SBAC BANK



ANNUAL REPORT 2018

সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ

SBAC BANK

6th

Annual General Meeting (AGM) of South Bangla Agriculture & Commerce Bank Limited will be held on May 23, 2019 at 4:00 p.m. at the Sky Ballroom (floor 16) of Le Meridien Dhaka, 79/A Commercial Area Airport Road, Nikunja 2, Khilkhet, Dhaka-1229

Advancement

South Bangla Agriculture & Commerce (SBAC) Bank Limited started its journey in 2013 with a vision to be customer-friendly elevating service excellence. We started with two advantages: uniquely qualified leadership and a firm capital base of BDT 4089.6 million. Building on this rock-solid foundation enabled us to offer our customers a wide array of financial solutions. Combining these solutions with our wealth of experience enabled us to exercise judgment to propel our customers' financial interests forward. As one of this country's new generation and fastest growing banks, we offer 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 an world class Core Banking System and implementing all Central Bank initiated projects within the shortest time.

We have set up clear goals and accordingly drawn strategic plan to achieve the goals and committed to highest ethical standards where top priority is given to zero NPL and products diversification & satisfactory services.

SBAC BANK





SBAC BANK

Our Vision

To be a Leading-edge Bank exploring inclusive financial ecosystem by connecting individuals, corporates & 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.

CONTENTS

ABOUT US

3	Vision & Mission
4-5	Table of Contents (Index)
6	Letter of Transmittal
7	Notice of the 6th AGM
8	Commitments
9	Our Management Philosophy
10	Strategic Priorities
11	Company History
12	Corporate Information
13	Milestones
14-15	Unique Achievements
16	Credit Rating of the Bank

LEADERSHIP

17	Leadership
18	Board of Directors
19	Committees of the Board
20-22	List of Honorable Sponsor Shareholders
23	Our Management in a frame
24-41	Directors' Profile
42	Our Management Team
43-44	List of Executives of the Bank
45-47	Chairman's Address
48	Images of Branch opening ceremonies in 2018
49-51	Analysis of the Management

PRODUCTIVITY & GROWTH

52-64	Performance Highlights
65-105	Directors' Report
106	Value Added Statement
107	Economic Value Added Statement

RESPONSIBILITY

108	Responsibility
109-110	Report of the Risk Management Committee of the Board
111-126	Risk Management
127-130	Green Banking
131-134	Report of the Audit Committee of the Board
135-148	Corporate Governance
149-162	Certificate of Compliance Status of Corporate Governance
163-189	Basel III Disclosure

FINANCIAL STATEMENTS

190	Financial Statement
191	Declaration of Managing Director & CEO and CFO
192-195	Independent Auditors' Report
196	a. Balance Sheet
197	b. Off Balance Sheet Items
198	c. Income Statement/Profit & Loss Account
199	d. Cash Flow Statement
200	e. Statement of Changes in Equity
201	f. Liquidity Statement
202-237	g. Notes to the Financial Statements

MISCELLANEOUS

237-239	Branch Network
240	Proxy Form

Letter of Transmittal

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

Subject: Annual Report 2018 of South Bangla Agriculture & Commerce Bank Ltd.

Dear Sir/Madam (s),

Reference to the above, we enclose herewith copy of Annual Report 2018 of South Bangla Agriculture & Commerce Bank Limited along with Audited Financial Statements as at 31st December 2018. This report includes Income Statement, Balance Sheet, Cash Flow Statement, Liquidity Statement, Statement of Changes in Equity and Notes to the Accounts thereon of South Bangla Agriculture & Commerce Bank Limited.

This is for your kind information and ready reference.

Md. Mokaddess Ali ACS
Senior Vice President &
Company Secretary

NOTICE OF THE 6th ANNUAL GENERAL MEETING

Notice is hereby given to all Members of South Bangla Agriculture & Commerce Bank Limited (the ìCompanyî) that the 6th Annual General Meeting of the Members of the Company will be held on Thursday, May 23, 2019 at 4:00 p.m. at the Sky Ballroom (floor 16) of Le Meridien Dhaka, 79/A Commercial Area Airport Road, Nikunja 2, Khilkhet, Dhaka-1229 to transact the following business and adopt necessary resolutions:

AGENDA:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2018.
2. To declare dividend out of the Profits for the year ended December 31, 2018.
3. To appoint Auditors of the Company for the term until the conclusion of the next Annual General Meeting and to fix their remuneration.
4. To appoint Practicing Professional Accountant or Secretary for certification on compliance of the Corporate Governance Code and to fix their remuneration.
5. To intimate expenditure regarding Vehicles of the Bankís Pool.
6. To approve the Appointment of Independent Director.
7. 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
8. To transact any other business with permission of the Chair.

Dhaka
Date: May 8, 2019

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 May 7, 2019;

b. The Shareholders whose names appear in the Register of Members of the Company as at the close of the business on May 7, 2019 will only be entitles 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 of 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. The Members are requested to notify change of address, if any, to the Company Secretariat on or before May 7, 2019



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 pre requisite to establish good governance. In South Bangla Agriculture and Commerce Bank Limited, we believe in compliance Culture. ëCompliance first; profit is itís logical consequenceí with this motto the Bank is moving forwards 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 helping our clients achieve their goals.

Hard Work:

- Discipline and perseverance govern our actions so as to achieve outstanding results for our clients and outstanding returns for our stakeholders.
- 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 Bankís business.
- We say what we do and do what we say.

Innovation:

- Since our inception, the Bank believes that 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 anotherís 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 customersí 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 ìState of the Art System based Servicesî 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 SBAC Bankís basic philosophy of human resources development and we believe that the Bankís unique corporate culture will be further developed by continuing to practice this philosophy.

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

We promote transparency and excellence and we comply with Provisions of Laws in the Bankís 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 economic trend in mind, we have set our strategic priorities focusing on asset quality. Our objective is to maintain the Non Performing Loans below one percent. In the year 2019 we must concentrate our efforts towards the followings:

1. Keeping the Non-Performing Loan (NPL) below 1.00% within 2020 through formulating policies and revising organizational structure accordingly.
2. Expansion of branch network to make banking services available at important locations throughout the country. The Bank has already opened 74 branches up to December, 2018 and opening of few more branches is under process. The Bank has a plan to increase number of branches to 100 by December 31, 2020.
3. Maintaining highest quality of customer services by offering best products compatible with customersí needs.
4. 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 soon.
5. Continuation of diversification of credit portfolio on sectoral & geographical basis.
6. Improvement of deposit mix by penetrating board-based customers, increasing share of low cost and no cost deposit in total deposit and decreasing rate sensitive high cost deposit.
7. Maintaining optimum level of liquidity through skillfully managing asset-liability mismatch and recovery of past due loans.
8. Administering regular and effective monitoring and conducting recovery drive to ensure asset quality.
9. Diversification of products and services by introducing IT based innovative digital products and engaging alternate delivery channels.
10. Expediting delivery of inward remittance to increase the flow of foreign remittance.
11. Insuring good governance through strengthening corporate cultures, motivation, training and supervision at all levels of management.
12. Conduct Business Process Re-engineering in different functional areas to improve efficiency and ethical values.
13. Develop Human Resources Management system to motivate and retain Human Resources and transform them into Human Assets through continuous skill development.
14. Cost minimization and efficiency optimization at all levels of operation by ensuring budgetary control.
15. Expansion of activities related to Corporate Social Responsibility and Green Banking within the framework of organizational goals.
16. Maintaining strong capital base by ensuring borrowersí rating, concentrating on lending portfolio having lower capital charge, strengthening Internal Capital Adequacy Assessment Process (ICAAP).
17. Ensuring efficient and effective risks management for sustainable business growth.
18. Increasing brand visibility by creating positive image of the Bank.
19. To add value for all stakeholders.
20. To take appropriate measures to ensure AML/CFT
21. To be compliant with all organizational and regulatory requirements by adherence to all laws, rules, regulations relating to banking.
22. To build up a better deposit mix with base deposit i.e. low/no cost deposit.

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. Md. Golam Faruque
Company Secretary	:	Mr. Md. Mokaddess Ali ACS
Auditors	:	Khan Wahab Shafique Rahman & Co., Chartered Accountants
Tax Consultants	:	Islam and Co., Chartered Accountants
Legal Consultant	:	Bhuiyan Islam and Zaidi.
No. of Branches	:	74
No. of ATM Booth	:	25
No. of Employees	:	801

Stock Summary

Authorized Capital	:	Tk. 10,000 million
Paid up Capital	:	Tk. 5658.23 million
Face Value per Share	:	Tk. 10

Chairman's Office	:	Akram Tower (9th Floor), 199, Sayed Nazrul Islam Sarani 15/5, Bijoy Nagar, Dhaka-1000.
E-Mail	:	lockpurgroup@gmail.com

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	Openning of Nostro Account:	
	AB Bank (Mumbai Branch)	22/05/2013
	United Bank Of India	17/06/2013
	Sonali Bank (UK)	25/06/2013
	Mashreq Bank Psc (Newyork)	25/09/2013
	National Bank of Pakistan (Tokyo, Japan)	20/03/2014
	Mashreq Bank Psc (London, U.K)	23/06/2014
	Sonali Bank (Kolkata)	11/02/2015
13	Signing agreement with ITCL for launching ATM operation	23/11/2013
14	Live ATM and Card Operation	09/03/2014
15	1st AGM held on	31/03/2014
16	Eastablishment 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 ì Grade Aî 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 ì The Golden Globe Tigers Award 2018î (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. SBAC Bank Ltd. has been the highest operating profit maker among new conventional banks.

4. The bank has opened so far 74 branches maintaining rural-urban ratio 1:1.

5. At the end of December 2018, Balance Sheet size of the bank reached to Tk. 70,661.31 million.

6. The Bank made robust business growth in all respects of its business in 2018 i.e. the operating profit growth 11.79%, total assets growth 19.889%, total deposits growth 18.32%, total loans and advances growth 16.10%.

7. The Bank earns net profit of Tk. 1009.587 million in 2018 with a rising trend in compare to that of previous year.

8. SBAC Bank Ltd. has been able to uphold the quality of itís assets at a significant level by keeping Non-performing loan (NPL) very low.

9. 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.

10. 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 NK Corporation, Xpress Money Services Ltd., Western Union Network, Ria Financial services and Turbo Cash under arrangement of Sub-agency/associate member.



SBAC Bank Ltd has got "The Golden Globe Tigers Award 2018" for excellence and leadership in branding and marketing in the individual and organisation category of service excellence, according to a statement. Md. Golam Faruque, Managing Director and CEO of the Bank Ltd, has received the trophy at Pullman Kuala Lumpur City Centre Hotel in Malaysia.

11. In order to support the Non-AD (Non-Authorized Dealer) branches, the bank established Central Trade Processing Unit (TPU) at Head Office.

12. To transform the human resources into human asset, the bank established itís Training institute at the beginning of 2014.

13. The Bank launched Online Banking Service from the 1st day of itís operation.

14. 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.

15. 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 ì AGENT BANKINGî operation approval from Bangladesh Bank which will come into operation soon.

16. 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.

17. 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.

18. To combat Money Laundering and Terrorist Financing appropriate preventive measures have been taken.

19. The Bank got ìLetter of Appreciationî for achieving agriculture finance target in 2016.

20. As an international recognition, the Bank achieved ìSardar Patel Award 2016î for the contribution in socio-economic development of our country.

21. Agreement on Foreign currency loan from ëLong Term Financing Facility' under their financing agreement with International Development Association (IDA) of World Bank (WB)í On August 04, 2016.

22. Agreement on ëGreen Transformation Fund for Export oriented Textile & Textile Products, Leather manufacturing industries and Jute productsí On 09 February, 2017.

23. The Bank has achieved "Grade A" for Successful implementation of National integrity strategy Action plan for the Quarter April-June, 2017.

24. Agreement with JICA on 'Two Step Fund of Foreign Direct Investment Promotion Project(FDIPP) BD-P86' On 14 February 2018.

25. we have introduced SBAC Digital Wallet **"Banglapay"** on 16th December 2018 to offer digital financial services through mobile phones, QR based point-of-sale and networks of small-scale agents.



SBAC Bank Limited celebrates its 6th founding anniversary at Bankís Head Office, Dhaka on April 3, 2019. Mr. S. M. Amzad Hossain, Chairman of SBAC Bank cutting a cake along with Bankís Director Mr. Mohammad Nawaz, Mr. Sakhawat Hossain, Dr. Sayed Hafizur Rahman & Sponsor Shareholder Motiur Rahman. Managing Director & CEO Mr. Md. Golam Faruque, AMD Mr. Mostafa Jalal Uddin Ahmed, DMD Mr. Tariqul Islam Chowdhury and DMD Mr. Mamunur Rashid Molla attended in the ceremony.

SBAC BANK

Credit Rating Report

A3

Year	Long Term Rating	Short Term Rating	Date of Rating	Valid Till
2018	A_3	ST-2	27 June 2018	30 June 2019
2017	A_3	ST-2	21 June 2017	30 June 2018
2016	BBB_1	ST-2	02 June 2016	30 June 2017

Long Term : A_3

- Commercial Banks rated ëA3í have strong capacity to meet their financial commitments
- Judged to be of high quality with low credit risk.

BBB_1

- Commercial Banks rated BBB_1 have adequate capacity to meet their financial commitments.

Short Term : ST-2

- Commercial Banks rated ëST-2í 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.

SBAC BANK

LEDERSHIP



THE BOARD OF DIRECTORS



Mr. S.M. Amzad Hossain
Chairman



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



Captain M. Moazzam Hossain
Chairman
Executive Committee



Mr. Abdul Kadir Molla
Director



Begum Sufia Amjad
Director



Mr. Abu Zafar Mohammod Shofiuddin
Director



Al-haj Mizanur Rahman
Director



Engr. Md. Moklesur Rahman
Director



Mr. Md. Amzad Hossain
Chairman, Risk Management
Committee



Mr. Hafizur Rahman Babu
Director



Mr. Anwar Hussain
Director



Mrs. Tahmina Afroz
Director



Mr. Sk. Shyedujjaman
Director



Mr. Mohammad Nawaz
Director



Mr. Mohammed Ayub
Director



Mr. Sakhawat Hussain
Director



Dr. Syed Hafizur Rahman
Independent Director

COMMITTEES OF THE BOARD

EXECUTIVE COMMITTEE

Chairman

Captain M. Moazzam Hossain

Members

Mr. Abdul Kadir Molla

Engr. Md. Moklesur Rahman

Al-Haj Mizanur Rahman

Mr. Hafizur Rahman Babu

Mr. Sk. Shyedujjaman

Mr. Mohammad Nawaz

AUDIT COMMITTEE

Chairman

Mr. Talukder Abdul Khaleque

Members

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

Mr. Abu Zafar Mohammod Shofiuddin

Mr. Anwar Hussain

Dr. Syed Hafizur Rahman

RISK MANAGEMENT COMMITTEE

Chairman

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

Members

Mr. Hafizur Rahman Babu

Mr. Mohammed Ayub

Mr. Anwar Hussain

Mr. Sakhawat Hussain,
Nominated by: Haji Shakhawat Anwara Eye Hospital Ltd.

SECRETARY TO THE COMMITTEES

Mr. Md. Mokaddess Ali ACS

List of Honorable Sponsor Shareholders



Mr. Maksudur Rahman



Ms. Kamrun Nahar



Miss Tajori



Mr. Motiur Rahman



Ms. Mysha Khabir



Mrs. Sanawar Bano



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. Rezaul Haque



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



Mst. Nasima Begum,
Representing
Thermax Textile Mills 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.

Our Management in a Frame



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 03-01-2016. In 2019, Mr. S.M. Amzad Hossain has been reappointed again for a further period of three years from 21-02-2019 at 87th Board Meeting held 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., Khulna Apparels Ltd., Woman Wears Ltd., 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.



Mr. Talukder Abdul Khaleque
Independent Director & Vice-Chairman

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 Audit Committee of the Board. He graduated from M M City College in 1974. He is a veteran politician of Bangladesh. Mr. Talukder is former member of parliament & Minister. He is the Present Mayor of Khulna City Corporation.



Captain M. Moazzam Hossain
Director

Captain M. Moazzam Hossain, F.C.I.T., is a Sponsor Director of the Bank. He is also the Chairman of Executive 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., Paramount Properties Ltd., Canadian Trillinium School, Sonar Bangla Insurance Ltd., People's Leasing and Financial Services Ltd., 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. Near about 14,000 (Fourteen Thousand) employments are working in Thermax Group Ltd. Being 100% export oriented facilities, all the concerns of Thermax Group Ltd. earn foreign currency. 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., Woman Wears Ltd., Western Inn International Ltd., Khulna Builders Ltd., Ideal Polymer Export Ltd., Khulna Printing & Packaging Ltd. & Khulna Apparels Ltd. She has a remarkable contribution in socio economic activities in her local area.



Mr. Abu Zafar Mohammod Shofiuddin
Director

Mr. Abu Zafar Mohammod Shofiuddin is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He is a prominent business personality in the country. He obtained B.Com (Hons.), and M.Com (Marketing) degree from University of Dhaka in 1991 & 1992 respectively. He has started his business in 1992 and established SQ Group of Companies which extended to Different subsidiaries presently. He is the Chairman of Techno Electricals Ltd., SQ Wire & Cable Co. Ltd., & SQ Lights Ltd. He is also the Managing Director of TSCO Power Ltd., TS Transformers Ltd. and Director of Microgenix BD Ltd., SQ Wood Preservatives, SQ Energy Ltd., SRN Power, Power- Ad, Meter D'Tech & Managing Partner of SQ Trading & Engineering as well.

SBAC BANK



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 & Housing Limited, M. R. Trading Company Limited, The Daily Bartoman 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 Directors of South Bangla Agriculture and Commerce Bank Limited. He obtained his B.Sc. Civil Engineering degree from Chittagong University of Engineering and Technology (former Chittagong Engineering College), one of the top universities in Bangladesh. He has always been a dreamer and wanted to run his own business since the early age, after gaining experience while working in Gemcon Group. On 29 May, 2001, he finally realized his dream and started Contech Construction Ltd., one of the most highly respected SPC Piles & Poles suppliers in Bangladesh. He is a self made man, and did not inherit his business from anyone but founded Contech Construction Ltd. with the sweat of his brow. His amazing track record did not stop there. Later on 09 February, 2004 he founded Pre-Stressed Poles Ltd., to meet the exceptional demand for SPC Poles. He has always been forward thinking and wanted to diversify his business into other sectors. His largest start up to date has been B&T Cables Ltd. established on 11 January, 2005 to supply electrical wires and is the largest income generator in the B&T Group. Mr. Rahman is a hard working man and had still not quenched his thirst for running new businesses and helping the economy of Bangladesh to grow. He also founded B&T Cold Storage, providing affordable perishable storage facilities to the mass of Bangladeshi farmers. He has always been a civil engineer at heart and founded B&T Development Limited, building apartments in prestigious locations in Dhaka such as Lalmatia, Banani, Gulshan & Khilgaon as well as providing affordable housing solutions elsewhere in Bangladesh. 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. Married to Mrs Quamrun Nahar and with two children, Engr. Md. Moklesur Rahman always believes in being honest and hard working.



Mr. Md. Amzad Hossain
Director

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



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 and M/S. Hafizur Rahman Babu. He is also the Member of Dhaka Stock Exchange Limited representing Joytun Securities International Limited. Besides, he is one of the founders of the Canadian Trillium School. He participated in various professional workshops and seminars at home and abroad and is also associated with many social, cultural and charitable organizations.



Mr. Anwar Hussain
Director

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



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 Medical College Hospital Ltd., Modern Diabetic Centre Ltd., Modern Holdings Ltd. and Haji Shakhawat Anwara Eye Hospital Ltd. She is a sponsor shareholder of Far East Finance & Investment Ltd.



Mr. Sk. Shyedujjaman
Director

Mr. SK. Shyedujjaman is a Sponsor Director of South Bangla Agriculture and Commerce Bank Limited. He is a young and emerging entrepreneur of south Bengal. He obtained B.B.A. and M.B.A (Marketing) degree from AMC College, Bangalore in 2001 & 2003 respectively. He is a successful businessman in the frozen food industry. Mr. SK. Shyedujjaman is involved with South East Union Ceramic Industries Ltd. He is the Proprietor of Sadiana Trading. 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 & Commerce Bank Limited. He is a renowned and successful industrialist of the country having diversified business portfolio. Mr. Nawaz was born in a respectable Muslim Family at Dhaka in July 25, 1975. He obtained his B.Sc. and Masters (Marketing & Management) Degree from University of Plymouth. In 2003, He did a Ph.D. in Chemistry as well. After returning to the Country in 2004, He started Famous Printing & Packaging Limited (famouspack), one of the leading flexible packaging industry supplying laminates to multinational companies such as Unilever, Pepsi, Coca Cola, Reckit Benkiser, Bayer, Syngenta etc. Famouspack also supply laminates to local corporate organizations, namely Square, Pran, Cocola, ACI, Ispahani etc. In 2005, He started Famous Iberchem Flavour & Fragrance Limited (joint venture with Iberchem Spain), the only manufacturer of Fragrance and Flavours in Bangladesh. Their client list includes - Square, ACI, Keya Cosmetics, Kohinoor, Cocola, Olympic, Nabisco, Olympic etc. He is also Director of Eden Multicare Hospital (100 bed hospital) in Dhanmondi. He is a member of Board of Trustee in South East University, one of the leading private university of Bangladesh. He is also the Director of Famous Group of Companies Limited, Famous Printing & Packaging Ltd, Famous Iberchem Flavours & Fragrances Ltd., Famous General Agencies Ltd., Matcon limited, F.S. Printing & Packaging Ltd., Green Soap & Chemical Co. Ltd., and Famous Flavours & Fragrances Ltd.



Mr. 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 M/S. 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 also a member of Risk Management Committee of the Board. 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 involved with Modern Group of Company.



