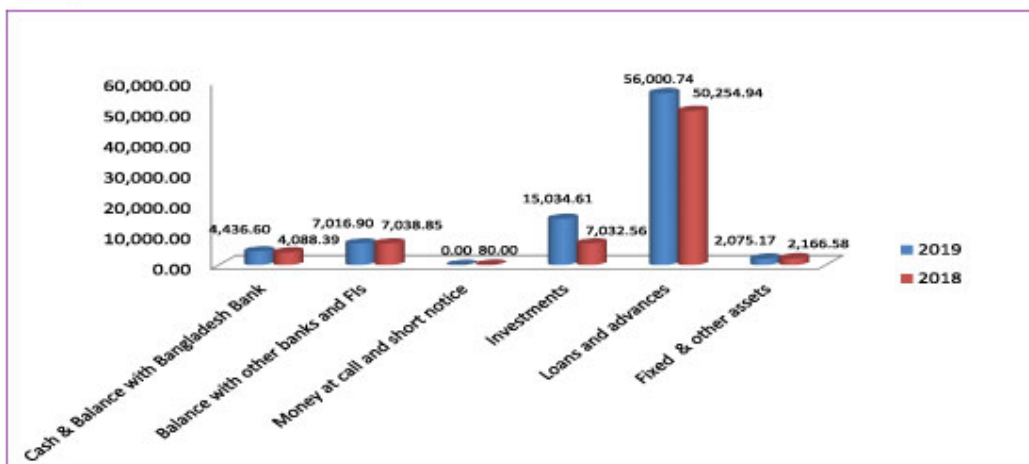
(Fig. Million Taka)

Particulars	2019	2018	Growth (%)
Cash & Balance with Bangladesh Bank	4,436.60	4,088.39	8.52%
Balance with other banks and FIs	7,016.90	7,038.85	-0.31%
Money at call and short notice	0.00	80.00	
Investments	15,034.61	7,032.56	113.79%
Loans and advances	56,000.74	50,254.94	11.43%
Fixed & other assets	2,075.17	2,166.58	-4.22%
<b>Total Assets</b>	<b>84,564.01</b>	<b>70,661.31</b>	<b>19.68%</b>

### Total Assets as on 31.12.2019



### Comparison of Assets in 2019 & 2018



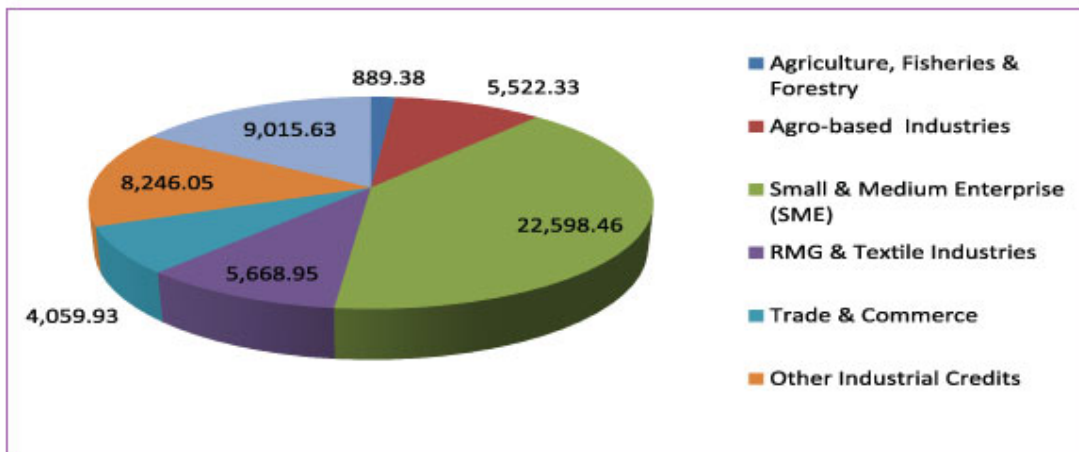
## Loans and Advances

### i) Sector wise Loans and Advances

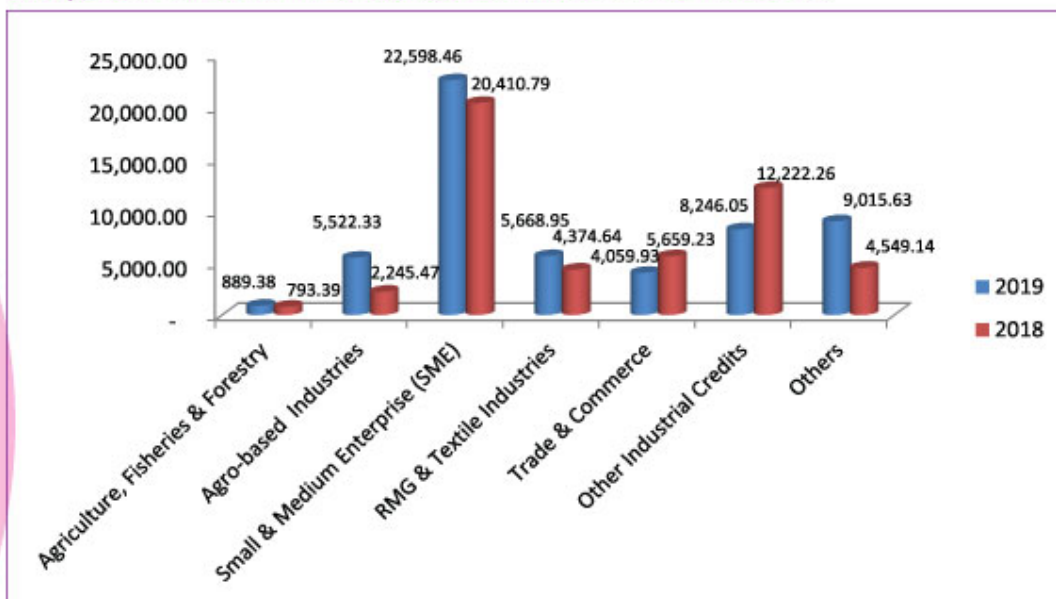
(Fig. Million Taka)

Particular of Sectors	2019	2018	Growth (%)
Agriculture, Fisheries & Forestry	889.38	793.39	12.10%
Agro-based Industries	5,522.33	2,245.47	145.93%
Small & Medium Enterprise (SME)	22,598.46	20,410.79	10.72%
RMG & Textile Industries	5,668.95	4,374.64	29.59%
Trade & Commerce	4,059.93	5,659.23	-28.26%
Other Industrial Credits	8,246.05	12,222.26	-32.53%
Others	9,015.63	4,549.14	98.18%
<b>Total</b>	<b>56,000.74</b>	<b>50,254.94</b>	<b>11.43%</b>

### Sector wise Loans and Advances as on 31.12.2019



### Comparison of Sector wise Loans and Advances in 2019 & 2018

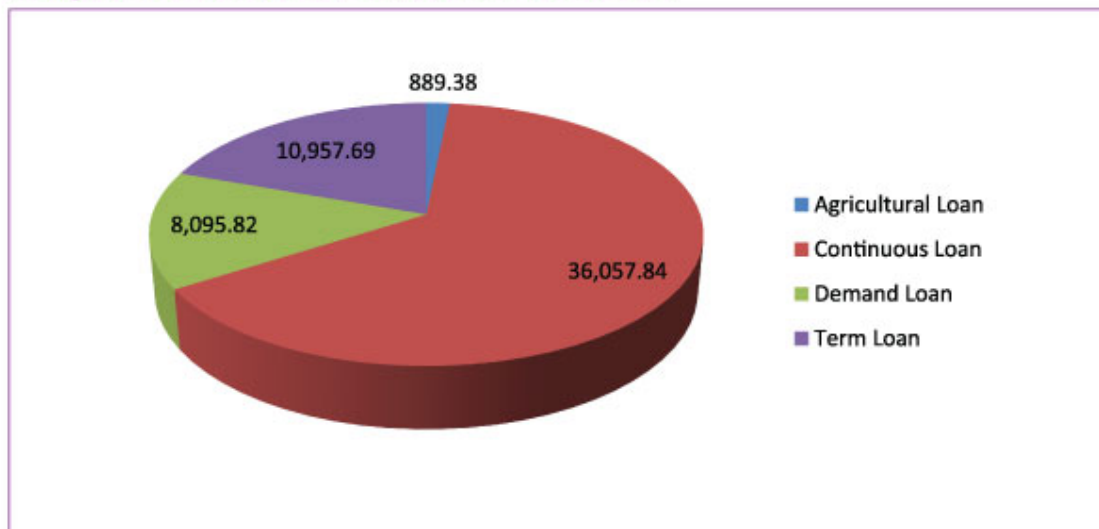


ii) Category wise Loans and Advances

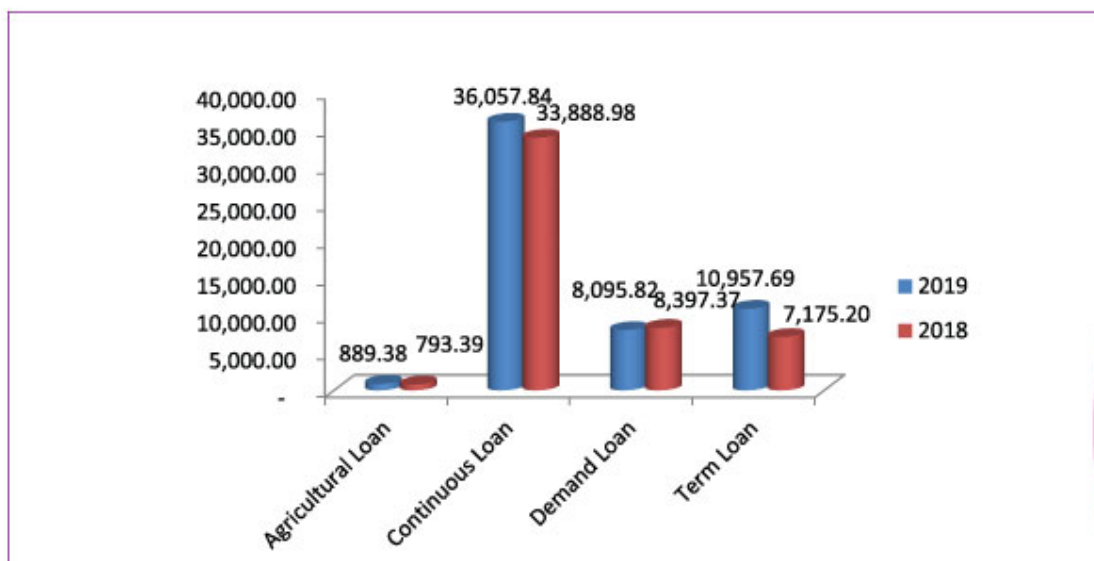
(Fig. Million Taka)

Category of Loans and Advances	2019	2018	Growth (%)
Agricultural Loan	889.38	793.39	12.10%
Continuous Loan	36,057.84	33,888.98	6.40%
Demand Loan	8,095.82	8,397.37	-3.59%
Term Loan	10,957.69	7,175.20	52.72%
<b>Total</b>	<b>56,000.74</b>	<b>50,254.94</b>	<b>11.43%</b>

Category wise Loans and Advances as on 31.12.2019



Comparison of Category wise Loans and Advances in 2019 & 2018

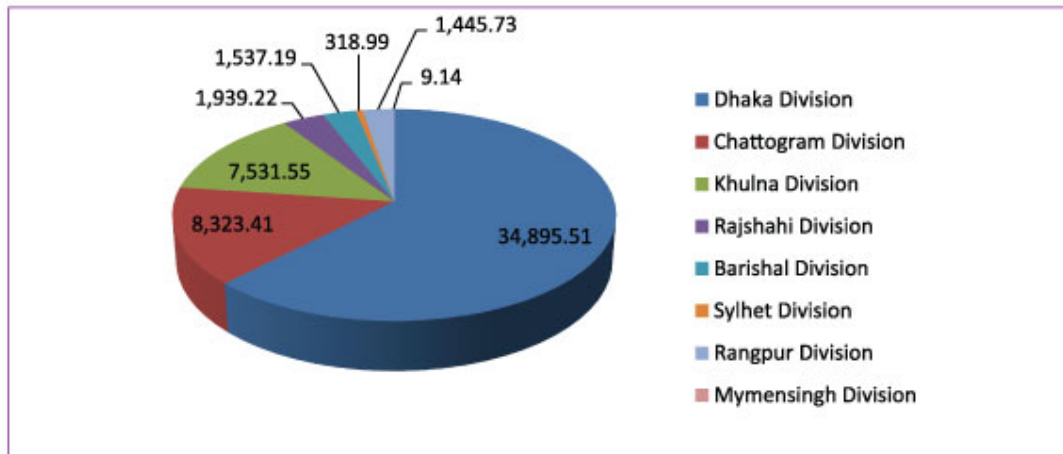


iii) Division wise Loans and Advances

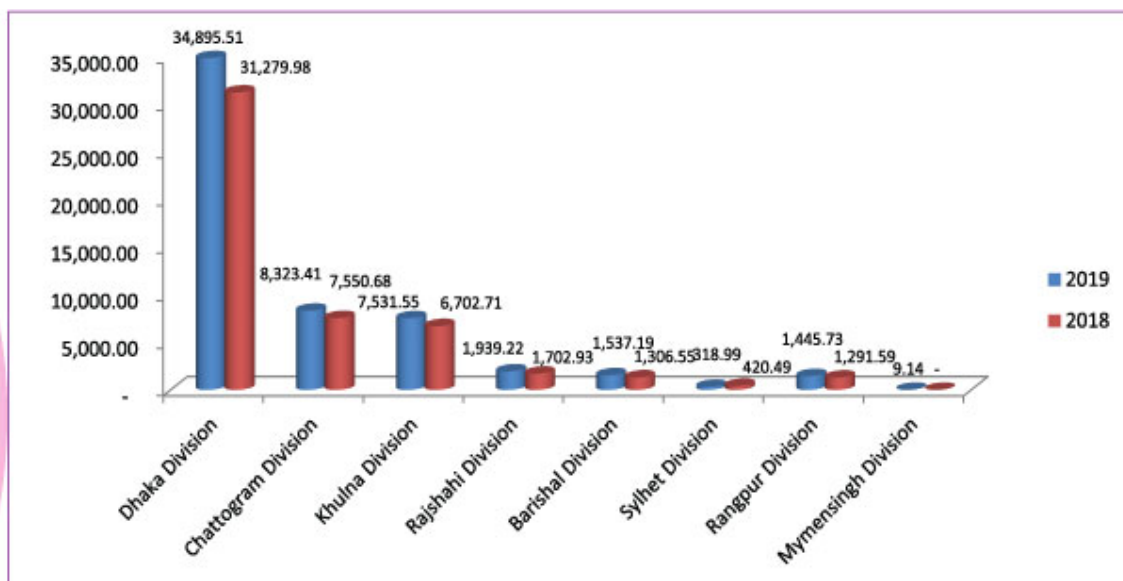
(Fig. Million Taka)

Name of Division	2019	2018	Growth (%)
Dhaka Division	34,895.51	31,279.98	11.56%
Chattogram Division	8,323.41	7,550.68	10.23%
Khulna Division	7,531.55	6,702.71	12.37%
Rajshahi Division	1,939.22	1,702.93	13.88%
Barishal Division	1,537.19	1,306.55	17.65%
Sylhet Division	318.99	420.49	-24.14%
Rangpur Division	1,445.73	1,291.59	11.93%
Mymensingh Division	9.14		
<b>Total</b>	<b>56,000.74</b>	<b>50,254.94</b>	<b>11.42%</b>

Division wise Loans and Advances as on 31.12.2019



Comparison of Division wise Loans and Advances in 2019 & 2018

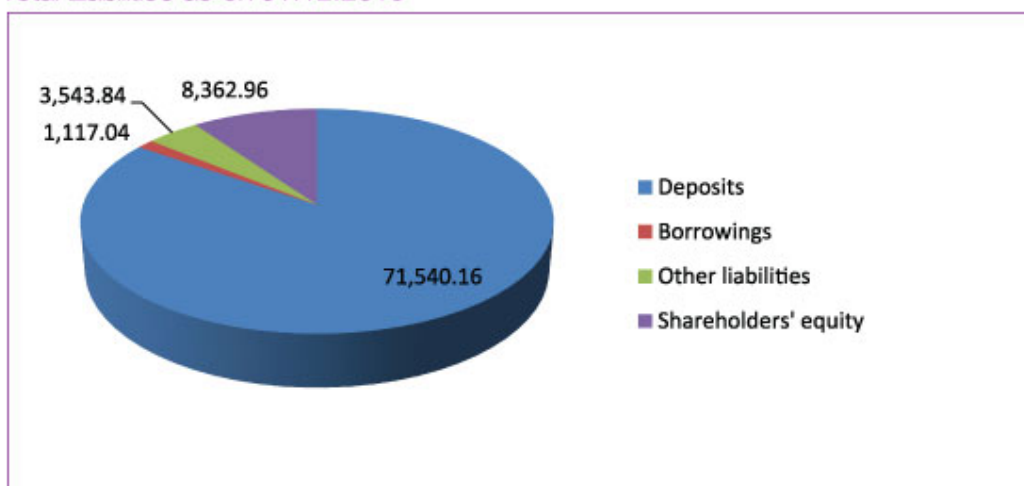


### Total Liabilities

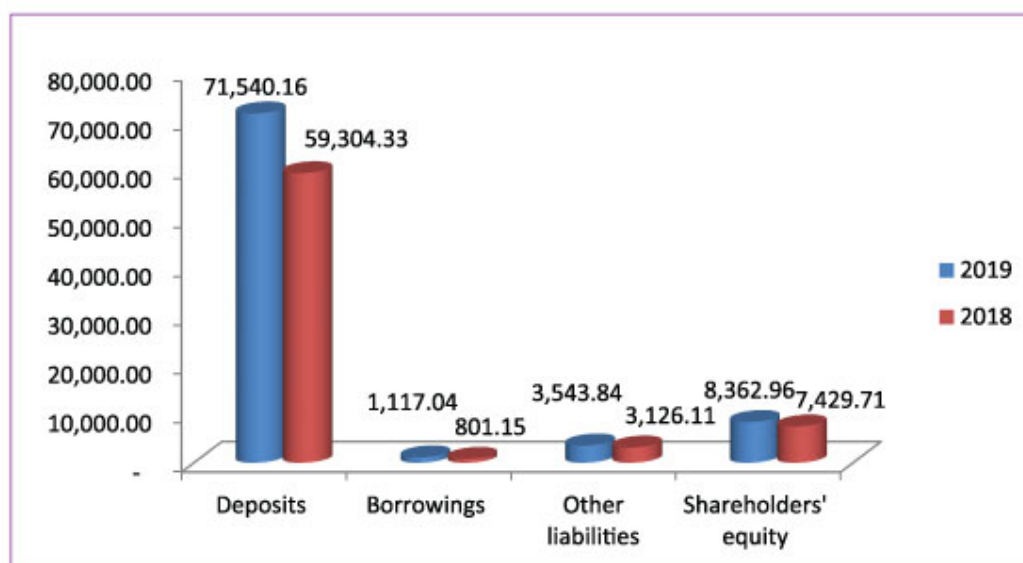
(Fig. Million Taka)

Particulars	2019	2018	Growth (%)
Deposits	71,540.16	59,304.33	20.63%
Borrowings	1,117.04	801.15	39.43%
Other liabilities	3,543.84	3,126.11	13.36%
Shareholders' equity	8,362.96	7,429.71	12.56%
<b>Total liabilities</b>	<b>84,564.01</b>	<b>70,661.31</b>	<b>19.68%</b>

### Total Liabilities as on 31.12.2019



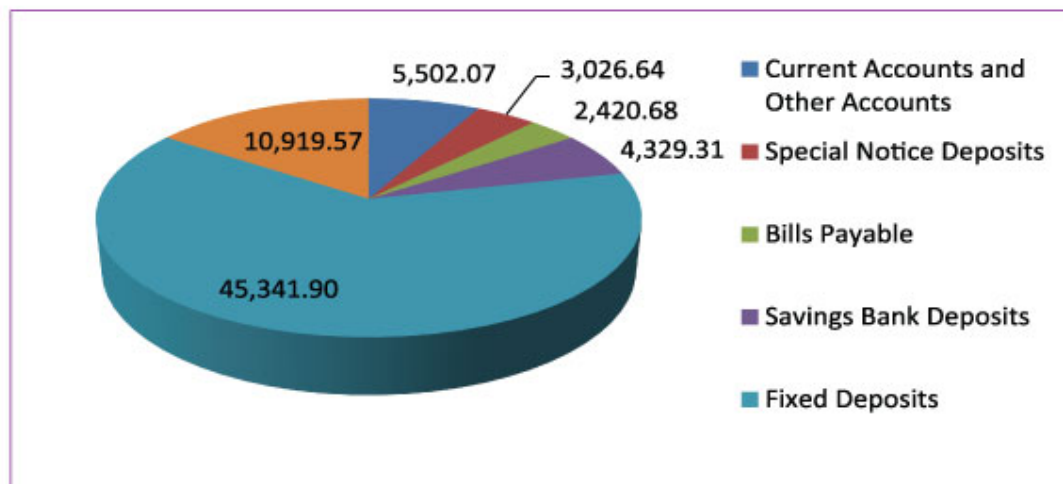
### Comparison of Liabilities in 2019 & 2018



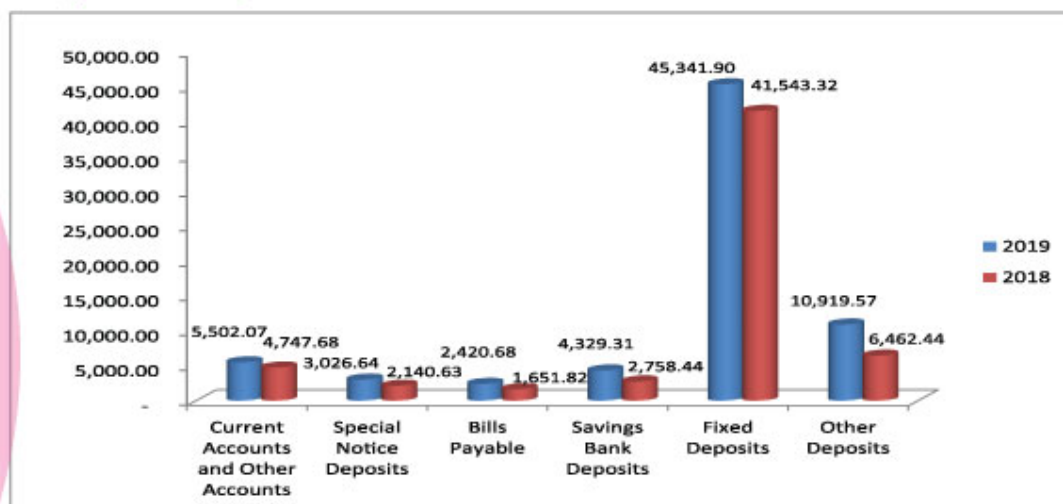
## Deposits

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2019	2018		2019	2018
Current Accounts and Other Accounts	5,502.07	4,747.68	15.89%	7.69%	8.01%
Special Notice Deposits	3,026.64	2,140.63	41.39%	4.23%	3.61%
Bills Payable	2,420.68	1,651.82	46.55%	3.38%	2.79%
Savings Bank Deposits	4,329.31	2,758.44	56.95%	6.05%	4.65%
Fixed Deposits	45,341.90	41,543.32	9.14%	63.38%	70.05%
Other Deposits	10,919.57	6,462.44	68.97%	15.26%	10.90%
<b>Total</b>	<b>71,540.16</b>	<b>59,304.33</b>	<b>20.63%</b>	<b>100.00%</b>	<b>100.00%</b>

### Deposit Mix as on 31.12.2019



### Comparison of Deposit Mix in 2019 & 2018

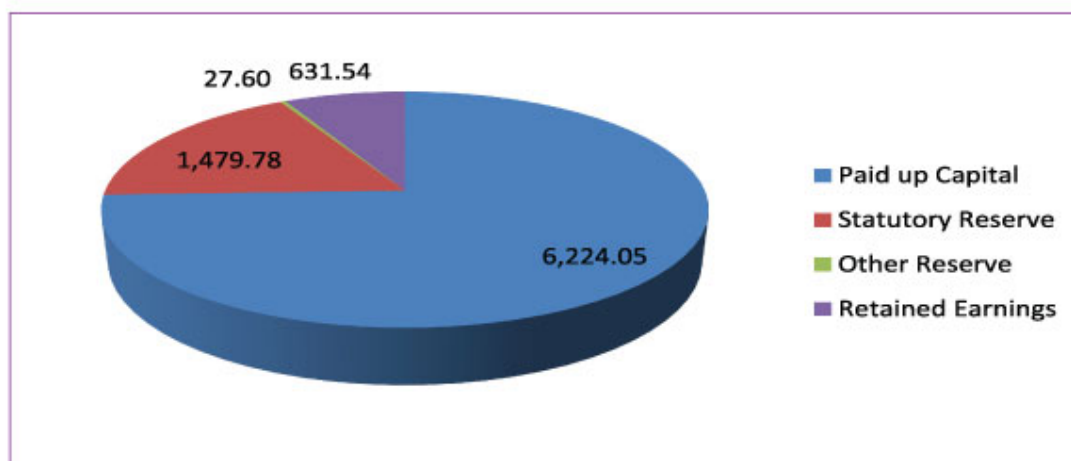


### Shareholders' Equity

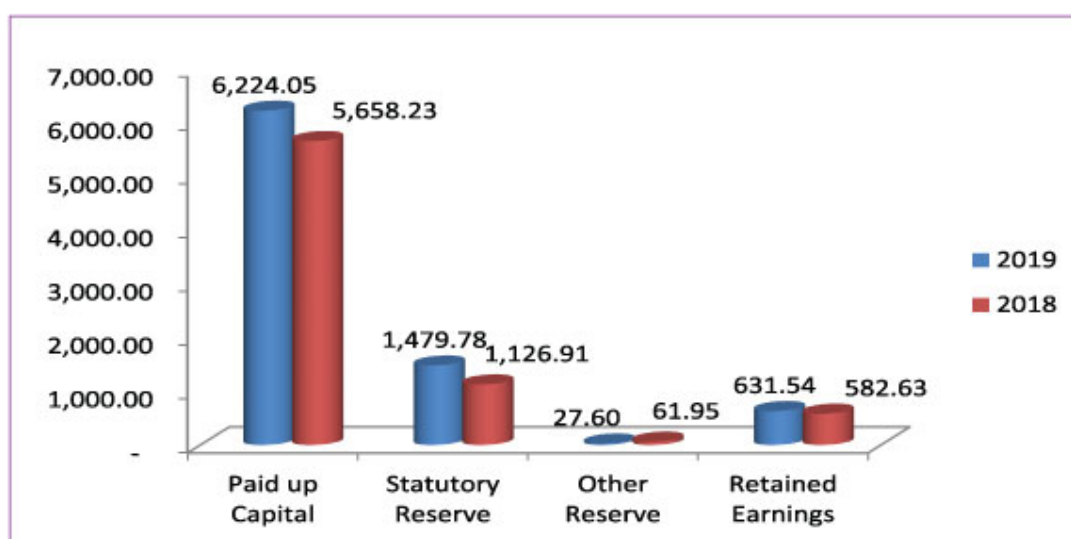
(Fig. Million Taka)

Particulars	2019	2018	Growth (%)
Paid up Capital	6,224.05	5,658.23	10.00%
Statutory Reserve	1,479.78	1,126.91	31.31%
Other Reserve	27.60	61.95	-55.45%
Retained Earnings	631.54	582.63	8.39%
<b>Total Shareholders' equity</b>	<b>8,362.96</b>	<b>7,429.71</b>	<b>12.56%</b>

### Shareholders' Equity as on 31.12.2019



### Comparison of Shareholders' Equity in 2019 & 2018

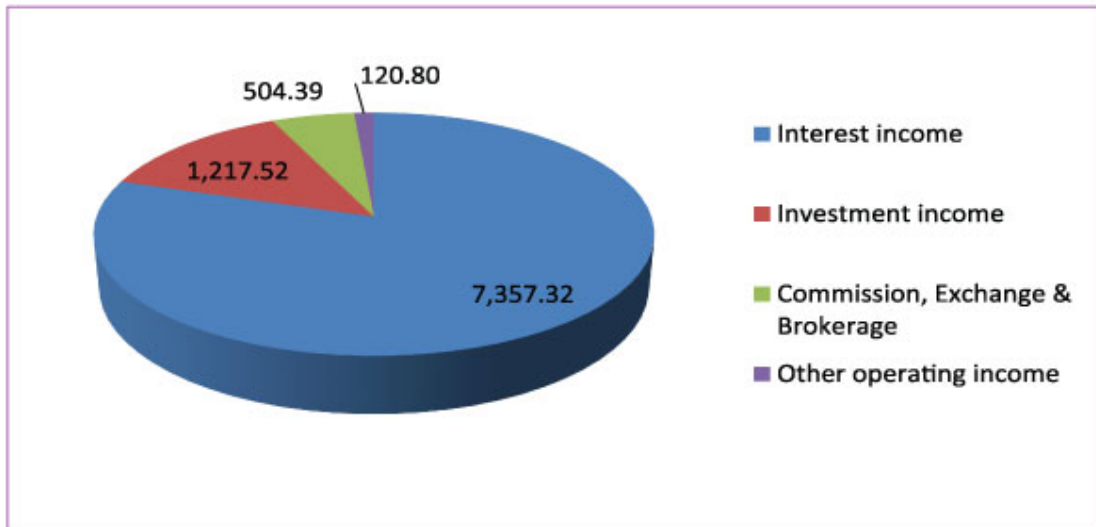




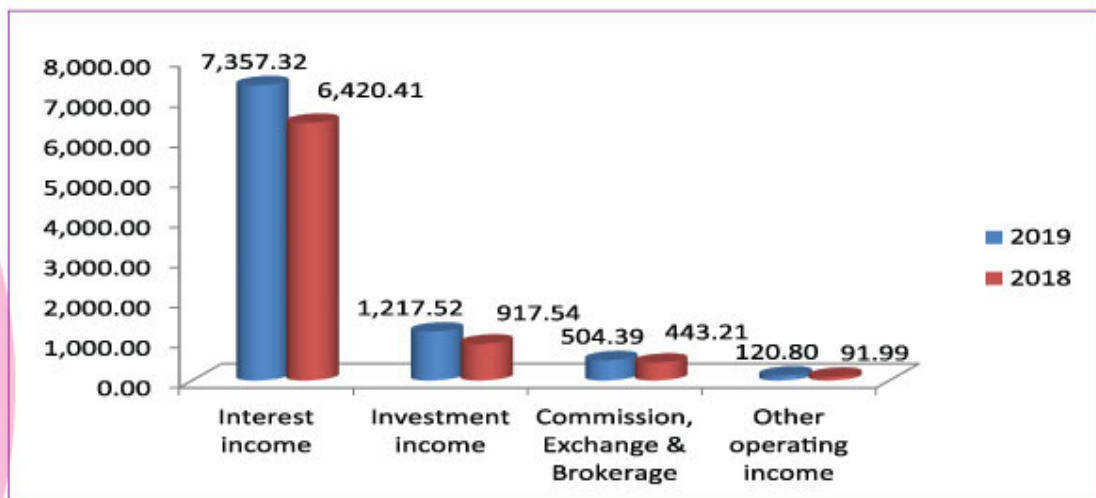
Total Income:

Types of Income	Amount in Million Taka		Growth (%)	Income Mix (%)	
	2019	2018		2019	2018
Interest income	7,357.32	6,420.41	14.59%	79.97%	81.55%
Investment income	1,217.52	917.54	32.69%	13.23%	11.65%
Commission, Exchange & Brokerage	504.39	443.21	13.80%	5.48%	5.63%
Other operating income	120.80	91.99	31.33%	1.31%	1.17%
<b>Total income</b>	<b>9,200.04</b>	<b>7,873.15</b>	<b>16.85%</b>	<b>100.00%</b>	<b>100.00%</b>

Total Income as on 31.12.2019



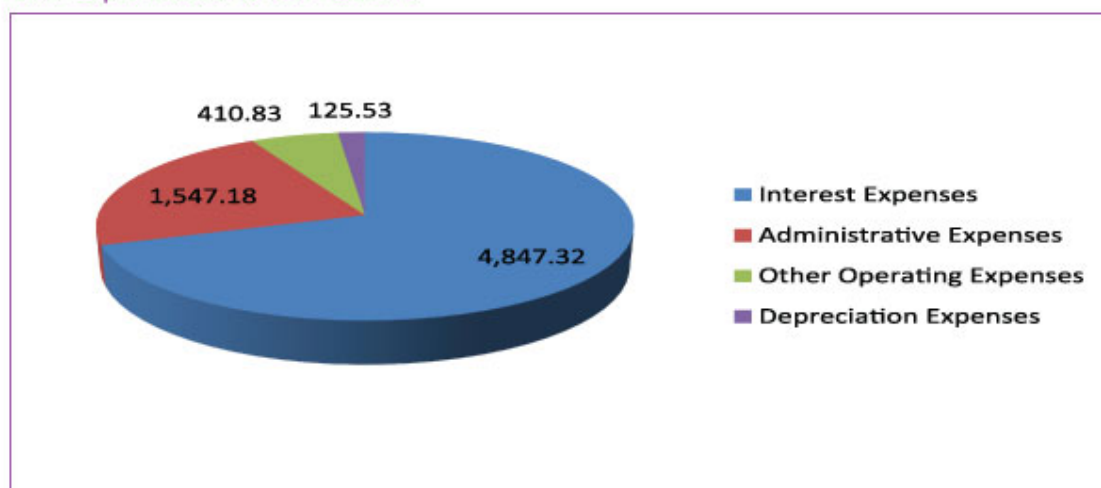
Comparison of Total Income in 2019 & 2018



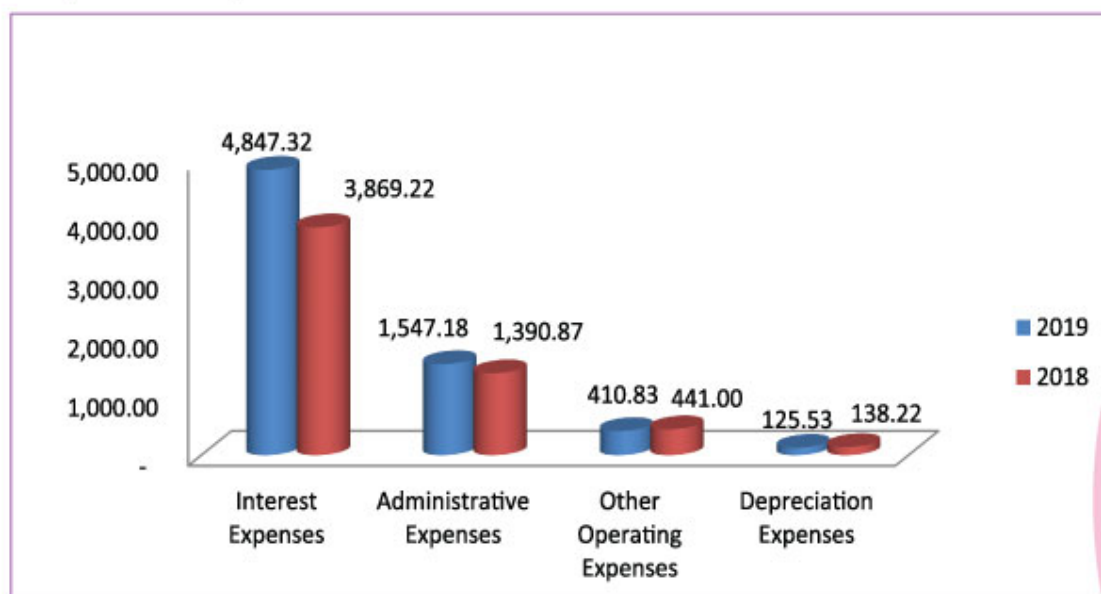
Total Expenses:

Types of Expense	Amount in Million Taka		Growth (%)	Expense Mix (%)	
	2019	2018		2019	2018
Interest Expenses	4,847.32	3,869.22	25.28%	69.94%	66.26%
Administrative Expenses	1,547.18	1,390.87	11.24%	22.32%	23.82%
Other Operating Expenses	410.83	441.00	-6.84%	5.93%	7.55%
Depreciation Expenses	125.53	138.22	-9.18%	1.81%	2.37%
<b>Total Expenses</b>	<b>6,930.86</b>	<b>5,839.31</b>	<b>18.69%</b>	<b>100.00%</b>	<b>100.00%</b>

Total Expenses as on 31.12.2019



Comparison of Expenses in 2019 & 2018

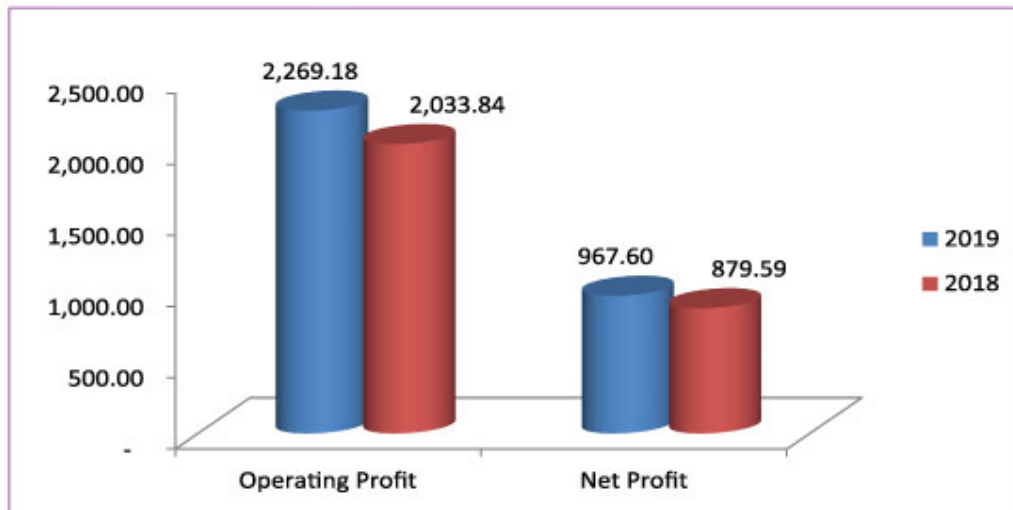


Profitability :

(Fig. Million Taka)

Particulars	2019	2018	Growth (%)
Operating Profit	2,269.18	2,033.84	11.57%
Net Profit	967.60	879.59	10.01%

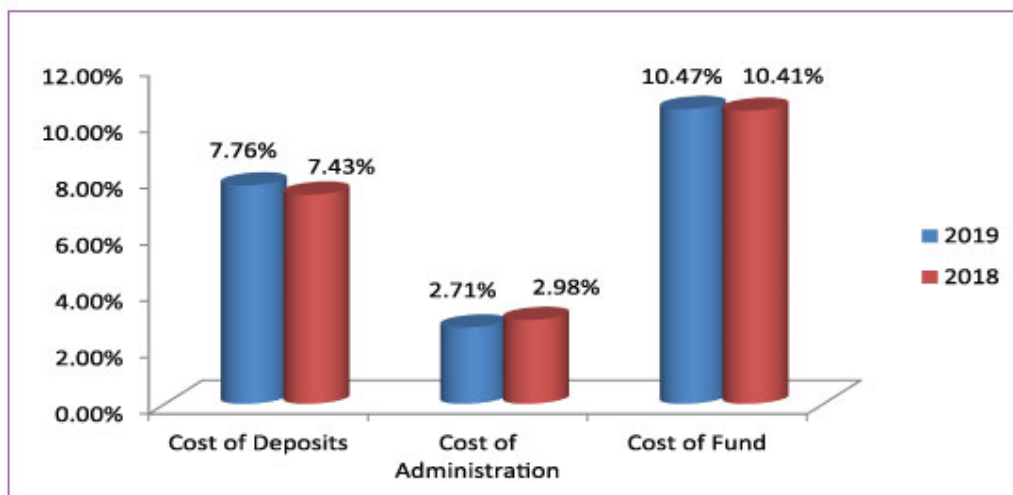
Comparison of Profitability in 2019 & 2018



Average Cost of Funds :

Particulars	2019	2018	Changes (%)
Cost of Deposits	7.76%	7.43%	0.33%
Cost of Administration	2.71%	2.98%	-0.27%
Cost of Fund	10.47%	10.41%	0.06%

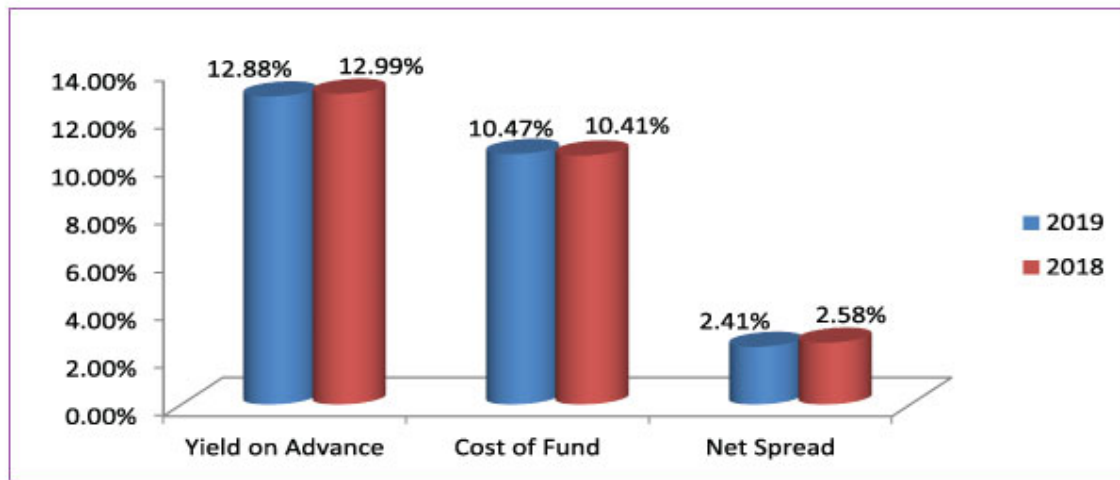
Comparison of Cost of Deposits, Cost of Administration & Cost of Fund in 2018 & 2017



Net Spread :

Particulars	2019	2018
Yield on Advance	12.88%	12.99%
Cost of Fund	10.47%	10.41%
Net Spread	2.41%	2.58%

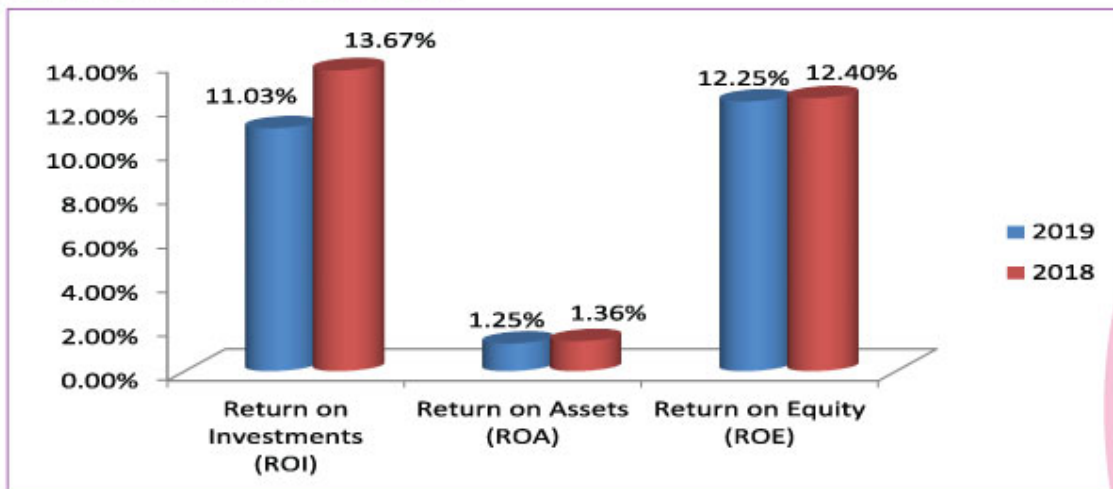
Comparison of Yield on Advances, Cost of Funds & Net Spread in 2019 & 2018



Rate of Returns :

Particulars	2019	2018
Return on Investments (ROI)	11.03%	13.67%
Return on Assets (ROA)	1.25%	1.36%
Return on Equity (ROE)	12.25%	12.40%

Comparison of Returns in 2019 & 2018

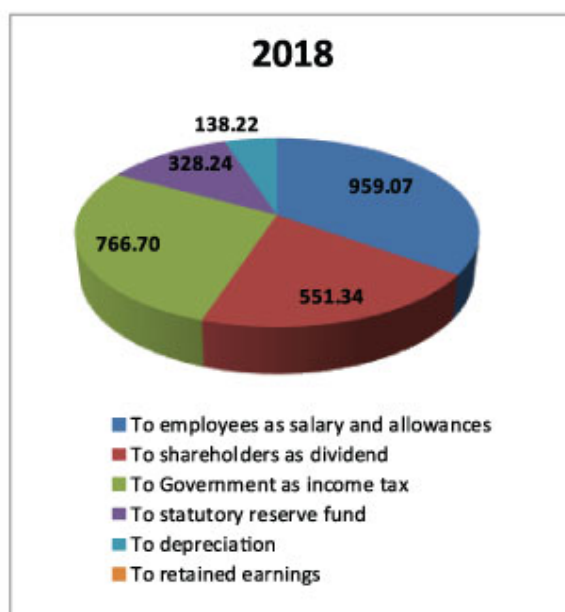
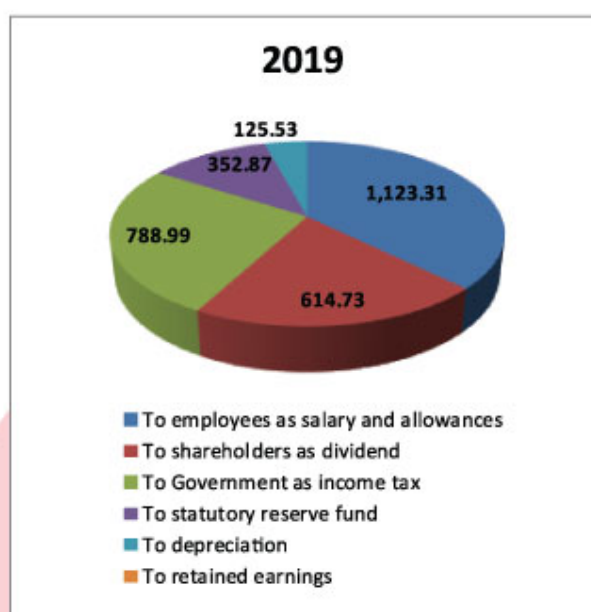


### Value Added Statement 2019

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 for the year ended 31 December 2019 is given below:

Fig. in million

	<b>2019</b>	%	<b>2018</b>	%
	<b>Taka</b>		<b>Taka</b>	
<b>Value Created</b>				
Income from Banking Services	9,200.04		7,873.15	
Less: Cost of services & Supplies	5,682.03		4,742.03	
Value added by banking service	3,518.01		3,131.12	
Non-banking income	-		-	
Provision for deferred tax	(7.76)		5.06	
Provision for loans & other assets	(504.83)		(392.62)	
	<b>3,005.43</b>		<b>2,743.57</b>	
<b>Value distributed</b>				
To employees as salaries & allowances	1,123.31	37.38%	959.07	34.96%
To shareholders as dividend (Proposed)	614.73	20.45%	551.34	20.10%
To Government as income tax	788.99	26.25%	766.70	27.95%
	2,527.03	84.08%	2,277.11	83.00%
<b>Value retained</b> (to maintain and continue operations)				
Statutory reserve	352.87	11.74%	328.24	11.96%
Depreciation	125.53	4.18%	138.22	5.04%
Retained earnings	-	0.00%	-	0.00%
	478.40	15.92%	466.46	17.00%
	<b>3,005.43</b>	<b>100.00%</b>	<b>2,743.57</b>	<b>100.00%</b>

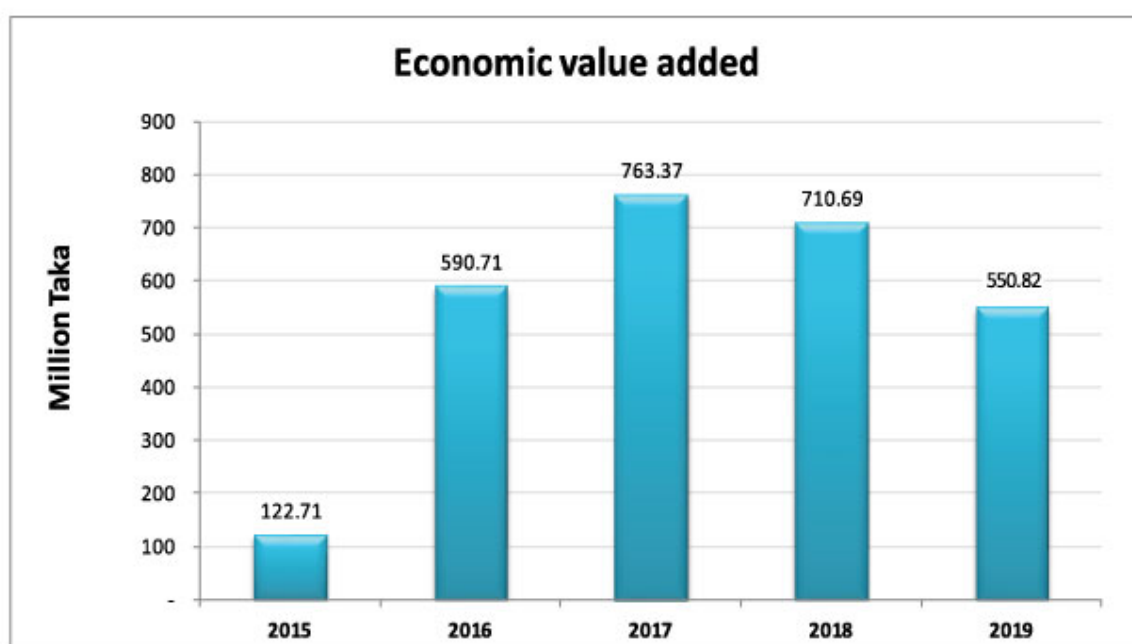


### Economic Value Added (EVA) Statement 2019

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 2019 this cost of equity is calculated on the basis of the return on 5 years Treasury Bonds plus 2% risk premium.

Fig. in million

	2015	2016	2017	2018	2019
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Shareholders' equity	4,880.21	5,616.33	6,538.99	7,429.71	8,362.96
Add: Provision for loans & advances and other assets	234.03	302.27	515.71	455.66	517.34
Closing Shareholders' equity	<b>5,114.24</b>	<b>5,918.60</b>	<b>7,054.71</b>	<b>7,885.37</b>	<b>8,880.30</b>
Opening shareholders' equity	<b>4,398.12</b>	<b>5,114.24</b>	<b>5,918.60</b>	<b>7,054.71</b>	<b>7,885.37</b>
<b>Average shareholders's equity</b>	<b>4,756.18</b>	<b>5,516.42</b>	<b>6,486.65</b>	<b>7,470.04</b>	<b>8,382.84</b>
<b>Earnings</b>					
Profit after taxation	358.01	949.46	982.04	879.59	967.60
Add: Provision for loans & advances and other assets	78.61	82.57	296.37	387.62	502.83
	<b>436.62</b>	<b>1,032.03</b>	<b>1,278.41</b>	<b>1,267.21</b>	<b>1,470.43</b>
Average cost of equity	6.60%	8.00%	7.94%	7.45%	10.97%
Cost of average equity	313.91	441.31	515.04	556.52	919.61
<b>Economic value added</b>	<b>122.71</b>	<b>590.71</b>	<b>763.37</b>	<b>710.69</b>	<b>550.82</b>



## Celebration of "Mujib Borsho"








## Glimpse of diversified sectoral financing



An Agro based business financed by the bank.



A rice mill financed by our Bank



Our Bank Financed Project



A bank financed garments factory.



A bank financed spinning mills.



A Renowned Drinking water bottling factory financed by the bank.



A Bank financed ship.



An agro project financed by the bank.

# RESPONSIBILITY





## Report of the Risk Management Committee of the Board



Taking risk is an integral part of financial intermediation and banking business. Therefore, there is no alternative but to ensure sound risk management practices for surviving in the competitive environment. Considering the issue South Bangla Agriculture and Commerce Bank Limited is trying to develop an integrated and institution-wide risk culture, based on a full understanding of the risks it faces and how they are managed, considering risk tolerance and appetite and in line with bank's risk policies and procedures.

A sound risk culture encourages effective risk management, promotes sound risk-taking and ensures that risk-taking activities beyond the institution's risk appetite are recognized, assessed, reported, and addressed in a timely manner. Weaknesses in risk culture are often the root cause for occurrence of significant risk events, financial institution failures, and financial crisis. In this context Bangladesh Bank has issued six core risks management guidelines, risk based capital adequacy guideline and stress testing guideline to ensure robustness, efficiency and effectiveness of risk management systems for the Banking sector. Besides, Bangladesh Bank has issued revised Risk Management Guidelines for Banks on October 08, 2018. This guideline envisages an integrated, bank-wide approach to risk management which will facilitate banks in adopting contemporary methods to identify measure, monitor and control risks throughout their institutions.

South Bangla Agriculture & Commerce Bank (SBAC) is committed to its stakeholders to attain a

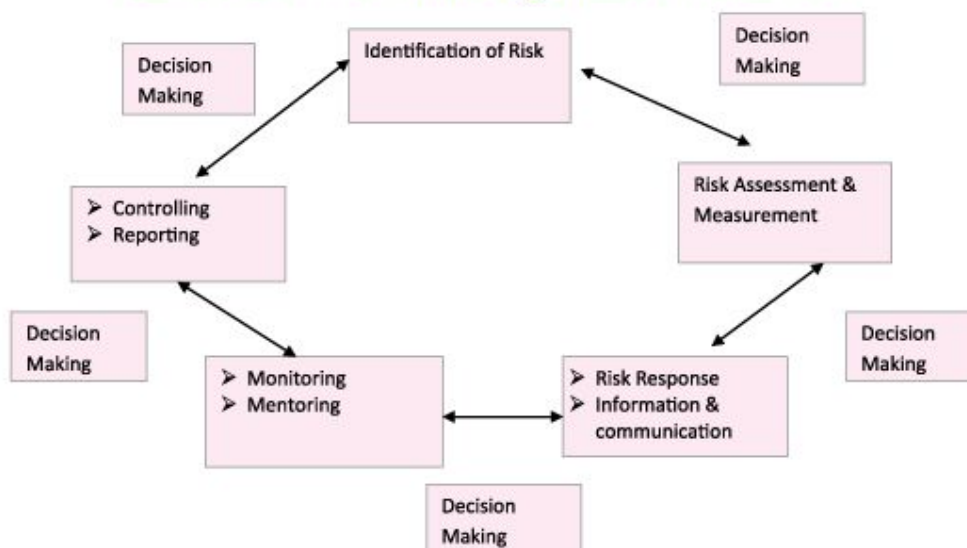
sustainable business growth commensurate with its strategies and policies. To this end, the Bank has adopted Core Risk Management policy issued by Bangladesh Bank and is implementing those meticulously. In this context, SBAC Bank has prepared the Revised Risk Management Guidelines which was approved by the Board of Directors of the Bank in its 99th meeting held on December 30, 2019 and Bank follows the guidelines for 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 which identifies and measures potential risks in Bank's activities and portfolios, monthly Risk Management Report, performing Stress Testing, processing of manuals, developing various risk models, acting as operational layer for Internal Capital Adequacy Assessment Process, arranging meeting of Board Risk Management Committee and apprise the Board/ Risk Management Committee of the Board about the identified risks and management's recommendations to address the risks. Besides as per instruction of Bangladesh Bank DOS Circular Letter No.04 dated October 08, 2018 Risk Management Division prepares Risk Appetite of the Bank considering the key risk areas which is

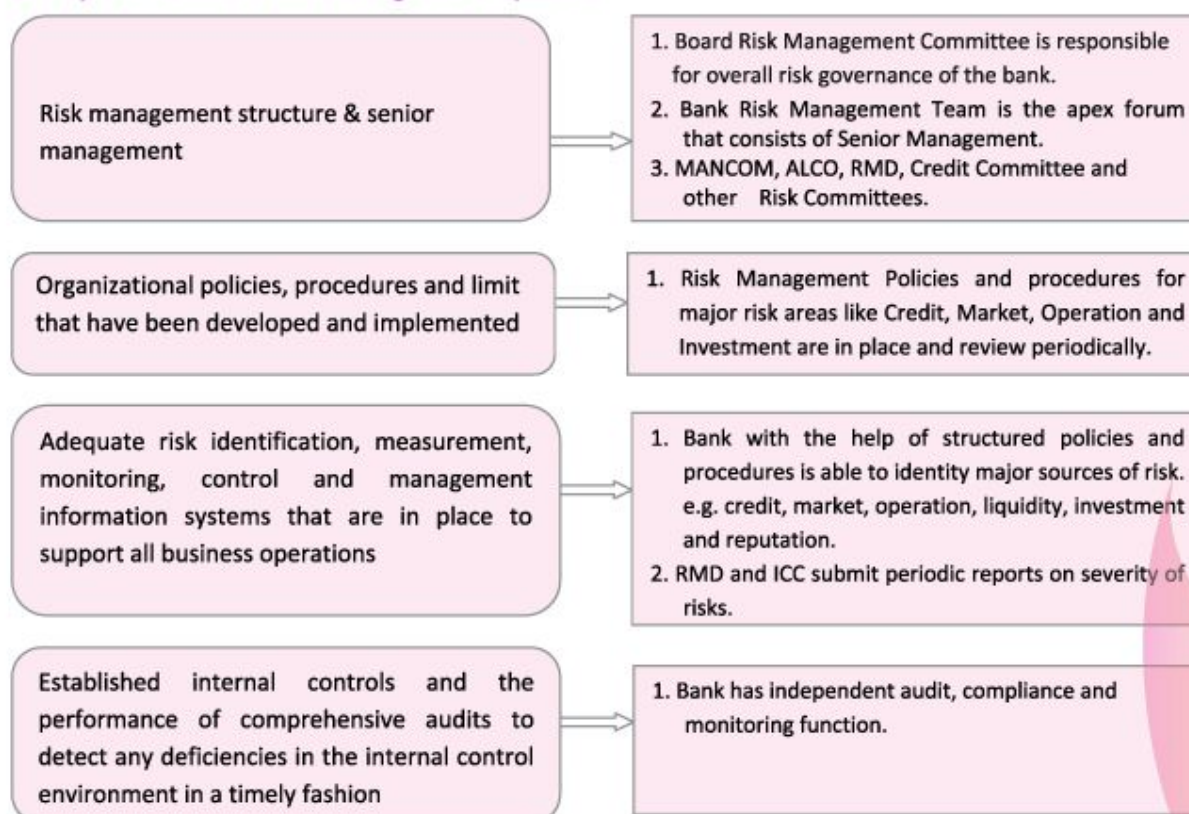
## 1. Risk Management Framework

Know your business ➤ Rank portfolio of risks ➤ Quantify risk appetite ➤ Merge risk blueprint with organizational strategy ➤ Established governance and management structures building 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 principle of Risk Management is 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 risk for the available capital and other appropriate base. In this context, the RMD 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

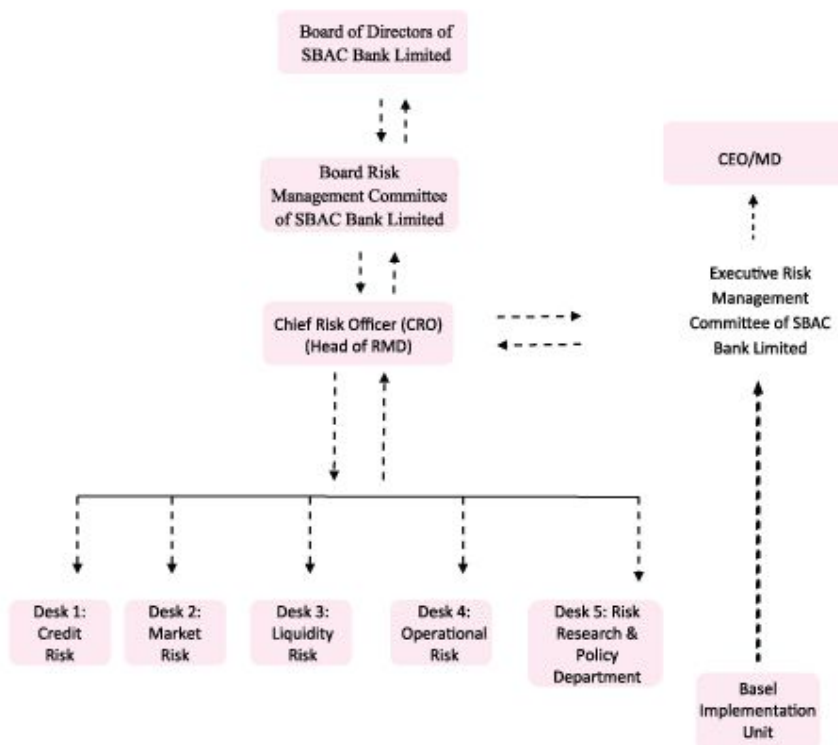
industries.

**3.3 Risk Transparency:** For good insight into SBAC Bank positions, it is vital to identify all risks. Risks must always be assessed 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 Role of board of directors

The board of directors of SBAC Bank has given utmost importance on sound risk management practices. They have taken every possible initiative to keep various risks (credit, market, liquidity, operational risks etc.) within tolerable level. For this purpose the board has played the following role:-

- a) Established organizational structure for enterprise risk management within the bank and ensured that top management as well as staffs responsible for risk management possess sound expertise and knowledge to accomplish the risk management function properly;
- b) Assigned sufficient authority and responsibility to risk management related officials;
- c) Ensured uninterrupted information flow to RMD for sound risk management;

d) Continuously monitoring the bank's performance and overall risk profile through reviewing various reports;

- e) Ensured the formulation, review (at least annually) and implementation of appropriate policies, plans and procedures for risk management;
- f) Defining and reviewing the risk appetite, risk tolerance, limit etc. in line with strategic planning;
- g) Ensure maintenance of adequate capital and provision to absorb losses resulting from risk;
- h) Ensuring that internal audit reviews the credit operations, foreign exchange operations and securities portfolio management functions etc. to assess the effectiveness of internal control system;
- i) Monitoring the function of Board Risk Management Committee.

#### 4.2 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 5 (five) members of the Board of Directors. The members of the committee are given below:

Sl. No.	Name of Directors	Position of the Committee
1	Capt. M. Moazzam Hossain	Chairman
2	Dr. Syed Hafizur Rahman	Member
3	Ms. Kamrun Nahar	Member
4	Mr. Mohammad Nawaz	Member
5	Mr. Mohammed Ayub	Member

##### 4.2.1 Role of the Board Risk Management Committee:

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

- Formulating and reviewing (at least annually) risk management policies and strategies for sound risk management;
- Monitoring implementation of risk management policies & process to ensure effective prevention and control measures;
- Ensuring construction of adequate organizational structure for managing risks within the bank;
- Supervising the activities of Executive Risk Management Committee (ERMC);
- Ensuring compliance of BB instructions regarding implementation of core risk management;
- Ensuring formulation and review of risk appetite, limits and recommending these to Board of Directors for their review and approval;
- Approving adequate record keeping & reporting system and ensuring its proper use;
- Holding at least 4 meetings in a year (preferably one meeting in every quarter) and

- more if deemed necessary;
- Analyzing all existing and probable risk issues in the meeting, taking appropriate decisions for risk mitigation, incorporating the same in the meeting minutes and ensuring follow up of the decisions for proper implementation;
- Submitting proposal, suggestions & summary of BRMC meetings to board of directors at least on quarterly basis;
- Complying with instructions issued from time to time by the regulatory body;
- Ensuring appropriate knowledge, experience, and expertise of lower-level managers and staff involved in risk management;
- Ensuring sufficient & efficient staff resources for RMD;
- Establishing standards of ethics and integrity for staff and enforcing these standards;
- Assessing overall effectiveness of risk management functions on yearly basis.

#### 4.3 Chief Risk Officer (CRO) and Executive Risk Management Committee (ERMC) of the Bank:

The Risk Management Committee of the Board of the Bank in its 20th meeting held on November 15, 2018 has approved appointment of Mr. Md. Kamal Uddin as the Chief Risk Officer (CRO) of the Bank as per the instruction given by Bangladesh Bank through DOS Circular no. 04 dated October 08, 2018. The Bank has also formed an Executive Risk Management Committee headed by Mr. Md. Kamal Uddin, Deputy Managing Director & CRO of the Bank along with other related divisional heads as the member of the committee.

#### 4.4 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:

- Establishment of risk management policies and procedures and review it annually to sound practice of the Bank;
- Preparation of SRP Policy of the Bank to maintain sufficient capital;
- Arrangement of meeting of Executive Risk Management Committee, preparation of minutes of the meetings & distribution of the same to the members;
- Preparation of the monthly Risk Management Report of the Bank on monthly basis and submit the same before management and Bangladesh Bank within the prescribed time;
- Preparation of the Comprehensive Risk

- Management Report of the Bank on half yearly basis and submit the same before management and Bangladesh Bank within the next month of each half year;
- Preparation of the stress testing report of the Bank on quarterly basis and submit the same before management and Bangladesh Bank (on quarterly basis) within the following month after the end of quarter;
- Preparation of ICAAP report and submit it to the Bangladesh Bank within May 31 of each year;
- Preparation of the Risk Appetite Statement of the Bank for sound risk management practice, place it before the Board of Directors of the Bank for approval and submit it to the Bangladesh Bank within February of each year;
- Preparation of the Board/ Audit Committee of the Board/ Risk Management Committee of the Board memo related to Risk Management issues;
- Look after the portfolio of loans and advances of the bank and analyze the risk related to credit concentration;
- Revision of the overall risk policy, including a consideration of whether any revisions are required;
- Preparation of risk management disclosure in the annual report;

#### 4.5 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 Adequate capital:

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

##### 4.5.2 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

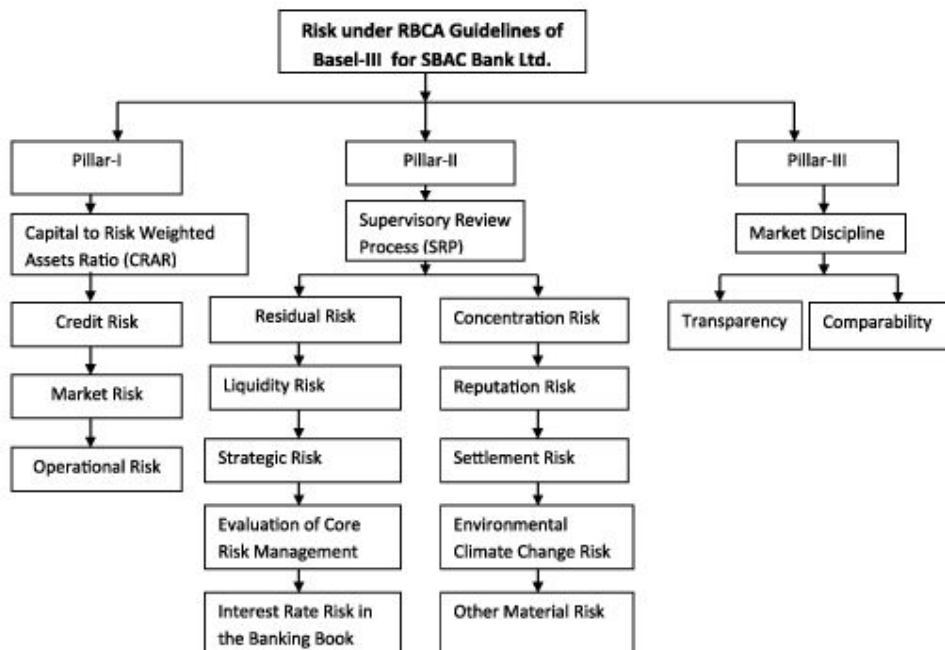
#### 4.5.3 Capital Position of SBAC Bank Limited:

As per directives of the Bangladesh Bank, every bank is required to maintain capital at 12.50% including buffer capital of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher for the year 2019. Minimum Common Equity Tier-1 (CET-1) capital should be minimum 4.50 percent of total capital. SBAC Bank maintained total eligible capital Tk. 837.11 crore as on 31.12.2019 which was Tk. 782.78 crore as on 31.12.2018. The Capital to Risk Weighted Asset Ratio of the bank

was 14.73% as on 31.12.2019 of which CET-1 was 14.67%. As on 31.12.2018, CRAR of the bank was 15.85%. So, SBAC Bank maintains excess capital as per requirement of Bangladesh Bank and the bank stands on strong capital base.

#### 4.5.4 Risks under the Guidelines on Risk Based Capital Adequacy (BASEL-III):

To cope 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.



#### 4.5.4.1 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 12.50% of Risk Weighted Assets (RWA). Under this requirement, Capital to Risk Weighted Asset Ratio of the Bank stood at 14.73% of RWA as on 31.12.2019. 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) Internal Credit Risk Rating (ICRR):**

Internal credit risk rating 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 rating 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 ICRR system is vital to take decisions both at the pre-sanction stage as well as at post-sanction stage.

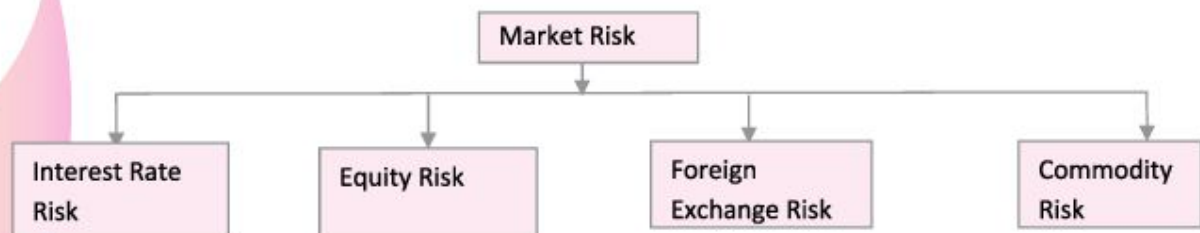
**vi) Credit Risk Mitigation:**

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 constitute Operational Risk Management activities of the Bank. 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.

**4.5.4.2 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 the chosen internal capital targets that 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.

**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

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 Management Committee 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 structural, 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 (NI) 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,
- Single borrower wise exposure,
- 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 considering the following issues 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 Environmental & Social Due Diligence (ESDD) Check List specified in Guidelines on Environmental &

Social Risk Management for Banks & Financial Institutions in Bangladesh issued by Bangladesh Bank in February 2017. Besides, the Bank considered 'Environment Risk' as a part of core risk in its approved Credit Policy.