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 ëEconomics Development and To be Doneí and ëSankita Sankalpaí. Immediately after completing his Academic as well as professional education, Dr. Rahman started to implement his theoretical knowledge at Business Sector as an Entrepreneur and Established Shrimpex.com, Coal Mark and Alliums Trade Associate. Presently, Dr. Rahman has a notable Contribution to the frozen food, coal marketing and Packaging Accessories sector of Southern zone. He is highly respected for his contribution to the society through his numerous welfare works and well recognized for his involvement with various socio-economic organizations such as, Bangladesh Economic Association, Bangladesh Red Crescent Society, Bangladesh Human Rights Commission, Bangladesh Debating Society, Khulna University & Rotary District Hospital, Umesh Chandra Public Library, Rajshahi University Alumni Association and Sonali 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. Golam Faruque
Managing Director & CEO

Mr. Md. Golam Faruque is the Managing Director & Chief Executive Officer (CEO) of South Bangla Agriculture and Commerce Bank Limited. Prior to his current assignment, he was the Managing Director of Rajshahi Krishi Unnayan Bank, Deputy Managing Director (DMD) of Janata Bank Limited and DMD of Bangladesh Krishi Bank (BKB). Having recruited through Bankers Recruitment Committee (BRC), he started his banking career with Janata Bank as Senior Officer in 1984. During his long triumphant service, he served in different capacities Particularly in Khulna, Barisal and Chittagong as Divisional Head and Head of Audit, Credit & Vigilance Department at Head Office of the same Bank with 22 years of managerial exposure. Mr. Faruque has proven expertise in Bank Management having sound track records with diversified experience in various types of Auditing with a firm understanding of the complexities involved in strong Corporate Culture. In his Banking career, he has a noteworthy contribution in Credit, Investment, International Trade, Treasury Management, Audit and Corporate Finance as well. He took part in the various trainings, seminars and symposiums at home and abroad. He obtained his BSS (Honourís) degree in 1981 and Masterís Degree in 1984 in Economics from the University of Dhaka with a brilliant academic background. He is a man of strong ethics having moral values and involved in different socio economic activities.

Our Management Team



Mr. Md. Golam Faruque
MD & CEO



Mr. Mostafa Jalal Uddin Ahmed
AMD



Mr. Mohammad Salim Chowdhury
DMD



Mr. Md. Mamunur Rashid Molla
DMD



Mr. Tariqul Islam Chowdhury
DMD



Mr. Md. Nazrul Islam
Principal



Mr. Md. Ghulam Nabi
SEVP



Mr. Shafiuddin Ahmed
SEVP



Mr. Md. Kamal Uddin
SEVP



Mr. Hafizur Rahman
SEVP



Mr. Md. Altaf Hossain
SEVP



Mr. Md. Sayedul Haque
SEVP



Mr. Md. Mizanur Rahman
EVP



Mr. Mohammad Asadul Haque
EVP



Mr. Md. Masoodur Rahman FCA
SVP



Mr. Md Abu Bayazid Sk.
SVP



Mr. Md. Mokaddess Ali ACS
SVP



Mr. Md. Abdul Mannan
VP



Mr. Md. Shafiul Azam
VP

List of Executives

SL NO	Name	Designation	Place of Posting
1	Mr. Md. Golam Faruque	MD & CEO	Head Office, Dhaka
2	Mr. Mostafa Jalal Uddin Ahmed	AMD	Head Office, Dhaka
3	Mr. Mohammed Salim Chowdhury	DMD	Agrabad Branch, Chattogram
4	Mr. Md. Mamunur Rashid Molla	DMD	Head Office, Dhaka
5	Mr.Tariqul Islam Chowdhury	DMD	Head Office, Dhaka
6	Mr. Md. Nazrul Islam	Principal	Training Institute, Head Office, Dhaka
7	Mr. Md. Ghulam Nabi	SEVP	Human Resources Division, Head Office, Dhaka
8	Mr. Shafiuddin Ahmed	SEVP	International Division, Head Office, Dhaka AML & CFT Division, Head Office, Dhaka
9	Mr. Md. Altaf Hossain Bhuyan	SEVP	Banani Branch, Dhaka
10	Mr. Md. Kamal Uddin	SEVP	Credit Administration Division, Head Office, Dhaka
11	Mr. Md. Nurul Azim	SEVP	Principal Branch, Dhaka
12	Mr. Md. Altaf Hossain	SEVP	Legal Affairs & Recovery Division, Head Office, Dhaka
13	Mr. Md. Hafizur Rahman	SEVP	Marketing & Business Development Division General Services Division, Head Office, Dhaka
14	Mr. Md. Sayedul Haque	SEVP	ICC Division, Head Office, Dhaka
15	Mr. Md. Mizanur Rahman	EVP	IT Division, Head office, Dhaka
16	Mr. Md. Saiful Islam	EVP	Nawabpur Branch, Dhaka
17	Mr. Salahuddin Ahmed	EVP	Head Office, Dhaka
18	Mr. Mohammad Asadul Haque	EVP	Treasury Division, Head Office, Dhaka
19	Mr. Md. Masoodur Rahman FCA	SVP	Financial Administration Division, Head Office, Dhaka
20	Mr. S.M. Iqbal Mehedi	SVP	Khulna Branch, Khulna
21	Mr. Md. Shamsul Hoque	SVP	Audit Department, ICC Division, Head Office, Dhaka
22	Mr. Md. Monzur Murshed Khan	SVP	Bogura Branch, Bogura
23	Mr. Md. Sajedul Alam Khan	SVP	Satkhira Branch, Satkhira
24	Mr. Sayed Md. Moharam Hossain	SVP	SBAC Corporate Branch, Dhaka
25	Mr. Md. Majibur Rahman	SVP	Narayangonj Branch, Narayangonj
26	Mr. Asirul Haque	SVP	Uttara Branch, Dhaka
27	Mr. Mohammed Imtiaz	SVP	Nasirabad Branch, Chattogram
28	Mr. Abu Bayazid SK.	SVP	Banking Operation Division, Head office, Dhaka
29	Mr. Md. Mokaddess Ali ACS	SVP	Board Division, Head Office, Dhaka
30	Mr. Md. Abul Kalam Azad	SVP	Khatungonj Branch, Chattogram
31	Mr. Yousuf Solaiman Russel	VP	Dhanmondi Branch, Dhaka
32	Mr. Emdad Haider	VP	Agrabad Branch, Chattogram
33	Mr. Md. Rashed Mahbub Rabban	VP	Rangpur Branch, Rangpur
34	Mr. Mohammed Anwarul Kabir	VP	Gulshan Branch, Dhaka
35	Mr. Md. Abdul Mannan	VP	Credit Division, Head Office, Dhaka
36	Mr. Shoaib Mahmud Tuhin	VP	Head Office, Dhaka
37	Mr. Md. Zakir Hossain	VP	Pragati Sharani Branch, Dhaka
38	Mr. Sahab Uddin	VP	Jubilee Road Branch, Chattogram
39	Mr. Md. Ziaul Latif	VP	Credit Division, Head Office, Dhaka

40	Mr. Mannan Bapari, ACMA, CERM	VP	Dhanmondi Branch, Dhaka
41	Mr. Md. Jasim Uddin Bhuiyan	VP	Feni Branch, Feni
42	Mr. Md. Mostafizur Rahman	VP	Amin Bazaar Branch, Dhaka
43	Mr. A.N.M. Moyeej Ahmed	VP	Katakhali Branch, Bagerhat
44	Mr. Mohammad Shafiul Azam	VP	Card Division, Head Office, Dhaka
45	Mr. Md. Mahbubur Rahman	FVP	Rajshahi Branch, Rajshahi
46	Mr. Abu Salem Mohammad Hojaiffa Noman	FVP	Mirpur Branch, Dhaka
47	Mr. A.N.M. Mejbahul Hasan	FVP	International Division, Head Office, Dhaka
48	Mr. Md. Fakhrul Islam	FVP	IT Division, Head office, Dhaka
49	Mr. Sheikh Sharfuddin	FVP	Motijheel Branch, Dhaka
50	Mr. Dewan Arifur Rahman	FVP	Treasury Division, Head Office, Dhaka
51	Ms. Sultana Razia	FVP	Dhanmondi Branch, Dhaka
52	Mr. Md. Delowar Hossain Mondol	FVP	Mymensingh Branch, Mymensingh
53	Mr. Mohammad Yousuf Chowdhury	FVP	Bhatiari Branch, Chattogram
54	Mr. Md. Shahidur Rahman	FVP	Jashore Branch, Jashore
55	Mr. Bidhan Kumar Saha	FVP	KDA C/A Branch, Sibbari, Khulna
56	Mr. Md. Mazharul Hasan	FVP	International Division, Head Office, Dhaka
57	Mr. Md. Khalequzzaman	FVP	ICC Division, Head Office, Dhaka
58	Mr. Sankar Kumar Ghosh	AVP	Bhulta Branch, Narayangonj
59	Mr. Md. Sayeed Bin Islam	AVP	SBAC Corporate Branch, Dhaka
60	Mr. Husban Ahmed Chowdhury	AVP	Uttara Branch, Dhaka
61	Mr. Md. Kamal Hosen	AVP	Natore Branch, Natore
62	Mr. Syed Hafij Ahmed	AVP	Barishal Branch, Barishal
63	Mr. Salil Kumar Dutta	AVP	Abdullahpur Branch, Keranigonj, Dhaka
64	Mr. Mohammad Rafiqul Islam	AVP	Keranigonj Branch, Dhaka
65	Mr. Md. Islamul Haque	AVP	Imamgonj Branch, Dhaka
66	Mr. Mohammed Gias Uddin	AVP	International Division, Head Office, Dhaka
67	Mr. Khondokar Noory Imam	AVP	Marketing Division, Head Office, Dhaka
68	Mr. Md. Manirul Islam	AVP	Gulshan Branch, Dhaka
69	Mr. Imtiaz Rahman	AVP	IT Division, Head office, Dhaka
70	Mr. Abdul Kadir	AVP	Baburhat Branch, Narsingdi
71	Mr. Mohammad Rafiqul Hasan	AVP	Banglabazar Branch, Noakhali
72	Mr. K.M. Shamsul Bari	AVP	Shibu Market Branch, Narayangonj
73	Mr. Md. Shoeb	AVP	Najipur Branch, Naogaon
74	Mr. Md. Yasin Huda	AVP	Rajshahi Branch, Rajshahi
75	Mr. Mohammad Reazul Islam	AVP	Banani Branch, Dhaka
76	Mr. Mohd. Monjurul Alam	AVP	Kharabad Baintola Branch, Khulna
77	Mr. Zabed Emdad Chowdhury	AVP	Islampur Branch, Sylhet
78	Mr. Ahammed Mehedi Imam	AVP	Cumilla Branch, Cumilla
79	Mr. Kaji Jasim Uddin	AVP	Takerhat Branch, Madaripur
80	Mr. Md. Mahasin Sarder	AVP	Bhola Branch, Bhola
81	Mr. Shakibul Alam	AVP	IT Division, Head office, Dhaka
82	Mr. Razwanul Huq	AVP	Principal Branch, Dhaka
83	Mr. Mohammad Shah Kamal Sarkar	AVP	International Division, Head Office, Dhaka
84	Mr. Muhammad Akhteruzzaman	AVP	Agrabad Branch, Chattogram
85	Mr. Syed Shahjahan Sagar	AVP	Hemayetpur Branch, Dhaka
86	Mr. Mohammed Ikram Pasha	AVP	Jubilee Road Branch, Chattogram
87	Mr. Md. Abdur Rashid	AVP	Digraj Branch, Bagerhat
88	Mr. A. T. M. Noor Nabi Sarker	AVP	Dinajpur Branch, Dinajpur
89	Mr. Mohammad Abdul Basit	AVP	Sylhet Branch, Sylhet



Chairman's Address

ì We want to establish good governance in all spheres. We believe in compliance Culture. ëCompliance First; Profit is itís logical consequenceí with this motto the Bank is going ahead with state-of-the-art Core Banking Solution to accomplish the organizational goal. Our Bank is founded on four ì pillarsî ñ Responsibility, Accountability, Fairness and Transparency. The Board of Directors of the Bank is responsible to formulate policy-guidelines and supervise business activities of the bank efficiently without any intervention in the role of Management as it is essential to earn and maintain the confidence of the depositors, who are the prime financiers. To accomplish the organizational goal, we are committed to establish good corporate governance.î

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 2018 and the financial statements of the Bank for the year ended 31st December 2018. 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 6th 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.

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.

Our Bank has a mission to bring forward the small and medium businesses and it is a constant source of pride to be the first in the industry to have achieved this with flying colors. The SME sector is now recognized by economists as the undisputed symbol of sustainable, gender balanced development and progress of Bangladesh. The Bank continues to thrive in the SME sector.

The year 2018 will be remembered as one of the most challenging year in recent times for the financial sector in Bangladesh. We witnessed the largest crash in the countryís stock market, longest liquidity crisis in the money market, an immensely-fluctuating foreign

exchange market and other flashpoints in the economic arena. Given the liquidity scenario, deposits dried up in the market which led to banks breaching their Advance-Deposit Ratio (ADR). SBAC Bank Ltd. in such demanding circumstances, was able to manage and maintain the size of its corporate asset portfolio of over BDT 70.661 billion.

The Bank has been operating the foreign trade business through 6 (six) Authorized Dealer (AD) branches at important commercial hubs of the country including a centralized Trade Processing Unit at Head Office to handle the trade transaction of Non-AD branches using state-of-the-art technology. We have been maintaining well connected correspondent banking relationship with internationally reputed banks to facilitate foreign trade and other international transactions. As on 31st December 2018, the number of Relationship Management Application (RMA) is 202 Banks spread across 52 countries. The Bank maintains 12 Nostro Accounts in 4 major currencies with reputed international banks around the world in all the important global financial centers. The bank also enjoys credit lines from the correspondent banks for adding confirmation to letter of credit as and when needed which is facilitating international trade.

Our Bank has introduced Automated Sanction Screening system of Flora Bank CBS for filtering all messages and transactions which helped us to reach international standard to address concern relating AML/CFT. Moreover, to ensure strict compliance of Trade Based Money Laundering and combating terrorist financing, Bank has also implemented fully automated SWIFT owned Sanction Screening system at our SWIFT Server to screen all incoming and outgoing transactions related to foreign trade.

In the year 2018 SBAC Bank handled Tk. 27,353.00 million import business from 4603 number of Documentary Credit/LC and Tk. 16,399.66million export business from 4734 number of export documents. In the year 2018, SBAC Bank received Tk. 4,319.98 million as wage earners remittance.

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 deployed 26 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 ìMobile Phoneî in Bangladesh. To harvest the advantages of the platform, we have introduced SBAC Digital Wallet ìBanglapayî on 16th December 2018 by offering digital financial services through mobile phones, QR based point-of-sale, and networks of small-scale agents. ìBanglapayî has the potential to reach more people, at a lower cost, and with greater convenience than traditional banking services.

Financially, your 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 11.792% growth in operating profit in a challenging environment. In 2018, our operating profit stood at Tk. 2033.838 million. Our total assets stood at Tk. 70661.308 million, compared to Tk. 58940.783 million in 2017, with a growth rate of 19.885%. During the year our total deposits was Tk. 59304.332 million in comparison to Tk. 50121.490 million in 2017, showing a growth rate of 18.321%. Our Net Profit was Tk. 879.587 million in 2018. The earnings per Share (EPS) is Tk. 1.55 in 2018. Our Total Capital grew to Tk. 7841.833 million, which indicate strengthening of capital base and sustainability of the Bank. Given the volatility of the global and national economy this is of paramount importance.

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 zero classification. In the Bank, we believe in compliance culture. Our philosophy is ëcompliance first; profit is its logical consequenceí. 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 opened74 branches up to December 31, 2018 and opening of 9 more branches 27 banking booths are under process which to be completed by December, 2019. We believe in maintaining highest quality of customer services by offering best products compatible with customersí needs. We have already re-designed our products and services. Some lucrative liability products have been launched.

In accordance with Bangladesh Bank guidelines, we are happy to inform you that our present capital adequacy ratio is 15.88% of our total Risk weighted Assets (RWA) and paid up capital Tk. 5658.227 million in line with Basel-II Accord to guard against the types of financial and operational risks the banks face.

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. 9.82 crore (Taka nine crore eighty two lac only) among the areas mentioned above including Prime Minister's Relief & Welfare Fund (1.00 crore) and Child Day Care Centre for Private Banks. Blankets worth Tk. 1.34 crore (Taka one crore thirty four lac only) were distributed for the cold bitten people particularly in the northern districts of the country.

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 exacting year.

We want to establish good governance in all spheres. We believe in compliance Culture. 'Compliance First; Profit is it's logical consequence' with this motto the Bank is going ahead with state-of-the-art Core Banking Solution to accomplish the organizational goal. Our Bank is founded on four "pillars" – Responsibility, Accountability, Fairness and Transparency. The Board of Directors of the Bank is responsible to formulate policy-guidelines and supervise business activities of the bank efficiently without any intervention in the role of Management as it is essential to earn and maintain the confidence of the depositors, who are the prime financiers. To accomplish the organizational goal, we are committed to establish good corporate governance.

In closing, 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 2019.

May Allah help, guide and shower unending blessings upon us.

Allah Hafiz,



S. M. Amzad Hossain
Chairman



The 5th Annual General Meeting of SBAC Bank Limited was held at Raddison Blue Hotel on Thursday May 10, 2018. Mr. S.M. Amzad Hossian, Chairman of the Bank, presided over the meeting. Bankís Board Director Captain Mr. M Moazzem Hossain, Mr. Abdul Kadir Mollah, Mr. Engr. Md. Koklesur Rahman, Mr. Maksudur Rahman, Mr. AZM Shofiuddin (Shamim), Mr. Md. Amzad Hossain, Al-Haj Mizanur Rahman, Mrs. Begum Sufia Amjad, Mrs. Tahmina Afroz, Mr. Hafizur Rahman Babu, Mr. Anwar Hussain, Mr. Mohammad Nawaz, Mr. Mohammed Ayub, Mr. Sakhawat Hussain, Mr. Sk. Shyedujjaman, Dr. Syed Hafizur Rahman, Mr. Md. Golam Faruque, Managing Director and CEO of the Bank, Additional Managing Director Mr. Mostafa Jalal Uddin Ahmed, Company Secretary Mr. Md. Mokaddes Ali were present in the meeting. The board of directors of the bank has recommended 13.50 per cent stock dividend for the year ended on December 31, 2017.

Images of Branch Opening Ceremonies in 2018



SBAC Corporate Branch Opening



Opening of Mehendigonj Branch



Bhola Branch Opening



Mymensingh Branch Opening



Opening of Basundhara Ladies Branch



Cumilla Branch Opening



Opening of Abdullahpur Branch



Bhulta Branch Opening



Opening of Nazipur Branch



Birganj Branch Opening



Analysis of the Management

ì Our prime objective is to focus 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% for the next year. We believe in compliance culture. Our philosophy is ëcompliance first; profit is its logical consequenceí. We must do business in compliance with the laws of the country.î

Bismillahir Rahmanir Rahim,

I am highly privileged and feel honored to present the strategic achievements of the Bank in 2018.

South Bangla Agriculture and Commerce Bank Limited (SBAC Bank Ltd.) along with eight other new 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 operation in 2018. During the year the bank earned Tk. 2,033.838 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities.

In respect of the global view, the economy continues to expand, but the expansion rate has become slow down due to disappointed third-quarter growth in some economies. Earlier the organization has made a global growth projection at 3.7% for 2018, despite weaker performance in some economies, notably in Europe and Asia. But now they estimated global growth projection at 3.5% in 2019 and 3.6% in 2020, as per their latest World Economic Outlook (WEO) published on January 2019.

However, 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% in FY17, outperforming the average growth of 4.6% for emerging market and developing economies in 2018, which was 6.06%, 6.55%, 7.11% and 7.28% 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 7.00%. 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.

Our prime objective is to focus 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% for the next year. We believe in compliance culture. Our philosophy is ëcompliance first; profit is its logical consequenceí. 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. The Bank has already opened 74 branches up to December 31, 2018 and opening of 9 more branches and 27 banking

booths are under process which to be completed by June 2019. The bank has a plan to increase number of branches to 85 by December 31, 2019 and 100 branches by December 31, 2020.

In its five years of operation, SBAC Bank Ltd. has made expected progress in all the areas. The operating profit stood at Tk. 2,033.838 million having tolerable classified loans, Total assets stood Tk. 70,661.308 million, total deposits Tk. 59,304.332 million, total loans and advances Tk. 50,254.940 million, 'Earnings per share Tk. 1.55, advance deposits ratio 82.50%, surplus capital Tk. 1,977.89 million and Income per employee Tk. 4.998 million.

We firmly believe in sustainable development resulting we have integrated sustainability principles into day to day activities of the Bank. Our aim is to do the best to ensure that the credit we extend to our customers is utilized for environmentally sound and sustainable purposes which are ultimately turned into economic development of the country. We have diversified the credit portfolio in corporate exposure, emphasize on retail, SME and agricultural loan, address gender issue by providing loans to women entrepreneurs in SME segment and also emphasize on geographical diversification. The SBAC Bank since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2018. Consolidated loans and advances stood at Tk. 50,254.940 million of which Loan disbursed to SME sector amounted Tk. 20,410.789 million.

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. 59,304.33 million in 2018. 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.

We have prepared the financial statements as at and for the year ended 31 December 2018 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 2018.

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.

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 ì Riskî 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 todayís challenging financial and economic environment, we have adopted effective risk management policy for sustainable growth in shareholdersí 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-II or Tk. 400.00 crore whichever is higher. Tier-I capital should be minimum 5 percent of total capital. Total capital stood at Tk. 7,841.833 million in 2018 registering surplus capital of Tk. 1,977.890 million and capital adequacy ratio (CAR) is 15.88 %.

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. For this purpose the Bank has established its own Training Institute equipped with modern information system under the leadership of a renowned Banker having diversified areas of banking. This is the 1st one among the fourth generation banks. To transform the human resources into human asset, we established Training Institute at the inception of the Bank. 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. During the year 2018, the Institute arranged training programs/workshops including foundation training for the fresh employees where 680 employees of different grades of the Bank participated.

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

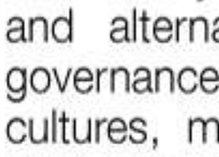
The Bank is a socially responsible corporate citizen. Being a socially responsible Bank, SBAC Bank has started CSR activities from the beginning year of its operation. We are committed to work for the people and are actively engaged in social projects throughout. Under the CSR program, the Bank has a 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. 9.82 crore (Taka nine crore eighty two lac only) among the areas mentioned above including Prime Minister's Relief & Welfare Fund (1.00 crore) and Child Day Care Centre for Private Banks. Blankets worth Tk. 1.34 crore (Taka one crore thirty four lac only) were distributed for the cold bitten people particularly in the northern districts of the country.

The environmental degradation needs to be tackled in a concerted manner by all. Society demands that business also takes responsibility in safeguarding this planet. As a responsible Corporate Citizen, SBAC Bank Ltd reinforced its Green Banking Initiatives at the inception of its operation. "A Green Banking Policy" of South Bangla Agriculture & Commerce Bank has been formulated and approved by the Board of Directors.
Being a responsible corporate citizen, during the calendar year 2018 we contributed Tk. 445.95 million as Withholding Tax, Tk. 258.90 million as advance tax and Tk. 185.25 million as VAT and excise duty to national exchequer.

Our strategic priorities and actions plan for future is financial inclusion. We focused on maintaining sound financial health of the Bank. Presently our prime focus is to keep the non performing loan below 1%. Expansion of branch network throughout country particular in the un-bank areas to make available the banking services at the remote areas has also been prioritized. The Bank has already opened 74 branches within 2018 and opening of 9 more branches is under process which to be completed by December 2019. We want to improve of deposit mix by maintaining efficient deposit mix, increase share of low cost and no cost deposit in total deposit; increase non-funded business; maintain adequate level of liquidity, through balancing asset-liability; diversify of products and services by introducing IT based innovative products and alternate delivery channels; improve internal governance through strengthening good corporate cultures, motivation, training and supervision in all levels of management; strengthen internal control and monitoring; develop Human Resources Management System to motivate and retain the Human Resources and transform Human Resources to Human Capital through proper training in every aspects of working area; expansion of activities related to Corporate Social Responsibility and Green Banking.

I conclude with sincere thanks and gratitude to the honorable Governor of Bangladesh Bank & his able team and other Govt. bodies for judicious guidance. I convey my gratitude to the honorable Chairman, the Board of Directors, valued customers and shareholders of the bank for their support and co-operation. I sincerely appreciate the winning spirit of my team, their dedication, commitment towards their responsibility.

Allah Hafiz,



Md. Golam Faruque
Managing Director & CEO

PERFORMANCE HIGHLIGHTS



PERFORMANCE HIGHLIGHTS

(Taka Fig in Million)

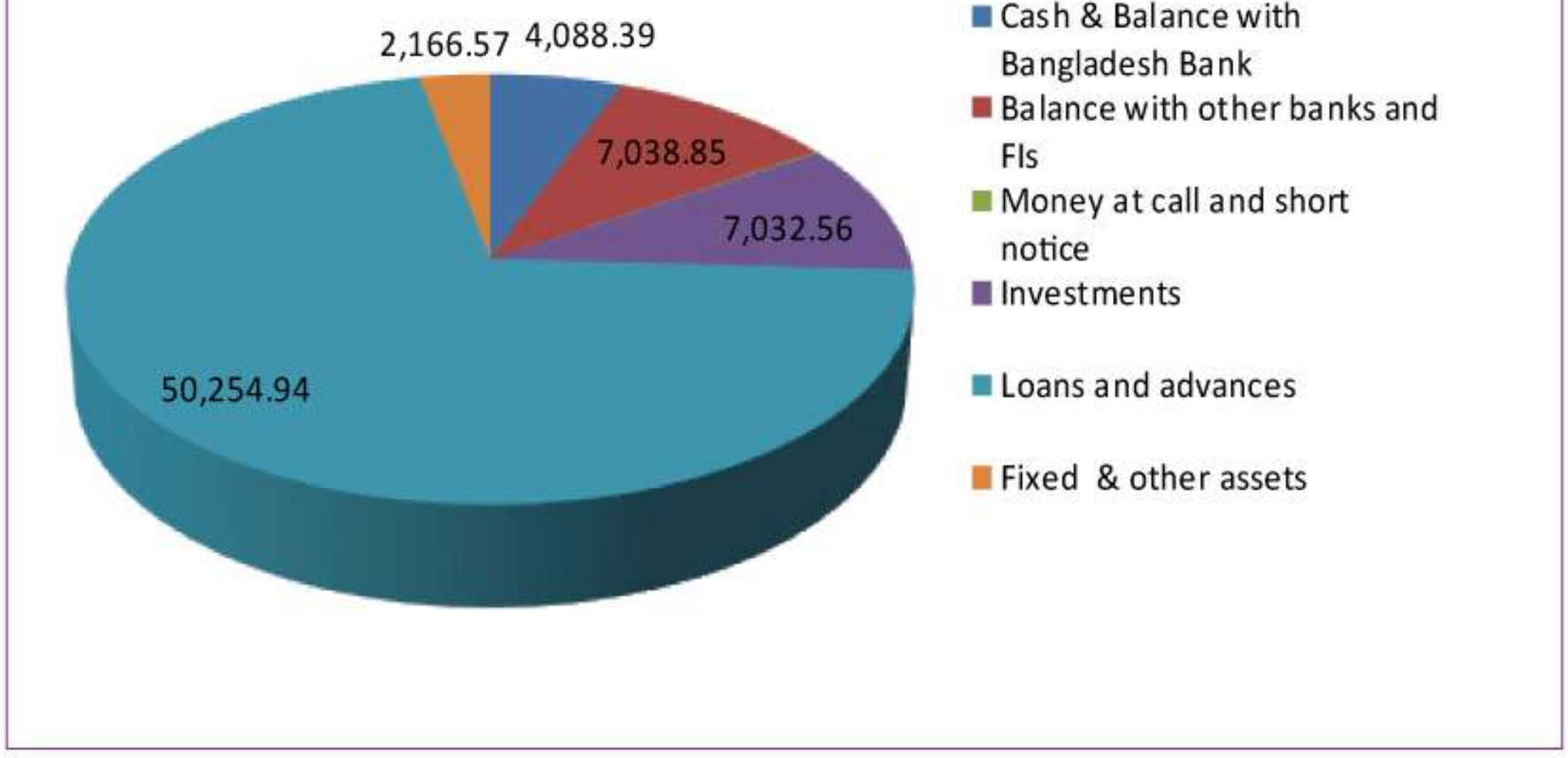
Particulars	2018	2017	2016	2015	2014	2013
1	2	3	4	5	6	7
Number of Branches	74	64	54	44	34	12
Number of ATMs	25	22	18	11	4	NIL
Total assets/Total Liabilities	70,661.31	58,940.78	45,599.98	36,687.94	23,835.40	8,673.89
Interest earning assets	63,955.22	53,613.97	41,387.85	33,246.69	21,177.31	7,537.73
Non interest earning assets	6,706.09	5,326.81	4,212.13	3,441.25	2,658.09	1,136.16
Total shareholders' Equity	7,429.71	6,538.99	5,616.33	4,880.21	4,242.71	4,137.70
Total capital (Tier I +II)	7,841.83	7,012.70	5,821.62	4,785.18	4,364.66	4,170.15
Surplus/(deficit) capital	1,977.89	2,296.84	1,821.62	785.18	364.66	170.15
Capital to Risk Weighted Asset Ratio (CRAR)	15.88%	16.54%	18.59%	21.19%	29.32%	61.99%
Total deposits	59,304.33	50,121.49	38,337.20	30,775.38	18,641.90	44.42
Total loans and advances	50,254.94	43,284.97	30,174.09	23,128.29	13,518.05	3,006.76
Total contingent liabilities and commitments	12,004.77	11,763.83	9,245.37	4,987.95	2,976.73	501.37
Advance deposits ratio (%)	82.50%	83.99%	78.71%	75.15%	72.51%	67.69%
Total Income	7,873.15	6,266.64	5,269.40	3,881.22	1,975.37	469.49
Total Expenses	5,839.31	4,447.35	3,749.51	3,075.27	1,656.95	330.33
Profit before tax and provision (Operating Profit)	2,033.84	1,819.29	1,519.88	805.95	318.42	139.16
Profit after tax and provision (Net Profit)	879.59	982.04	949.46	358.01	66.00	46.34
Total Export	16,399.66	11,710.17	8,760.31	9,905.70	5,662.20	838.38
Total Import	27,352.96	25,900.58	17,596.80	10,942.10	7,969.00	819.64
Total Remittance	4,319.98	2,354.23	1,199.76	269.40	70.60	0.78
Classified advance	991.66	375.25	NIL	22.33	NIL	NIL
Classified loans to advance ratio	1.97%	0.87%	NIL	0.10%	NIL	NIL
Yield on Advance (%)	12.99%	12.03%	12.67%	14.10%	15.37%	15.81
Cost of fund (%)	10.41%	9.51%	9.47%	10.95%	13.27%	15.45%
Net spread (%)	2.58%	2.52%	3.20%	3.15%	2.10%	0.36%
Return on investment (ROI) (%)	13.67%	18.19%	18.17%	17.57%	11.50%	9.43%
Return on Assets (ROA) (%)	1.36%	1.88%	2.31%	1.18%	0.41%	0.53%
Return on Equity (ROE) (%)	12.59%	16.16%	18.09%	7.85%	1.58%	1.92%
Earnings per share (EPS)	1.55	1.74	1.90	0.83	0.16	0.11
Net Asset Value Per Share	13.13	13.12	12.96	11.93	10.75	10.2
Number of Employees	801	716	676	577	377	187

Total Assets

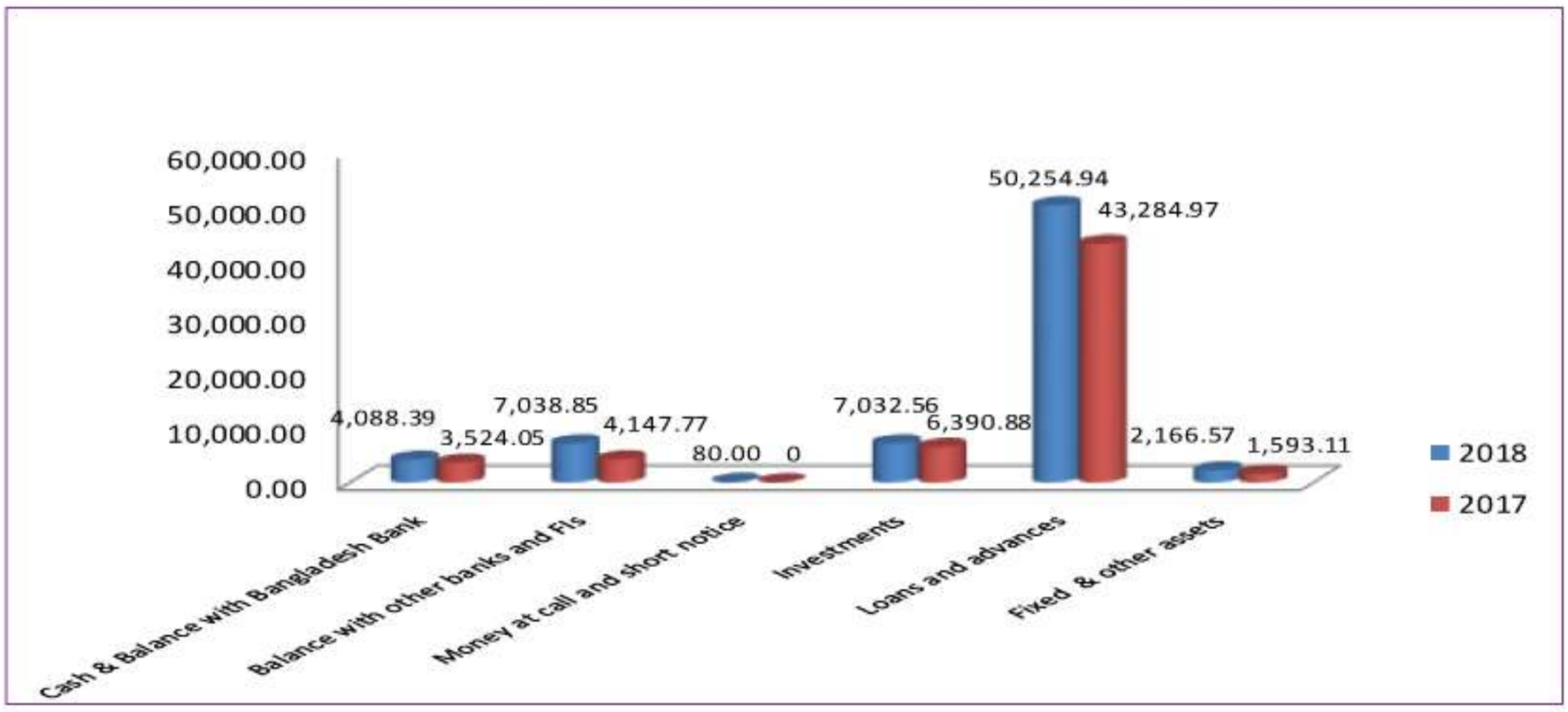
(Fig. Million Taka)

Particulars	2018	2017	Growth (%)
Cash & Balance with Bangladesh Bank	4,088.39	3,524.05	16.01%
Balance with other banks and FIs	7,038.85	4,147.77	69.70%
Money at call and short notice	80.00	0	
Investments	7,032.56	6,390.88	10.04%
Loans and advances	50,254.94	43,284.97	16.10%
Fixed & other assets	2,166.57	1,593.11	36.00%
Total Assets	**70,661.31**	**58,940.78**	**19.89%**

Total Assets as on 31.12.2018



Comparison of Assets in 2018 & 2017



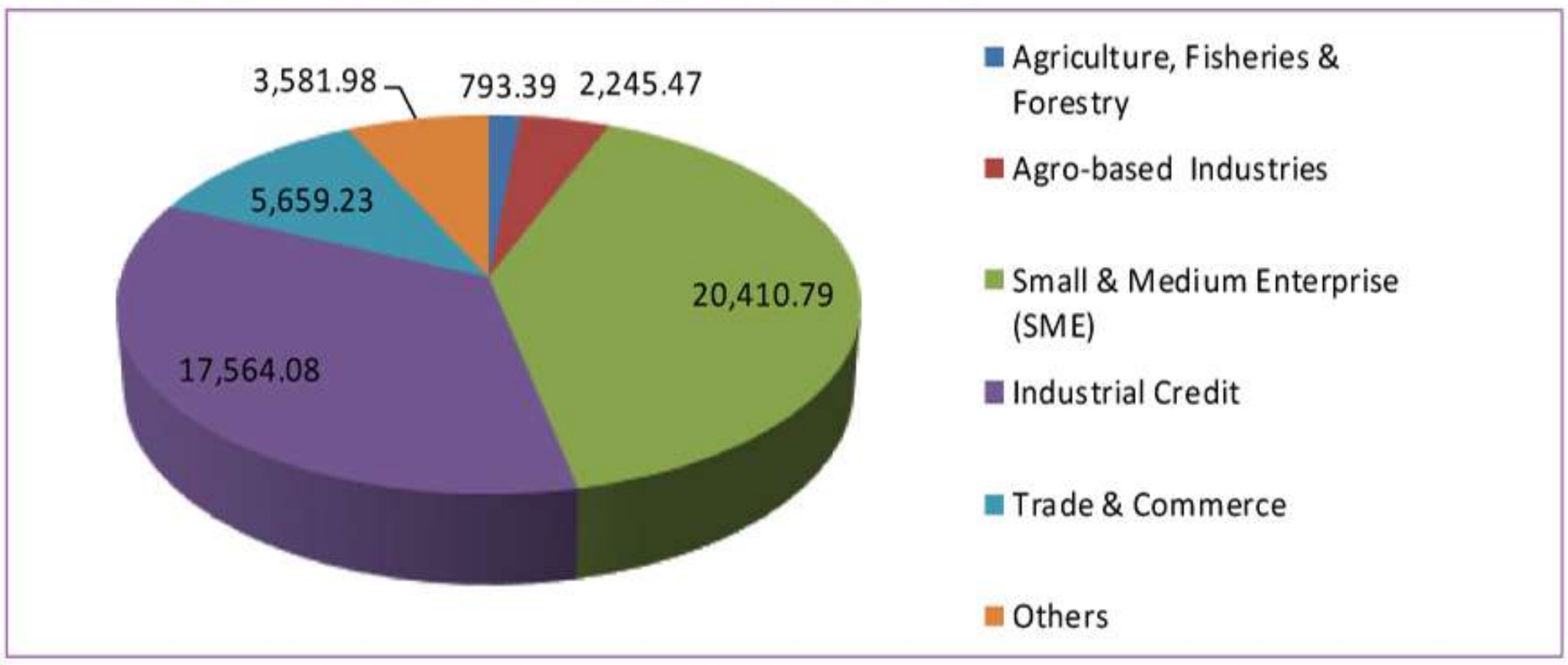
Loans and Advances

i) Sector wise Loans and Advances

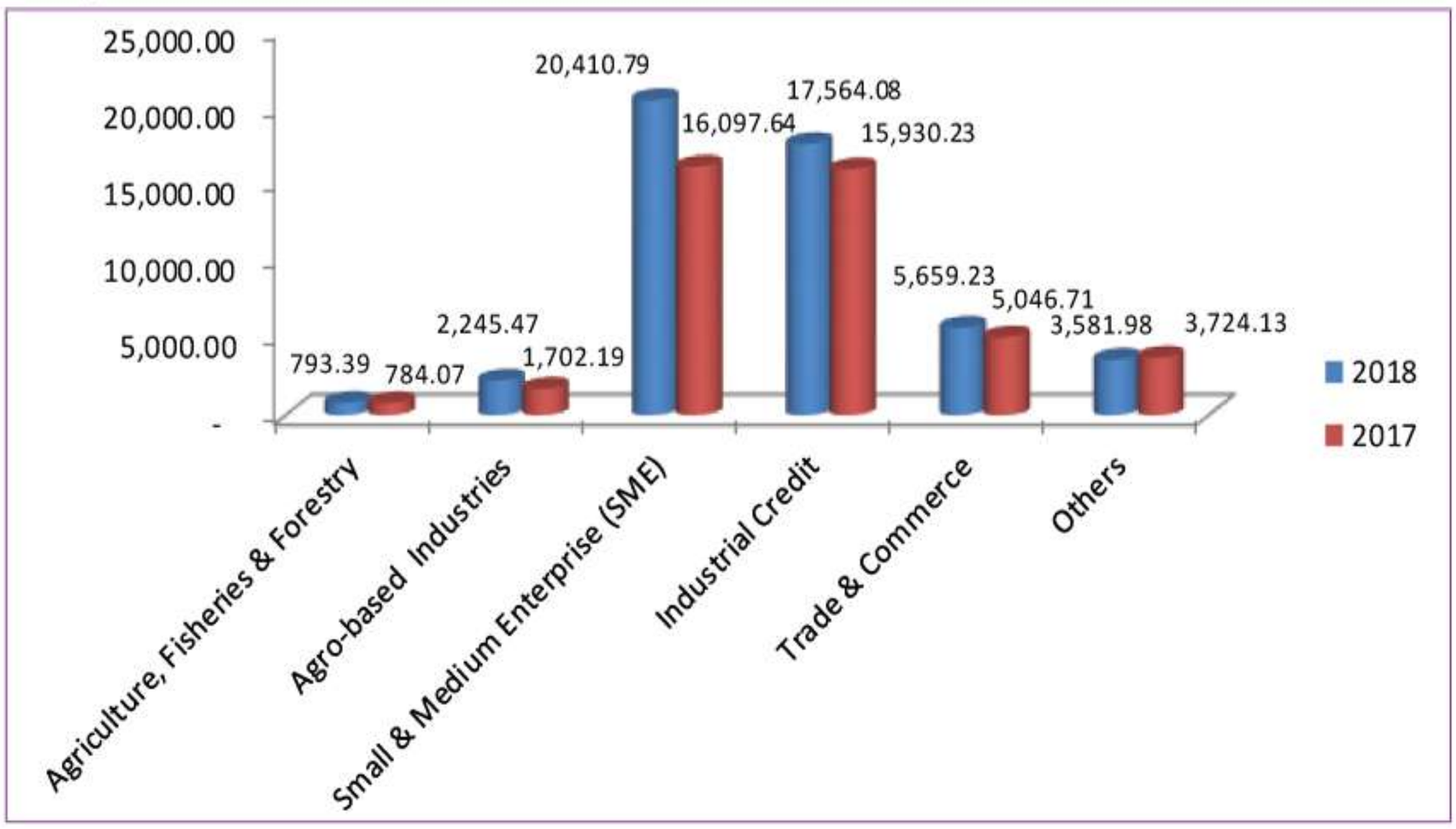
(Fig. Million Taka)

Particular of Sectors	2018	2017	Growth (%)
Agriculture, Fisheries & Forestry	793.39	784.07	1.19%
Agro-based Industries	2,245.47	1,702.19	31.92%
Small & Medium Enterprise (SME)	20,410.79	16,097.64	26.79%
Industrial Credit	17,564.08	15,930.23	10.26%
Trade & Commerce	5,659.23	5,046.71	12.14%
Others	3,581.98	3,724.13	-3.82%
Total	**50,254.94**	**43,284.97**	**16.10%**