#### 4.5.4.3 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.

#### 4.6 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 31.12.2019:

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	-0.15	14.58	-0.44	14.29	-0.74	13.99
Performing loans directly downgraded to B/L: Sectoral Concentration- 2	-0.11	14.62	-0.32	14.41	-0.54	14.19
Increase in NPLs due to default of top large loan borrowers	-2.43	12.30	-4.54	10.19	-6.22	8.51
Negative shift in NPLs categories	-0.33	14.40	-2.22	12.51	-2.76	11.97
Decrease in the FSV of collateral	-0.24	14.49	-0.48	14.25	-0.97	13.76
Increase in NPLs	-0.91	13.81	-3.27	11.46	-7.28	7.45
Interest Rate	-0.77	13.96	-1.54	13.19	-2.31	12.42
FEX: Currency Appreciation	-0.06	14.67	-0.11	14.62	-0.17	14.56
Equity Shock	0.00	14.73	0.00	14.73	0.00	14.73
<b>Combined Shock</b>	<b>-2.31</b>	<b>12.42</b>	<b>-7.63</b>	<b>7.10</b>	<b>-13.49</b>	<b>1.24</b>

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

**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:

**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 14.73% before apply the shock for December quarter 2019 against the requirement of 12.50% including buffer capital showing excess CRAR 2.23%. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.58%, 14.29% and 13.99% in minor, moderate and major respectively when considering individual shock.

**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 second highest 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 14.73% before apply the shock for December quarter 2019. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.62%, 14.41% and 14.19% in minor, moderate and major respectively when considering individual shock.

**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 14.73% before apply the shock for December quarter 2019. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 12.30%, 10.19% and 8.51% 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.

**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 14.73% before applying the shock for December quarter 2019. After applying shock, the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.40%, 12.51% and 11.97% in minor, moderate and major shock respectively when considering individual shock.

**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 14.73% before apply the shock for December quarter 2019. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.49%, 14.25% and 13.76% in minor, moderate and major respectively when considering individual shock.

**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 14.73% before apply the shock for December quarter 2019. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 13.96%, 13.19% and 12.42% in minor, moderate and major respectively when considering individual shock.

**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 14.73% before applying the shock for December quarter 2019. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.67%, 14.62% and 14.56% in minor, moderate and major respectively when considering individual shock.

#### 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 14.73% before applying the shock for December quarter 2019. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.73%, 14.73% and 14.73% in minor, moderate and major respectively when considering individual shock.

#### 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 14.73% before applying the shock for December quarter 2019. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 12.42%, 7.10% and 1.24% in minor, moderate and major shock respectively when considering combined shock.

#### 4.7 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 Executive Risk Management Committee on monthly basis & half yearly basis for taking necessary steps to mitigate various risks which are being submitted to Bangladesh Bank in time.

#### 4.8 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 2019 SBAC Bank sent the ICAAP Report to the Bangladesh Bank based on December 31, 2018 and Supplementary Documents after approval of the Board of Directors. Besides the ICAAP Report based on December 2019 will be submitted in May 2020.

#### 4.9 Policy & Strategy:

Risk Management Division 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 Executive Risk Management Committee take necessary strategy for improving of CAMELS rating, operating expenses, and classified loans ratio, recovery of classified loan, written-off loans, interest waiver, and base rate calculation methodology.

#### 5. Preparedness in Implementation of Basel-III:

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 back stop 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 2019	Bank Position	Remarks
Minimum Common Equity Tire-1 (CET-1) Capital Ratio	4.50%	14.67%	Excess 10.17%
Minimum Capital plus Capital Conservation Buffer(Buffer 2.50%)	7.00%	14.73%	Excess 7.73%
Minimum T-1 Capital Ratio	6.00%	13.82%	Excess 7.82%
Minimum Total Capital Ratio	10.00%	14.73%	Excess 4.73%
Minimum Total Capital plus Capital Conservation Buffer	12.50%	14.73%	Excess 2.23%
Phase – in of deduction from Tier-1: Excess Investment over 10% of a bank's equity in the equity of Bank	100.00%	Nil	-
Phase – in of deduction from Tier-2 Revaluation Reserve (RR): RR for Fixed Assets, Securities and Equity	100.00%	Nil	-
Leverage Ratio	6.00%	8.72%	Excess 2.72%
Liquidity Coverage Ratio	≥ 100%	120.17%	Excess 20.17%
Net Stable Funding Ratio	> 100%	143.32%	Excess 43.32%

#### Conclusion:

From the above it appears that SBAC Bank is trying to manage all risks relating to its activities and services efficiently and effectively as well as improving the risk management rating of the Bank. Risk Management Rating will have a significant effect on its CAMELS rating. Besides, this rating plays an important role in getting branch license, AD license and permission for dividend declaration etc. for banks. In this context, the meetings of Risk Management Committee of the Board, Executive Risk Management Committee 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 has been started from January 2016 and end in December 2019.



Capt. M. Moazzam Hossain  
Chairman, Risk Management Committee



# GREEN BANKING



## Green Banking:

Over the period of time, human being, as part of civilization, improves his life styles and life condition. But, in most cases these affect adversely on the environment. The opulence costs on environmental deterioration. But change is the only constant, and in the recent, past there has been a tremendous change in our attitude towards the environment. It perceived necessity for protection and preservation of the environment.

The banking industry influences economic growth and development, both in terms of quality and quantity, leading to a change in the nature of economic growth. Therefore, banking sector plays a crucial role in promoting environmentally sustainable and socially responsible finance. Banks may not be the polluters themselves but they usually have a banking relationship with some companies/finance projects that are polluters or could be in future. Banking sector is reckoned as environmental friendly in terms of emissions and pollutions. Internal environmental impact of the banking sector such as use of energy, paper and water is comparatively low and clean. Environmental impact of banks is not physically related to the banking activities but with its customer's activities. Therefore, environmental impact of bank's external activity is huge, though difficult to estimate. Environment management in the banking business is considered likely to be risk management. It increases the enterprise value and lowers loss ratio as higher quality loan portfolio results in higher earnings. Therefore encouraging environmentally responsible finance and prudent lending should be one of the responsibilities of the banking sector.

Bangladesh Bank as part of their responsibilities has formed Sustainable Finance Department and subsequent launching this unit in our bank who monitors and protect environment through formulating time worthy policies and guidelines to safeguard environment by adapting green financing.

To this tune, SBAC Bank limited recognizes that balancing non-financial factors such as environmental and social issues with financial priorities are essential with a view to demonstrating the characteristics of good corporate governance. There are direct impacts on the environment through the daily consumption of

energy and other resources.

The following Green Banking Activities/Initiatives have been carried out throughout the year:

### a) Green Initiatives:

- Print on reusable sheets
- Print multiple pages on single sheets of paper
- Set defaults to print double-sided and print on both sides
- Print only the pages required
- Preview documents before printing
- Increase margin width of the documents
- Change the default font size from 12 point to 10 which would shrink your document by about 10%
- Use e-mail statements

### b) Green Governance:

"Green Banking Policy Implementation Unit (GBPIU)" is formed entrusting with the responsibilities of designing, evaluating and administering related green banking issues of the bank in line of Board approved policy. Total available fund for direct green finance for 2019 is Tk. 293.71 million being 5% of total new loan to be disbursed in 2019.

### c) Inclusion of Environmental Risk Rating (EnvRR) for Credit Risk Management

SBAC Bank takes into account the Environment Risk while assessing credit proposals as per Environmental Risk Management (ERM) guidelines of Bangladesh Bank. In the year 2019, there were 39 nos. of bank financed projects applicable for Environment Due Dilligence and the Bank assessed the Environmental Risk of those projects and found low Environment Risk. The Bank financed Tk. 4793.09 million for 52 projects in 2019 having status "Standard".

### d) Electronic Payment System:

SBAC Bank is such a platform where all customers receive a wide range of customer service relating to electronic payment system like Online Banking, RTGS, BEFTN, e-GP, Utility Bill Payment etc. In 2019, total 2,71,047 nos. of transaction has been made through RTGS, BEFTN, e-GP service, Utility Bill Payment.

**e) In-house Environment Management:**

In order to develop in-house Environment Management, the Bank has taken the following measures to

i. Saving water, paper, electricity, energy and stationery consumption:

All Branches and Head Office were strict to reduce the consumption of paper, stationery, electricity, energy, water etc. which leads to positive outcome for the bank.

Utility consumption during 2018-2019:

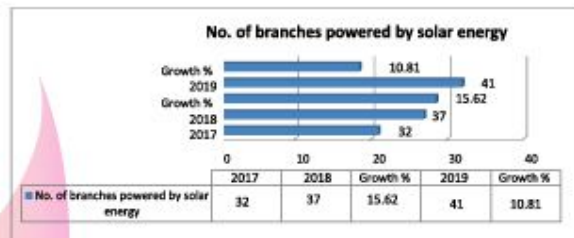
Sl No.	Particular	Amount in Million Taka		Growth %	
		2019	2018		
01	Consumption of water	0.09	0.07	28.57	
02	Consumption of paper	4.63	3.95	17.21	
03	Consumption energy	Electricity	35.83	32.70	9.57
		Gas	0.01	0.01	0.00
		Fuel	6.27	5.73	9.42
Total =		46.83	42.46	64.77	

N.B.: The expenses have been increased by 64.77% since new 10 branches came into operation in the year of 2019.

ii. Electronic 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 equipment 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 2019, 41 branches are powered by solar energy against 37 branches in 2018, registering 10.81% growth.



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

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

vii. In procurement of vehicles and other electrical and electronic equipment, fuel/energy efficient quality is considered with priority.

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

**f) Introducing Green Finance :**

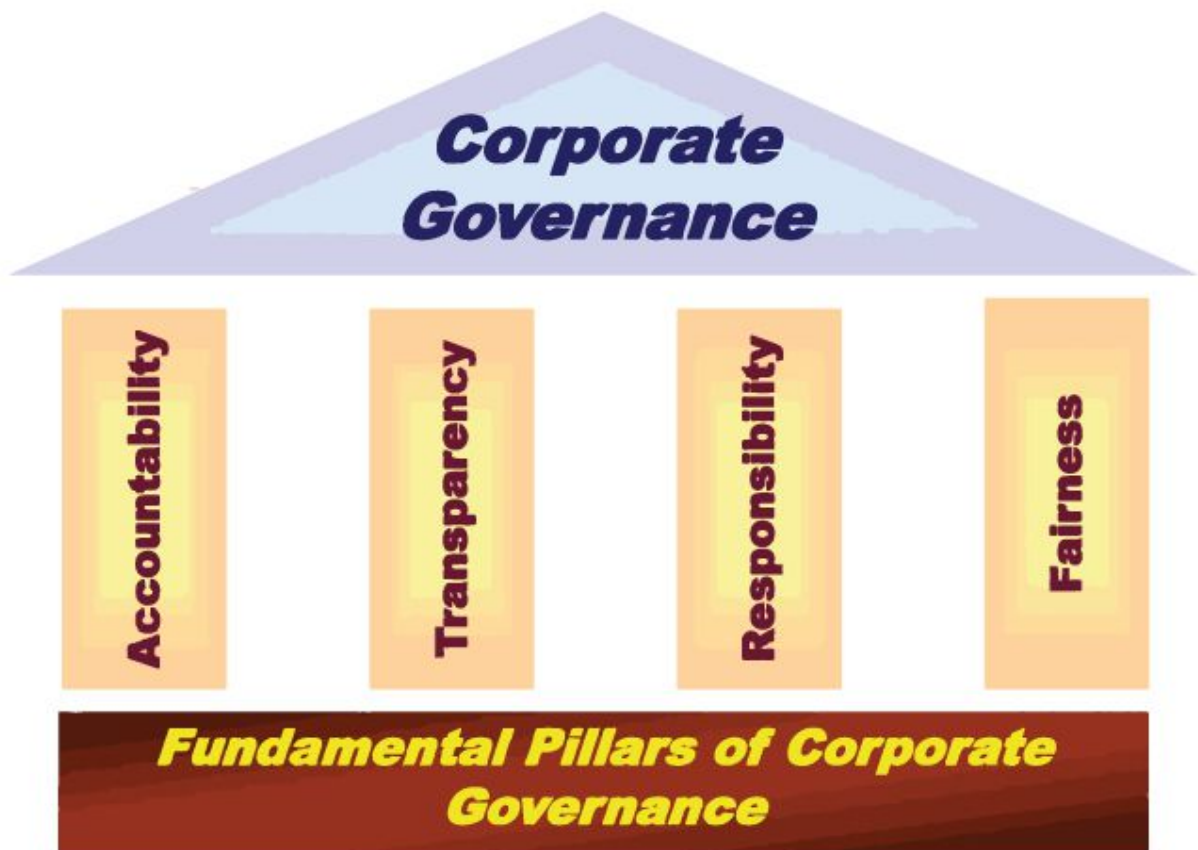
The Board of Directors of the Bank approved "Green Finance Policy of SBAC Bank Limited" to extend credit facilities for the environmental friendly products/projects so far identified by Bangladesh Bank under comparatively more favorable terms and conditions and the Bank has allocated Tk.500.00 million for Green Finance to encourage/support environmental friendly products/projects as well as to achieve target set by Bangladesh Bank.

**g) Online Banking :**

SBAC Bank has opened 82 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.

**h) 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.





## Report of the 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 2019.

Audit Committee of the Board was reconstituted by the Board of Directors of the Bank in its 86th meeting held on January 16, 2019 which was enforced upto 29.12.2019. The Present Audit Committee of the Board was duly reconstituted by the Board of Directors of the Bank in its 99th meeting held on December 30, 2019 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 enforced upto 29.12.2019

SL.	Name	Status with the Bank	Status with the committee	Educational Qualification	No. meetings held	No. of meetings attended
1	Mr. Talukder Abdul Khaleque	Independent Director	Chairman	Graduate	05	04
2	Mr. Abu Zafar Mohammad Shofiuddin	Director	Member	M.Com (Marketing)	05	04
3	Mr. Anwar Hussain	Director	Member	BBA	05	05
4	Dr. Syed Hafizur Rahman	Independent Director	Member	Masters (Economic)	05	03

Brief profile of the Audit Committee reconstituted on 30.12.2019

SL.	Name	Status with the Bank	Status with the committee	Educational Qualification	No. meetings held	No. of meetings attended
1	Mr. Md. Sajidur Rahman	Independent Director	Chairman	Masters of Commerce	Nil	Nil
2	Mr. Abu Zafar Mohammad Shofiuddin	Director	Member	M.com (Marketing)	Nil	Nil
3	Mr. Al-Haj Mizanur Rahman	Director	Member	HSC	Nil	Nil
4	Mr. Sakhawat Hussain	Director	Member	Masters	Nil	Nil
5	Dr. Syed Hafizur Rahman	Independent Director	Member	Masters (Economics)	Nil	Nil

**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 of 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 state of affairs is reflected in annual financial statements and prevailing rules, regulations

and standards along with BB guidelines are adhered to making such statements;

- Exchange views with the external auditors and the Managing Director and CEO before confirmation of the financial statements.

**Internal Audit**

- Review if internal control management 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 part of compliance activities.
- Review expressed intent of the Audit Firms and upon scrutinizing recommends for appointment.
- Convene audit meetings just after completion of the reports, rather than waiting for compliance from branches.

- Review the compliance status on every issue.
  - Proper and timely review of all quarterly and monthly statements.
- External Audit:**
- 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:**

According to applicable rules and regulations, 5(five) meetings of the Committee were held in the year 2019. 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 2019 were as under:

SL	Meeting No.	Held on
1	28 <sup>th</sup>	31.03.2019
2	29 <sup>th</sup>	30.04.2019
3	30 <sup>th</sup>	30.06.2019
4	31 <sup>st</sup>	25.07.2019
5	32 <sup>nd</sup>	28.11.2019

**Key activities in 2019:** The major areas focused by the Audit Committee of the Board during 2019 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 2020.
- Summary of Loan Classification and Provision as on December 31, 2019.
- Consideration and recommendation on Annual Accounts (Audited) along with the reports of the External Auditors thereon for the year ended 31st December 2019.
- Consideration and recommendation of Half-yearly Financial Statements (Un-audited) of the Bank for the period ended 30th June 2019.
- Review of Quarterly Financial statements.
- Recommendation for approval of the revised

Loan Documentation Check List in purview of Bangladesh Bank Guidelines.

- Review & recommend Revised Internal Control & Compliance Policy of the Bank.
- Stress Testing Reports of the Bank.
- Summary of Loan classification and provision as on 31.03.2019, 30.06.2019 and 30.09.2019 and 31.12.2019

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

The Committee 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 Zoom Webinar Conference 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 CBS System for controlling lapses in banking system CBS.
- Reviewed and recommended for fortifying ICC Division through experienced and trained Professional manpower.
- 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.
- 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.
- Recommended for review of Core Risk of the Bank such as Financial Risk, Reputation Risk, Credit & Operational Risk.
- Review the Risk factor & recommend the mitigation strategy of Top 50 borrowers of the Bank.
- Recommended for complying with the detail guidelines of Bangladesh Bank and other Regulatory Authorities for opening of all types of accounts at the branches.

#### Approval of Financial Statements:

The Audit Committee reviewed and examined the Bank's Annual Financial Statements for the year ended December 31, 2019, prepared by the Management and audited by External Auditors M/s. Hoda Vasi Chowdhury & CO, a Chartered Accountant 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 to banking excellence.



Md. Sajidur Rahman  
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: The Bangladesh Bank (The Central Bank of Bangladesh) and The 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 interest of key stakeholders i.e. depositors, shareholders, employees and the society at large. Two very important pillars of a good corporate governance structure are "Transparency" and "Accountability" backed by strong Internal Control and Compliance Structure and MIS capabilities.

## Board of Directors

Board of Directors of South Bangla Agriculture and Commerce Bank Limited 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 2018) and Companies Act 1994 are strictly followed. The number of the Board members of the Bank is 18 which complies with the rules and regulations mentioned above.

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 2018) 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 4 (four) 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 2018) we have co-opted 03 (Three) Independent Directors. 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 BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 on Corporate Governance Code.

#### 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 2018), prior approval is taken at the time of appointment of 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

As per BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, 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 2018) Independent Directors shall be maximum 3 (three).

#### 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(amended up to 2018); 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 the respective bank. When a director receives a notice under section 17 of Bank Companies Act, 1991(amended up to 2018), 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(amended up to 2018).

#### Removal of Directors from office:

According to section 106 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 shareholders 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. A director so removed shall not be re-appointed as a director by the Board of Directors.

#### 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. 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 shall not be 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 2018). 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 apprises 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 loans and 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 and 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 Managing Director and Chief Executive Officer (CEO). The Board 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 and
- 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 2018) 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 of Board of Directors 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 2018) 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 Committee. 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 (EC) and 1 (one) meeting for Risk Management Committee (RMC) and Audit Committee (AC) 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 good 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 (EC):

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 consists 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 will 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 Executive Committee;
- ii. Each member should be capable of making valuable and effective contributions in the functioning of the committee;
- ii. 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 areas as approved by the Board of Directors and those not specifically assigned on full board through the Bank Companies Act, 1991 (amended up to 2018) 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 should be 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:

Asper BSEC Notification SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 on Corporate Governance Code and BRPD Circular No. 11 dated October 27, 2013 the Audit Committee of the Board is formed. The current Audit Committee consists of 05 (five) members. Most 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 will approve the objectives, strategies and overall business plans of the bank and the audit committee will assist the Board in fulfilling its oversight responsibilities. The committee will review 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 will be nominated by the Board of directors from the directors;
- ii. The audit committee will comprise of maximum 05 (five) members, with minimum 02 (two) independent director;
- iii. Audit committee will 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 will 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 will check whether the financial statements reflect the complete and concrete information and determine whether the statements are 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 will monitor whether internal audit functions are carried out independently from the management.
- ii. Review the activities of the internal audit and the organizational structure and ensure that no unjustified restrictions or limitations hinder the internal audit process:
- iii. Examine the efficiency and effectiveness of internal audit functions;
- iv. Examine whether the findings and recommendations made by the internal auditors are 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 are 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 04 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 will 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 05 (five) 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 will be nominated by the Board of directors from themselves;
- ii. The Risk Management Committee will comprise maximum 05 (five) members;
- iii. Members may be appointed for a 03 (three) year term of office;
- iv. Company secretary of the bank will 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 lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other 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 whenever required by the committee.

#### Meetings:

- i. The risk management committee should hold at least 04 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 noted in minutes.
- v. Company secretary of the bank will 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. All the Directors participated in a training session organized by the Bank with the resource persons from Bangladesh Bank in the year 2014.

#### 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 conducts 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.

#### Role of the Chairman and CEO as independent

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

### Role and Responsibilities of the Managing Director (MD) & 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 MD & 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 2018) 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 2018) while presenting memos before the Board or the committee formed by the Board.
- iv) CEO will 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/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969) 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, company shareholders.
- ii) To ensure 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 partnership 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 who are responsible for preparing Board meeting agenda.

- 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. 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, Bank Companies Act 1994 and Bangladesh Securities and Exchange Commission (BSEC) Regulations etc.
- iii. The CFO will work in close touch with the Managing Director & CEO and report to him.
- iv. The CFO will get full executive power and hold charge of Financial Administration Division.
- v. 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) Assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control.
- ii) 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) 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) Develop job routine, constantly explore and assess the high risk areas, conduct special audit and recommend strategies to mitigate risks.
- vi) Communicate the irregularities identified to the Board and senior management regularly and propose and take corrective actions for control effectiveness.
- vii) Maintain strong ties with central bank officials as an intermediary for the bank to resolve issues safeguarding bank's interest.
- viii) Prepare, maintain and archive all documents relating to financial health and risk profiling of bank.
- ix) Prepare capital based risk audit framework that allowed streamlining the financial health assessment process.
- x) 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, Additional Managing Director, Deputy Managing Directors, Head of Human Resources Division, Head of ID and Credit, Head of IT, Head of GSD, Head of ICCD, Head of Treasury, 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.

## Annexure-B

### [Certificate as per condition No. 1 (5)(xxvii)]

#### Report to the Shareholders **South Bangla Agriculture & Commerce Bank Limited** on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by **South Bangla Agriculture & Commerce Bank Limited** for the year ended on December 31, 2019. This Code relates to the Notification No. *SEC/CMRRCD/2006-158/207/admin/80, dated June 03, 2018* of the Bangladesh Securities and Exchange Commission.

Such Compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.


This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries Of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required , and after due scrutiny and verification thereof,

We report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code except NRC as stipulated in the above mentioned Corporate Governance Code issued by the Commission.
- (b) The Company has Complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code except appointment of independent Directors which are partially complied with and full compliance are under process.
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the Securities Laws and other relevant Laws and;
- (d) The Governance of the Company is satisfactory.

Place: Dhaka  
Dated: July 02, 2020



Islam & Co. (Chartered Accountants)  
**Md. Din Islam Miah FCA**  
Principal

### Annexure-C

[As per condition No. 1(5)(xxvii)]

Status of compliance with the conditions imposed by the commission's Notification No.SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 ( Report under Condition No.9 ) :

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks if any
		Complied	Not complied	
1	<b>Board of Directors</b>			
1(1)	Size of the Board of Directors- The total number of members of a company's Board of Directors (hereinafter referred to as "Board") shall not be less than 5 (five) and more than 20 (twenty).	√		
1(2)	Independent Directors All companies shall have effective representation of independent directors on their Boards, so that the Board, as a group, includes core competencies considered relevant in the context of each company; for this purpose, the companies shall comply with the following:			
1(2)(a)	At least one-fifth (1/5) of the total number of directors in the company's Board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	√		
1(2)(b)	For the purpose of this clause "independent director" means a Director- (i) 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; (ii) who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company: Provided that Spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family member. (iii) Who has not been an executive of the company in immediately preceding 2 (two) financial years; (iv) Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies; (v) Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange; (vi) Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market; (vii) 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 or audit firm engaged in	√		



	<p>internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;</p> <p>(viii) Who is not independent director in more than 05 (five) listed companies;</p> <p>(ix) Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI); and</p> <p>(x) Who has not been convicted for a criminal offence involving moral turpitude.</p>			
1(2)(c)	The independent director(s) shall be appointed by the board and approved by the shareholders in the Annual General Meeting (AGM).	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days;	√		
1(2)(e)	<p>The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only:</p> <p>Provided that a former independent director may be considered for reappointment for another tenure after a time gap of one tenure, i.e., three years from his or her completion of consecutive two tenures [i.e. six years]:</p> <p>Provided further that the independent director shall not be subject to retirement by rotation as per the কোম্পানী আইন, 1994 (১৯৯৪ সনের ১৮নং আইন) (Companies Act, 1994).</p> <p>Explanation: For the purpose of counting tenure or term of independent director, any partial term of tenure shall be deemed to be a full tenure.</p>	√		
1(3)	Qualification of Independent Director			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business;	√		
1(3)(b)	<p>Independent director shall have following qualifications:</p> <p>(i) Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or</p> <p>(ii) Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company; or</p>	√		

	<p>Explanation: Top level executive includes Managing Director (MD) or Chief Executive Officer (CEO), Additional or Deputy Managing Director (AMD or DMD), Chief Operating Officer (COO), Chief Financial Officer (CFO), Company Secretary (CS), Head of Internal Audit and Compliance (HIAC), Head of Administration and Human Resources or equivalent positions and same level or ranked or salaried officials of the company.</p> <p>(iii) Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law; or</p> <p>(iv) University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or</p> <p>(v) Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;</p>			
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		
1(3)(d)	In special cases the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			Not applicable (No Special Case arose)
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer:			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
1(5)	<p>The Directors' Report to Shareholders</p> <p>The Board of the Company shall include the following additional statements or disclosures in the Director's Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):-</p>			

1(5)(i)	An industry outlook and possible future developments in the industry;	√		
1(5)(ii)	The segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);	√		
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;			Not applicable
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;			Not applicable
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;			Not applicable
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that 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)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that 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)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), 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)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no significant doubt 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 there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	√		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			Not applicable
1(5)(xxii)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√		
1(5)(xxiii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiv)	A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by: (a) Parent or Subsidiary or Associated Companies and other related parties (name-wise details); (b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details); (c) Executives; and (d) Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details); Explanation: For the purpose of this clause, the expression "Executive" means 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 and Compliance.	√		
1(5)(xxiv)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders: (a) A brief resume of the director; (b) Nature of his or her expertise in specific functional areas; and	√		

	(c) Names of companies in which the person also holds the directorship and the membership of committees of the Board;			
1(5)(xxv)	<p>A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:</p> <p>(a) Accounting policies and estimation for preparation of financial statements;</p> <p>(b) Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;</p> <p>(c) Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;</p> <p>(d) Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;</p> <p>(e) Briefly explain the financial and economic scenario of the country and the globe;</p> <p>(f) Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and</p> <p>(g) Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;</p>	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	√		
1(6)	<p>Meetings of the Board of Directors</p> <p>The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.</p>	√		

1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer:			
1(7) (a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;			Noted for Compliance
1(7) (b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.			Noted for Compliance
2	Governance of Board of Directors of Subsidiary Company: Not applicable			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;			Not applicable
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;			Not applicable
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;			Not applicable
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;			Not applicable
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.			Not applicable
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS):			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		

3(1) (b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1) (c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1) (d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1) (e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
3(2)	Requirement to attend Board of Directors' Meetings- The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO):			
3(3) (a)	The MD or 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: (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and (ii) 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;	√		
3(3) (b)	The MD or CEO and CFO shall also certify that 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 code of conduct for the company's Board or its members;	√		
3(3) (c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		

4	<b>Board of Directors' Committee</b> For ensuring good governance in the company, the Board shall have at least following sub-committees:		
4(i)	Audit Committee	√	As per clause 5 of BRPD Circular No. 11 dated 27-10-2013 there is no scope of formation of any committee other than an Executive committee, an Audit Committee and a Risk Management Committee.
4(ii)	Nomination and Remuneration Committee		
5	Audit Committee		
5(i)	Responsibility to the Board of Directors:		
5(1) (a)	The company shall have an Audit Committee as a subcommittee of the Board;	√	
5(1) (b)	The Audit Committee shall assist the Board 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;	√	
5(1) (c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	√	
5 (2)	Constitution of the Audit Committee :		
5(2) (a)	The Audit Committee shall be composed of at least 3 (three) members;	√	
5(2) (b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 01 (one) independent director;	√	
5(2) (c)	All members of the audit committee should be "financially literate" and at least 01 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience; Explanation: The term "financially literate" means the ability to read and understand the financial statements like statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows statement and a person will be considered to have accounting or related financial management expertise if he or she possesses professional qualification or Accounting or Finance graduate with at least 10 (ten) years of corporate management or professional experiences.	√	
5(2) (d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 03 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 01 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√	
5(2) (e)	The company secretary shall act as the secretary of the Committee;	√	



5(2) (f)	The quorum of the Audit Committee meeting shall not constitute without at least 01 (one) independent director	√		
5(3)	Chairperson of the Audit Committee:			
5(3) (a)	The Board shall select 01 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;	√		
5(3) (b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
5(3) (c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM): Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.	√		
5(4)	Meeting of the Audit Committee:			
5(4) (a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	√		
5(4) (b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	Role of Audit Committee The Audit Committee Shall:-			
5(5) (a)	Oversee the financial reporting process;	√		
5(5) (b)	Monitor choice of accounting policies and principles;	√		
5(5) (c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		

5(5) (c)	Oversee hiring and performance of external auditors;	√		
5(5) (e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5) (f)	Review along with the management, the annual financial statements before submission to the Board for approval;	√		
5(5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5) (h)	Review the adequacy of internal audit function;	√		
5(5) (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5) (j)	Review statement of all related party transactions submitted by the management;	√		
5(5) (k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
5.5 (1)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5.5 (m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission: Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.			Not applicable
5(6)	Reporting of the Audit Committee			
5(6)(a)(i)	<b>Reporting to the Board of Directors:</b> The Audit Committee shall report on its activities to the Board.			
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board on the following findings, if any: a) Report on conflicts of interests; b) Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements; c) Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and d) Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;	√		

7	External or Statutory Auditors			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:- (i) Appraisal or valuation services or fairness opinions; (ii) Financial information systems design and implementation; (iii) Book-keeping or other services related to the accounting records or financial statements; (iv) Broker-dealer services; (v) Actuarial services; (vi) Internal audit services or special audit services; (vii) Any service that the Audit Committee determines; (viii) Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and (ix) Any other service that creates conflict of interest.	√		
7(2)	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; his or her family members also shall not hold any shares in the said company: Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members.	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
8	Maintaining a website by the Company			
8(1)	The company shall have an official website linked with the website of the stock exchange.	√		
8(2)	The company shall keep the website functional from the date of listing.	√		
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√		
9	Reporting and Compliance of Corporate Governance			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report. Explanation: "Chartered Accountant" means Chartered Accountant as defined in the Bangladesh Chartered Accountants Order, 1973 (President's Order No. 2 of 1973); "Cost and Management Accountant" means Cost and Management Accountant as defined in the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977); "Chartered Secretary" means Chartered Secretary as defined in the চার্টার্ড সেক্রেটারীজ আইন, ২০১০ (২০১০ সনের ২৫নং আইন) (Chartered Secretaries Act, 2010).	√		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		

## Bangladesh Bank Checklist for Corporate Governance Compliance Report

To ensure good governance i.e. corporate governance in bank management, Bangladesh Bank (BB) issued three circulars in 2013 covering three broad areas as follows:

- (a) BRPD Circular No. 11 dated 27 October 2013: Formation and responsibilities of Board of Directors (BoD).
- (b) BRPD Circular No. 18 dated 27 October 2013: Appointment and responsibilities of Chief Executive Officer (CEO).
- (c) BRPD Circular No. 19 dated 27 October 2013: Contractual appointment of Advisor and Consultant. The Summary of the BB guidelines and SBACBL Compliance thereto are presented below:

SL. No.	Particulars	Compliance Status (Put √ in the appropriate column)		Remarks if any
		Complied	Not complied	
<b>(a) BRPD Circular on Formation and responsibilities of Board of Directors (BoD)</b>				
1	<b>Formation of Board of Directors (BoD)</b>			
	Prior approval from Bangladesh Bank to be taken before the appointment of new bank directors, as well as dismissal, termination or removal of any director from the post. Qualification and competency of directors, maximum number of directors of the board, appointment of independent Directors, appointment of maximum 04 (four) members from a family as director.	√		
1.1	Appointment of New Directors Every bank company, other than specialized banks, at the time of taking prior approval from BB while appointing directors should furnish the following information along with the application:			
(a)	Personal information of the nominated person	√		
(b)	Declaration of nominated person	√		
(c)	Declaration for confidentiality by the nominated person	√		
(d)	In case of independent director, the approval letter from Bangladesh Securities & Exchange Commission (BSEC)	√		
(e)	In case of Independent director, a declaration of the directors concern as Appendix-gha (he will also submit declaration under Appendix-ka, kha & ga)	√		
(f)	CIB report of the nominated person	√		
(g)	Updated list of directors	√		
1.2	Vacancy of office of a Director			
(a)	The office of a director shall be vacated as per the provision of Section 108(1) of Companies Act 1994. Besides, provision of section 17 of Bank Company Act 1991, providing false declaration at the time of appointment or observing shortfall of qualification as a director.			Not applicable (No Such Case arose)
(b)	If the office of a director is vacated as per section 17 of Bank Company Act 1991, the person will not be eligible to become a director of the bank or any other bank or any financial institution for one			Not applicable (No Such Case arose)

	year from the date of repayment of the total amount due to the bank. The dues can be adjusted with the shares held by the director in that bank company and he/she can't transfer his/her shares of that bank until he/she repays all the liabilities of the bank or financial institution.			
(c)	Bangladesh Bank can remove a director or chairman of a bank, except state owned banks, 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 supersede the board of a banking company under section 47 of Bank Company Act 1991.			Not applicable (No Such Case arose)
1.3	Removal of Directors from office: With the prior approval of Bangladesh Bank, a bank director other than specialized banks can be removed from his office for the reason specified in its Articles of Association. 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	√		Not applicable (No Such Case arose)
1.4	Appointment of Alternate Director: An alternate director can be appointed to act for a director during his absence for a continuous period of not less than three months from Bangladesh. by fulfilling following instructions:			
(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 returning date from abroad should be sent to Bangladesh Bank within 7 days of taking the decision and the director's arrival date must be intimated to Bangladesh Bank immediately after his return.	√		
(c)	Any loan defaulter or any person who is not eligible to become a director as per any rules & regulation will not be appointed as an alternate director.	√		
(d)	As appointment of alternate director is a temporary measure; therefore, he/she will not be 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.			
2	Director from Depositors			
	As per Bank Company Act, 1991 (amended till 2018) appointment of directors from depositors is no longer required. But, in compliance with the provision of sec 15(9) of the Bank Company Act, 1991 (amended upto 2013) bank can consider the tenure of existing depositor director or may appoint them as independent director.			Not Applicable
3	Information regarding Directors Banks are advised to take the following steps regarding directors information:			
(a)	Every bank should keep an updated list of bank directors, after the appointment or release of director.	√		
(b)	Banks should send a directors' list to other banks or financial institutions immediately.	√		
(c)	Banks should display a list of directors in the website and update it on a regular basis.	√		
4	Responsibilities of the Board of Directors: To ensure good governance in the bank management it is essential to have specific demarcation of responsibilities and authorities among controlling bodies over bank affairs. In the Bank Company Act, 1991 (amended upto 2013) the newly included Section 15 (kha) & (ga) give responsibility to the board of directors for establishing policies for the bank company, for risk management, internal controls, internal audit and compliance and for ensuring their implementation.			
4.1	Responsibilities and Authorities of the Board of Directors			
(a)	Work-planning and strategic management: i. The board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reformation for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor, at quarterly rests, the development of implementation of the work-plans.	√		
	ii. The board shall have its analytical review incorporated in the Annual Report as regards to the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO & officers immediate two tiers below the CEO, and have it evaluated from time to time.	√		