Sector wise Loans and Advances as on 31.12.2018



Comparison of Sector wise Loans and Advances in 2018 & 2017

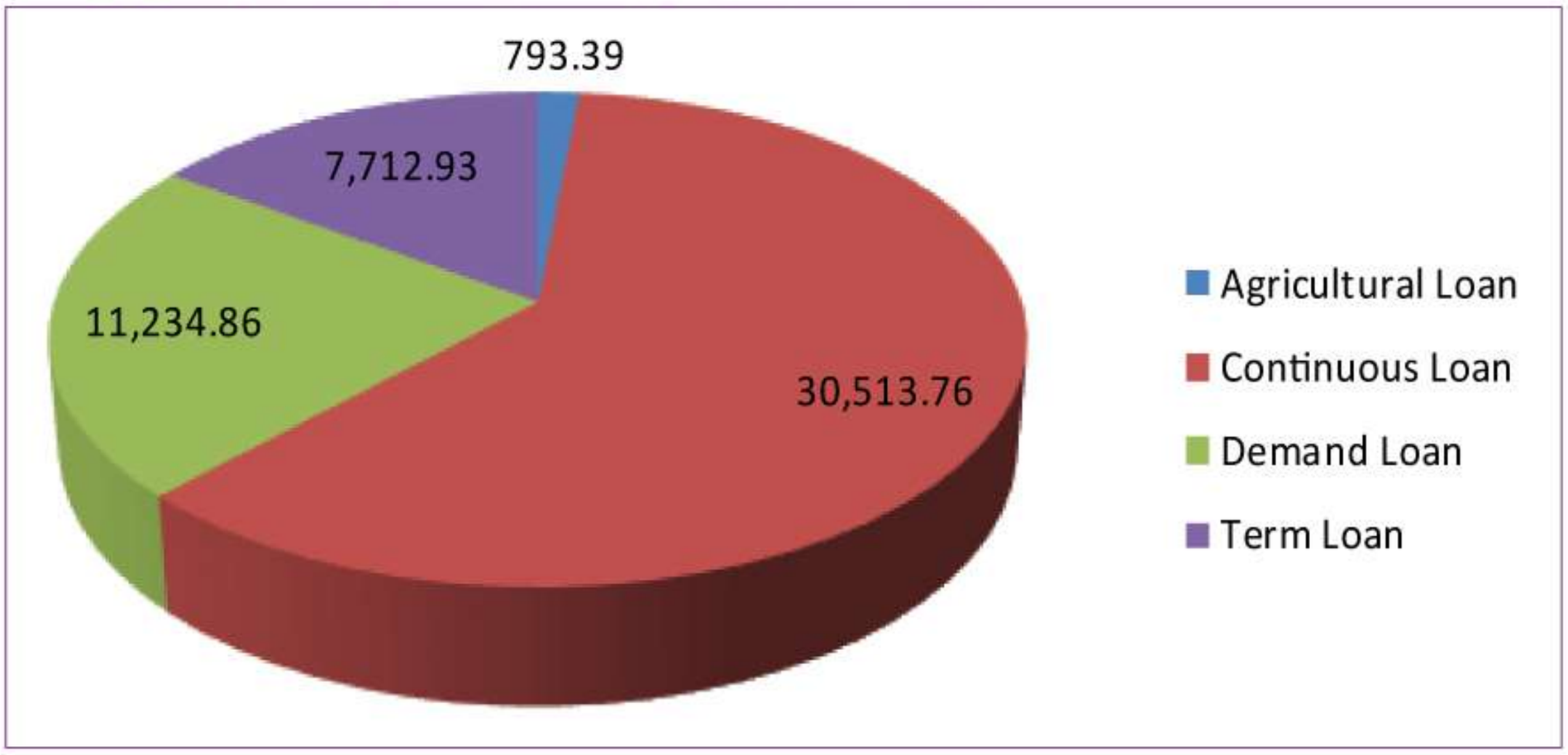


ii) Category wise Loans and Advances

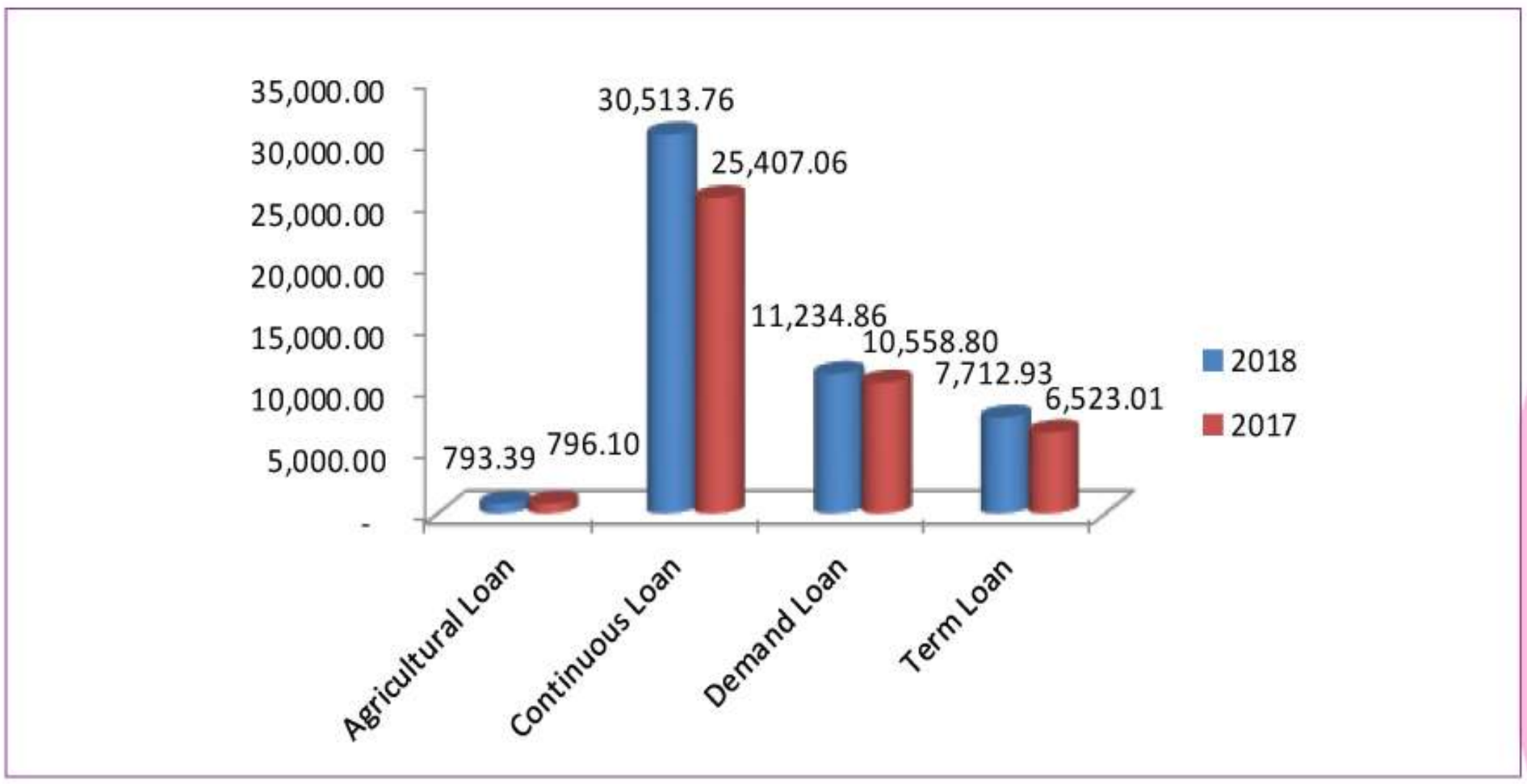
(Fig. Million Taka)

Category of Loans and Advances	2018	2017	Growth (%)
Agricultural Loan	793.39	796.10	-0.34%
Continuous Loan	30,513.76	25,407.06	20.10%
Demand Loan	11,234.86	10,558.80	6.40%
Term Loan	7,712.93	6,523.01	18.24%
Total	**50,254.94**	**43,284.97**	**16.10%**

Category wise Loans and Advances as on 31.12.2018



Comparison of Category wise Loans and Advances in 2018 & 2017

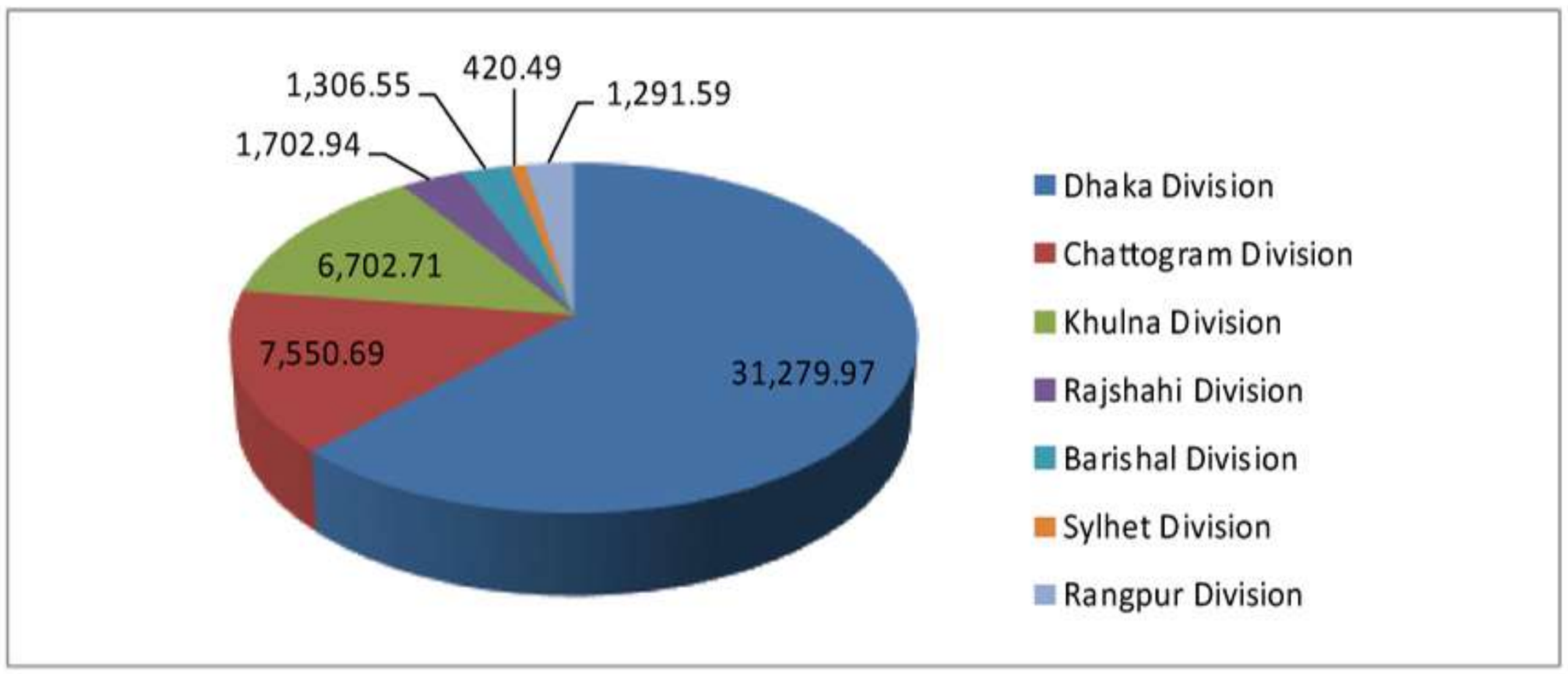


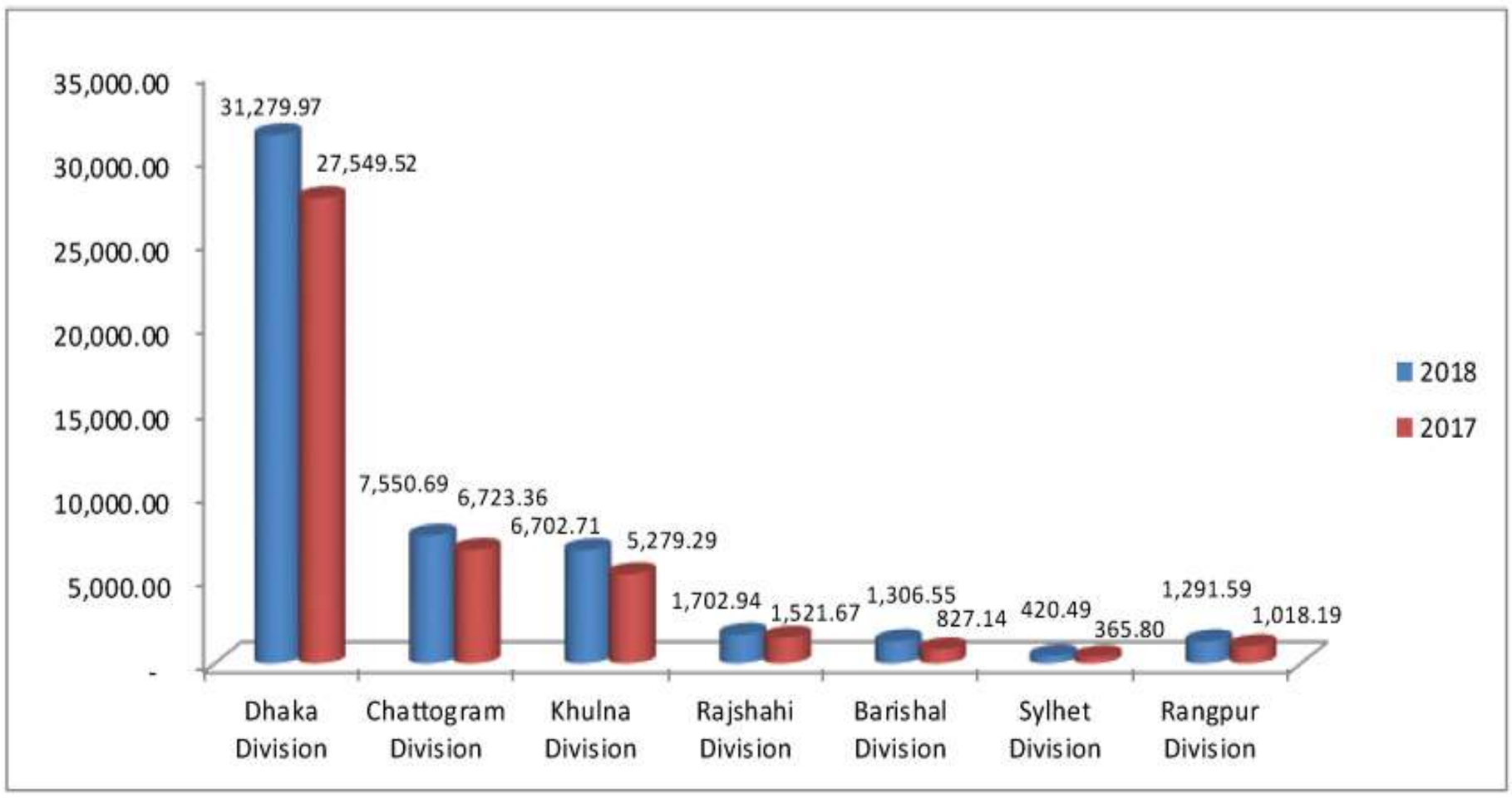
iii) Division wise Loans and Advances

(Fig. Million Taka)

Name of Division	2018	2017	Growth (%)
Dhaka Division	31,279.97	27,549.52	13.54%
Chattogram Division	7,550.69	6,723.36	12.31%
Khulna Division	6,702.71	5,279.29	26.96%
Rajshahi Division	1,702.94	1,521.67	11.91%
Barishal Division	1,306.55	827.14	57.96%
Sylhet Division	420.49	365.80	14.95%
Rangpur Division	1,291.59	1,018.19	26.85%
Total	**50,254.94**	**43,284.97**	**16.10%**

Division wise Loans and Advances as on 31.12.2018



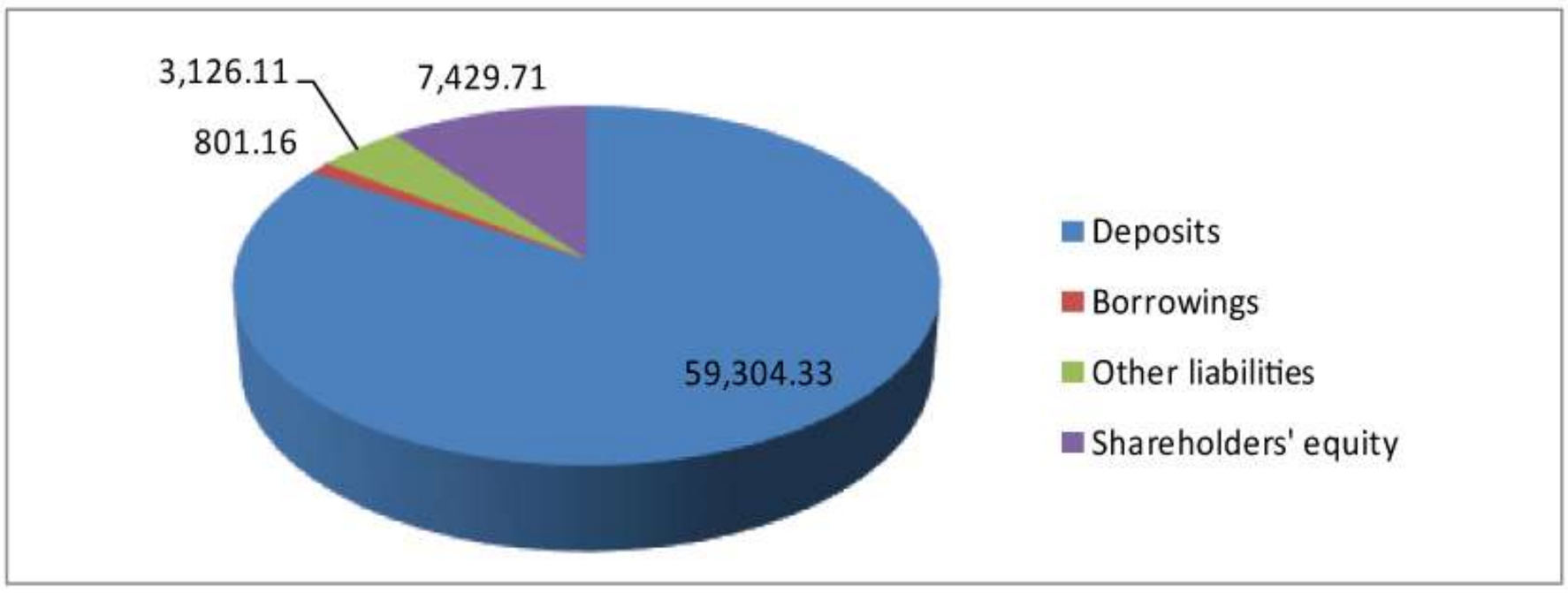


Total Liabilities

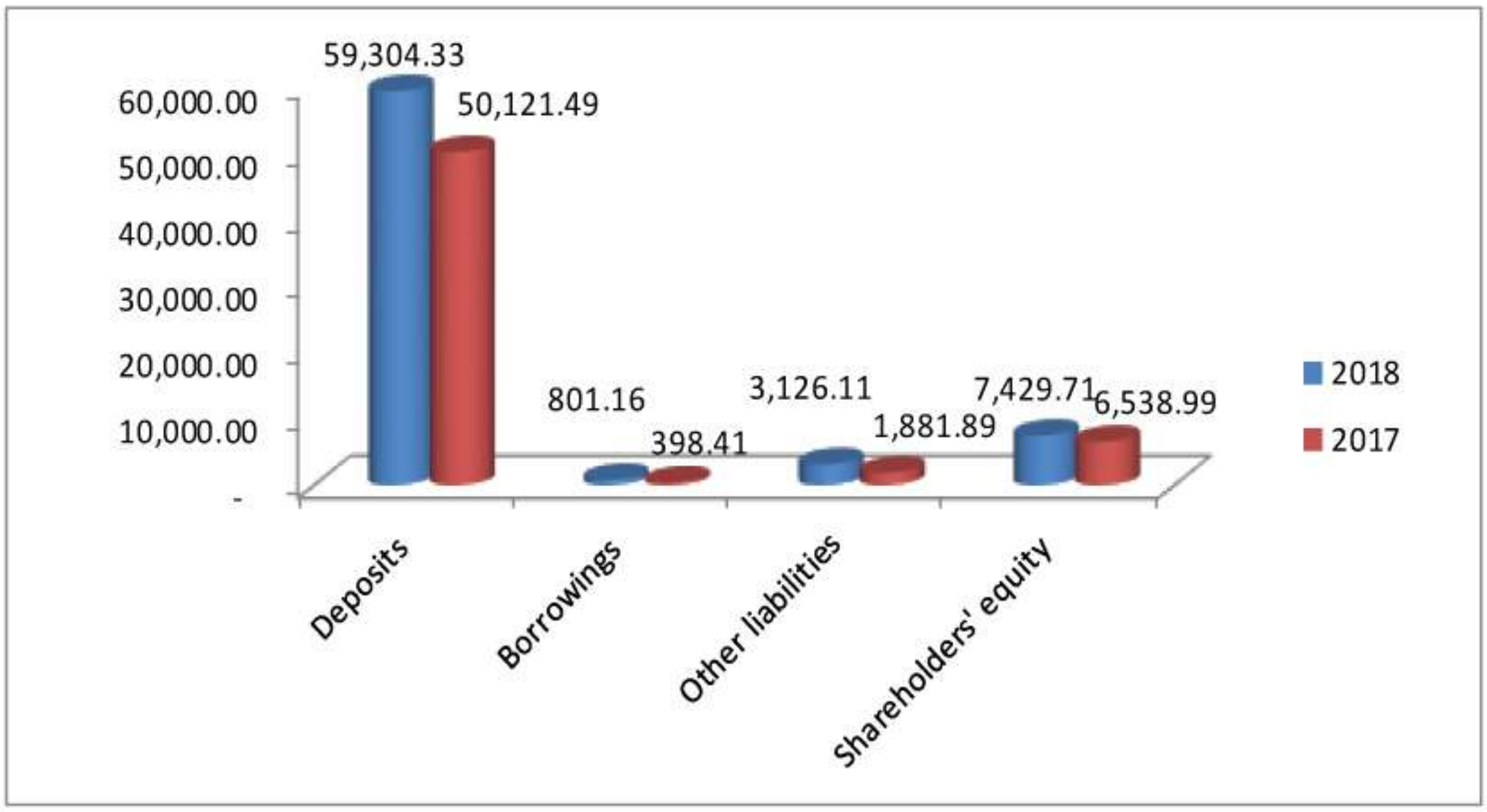
(Fig. Million Taka)

Particulars	2018	2017	Growth (%)
Deposits	59,304.33	50,121.49	18.32%
Borrowings	801.16	398.41	101.09%
Other liabilities	3,126.11	1,881.89	66.12%
Shareholders' equity	7,429.71	6,538.99	13.62%
Total liabilities	**70,661.31**	**58,940.78**	**19.89%**

Total Liabilities as on 31.12.2018



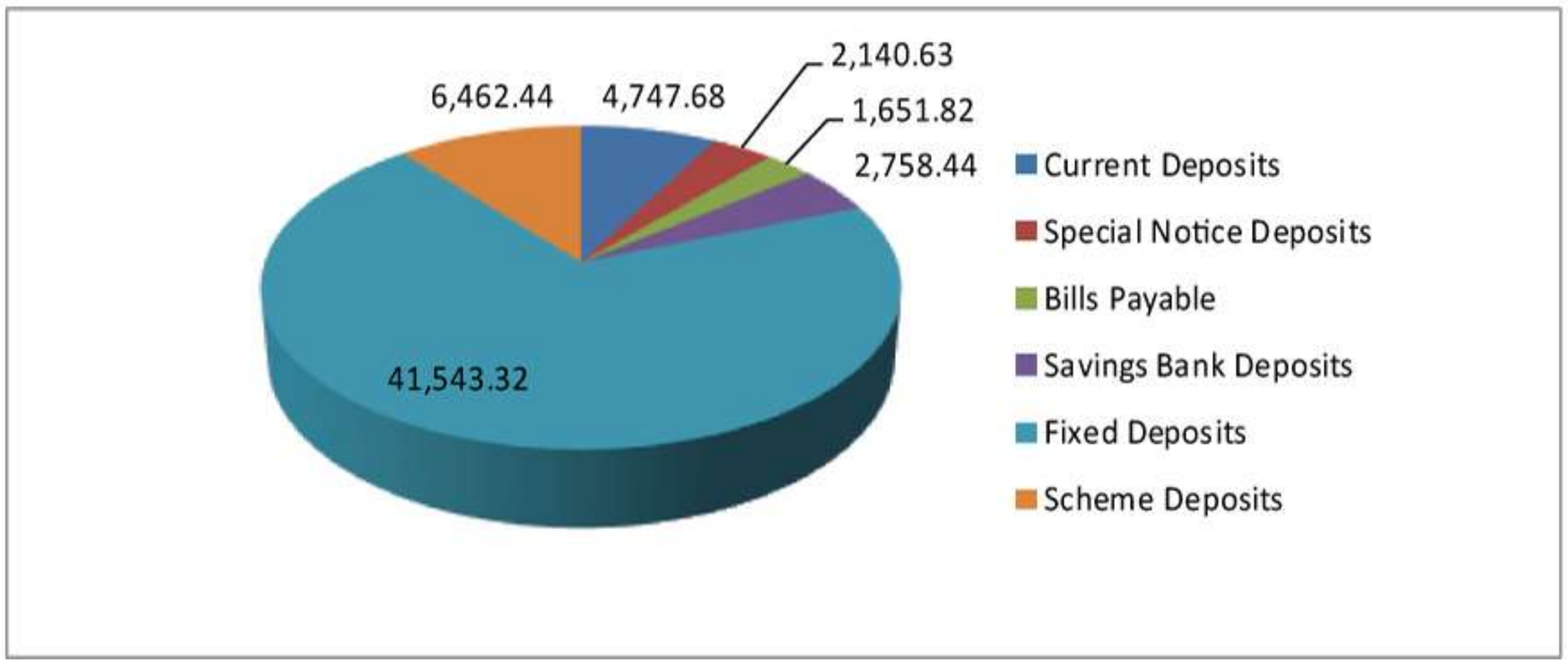
Comparison of Liabilities in 2018 & 2017