(b)	Credit and risk management: i. The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedule and write-off thereof shall be made with the board's approval under the purview of the existing laws, rules and regulations. The board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, direct or indirect, into the process of loan approval.	√		
	ii. The board shall frame policies for risk management and get them complied with and shall monitor the compliance at quarterly rests and review the concerned report of the risk management team and shall compile in the minutes of the board meeting. The board shall monitor the compliance of the guidelines of Bangladesh Bank regarding key risk management.	√		
(c)	Internal control management: The board shall be 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 will establish such an internal control system so that the internal audit process can be conducted independently from the management. It shall review 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: i. Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the board. The chairman or the directors shall 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 shall be 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 shall have to be carried out complying with the service rules i.e., policies for recruitment and promotion.	√		

	ii. The board shall focus 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 modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board shall get these programmes incorporated in its annual work plan.	√		
	iii. The board will compose Code of Ethics for every tier and they will follow it properly. The board will promote healthy code of conducts for developing a compliance culture.	√		
(e)	Financial management: i. The annual budget and the statutory financial statements shall be finalized with the approval of the board. It shall at quarterly rests review/monitor 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.	√		
	ii. The board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power of expenditures shall rest on the CEO and his subordinates. 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 adopted with the approval of the board.	√		
	iii. The board will review 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): In order to strengthen the financial base of the bank and obtain confidence of the depositors, one of the major responsibilities of the board of directors is to appoint an honest, efficient, experienced and suitable CEO or Managing Director. The Board of directors will appoint a suitable CEO with the approval of the Bangladesh Bank.	√		
(g)	Other responsibilities of the Board: The board should follow and comply with the responsibilities assigned by Bangladesh Bank.	√		
4.2	Meeting of Board: Board of directors may meet once or more than once in a month if necessary. But Board of directors shall meet at least once in every three months. Excessive meetings are discouraged.	√		



4.3	Responsibilities of the Chairman of the Board of Directors			
(a)	As the chairman of the board of directors or chairman of any committee formed by the board or any director does not personally possess the jurisdiction to apply policy making or executive authority, he/she shall not participate in or interfere into 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 effect 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.	√		
5	Formation of committees from the Board of Directors: Each bank company can form 01 (one) executive committee, 01 (one) audit committee and 01 (one) risk management committee with the directors. Board can't form any other permanent, temporary or sub-committee except the above mentioned three committees.	√		
5.1	Executive committee: Executive committee should be formed with the members of the board to continue the urgent and daily or 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.	√		
(a)	Organizational structure: i. Members of the committee will be nominated by the board of directors from themselves;	√		
	ii. The executive committee will comprise 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 can be the chairman of executive committee;	√		

	v. Company secretary of the bank will be the secretary of the executive committee.	√		
(b)	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 the committee;	√		
	ii. Each member should be capable of making valuable and effective contributions in the functioning of the committee;	√		
(c)	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 that are not specifically assigned on full board through the Bank Company Act, 1991 and other laws and regulations.	√		
(d)	ii. The executive committee can take all necessary decision or can approve cases within power delegated by the board of directors.	√		
	iii. All decisions taken in the executive committee should be ratified in the next board meeting.	√		
	Meetings:	√		
5.2	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 committee members well in advance before each meeting;	√		
	iv. All decisions/observations of the committee should be noted in minutes.	√		
	Audit Committee: The board will approve the objectives, strategies and overall business plans of the bank and the audit committee will assist the board in fulfilling its oversight responsibilities. The committee will review 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.	√		

(a)	Organizational structure:	√		
	i. Members of the committee will be nominated by the board of directors from the directors;			
	ii. The audit committee will comprise of maximum 05 (five) members, with minimum 2 (two) independent director;			
	iii. Audit committee will comprise with 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 will be the secretary of the audit committee.			
(b)	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.	√	√	
(c)	Roles and Responsibilities of the Audit Committee	√		
	(i) Internal Control:			
	1. 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;	√		
	2. Review management's actions in building computerization of the bank and its applications and bank's Management Information System (MIS);	√	√	
	3. Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management;	√		
	4. 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 authority and place it before the board after reviewing whether necessary corrective measures have been taken by the management.	√		

(ii) Financial Reporting: 1. Audit committee will check whether the financial statements reflect the complete and concrete information and determine whether the statements are prepared according to existing rules & regulations and standards enforced in the country 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.	√		
(iii) Internal Audit: 1. Audit committee will monitor whether internal audit working independently from the management.	√		
2. Review the activities of the internal audit and the organizational structure and ensure that no unjustified restriction or limitation hinders the internal audit process;	√		
3. Examine the efficiency and effectiveness of internal audit function;	√		
4. Examine whether the findings and recommendations made by the internal auditors are duly considered by the management or not.	√		
(iv) External Audit 1. Review the performance of the external auditors and their audit reports;	√		
2. Examine whether the findings and recommendations made by the external auditors are duly considered by the management or not.	√		
3. Make recommendations to the board regarding the appointment of the external auditors.	√		
(v) Compliance with existing laws and Regulations: Review whether the laws and regulations framed by the regulatory authorities (central bank and other bodies) and internal regulations approved by the board are being complied with.	√		
(vi) Other Responsibilities: 1. Submit compliance report to the board on quarterly basis on regularization of the omission, fraud and forgeries and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities;	√		
2. External and internal auditors will submit their related assessment report, if the committee solicit;	√		
3. Perform other oversight functions as desired by the Board of Directors and evaluate the committee's own performance on a regular basis.	√		

(d)	Meetings: 1. The audit committee should hold at least 4 meetings in a year and it can sit any time as it may deems fit;	√		
	2. The committee may invite Chief Executive Officer, Head of internal audit or any other Officer to its meetings, if it deems necessary;	√		
	3. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to committee members well in advance before each meeting;	√		
	4. All decisions/observations of the committee should be noted in minutes.	√		
5.3	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 will be formed. 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 will 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.	√		
(a)	Organizational Structure: 1. Members of the committee will be nominated by the board of directors from themselves;	√		
	2. The Risk Management Committee will comprise of maximum 05 (five) members;	√		
	3. Members may be appointed for a 03 (three) year term of office;	√		
	4. Company secretary of the bank will be the secretary of the Risk Management Committee.	√		
(b)	Qualifications of the Member: 1. Integrity, dedication, and opportunity to spare time in the functions of committee will have to be considered while nominating a director to the committee;	√		
	2. Each member should be capable of making valuable and effective contributions in the functioning of the committee;	√		
	3. 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.	√		

(c)	<p>Roles and Responsibilities of the Risk Management Committee:</p> <p>i) Risk identification &amp; 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 &amp; methods and amend it if necessary. The committee will review the risk management process to ensure effective prevention and control measures.</p>	√		
	<p>ii) Construction of organizational structure: The responsibility of Risk Management Committee is to ensure an adequate organizational structure for managing risk within the bank. The Risk Management Committee will supervise formation of separate management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control &amp; compliance risk, money laundering risk, information &amp; communication risk including other risk related guidelines.</p>	√		
	<p>iii) Analysis and approval of Risk Management policy: Risk management policies &amp; 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.</p>	√		
	<p>iv) Storage of data &amp; Reporting system: Adequate record keeping &amp; 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 &amp; summary in a specific format &amp; inform the Board of Directors.</p>	√		
	<p>v) 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.</p>	√		
	<p>vi) Other responsibilities: 1. Committee's decision and suggestions should be submitted to the Board of Directors quarterly in short form; 2. Comply instructions issued time to time by the controlling body; 3. Internal &amp; external auditor will submit respective evaluation report whenever required by the committee.</p>	√		

(d)	Meetings: 1. The risk management committee should hold at least 4 meetings in a year and it can sit any time as it may deems fit;	√		
	2. The committee may invite Chief Executive Officer, Chief Risk Officer and any other Officer to its meetings, if it deems necessary;	√		
	3. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to committee members well in advance before each meeting;	√		
	4. All decisions/observations of the committee should be noted in minutes.	√		
6	Training for the Directors: The directors shall make themselves fully aware of the banking laws and other related rules and regulations for performing his duties properly.			
<b>(b) BRPD Circular on Appointment and responsibilities for appointment of the CEO</b>				
A.	Rules and regulations for appointing CEO			
1.	Moral Integrity: In case of appointment to the post of Chief Executive, satisfaction in respect of the concerned person should be ensured to the effects that,- a) He has not been convicted by any Criminal Court of Law;	√		
	b) He has not been punished for violating any rules, regulations or procedures/norms set by any Controlling Authority;	√		
	c) He was not associated with any such company/organization, registration or licence of which has been cancelled.	√		
2.	Experience and Suitability: a) For appointment as chief executive, the concerned person must have experience in banking profession for at least 15 (fifteen) years as an active officer and at least 02 (two) years experience in a post immediate below the chief executive of a bank;	√		
	b) He must at least have a Masters degree from any recognized university. Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person;	√		
	c) In respect of service, the concerned person should have excellent record of performance; d) Satisfaction should be ensured that the concerned person was not dismissed from	√		

	service when he was chairman/director/official of any company;			
	e) Any director of any bank or financial institution or any person who has business interest in the bank concerned will not be eligible for appointment to the post of chief executive.	√		
3.	Transparency and Financial Integrity: Before appointment as chief executive, satisfaction should be ensured to the effects that:	√		
	a) The concerned person was not involved in any illegal activity while performing duties in his own or banking profession;			
	b) He has not suspended payment to creditors or has not compromised with his creditors to be relieved from debt or he is not a loan defaulter;	√		
	c) He is not a tax defaulter;	√		
	d) He has never been adjudicated an insolvent.	√		
4.	Age limit: No person crossing the age of 65 years shall hold the post of CEO of a bank.	√		
5.	Tenure: The tenure of the chief executive shall be for at least 03 (three) years, which is renewable. If the candidate has less than 3 years left to attain 65 years, he/she can be appointed for that period.	√		
6.	Guidelines in fixing the salary and allowances: Banks are required to follow the guidelines stated below while determining the salary and allowances of the CEO and submitting such proposal to Bangladesh Bank:-	√		
	a) In fixing the salary and allowances of the chief executive, financial condition, scope of operation, business-volume and earning capacity of the bank; qualifications, achievement of the candidate in the past, age and experience and the remuneration paid to the persons occupying same position in the peer banks shall have to be taken into consideration.	√		
	b) Total salary shall be comprised of direct salary covering 'Basic Pay' and 'House Rent' and allowances as 'Others'. The allowances (e.g., provident fund, utility bill, leave-fare assistance) in 'Others' head should be specified in amount/ceiling. Besides, other facilities (e.g., car, fuel, driver etc.), as far as possible, shall have to be monetized and thus determining monthly total salary, it shall have to be mentioned in the proposal to be submitted to Bangladesh Bank. In the proposal, Basic Pay, House Rent, Festival Allowance, other allowances and other facilities shall have to be specified in Taka amount.	√		
	c) Without improving the bank's major economic indicator like- CAMELS annual salary increment will not be payable	√		



	d) Terms of salary-allowances and other facilities as specified in the terms and conditions of appointment cannot be changed during the tenure. In case of renewal, proposal may be made for re-fixation of the salary considering the job performance of the incumbent chief executive.	√		
	e) The Chief Executive so appointed shall not get any other direct or indirect facilities (e.g., dividend, commission, club expense, etc.) other than the salary-allowances and other facilities as enumerated in clause (b) above.	√		
	f) The bank shall not pay any income tax for the chief executive, i.e., the chief executive so appointed shall have to pay it.	√		
7.	Incentive Bonus: Subject to the payment of incentive bonuses to all staffs/employees, the CEO will be eligible to get such bonus. However, the amount of CEO's incentive bonus will not cross Taka 10.00 (ten) lacs per year.	√		
8.	Honorarium for Board Meeting: As CEO is a salaried official of the bank, he will not get any honorarium for attending the Board meeting or the meeting of any Committee formed by the Board.	√		
9.	Evaluation Report: While reappointing CEO, an evaluation report approved by the board of directors should be submitted to Bangladesh Bank by the chairman of the Board.	√		
10.	Prior approval from Bangladesh Bank: Prior approval from Bangladesh Bank is mandatory before appointing CEO as per section 15(4) & (5) of the Bank Company Act 1991 (Amended upto 2013). For processing such approval, along with the proposal signed by the chairman of the board, the selected person's complete resume, offer letter (mentioning the direct & indirect remuneration and facilities) and copy of board's approval must be submitted to Bangladesh Bank. The selected person must also submit declarations as per Annexure-ka & Annexure-kha to Bangladesh Bank.	√		
11.	Decision of Bangladesh Bank regarding appointment of CEO will be treated as final and such appointed CEO cannot be dismissed, released and removed from his office without prior approval from Bangladesh Bank.	√		
B.	Duties and Responsibilities of CEO The CEO of the bank, whatever name called, shall discharge the responsibilities and affect the authorities as follows:			

1.	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 plan, efficient implementation thereof and prudent administrative and financial management.	√		
2.	The CEO shall ensure compliance of the Bank Company Act, 1991 and other relevant laws and regulations in discharging routine functions of the bank.	√		
3.	At the time of presenting any memorandum in the Board Meeting or Board Committee Meeting, the CEO must point out if there is any deviation from the Bank Company Act, 1991 and other relevant laws and regulations.	√		
4.	The CEO shall report to Bangladesh Bank any violation of the Bank Company Act, 1991 or of other laws/regulations.			Not applicable (No Such Case arose)
5.	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.	√		
6.	The authority relating to transfer of and disciplinary measures against the staff, except those at two tiers 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 etc.	√		

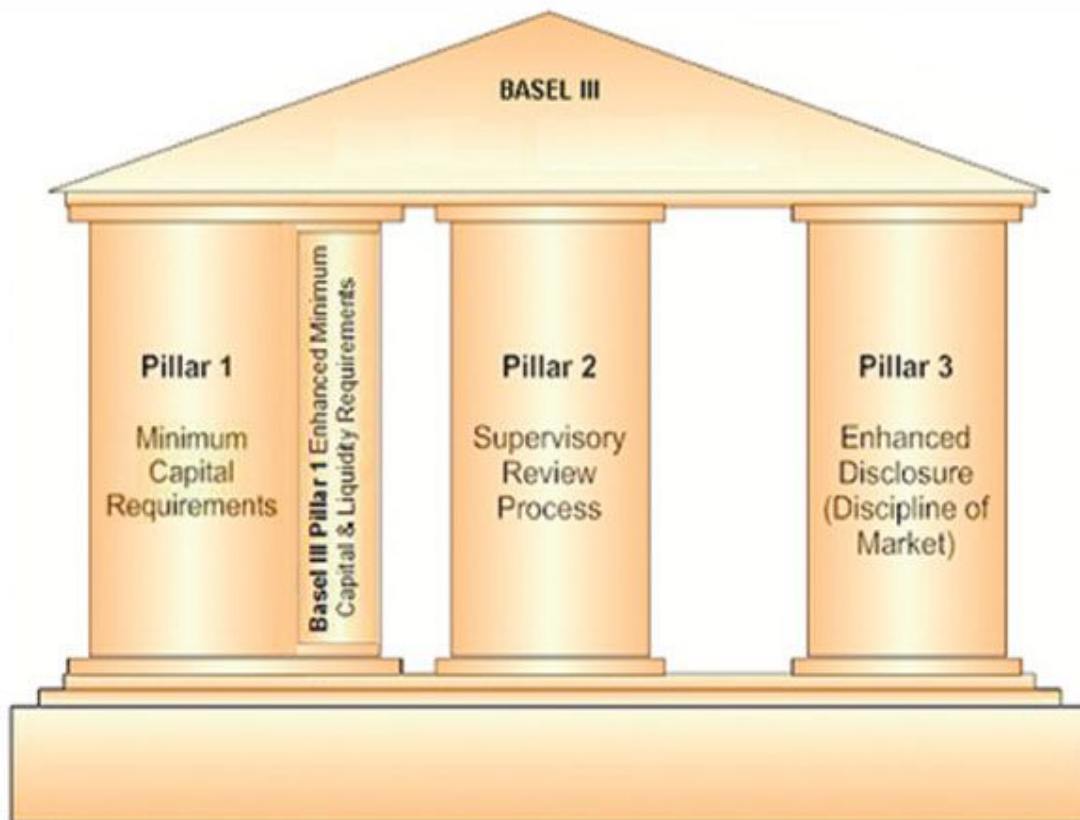
(c) BRPD Circular on Contractual appointment of Advisor and Consultant

A.	Rules and regulations for Appointment of Advisor			
1.	Experience and Suitability: For appointment as advisor, the concerned person will have to fulfill the following requirements with regard to experience and qualifications:			Not Applicable
(a)	Experience in Banking or Administration for at least 15 (fifteen) years or have a long experience in social activities;			Not Applicable
(b)	Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person;			Not Applicable

(c)	Satisfaction should be ensured that the concerned person was not dismissed from his service when he was Chairman/Director/Official of any company;			Not Applicable
(d)	A person who is working in any bank or financial institution or who has business interest in that bank will not be considered eligible for appointment to the post of advisor;			Not Applicable
(e)	Satisfaction should be ensured that the concerned person is not a loan defaulter or tax defaulter and has never been adjudicated an insolvent by the court.			Not Applicable
2.	Responsibilities: The responsibilities or terms of reference of advisor should be specified. The Advisor can advise the Board of Directors or the Chief Executive only on those matters that are specified in the appointment letter. Routine works or general works will not be included in his term of reference. He can't exercise any kind of power or can't participate in the decision making process of financial, administrative, operational or any other activities of the bank.			Not Applicable
3.	Prior approval from Bangladesh Bank: Prior approval from Bangladesh Bank is mandatory before appointing advisor. For such appointment, the justifications of the post of advisor, responsibilities or terms of reference, complete resume of the concerned person, terms of appointment (mentioning remuneration and facilities) and copy of board's approval must be submitted to Bangladesh Bank. The nominated person has to make a declaration as per Annexure-ka. This declaration must be also submitted to Bangladesh Bank.			Not Applicable
4.	Remuneration and other facilities: The post of advisor is not a fixed or substantive post in the bank's organisation structure. Advisor will not be entitled to salaries and allowances as regular employee except gross amount of remuneration, transport and telephone facilities. Remunerations inconsistent with terms of reference of the advisor will not be considered as acceptable by Bangladesh Bank.			Not Applicable
5.	Tenure: The tenure of the advisor shall be maximum 1(one) year, which is renewable. An evaluation report (by the chairman that is approved by the board of directors) of previous tenure should be submitted to Bangladesh Bank along with the re-appointment proposal.			Not Applicable

6.	<p>Appointment of Ex-officials: For good governance any former director, chief executive or any official will not be eligible to become an advisor in the same bank immediately after his/her retirement or resignation. But, after 1 year from such retirement or resignation he/she will be eligible for appointment as advisor.</p>			Not Applicable
B.	Rules and regulations for Appointment of Consultant			
1.	<p>Terms of Reference: Consultant can be appointed for specialised tasks like tax, law &amp; legal procedures, engineering &amp; technical works, information technology, etc.</p>			Not Applicable
	<p>Consultants' appointment should be avoided as much as possible for those works that could be done by regular employees of the bank.</p>			Not Applicable
2.	<p>Responsibilities: The responsibilities or term of reference of consultant should be specified. He/she shouldn't be involved beyond his/her terms of references and he/she can not exercise any kind of power in bank operation or can not participate in the decision making process.</p>			Not Applicable
3.	<p>Appointment: Consultant can be appointed with the approval of Board of Directors. After such appointment the bank shall send the consultant's complete resume, terms of reference and details of remuneration to Bangladesh Bank immediately.</p>			Not Applicable
4.	<p>Tenure: The tenure of consultant should be consistent with the terms of reference, but would not exceed 2 (two) years. Generally, consultant's appointment will not be renewable, but to complete unfinished tasks, the contract can be extended up to maximum 1 year with the approval of Bangladesh Bank. An evaluation report (by the chairman that is approved by the board of directors) of previous period should be submitted to Bangladesh Bank.</p>			Not Applicable
5.	<p>Remuneration/honorarium: The consultant's remuneration should be in the form of monthly or single lump-sum payment, he is not entitled to any other facilities.</p>			Not Applicable
6.	<p>Appointment of Ex-officials: For ensuring good governance any former director, chief executive or any official will not be eligible to become a consultant in the same bank immediately after his/her retirement or resignation. But, after 1 year from such retirement or resignation he/she will be eligible for appointment as consultant.</p>			Not Applicable

# Disclosures on Risk Based Capital (Under Pillar-3 of Basel-III Framework) For the year ended 31 December 2019



## 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 Limited (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).	<p>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.</p> <p>South Bangla Agriculture and Commerce Bank Limited (the Bank) is a scheduled commercial bank. Incorporated as a public limited company under the Companies Act 1994, the Bank obtained license from Bangladesh Bank on 25th March 2013 and started its banking business on 28th April 2013. The number of branches was 82 (eighty two) and sub-branches was 4 (four) as on 31 December 2019 all over Bangladesh. The principal activities of the Bank are to carry on all kinds of commercial banking business in Bangladesh.</p>
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

## 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.</p>
	<p>In terms of Section 13 of the Bank Company Act, 1991 (Amended upto 2019), 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><b>Common Equity Tier 1 (CET1) capital instruments</b></p> <p><b>Paid-up share capital:</b> Issued, subscribed and fully paid up share capital of the Bank.</p> <p><b>Non-repayable share premium account:</b> Amount of premium realized with the face value per share at the time of issuing shares through initial public offering.</p> <p><b>Statutory reserve:</b> As per Section 24 of the Bank Company Act, 1991 (Amended upto 2019), every banking company shall create a statutory reserve and if the amount of such fund together with the amount in the share premium account is less than its paid up capital, shall transfer an amount not less than 20% of profit before taxes to the statutory reserve fund.</p> <p><b>Retained earnings:</b> Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.</p> <p><b>Additional Tier 1 (AT1) capital instruments</b></p> <p>Instruments issued by the banks that meet the qualifying criteria for AT1: Issued, subscribed and fully paid perpetual subordinate debt/bond which meets the qualifying criteria for AT1 as stipulated guidelines on Risk Based Capital Adequacy.</p> <p><b>Tier 2 capital instruments</b></p> <p><b>General provision against unclassified loans and off-balance sheet exposures:</b> As per Bangladesh Bank directive, amount of general provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered.</p> <p><b>Subordinated debt capital:</b> In compliance with BRPD Circular No. 18 dated 21 December 2014, Subordinated Debt is considered as a component of Tier 2 capital.</p> <p><b>Assets revaluation reserves:</b> As per Bangladesh Bank's instruction, until 31 December 2014, 50% of incremental value of Bank's assets 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>

Capital Structure (continued)

	<p>Revaluation reserves of HTM securities: As per Bangladesh Bank's instruction, until 31 December 2014, 50% of revaluation reserve of HTM 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> <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>																						
<b>Quantitative Disclosures</b>																							
b)	<p>The amount of Common Equity Tier 1 (CET1) Capital</p> <p>The amount of Common Equity Tier 1 (CET1) Capital as per disclosures in the audited financial statements as of 31 December 2019 are as follows:</p> <table border="1" style="width: 100%; text-align: right;"> <thead> <tr> <th colspan="2">In million Taka</th> </tr> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Paid up capital</td> <td>6,224.05</td> </tr> <tr> <td>Non-repayable share premium account</td> <td>-</td> </tr> <tr> <td>Statutory reserve</td> <td>1,479.78</td> </tr> <tr> <td>General reserve</td> <td>-</td> </tr> <tr> <td>Retained earnings</td> <td>631.54</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>Regulatory adjustments</td> <td>(481.88)</td> </tr> <tr> <td><b>Sub-Total of Tier 1 Capital [A]</b></td> <td><b>7,853.48</b></td> </tr> </tbody> </table>	In million Taka		Particulars	Amount	Paid up capital	6,224.05	Non-repayable share premium account	-	Statutory reserve	1,479.78	General reserve	-	Retained earnings	631.54	Dividend equalization account	-	Other (if any item approved by Bangladesh Bank)	-	Regulatory adjustments	(481.88)	<b>Sub-Total of Tier 1 Capital [A]</b>	<b>7,853.48</b>
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<b>Sub-Total of Tier 2 Capital [C]</b>	<b>539.59</b>																						



### Capital Structure (continued)

e)	Regulatory Adjustments / Deductions from Capital	In million Taka	
		Particulars	Amount
		Deferred tax assets against the specific loan loss provision and other intangible assets (computer software) from CET 1 capital	-
		Revaluation Reserves for Fixed Assets, Securities (100% for the year 2019) from Tier 2 Capital	22.01
		Sub-Total of Regulatory Adjustments / Deductions from Capital [D]	22.01
f)	Total Eligible Capital	In million Taka	
		Particulars	Amount
		Total Eligible Capital [A+B+C -D]	8,371.06

### Capital Adequacy

Qualitative Disclosures:	
a)	<p>A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities</p> <p>The Bank assesses the adequacy of its capital in terms of Section 13 (1) of the Bank Company Act, 1991 (Amended up to 2019) 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)] and other relevant rules &amp; regulation issued by Bangladesh Bank from time to time. However, in terms of the regulatory guidelines, the Bank computes the capital charge / requirement as under:</p> <ul style="list-style-type: none"> <li>i. Credit risk : On the basis of Standardized Approach;</li> <li>ii. Market risk : On the basis of Standardized Approach; and</li> <li>iii. Operational risk: On the basis of Basic Indicator Approach.</li> </ul> <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 2019, Bank maintained total capital (CET 1 and Tier 2) of Taka 8,371.06 million against the minimum requirement including capital conservation buffer of Taka 7,184.17 million with a surplus of Taka 1,186.90 million. Bank's capital to risk-weighted asset ratio (CRAR) as of 31 December 2019 stood at 14.73% (consisting of 13.82% in CET 1 capital and 0.91% in Tier 2 capital) against the regulatory requirement of minimum including capital conservation buffer 12.50%. 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>

Capital Adequacy (continued)

Quantitative Disclosures				
b)	Capital Requirement for Credit Risk	In million Taka		
		Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)
		Credit Risk		
		On-balance sheet	42,332.79	4,233.28
		Off-balance sheet	6,955.32	695.53
	Total	49,288.11	4,928.81	
c)	Capital Requirement for Market Risk	In million Taka		
		Particulars	Risk Weighted Assets (RWA) Capital Charge	Minimum Capital Requirement (MCR)
		Market Risk		
		Interest rate related instruments	571.98	57.20
		Equities	1.01	0.10
		Foreign exchange position	802.22	80.22
		Commodities	-	-
	Total	1,375.21	137.52	
d)	Capital Requirement for Operational Risk	In million Taka		
		Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)
		Operational Risk	6,171.11	617.11
	Total	6,171.11	617.11	
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	42,332.79	
		Off-balance sheet	6,955.32	
		Total Credit Risk [i]	49,288.11	
		Market Risk [ii]	1,375.21	
		Operational Risk [iii]	6,171.11	
		Total Risk Weighted Assets (RWA) [i+ii+iii]	56,834.43	
		In million Taka		
		Total Minimum Capital Requirement (MCR)		
		Credit Risk		
		On-balance sheet	4,233.28	
		Off-balance sheet	695.53	
Total Credit Risk [i]	4,928.81			
Market Risk [ii]	137.52			
Operational Risk [iii]	617.11			
Total Minimum Capital Requirement (MCR)	5,683.44			
Total Eligible Regulatory Capital	8,371.06			

### Capital Adequacy (countinued)

f)	Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio:	Particulars		Ratio (%)
		Total Capital to Risk -weighted Assets Ratio (CRAR)		14.73%
		Common Equity Tier 1 Capital to Risk -weighted Assets Ratio		14.67%
		Total Tier 1 Capital to Risk -weighted Asset Ratio		13.82%
		Tier 2 Capital to Risk -weighted Asset Ratio		0.91%
g)	Capital Conservation Buffer	In million Taka		
		Particulars		Amount
		Risk Weighted Assets [A]		56,834.43
		Rate of Capital Conservation Buffer for 2019 in percentage [B]		2.50%
		Amount of Common Equity Tier 1 (CET 1) Capital is required as per Capital Conservation Buffer [C = A x B]		1,420.86
h)	Available Capital under Pillar 2 Requirement	In million Taka		
		Particulars		Amount
		Total Eligible Regulatory Capital [A]		8,371.06
		Minimum Capital Requirement under Pillar 1 [B]		5,683.44
		Capital Conservation Buffer [C]		1,420.86
		Minimum Capital Requirement including Capital Conservation Buffer [D=B+C]		7,104.30
Available Capital for Pillar 2 [E=A -D]		1,266.76		

### 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 purposes)	<p>As per 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 &amp; Micro Credit.</p> <p>Definition of past due/overdue:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>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.</li> </ul> <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>

## Credit Risk (Continued)

		<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"> <li>• Substandard: If it is past due /overdue for 3 (three) months or beyond but less than 9 (nine) months;</li> <li>• Doubtful: If it is past due / overdue for 9 (nine) months or beyond but less than 12 (twelve) months;</li> <li>• Bad / Loss: If is past due / overdue for 12 (twelve) months or beyond</li> </ul> <p>Demand loan are classified are as follows:</p> <ul style="list-style-type: none"> <li>• Substandard: If it remains past due / overdue for 3 (three) 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;</li> <li>• Doubtful: If it remains past due / overdue for 9 (nine) months or beyond but not over 12 (twelve) months from the date of expiry or claim by the Bank or from the date of creation of forced loan;</li> <li>• Bad / Loss: If it remains past due / overdue for 12 (twelve) months or beyond from the date of expiry or claim by the Bank or from the date of creation of forced loan.</li> </ul> <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"> <li>• Substandard: 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 'Sub- standard';</li> <li>• Doubtful: If the amount of past due installment is equal to or more than the amount of installment (s) due within 15 (fifteen) months, the entire loan will be classified as 'Doubtful';</li> <li>• Bad / Loss: If the amount of past due installment is equal to or more than the amount of installment (s) due within 18 (eighteen) months, the entire loan will be classified as 'Bad/Loss'</li> </ul> <p>;b) In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 10 lac is not repaid within the due date, the classification is as under:</p> <ul style="list-style-type: none"> <li>• Substandard : 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 'Sub- standard';</li> <li>• Doubtful: If the amount of past due installment is equal to or more than the amount of installment (s) due within 15 (fifteen) months, the entire loan will be classified as 'Doubtful';</li> <li>• Bad / Loss: If the amount of past due installment is equal to or more than the amount of installment (s) due within 18 (eighteen) months, the entire loan will be classified as 'Bad/Loss'</li> </ul> <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>
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### Credit Risk (Continued)

<p>ii) Description of approaches followed for specific and general allowances and statistical methods</p>	<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> <ol style="list-style-type: none"> <li>a) Calculation of base for provision for unclassified /standard loans: Outstanding amount less suspended interest, if any;</li> <li>b) Calculation of base for provision for the classified loans, the higher of the following two amounts:             <ol style="list-style-type: none"> <li>i. Outstanding amount less suspended interest less value of eligible securities;</li> <li>or</li> <li>ii. 15% of outstanding amount.</li> </ol> </li> </ol> <p>Secondly, the following rates are applied on base for provision for determination of general and specific allowances for loans:</p> <table border="1" data-bbox="614 817 1394 1064"> <thead> <tr> <th rowspan="2">Particulars</th> <th rowspan="2">Short Term Agriculture and Micro Credit</th> <th colspan="3">Consumer Financing</th> <th rowspan="2">Small Enterprise Financing</th> <th rowspan="2">Credits to BHs/MBs / SDs</th> <th rowspan="2">All Other Credits</th> </tr> <tr> <th>Other than HF, CC &amp; LP</th> <th>HF</th> <th>CC &amp; LP</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Unclassified</td> <td>Standard</td> <td>1%</td> <td>5%</td> <td>1%</td> <td>2%</td> <td>0.25%</td> <td>2%</td> <td>1%</td> </tr> <tr> <td>SMA</td> <td>1%</td> <td>5%</td> <td>1%</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> </tbody> </table> <p>HF= House Financing      LP = Loan for Professional      SD = Stock Dealer BH = Broker House      MB = Merchant Bank      CC = Credit Card</p> <p>Mentionable that, all interest accrued is credited to interest suspense account instead of crediting the same to income account if the loan is classified as sub-standard and doubtful. However, charging of interest is discontinued when the loan is classified as bad/loss.</p> <p>As per BRPD Circular No. 4 dated 29 January 2015, the restructured large loan facilities have been treated as Special Mention Account (SMA) for the purpose of classification. Provision has also been calculated at existing applicable rate of SMA with additional 1%. The income from restructured loan has been accounted for only when it was actually received.</p>	Particulars	Short Term Agriculture and Micro Credit	Consumer Financing			Small Enterprise Financing	Credits to BHs/MBs / SDs	All Other Credits	Other than HF, CC & LP	HF	CC & LP	Unclassified	Standard	1%	5%	1%	2%	0.25%	2%	1%	SMA	1%	5%	1%	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%
Particulars	Short Term Agriculture and Micro Credit			Consumer Financing						Small Enterprise Financing	Credits to BHs/MBs / SDs	All Other Credits																																										
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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%																																														
<p>(iii) Discussion of the bank's credit risk Management policy</p>	<p>The salient features of the Bank credit risk management policy and procedures are as under:</p> <ul style="list-style-type: none"> <li>• 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 &amp; 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.</li> <li>• 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.</li> <li>• Independent Credit Risk Management Division: There is an independent Credit Risk Management Division to assess credit risks and suggest the mitigation procedures &amp; techniques while processing the credit proposals by the Credit Division for approval.</li> </ul>																																																					

## Credit Risk (Continued)

		<ul style="list-style-type: none"> <li>• <b>Separate Credit Administration Division:</b> 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.</li> <li>• <b>Independent Credit Monitoring &amp; Recovery Division and Management Recovery Committee:</b> An independent and fully dedicated Credit Monitoring &amp; 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.</li> <li>• <b>Credit operations are subject to independent internal Audit:</b> Internal Control &amp; 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.</li> <li>• <b>Reporting to Board/ Executive Committee/Risk Management Committee:</b> 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.</li> </ul> <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	Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2019:		
		In million Taka		
		Particulars	Exposure	Mix (%)
		Overdrafts	19,003.34	33.93%
		Cash Credit	17,054.50	30.45%
		Loans against Trust Receipt	3,284.25	5.86%
		Export Packing Credit	84.23	0.15%
		Payment against Document	161.14	0.29%
		Time Loans	1,979.26	3.53%
		EDF Loans	1,120.55	2.00%
		Demand Loans	123.78	0.22%
		Lease Finance	455.87	0.81%
		House Building Finance	745.08	1.33%
		General Term Loans	7,975.27	14.24%
		SME Term Loans	1,846.48	3.30%
		Agriculture Term Loans	100.58	0.18%
		Personal Loans	81.78	0.15%
		Auto Loans	11.59	0.02%
		Credit Card	208.26	0.37%
		Staff Loans	400.66	0.72%
		Other Loans	21.51	0.04%
		Bills Purchased and Discounted	1,342.61	2.41%
		Total	56,000.74	100.00%

### Credit Risk (Continued)

c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December 2019 are as follows:			
		In million Taka			
			Particulars	Outstanding Amount	Mix (%)
		Urban			
			Dhaka Division	30,672.49	54.77%
			Chattogram Division	6,751.87	12.06%
			Khulna Division	4,812.88	8.59%
			Rajshahi Division	1,881.61	3.36%
			Barishal Division	1,249.63	2.23%
			Sylhet Division	187.68	0.34%
			Rangpur Division	1,376.45	2.46%
			Mymensingh Division	9.14	0.02%
			Sub-total (Urban)	46,941.75	83.82%
			Dhaka Division	4,223.03	7.54%
			Chattogram Division	1,571.54	2.81%
			Khulna Division	2,718.67	4.85%
			Rajshahi Division	57.61	0.10%
			Barishal Division	287.56	0.51%
			Sylhet Division	131.30	0.23%
			Rangpur Division	69.28	0.12%
	Mymensingh	-	0.00%		
	Sub-Total (Rural)	9,058.99	16.19%		
	Grand Total	56,000.74	100.00%		
d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposures.	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 2019 are as follows:			
		In million Taka			
			Particulars	Outstanding Amount	Mix (%)
			Agriculture, Fisheries and Forestry	889.38	1.59%
			Agro base Processing Industries	5,522.33	9.86%
			Small & Medium Enterprise Financing	22,598.46	40.35%
			RMG & Textile Industries	5,668.95	10.12%
			Hospitals, Clinics & Medical Colleges	431.07	0.77%
			Trade & Commerce	4,059.93	7.25%
			Transport and Communications	408.21	0.73%
			Rubber & Plastic Industries	1,159.70	2.07%
			Iron, Steel & Aluminum Industries	1,732.30	3.09%
			Printing & Packaging Industries	370.81	0.66%
			Other Manufacturing Industries	4,983.24	8.90%
			Housing & Construction Industries	596.62	1.07%
			Consumer Credit	692.92	1.24%
			Others	6,886.82	12.30%
			Total	56,000.74	100.00%

### Credit Risk (Continued)

e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposures	Residual contractual maturity of exposures as per the disclosures furnished in the audited financial statements as of 31 December 2019 are as follows:			
		In million Taka			
		Particulars	Outstanding Amount	Mix (%)	
		On Demand	5,749.21	10.27%	
		Within one month	4,151.76	7.41%	
		Within one to three months	13,645.06	24.37%	
		Within three to twelve months	20,626.71	36.83%	
		Within one to five years	9,619.19	17.18%	
		More than five years	2,208.81	3.94%	
Total		56,000.74	100.00%		
f)	Impaired / classified loans by major industry or counterparty type:	a) Amount of impaired / classified loans by major industries / sector-type as of 31 December 2019 was as follows :			
		In million Taka			
		Major Industry / Sector type	Status amount of impaired / classified Loans		Total
			Substandard	Doubtful	Bad/Los s
		SMEF	593.20	335.72	623.03
		Consumer Financing	0.94	-	-
		Housing Financing	0.55	-	-
		Other Than SMEF	90.23	-	1,765.28
		Total	684.92	335.72	2,388.31
		b) Amount of impaired / classified loans by exposure type as on 31 December 2019 was as under :			
In million Taka					
Major Exposure type	Status amount of impaired / classified Loans		Total		
	Substandard	Doubtful	Bad/Loss		
Continuous loan	486.70	311.18	981.90		
Demand loan	112.94	22.61	107.41		
Term loan	85.28	1.93	1,299.00		
Total	684.92	335.72	2,388.31		
g)	Specific and General Provision	a) 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 2019 was as under :			
		In million Taka			
		Particulars	Amount		
		General provision for loans and advances	383.92		
		Specific provision for loans and advances	971.50		
		General provision for off -balance sheet exposures	133.66		
		Total	1,489.08		
		b) Charges for Specific and 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 2019 was as under :			
In million Taka					
Particulars	Amount				
General provision for loans and advances	39.08				
Specific provision for loans and advances	440.91				
General provision for off -balance she et exposures	22.84				
Total	502.83				



### Credit Risk (Continued)

h)	Gross Non Performing Assets (NPAs)	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 2019 was as under :	
		In million Taka	
		Particulars	Amount
		Gross Non -Performing Assets (NPAs)	3,408.95
		Non-Performing Assets (NPAs) to Outstanding Loans and Advances	6.09%
		Movement of Non -Performing Assets (NPAs)	
		Opening Balance	991.66
		Additions / adjustment during the year (net)	2,417.29
		Closing balance	3,408.95
		Movement of specific provision for NPAs	
		Opening balance	530.59
		Add : provision made during the year	509.27
		Less : Write -off	
		Less : Write-back of Specific provision not required	(68.36)
Closing balance	971.50		

### Equities: Disclosures for Banking Book Positions

	<b>Qualitative Disclosures:</b>	
a)	<b>The general qualitative disclosures requirement with respect to equity risk, including :</b>	
	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.
	<b>Qualitative Disclosures:</b>	
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.	Cost of Quoted Securities Tk. 0.20 million Market Value of Quoted Securities Tk. 0.51 million
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2019) period.	Realized Gain Tk. 0.64 million
d)	• Total unrealized gains (losses)	Unrealized Gain Tk. 0.31 million
	• Total latent revaluation gains (losses)	Nil
	• Any amounts of the above included in Tier II capital.	No
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.	Nil

## Interest Rate Risk in Banking Book (IRRBB)

Qualitative Disclosure:																																																						
a)	<p>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.</p> <p>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.</p> <p>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.</p> <p>Key assumptions on loan prepayments and behavior of non-maturity deposits:</p> <ol style="list-style-type: none"> <li>Loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule;</li> <li>Loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and re-priced accordingly;</li> <li>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.</li> </ol> <p>The Bank measures the IRRBB as per the regulatory guidelines on a quarterly rest.</p>																																																					
Quantitative Disclosures:																																																						
b)	<p>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 2019 is furnished below:</p> <p style="text-align: right;">In million Taka</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <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> </thead> <tbody> <tr> <td>Rate Sensitive Assets [A]</td> <td>2,509.58</td> <td>1,264.77</td> <td>944.67</td> <td>1,062.04</td> <td>2,122.94</td> </tr> <tr> <td>Rate Sensitive Liabilities [B]</td> <td>1,349.77</td> <td>1,665.45</td> <td>1,103.09</td> <td>875.68</td> <td>1,528.30</td> </tr> <tr> <td>GAP [A – B]</td> <td>1,159.81</td> <td>(400.68)</td> <td>(158.42)</td> <td>186.36</td> <td>594.64</td> </tr> <tr> <td>Cumulative GAP</td> <td>1,159.81</td> <td>759.13</td> <td>600.71</td> <td>787.07</td> <td>1,381.71</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>11.60</td> <td>7.59</td> <td>6.01</td> <td>7.87</td> <td>13.82</td> </tr> <tr> <td>Cumulative Earnings Impact</td> <td>11.60</td> <td>19.19</td> <td>25.20</td> <td>33.07</td> <td>46.88</td> </tr> </tbody> </table> <p>Note 1: Assuming 1% rise in interest for both asset and liability portfolio of the Bank.</p>	Particulars	Residual Maturity Bucket					1 month	3 month	6 month	1 year	1 year above	Rate Sensitive Assets [A]	2,509.58	1,264.77	944.67	1,062.04	2,122.94	Rate Sensitive Liabilities [B]	1,349.77	1,665.45	1,103.09	875.68	1,528.30	GAP [A – B]	1,159.81	(400.68)	(158.42)	186.36	594.64	Cumulative GAP	1,159.81	759.13	600.71	787.07	1,381.71	Interest Rate Change (IRC) [Note 1]	1%	1%	1%	1%	1%	Quarterly Earnings Impact [GAP X IRC]	11.60	7.59	6.01	7.87	13.82	Cumulative Earnings Impact	11.60	19.19	25.20	33.07	46.88
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## Market Risk

Qualitative Disclosures:																		
Views of Board of Directors on trading / investment activities:	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: <ul style="list-style-type: none"> <li>i) Interest rate risk;</li> <li>ii) Equity price risk;</li> <li>iii) Foreign exchange risk; and</li> <li>iv) Commodity price risk.</li> </ul>																	
Methods used to measure Market risk:	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" as under : <table border="1" data-bbox="630 873 1380 1070"> <thead> <tr> <th rowspan="2">Component of Market Risk</th> <th colspan="2">Capital Charged for Market Risk</th> </tr> <tr> <th>General Market Risk</th> <th>Specific Market Risk</th> </tr> </thead> <tbody> <tr> <td>Interest Rate Risk</td> <td>Applied</td> <td>Applied</td> </tr> <tr> <td>Equity Price Risk</td> <td>Applied</td> <td>Applied</td> </tr> <tr> <td>Foreign Exchange Risk</td> <td colspan="2">Applied</td> </tr> <tr> <td>Commodities Price Risk</td> <td colspan="2">Applied</td> </tr> </tbody> </table>	Component of Market Risk	Capital Charged for Market Risk		General Market Risk	Specific Market Risk	Interest Rate Risk	Applied	Applied	Equity Price Risk	Applied	Applied	Foreign Exchange Risk	Applied		Commodities Price Risk	Applied	
Component of Market Risk	Capital Charged for Market Risk																	
	General Market Risk	Specific Market Risk																
Interest Rate Risk	Applied	Applied																
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Market Risk management system:	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. The Risk Management Division also reviews the market risk parameters on monthly basis and recommends on portfolio concentration for containing the RWA.																	
Policies and processes for mitigating market risk	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.																	
Quantitative Disclosures:																		
The capital requirements for market risk	In million Taka <table border="1" data-bbox="630 1579 1380 1747"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Interest Rate Risk</td> <td>57.20</td> </tr> <tr> <td>Equity Position Risk</td> <td>0.10</td> </tr> <tr> <td>Foreign Exchange Risk</td> <td>80.22</td> </tr> <tr> <td>Commodity Risk</td> <td>-</td> </tr> <tr> <td>Total Capital Requirement of Market Risk</td> <td>137.52</td> </tr> </tbody> </table>	Particulars	Amount	Interest Rate Risk	57.20	Equity Position Risk	0.10	Foreign Exchange Risk	80.22	Commodity Risk	-	Total Capital Requirement of Market Risk	137.52					
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## Operational Risk

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce 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. Audit Committee of the Board directly oversees the activities of Internal Control and Compliance Division (IC&amp;CD) to protect against all operational risk.</p> <p>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 &amp; techniques for mitigation of operational risk.</p>
ii) Performance gap of executives and staffs	<p>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.</p>
iii) Potential external events	<p>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 &amp; regulations etc. are managed to keep within tolerable limit.</p>
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&amp;CD). IC&amp;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>

### Operational Risk (continued)

<p>v) Approaches for calculating capital charge for operational risk</p>	<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 <math>\alpha</math> (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> $K = [(GI_1 + GI_2 + GI_3) \times \alpha] / n$ <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><math>\alpha</math> = 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"> <li>i) Gross of any provisions;</li> <li>ii) Gross of operating expenses, including fees paid to outsourcing service providers;</li> <li>iii) Excluding realized profits/losses from the sale of securities held to maturity in the banking book;</li> <li>iv) Excluding extraordinary or irregular items;</li> <li>iv) Excluding income derived from insurance.</li> </ul>																								
<p>Quantitative Disclosures:</p>																									
<p>The capital requirements for operational risk</p>	<p>Taka 617.11 million.</p>																								
<p>Capital Charge for Operational Risk- Basic Indicator Approach</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: right;">Amount in million Taka</th> </tr> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">Taka</th> </tr> </thead> <tbody> <tr> <td colspan="2">Gross Income = Net Interest Income + Non Interest Income + Interest Suspense</td> </tr> <tr> <td style="text-align: center;">2017</td> <td style="text-align: right;">3,482.36</td> </tr> <tr> <td style="text-align: center;">2018</td> <td style="text-align: right;">4,130.80</td> </tr> <tr> <td style="text-align: center;">2019</td> <td style="text-align: right;">4,729.05</td> </tr> <tr> <td colspan="2">Total Gross Income of Last Three Years</td> </tr> <tr> <td></td> <td style="text-align: right;">12,342.21</td> </tr> <tr> <td colspan="2">Average Gross Income</td> </tr> <tr> <td></td> <td style="text-align: right;">4,114.07</td> </tr> <tr> <td colspan="2">Capital Charge @ 15%</td> </tr> <tr> <td></td> <td style="text-align: right;">617.11</td> </tr> </tbody> </table>	Amount in million Taka		Particulars	Taka	Gross Income = Net Interest Income + Non Interest Income + Interest Suspense		2017	3,482.36	2018	4,130.80	2019	4,729.05	Total Gross Income of Last Three Years			12,342.21	Average Gross Income			4,114.07	Capital Charge @ 15%			617.11
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### 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.

<p>Qualitative Disclosures</p>	
<p>i) Views of Board of Directors (BOD) on system to reduce Liquidity Risk</p>	<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>

### Liquidity Ratio (continued)

	<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>
<p>ii) Methods used to measure Liquidity Risk</p>	<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> <ul style="list-style-type: none"> <li>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.</li> <li>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). 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.</li> </ul> <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"> <li>a) Asset-Liability Maturity Analysis (Liquidity profile);</li> <li>b) Whole sale borrowing capacity;</li> <li>c) Maximum Cumulative Outflow (MCO);</li> </ul> <p>Besides the above, the following tools are also used for measuring liquidity risk:</p> <ul style="list-style-type: none"> <li>a) Stress Testing (Liquidity Stress);</li> <li>b) Net open position limit - to monitor the FX funding liquidity risk.</li> </ul>
<p>iii) Liquidity risk management system</p>	<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 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. Apart from the above, Risk Management Division also monitors &amp; 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>

### Liquidity Ratio (continued)

iv) Policies and processes for mitigating Liquidity Risk	<p>The Asset-Liability Management Committee (ALCO) policy leads the process &amp; procedures for mitigation of liquidity risk of the Bank. 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 &amp; Commerce Bank Limited as of 31 December 2019 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 border="1" data-bbox="635 909 1378 1043"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="2">Ratio (%)</th> </tr> <tr> <th>Bangladesh Bank Requirement</th> <th>Bank's Position</th> </tr> </thead> <tbody> <tr> <td>Liquidity Coverage Ratio (LCR)</td> <td>≥ 100%</td> <td>120.17%</td> </tr> </tbody> </table> <p>* If total weighted cash inflows over next 30 days is greater than that of 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%	120.17%							
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iii) Stock of High Quality Liquid Assets (SHQLA)	<p>As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, the Stock of High Quality Liquid Assets (SHQLA) of South Bangla Agriculture &amp; Commerce Bank Limited as of 31 December 2019 was as under:</p> <table border="1" data-bbox="635 1671 1378 1861"> <thead> <tr> <th colspan="2">Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td colspan="2">Cash in hand</td> <td>759.25</td> </tr> <tr> <td colspan="2">Balance with Bangladesh Bank including foreign currency</td> <td>3,677.35</td> </tr> <tr> <td colspan="2">Un-encumbered approved securities</td> <td>15,032.69</td> </tr> <tr> <td colspan="2">Total Stock of High Quality Liquid Assets (SHQLA)</td> <td>19,469.29</td> </tr> </tbody> </table> <p style="text-align: right;">In million Taka</p>	Particulars		Amount	Cash in hand		759.25	Balance with Bangladesh Bank including foreign currency		3,677.35	Un-encumbered approved securities		15,032.69	Total Stock of High Quality Liquid Assets (SHQLA)		19,469.29
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iv) Total net cash outflows over the next 30 calendar days	<p>As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, total net cash outflows over the next 30 calendar days of South Bangla Agriculture &amp; Commerce Bank Limited based on the position as of 31 December 2019 was as under:</p>															

### Liquidity Ratio (continued)

	In million Taka	
	Particulars	Amount
	Total weighted cash outflows over next 30 days [A]	25,426.28
	Total weighted cash inflows over next 30 days [B]	9,225.48
	Total net cash outflows over next 30 days [A - B]	16,200.80
v) Available amount of stable funding	As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, the available amount of stable funding (ASF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:	
	In million Taka	
	Particulars	Weighted Amount
	Available amount of Stable Funding (ASF)	71,619.06
vi) Required amount of stable funding	As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, the required amount of stable funding (RSF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:	
	In million Taka	
	Particulars	Weighted Amount
	Required amount of Stable Funding (RSF)	38,930.16

### 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 &amp; borrowing, loans &amp; 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>



### Leverage Ratio (continued)

<p>iii) Approach for calculating exposure/Leverage</p>	<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>																												
<p>Quantitative Disclosures</p>																													
<p>i) Leverage Ratio</p>	<p>Leverage Ratio (LR) under Basel III of South Bangla Agriculture &amp; Commerce Bank Limited as of 31 December 2019 was as under:</p> <p style="text-align: right;">Tier 1 Capital (after related adjustment)</p> <p>Leverage Ratio (LR) = <math>\frac{\text{Tier 1 Capital (after related adjustment)}}{\text{Total Exposure (after related deductions)}}</math></p> <table border="1" data-bbox="638 884 1364 992"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="2">Ratio (%)</th> </tr> <tr> <th>Bangladesh Bank Requirement</th> <th>Bank's Position</th> </tr> </thead> <tbody> <tr> <td>Liquidity Ratio (LR)</td> <td>&gt; 3%</td> <td>8.72%</td> </tr> </tbody> </table>	Particulars	Ratio (%)		Bangladesh Bank Requirement	Bank's Position	Liquidity Ratio (LR)	> 3%	8.72%																				
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<p>ii) On balance sheet exposure</p>	<p>Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture &amp; Commerce Bank Limited as of 31 December 2019 was as under:</p> <p style="text-align: right;">In million Taka</p> <table border="1" data-bbox="638 1120 1380 1232"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Total On Balance Sheet Assets [A]</td> <td>84,564.01</td> </tr> <tr> <td>Less : Total Specific Provision [B]</td> <td>971.50</td> </tr> <tr> <td>Total Adjusted On Balance Sheet Exposure [A - B]</td> <td>83,592.51</td> </tr> </tbody> </table>	Particulars	Amount	Total On Balance Sheet Assets [A]	84,564.01	Less : Total Specific Provision [B]	971.50	Total Adjusted On Balance Sheet Exposure [A - B]	83,592.51																				
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## 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 (eg 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 2019, 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.	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.
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.

### Remuneration (continued)

<p>iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.</p>	<p>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.</p>
<p>c) Description of the ways in which current and future risks are taken in account in the remuneration processes</p>	
<p>i) An overview of the key risks that the bank takes into account when implementing remuneration measures.</p>	<p>The business risk including credit / default risk, compliance &amp; reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risk are also considered.</p>
<p>ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.</p>	<p>Different set of measures are in practice based on the nature &amp; 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 &amp; 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.</p>
<p>iii) A discussion of the ways in which these measures affect remuneration.</p>	<p>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.</p>
<p>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.</p>	<p>No material change has been made during the year 2019 that could the affect the remuneration.</p>
<p>d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration</p>	
<p>i) An overview of main performance metrics for bank, top-level business lines and individuals.</p>	<p>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>

Remuneration (continued)

<p>ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</p>	<p>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.</p>
<p>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.</p>	<p>The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics / scorecard.</p>
<p>e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.</p>	
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p style="text-align: center;">Not Applicable</p>
<p>f) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms.</p>	
<p>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.</p>	<p>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.</p>
<p>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>	<p>The following variable remuneration has been offered by the Bank to its employees: Annual Increment 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>

Remuneration (continued)

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 12 (twelve) meetings of the Management Committee (MANCOM) held during the year 2019. 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 2019 was : No. of Employees : 797 Total Amount : Tk 81.43 million										
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 2019: <table border="1" data-bbox="638 824 1377 981"> <thead> <tr> <th>Particulars</th> <th>Number of Employees</th> <th>Total Amount of Guaranteed Bonuses (in million Taka)</th> </tr> </thead> <tbody> <tr> <td>Guaranteed Bonus awarded during the year 2019</td> <td>849</td> <td>67.38</td> </tr> </tbody> </table>	Particulars	Number of Employees	Total Amount of Guaranteed Bonuses (in million Taka)	Guaranteed Bonus awarded during the year 2019	849	67.38				
Particulars	Number of Employees	Total Amount of Guaranteed Bonuses (in million Taka)									
Guaranteed Bonus awarded during the year 2019	849	67.38									
iv) Number and total amount of sign-on awards made during the financial year.	There was no sign-on awards made in 2019.										
v) Number and total amount of severance payments made during the financial year.	There was no severance payment made during the year 2019.										
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 2019.										
vii) Total amount of deferred remuneration paid out in the financial year.	There was deferred remuneration paid out in the financial year 2019.										
viii) Breakdown of amount of remuneration awards for the financial year.	Fixed and variable remuneration paid in 2019 are as follows : <table border="1" data-bbox="632 1653 1377 1803"> <thead> <tr> <th colspan="2">In million Taka</th> </tr> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Fixed Pay</td> <td>1,041.48</td> </tr> <tr> <td>Variable Pay</td> <td>81.83</td> </tr> <tr> <td>Total Fixed and Variable Pay</td> <td>1,123.31</td> </tr> </tbody> </table>	In million Taka		Particulars	Amount	Fixed Pay	1,041.48	Variable Pay	81.83	Total Fixed and Variable Pay	1,123.31
In million Taka											
Particulars	Amount										
Fixed Pay	1,041.48										
Variable Pay	81.83										
Total Fixed and Variable Pay	1,123.31										

### Remuneration (continued)

Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	
ix) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not Applicable
x) Total amount of reductions during the financial year due to ex post explicit adjustments.	Not Applicable
xi) Total amount of reductions during the financial year due to ex post implicit adjustments.	Not Applicable

# FINANCIAL STATEMENT



As Per 'Annexure-A'

SBACBL/HO/FAD/2020/567

28 June 2020

The Board of Directors

South Bangla Agriculture and Commerce Bank Limited  
Head Office, 2-3 Rajuk Avenue, Motijheel, Dhaka –1000.

Subject: Declaration on Financial Statements for the year ended on 31 December 2019.

Dear Sir,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

1. The Financial Statements of South Bangla Agriculture and Commerce Bank Limited for the year ended on 31 December 2019 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- (i) We have reviewed the financial statements for the year ended on 31 December 2019 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; and
  - (b) these statements collectively present 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 Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



Md. Masoodur Rahman FCA  
Chief Financial Officer



Tariqul Islam Chowdhury  
Managing Director & CEO (Acting)



## Independent Auditors' Report to the shareholders of South Bangla Agriculture and Commerce Bank Limited Report on the audit of the financial statements

### Opinion

We have audited the financial statements of South Bangla Agriculture and Commerce Bank Limited (the "Bank"), which comprise the balance sheet as at 31 December 2019, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the balance sheet as at 31 December 2019, and of its profit and loss accounts and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

### Basis for Opinion

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

### Emphasis of matter

We draw attention to note 2.39 of the financial statements, which describes matters related to implementation of 'IFRS 16 Leases' including preliminary assessment of its impact as assessed by management. Our opinion is not modified in respect of this matter.

### Other matters

The financial statements of the Bank for the year ended 31 December 2018 were audited by another

auditor who expressed an unmodified opinion on those financial statements on 30 April 2019.

### Other information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with IFRSs as explained in note 2 and comply with the Banking Company Act, 1991 (as amended up to date), the Companies Act, 1994 and other applicable Laws and Regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention

in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**  
In accordance with the Companies Act, 1994, the Banking Companies Act, 1991, and the rules and regulations issued by Bangladesh Bank we also report that:

- i. We have obtained all the information and explanations which to the best of our knowledge and

belief were necessary for the purposes of our audit and made due verification thereof;

ii. to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:

- (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;
- (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank;

iii. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;

iv. the records and statements submitted by the branches have been properly maintained in the financial statements;

v. the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;

vi. the expenditures incurred and payments made were for the purpose of the Bank's business for the year;

vii. the financial statements have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;

viii. adequate provisions have been made for advance and other assets as per letter no DBI-1/132/2020-1615 dated 24 June 2020 which are in our opinion, doubtful of recovery;

ix. the records and statements submitted by the branches have been properly maintained in the financial statements;

x. the information and explanations required by us have been received and found satisfactory;

xi. we have reviewed over 80% of the risk weighted assets of the Bank and spent over 5,200 person hours; and

xii. capital to risk-weighted asset ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dhaka, 29 June 2020



Hoda Vasi Chowdhury & Co  
Chartered Accountants

South Bangla Agriculture and Commerce Bank Limited  
Balance Sheet  
As at 31 December 2019




	Notes	2019 Taka	2018 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
Cash in hand (Including foreign currencies)	3	759,249,747	546,096,482
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)	4	3,677,346,131	3,542,292,096
		<b>4,436,595,878</b>	<b>4,088,388,578</b>
<b>Balance with other banks and financial institutions</b>			
In Bangladesh	5	6,414,432,491	6,693,349,087
Outside Bangladesh		602,464,661	345,496,114
		<b>7,016,897,152</b>	<b>7,038,845,201</b>
<b>Money at call on short notice</b>			
	6	-	80,000,000
<b>Investments:</b>			
	7		
Government		15,034,413,947	7,032,555,300
Others		195,470	-
		<b>15,034,609,417</b>	<b>7,032,555,300</b>
<b>Loans and advances</b>			
	8		
Loans, cash credit, overdrafts etc.		54,658,125,375	49,072,696,441
Bills purchased and discounted		1,342,612,104	1,182,244,003
		<b>56,000,737,479</b>	<b>50,254,940,444</b>
Fixed assets including premises, furniture and fixtures	9	442,767,868	456,893,760
Other assets	10	1,632,397,650	1,709,684,983
Non-banking assets		-	-
<b>TOTAL ASSETS</b>		<b>84,564,005,444</b>	<b>70,661,308,266</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowings from other banks, financial institutions and agents	11	1,117,039,452	801,154,383
<b>Deposits and other accounts</b>			
	12		
Current accounts and other accounts		5,502,072,087	4,747,675,498
Special notice deposits		3,026,636,791	2,140,632,984
Bills payable		2,420,680,927	1,651,823,035
Savings bank deposits		4,329,308,387	2,758,438,251
Fixed deposits		45,341,898,712	41,543,319,087
Other deposits		10,919,565,884	6,462,443,267
		<b>71,540,162,788</b>	<b>59,304,332,122</b>
Subordinated bonds		-	-
Other liabilities	13	3,543,841,415	3,126,109,849
<b>TOTAL LIABILITIES</b>		<b>76,201,043,655</b>	<b>63,231,596,354</b>
<b>Capital/ Shareholders' equity</b>			
Paid up capital	14	6,224,050,160	5,658,227,420
Statutory reserve	15	1,479,777,861	1,126,907,844
General reserve		-	-
Other reserve (revaluation reserve on Govt. Securities)	16	27,595,805	61,948,106
Surplus in profit and loss account	17	631,537,963	582,628,542
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,362,961,789</b>	<b>7,429,711,912</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>84,564,005,444</b>	<b>70,661,308,266</b>

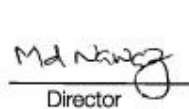


South Bangla Agriculture and Commerce Bank Limited  
Balance Sheet  
As at 31 December 2019

	Notes	2019 Taka	2018 Taka
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>			
	18		
Acceptance and endorsements		2,861,743,344	3,321,578,348
Letters of guarantee		6,583,292,050	4,195,413,693
Irrevocable letters of credit		3,920,543,820	3,565,011,412
Bills for collection		1,969,822,283	922,763,554
Other contingent liabilities		-	-
<b>Total</b>		<b>15,335,401,497</b>	<b>12,004,767,007</b>
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Total off-balance sheet items including contingent liabilities</b>		<b>15,335,401,497</b>	<b>12,004,767,007</b>
<b>Net asset value per share (NAV)</b>	39	<b>13.44</b>	<b>11.94</b>

Accompanying notes form an integral part of these financial statements.

  
Chairman

  
Director

  
Director

  
Managing Director & CEO  
(Acting)

Signed in terms of our report of even date.

Place: Dhaka  
Date: 29 June, 2020

  
Hoda Vasi Chowdhury & Co  
Chartered Accountants

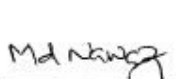
South Bangla Agriculture and Commerce Bank Limited  
Profit and Loss Account  
For the year ended 31 December 2019




	Notes	2019 Taka	2018 Taka
Interest income	21	7,357,320,782	6,420,411,360
Less: Interest paid on deposits and borrowings etc.	22	4,847,319,359	3,869,220,483
<b>Net interest income</b>		<b>2,510,001,423</b>	<b>2,551,190,877</b>
Investment income	23	1,217,521,317	917,544,683
Commission, exchange and brokerage	24	504,392,528	443,208,538
Other operating income	25	120,802,400	91,985,576
		<b>1,842,716,245</b>	<b>1,452,738,796</b>
<b>Total operating income</b>		<b>4,352,717,668</b>	<b>4,003,929,673</b>
Salary and allowances	26	1,111,827,997	947,587,803
Rent, taxes, insurance, electricity etc.	27	349,335,499	373,375,007
Legal and professional expenses	28	2,029,791	3,484,322
Postage, stamp, telecommunication etc.	29	13,336,285	13,337,981
Stationery, printing, advertisement etc.	30	42,505,550	30,853,253
Chief executive's salary and fees	31	11,480,000	11,480,000
Directors' fees	32	2,232,000	2,432,000
Auditors' fees	33	442,750	442,750
Charges on loan losses		-	-
Depreciation and repair of bank's assets	34	139,519,376	146,099,719
Other expenses	35	410,833,214	440,997,994
		<b>2,083,542,462</b>	<b>1,970,090,830</b>
<b>Total operating expenses</b>		<b>2,083,542,462</b>	<b>1,970,090,830</b>
<b>Profit before provision</b>		<b>2,269,175,206</b>	<b>2,033,838,843</b>
<b>Provision for loan</b>			
Specific provision	13.3	440,908,481	447,667,486
General provision (including off balance sheet items) 13.3 & 13.4		61,916,642	(60,051,451)
		502,825,123	387,616,035
Provision for rebate to good borrowers	13.5	2,000,000	5,000,000
Provision for diminution in value of investments		-	-
Other provisions		-	-
		<b>504,825,123</b>	<b>392,616,035</b>
<b>Total provision</b>		<b>504,825,123</b>	<b>392,616,035</b>
<b>Total Profit before taxes</b>		<b>1,764,350,083</b>	<b>1,641,222,808</b>
<b>Provision for taxation</b>			
Current tax	13.2	788,989,167	766,698,818
Deferred tax	10.4	7,758,738	(5,063,146)
		<b>796,747,905</b>	<b>761,635,672</b>
<b>Net profit after taxation</b>		<b>967,602,178</b>	<b>879,587,136</b>
<b>Appropriations</b>			
Statutory reserve	15	352,870,017	328,244,562
General reserve		-	-
Retained surplus	17	<b>614,732,161</b>	<b>551,342,574</b>
<b>Earnings per share (EPS)</b>	36	<b>1.55</b>	<b>1.41</b>

Accompanying notes form an integral part of these financial statements.

  
Chairman

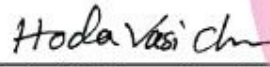
  
Director

  
Director

  
Managing Director & CEO  
(Acting)

Signed in terms of our report of even date.

Place: Dhaka  
Date: 29 June, 2020

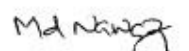
  
Hoda Vasi Chowdhury & Co  
Chartered Accountants

	Notes	2019 Taka	2018 Taka
<b>A) Cash flows from operating activities</b>			
Interest receipts in cash		7,352,758,682	6,395,935,120
Interest payments		(4,707,625,244)	(3,453,114,556)
Dividend receipts		-	-
Income from investments		703,934,378	559,852,893
Recoveries on loans and advances previously written-off		-	-
Fees and commission receipts in cash		504,392,528	443,208,538
Cash payments to employees		(1,125,539,997)	(962,999,803)
Cash payments to suppliers		(436,388,449)	(429,178,186)
Income taxes paid	10.1	(924,927,255)	(653,152,354)
Receipts from other operating activities		120,802,400	91,985,576
Payments for other operating activities		(153,334,817)	(194,814,691)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>1,334,072,226</b>	<b>1,797,722,536</b>
<b>Increase / decrease in operating assets and liabilities</b>			
Sale of trading securities		938,573	-
Purchase of trading securities		(495,590)	-
Loans and advances to other banks		80,000,000	(80,000,000)
Loans and advances to customers		(5,496,332,979)	(6,861,299,706)
Increase / decrease of other assets	37	(57,266,644)	78,945,652
Deposits from other banks		1,114,371,787	479,490,739
Deposits from customers		10,981,764,764	8,287,244,988
Increase / decrease of other liabilities account of customers		-	-
Increase / decrease of trading liabilities		-	-
Increase / decrease of other liabilities	38	5,238,240	(22,464,142)
		<b>6,628,218,151</b>	<b>1,881,917,532</b>
<b>Net cash from operating activities</b>		<b>7,962,290,377</b>	<b>3,679,640,068</b>
<b>B) Cash flows from investing activities</b>			
Proceeds from sale of Government securities		10,595,811,280	1,344,195,588
Payments for Purchase of Government securities		(18,436,326,187)	(1,855,798,535)
Purchase of property, plant and equipment		(111,401,288)	(115,355,924)
Sale of property, plant and equipment		-	-
<b>Net cash from investing activities</b>		<b>(7,951,916,195)</b>	<b>(626,958,871)</b>
<b>C) Cash flows from financing activities</b>			
Borrowing from other banks, financial institutions and agents		315,885,069	402,740,167
Dividends paid		-	-
Receipts from issue of ordinary share		-	-
<b>Net cash from financing activities</b>		<b>315,885,069</b>	<b>402,740,167</b>
<b>D) Net increase / (decrease) in cash (A+B+C)</b>		<b>326,259,251</b>	<b>3,455,421,363</b>
<b>E) Cash and cash-equivalents at beginning period</b>		<b>11,127,233,779</b>	<b>7,671,812,416</b>
<b>F) Cash and cash-equivalents at end of period (D+E)</b>		<b>11,453,493,030</b>	<b>11,127,233,779</b>
<b>G) Cash and cash-equivalents at end of period</b>			
Cash in hand including foreign currencies	3	759,249,747	546,096,482
Balances with Bangladesh Bank and its agent bank(s) including foreign currencies	4	3,677,346,131	3,542,292,096
Balances with other Banks and Financial institutions	5	7,016,897,152	7,038,845,201
		<b>11,453,493,030</b>	<b>11,127,233,779</b>

Accompanying notes form an integral part of these financial statements.