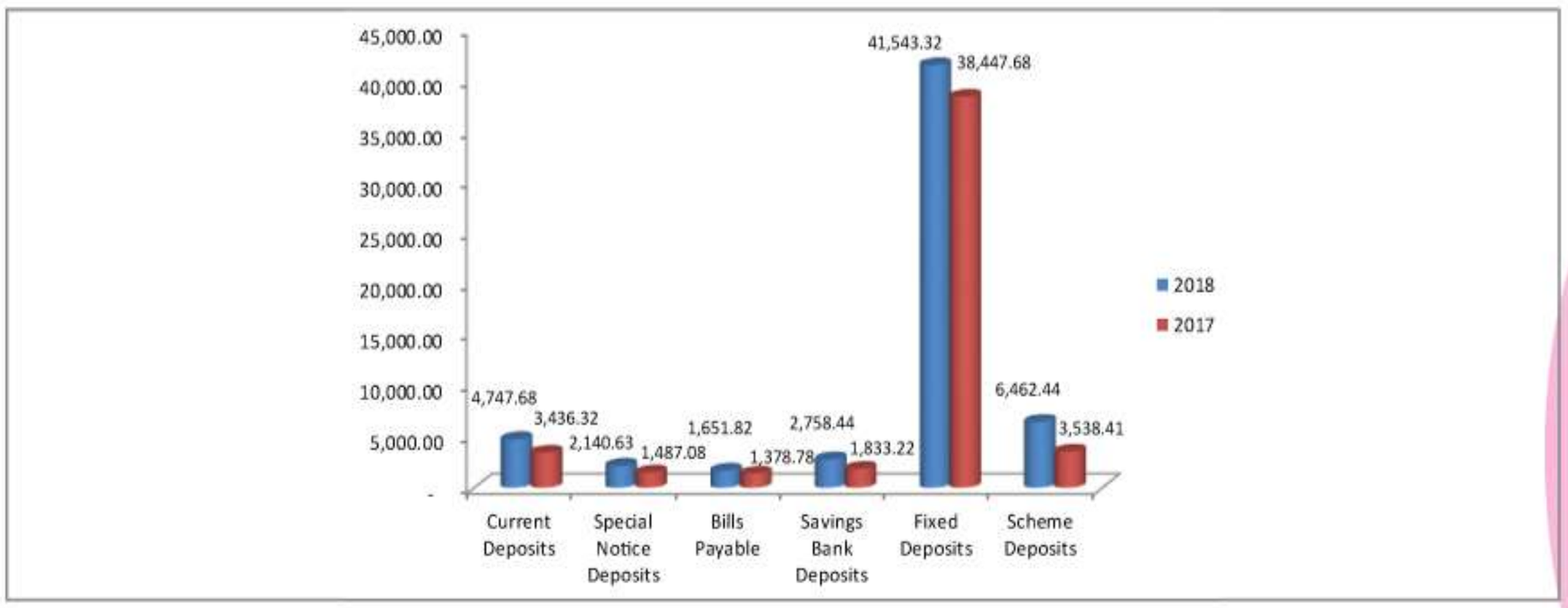
Deposits

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2018	2017		2018	2017
Current Deposits	4,747.68	3,436.32	38.16%	8.01%	6.86%
Special Notice Deposits	2,140.63	1,487.08	43.95%	3.61%	2.97%
Bills Payable	1,651.82	1,378.78	19.80%	2.79%	2.75%
Savings Bank Deposits	2,758.44	1,833.22	50.47%	4.65%	3.66%
Fixed Deposits	41,543.32	38,447.68	8.05%	70.05%	76.71%
Scheme Deposits	6,462.44	3,538.41	82.64%	10.90%	7.06%
Total	**59,304.33**	**50,121.49**	**18.32%**	**100.00%**	**100.00%**

Deposit Mix as on 31.12.2018



Deposit Mix as on 31.12.2018

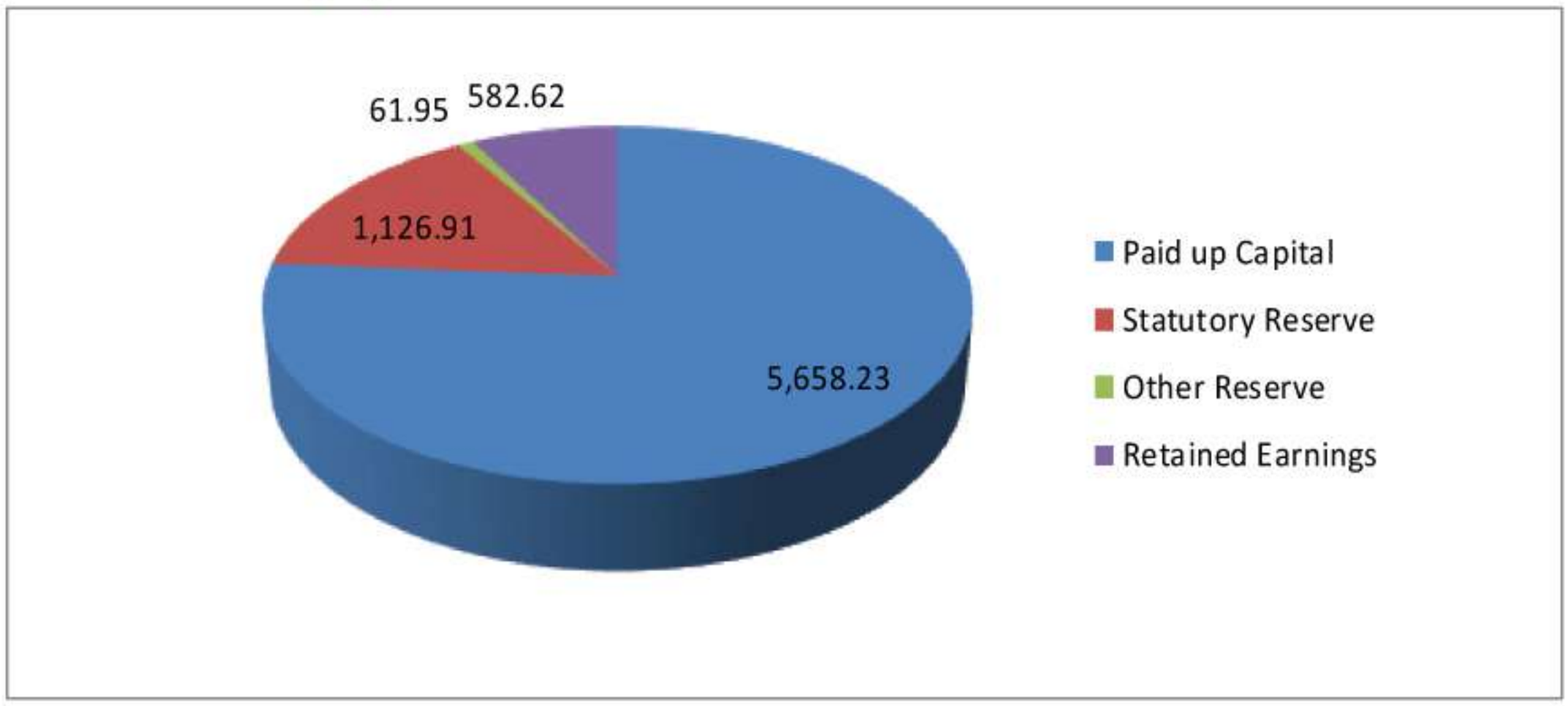


Shareholders' Equity

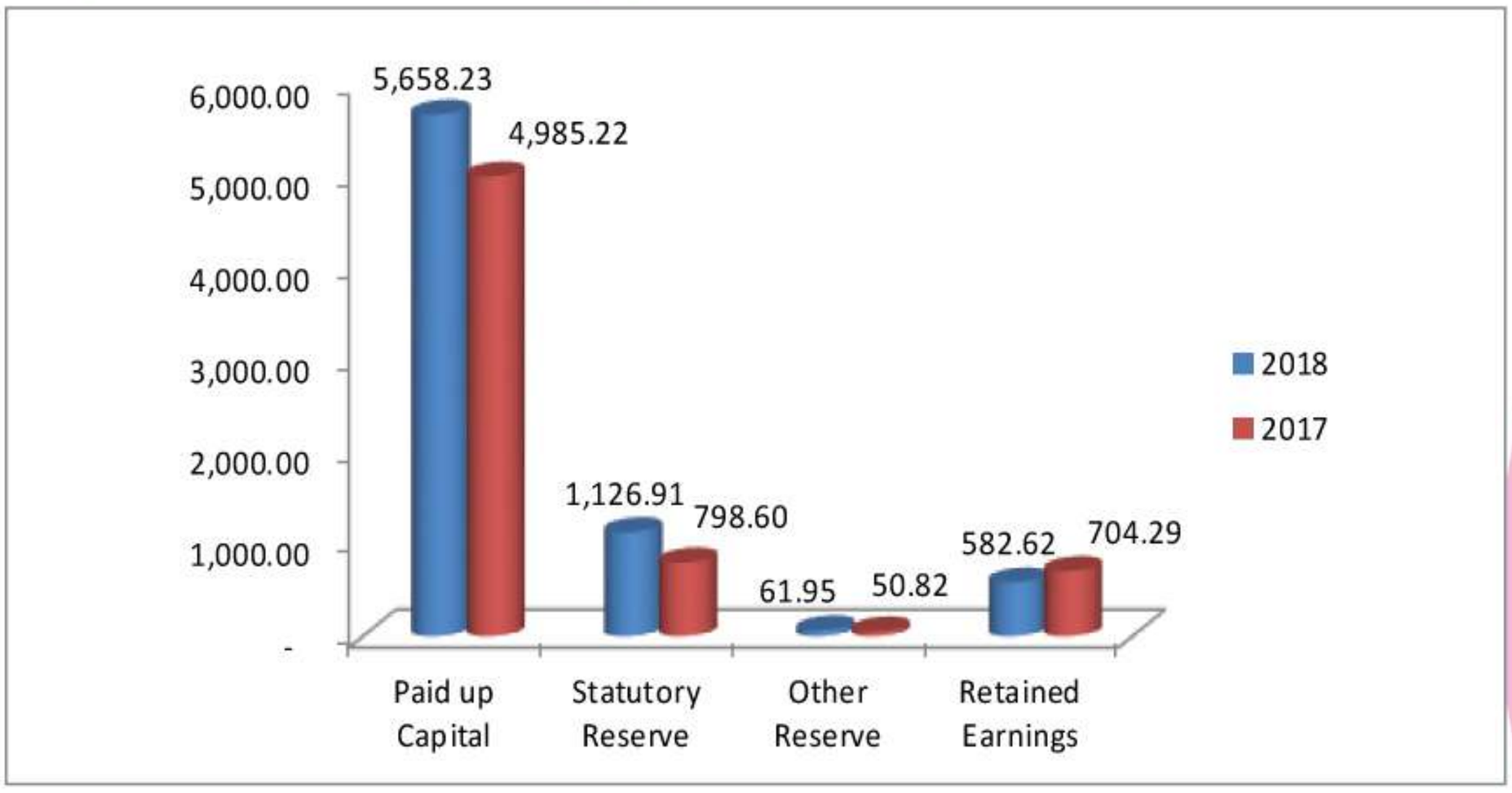
(Fig. Million Taka)

Particulars	2018	2017	Growth (%)
Paid up Capital	5,658.23	4,985.22	13.50%
Statutory Reserve	1,126.91	798.60	41.11%
Other Reserve	61.95	50.82	21.90%
Retained Earnings	582.62	704.29	-17.28%
Total Shareholders' equity	**7,429.71**	**6,538.93**	**13.62%**

Shareholders' Equity as on 31.12.2018



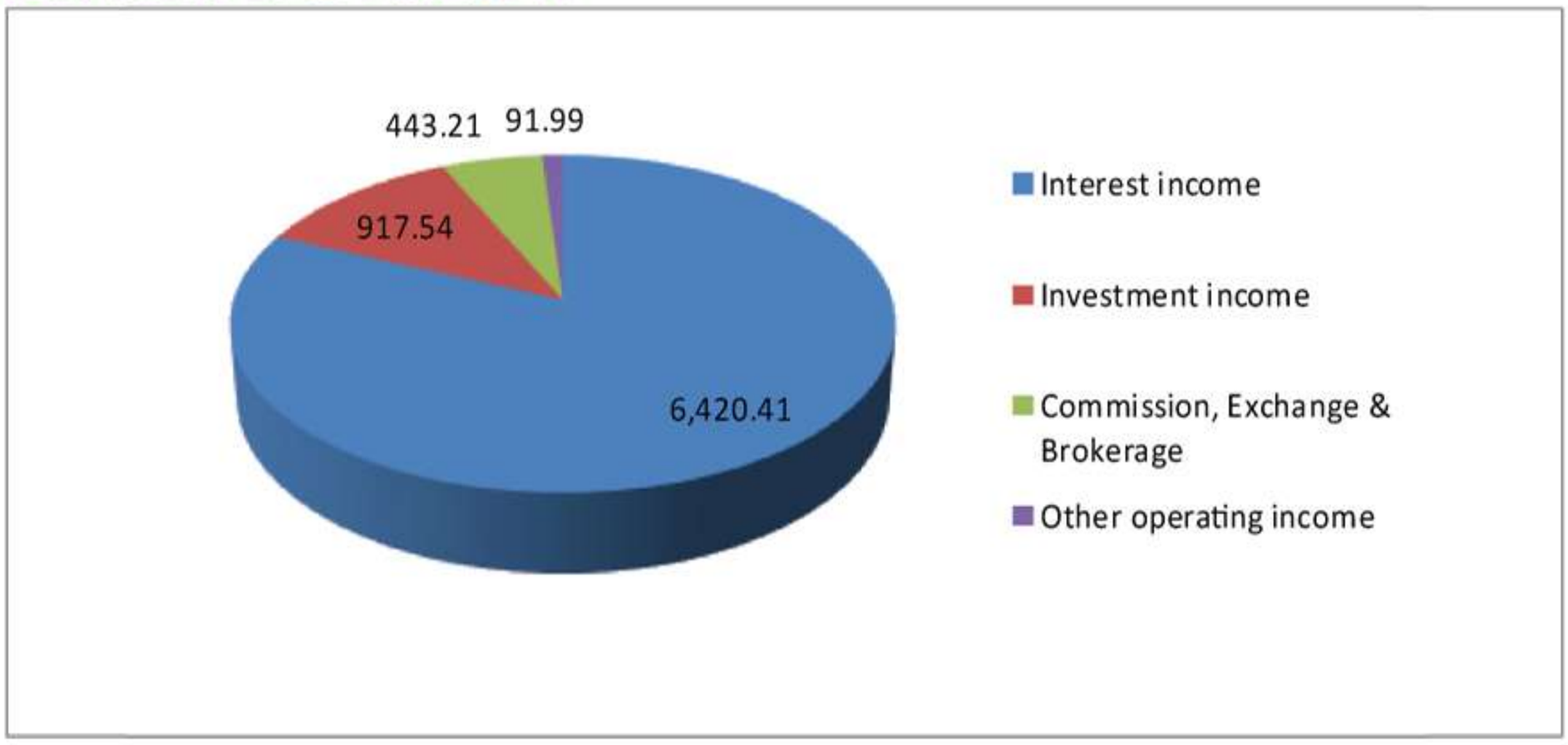
Comparison of Shareholders' Equity in 2018 & 2017



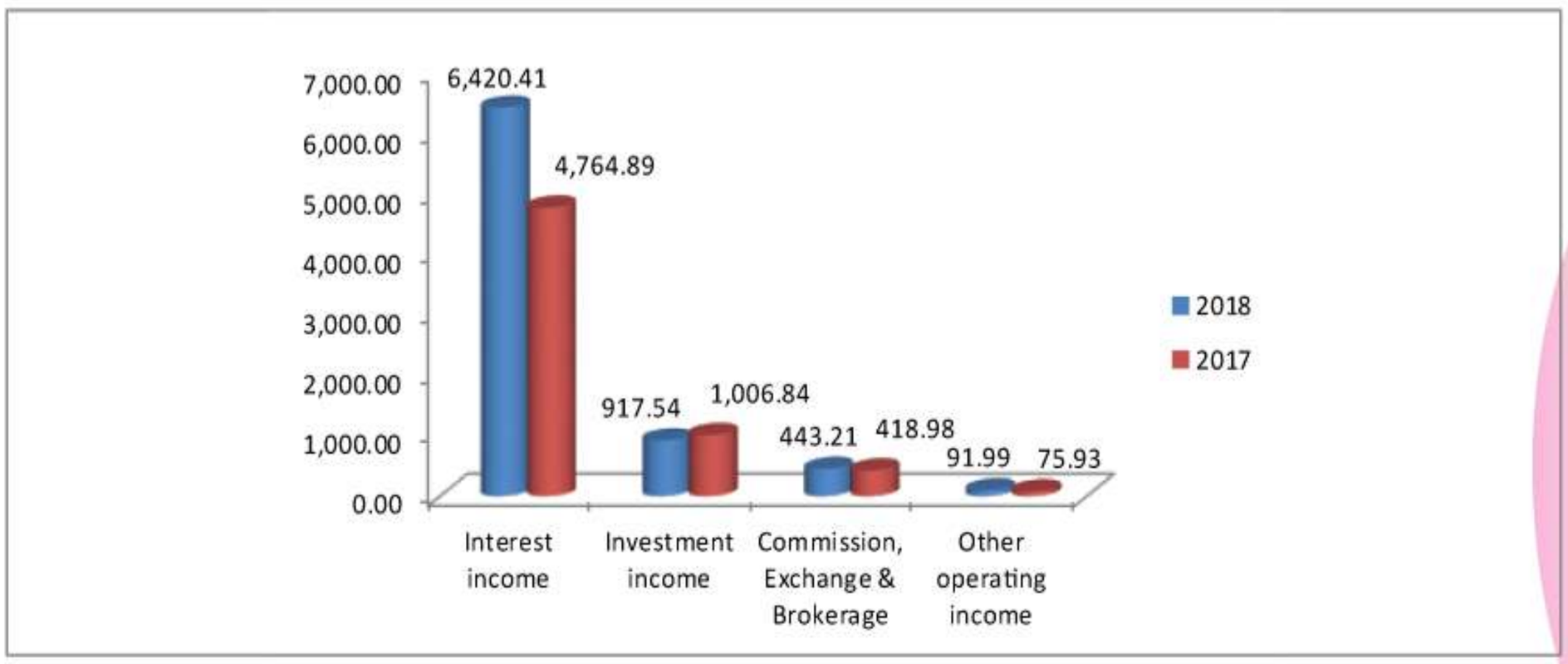
Total Income:

Types of Income	Amount in Million Taka		Growth (%)	Income Mix (%)	
	2018	2017		2018	2017
Interest income	6,420.41	4,764.89	34.74%	81.55%	76.04%
Investment income	917.54	1,006.84	-8.87%	11.65%	16.07%
Commission, Exchange & Brokerage	443.21	418.98	5.78%	5.63%	6.69%
Other operating income	91.99	75.93	21.15%	1.17%	1.21%
Total income	**7,873.15**	**6,266.64**	**25.64%**	**100.00%**	**100.00%**

Total Income as on 31.12.2018



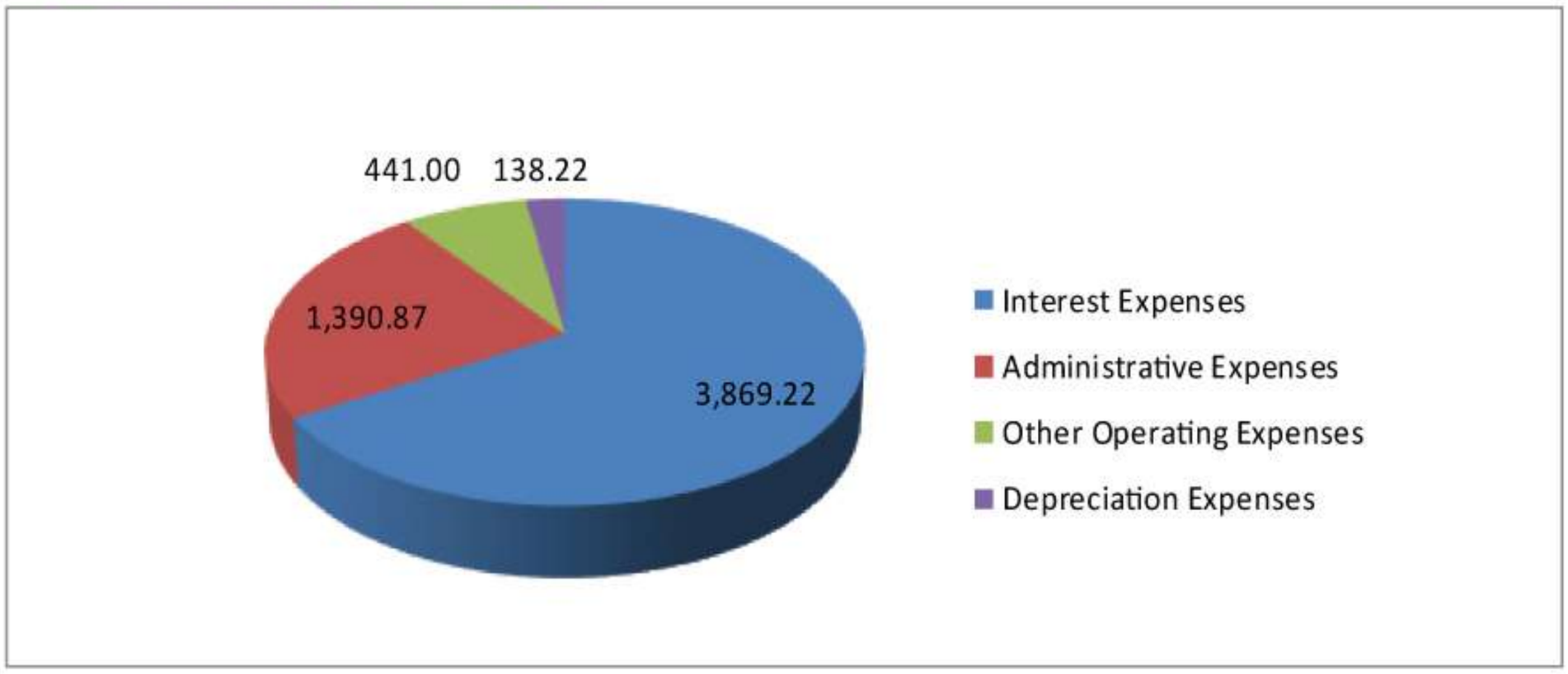
Comparison of Total Income in 2018 & 2017



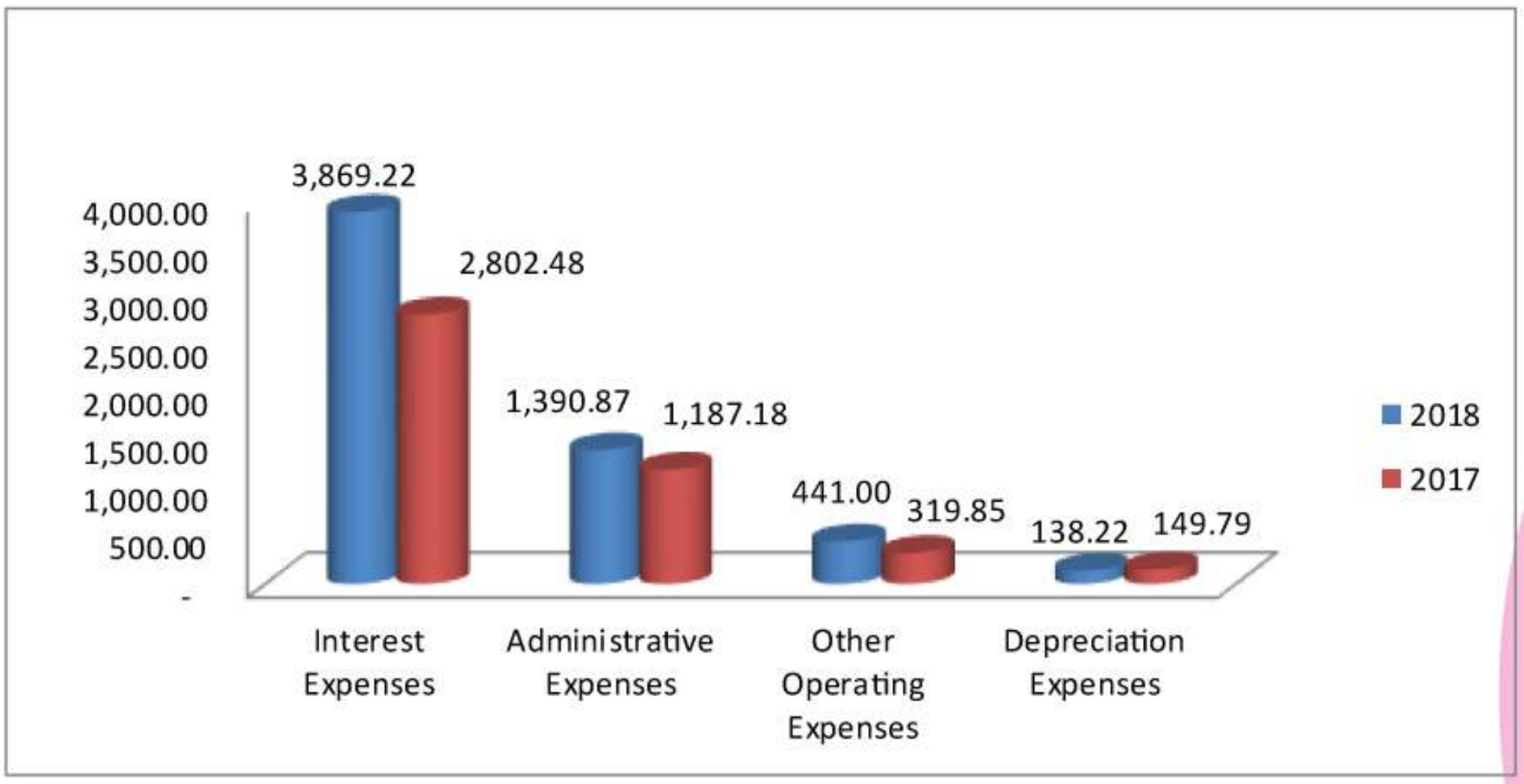
Total Expenses:

Types of Expense	Amount in Million Taka		Growth (%)	Expense Mix (%)	
	2018	2017		2018	2017
Interest Expenses	3,869.22	2,802.48	38.06%	66.26%	62.85%
Administrative Expenses	1,390.87	1,187.18	17.16%	23.82%	26.62%
Other Operating Expenses	441.00	319.85	37.88%	7.55%	7.17%
Depreciation Expenses	138.22	149.79	-7.72%	2.37%	3.36%
Total Expenses	**5,839.31**	**4,459.30**	**30.95%**	**100.00%**	**100.00%**

Total Expenses as on 31.12.2018



Comparison of Expenses in 2018 & 2017

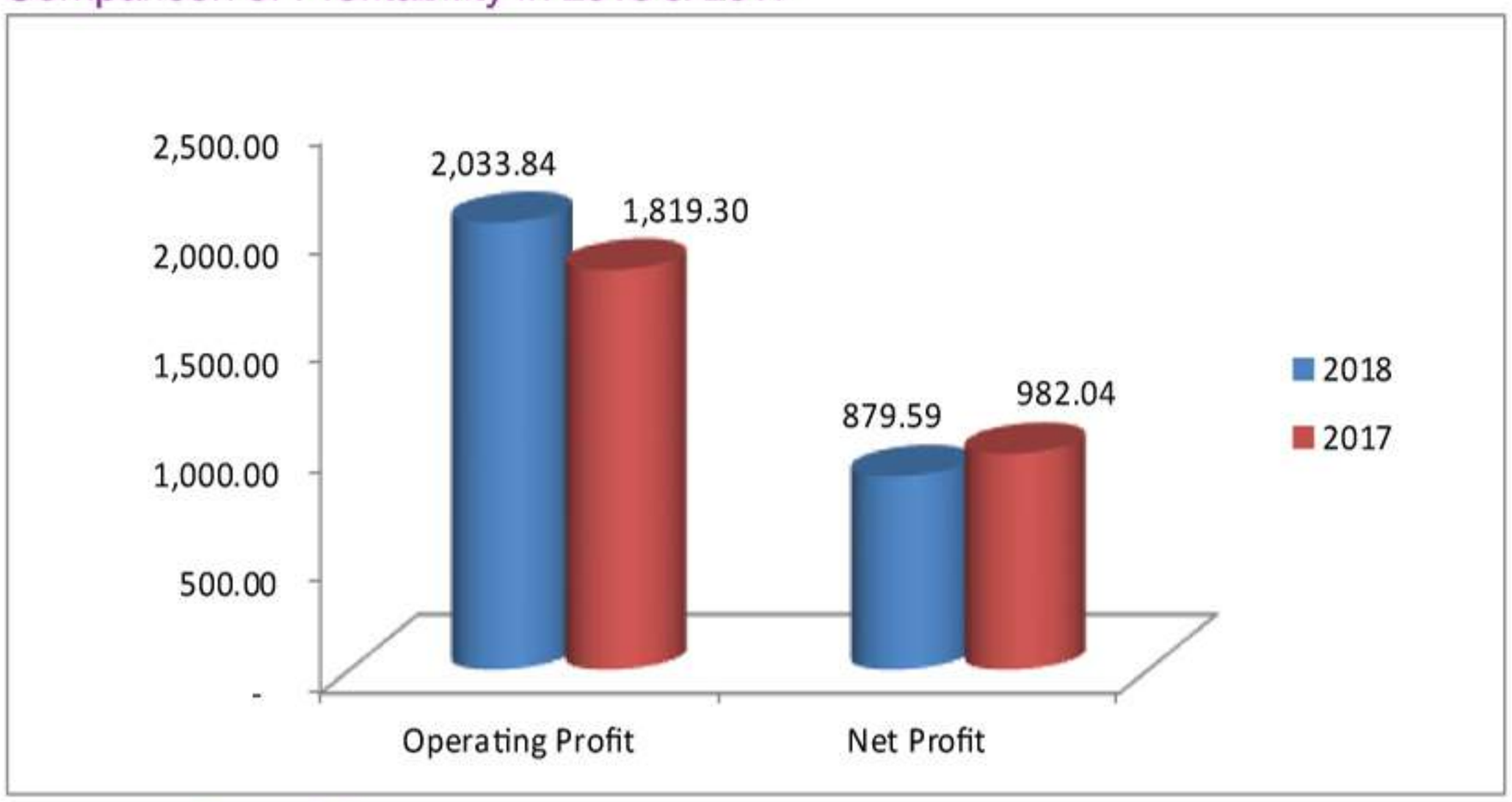


Profitability :

(Fig. Million Taka)

Particulars	2018	2017	Growth (%)
Operating Profit	2,033.84	1,819.30	11.79%
Net Profit	879.59	982.04	-10.43%

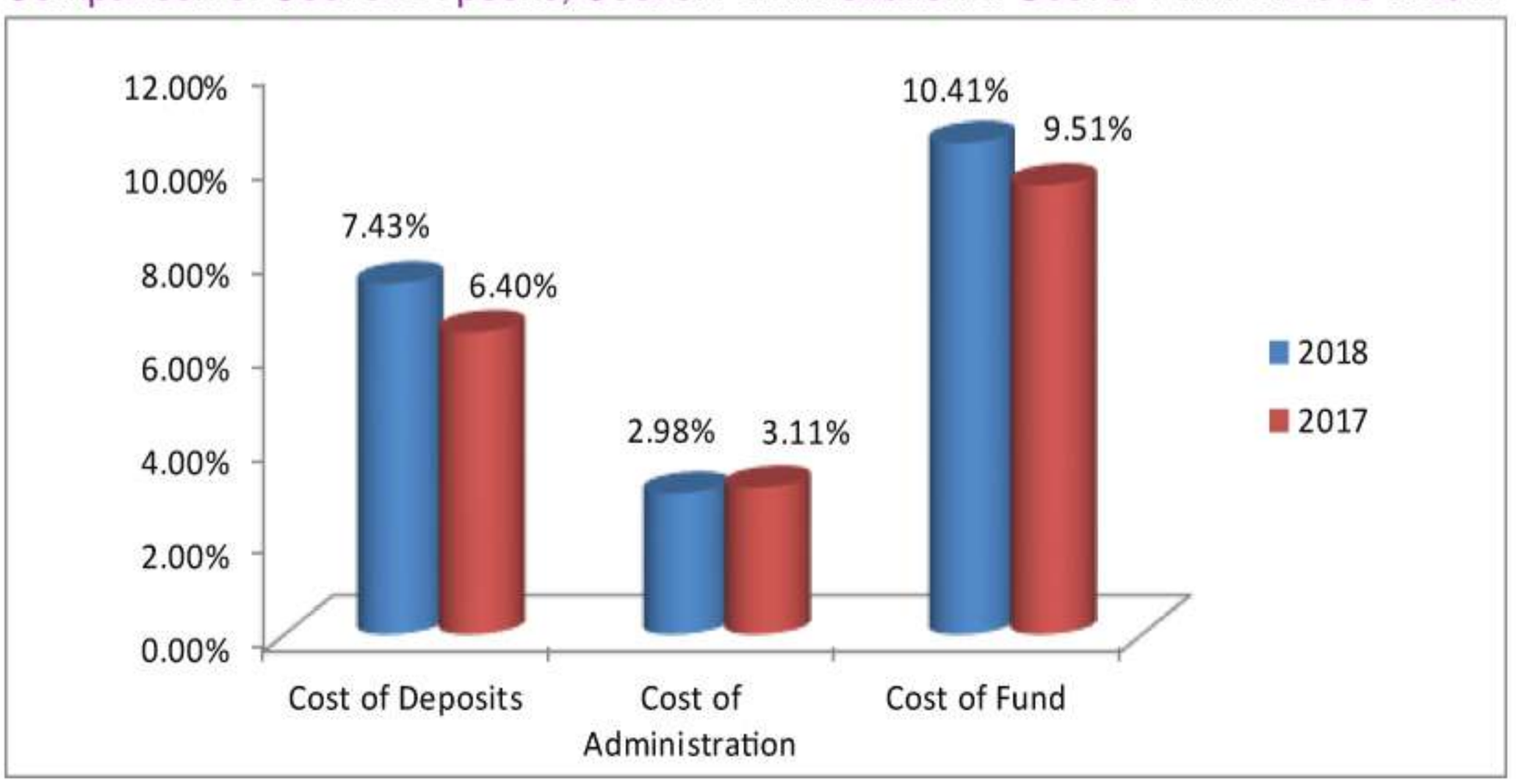
Comparison of Profitability in 2018 & 2017



Average Cost of Funds :

Particulars	2018	2017	Changes (%)
Cost of Deposits	7.43%	6.40%	1.03%
Cost of Administration	2.98%	3.11%	-0.13%
Cost of Fund	10.41%	9.51%	0.90%

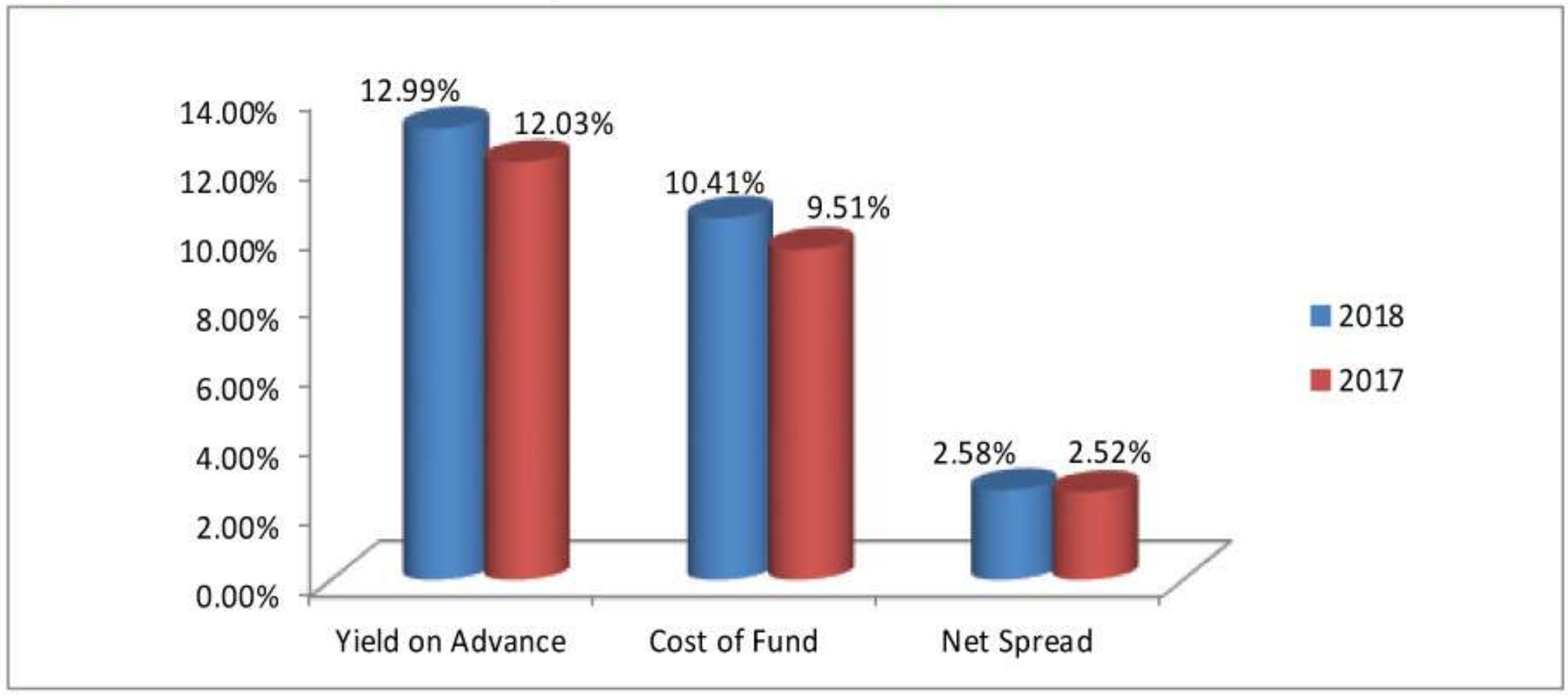
Comparison of Cost of Deposits, Cost of Administration & Cost of Fund in 2018 & 2017



Net Spread :

Particulars	2018	2017
Yield on Advance	12.99%	12.03%
Cost of Fund	10.41%	9.51%
Net Spread	2.58%	2.52%

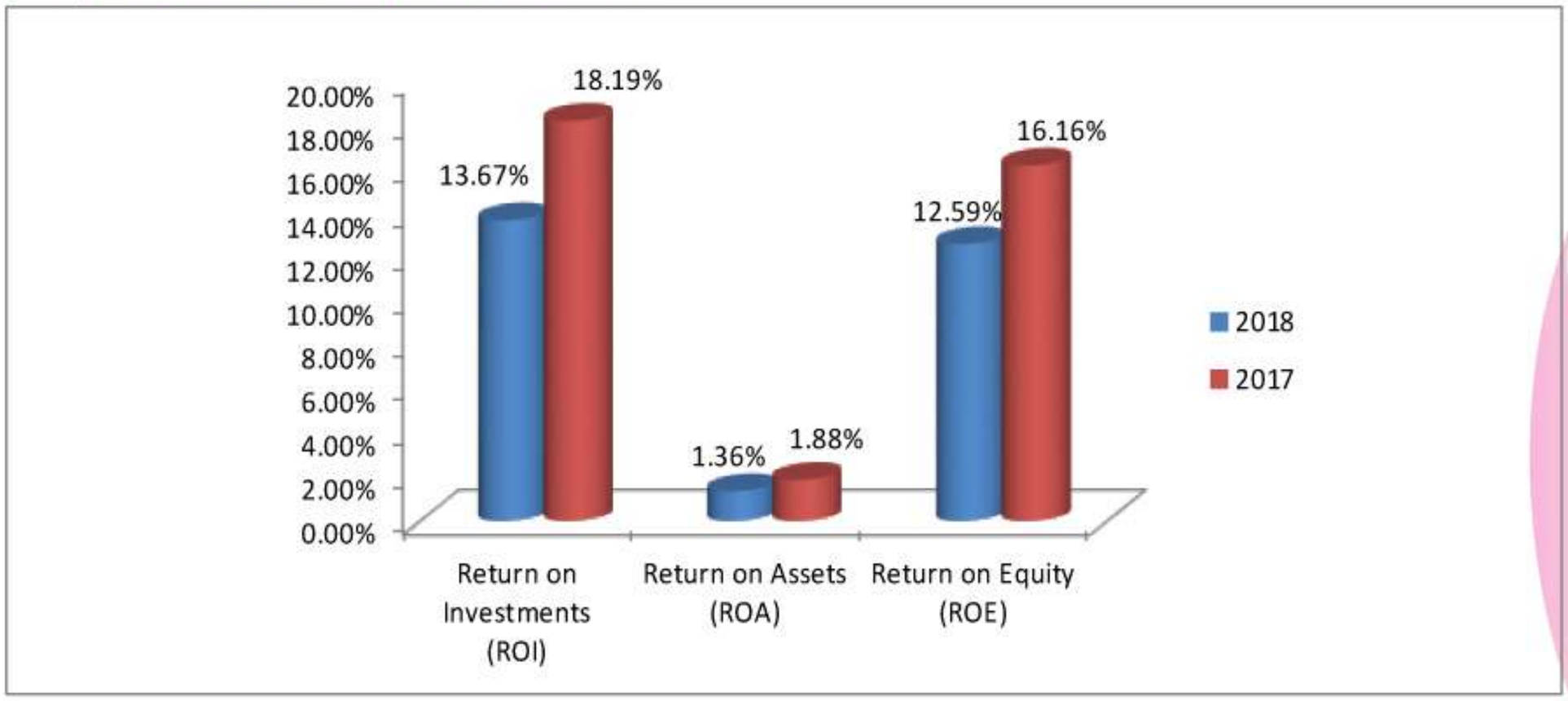
Comparison of Yield on Advances, Cost of Funds & Net Spread in 2018 & 2017



Rate of Returns :

Particulars	2018	2017
Return on Investments (ROI)	13.67%	18.19%
Return on Assets (ROA)	1.36%	1.88%
Return on Equity (ROE)	12.59%	16.16%

Comparision of Returns in 2018 & 2017



DIRECTORS' REPORT



Directors' Report 2018

(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 2018 and Audited Financial Statements for the year 2018 along with the Report of the Auditors to the shareholders. A brief overview of the global trend and the performance of Bangladesh economy vis-‡-vis our Bank and our strategic plan for 2018 have also been incorporated in this Report.

Introduction:

Outlook of World Economy & Bangladesh Economy

Global Economy: An Overview

International Monetary Fund (IMF) reported that the global economy continues to expand, but the expansion rate has become slow down due to disappointed third-quarter growth in some economies. Earlier the organization has made a global growth projection at 3.7 percent for 2018, despite weaker performance in some economies, notably in Europe and Asia. But now they estimated global growth projection at 3.5 percent in 2019 and 3.6 percent in 2020, as per their latest World Economic Outlook (WEO) published on January 2019.

The IMFís forecast was pulled down in particular by poor economic performance out of Europe. Germanyís growth forecast for 2019 was cut 0.6 percentage points due to weak consumption and industrial production data; Italy was cut by 0.4 points due to weak domestic demand and high government borrowing costs and France was cut by 0.1 points due to the impact of ongoing street protests.

The fund also cited a number of reasons to worry about financial-market stability, including Italian fiscal policies, the partial U.S. government shutdown and the risk of a messy Brexit as the U.K. struggles to negotiate its divorce from the European Union. Although 3.5% growth is a slowdown from the past two years, it is stronger than the 3.2% recorded in 2016, and still would represent a world economy that is expanding. Forecasts were raised slightly for two major economies, India and Japan, and many of the sources of concern are self-inflicted wounds from political dysfunction, such as trade tensions between the U.S. and its trading partners, the U.S. shutdown, the U.K.ís Brexit and Europeís domestic strife.

The IMF assumes Britain will leave the European Union with a deal that smoothes the transition. The fund also assumes the U.S. will impose further tariffs on China. If it doesnít, following the negotiations under way between the countries, that would represent a positive risk to the outlook, Ms. Gopinath said.