Chairman



Director



Director




Managing Director & CEO  
(Acting)

South Bangla Agriculture and Commerce Bank Limited  
Statement of Changes in Equity  
For the year ended 31 December 2019

Particulars	Paid Up Capital	Statutory Reserve	Other Reserve	Retained Earnings	Total
	Taka	Taka	Taka	Taka	Taka
Balance as on 01 January 2019	5,658,227,420	1,126,907,844	61,948,106	582,628,542	7,429,711,912
Prior period adjustment	-	-	-	-	-
Net profit for the period	-	-	-	967,602,178	967,602,178
Transfer to statutory reserve	-	352,870,017	-	(352,870,017)	-
Revaluation of Govt. treasury bills, bonds and other investments	-	-	(34,352,301)	-	(34,352,301)
Stock dividend issued	565,822,740	-	-	(565,822,740)	-
<b>Balance as on 31 December 2019</b>	<b>6,224,050,160</b>	<b>1,479,777,861</b>	<b>27,595,805</b>	<b>631,537,963</b>	<b>8,362,961,789</b>
<b>Balance as on 31 December 2018</b>	<b>5,658,227,420</b>	<b>1,126,907,844</b>	<b>61,948,106</b>	<b>582,628,542</b>	<b>7,429,711,912</b>

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



Chairman



Director



Director



Managing Director & CEO  
(Acting)



South Bangla Agriculture and Commerce Bank Limited  
Liquidity Statement (asset and liabilities maturity analysis)  
As at 31 December 2019

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
<b>Assets:</b>						
Cash in hand (including foreign currencies)	759,249,747	-	-	-	-	759,249,747
Balance with Bangladesh Bank and its agent Banks	231,787,078	-	-	-	3,445,559,053	3,677,346,131
Balance with other banks & financial institutions	5,476,897,152	1,450,000,000	90,000,000	-	-	7,016,897,152
Money at call on short notice	-	-	-	-	-	-
Investments	1,774,648,931	2,580,696,120	935,455,500	1,172,731,066	8,571,077,800	15,034,609,417
Loans and advances	9,900,968,880	13,645,064,907	20,626,710,038	9,619,185,296	2,208,808,358	56,000,737,479
Fixed assets including premises, furniture and fixtures	9,403,320	18,806,639	84,629,876	329,928,033	-	442,767,868
Other assets	244,859,648	408,099,413	571,339,178	408,099,413	-	1,632,397,650
Non-Banking assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>18,397,814,755</b>	<b>18,102,667,079</b>	<b>22,308,134,591</b>	<b>11,529,943,808</b>	<b>14,225,445,211</b>	<b>84,564,005,444</b>
<b>Liabilities:</b>						
Borrowing from Bangladesh Bank, other banks, financial institutions and agents	212,895,446	288,783,938	589,066,992	26,293,076	-	1,117,039,452
Deposits and other accounts	14,021,871,906	16,811,938,255	20,567,796,801	9,836,772,383	10,301,783,443	71,540,162,788
Provisions and other liabilities	29,277,064	493,955,682	879,270,348	836,080,091	1,305,258,230	3,543,841,415
<b>Total Liabilities</b>	<b>14,264,044,416</b>	<b>17,594,677,875</b>	<b>22,036,134,141</b>	<b>10,699,145,550</b>	<b>11,607,041,673</b>	<b>76,201,043,655</b>
<b>Net liquidity surplus</b>	<b>4,133,770,339</b>	<b>507,989,203</b>	<b>272,000,450</b>	<b>830,798,258</b>	<b>2,618,403,539</b>	<b>8,362,961,789</b>
<b>Cumulative liquidity surplus</b>	<b>4,133,770,339</b>	<b>4,641,759,542</b>	<b>4,913,759,992</b>	<b>5,744,558,251</b>	<b>8,362,961,789</b>	

## South Bangla Agriculture and Commerce Bank Limited

### Notes to the Financial Statements

as at and for the year ended 31 December 2019

#### 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 Company Act 1991. The Bank has been carrying out its business through its eighty two (82) branches and five (5) sub-branches all over Bangladesh. The registered office of the Bank is BSC Tower, 2-3 Rajuk Avenue, Motijheel, Dhaka-1000, 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 31 December 2019 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, International Financial Reporting Standards (IFRS) the Companies Act 1994, the Securities and Exchange Rules 1987, and other laws and rules applicable for Banks in Bangladesh. The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is formed and it is yet to issue financial reporting standards for public interest entities such as banks. The Bank Company Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International

Financial Reporting Standards (IFRS) as approved by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable. 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 IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank prevailed. Material departures from the requirements of IFRS are as follows:

##### i) Investment in shares and securities

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

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

##### ii) Revaluation gains/losses on Government securities

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

**Bangladesh Bank:** HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are 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) Repo and reverse repo transactions

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

**Bangladesh Bank:** As per Department of Off-Site Supervision (DOS) Circular letter no. 06 dated 15 July 2010 and subsequent clarification in DOS circular no. 02 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transaction and the financial asset is derecognised in the seller's book and recognised in the buyer's book.

### iv) Provision on loans and advances/investments

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

**Bangladesh Bank:** As per BRPD circular No.24 (17 November 2019), BRPD circular No.6 (19 May 2019), BRPD circular No.4 (16 May 2019), BRPD circular No.3 (21 April 2019), BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013 & BRPD circular no. 16 dated 18 November 2014, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

### v) Recognition of interest in suspense

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

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

### vi) Other comprehensive income

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

**Bangladesh Bank:** Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed

to be included in a single Other Comprehensive Income (OCI) Statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

#### vii) Financial instruments presentation and disclosure

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

#### viii) Financial guarantees

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

**Bangladesh Bank:** As per BRPD 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. As per BRPD Circular No.01 dated 03 January 2018 and BRPD Circular No.14 dated 23 September 2012, the Bank is required to maintain provision at 1% against gross off-balance sheet exposures (which includes undrawn loan commitments).

#### ix) Cash and cash equivalents

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

**Bangladesh Bank:** Some cash and cash equivalent items such as money at call on short notice, treasury bills with maturity of more than three months and prize bond are not shown as cash and cash equivalents. Money at call on short notice is shown separately in the balance sheet. Treasury bills with

maturity of more than three months and prize bond are shown under investment in the balance sheet

#### x) Non-banking asset

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

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

#### xi) Cash flow statement

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

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

#### xii) Balance with Bangladesh Bank: (Cash Reserve Requirement)

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

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

#### xiii) Presentation of intangible assets

**IFRS:** An intangible asset must be identified and recognized, and the disclosure must be given as per IAS 38.

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

#### xiv) Off-balance sheet items

**IFRS:** There is no concept of off-balance sheet items in any IFRS; 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.

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

**IFRS:** 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.

#### xvi) Disclosure of appropriation of profit

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

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

#### xvii) Name of Financial Statements

**IFRS:** As per IAS 1 : Presentation of financial of financial statements, Components of financial statements are defined as statement of financial position and statement of profit or loss and other comprehensive income.

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

### 2.2 Use of estimates and judgment

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

1. Provisions on loans and advances
2. Income tax provision

### 2.3 Consistency

In accordance with IFRS framework for the presentation of financial statements together with IAS – 1 and IAS – 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 IAS – 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 IAS 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

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

## 2.6 Statement of changes in equity

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

## 2.7 Statement of liquidity

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

## 2.8 Reporting period

These financial statements of the Bank cover one calendar year from 1 January to 31 December 2019.

## 2.9 Investment in Govt. Securities

In accordance with Bangladesh Bank guideline the Bank has classified investment into the following categories :

- Held to Maturity (HTM)
- Held for Trading (HFT)

In accordance with DOS circular No.05 (26 May 2008) and DOS circular 5 (28 January 2009) treasury securities held for Statutory Liquidity Ratio (SLR) compliance could be classified as either HTM or HFT. HTM securities which have not matured as at the balance sheet date are amortised at the year end and gains or losses on amortisation are recognised in other reserve as a part of equity. Coupon interest on HTM securities is recognised in profit and loss account. HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as a part of equity 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 amortisation of discount are recognised in the profit and loss account.

## 2.10 Investment in quoted / unquoted securities

The investment in quoted shares are revalued as per market price in the stock exchange(s). The Bank's investments in shares (unquoted) are recorded at

cost and income thereon is accounted for when the right to receive payment is established. Provisions are made for any loss arising from diminution in value of investments. Bonus share in their own self will have no value as the fair value of each shareholder's interest should be unaffected by the bonus issue, hence no accounting entries are passed in the book for bonus share received.

## 2.11 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not sell in the normal course of business.

Loans and advances are measured at amortised cost. These are stated gross, with accumulated specific and general provisions for loans and advances being shown under other liabilities.

## 2.12 Provisions on loans and advances

At each balance sheet date and periodically throughout the year, the Bank reviews loans and advances to assess whether objective evidence that impairment of a loan or portfolio of loans has arisen supporting a change in the classification of loans and advances, which may result in a change in the provision required in accordance with BRPD circular No. 24 (17 November 2019), BRPD circular No.6 (19 May 2019), BRPD circular No. 4 (16 May 2019) and BRPD circular No.3 (21 April 2019), BRPD circular No.1 (20 February 2018), BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013). The guidance in the circular follows a formulaic approach whereby specified rates are applied to the various categories of loans as defined in the circular. The provisioning rates for general provision is 1% to 5% and specific provision is 5% to 100%.

The provisioning rates are as follows:

	2019	2018
<b>General provision on:</b>		
Unclassified general loans and advances/investments	1.00%	1.00%
Unclassified small and medium enterprise financing	0.25%	0.25%
Unclassified loans/investment for housing finance and on loans for professionals	1.00%	2.00%
Unclassified consumer financing other than housing finance and loans for professionals	5.00%	5.00%
Unclassified agricultural loans	1.00%	2.50%
<b>Specific provision on:</b>		
Substandard loans and advances/investments other than agricultural loans	20%	20%
Doubtful loans and advances/investment other than Substandard and doubtful agricultural loans	50%	50%
Substandard and doubtful agricultural loans	5%	5%
Bad/loss and advances/investments	100%	100%

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

#### Loan write-off

Loans are normally written off, when there is no realistic prospect of recovery of these amounts and in accordance with BRPD circular No.01 (06 February 2019), BRPD circular No.13 (07 November 2013) and BRPD circular No.2 (13 January 2003). A separate Debt Collection Unit (DCU) has been set up which monitors loans written off and legal action taken through the money loan court. These write-offs do not undermine or affect the amount claimed against the borrower by the Bank.

The DCU maintains a separate record for all individual cases written off by each branch. The DCU follow-up on the recovery efforts of these written off loans and reports to management on a periodic basis. Written off loans and advances are reported to the Credit Information Bureau (CIB) of Bangladesh Bank.

#### 2.13 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 IAS-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 IAS 23.

#### 2.14 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 IAS 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.

#### 2.15 Provisions for other assets

BRPD circular No.14 (25 June 2001) requires a provision of 100% on relevant other assets which are outstanding for one year and above. The Bank maintains provision in line with this circular unless no provision is required based on objective assessment.

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

Provisions for unsettled transactions on nostro accounts made are reviewed on a quarterly basis by management and certified by the Bank's external auditors on a semi-annual basis in accordance with Bangladesh Bank Foreign Exchange Policy Department (FEPD) circular No. 677 (13 September

#### Provisions for off balance sheet exposures

As per BRPD circular No.14 (23 September 2012) the Bank has recognised 1% General Provision on the following off balance sheet exposures as defined in BRPD circular No.10 (24 November 2002) considering the exemption as provided through BRPD circular No.01 (03 January 2018), BRPD circular No.7 (21 June 2018) and BRPD circular No.13 (18 October 2018).

- Acceptance and endorsements
- Letters of guarantee
- Irrevocable letters of credit
- Bills for collection

#### 2.16 Non banking assets

There are no assets acquired in exchange for loan during the period of financial statements.

#### 2.17 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.

#### 2.18 Reconciliation of inter-bank and inter-branch account

Accounts with regard to inter-bank are reconciled regularly and there are no 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 Nil.

#### 2.19 Statutory reserve

Bank Company 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.

#### 2.20 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 IAS 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.

#### 2.21 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.

#### 2.22 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 and loss account.

#### 2.23 Basis for valuation of liabilities and provisions

#### 2.24 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 Bank is developing the fund to meet up its future obligation. National Board of Revenue recognized the gratuity fund on 10 April 2016.

#### d. Other benefits

Other benefits include house building, consumer finance and car loan at a concessional rate.

### 2.25 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 IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets".

### 2.26 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 and BRPD Circular No. 07 dated 21 June 2018.

### 2.27 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act, 2019 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 IAS 12 - "Income Taxes".

### 2.28 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.

### 2.29 Revenue recognition

The various types of revenue are recognised by the Bank under the following ways:

#### 2.30 Interest income

In terms of the provision of the IFRS 9 - "Financial Instruments" the interest income is recognized on accrual basis. In accordance with BRPD circular

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

#### 2.31 Investment income

Interest income on investments in government and other securities and bonds is accounted for on an accrual basis and as per Bangladesh Bank guidelines.

#### 2.32 Fees and commission income

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

- income earned on the execution of a significant act is recognised as revenue when the act is completed.
- income earned from services provided is recognised as revenue."

#### 2.33 Dividend income on shares

Dividend income is recognised when the right to receive payment is established.

#### 2.34 Interest paid on borrowings and deposits

Interest paid on borrowings and deposits is calculated on daily basis and recognized on accrual basis.

#### 2.35 Management and other expenses

Expenses incurred by the Bank are recognized on accrual basis whenever necessary.

#### 2.36 Risk management

##### 2.36.1 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.

### 2.36.2 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.

### 2.36.3 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.

### 2.36.4 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.

### 2.36.5 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.

### 2.36.6 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.

### 2.36.7 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.

### 2.36.8 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.

### 2.37 Earnings per share (EPS)

Earnings per share (EPS) have been calculated in accordance with IAS 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 number of ordinary shares outstanding as on 31 December 2019.

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.

### 2.38 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.

### 2.39 Leases

"IFRS 16 Leases is effective for the annual reporting periods beginning on or after 1 January 2019. IFRS 16 defines that a contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 significantly changes how a lessee accounts for operating leases. Under previous IAS 17, an entity would rent an office building or a branch premises for several years with such a rental agreement being classified as operating lease would have been considered as an off balance sheet item. However, IFRS 16 does not require a lease classification test and hence all leases shall be accounted for as on balance sheet item (except some limited exception i.e. short-term lease, leases for low value items). "Under IFRS 16, an entity

shall be recognizing a right-of-use (ROU) asset (i.e. the right to use the office building, branches, service center, call center, warehouse, etc.) and a corresponding lease liability. The asset and the liability are initially measured at the present value of unavoidable lease payments. The depreciation of the lease asset (ROU) and the interest on the lease liability is recognized in the profit or loss account over the lease term replacing the previous heading 'lease rent expenses'.

While implementing IFRS 16, the Bank observed that IFRS 16 is expected to have impact on various regulatory capital and liquidity ratios as well as other statutory requirements issued by various regulators. In addition, there are no direction from National Board of Revenue (NBR) regarding treatment of lease rent, depreciation on ROU assets and interest on lease liability for income tax purposes and applicability of VAT on such items. Finally, paragraph 5 of IFRS 16 provide the recognition exemptions to short-term leases and leases for which the underlying asset is of low value. Although, paragraphs B3 to B8 of the Application Guidance (Appendix B) of IFRS 16 provide some qualitative guidance on low value asset, but these guidance is focused towards moveable asset. Immovable asset like rental of premises (i.e. real estate) is not covered on those guidance, nor any benchmark on quantification guidance on low value items have been agreed locally in Bangladesh.

Nevertheless, as a first step the Bank has defined 'low value asset' which are to be excluded from IFRS 16 requirement and considered lease of 'ATM Booths and other installations' as low value asset. Thereafter, the Bank has reviewed lease arrangements for 'office premises' for consideration under IFRS 16.

As per the preliminary assessment of leases for 'office premises', the Bank has concluded that the potential impact of these lease items in the Balance Sheet and Profit and Loss Account of the Bank for the year 2019 is not considered to be material. Therefore, considering the above implementation issues the Bank has not taken IFRS 16 adjustments on the basis of overall materiality as specified in the materiality guidance in the 'Conceptual Framework for Financial Reporting' and in 'International Accounting Standard 1 'Presentation of Financial Statements'. However, the Bank would continue to liaison with regulators and related stakeholders and observe the market practice for uniformity and

comparability, and take necessary actions in line with regulatory guidelines and market practice.

#### 2.40 New accounting standards not yet adopted

The Bank has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2019 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

In December 2017, ICAB vide letter 1/1/ICAB-2017 decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on

these financial statements.

A number of standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. However, the Bank has not early applied the following new standards in preparing these financial statements.

##### (a) IFRS 17 Insurance contract

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

	2019 Taka	2018 Taka
<b>3. Cash in hand (including foreign currencies)</b>		
Local currency	747,469,917	541,933,632
Foreign currencies	11,779,830	4,162,850
	<b>759,249,747</b>	<b>546,096,482</b>
<b>4. Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)</b>		
Bangladesh Bank		
In local currency	3,531,505,377	3,185,886,418
In foreign currencies	145,840,754	356,405,678
	3,677,346,131	3,542,292,096
Sonali Bank Limited (as Agent of Bangladesh Bank) - local currency	-	-
	<b>3,677,346,131</b>	<b>3,542,292,096</b>

#### 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 Bank Company Act, 1991 (amended up to 2018) and of instructions contained in DOS Circular No. 01 dated 19 January, 2014 and MPD Circular No. 01 dated 03 April, 2018 issued by Bangladesh Bank.

The Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 5.50% 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 unencumbered treasury bills and bonds, cash in hand and daily excess of Cash Reserve. Both the reserves maintained by the Bank are in excess of the statutory requirements, as shown below:

##### 4.1.1 Cash Reserve Requirement (CRR) : 5.50% of average demand and time liabilities

<b>Required reserve</b>	3,445,559,053	2,921,296,771
Actual reserve maintained		
Balance with Bangladesh Bank - local currency	3,518,927,127	3,186,382,470
<b>Surplus / (deficit)</b>	<b>73,368,074</b>	<b>265,085,699</b>
<b>Maintained ratio</b>	<b>5.62%</b>	<b>6.00%</b>

The above balance with Bangladesh Bank represents amount as per Bangladesh Bank Statements. The difference between balance with Bangladesh Bank as per Bank Book and as per Bangladesh Bank Statements are due to reconciling items those are not material and most of the items are subsequently adjusted.

##### 4.1.2 Statutory Liquidity Ratio (SLR) : 13% of average demand and time liabilities

<b>Required reserve</b>	<b>8,144,048,671</b>	<b>6,904,883,278</b>
Available for maintenance :		
Cash in hand (including foreign currencies)	759,249,747	546,096,482
Balance with Sonali Bank Limited (as an agent of Bangladesh Bank)	-	-
Excess of CRR requirement	73,368,074	265,085,699
Unencumbered approved securities (treasury bills and bonds, debentures etc.)	15,032,692,247	7,030,563,000
	15,865,310,068	7,841,745,181
<b>Surplus / (deficit)</b>	<b>7,721,261,397</b>	<b>936,861,903</b>
<b>Maintained Ratio</b>	<b>25.33%</b>	<b>14.76%</b>
<b>Average time and demand liabilities</b>	<b>62,646,528,240</b>	<b>53,114,486,750</b>

	2019 Taka	2018 Taka
<b>5. Balance with other banks and financial institutions</b>		
In Bangladesh (note 5.1)	6,414,432,491	6,693,349,087
Outside Bangladesh (note 5.2)	602,464,661	345,496,114
	<b>7,016,897,152</b>	<b>7,038,845,201</b>
<b>5.1 In Bangladesh</b>		
<b>Balance with other banks :</b>		
<b>In current deposit accounts with</b>		
Sonali Bank Limited	64,277,126	55,452,112
Dutch Bangla Bank Limited	4,075	4,506,185
Eastern Bank Limited	6,149,849	5,568,524
	<b>70,431,050</b>	<b>65,526,821</b>
<b>In special notice deposit accounts with</b>		
Janata Bank Limited	130,183,167	136,738,635
Eastern Bank Limited	173,353	2,923,087
Sonali Bank Limited	27,027,133	95,551,906
Mercantile Bank Limited	134,913	126,370
Bank Asia Limited	26	25
Standard Bank Limited	91,496	1,375,515
Jamuna Bank Limited	18,151	19,302
Al-Arafa Islami Bank Limited	16,648	11,221
Trust Bank Limited	10,594,406	3,160,022
Union Bank Limited	93,151	86,640
IFIC Bank Limited	88,180	750
Rupali Bank Limited	1,580,817	2,978,793
	<b>170,001,441</b>	<b>242,972,266</b>
<b>In fixed deposit accounts with</b>		
Mutual Trust Bank Limited	1,000,000,000	500,000,000
Midland Bank Limited	-	200,000,000
Modhumoti Bank Limited	-	83,950,000
Jamuna Bank Limited	1,000,000,000	-
AB Bank Limited	500,000,000	-
	<b>2,500,000,000</b>	<b>783,950,000</b>
<b>Balance with financial institutions :</b>		
Lanka Bangla Finance Limited	200,000,000	500,000,000
Phoenix Finance Limited	239,000,000	500,000,000
International Leasing & Financial Services Limited	579,900,000	576,000,000
Uttara Finance Limited	500,000,000	100,000,000
Prime Finance & Investment Limited	4,000,000	41,500,000
IDLC Finance Limited	100,000,000	550,000,000
Industrial & Infrastructure Development Finance Company Ltd.	500,000,000	950,000,000
Fareast Finance and Investment Limited	261,100,000	310,000,000
FAS Finance Limited	264,300,000	273,000,000
Premier Leasing and Finance Limited	131,800,000	138,400,000
Union Capital Limited	185,400,000	260,000,000
IPDC Finance Limited	-	400,000,000
Bangladesh Finance and Investment Company Ltd.	238,500,000	262,000,000
Bay Leasing & Investment Limited	80,000,000	140,000,000
National Finance Limited	-	100,000,000
Haji Finance Company Limited	90,000,000	100,000,000
National Housing Finance and Investment Limited	300,000,000	400,000,000
	<b>3,674,000,000</b>	<b>5,600,900,000</b>
	<b>6,414,432,491</b>	<b>6,693,349,087</b>

## 5.2 Outside Bangladesh

### In demand deposit accounts (non-interest bearing) with

Particulars	Currency	2019			2018		
		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
Mashreq Bank PSC, New York	USD	5,176,121	84.90	439,452,654	2,479,906	83.90	208,064,089
AB Bank, Mumbai	ACU	230,518	84.90	19,570,966	71,574	83.90	6,005,042
United Bank of India, Kolkata	ACU	78,506	84.90	6,665,176	70,429	83.90	5,909,027
National Bank of Pakistan, Tokyo	JPY	2,377,119	0.78	1,849,399	2,263	0.76	1,711
Mashreq Bank PSC, London	GBP	83	111.33	9,227	3,573	106.18	379,445
Mashreq Bank PSC, London	EURO	-	95.09	-	15,171	95.49	1,448,654
Sonali Bank Ltd. Kolkata	ACU	260,547	84.90	22,120,441	49,888	83.90	4,185,624
Habib American Bank, NY	USD	807,201	84.90	68,531,380	1,182,406	83.90	99,203,826
Habib Metropolitan Bank Ltd., Karachi	ACU	145,600	84.90	12,361,399	83,837	83.90	7,033,959
AXIS Bank Ltd., Mumbai	ACU	296,139	84.90	25,142,162	158,102	83.90	13,264,737
State Bank of India, Sydney	AUD	-	-	-	-	-	-
Sonali Bank (UK) Ltd.	USD	3,524	84.90	299,150	-	-	-
Sonali Bank (UK) Ltd.	GBP	3,598	111.33	400,563	-	-	-
Sonali Bank (UK) Ltd.	EURO	11,800	95.09	1,122,017	-	-	-
Koomin Bank, Seoul	USD	58,188	84.90	4,940,127	-	-	-
				<b>602,464,661</b>			<b>345,496,114</b>
<b>In demand deposit accounts (interest bearing)</b>				-			-
<b>Total Outside Bangladesh</b>				<b>602,464,661</b>			<b>345,496,114</b>

	2019 Taka	2018 Taka
<b>5.3 Maturity grouping of balance with other banks and financial institutions</b>		
On demand	672,895,711	105,626,615
Within one month	4,804,001,441	5,093,218,586
Within one to three months	1,450,000,000	1,280,000,000
Within three to twelve months	90,000,000	560,000,000
Within one to five years	-	-
More than five years	-	-
	<b>7,016,897,152</b>	<b>7,038,845,201</b>
<b>6. Money at call on short notice</b>		
<b>With banks</b>		
Modhumoti Bank Limited	-	80,000,000
<b>With non bank financial institutions</b>	-	-
	<b>-</b>	<b>80,000,000</b>

## 7. Investments

### Government securities

#### Treasury bills

91-day treasury bills	4,353,427,881	199,921,690
182-day treasury bills	-	198,737,274
364-day treasury bills	935,455,500	97,880,778
30-day Bangladesh Bank bills	-	-
	<b>5,288,883,381</b>	<b>496,539,742</b>

#### Treasury bonds

2-Year treasury bonds	52,292,298	-
3-Year treasury bonds	120,000,000	-
5-Year treasury bonds	221,952,981	59,906,222
10-Year treasury bonds	1,547,628,727	1,450,631,544
15-Year treasury bonds	4,159,558,347	1,559,358,858
20-Year treasury bonds	3,642,376,513	3,464,126,634
	<b>9,743,808,866</b>	<b>6,534,023,258</b>

#### Total treasury bills and bonds

#### Prize bonds

Prize bonds	1,721,700	1,992,300
<b>Total Government securities</b>	<b>15,034,413,947</b>	<b>7,032,555,300</b>
<b>Other investments (note 7.3)</b>	<b>195,470</b>	<b>-</b>
	<b>15,034,609,417</b>	<b>7,032,555,300</b>

### 7.1 Classification of investments

#### Government treasury bills and bonds

##### Held for Trading (HFT)

##### Held to Maturity (HTM)

#### Total investments in government securities

#### Prize bonds

#### Reverse-REPO with Bangladesh Bank

#### Other investments (note 7.3)

Held for Trading (HFT)	6,326,179,508	1,491,728,788
Held to Maturity (HTM)	8,706,512,739	5,538,834,212
<b>Total investments in government securities</b>	<b>15,032,692,247</b>	<b>7,030,563,000</b>
Prize bonds	1,721,700	1,992,300
Reverse-REPO with Bangladesh Bank	-	-
Other investments (note 7.3)	195,470	-
	<b>15,034,609,417</b>	<b>7,032,555,300</b>

### 7.2 Maturity grouping of investments

#### On demand

#### Within one month

#### Within one to three months

#### Within three to twelve months

#### Within one to five years

#### More than five years

On demand	1,721,700	1,992,300
Within one month	1,772,927,231	199,921,690
Within one to three months	2,580,696,120	-
Within three to twelve months	935,455,500	296,618,052
Within one to five years	1,172,731,066	317,400,436
More than five years	8,571,077,800	6,216,622,821
	<b>15,034,609,417</b>	<b>7,032,555,300</b>

### 7.3 Other investments

Investment in quoted shares as on 31 December 2019

Name	No. of Shares	Avg. cost per share	Total Cost	Market Value
Coppertech Industries Limited	4,978	9.52	47,410	116,983
Genex Infosys Limited *	392	-	-	26,421
Newline Clothings Limited	8,038	9.35	75,130	118,962
Silco Pharmaceuticals Limited	8,022	9.09	72,930	243,067
			<b>195,470</b>	<b>505,433</b>

\* Stock dividend received.



#### 7.4 Disclosure for REPO and Reverse REPO transactions

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 2019

Sl. No.	Name of the counterparty	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
1	Commercial Bank of Ceylon	30 December 2019	01 January 2020	548,480,900
2	AB Bank Limited	30 December 2019	01 January 2020	443,682,900

##### 7.4.2 Disclosure regarding outstanding Reverse REPO as on 31 December 2019

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 Dec 2019

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
	Taka	Taka	Taka
<b>Securities sold under repo :</b>			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	97,915,000	2,463,426,160	307,572,872
<b>Securities purchased under reverse repo</b>			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	89,379,927	1,133,419,663	197,048,257

	2019 Taka	2018 Taka
<b>8. Loans and advances</b>		
Loans , cash credit, overdrafts etc. (note 8.1)	54,658,125,375	49,072,696,441
Bills purchased and discounted (note 8.2)	1,342,612,104	1,182,244,003
	<b>56,000,737,479</b>	<b>50,254,940,444</b>
<b>8.1 Loans , cash credit, overdrafts etc.</b>		
<b>In Bangladesh:</b>		
<b>Overdrafts</b>	<b>19,003,344,229</b>	<b>16,835,400,789</b>
<b>Cash credit :</b>		
General cash credit	6,376,719,843	6,416,427,455
Agriculture cash credit	177,292,832	182,838,736
SME cash credit	10,500,487,009	10,454,314,196
	<b>17,054,499,684</b>	<b>17,053,580,387</b>
<b>Loans :</b>		
Loans against trust receipt	3,284,252,032	3,716,560,633
Export packing credit	84,230,963	92,983,851
Payment against document	161,140,771	562,570,830
Time loans	1,979,259,784	1,898,287,214
EDF loans	1,120,553,025	784,723,917
Demand loans	123,775,914	159,995,151
Lease finance	455,873,577	391,045,472
House building finance	745,077,449	616,671,248
General term loans	7,975,272,395	5,138,295,869
SME term loans	1,846,477,608	1,220,128,652
Agriculture term loans	100,576,736	118,010,161
Short term micro credit	2,423,500	1,240,905
Personal loans	81,783,279	66,347,401
Auto loans	11,593,882	6,996,990
Credit Card	208,257,935	133,857,145
Block account for rescheduled loan	19,075,318	-
Staff loans	400,657,294	275,999,826
	<b>18,600,281,462</b>	<b>15,183,715,265</b>
	<b>54,658,125,375</b>	<b>49,072,696,441</b>
<b>Outside Bangladesh</b>	-	-
	<b>54,658,125,375</b>	<b>49,072,696,441</b>
<b>8.2 Bills purchased and discounted</b>		
<b>Payable in Bangladesh</b>		
Inland bills purchased and discounted	928,254,026	1,022,816,663
<b>Payable outside Bangladesh</b>		
Foreign bills purchased and discounted	414,358,078	159,427,340
	<b>1,342,612,104</b>	<b>1,182,244,003</b>
<b>8.3 Maturity grouping of loans and advances including bills purchased and discounted</b>		
On demand	5,749,210,416	5,159,481,662
Within one month	4,151,758,464	3,636,146,876
Within one to three months	13,645,064,907	10,450,565,294
Within three to twelve months	20,626,710,038	17,815,754,624
Within one to five years	9,619,185,296	10,729,320,870
More than five years	2,208,808,358	2,463,671,119
	<b>56,000,737,479</b>	<b>50,254,940,444</b>
<b>8.4 Loans and advances including bills purchased and discounted are classified into following broad categories</b>		
<b>(a) Loans and advances (note 8.1)</b>		
<b>In Bangladesh</b>		
Loans	18,600,281,462	15,183,715,265
Cash credit	17,054,499,684	17,053,580,387
Overdraft	19,003,344,229	16,835,400,789
	<b>54,658,125,375</b>	<b>49,072,696,441</b>
<b>Outside Bangladesh</b>	-	-
	<b>54,658,125,375</b>	<b>49,072,696,441</b>
<b>(b) Bills purchased and discounted (note 8.2)</b>		
In Bangladesh	928,254,026	1,022,816,663
Outside Bangladesh	414,358,078	159,427,340
	<b>1,342,612,104</b>	<b>1,182,244,003</b>
	<b>56,000,737,479</b>	<b>50,254,940,444</b>

	2019 Taka	2018 Taka
<b>8.5 Loans and advances including bills purchased and discounted on the basis of significant concentration</b>		
i. Loans and advances to Directors of the bank	620,104,240	483,240,035
ii. Loans and advances to CEO and other senior executives	235,701,980	221,048,556
iii. Staff loans other than in sl. no. ii	164,955,314	54,951,271
iv. Loans and advances to customers' group	54,979,975,945	49,495,700,582
	<b>56,000,737,479</b>	<b>50,254,940,444</b>
<b>iv. Disclosure on large loans</b>		
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 (Tier I + Tier II) of the Bank was Taka 8,371,063,605 as at 31 December 2019 and Taka 7,841,833,142 as at 31 December 2018.		
(a) Number of the clients to whom loans and advances sanctioned more than 10% of the Bank's total capital	20	22
(b) Amount of outstanding loans and advances to the clients mentioned in iv (a) above	14,372,432,688	15,833,605,283
(c) Amount of classified loans and advances out of the amount mentioned in iv (b) above	-	-
(d) Measures taken for recovery of the amount mentioned in iv (c) above	-	-
<b>8.6 Geographical location-wise loans and advances including bills purchased and discounted</b>		
<b>Urban</b>		
Dhaka Division	30,672,488,835	27,554,285,798
Chattogram Division	6,751,873,757	6,199,997,143
Khulna Division	4,812,875,095	4,430,343,981
Rajshahi Division	1,881,611,812	1,699,825,205
Barishal Division	1,249,631,480	1,211,199,623
Sylhet Division	187,684,492	202,644,482
Rangpur Division	1,376,449,675	1,291,594,709
Mymensingh	9,139,006	-
	<b>46,941,754,152</b>	<b>42,589,890,942</b>
<b>Rural</b>		
Dhaka Division	4,223,025,327	3,725,692,232
Chattogram Division	1,571,538,690	1,350,687,468
Khulna Division	2,718,672,007	2,272,366,590
Rajshahi Division	57,611,366	3,109,676
Barishal Division	287,559,165	95,345,576
Sylhet Division	131,300,524	217,847,960
Rangpur Division	69,276,248	-
	<b>9,058,983,327</b>	<b>7,665,049,502</b>
	<b>56,000,737,479</b>	<b>50,254,940,444</b>
<b>8.7 Industry-wise loans and advances including bills purchased and discounted</b>		
Agriculture, fisheries and forestry	889,376,946	793,392,935
Agro base processing industries	5,522,334,710	2,245,474,706
Small & medium enterprise financing (SMEF)	22,598,457,407	20,410,789,804
RMG & textile industries	5,668,953,340	4,374,643,992
Hospitals, clinics & medical colleges	431,070,328	540,812,307
Trade & commerce	4,059,933,749	5,659,233,113
Transport and communications	408,212,348	426,368,822
Rubber & plastic industries	1,159,702,816	1,134,967,472
Iron, steel & aluminium industries	1,732,296,203	1,759,922,926
Printing & Packaging industries	370,813,305	351,440,310
Other manufacturing industries	4,983,236,368	8,975,932,048
Housing & construction industries	596,617,731	636,430,772
Consumer credit	692,914,322	188,500,611
Others	6,886,817,902	2,757,030,625
	<b>56,000,737,479</b>	<b>50,254,940,444</b>
<b>8.8 Broad economic sector-wise segregation of loans and advances including bills purchased and discounted</b>		
Government and autonomous bodies	-	-
Other public sector	-	-
Private sector	56,000,737,479	50,254,940,444
	<b>56,000,737,479</b>	<b>50,254,940,444</b>

8.9 Required provision for loans and advances including bills purchased and discounted				2019 Taka	2018 Taka
Particulars	Amount of outstanding loans and advances as at 31 December	Base for Provision	Rate	Amount of required provision as at 31 December 2019	Amount of required provision as at 31 December 2018
<b>I) General provision :</b>					
a) Consumer finance	293,668,041	293,668,041	5.00%	14,683,402	9,425,031
b) Staff loans	400,657,294	-	0.00%	-	-
c) Housing finance	767,766,183	767,766,183	1.00%	7,677,662	3,493,199
d) Loans to professional	-	-	2.00%	-	-
e) Small & medium enterprise finance	21,237,819,310	21,237,819,310	0.25%	53,094,548	48,427,786
f) Loans to BH, MB, SD, etc.	954,875,638	954,875,638	2.00%	19,097,513	21,766,046
g) Agricultural and micro credit	889,376,946	889,376,946	1.00%	8,893,769	7,840,929
h) Others	28,047,624,323	28,047,624,323	1.00%	280,476,243	253,889,264
	<b>52,591,787,735</b>	<b>52,191,130,441</b>		<b>383,923,138</b>	<b>344,842,255</b>
<b>II) Specific provision :</b>					
a) Others	-	-	20.00%	-	80,597,571
b) Others	-	-	50.00%	-	83,739,221
c) Others	-	85,456,905	100.00%	85,456,905	341,979,763
d) Housing finance	-	15,499,838	100.00%	15,499,838	-
e) Small & medium enterprise finance	-	24,838,949	100.00%	24,838,949	-
f) Sub-standard	684,919,918	197,742,323	20.00%	39,548,465	13,856,097
g) Doubtful	335,724,182	67,030,465	50.00%	33,515,233	58,430,308
h) Bad / loss	2,388,305,644	1,380,315,222	100.00%	1,380,315,222	176,820,660
	<b>3,408,949,744</b>	<b>1,770,883,702</b>		<b>1,579,174,611</b>	<b>755,423,619</b>
<b>Total provision required</b>	<b>56,000,737,479</b>	<b>53,962,014,143</b>		<b>1,963,097,749</b>	<b>1,100,265,874</b>
<b>Total provision maintained</b>				<b>1,355,420,749</b>	<b>875,431,385</b>
<b>Provision to be maintained*</b>				<b>607,677,000</b>	<b>224,834,490</b>
<b>Surplus / (deficit)</b>				<b>-</b>	<b>-</b>

\* As per Bangladesh Bank letter (reference no. DBI-1/132/2020-1615) dated 24 June 2020, the Bank has to maintain total provision of BDT 665.67 million whereas in the current year the requirement is BDT 5.80 million and rest amount BDT 607.67 million is to be maintained equally for next three years that is 2020, 2021 and 2022. Accordingly the Bank has maintained BDT 5.80 million and hence the total provision maintained is BDT 1,355.42 million in 2019 and the remaining required provision amounting BDT 607.67 million will be provided in 2020, 2021 and 2022.