Rising trade tensions pose a major risk to the world economy. Under President Donald Trump the United States has imposed import taxes on steel, aluminum and hundreds of Chinese products, drawing retaliation from China and other U.S. trading partners.

Data released on early January 2019 showed that the Chinese economy grew 6.6% in 2018, the slowest annual pace since 1990, as weakening domestic demand and the negative impact of U.S. tariffs hit the worldís second-largest economy.

Rising interest rates in the U.S. and elsewhere are also pinching emerging-market governments and companies that borrowed heavily when rates were ultra-low in the aftermath of the 2007-2009 Great Recession.



The 79th Board Meeting of SBAC Bank was held on July 16, 2018 at its Head Office of the Capital City Dhaka. S.M. Amzad Hossain, Chairman of the Board of Directors of the Bank presided over the meeting.

Overview of the World Economic Outlook projections:

(Percentage change, unless noted otherwise)

Particular	Estimate		Projections	
	2017	2018	2019	2020
A. GDP Growth Rate:				
World	3.8	3.7	3.5	3.6
Advanced Economies	2.4	2.3	2.0	1.7
USA	2.2	2.9	2.5	1.8
Euro Area	2.4	1.8	1.6	1.7
Japan	1.9	0.9	1.1	0.5
Other Advanced Economies	2.8	2.8	2.5	2.5
Emerging Market and Developing	4.7	4.6	4.5	4.9
China	6.9	6.6	6.2	6.2
India	6.7	7.3	7.5	7.7
B. World trade volume (goods &	5.3	4.0	4.0	4.0
a) Advanced economies	4.3	3.2	3.5	3.3
b) Emerging and developing	7.1	5.4	4.8	5.2
C. Commodity prices (U.S. dollars)				
a) Oil	23.3	29.9	-14.1	-0.4
b) Nonfuel	6.4	1.9	-2.7	1.2
D. Consumers prices				
a) Advanced economies	1.7	2.0	1.7	2.0
b) Emerging and developing	4.3	4.9	5.1	4.6

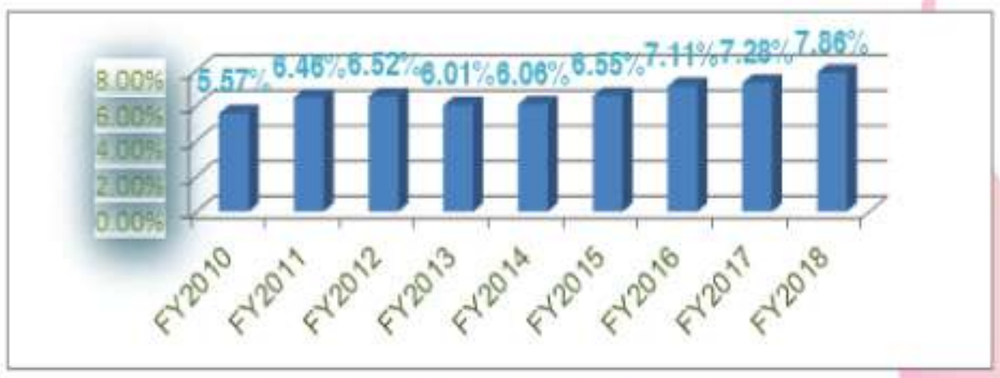
Source: IMF World Economic Outlook, January, 2019

BANGLADESH ECONOMY: An Overview

Domestic output growth performance:

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.

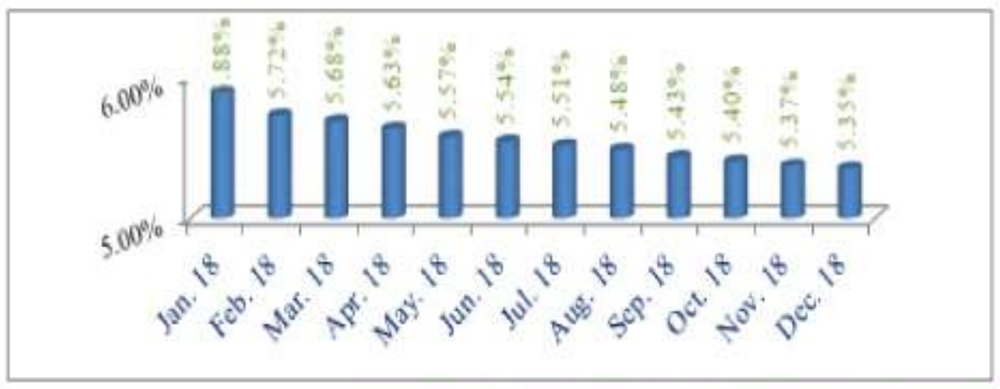
GDP Growth Rates of Bangladesh in Recent Years:



Source: Bangladesh Bureau of Statics

Inflation:

The annual inflation rate in Bangladesh eased to 5.35 percent in December 2018 from 5.37 percent in the prior month. It is the lowest inflation rate since February 2017, amid a slowdown in price rises of both food (5.28% vs 5.29%) and non-food products (5.45% vs 5.495), of which gross rent, fuel & lighting (2.64% vs 2.69%); miscellaneous goods & services (6.63% vs 6.83%) and recreation, entertainment, education & cultural services (0.94% vs 1.25%). On a monthly basis, consumer prices edged up 0.1 percent, following a 0.4 percent decrease in the previous month. Inflation Rate in Bangladesh averaged 6.54 percent from 1994 until 2018, reaching an all time high of 16 percent in September of 2011 and a record low of -0.03 percent in December of 1996.



Source: Bangladesh Bureau of Statics

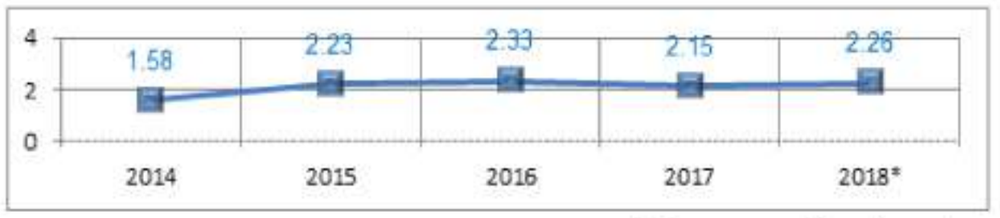
Rate of inflation of Bangladesh in recent months:

Foreign Direct Investment (FDI):

The flow of Foreign Direct Investment (FDI) into the country recorded substantial rise in 2018 with China becoming the top contributor. The development came in contrast to the decline in global inflow of FDI last year, according to a report of the United Nations Conference on Trade and Development (UNCTAD). Net inflow of FDI into the country was $2.26 billion during the January to September period of 2018. The figure represented a 51.62 percent increase in FDI inflow over that of corresponding period of 2017. A total of $1.49 billion FDI flowed into the country during the first nine months of 2017.

In fact the nine-month FDI in 2018 surpassed total FDI worth $2.15 billion in 2017. China became the top source FDI in Bangladesh due to big Chinese investment in the power sector. Global Investment Trends Monitor, released by the UNCTAD on January 21, 2019, estimated that global FDI inflow declined 17 percent to $1.19 trillion in 2018 from $1.47 trillion in 2017.

Annual Net FDI in Bangladesh (in billion US$):



*January - September

[Source: Foreign Investment & External Debt (FIED) Cell, Statistics Department, Bangladesh Bank]

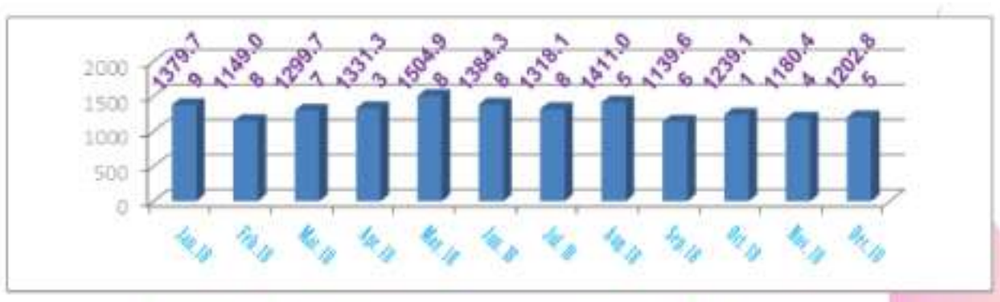
Remittances:

In Bangladesh, Remittances refers to inflows of migrantsí and short-term employee income transfers. Remittances from more than 10 million citizens abroad are very important for Bangladesh and along with garment exports are key source of foreign exchange. Saudi Arabia has been the largest source of remittances, followed by UAE, Qatar, Oman, Bahrain, Kuwait, Libya, Iraq, Singapore, Malaysia, the US and the UK.

Remittances in Bangladesh increased to 1202.85 USD Million in December from 1180.44 USD Million in November of 2018. Remittances in Bangladesh averaged 1201.42 USD Million from 2012 until 2018, reaching an all time high of 1504.98 USD Million in May of 2018 and a record low of 856.87 USD Million in September of 2017.

During the year 2017, number of manpower exported to different countries of the world reached to 1,005,525 which made a record of manpower export history of Bangladesh started from 1976. The Ministry of Expatriates Welfare and Overseas Employment of Peoples Republic of Bangladesh has made a target for deployment of more than 1.20 million of Bangladeshi workforce to different countries of the world. But during the first half of the last year (January-June 2018), only 392,250 number of manpower has been exported, which is 25 percent lower compare to the same period of previous year.

Inflow of Remittances in Bangladesh (in million US$):



Source: tradingeconomics.com I Bangladesh Bank

Government borrowing from the banking system, savings certificate and development partners:

The government borrows from two domestic sources: banking system through Treasury Bills (T-Bills) & Bonds and the non-banking system mainly through National Savings Directorate (NSD). In FY2017-18 government borrowed Tk. 5,666 crore from the banking sector; it did not borrow any money the previous fiscal year but repaid Tk. 18,029 crore. (The Daily Star, dated January 17, 2019). From July 2018 to January 06, 2019 govt. borrowed Tk. 8,412 crore from the banking sector. As on January 06, 2019 govt. borrowing to banking sector stands to Tk. 96,670 crore. At the end of FY2017-18 it was Tk. 88,258 crore. (The Daily Samakal, dated January 14, 2019 and The Daily Ittefaq, dated January 15, 2019).

Besides during first five months of current fiscal year, i.e. July-November 2018, govt. received Tk. 21,662 crore from the sale of National Savings Certificate, which is 82.69 percent of total selling target of the whole fiscal year. For the FY2018-19, govt. made a target to collect Tk. 26,197 crore from the sale of National Savings Certificates. In the FY2017-18, govt. received Tk. 78,784 crore from the sale of National Savings Certificates. At the same time repaid Tk. 32,254 crore, i.e. net sale stood Tk. 46,530 crore. In the FY2016-17 net borrowings from this sector stood Tk. 52,417 crore. In total govt. borrowings from the sale of National Savings Certificate stood Tk. 259,428 crore as on November 30, 2018. (The Daily Janakantha, dated January 15, 2019).

Besides at the end of FY2017-18, total debt to development partners and aid giving countries stood at USD 3,352 crore or BDT 281,568 crore. That means per capita foreign debt stood at US$204.85 or BDT 17,207. (The Daily Samakal, dated January 18, 2019).

Import, Export & International Reserve:

Import of Goods: The total merchandise Import Payments of Bangladesh (including imports of EPZ) during the years 2017-2018 and 2016-17 amounted to Taka 435,041.5 crore (or US$ 52,939.6 million) and Taka 344,577.1 crore (or US$ 43,540.8 million) respectively, reflecting a 21.6% increase in dollar terms.

Import of Services: The total Import Payments of Services during the years 2017-18 and 2016-17 amounted to taka 50,017.6 crore (or US$ 6,086.6 Million) and taka 35,995.9 crore (or US$ 4,548.5 Million) respectively, reflecting a 33.8 % increase in dollar terms.

The overall position of Import Payments of Goods and Services in Taka for the years 2017-18 and 2016-17 stood at 485,059.1 crore and 380,573.0 crore respectively.

Total import payments of Bangladesh (including EPZ) during the quarter July-September, 2018 stood at Tk.111,138.9 crore (or US$13,271.0 million) as compared to Tk.117,864.3 crore (or US$14,144.5 million) for the quarter April-June, 2018.

Export: Export Receipts of Bangladesh (including exports of EPZ) during the quarter Jul.-Sep., 2018 stood at Tk. 73,196.5 crore or US$ 8739 million. On the other hand Export Receipts for the quarters Apr.-Jun., 2018 and Jul.-Sep.,2017 were Tk. 68,597.4 crore or US$ 8231 million and Tk. 66,167.1 crore or US$ 8201 million respectively.

Foreign Exchange Reserve: The international reserve stood at USD 32016.3 million at the end of December 2018 which was USD 33226.9 million at the end of December 2017 registering downward growth of 3.64 percent.

Source: Bangladesh Bank website

Money Supply and Credit Growth:

Money Supply (M1) [currency outside banks, deposits of financial institutions with Bangladesh Bank (except DMBs) and demand deposits with DMBs (excluding interbank deposit and government deposit)] in Bangladesh decreased to 2441739 BDT Million in November compare to 2447419 BDT Million in October and 2449360 BDT Million in September of 2018. Money Supply M1 in Bangladesh averaged 416778.50 BDT Million from 1974 until 2018, reaching an all time high of 2571565 BDT Million in August of 2018 and a record low of 6267 BDT Million in April of 1975.

Deposits held in DMBs (excluding interbank deposit and government deposit) stood at 9916904 BDT Million in November 2018 against 9860326 BDT Million in October 2018, registered 0.57% growth at the same time. Again loans and advances including money at call, balances and R. Repo with NBFIs & accrued interest stood at 9146447 BDT Million in November 2018 against 9044096 BDT Million in October 2018, registered 1.13% growth at the same time. *Source: Bangladesh Bank website.*

Call money market:

The weighted average call money rate in the inter-bank money market increased marginally to 4.09 percent in December 2018 compare to 3.92 in December, 2017. Average scheduled banks weighted average interest rate spreads has come to 4.20 in November, 2018. *[Source: Bangladesh Bank Website]*

Lending Rates and Deposit Rates:

The Scheduled Banks Weighted Average Deposit Rate reached to 5.30 percent in November 2018 against 4.90 percent in November 2017. The Weighted Average Advance Rate reached to 9.50 percent against 9.30 percent at the same time. The average spread, which sits on top of the average deposit rate to give us the average lending rate, reduced to 4.20 percent compare to 4.40 percent over the same period.

[Source: Bangladesh Bank Website]

Bangladesh Economy Outlook 2018:

Bangladesh has come a long way in its economic growth. From a meager US$5.70 billion in 1972, the gross domestic product (GDP) increased to US$285.82 billion in 2018. The Bangladesh economy is the 42nd largest in the world in nominal terms and 31st largest in terms of Purchasing Power Parity (PPP). By 2032 Bangladesh economy is estimated to become 24th economy of the world in GDP. Recently, Bangladesh graduated from Least Development Country (LDC) status to a lower middle income country, and hopes to become a developed country by 2041.

Economic growth in Bangladesh has been helped largely by export earnings from ready-made garments (RMG) sector; remittances sent by migrant workers; growth in the agricultural sector; expansion in Medium, Small and Micro Enterprises; decline in the rate of population growth; and the governments safety net programs. Bangladesh is the second largest apparel exporter of western brands, after China (The Financial Express, January 12, 2019).

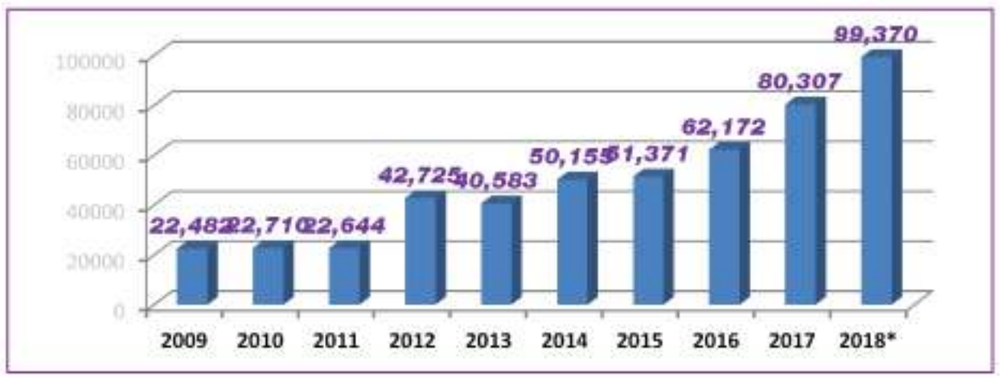
Role of Banks in Economic growth of Bangladesh:
Commercial banks have been playing an important role in the economic development of Bangladesh. They provide investible funds to both the public sector, and specially the private sector. Further, banks have played a significant role in respect of the 04 (four) major drivers of economic growth in Bangladesh like RMG, remittances sent by migrant workers, agriculture and SME sectors improvement. As a financial intermediary, the share of Banks in total GDP of Bangladesh as on FY2017-18 is 2.97%. However the banking sector is facing with various challenges, like:

Non-Performing Loans (NPLs):

Up to September 30, 2018 total non-performing loans (NPLs) of the banking industry stood to Tk. 99,370 crore which is 11.45% of total loans and advances of the banking industry. In addition to this Tk. 49,745 crore has been written-off up to the same period.

Last 10 years trend of NPLs in banking industry of Bangladesh

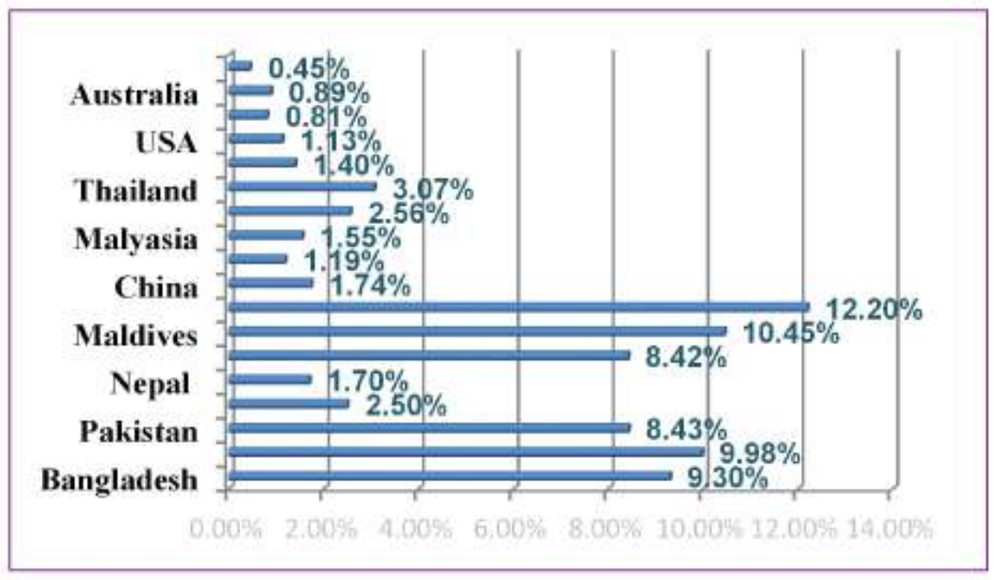
(in crore Tk.)



*Up to Sept. 30

Non-performing loans - Country position:

Global average NPL for 2017 was 7.21 percent. The highest value was in Ukraine: 54.54 percent and the lowest value was in Macao: 0.23 percent.



Source: www.theglobaleconomy.com/rankings/Nonperforming_loans/

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-‡-vis capital requirement.

SBAC Bank Limited recognizes the impact of shareholdersí 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-‡-vis capital requirement.

Adequate capital:

- Regulatory requirements to promote bank safety and soundness
- Mitigate moral hazard problems of deposit insurance by increasing shareholdersí 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 11.875% including buffer capital of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher for the year 2018. Minimum Common Equity Tier-1 (CET-1) capital should be minimum 4.5 percent of total capital. SBAC Bank maintained total eligible capital Tk. 784.18 crore as on 31.12.2018 which was Tk. 701.27 crore as on 3.12.2017. The Capital to Risk Weighted Asset Ratio of the bank was 15.88% as on 31.12.2018 of which CET-1 was 14.92%. As on 31.12.2017 CRAR of the bank was 16.54%. So, SBAC Bank maintains excess capital as per requirement of Bangladesh Bank and the bank stands on strong capital base.

Bank's Role in the International Business

International Division (ID) facilitates the trade business of South Bangla Agriculture and Commerce Bank Ltd. and plays a vital role in overall supervision and control of foreign trade and foreign exchange business of the Bank. The Division is looking after Correspondent Banking Relationships, Trade Processing Unit (TPU), Treasury Back Office, Trade Settlement& Regulatory Reporting Unit and Inward Wage-earner Remittance Unit. Foreign Trade Transaction are being accomplished through 6 (Six) Authorized Dealer (AD) branches including Trade Processing Unit (TPU) at Head office. 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 74 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 2018, the number of foreign correspondents was 202 Banks spread across 52 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 over USD 60.00 million as well as funded credit lines with more than 21 reputed banks worldwide.

The 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. our 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)	202
Nostro Account	12
Credit Line/ Add Confirmation facilities with foreign Banks	21
Direct Drawing arrangement with Exchange House for Remittance services	5
In-Direct (Sub-agent) Drawing arrangement with Exchange House for Remittance services	6

Import:

In order to meet countries need as well as industrial needs different items and commodities are imported from different countries. Mentionable that Bangladesh is a country of Import based economy but its export volume is increasing over the last decades. Import customers of SBAC Bank Ltd. are various types among them export oriented garments industry, and general traders are remarkable. In the year 2018 SBAC Bank handled BDT 27,353.00 million (equivalent USD 325.60 million) import business from 4603 number of Documentary Credit/LC. Import volume in the year 2017, 2016 and 2015 was BDT 25,900.50 million (equivalent USD 312.05 million), BDT 17,596.80million (equivalent USD 219.96 million), and 10,942.10million (equivalent USD 137.64 million) respectively.

Export:

Export and economic growth of a country is directly related to each other. If export increases at a faster pace as compared to import, economic development is being happened. Lower export contributes lower foreign exchange thus a lower purchasing capacity of a nation. In order to patronize the exporter as well as the economy of the country and to boost up income from export financing activities SBAC BANK Ltd. adopted export friendly trade strategy. Our exporter mainly exports their manufactured items destined to UK, USA, Canada, Hongkong, Germany, Turkey, Poland, Norway, Denmark, Russia, Dubai, Japan, Italy, Switzerland, France, Greece, Netherland and India. In the year 2018 SBAC Bank Ltd. handled BDT 16,399.66million (equivalent USD197.58 million) export business from 4734 number of export documents. Export volume in the year 2017, 2016 and 2015 was BDT 11,710.17million (equivalent USD 141.51 million)BDT 8,760.31million (equivalent USD 110.89 million)and BDT9905.70million (equivalent USD 126.19 million) respectively.