#### 8.10 Classification of loans and advances including bills purchased and discounted

Unclassified loans and advances (including staff loans)		
i) Standard	50,086,747,391	47,013,875,006
ii) Special mention account (SMA)	2,505,040,343	2,249,403,456
	<b>52,591,787,734</b>	<b>49,263,278,462</b>
Classified loans and advances		
Sub-standard	684,919,918	201,240,983
Doubtful	335,724,182	219,989,673
Bad / loss	2,388,305,644	570,431,326
	<b>3,408,949,744</b>	<b>991,661,982</b>
<b>Total</b>	<b>56,000,737,478</b>	<b>50,254,940,444</b>

#### 8.11 Particulars of loans and advances including bills purchased and discounted

i) Loans considered good in respect of which the banking company is fully secured	48,653,818,787	43,661,831,533
ii) Loans considered good for which the banking company holds no security other than the debtor's personal guarantee	6,446,882,365	5,785,418,262
iii) Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	900,036,327	807,690,649
iv) Loans adversely classified; provision not maintained there against	-	-
	<b>56,000,737,479</b>	<b>50,254,940,444</b>
v) Loans due by directors or officers of the banking company or any of them either separately or jointly with any other person	1,020,761,534	759,239,862
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	620,104,240	483,240,035
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	1,020,761,534	759,239,862

	<b>2019</b> <b>Taka</b>	<b>2018</b> <b>Taka</b>
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	<u>620,104,240</u>	<u>483,240,035</u>
ix) Due from other banking companies	<u>-</u>	<u>-</u>
x) Classified loans and advances :		
(a) Amount of classified loan on which interest has not been charged	<u>3,408,949,744</u>	<u>991,661,982</u>
(b) (Decrease)/increase in specific provision	<u>440,908,481</u>	<u>433,663,322</u>
(c) Amount of loan written off during the year	<u>-</u>	<u>-</u>
(d) Amount realized against loan previously written off	<u>-</u>	<u>-</u>
(e) Amount of provision kept against loan classified as bad/loss as on the Balance Sheet date	<u>898,433,913</u>	<u>176,820,660</u>
(f) Interest creditable to the interest suspense accounts	<u>374,801,448</u>	<u>126,872,392</u>
xi) Cumulative amount of the written off loan	<u>-</u>	<u>-</u>
xii) Amount written off in the year	<u>-</u>	<u>-</u>
xiii) Amount of written off loan for which lawsuit has been filed for recovery	<u>-</u>	<u>-</u>
<b>8.12 Bills purchased and discounted</b>		
Payable -		
In Bangladesh	928,254,026	1,022,816,663
Outside Bangladesh	414,358,078	159,427,340
	<u><b>1,342,612,104</b></u>	<u><b>1,182,244,003</b></u>
<b>8.13 Bills purchased and discounted on the basis of the residual maturity grouping</b>		
Within one month	173,332,406	152,628,743
Within one to three months	795,128,658	700,154,635
Within three to six months	303,123,469	266,916,932
More than six months	71,027,570	62,543,693
	<u><b>1,342,612,104</b></u>	<u><b>1,182,244,003</b></u>

	2019 Taka	2018 Taka
<b>9. Fixed Assets including premises, furniture and fixtures (Annexure - B)</b>		
Motor vehicles	47,280,004	47,280,004
Machinery and equipments	265,417,167	232,556,459
Furniture and fixtures	80,609,933	70,408,484
Interior decoration	275,831,379	232,216,051
Computers and accessories	259,919,098	242,309,938
Softwares	165,688,176	164,902,176
Other tools	33,652,591	27,323,948
	<b>1,128,398,348</b>	<b>1,016,997,060</b>
Less : Accumulated depreciation	685,630,480	560,103,300
	<b>442,767,868</b>	<b>456,893,760</b>
<b>10. Other Assets</b>		
Advance income tax (note 10.1)	1,135,584,297	1,326,695,685
Stock of stationeries and stamps (note 10.2)	11,966,335	9,899,563
Advance rent, advertisement, etc. (note 10.3)	117,396,342	124,826,720
Accrued interest and commission receivable	217,288,933	152,972,784
Advance and security deposits	4,164,557	3,888,372
Deferred tax asset (note 10.4)	11,693,844	19,452,582
Suspense accounts (note 10.5)	134,303,342	71,949,277
	<b>1,632,397,650</b>	<b>1,709,684,983</b>
<b>10.1 Advance income tax</b>		
Opening balance	1,326,695,685	673,543,331
Add : Paid during the year		
Income tax deducted at source	32,185,155	29,353,419
Income tax paid u/s 64 & 74 of Income Tax Ordinance 1984	892,742,100	623,798,935
	924,927,255	653,152,354
	2,251,622,940	1,326,695,685
Less : Adjustment during the year	1,116,038,643	-
Closing balance	<b>1,135,584,297</b>	<b>1,326,695,685</b>
<b>10.1.1 Assessment year wise break up of advance income tax</b>		
2017 - 2018	-	470,184,936
2018 - 2019	-	597,157,330
2019 - 2020	768,735,377	259,353,419
2019 - 2020	366,707,666	-
	<b>1,135,443,043</b>	<b>1,326,695,685</b>
<b>10.2 Stock of stationeries and stamps</b>		
Stock of printing stationeries	2,906,882	2,433,677
Stock of security stationeries	6,826,569	5,439,286
Stock of stamps	2,232,884	2,026,600
	<b>11,966,335</b>	<b>9,899,563</b>
<b>10.3 Advance rent, advertisement, etc.</b>		
Advance rent	117,396,342	124,826,720
Prepaid advertisement	-	-
	<b>117,396,342</b>	<b>124,826,720</b>
<b>10.4 Deferred tax asset / (liability)</b>		
Opening balance	19,452,582	14,389,436
Add : Deferred tax income / (expenses) for the year (note 10.4.1)	(7,758,738)	5,063,146
	<b>11,693,844</b>	<b>19,452,582</b>
<b>10.4.1 Detailed calculation of deferred tax liability / (asset)</b>		
In terms of instructions contained in BRPD Circular No. 11 dated 12 December 2011 and provision of IAS 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		
Written down value of fixed assets as per Tax (Tax Base) as on the balance sheet date	473,951,453	508,767,309
Written down value (carrying amount) of fixed assets	442,767,868	456,893,760
	31,183,585	51,873,549
ii) Temporary timing difference in provision for gratuity and intangible assets	-	-
<b>Total amount of temporary timing difference in asset</b>	<b>31,183,585</b>	<b>51,873,549</b>
Effective tax rate	37.50%	37.50%
<b>Net Deferred tax assets /(liability) at year end</b>	<b>11,693,844</b>	<b>19,452,582</b>
Net Deferred tax assets /(liability) at opening	19,452,582	14,389,436
<b>Deferred tax income /(expenses) for the year</b>	<b>(7,758,738)</b>	<b>5,063,146</b>

	2019 Taka	2018 Taka
<b>10.5 Suspense accounts</b>		
Sundry debtors	43,837,740	4,401,502
Suspense for Sanchayapatra	51,388,294	19,630,613
Advance against expenses	1,594,284	3,247,402
Advance against fixed assets (note 10.5.1)	17,015,627	37,409,545
Other prepaid expenses	20,467,397	7,260,215
	<b>134,303,342</b>	<b>71,949,277</b>
<b>10.5.1 Advance against fixed assets</b>		
Advance against fixed assets has been made for which final bill has not being received :		
Interior Decoration	16,548,377	33,409,545
Machineries and equipments	467,250	4,000,000
	<b>17,015,627</b>	<b>37,409,545</b>
<b>11. Borrowings from other banks, financial institutions and agents</b>		
<b>a) In Bangladesh</b>		
<b>Secured</b>		
<b>Refinance from Bangladesh Bank</b>		
Agro based industries	13,779,780	1,564,051
Green industries	30,027,719	35,833,324
Small enterprise entrepreneurs	11,976,325	6,786,970
10 Taka account	257,584	-
Export Development Fund (EDF)	1,060,998,044	756,970,038
	1,117,039,452	801,154,383
<b>Unsecured</b>	-	-
<b>b) Outside Bangladesh</b>	-	-
	<b>1,117,039,452</b>	<b>801,154,383</b>
	<b>1,117,039,452</b>	<b>801,154,383</b>
As at the reporting date of these financial statements, the Bank had no assets pledged as security except the Balance with Bangladesh Bank (local & foreign currency) against liability of refinance facility availed from Bangladesh Bank under the Agro based industries financing, Green industries financing, Small & Medium Enterprise Financing, 10 Taka Account Fund and Export Development Fund by the Bank. [Note 11]		
<b>11.1 Residual maturity grouping of borrowings from other banks, financial institutions and agents</b>		
On demand	-	-
Within one month	212,895,446	107,743,463
Within one to three months	288,783,938	85,661,535
Within three to twelve months	589,066,992	575,954,973
Within one to five years	26,293,076	31,794,412
More than five years	-	-
	<b>1,117,039,452</b>	<b>801,154,384</b>
<b>12. Deposits and other accounts</b>		
Current accounts and other accounts [note : 12.1]	5,502,072,087	4,747,675,498
Special notice deposits	3,026,636,791	2,140,632,984
Bills payable	2,420,680,927	1,651,823,035
Savings bank deposits	4,329,308,387	2,758,438,251
Fixed deposits	45,341,898,712	41,543,319,087
Other deposits [note : 12.2]	10,919,565,884	6,462,443,267
	<b>71,540,162,788</b>	<b>59,304,332,122</b>
<b>12.1 Current accounts and other accounts</b>		
Current deposits	2,559,025,846	1,973,993,660
FGN currency deposits	5,060,065	12,044,076
ERQ accounts	18,471,852	2,614,443
FC held against BTB L/Cs	295,556,561	505,074,481
Non resident Taka account	1,560,138	36,225,053
Non resident foreign currency account	2,631,390	2,600,396
Resident foreign currency account	5,412,141	2,817,140
Margin against L/Cs	625,917,952	593,851,186
Margin against L/Gs	497,512,105	247,922,298
Margin on Loans	86,587,863	67,481,279
Margin on LDBP	119,400	123,119
Margin against acceptance	2,707,900	-
Security deposit	22,127,188	14,387,185
Sundry deposits - excise duty	76,398,100	64,624,100
Sundry deposits - local bills	28,009,290	109,543,335
Sundry deposits - Sanchayapatra	10,463,200	23,200,000
Sundry deposits - other	13,861,437	12,437,859
Sundry deposits - foreign correspondents charge	12,057,892	12,698,516
Sundry deposits - risk fund	598,330	515,230

	<b>2019</b>	<b>2018</b>
	<b>Taka</b>	<b>Taka</b>
Sundry deposits - advance installment on Lease	2,099,939	5,973,589
Sundry deposits - Tax Deducted at source	111,003,806	89,076,613
Sundry deposits - VAT collected at source	4,965,513	3,248,848
Sundry deposits - VAT deducted Service Bills	7,284,371	8,339,221
Sundry deposits - card settlement account	26,475,030	12,413,208
Interest payable on deposits	1,086,164,778	946,470,663
	<b>5,502,072,087</b>	<b>4,747,675,498</b>
<b>12.2 Other deposits</b>		
Monthly Savings Scheme Deposits	2,791,096,167	1,923,566,783
Monthly Benefit Scheme Deposits	3,713,004,226	1,953,229,777
Lakhpoti Savings Scheme Deposits	121,445,572	64,371,377
Surokkha Millionaire Scheme Deposits	431,149,057	90,039,040
Kotipoti Scheme Deposits	21,465,170	-
Double Benefit Scheme Deposits	3,440,951,354	2,067,094,057
Triple Benefit Scheme	400,454,338	364,142,233
	<b>10,919,565,884</b>	<b>6,462,443,267</b>
<b>12.3 Segregation of deposits and other accounts</b>		
Other than inter-bank deposits	66,244,245,374	55,122,786,495
Inter-bank deposits (Note 12.4)	5,295,917,414	4,181,545,627
	<b>71,540,162,788</b>	<b>59,304,332,122</b>
<b>12.4 Details of inter-bank deposits</b>		
<b>In Current Deposit Account</b>		
Mercantile Bank Limited	4,045,723	1,569,421
Trust Bank Limited	20,064	176,389
	<b>4,065,787</b>	<b>1,745,810</b>
<b>In Short Notice Deposit Account</b>		
Janata Bank Limited	<b>153,127</b>	<b>124,317</b>
<b>In Fixed Deposit Account</b>		
Rupali Bank Limited	999,950,000	1,606,675,000
Agrani Bank Limited	1,249,950,000	1,503,087,500
Bangladesh Development Bank Limited	20,460,500	369,938,000
Modhumoti Bank Limited	699,950,000	199,975,000
Janata Bank Limited	-	500,000,000
Sonali Bank Limited	1,199,925,000	-
Rajshahi Krishi Unnayan Bank	71,550,000	-
Eastern Bank Limited	399,975,000	-
Probashi Kallayan Bank	49,988,000	-
Mutual Trust Bank Limited	199,975,000	-
Jamuna Bank Limited	399,975,000	-
	<b>5,291,698,500</b>	<b>4,179,675,500</b>
	<b>5,295,917,414</b>	<b>4,181,545,627</b>
<b>12.5 Residual maturity grouping of deposits and other accounts</b>		
On demand	1,323,493,012	494,519,028
Within one month	12,698,378,894	10,882,626,394
Within one to three months	16,811,938,255	10,819,177,104
Within three to six months	10,194,473,197	8,417,802,615
Within six to twelve months	10,373,323,604	9,350,658,576
Within one to five years	9,836,772,383	10,662,231,119
More than five years	10,301,783,443	8,677,317,285
	<b>71,540,162,788</b>	<b>59,304,332,122</b>
<b>12.6 Unclaimed deposits for ten years and more held by the bank</b>	-	-
<b>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.</b>		
<b>12.8 Payable on demand and time deposits</b>		
<b>a) Demand deposits</b>		
Current deposits	2,559,025,846	1,973,993,660
Savings deposits (9%)	389,637,755	248,259,443
Foreign currency deposits (non interest bearing)	327,132,009	525,150,536
Security deposits	22,127,188	14,387,185
Sundry deposits	2,592,226,906	2,197,919,064
Bills Payable	2,420,680,927	1,651,823,035
	<b>8,310,830,631</b>	<b>6,611,532,923</b>



**b) Time deposits**

Savings deposits (91%)  
Fixed deposits  
Special notice deposits  
Deposits under schemes  
Non resident Taka deposits

	2019 Taka	2018 Taka
	3,939,670,632	2,510,178,808
	45,341,898,712	41,543,319,087
	3,026,636,791	2,140,632,984
	10,919,565,884	6,462,443,267
	1,560,138	36,225,053
	<b>63,229,332,157</b>	<b>52,692,799,199</b>
	<b>71,540,162,788</b>	<b>59,304,332,122</b>

**12.9 Sector-wise break-up of deposits and other accounts**

Government	2,591,230,747	3,895,435,322
Deposit money banks	5,295,917,414	4,181,545,627
Other public	13,243,218,203	10,989,467,207
Foreign currency	327,132,009	525,150,536
Private	50,082,664,415	39,712,733,430
	<b>71,540,162,788</b>	<b>59,304,332,122</b>

**13. Other liabilities**

Sundry creditors	17,399,651	13,063,689
Provision for expenses	14,687,477	29,433,854
Central clearing, EFT, NPSB adjustment account	9,561,631	8,659,353
Provision for gratuity (note 13.1)	-	-
Provision for taxation (note 13.2)	1,619,779,667	1,946,829,143
Provision on loans & advances (note 13.3)	1,355,420,749	875,431,385
General provision on Off Balance Sheet exposures (note 13.4)	133,655,792	110,820,033
Provision for rebate to good borrowers (note 13.5)	17,000,000	15,000,000
Interest suspense account (note 13.6)	376,336,448	126,872,392
	<b>3,543,841,415</b>	<b>3,126,109,849</b>

**13.1 Provision for gratuity**

Opening balance	-	1,500,000
Add : Provision made for the year	18,000,000	18,000,000
	18,000,000	19,500,000
Less : transferred to gratuity fund during the year	18,000,000	19,500,000
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**13.2 Provision for taxation**

Opening balance	1,946,829,143	1,180,130,325
Add : Provision made for the year (Note 13.2.2)	788,989,167	766,698,818
	2,735,818,310	1,946,829,143
Less : Adjustment during the year	1,116,038,643	-
<b>Closing balance</b>	<b>1,619,779,667</b>	<b>1,946,829,143</b>

**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 2017 i.e. assessment year 2018-19

**13.2.2 Provision for taxation**

<b>Net profit before tax and provision</b>	<b>2,269,175,206</b>	<b>2,033,838,843</b>
Add: Inadmissible expenses		
Accounting depreciation & other non-deductible expenses	398,007,658	499,634,795
Less:		
Capital gain on sale of govt securities	453,194,437	365,125,145
Capital gain on sale of share	638,453	-
Tax depreciation	109,561,115	123,818,312
<b>Total Taxable Income</b>	<b>2,103,788,859</b>	<b>2,044,530,181</b>
Income tax on 2,103,788,859 @ 37.5%	788,920,822	766,698,818
Income tax on sale of govt securities	-	-
Capital gain on sale of share 10% of 683,453	68,345	-
<b>Net Tax payable</b>	<b>788,989,167</b>	<b>766,698,818</b>
<b>Effective tax rate</b>	<b>44.72%</b>	<b>46.72%</b>

	2019 Taka	2018 Taka
<b>13.2.3 Status of income tax assessment</b>		
<b>Assessment Year</b>	<b>Status</b>	
2014-2015	Assessment completed	
2015-2016	Assessment completed	
2016-2017	Assessment completed	
2017-2018	Assessment completed	
2018-2019	Assessment completed	
2019-2020	At DCT Stage	
<b>13.3 Provision for loans and advances (note 8.9)</b>		
<b>A. General provision on loans and advances</b>		
Opening balance	344,842,255	398,075,425
General provision for the year	39,080,883	(53,233,170)
<b>Provision held at the year end</b>	<b>383,923,138</b>	<b>344,842,255</b>
<b>B. Specific provision against classified loans and advances</b>		
Opening balance	530,589,130	82,921,644
Less : Fully provided debt written-off (for final settlement)	-	-
Add : Recoveries of amounts previously written-off	-	-
Add : Specific provision for the year	509,272,112	448,459,213
Less : Specific provision no more required as loans realized/regularized	68,363,631	791,727
Add : Net charge to profit and loss account	-	-
<b>Provision held at the end of the year</b>	<b>971,497,611</b>	<b>530,589,130</b>
<b>Total (A + B)</b>	<b>1,355,420,749</b>	<b>875,431,385</b>
<b>13.4 Provision for off balance sheet exposures (note 18.4)</b>		
Opening balance	110,820,033	117,638,314
Add : Provision made for the year	22,835,759	(6,818,281)
	<b>133,655,792</b>	<b>110,820,033</b>
<b>13.5 Provision for rebate to good borrowers</b>		
Opening balance	15,000,000	10,000,000
Add : Provision made for the year	2,000,000	5,000,000
	<b>17,000,000</b>	<b>15,000,000</b>
Less: Paid during the period	-	-
<b>Closing balance</b>	<b>17,000,000</b>	<b>15,000,000</b>
<b>13.6 Interest suspense account</b>		
Balance as on 1 January	126,872,392	18,196,879
Add : Amount transferred to "interest suspense" account during the year	251,963,493	108,893,510
Less : Amount recovered from "interest suspense" account during the year	2,499,437	217,997
Less : Amount written-off during the year	-	-
<b>Balance as on 31 December</b>	<b>376,336,448</b>	<b>126,872,392</b>

	2019 Taka	2018 Taka
<b>14. Share capital</b>		
<b>14.1 Authorized share capital</b>		
1,000,000,000 ordinary shares of Tk. 10/- each	10,000,000,000	10,000,000,000
<b>14.2 Issued, subscribed and paid up share capital</b>		
622,405,016 ordinary shares of Tk. 10/- each	6,224,050,160	5,658,227,420

#### 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	245,376,000
Stock dividend @ 0.15 against 1 existing share of Tk 10 each for the year 2016	650,246,400	650,246,400
Stock dividend @ 0.135 against 1 existing share of Tk 10 each for the year 2017	673,005,020	673,005,020
Stock dividend @ 0.10 against 1 existing share of Tk 10 each for the year 2018	565,822,740	-
	<b>6,224,050,160</b>	<b>5,658,227,420</b>

#### 14.4 Group-wise shareholding position

Particulars	2019			2018		
	No. of shares	Percentage (%) of holding	Taka	No. of shares	Percentage (%) of holding	Taka
Sponsor directors	304,839,350	48.98%	3,048,393,500	272,908,859	48.23%	2,729,088,590
Sponsor shareholders	317,565,666	51.02%	3,175,656,660	292,913,883	51.77%	2,929,138,830
<b>Total</b>	<b>622,405,016</b>	<b>100.00%</b>	<b>6,224,050,160</b>	<b>565,822,742</b>	<b>100.00%</b>	<b>5,658,227,420</b>

#### 14.5 Range-wise shareholdings as on 31 December 2019

Range of holding of shares	No of share holders	Percentage % of share holding	No of shares	Taka
Less than 500	1	0.00%	10	100
500 - 5,000	-	-	-	-
5,001 - 10,000	-	-	-	-
10,001 - 20,000	-	-	-	-
20,001 - 30,000	-	-	-	-
30,001 - 40,000	-	-	-	-
40,001 - 50,000	-	-	-	-
50,001 - 1,00,000	-	-	-	-
1,00,001 - 10,00,000	1	0.12%	724,086	7,240,860
10,00,001 and above	52	99.88%	621,680,920	6,216,809,200
<b>Total</b>	<b>54</b>	<b>100.00%</b>	<b>622,405,016</b>	<b>6,224,050,160</b>

#### 14.6 Capital to Risk Weighted Assets Ratio

As per Section 13 of the Bank Companies Act, 1991 (Amended upto 2018) 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 2019 stood at Taka 8,371,063,605 against the risk based capital requirement of Taka 7,104,304,073. As a result, there was a capital surplus of Taka 1,266,759,532 in risk based capital adequacy as on 31 December 2019.

As per Section 13(2) of the Bank Companies Act, 1991 (Amended upto 2018) and instructions contained in BRPD Circular Letter No. 11 dated 14 August 2008, the paid-up share capital, statutory reserve and retained earnings should be at least Taka 4,000 million in which, the paid-up share capital should be at least Taka 2,000 million. Against that, the paid-up share capital, statutory reserve and retained earnings of the Bank was Taka 8,335,365,984 (paid-up share capital Taka 6,224,050,160; statutory reserve Taka 1,479,777,861 and retained earnings Taka 631,537,963) as on 31 December 2019.

**14.7 Details of capital adequacy ratio are furnished below :**

	2019 Taka	2018 Taka
<b>A. Total common equity Tier - I capital</b>		
Paid up capital	6,224,050,160	5,658,227,420
Statutory reserve	1,479,777,861	1,126,907,844
Retained earnings	631,537,963	582,628,542
	<b>8,335,365,984</b>	<b>7,367,763,806</b>
Less : Regulatory Adjustments	481,881,309	-
	<b>7,853,484,675</b>	<b>7,367,763,806</b>
<b>B. Additional Tier - I capital</b>	-	-
<b>C. Total Tier - I Capital (A + B)</b>	<b>7,853,484,675</b>	<b>7,367,763,806</b>
<b>D. Tier - II capital</b>		
General provision on unclassified loans and off-balance sheet exposures	517,578,930	455,662,288
50% of Revaluation reserve as on 31 December 2014	22,014,417	22,014,417
	539,593,347	477,676,705
Less : Regulatory Adjustments:		
Revaluation reserve for HFT securities	22,014,417	17,611,534
	<b>517,578,930</b>	<b>460,065,171</b>
<b>E. Total capital (C + D)</b>	<b>8,371,063,605</b>	<b>7,827,828,978</b>
<b>F. Total risk weighted assets (RWA)</b>	<b>56,834,432,585</b>	<b>49,380,573,207</b>
<b>G. Minimum capital requirement (MCR) with Capital Conservation Buffer (CCB)</b> [12.50% for 2019 & 11.875% for 2018 of risk weighted assets]	<b>7,104,304,073</b>	<b>5,863,943,068</b>
<b>H. Surplus/(shortfall) of capital (E - G)</b>	<b>1,266,759,532</b>	<b>1,963,885,909</b>
<b>I. Total Exposure</b>	<b>90,017,111,386</b>	<b>75,868,195,692</b>
Capital to risk weighted assets ratio (CRAR) (E/F X 100)	14.73%	15.85%
Common equity Tier-I to risk weighted assets ratio (A/F X 100)	14.67%	14.92%
Tier-I capital to risk weighted assets ratio (C/F X 100)	13.82%	14.92%
Tier-II capital to risk weighted assets ratio (D/F X 100)	0.91%	0.93%
Leverage ratio (C/I X 100)	8.72%	9.71%
<b>14.8 Total risk weighted assets (RWA)</b>		
<b>A. Credit risk weighted assets</b>		
On-Balance Sheet	42,332,791,078	36,278,738,876
Off-Balance Sheet	6,955,324,049	4,135,220,283
	<b>49,288,115,127</b>	<b>40,413,959,158</b>
<b>B. Market risk weighted assets</b>	1,375,207,950	5,192,641,604
<b>C. Operational risk weighted assets</b>	6,171,109,508	3,773,972,444
<b>Total risk weighted assets (RWA)</b>	<b>56,834,432,585</b>	<b>49,380,573,207</b>
<b>15. Statutory reserve</b>		
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	1,126,907,844	798,663,282
Add : Transferred from profit during the year	352,870,017	328,244,562
<b>Closing balance</b>	<b>1,479,777,861</b>	<b>1,126,907,844</b>
<b>16. Other reserve (revaluation reserve on Govt. Securities)</b>		
Opening balance	61,948,106	50,815,472
Add : Reserve made during the year	73,570,668	11,132,634
	135,518,774	61,948,106
Less : Adjusted during the year	107,922,969	-
<b>Closing balance</b>	<b>27,595,805</b>	<b>61,948,106</b>
<b>17. Surplus in profit and loss account</b>		
Opening balance	582,628,542	704,290,988
Add : Net profit during the year	614,732,161	551,342,574
	1,197,360,703	1,255,633,562
Less : Dividend paid / Issuance of Stock Dividend	565,822,740	673,005,020
<b>Closing balance</b>	<b>631,537,963</b>	<b>582,628,542</b>
<b>18. Contingent liabilities</b>		
Acceptances and endorsements	2,861,743,344	3,321,578,348
Letters of Guarantee (note 18.1)	6,583,292,050	4,195,413,693
Irrevocable letters of credit (note 18.2)	3,920,543,820	3,565,011,412
Bills for collection (note 18.3)	1,969,822,283	922,763,554
Other contingent liabilities	-	-
	<b>15,335,401,497</b>	<b>12,004,767,007</b>

	<b>2019</b>	<b>2018</b>
	<b>Taka</b>	<b>Taka</b>
<b>18.1 Letters of guarantee</b>		
Money for which the bank is contingently liable in respect of guarantees issued favoring:		
Directors	-	-
Government	1,184,293,082	741,891,179
Banks and other financial institutions	-	-
Others	5,398,998,968	3,453,522,514
	<b>6,583,292,050</b>	<b>4,195,413,693</b>
<b>18.2 Irrevocable letters of credit</b>		
<b>Local</b>		
Irrevocable letters of credit (sight)	2,095,098,413	2,196,909,814
Irrevocable letters of credit (usance)	1,129,586,183	829,322,975
Irrevocable letters of credit - back to back	410,161,659	326,880,150
	3,634,846,255	3,353,112,938
<b>Foreign</b>		
Irrevocable letters of credit (sight)	-	3,985,251
Irrevocable letters of credit (usance)	70,840,700	103,879,486
Irrevocable letters of credit (sight) back to back	214,856,865	104,033,738
	285,697,565	211,898,474
	<b>3,920,543,820</b>	<b>3,565,011,412</b>
<b>18.3 Bills for collection</b>		
Outward local bills	9,314,941	9,068,851
Local documentary bills for collection	1,066,369,839	526,523,064
Foreign documentary bills for collection	894,137,503	387,171,639
	<b>1,969,822,283</b>	<b>922,763,554</b>

#### 18.4 Particulars of required provision on off-balance sheet exposures

Particulars	Base for Provision	Rate (%)	2019 Taka	2018 Taka
Acceptances and endorsements	2,861,743,344	1.00%	28,617,433	33,215,783
Letters of Guarantee (note 18.1)	6,583,292,050	1.00%	65,832,921	41,954,137
Irrevocable letters of credit (note 18.2)	3,920,543,820	1.00%	39,205,438	35,650,114
Bills for collection (note 18.3)	1,969,822,283	0.00%	-	-
Other contingent liabilities	-	1.00%	-	-
<b>Total Required Provision</b>			<b>133,655,792</b>	<b>110,820,034</b>
Total Provision Maintained			133,655,792	110,820,034
<b>Excess / (short) Provision</b>			<b>-</b>	<b>-</b>

## 19. Particulars of profit and loss account

### Income

Interest, discount and similar income (note 21)	
Dividend income (note 23)	
Fees, commission and brokerage (note 24)	
Gains less losses arising from dealing in securities (note 23)	
Gains less losses arising from investment securities (note 23)	
Gains less losses arising from dealing in foreign currencies (note 24)	
Income from non-banking assets	
Other operating income (note 25)	
Profit less losses in interest rate changes	

2019 Taka	2018 Taka
7,357,320,782	6,420,411,360
-	-
235,548,672	211,415,967
-	-
1,217,521,317	917,544,683
268,843,856	231,792,570
-	-
120,802,400	91,985,576
-	-
<b>9,200,037,027</b>	<b>7,873,150,156</b>

### Expenses

Interest, fee and commission (note 22)	
Losses on loans and advances	
Administrative expenses (note 20)	
Other operating expenses (note 35)	
Depreciation on bank's assets (note 34)	

4,847,319,359	3,869,220,483
-	-
1,547,182,069	1,390,874,562
410,833,214	440,997,994
125,527,179	138,218,274
<b>6,930,861,821</b>	<b>5,839,311,313</b>
<b>2,269,175,206</b>	<b>2,033,838,843</b>

### Profit before provision

## 20. Administrative expenses

Salary and allowances (note 26)	
Rent, taxes, insurance, electricity etc. (note 27)	
Legal & professional expenses (note 28)	
Postage, stamp, telecommunication etc. (note 29)	
Stationery, printing, advertisement etc. (note 30)	
Managing Director's salary and allowances (note 31)	
Directors' fees and other benefits (note 32)	
Audit fees (note 33)	
Repair of bank's assets (note 34)	

1,111,827,997	947,587,803
349,335,499	373,375,007
2,029,791	3,484,322
13,336,285	13,337,981
42,505,550	30,853,253
11,480,000	11,480,000
2,232,000	2,432,000
442,750	442,750
13,992,197	7,881,445
<b>1,547,182,069</b>	<b>1,390,874,562</b>

## 21. Interest Income

### Interest on loans and advances

Interest on cash credit	
Interest on SOD	
Interest on OD General	
Interest on local bills purchased	
Interest on foreign bills purchased	
Interest on import finance	
Interest on export finance	
Interest on other demand loans	
Interest on lease finance	
Interest on house building loans	
Interest on general term loans	
Interest on SME loans	
Interest on consumer credit scheme	
Interest on credit card	
Interest on agriculture & rural credit	
Interest on staff loans	

2,176,943,170	2,112,281,223
1,878,568,556	1,504,631,167
281,498,992	271,699,025
152,381,603	201,845,329
26,209,047	8,461,712
541,608,687	634,552,187
6,122,283	6,162,300
437,837,076	264,486,236
58,825,828	59,734,531
99,822,955	80,947,406
785,733,575	559,088,035
180,681,809	140,162,119
1,915,187	1,363,006
30,033,659	15,855,828
13,914,226	12,372,510
19,566,534	15,736,153
<b>6,691,663,187</b>	<b>5,889,378,767</b>
2,617,986	791,458
644,421,500	507,408,059
18,618,109	22,833,075
<b>7,357,320,782</b>	<b>6,420,411,360</b>

Interest on money at call and short notice	
Interest on FDR with other banks	
Interest on SND with other banks	

	2019 Taka	2018 Taka
<b>22. Interest paid on Deposits and Borrowings</b>		
<b>Interest on Deposits</b>		
Interest on savings deposits	158,769,734	80,841,126
Interest on special notice deposits	131,917,824	88,777,398
Interest on monthly savings schemes	246,338,500	147,086,739
Interest on monthly benefit schemes	299,626,478	162,381,236
Interest on special benefit schemes	333,318,067	213,298,432
Interest on fixed deposits	3,613,112,346	3,116,015,956
	<b>4,783,082,949</b>	<b>3,808,400,889</b>
Interest on call borrowing	20,111,181	41,365,347
Interest on credit lines	934,193	3,585,900
Interest on Bangladesh Bank Re-financing facilities	2,167,302	4,052,981
Interest on borrowing under REPO	41,023,734	11,815,366
	<b>4,847,319,359</b>	<b>3,869,220,483</b>
<b>23. Investment Income</b>		
Dividend Received on Shares	-	-
Income on treasury bills, bonds and debentures		
Interest on treasury bonds	634,328,812	552,384,529
Interest on treasury bills	124,836,447	-
Interest on reverse REPO	4,523,168	35,009
Gains on trading of government securities	453,194,437	365,125,145
	<b>1,216,882,864</b>	<b>917,544,683</b>
Gains on Capital Market	638,453	-
	<b>1,217,521,317</b>	<b>917,544,683</b>
<b>24. Commission, Exchange and Brokerage</b>		
<b>Fees, commission and brokerage</b>		
Commission on bills & remittance	2,966,868	1,741,366
Commission on letters of credit	90,104,378	96,495,539
Commission on letters of guarantee	100,620,749	69,095,656
Commission on acceptances	38,116,063	41,279,902
Commission on add confirmation	3,623,289	2,682,974
Commission on bank underwriting	117,325	120,530
	235,548,672	211,415,967
Exchange earnings (net)	268,843,856	231,792,570
	<b>504,392,528</b>	<b>443,208,538</b>
<b>25. Other Operating Income</b>		
Banking service charge	108,503,041	82,492,930
Card operation charge	7,548,376	4,867,568
Locker rent	42,000	44,000
Miscellaneous income	4,708,983	4,581,078
	<b>120,802,400</b>	<b>91,985,576</b>
<b>26. Salary and Allowances</b>		
Basic salary	376,637,421	320,410,629
House rent allowance	170,918,482	148,428,707
Conveyance allowance	32,306,072	28,808,380
Medical allowance	52,305,983	42,906,904
Other allowances	187,167,942	149,008,914
Festival bonus	66,500,788	57,491,754
Incentive bonus for previous year	80,425,365	71,129,252
Bank's contribution on provident fund	33,926,476	29,403,139
Gratuity	18,000,000	18,000,000
Casual labourer & wages	93,639,468	82,000,123
	<b>1,111,827,997</b>	<b>947,587,803</b>

	<b>2019</b>	<b>2018</b>
	<b>Taka</b>	<b>Taka</b>
<b>27. Rent, Taxes, Insurance, Electricity etc.</b>		
Rent - Office Premises	242,738,873	266,540,928
Rent - ATM Booths and other installations	1,315,440	1,205,820
Rates and taxes	16,171,690	33,224,058
Utilities	42,183,192	38,263,949
Insurance	46,926,304	34,140,253
	<b>349,335,499</b>	<b>373,375,007</b>
<b>28. Legal and Professional Expenses</b>		
Legal expenses	275,005	322,584
Professional fees	1,754,786	3,161,738
	<b>2,029,791</b>	<b>3,484,322</b>
<b>29. Postage, Stamp, Telecommunication etc.</b>		
Postage	1,252,172	867,765
Telephone, fax etc.	5,263,358	4,095,669
Internet & SWIFT	6,820,755	8,374,547
	<b>13,336,285</b>	<b>13,337,981</b>
<b>30. Stationery, Printing, Advertisement etc.</b>		
Office stationery	17,562,984	11,630,791
Computer stationery	4,628,613	3,952,201
Security stationery	1,220,512	448,557
Advertisement	15,006,994	11,410,477
Publicity	4,086,447	3,411,228
	<b>42,505,550</b>	<b>30,853,253</b>
<b>31. Chief Executive's Salary and Fees</b>		
Basic salary	4,800,000	4,800,000
House rent allowance	2,160,000	2,160,000
House maintenance allowance	720,000	720,000
Medical allowance	1,200,000	1,200,000
Festival bonus	880,000	880,000
Incentive bonus for previous year	1,000,000	1,000,000
Utility allowance	720,000	720,000
	<b>11,480,000</b>	<b>11,480,000</b>
<b>32. Directors' fees</b>		
Meeting attendance fees	<b>2,232,000</b>	<b>2,432,000</b>
Each director of the bank was paid Tk. 8,000/- per attendance in board meeting and committee meeting held.		
<b>33. Auditors' fees</b>		
Audit fees	385,000	385,000
VAT on audit fees	57,750	57,750
	<b>442,750</b>	<b>442,750</b>
<b>34. Depreciation and Repairs of Bank's Assets</b>		
Depreciation / amortization		
Motor vehicles	8,253,914	8,840,075
Machinery and equipments	34,708,513	41,892,347
Furniture & fixtures	11,146,041	6,832,683
Interior decoration	21,073,037	22,300,739
Computer and peripherals	24,817,129	33,379,598
Software	20,584,892	20,451,458
Office tools and accessories	4,943,653	4,521,374
	125,527,179	138,218,274
Repairs of bank's assets	13,992,197	7,881,445
	<b>139,519,376</b>	<b>146,099,719</b>



<b>35. Other expenses</b>	<b>2019</b>	<b>2018</b>
	<b>Taka</b>	<b>Taka</b>
Entertainment expenses	16,968,911	12,793,030
Training & workshop expenses	1,926,661	697,399
Travel and daily allowance	5,455,197	4,766,602
Fuel and lubricants expenses - bank's vehicles	824,505	1,026,937
Subscriptions to trade associations	3,231,621	3,832,819
Donations	75,000,000	98,200,000
Business promotion and development	13,170,893	21,148,142
Books, magazines & news papers etc.	746,281	452,981
Charges & duties to Government	1,726,653	1,203,575
Local conveyance	4,586,640	3,578,103
Cash carrying expenses	3,961,810	3,570,050
Cartage and freight	537,809	474,520
Washing and cleaning	2,214,201	1,821,488
Other bank charges paid	6,920,154	7,350,648
Expenses on AGM	1,159,433	1,305,512
Expenses on managers' conference	1,050,721	1,549,221
Antivirus and other software	9,885,626	29,553,329
Branch & head office inauguration expenses	2,232,234	370,393
Miscellaneous expenses	1,735,467	1,119,943
Loss on sale/purchase of securities & investments	58,815,381	1,780,113
Loss on revaluation of investment	198,683,016	244,403,190
	<b>410,833,214</b>	<b>440,997,994</b>
<b>36. Earning per share (EPS)</b>		
a) Net profit after tax	967,602,178	879,587,136
b) weighted average number of ordinary shares	622,405,016	622,405,016
<b>Earnings per share ( a ÷ b)</b>	<b>1.55</b>	<b>1.41</b>
Earnings per share has been calculated in accordance with IAS - 33: "Earnings Per Share (EPS)". Previous year's figures have been adjusted for the issue of bonus shares during the year.		
<b>37. Increase / decrease of other assets</b>		
Closing -		
Stock of stationeries and stamps	11,966,335	9,899,563
Advance rent, advertisement, etc.	117,396,342	124,826,720
Security deposits	4,164,557	3,888,372
Suspense accounts	134,303,342	71,949,277
	<b>267,830,576</b>	<b>210,563,932</b>
Opening -		
Stock of stationeries and stamps	9,899,563	7,523,979
Advance rent, advertisement, etc.	124,826,720	221,559,369
Security deposits	3,888,372	511,149
Suspense accounts	71,949,277	59,915,088
	<b>210,563,932</b>	<b>289,509,584</b>
	<b>57,266,644</b>	<b>(78,945,652)</b>
<b>38. Increase / decrease of other liabilities</b>		
Closing -		
Sundry creditors	17,399,651	13,063,689
Central EFT adjustment account	9,561,631	8,659,353
	<b>26,961,282</b>	<b>21,723,042</b>
Opening -		
Sundry creditors	13,063,689	16,831,738
Central EFT adjustment account	8,659,353	27,355,446
	<b>21,723,042</b>	<b>44,187,184</b>
	<b>5,238,240</b>	<b>(22,464,142)</b>

### 39. Net asset value (NAV) per share

	2019 Taka	2018 Taka
a) Capital / shareholders' equity for the period	8,362,961,789	7,429,711,912
b) Number of outstanding shares	622,405,016	622,405,016
<b>Net asset value (NAV) per share ( a÷b)</b>	<b>13.44</b>	<b>11.94</b>

### Net operating cash flow per share (NOCFPS) per share

a) Operating cash flow for the period	7,962,290,377	3,679,640,068
b) Weighted average number of share	622,405,016	622,405,016
<b>Net operating cash flow per share ( a÷b)</b>	<b>12.79</b>	<b>5.91</b>

### 40. Events after the balance sheet date

#### A. Dividend

As per Bangladesh Bank letter no DBI-1/132/2020-1615 dated 24 June 2019, the Bangladesh Bank has fixed up maximum limit of dividend up to 10%. Accordingly, The Board of Directors in its 106th meeting held on 29 June 2020 recommended stock dividend @ 10% (ten percent) for the year 2019. The total amount of dividend is Tk 622,405,016 (Taka sixty two crore twenty four lac five thousand sixteen) only.

#### B. COVID 19

Subsequent to year-end, on 11 March 2020, World Health Organization (WHO) declared a global pandemic due to Corona Virus related respiratory disease commonly called as COVID-19. To contain the spread of this disease, along with many other countries of the world, Government of Bangladesh has also taken a number of measures such as declaration of general holiday, enforcement of lock down, social distancing etc. As a result of these measures all business and economic activities are adversely affected which would also impact the Group and the Bank as well. Management as considered COVID 19 as subsequent event and in accordance with IAS 10 has concluded that this is a non-adjusting event (i.e. an event after the reporting period that is indicative of a condition that arose after the end of the reporting period) because the significant changes in business activities and economic conditions as a result of COVID 19 events took place well after the reporting date of 31 December 2019. Although the business operation and profitability of the Bank are impacted due to COVID 19, but as the situation is constantly changing and there is no certainty at present as to how long the situation will prevail, the potential impact of COVID 19 related matters on the Bank's operation and financial results cannot be reasonably assessed."

### 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 99th meeting held on 27 December 2019 compliance with BRPD Circular No. 11 dated 27 October 2013 of Bangladesh Bank and Corporate Governance Guidelines (BSEC/CMRRC/2006-158/207/Admin/80) dated June 03, 2018 of Bangladesh Securities and Exchange Commission (BSEC). The members of the Audit Committee of the Board as on 31 December 2019 is as under:

Name of the Member	Status with the Bank	Status in the Committee	Educational Qualification
Mr. Md. Sajidur Rahman	Independent Director	Chairman	Masters
Mr. Abu Zafar Mohammad Shofiuddin	Director	Member	M. Com
Mr. Sakhawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.	Director	Member	M.A.
Dr. Syed Hafizur Rahman	Independent Director	Member	Masters
Al-Haj Mizanur Rahman	Director	Member	H.S.C.

The Audit Committee of the Board convened 05 (five) meetings during 2019 further in which, among others, the following salient issues were discussed :

- a) The Committee reviewed the inspection reports of different branches including divisions of Head Office of the Bank conducted and submitted by the Bank's Internal Control & Compliance Division and Bangladesh Bank and gave necessary instructions to the management for proper and prompt rectification / solution of the irregularities / objections stated therein.
- b) The Committee reviewed the Management Letter / Report for the year 2018 submitted by the external auditors of the Bank.
- c) The Committee reviewed the Quarterly, Half-yearly and Annual Financial Statements of the Bank.
- d) The Committee reviewed the Yearly Report on overall position as on 31 December 2018 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 overall performance of Internal Control & Compliance Division.
- g) The Committee reviewed and approved the Annual Financial Statements for the year ended 31 December 2019.

#### **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 869 as at 31 December 2019 compared to 801 as at 31 December 2018.

#### **44. Workers Profit Participation Fund and Welfare Fund**

SRO-336-AIN/2010 dated 5-10-2010 issued by the 'Ministry of Labour and Employment' declares the status of business of certain institutions and companies along with Bank & insurance companies as "Industrial Undertakings" for the purposes of Chapter-XV of the Bangladesh Labour Act, 2006 (as amended up to 2013) which deals with the workers' participation in company's profit by way of 'Workers Participation Fund' and 'Welfare Fund'. This Act requires the "Industrial Undertakings" to maintain provision for workers' profit participation fund @ 5% on net profit. Since this requirement contradicts with the 'Section 11' of the 'Bank Company Act 1991 (as amended up to 2018)', Banks in Bangladesh took up the issue collectively and sought opinion from 'Association of Bankers Bangladesh Limited (ABB)' on the same. ABB wrote a letter to the 'Ministry of Finance' of Government of People's Republic of Bangladesh on 09.03.2016 to draw attention of the honorable Finance Minister regarding relevance and applicability of Chapter XV of the Bangladesh Labour Act, 2006 (as amended up to 2013) for Bank Companies and to obtain a direction on the issue. The 'Ministry of Finance' revealed their opinion that WPPF should not be relevant for Bank Companies and therefore, it should not be applied there. They also sought for an opinion on this issue from Bangladesh Bank. Subsequently, Bangladesh Bank agreed on all the logics and legal opinion collected by the ABB and expressed their consensus with them on 29.11.2016. In this backdrop, the 'Ministry of Finance' has given their instruction, vide letter no. 53.00.0000.311.22.002.17.130 dated 14.02.2017, for not applying Chapter XV of the Bangladesh Labour Act, 2006 (as amended up to 2013) in Bank Companies. Therefore, no provision in this regard has been made in the financial statements for the year ended on December 31, 2019.

#### **44. General**

- i) Figures appearing in these financial statements have been rounded off to the nearest Taka.
- ii) Figures of 2018 have been rearranged as per current year's presentation.

### South Bangla Agriculture and Commerce Bank Limited 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 as per section 18 (2) of Bank Companies Act 1991 (amended up to 2018) 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	22,000,000 & 3.53%	1. Lockpur Fish Processing Co. Ltd.	80.00%	
				2. Khulna Printing & Packaging Ltd.	20.00%	
				3. Bagerhat Seafood Ind. Ltd.	75.00%	
				4. Shampa Ice & Cold Storage Ltd.	90.00%	
				5. Western Inn International Ltd.	47.00%	
				6. Metro Bricks Ltd.	51.00%	
				7. Moon Star Jute Mills Ltd.	44.00%	
				8. Khulna Builders Ltd.	51.00%	
				9. Bangladesh Poly Printing Int'l Ltd.	50.00%	
				10. Rupsha Fish & Allied Industry Ltd.	45.00%	
				11. Ideal Polymer Export Ltd.	90.00%	
				12. Eastern Polymer Ltd.	50.00%	
				13. Moon Star Fish Ltd.	60.00%	
				14. Ocean Trade International	100.00%	
2	Mr. Talukder Abdul Khaleque	Vice-Chairman (Independent)	0	1. M/S Nahar Trading	100.00%	
3	Mrs. Begum Sufia Amjad	Director	20,900,000 & 3.36%	1. Lockpur Fish Processing Co. Ltd.	20.00%	
				2. Khulna Printing & Packaging Ltd.	10.00%	
				3. Bagerhat Seafood Ind. Ltd.	25.00%	
				4. Shampa Ice & Cold Storage Ltd.	10.00%	
				5. Western Inn International Ltd.	33.00%	
				6. Metro Bricks Ltd.	49.00%	
				7. Moon Star Jute Mills Ltd.	7.41%	
				8. Khulna Builders Ltd.	49.00%	
				9. Rupsha Fish & Allied Industry Ltd.	23.00%	
				10. Moon Star Fish Ltd.	40.00%	
4	Mr. Abu Zafar Mohammad Shofiuddin	Director	30,438,430 & 4.89%	1. SQ Wire & Cable Co. Ltd	32.24%	
				2. SQ Trading & Engineering	80.00%	
				3. SQ Light Ltd.	35.00%	
				4. SQ Wood Preservatives	80.00%	
				5. SQ Energy Ltd.	50.00%	
				6. SQ Power Solutions	70.00%	
				7. SQ Properties Ltd.	35.00%	
				8. SQ Services Ltd.	20.00%	
				9. SRN Power	40.00%	
				10. Steamz Health Care (BD) Ltd.	20.00%	
				11. Power-Add	80.00%	
				12. Techno Electricals Ltd.	16.89%	
				13. TSCO Power Ltd.	25.00%	
				14. TS Transformers Ltd	25.00%	
				15. Building Dreams Ltd.	10.00%	
				16. BMIT Solutions Ltd.	40.00%	

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	30,438,430 & 4.89%	1. Thermax Textile Mills Ltd.	29.98%	
				2. Thermax Knit Yarn Ltd.	30.00%	
				3. Thermax Spinning Ltd.	60.00%	
				4. Thermax Blended Yarn Ltd.	30.00%	
				5. Indigo Spinning Ltd.	55.00%	
				6. Thermax Melange Spinning Mills Ltd.	60.00%	
				7. Thermax Yarn Dyeing Ltd.	50.00%	
				8. Adury Knit Composite Ltd.	50.00%	
				9. Adury Apparels Ltd.	12.00%	
				10. Thermax Woven Dyeing Ltd.	60.00%	
				11. Thermax Yarn Dyed Fabrics Ltd.	20.00%	
				12. Sister Denim Composite Ltd.	19.00%	
				13. Thermax Check Fabrics Ltd.	60.00%	
				14. Thermax Colour Cotton Ltd.	20.00%	
				15. Sister Garments Ltd.	50.00%	
				16. Sultana Filling Point Ltd.	55.00%	
				17. Adury Fashion & Print Ltd.	60.00%	
				18. Adury Ring Denim Spun Ltd.	20.00%	
				19. Kadir Molla Medical College & Hospital Ltd.	30.00%	
				20. Sultana Enterprise	100.00%	
6	Engr. Md. Moklesur Rahman	Director	30,438,430 & 4.89%	1. Contech Construction Ltd.	65.00%	
				2. Pre Stressed Pole Ltd.	65.00%	
				3. B&T Cables Ltd.	70.00%	
				4. B&T Cold Storage Ltd.	6.67%	
				5. B&T Development Ltd.	25.00%	
				6. B&T Spinning Mills Ltd.	50.00%	
				7. B&T Distribution	100.00%	
				8. B&T Meter Ltd.	55.00%	
				9. Tushar Ceramics Ltd.	25.00%	
				10. B&T Transformers Ltd.	33.33%	
				11. Nexus Securities Ltd.	20.00%	
7	Al-Haj Mizanur Rahman	Director	22,000,000 & 3.53%	1. M R Trading Co.	100.00%	
				2. Modina Properties Ltd.	90.00%	
				3. Moon Bangladesh Ltd.	90.00%	
				4. Moon Group of Industries Ltd.	90.00%	
				5. Sun Moon Star Real Estate International	100.00%	
8	Mrs. Tahmina Afroz	Director	30,438,430 & 4.89%	1. Anwer Khan Modern Hospital Ltd.	10.00%	
				2. Haji Shakhawat Anwara Eye Hospital Ltd.	10.00%	
				3. Modern Diabetic Centre Ltd.	10.00%	
				4. Far East Finance & Investment Ltd.	1.34%	
				5. Modern Holdings Ltd.	50.00%	
				6. Mother Trade Centre	100.00%	
9	Mr. Hafizur Rahman Babu	Director	22,828,822 & 3.67%	1. Joytun Securities International Ltd.	85.12%	
				2. Joytun Developers Ltd.	50.00%	
				3. S.B. Agro Fertilizer Industries Ltd.	33.33%	
				4. Sheikh Cement Mills Ltd.	18.18%	
				5. Gold Hill Properties Ltd.	15.00%	
				6. Sheikh Jute Mills Ltd.	16.67%	
				7. M/S. Sheikh Brothers	100.00%	
				8. M/S. Hafizur Rahman Babu	100.00%	
				9. Joytun Tours & Travels	100.00%	
				10. Joytun Agro Auto Rice Mills Ltd.	33.33%	
				11. Sheikh Shipping Lines Ltd.	33.33%	
				12. Sheikh LPG Ltd.	33.33%	
				13. Sheikh Agro Food Industries	100.00%	
				14. Arising Trade Internation	80.00%	

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. Anwar Hussain	Director	3,804,804 & 0.61%	1. SAFAH CNG Refuelling Station Ltd .	8.33%	
				2. Anwar Corporation	100.00%	
				3. HAR Industries Ltd.	30.00%	
				4. Abdul Gaffar & Co. (Pvt.) Ltd.	30.40%	
				5. Asuka CNG Filling Station Ltd.	25.00%	
				6. AGI Corporation	100.00%	
				7. AGI Flex Ltd.	50.00%	
11	Capt. M. Moazzam Hossain	Director	31,041,455 & 4.99%	1. E-Securities Ltd.	66.08%	
				2. Agrovita Ltd.	60.00%	
				3. Admiral Trading Corp.	100.00%	
				4. Ekushey Homes Ltd.	60.00%	
				5. United Corp. Advisory Ltd.	20.00%	
				6. Masters Ocean Voyage	100.00%	
				7. Athena Venture and Equity Ltd.	15.00%	
				8. Radiant Dredging Ltd.	49.00%	
				9. Shoppers World Ltd.	20.00%	
				10. Canadian Trillinium School	Chairman, Board of Governor	
				11. Great Walls Land Property Ltd.	27.00%	
				12. Fareast International University	Member, Board of Trustees	
12	Mr. Sk. Shyed-uj-Jaman Nominated by Moonstar Cerinic Industries Ltd.	Director	2,497,000 & 0.40%	1. Mashiyat Fish Firm	100.00%	
				2. South East Union Ceramic Industries Ltd.	5.00%	
13	Mr. Mohammad Nawaz	Director	24,959,512 & 4.01%	1. Famous Printing & Packaging Ltd.	29.15%	
				2. Famous Iberchem Flavours & Fragnances Ltd.	29.16%	
				3. Famous General Agencies Ltd.	29.05%	
				4. Matcon limited	28.96%	
				5. F.S. Printing & Packaging Ltd.	29.11%	
				6. Green Soap & Chemical Co. Ltd.	29.07%	
				7. Famous Flavours & Fragnances Ltd.	40.00%	
				8. Eden Multicare Hospital	2.50%	
14	Mr. Mohammed Ayub	Director	25,444,430 & 4.09%	1. Ayub & Co. Ltd.	80.00%	
				2. Pioneer Enterprise	100.00%	
				3. United Enterprise	100.00%	
				4. Pacific Enterprise	70.00%	
15	Ms. Kamrun Nahar	Director	7,609,607 & 1.22%	1. Canadian Trillinium School	12.00%	
				2. Noor Asset Development	25.00%	
				3. Intelligent Technology Solutions Ltd.	33.33%	
				4. MK Fisheries	100.00%	
				5. People's Leasing & Financial Services Ltd.	0.001%	
16	Mr. Sakhawat Hussain, Nominated by Hazi Shakhawat Anwara Eye	Director	0	General Manager, Anwer Khan Modern Hospital Ltd. & Diagnostic Centre	N/A	
17	Dr. Syed Hafzur Rahman	Independent Director	0	1. Bagerhat Poultry & Fisheries	100.00%	
				2. Coal Mark	100.00%	
				3. Aliums Trade Associate	100.00%	
18	Mr. Md. Sajidur Rahman	Independent Director	0	1. Indo-Bangla Trading	40.00%	
				2. US-DK Green Energy (BD) Ltd.	22.50%	
				3. Nitex Ltd.	3.00%	
				4. Lenden Ltd.	5.00%	

**Note:** As per clause 94 (1) of Article 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/C-MRRCD/2009-193/119/ Admin/34 dated November 22, 2011 of Bangladesh Securities and Exchange Commission, the qualifying No. of shares of a directors 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 2019	Outstanding as at 31 Dec 2018
Haji Shakwat Anwera Eye Hospital	Mrs Tahmina Afroz	Cash Credit (Hypo)	11.08	10.64
Modern Diagnostic Center Ltd.	Mrs Tahmina Afroz wife of Mr. Anwar Hossain Khan, Managing Director, Modern Diagnostic Center Ltd.	Cash Credit (Hypo)	15.33	-
Khulna Builders Ltd.	Mr. SM Amzad Hossain & Mrs. Begum Sufia Anjad	Cash Credit (Hypo)	21.88	22.23
Radiant Dredging Ltd.	Capt. M. Moazzam Hossain	Lease Finance & SOD (Gen)	2.64	3.83
Anwar Hussain	Mr. Anwar Hussain	House Building Loan	0.90	0.75
Mohammad Imran	Mr. Anwar Hussain Brother of Mr. Mohammad Imran	House Building Loan	0.90	0.75
M M Fisheries	Mrs. Kamrun Nahar mother of Ms Mysha Khabir, Proprietor, M M Fisheries	SOD (Gen)	4.56	-
M.R. Trading Co.	Mr. Md. Mizanur Rahman	SOD (Gen)	4.72	10.12

- 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.  
**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	Katakhal Branch	Mr. S. M. Amzad Hossain, Chairman, Board of Directors, SBAC Bank Ltd. and owner of the premises	Lease period: 01.07.2013 to 30.06.2023

- b) Brokerage house :

Name of the Party	Name of the Director and related by	Nature of Transaction	Amount
E-Securities Ltd.	Capt. M. Moazzam Hossain and common director	Brokerage house commission and charges	Tk. 5,216.45

- 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 2019**

Particulars	Cost			Accumulated Depreciation			Net book value as at 31 December 2019	
	Balance as at 01 January 2019	Additions during the year	Disposals during the year	Balance at 31 December 2019	Charge for the year	On disposal during the year	Balance as at 31 December 2019	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Motor vehicles	47,280,004	-	-	47,280,004	8,253,914	-	36,518,990	10,761,014
Machinery and equipments	232,556,459	32,860,708	-	265,417,167	34,708,513	-	186,560,507	78,856,660
Furniture and fixtures	70,408,484	10,201,449	-	80,609,933	11,146,041	-	36,852,610	43,757,323
Interior decoration	232,216,051	43,615,328	-	275,831,379	21,073,037	-	96,086,438	179,744,941
Computers and accessories	242,309,938	17,609,160	-	259,919,098	24,817,129	-	190,720,525	69,198,573
Softwares	164,902,176	786,000	-	165,688,176	20,584,892	-	118,935,576	46,752,600
Other tools	27,323,948	6,328,643	-	33,652,591	4,943,653	-	19,955,834	13,696,757
<b>At 31 December 2019</b>	<b>101,69,970,600</b>	<b>111,401,288</b>	<b>-</b>	<b>1,128,398,348</b>	<b>125,527,179</b>	<b>-</b>	<b>685,630,480</b>	<b>442,767,868</b>
<b>At 31 December 2018</b>	<b>901,641,137</b>	<b>115,355,923</b>	<b>-</b>	<b>1,016,997,060</b>	<b>138,218,274</b>	<b>-</b>	<b>560,103,300</b>	<b>456,893,760</b>

**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%



**South Bangla Agriculture and Commerce Bank Limited**  
**Highlights on the overall activities of the bank**

(Amount in Tk.)

Sl. No.	Particulars	2019	2018
01	Paid up capital	6,224,050,160	5,658,227,420
02	Total capital (Tier I +II)	8,371,063,605	7,827,828,978
03	Capital surplus/(deficit)	1,266,759,532	1,963,885,909
04	Total assets	84,564,005,444	70,661,308,266
05	Total deposits	71,540,162,788	59,304,332,122
06	Total loans and advances	56,000,737,479	50,254,940,444
07	Total contingent liabilities and commitments	15,335,401,497	12,004,767,007
08	Advance deposits ratio (%)	78.21%	82.50%
09	Classified loans to advance ratio ( %)	6.09%	1.97%
10	Profit after tax and provision	967,602,178	879,587,136
11	Classified loans and advances at the end of the year	3,408,949,744	991,661,982
12	Provision kept against classified loans and advances	971,497,611	530,589,130
13	Surplus/(deficit) provision against classified advances	-	-
14	Cost of fund including operating cost (%)	10.47%	10.41%
15	Interest earning assets	73,970,203,123	63,003,656,028
16	Non interest earning assets	10,593,802,321	7,657,652,238
17	Return on investments (ROI) [Income from Investment/ Average Investments]	11.03%	13.67%
18	Return on Assets (ROA) [PAT/Average assets]	1.25%	1.36%
19	Return on Equity (ROE) [PAT/Average shareholders equity]	12.25%	12.40%
20	Net Asset Value per Share (NAV) [Shareholders equity/No. of Ordinary Share]	13.44	11.94
21	Income from investments	1,217,521,317	917,544,683
22	Earnings per share	1.55	1.41
23	Profit per share	1.55	1.41
24	Price - earnings ratio (times)	N/A	N/A

## List of Existing Branches

Sl. No.	Branch Name	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.	733464,733426
6	Katakhali Branch	Katakhali More, Khulna Mongla Road, Fakirhat, Bagerhat.	(046) 6356117
7	Keranigonj Branch	Aktar Tower, Bridze 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, Jaikhana 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	Talukder Ratul Plaza (1st & 2nd Floor) 390, Rangpur Road Boragola, Bogura.	(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) 871552, 871542
20	Shyamnagar Branch	469, Moti Morol Super Market Badghata, Shyamnagar, Satkhira.	(04726)-44182, 44063
21	Gazipur Branch	Tajpur Tower (2nd Floor), Bhaol 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, 63804,63810
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 Bitu Bazar Sarbolokkhona, Manohardi, Narsingdi.	01787-693621
29	Rajshahi Branch	ARC Bijoy Tower, 30 (New), Rani Bazar, Boalia, Rajshahi.	(0721)-773375 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	1st Lane, Manchester City(1st Floor), Shakerchar, Baburhat, Narsingdi.	02-9446060
36	Narayanganj Branch	Building:71, 99 Bangabandu Road, Ukil Para, Narayanganj.	02-7647593
37	Motijheel Branch	64 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 Bazar Main Road, Morrelganj Bagerhat.	0465-656418
45	Hasnabad Branch	Shamsu Rani Vila, Hasnabad, Ekuria, South Keranigonj Dhaka	01787 693 620
46	Kharabad Baintola Branch	Kharabad Baintola, Amirpur, Botiaghata, Khulna.	01711 398 751
47	Chalakchor Branch	Chalakchor Bazar Near Chalakchor Bus Stand Monohordi, Narshingdi	
48	Panthapath Branch	Selim Center, 19/2 West Panthapath, Dhaka	02-9134139
49	Mouchak Branch	Mouchak, Kaliakair, Gazipur	01787 693 645
50	Maligram Branch	Maligram Bazar, Vanga, Faridpur	01714 084 822
51	Chittagong EPZ Branch	Amin Tower, Bondortila, EPZ Chittagong	01787 693 604
52	Dinajpur Branch	Moniza Khatun Complex Buti Babur More, South Munchipara, Dinajpur	01787 693 643
53	KDA C/A Branch	A 51, Mojid Avenue, Shib Bari, Khulna	
54	Natore Branch	House: 555 (1st floor) Nahar Market, Kanaikhali, Natore.	0771-67010
55	Feni Branch	House:371(1st floor), Opposite to Feni Tower, SSK Road, Feni.	0331-73144
56	Kushtia Branch	Nurul Islam Tower, 262/2 (1st floor), NS Road, Kushtia.	01712-699291
57	Labonchora Branch	Madina Tower, Banda Bazar, Labonchora, Main Road, Khulna.	01673-825757
58	Pragati Sarani Branch	G-99/3/A&B, Manama M.S.Toren, Pragati Sarani, Middle Badda, Dhaka.	01730434793
59	Khatungonj Branch	Achiya Manson, 282 Khatungonj, Kotowali, Chittagong.	01787693608
60	Amin Bazar Branch	Haji Shafiullah Community Center 2nd Floor, Amin Bazar, Savar, Dhaka.	01714038319
61	Banari Para Branch	261, Shanto Shisto Complex Thana: Banari Para, Barisal.	01745265876
62	Faltita Branch	Battola Bazar, Faltita, Fakirhat, Bagerhat.	01711507244
63	Addabazar Branch	Union: Adda, Upazila: Barura, Comilla.	01787693707
64	Jibonnagar Branch	Torofder new market, Jibannagar Bazar, Jibannagar, Chuadanga	01718279646
65.	SBAC Corporate Branch	BSC Tower, (2nd - 3rd Floor), 2-3 Rajuk Avenue, Motijheel, Dhaka-1000	01787693652
66.	Abdullahpur Branch	Anwar Hossain Plaza, (Ground floor) Abdullahpur Bus Stand, South Keraniganj, Dhaka	01787693652
67.	Bhulta Branch	Rabet Al Hasan Shopping Center (2nd floor), Bhulta Bus Stand, Bhulta	01787693641
68.	Nazipur Branch	Dhamurhat Road, Potnitola, Naogaon.	01712436955
69.	Birganj Branch	Datta Plaza, Sujalpur, Birganj, Dinajpur.	01787693674
70.	Mehendigonj Branch	Amin Bhabhan (1st Floor), Uttar Bazar, SarnakarPotti Patarhat Bandar, Mehendigonj, Barishal.	01711993144
71.	Mymensingh Branch	Akil & Brothers, 19, Borobazar, Mymensingh.	01717463869
72.	Cumilla Branch	Ever Green, Khadi Museum (1st floor), Manoharpur, Cumilla.	01787693679
73.	Bhola Branch	Bangla School Moor, (Opposite of Brac Bank), Sadar Road, Bhola.	01770526555
74.	Bashundhara Mohila Branch	Badar Heights (2nd Floor), Plot# 262 & 263, Block # B Road #1, Sobhan Sarak, Bashundhara R/A, Dhaka	01742430416
75.	Babubazar Branch	A.K. Adil Femus Tower, 2, 2/A, KP Gosh Street, Armanitola, Dhaka.	01787693998
76.	Ramganj Branch	Anowar Khan Tower (1st & 2nd Floor), Holding No: 283 Hajigonj-Ramgonj Road, Ramgonj Municipality Lakshmipur.	01711116916

77.	Kaliganj Branch	Rahmania Supar Market, Kaliganj Municipality, Kaliganj Upazila, Jhenaidah.	01787693614
78.	Palashbari Branch	Zannat Lodge, Kalibari Bazar Road, Palashbari, Gaibandha.	01737273633
79.	Mohakhali Branch	4 Bir Uttam AK Khondokar Road, (Ground Floor) Mohakhali C/A, Amtoli (Beside Pubali Bank Mohakhali Br) Dhaka-1212.	02-48811526
80.	Bhandaria Branch	N Haque and Sons Market, Shahid Minar Road (Reserve Pukur Par), Bhandaria, Pirojpur.	01712739996
81.	Lohagara Branch	Ice Park (1st Floor), Lohagara, Chattogram.	01816554957
82.	Benapole Branch	Rahman Chember, Jessore Benapole highway Road, Word No. 7, Sharsha, Jessore.	01912634814

## List of Sub Branches

Sl. No.	Sub-Branch Name	Address	Phone Number
01	Gopalganj Sub Branch	Munchi Super Market, Jutta Potti Road, Word No. 4 Gopalganj Sadar, Gopalganj	01714747065
02	Jatrabari Sub Branch	99, Shahid Faruk Road, Jatrabari, Dhaka.	02-7543452 02-7543457
03	Rayenda Bazar Sub Branch	Kapuri Garments Potti, Rayenda Bazar, Sarankhola, Bagerhat.	0465-656418
04	Rupatoli Sub Branch	Sikdar Tower, Rupatoli Sarak, Barisal City Corporation, Barishal.	(0431)2177718, 2177714
05	Pacchor Sub Branch	Babu Sarkar Building, Paccor Girls School Road, Madhobchor, Shibchor, Madaripur.	270291128
06.	Muladi Sub Branch	Al-amin Tower, Holding No- 2391, Sadar Road Ward No- 06, Muladi, Barishal.	01735954471

সাউথ বাংলা এগ্রিকালচার গ্র্যান্ড কমার্স ব্যাংক লিঃ



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## South Bangla Agriculture & Commerce Bank Limited

Head Office:  
BSC Tower, 05<sup>th</sup>-16<sup>th</sup> Floor  
2-3 Rajuk Avenue Motijheel C/A, Dhaka-1000, Bangladesh.

### PROXY FORM

I/We .....  
Of (Address) .....  
being a 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 7th AGM of the Company to be held at 11:00 AM on Tuesday,  
August 18, 2020 or at any adjournment thereof.  
Signed this ..... day of ....., 2020.

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 7th AGM of the Company being held on Tuesday, August 18, 2020 at 11:00 AM at Head office, South Bangla Agriculture and Commerce Bank Limited, BSC Tower, 2-3 Rajuk Avenue, Motijheel, Dhaka-1000.

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.



## South Bangla Agriculture & Commerce Bank Limited

### Head office

BSC Tower, 05<sup>th</sup>-16<sup>th</sup> Floor, 2-3 Rajuk Avenue, Motijheel C/A, Dhaka 1000, Bangladesh.

Tel: +8802 9577207-11, Web: [sbacbank.com](http://sbacbank.com) SWIFT: SBACBDDH