Remittance:

Remittance is one of the most important sources of foreign exchange earnings for Bangladesh. The Bank has a well linked 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 tie 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, Xpress Money Services Ltd., Western Union Network, Ria Financial services and Turbo Cash with the help of some others Private Commercial Banks of the Countries. In the year 2018, SBAC Bank received BDT 4,319.98million (equivalent USD 53.05 million) as wage earners remittance. Remittance figure was 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 and BDT 269.40million(equivalent USD 3.43 million) in the year 2015.

Treasury Operations:

In banking business, movement or transformation of the components in the balance sheet is an ongoing process which has a resultant effect on the profitability and overall strength of Bank. The Bankís Treasury plays an important role by identifying and measuring risks and minimizing or hedging risks using various financial tools for stabilizing the balance sheet and maximizing profit for bank.

Therefore, in the process, treasury operates through the integrated efforts of Money, Fixed income, FX, and ALM to achieve the desired goal.

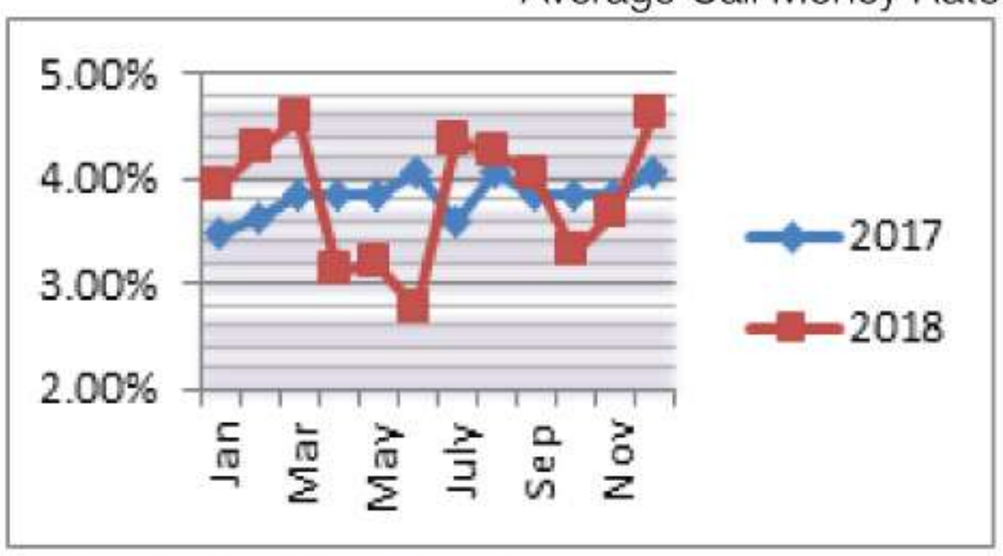
Core responsibilities of Treasury operations are maintenance of statutory requirement i.e. CRR, SLR, ADR, LCR, NSFR, Commitment, Wholesale Borrowing and NOP limits. In the process of liquidity risk management, Treasury arranges funds both in LCY and FCY. Being a primary dealer, SBAC Bank performs its responsibility as an underwriter to government securities. The Treasury provides an array of Treasury products at competitive prices and superior services with a dynamic and innovative workforce. It has been performing consistently over the years with respect to contribution to Bankís profitability in the following areas.

Money Market

Money Market deals with products like Call money, Notice money, Term money, Repo, Reverse Repo, BB Bill and FX swap. Our Treasury has been very active in interbank money market through superior forecasting of the market, managing liquidity gaps and contributes significantly to the bottom line of the Bank.

Money market was moderately liquid in the first two quarters of 2018. However, there has been some liquidity crunch in the market due to huge import payments. And, the obligation to maintain the key liquidity ratios triggered the demand for money further.

Average Call Money Rate



Fixed Income Investment

It deals with products like Treasury Bills & Treasury Bonds. Our active participation in secondary market through trading of government securities generated substantial capital gain in 2018. The yield curve movement in the year 2018 was not much favorable to make fresh investment to enhance the bond portfolio. T-Bill and T-Bond auction was irregular throughout the year. This irregular auction of bond, decline in governmentsí bank borrowing due to huge net sale of national savings certificates impeded the bond market.

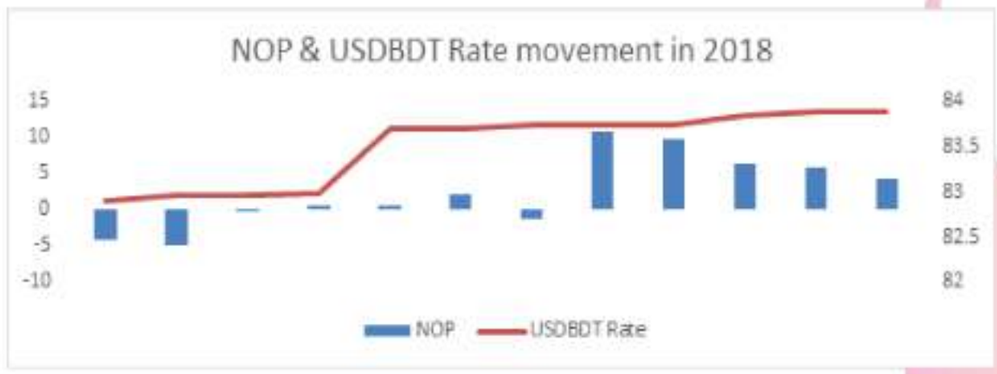
Yield of Govt. Securities



Foreign Exchange

The widening gap of import and export triggered a huge trade deficit in 2018. The USD/BDT pair faced an upsurge of about 1.5% during the year. Some of the major dynamics that caused this instability includes faster growing imports than exports, implementation of large government projects, escalation of oil price. All these also testified the volatility in the foreign exchange market in 2018. Central Bank take initiative to stabilize this volatility and sustain the export competitiveness with our neighboring countries i.e. India and China. Corporate houses responded by hedging their future positions, which also contributed to this upward pressure in USD/BDT rate. Amidst all these challenges, our foreign exchange activities related to imports, exports, remittance and interbank transaction generated substantial exchange gain.

Foreign Exchange Desk continuously makes forecast about movement of future exchange rate and maintains its open position accordingly within the limit USD 12.66 Million. This Desk minimizes foreign exchange risk-potential due to change in market prices through proper market forecasting.



Asset Liability Management (ALM):

The Bank has separate ALM Desk under Treasury, which supplies economic, market and Bank information and analysis to asset liability Management Committee (ALCO) for taking strategic decision. ALCO, which meets at least once in a month, is responsible for managing balance sheet compositions, determining interest rates to increase efficiency, managing liquidity and interest rate risks and maximizing returns.

Change in interest rate, exchange rate and market liquidity may expose the Bank to risks and may threaten the survival of the Bank as well if not managed effectively. The ALM function comprises management of liquidity, maturity profiles of assets and liabilities, interest rate risks and Forex risk. ALM Desk officials prepare ALCO paper incorporating local and international economic updates, market liquidity forecasts, interest rate projections, balance sheet analysis and recommend measures to be taken to optimize balance sheet whether to reduce or increase deposit and lending rates. ALM Desk guides ALCO in changing lending and deposit rates with proper analytics and better forecasts. In 2018, effective and timely change in rates by ALCO played a crucial role in the significant growth of NII. A new ALM policy has been formulated by ALM Desk keeping BASEL III liquidity ratios (LCR & NSFR) in mind and central bankís ALM guidelines into active consideration. Change in deposit mix reducing dependency on term deposits and also reduces substantial costs.

Managing balance sheet composition is a vital part for the bank. SBAC Treasury is always learning form the market and getting updated time to time to manage Balance sheet composition at optimum level.

INFORMATION TECHNOLOGY DIVISION

SBAC Bank has undertaken various technology enabled business initiatives to realize the vision of customer centricity and to respond to customer demand in real time by knowing its customers and their behavior. Over the last few years, we have made significant investments in technology and processes and further strengthened our risk management architecture.

SBAC Bankís IT Vision is to enable technology as a strong strategic support to the Bank, providing value in key organizational initiatives to achieve business goals, offer excellent customer service and to ensure regulatory compliance. As we are adopting sophisticated technology to roll-out the best banking solutions to customers. Therefore, the Bank is continuously working to implement appropriate IT risk management strategies to secure its most vital information assets and to ensure that related risk management systems and processes are strengthened for smooth and continuous banking operations.

The trust and confidence of our customers remains our strongest anchor, encouraging us to consistently improve our products and service propositions. We are reaching out to millions of customers in Bangladesh, enriching their lives through our pragmatic products and services. Currently we have 74 branches across the country and we are planning to further strengthen our physical presence. At the same time, our digital outreach continues to grow significantly.

Information Technology, an area of prime focus for our Bank, has maintained its strides towards technological excellence. Leveraging on the latest version of Core Banking Solution (CBS), we have implemented several initiatives to provide enhanced banking operations.

Reliable business processes and improved customer service continued to be the key business capabilities that IT delivered for the Bank. With new customers entering formal banking system and the volume of transactions increasing rapidly, the need for robust and dependable technology has increased significantly. The Bankís IT infrastructure was augmented to build these capabilities. The Bank updated and customized its core systems, moved to next versions of applications and adopted modern technology stack for better scalability.

Digital transformation and digitization of the traditional banking activities is rapidly changing the banking landscape. SBAC Bank is continuously investing in digital systems and technologies to ensure a smooth integration between its existing infrastructure and new digital products. The Bankís IT strategy has supported business initiatives by continuously updating technology and processes to meet evolving business requirements. Today, the Bank has a very rich technology framework at the front and back end which caters to all requirements of the retail and corporate customers alike and provides very quick turnaround time.

Digital payments and online consumption of financial services are growing on the back of ëDigital Bangladeshí initiatives. Today, there is an opportunity to ride on the digital infrastructure to strengthen payments, trade and information flow to aid sustainable and inclusive growth. Since the

inception, SBAC Bank has always been at the forefront of digitization, contributing actively to the Governmentís vision of a ëCashlessí economy. Our recently launched Digital Banking APP-BanglaPay has been well received across different segments of customers.

In the endeavor towards providing high availability and continuity of services to our customers, including high availability of customer-facing IT systems, the Bank has a Board-approved Business Contingency Plan which includes plans for recovery of its IT systems in the event of any disaster or contingency.

The Bank has adopted a holistic cyber security program with comprehensive ICT Security Policy and standards based on industry best practices with compliance to regulatory guidelines.

- The Bank has created its cyber security design and framework based on our existing ICT Security Policy.
- The Bankís cyber security framework is built around five fundamental areas including Identify, Protect, Detect, Respond and Recover.
- The Bank has implemented advanced security solutions to manage any type of cyber-attacks.
- Employees are updated with the latest security threats and the best security practices.
- The Bank provides cyber security awareness to its customers on a continuous basis through various channels like SMS/ Email/Website/Social media etc.
- Bank is continuously reviewing and assessing IT operations to ensure that it complies with regulatory requirements.



SBAC Bank Call Center

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, which we commonly call digital Bangladesh. By 2021, after 50 years of independence our goal is to be a middle-income country with peace, prosperity and dignity. 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 digitalization 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 uninterruptable 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 26 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 22,000 Debit Cards & approximately 2,000 credit cards.

Introducing of Digital Wallet "Banglapay"

70% of total population are using popular digital platform ì Mobile Phoneî in Bangladesh. So based on this we have introduced SBAC Digital Wallet ì Banglapayî 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.



Launching Ceremony of ì Banglapayî

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 cardholderís 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 buy 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 cardís 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 transactins, 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.

PERFORMANCE OF SBAC BANK LIMITED IN 2018:

PERFORMANCE OF THE BANK IN 2018:

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 2018. The bank earned Tk. 2,033.84 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities. Trade finance, remittances and other ancillary businesses have also been expanded compare to the operation in 2017. The Financial performances of the Bank are as follow:

Total Assets

Total assets of the bank stood at Tk. 70,661.31 million in 2018 as against Tk. 58,940.78 million in 2017 registering a growth of 19.89 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. 4,088.39 million 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 as against Tk. 3,524.05 million in 2017 of which Tk. 463.16 million in the form of cash and rest of Tk. 3,060.88 million held with Bangladesh Bank & its Agent registering growth of 16.01 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. 7,038.85 million in 2018 of which Tk. 6,693.35 million in Bangladesh and Tk. 345.50 million outside Bangladesh as against Tk. 4,147.76 million in 2017 of which Tk. 4,001.75 million in Bangladesh and Tk. 146,02 million outside Bangladesh. The balance with other banks and financial institutions in Bangladesh increased by Tk. 2,691.60 million (Tk. 6,693.35 million - Tk. 4,001.75 million) in 2018 due to deposit in other banks and financial institutions. The balance in outside Bangladesh increased by Tk. 199.48 million (Tk. 345.50 million ñ Tk. 146.02 million) in 2018 due to increase in both number and balance of nostro accounts maintained with overseas banks. Adequate funds were maintained with correspondent banks for payment against LC commitments.

Investment

The position of Investment of the Bank is Tk 7,032.56 million in 2018 as against Tk. 6,390.88 million in 2017. The investment increased during the year 2018 by Tk. 641.68 million (Tk. 7,032.56 million Tk.6,390.88 million). The bank purchased government treasury bills to cover the increased SLR requirement and for high yield. In addition, as a primary dealer, Bank had to buy government treasury bills/bonds which were devolved by Bangladesh Bank.

Loans and Advances:

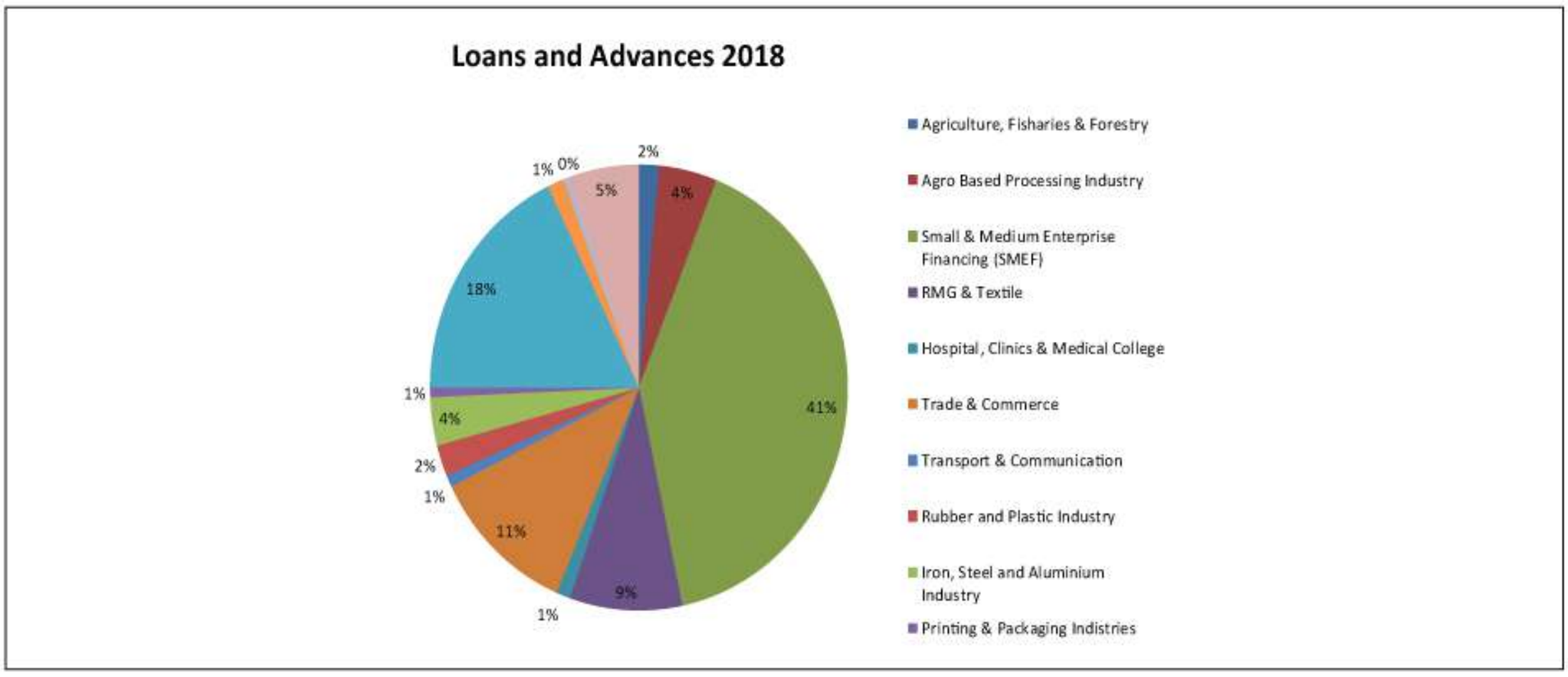
The SBAC Bank Limited since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2018. The loans and advances stood at 50,254.94 million in 2018 against Tk. 43,284.97 million in 2017 registering growth of 16.10 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bank increased to 12.99 percent from the level of 12.03 percent of previous year due to increase 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	2018	2017	2016	2017 to 2018 Growth%
Agriculture, Fisharies & Forestry	793.39	784.07	664.44	1.19%
Agro Based Processing Industry	2,245.47	1,702.19	1,249.66	31.92%
Small & Medium Enterprise Financing (SMEF)	20,410.79	16,097.64	14,816.41	19.33%
RMG & Textile	4,374.64	4,171.59	3,582.86	4.87%
Hospital, Clinics & Medical College	540.81	713.19	149.14	-24.17%
Trade & Commerce	5,659.23	5,046.71	2,751.96	12.14%
Transport & Communication	426.37	307.35	521.04	38.72%
Rubber and Plastic Industry	1,134.97	912.96	882.74	24.32%
Iron, Steel and Aluminium Industry	1,759.92	1,576.16	1,310.67	11.66%
Printing & Packaging Indistries	351.44	302.70	334.38	16.10%
Other Manufacturing Industries	8,975.93	8,178.93	2,220.19	25.16%
Housing Service (construction)	636.43	680.29	260.56	-6.45%
Consumer Credit	188.50	155.24	152.16	21.43%
Others	2,757.03	2,655.84	1,277.88	3.81%
Total	**50,254.94**	**43,284.96**	**30,174.09**	**1.80**



Liabilities

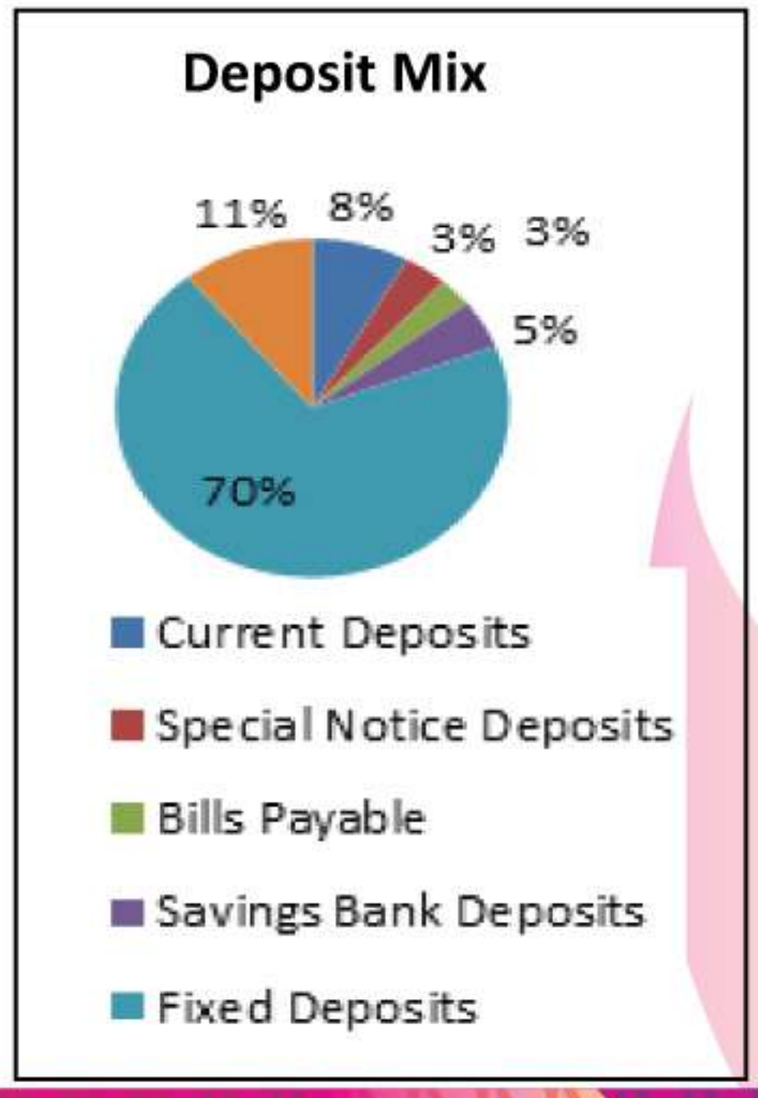
The liabilities (excluding equity) of the Bank stood at Tk. 63,231.60 million in 2018 of which Tk. 59,304.33 million (93.98%) was deposit and rest Tk. 2,996.11 million (6.02%) was borrowing & other liabilities as against Tk. 52,401.79 million in 2017 of which Tk. 50,121.49 million (95.65%) was deposit and rest Tk. 1,881.89 million (4.35%) was other liabilities registering growth of 19.89%. The increase in liability was mainly due to growth in deposits. The borrowings from other banks, financial institutions and agents stood at Tk 801.15 million in 2018 which represents Bankís borrowing from Bangladesh Bank under various Refinance Scheme & EDF.

Deposits

The deposits of the Bank stood Tk. 59,304.33 million in 2018 as against Tk. 50,121.49 million in 2017 registering growth of 18.32 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 70.05 percent of the total deposits. Interest cost of deposit increased to 7.43 percent as against 6.40 percent as against of 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, NBFI, government bodies etc.

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

Types of Deposit	*Amount Taka in Million*		*Growth (%)*	*Deposit Mix (%)*	
	2018	*2017*		*2018*	*2017*
Current Deposits	*4,747.68*	*3,436.32*	*38.16%*	*8.01%*	*6.86%*
Special Notice Deposits	*2,140.63*	*1,487.08*	*43.95%*	*3.61%*	*2.97%*
Bills Payable	*1,651.82*	*1,378.78*	*19.80%*	*2.79%*	*2.75%*
Savings Bank Deposits	*2,758.44*	*1,833.22*	*50.47%*	*4.65%*	*3.66%*
Fixed Deposits	*41,543.32*	*38,447.68*	*8.05%*	*70.05%*	*76.71%*
Scheme Deposits	*6,462.44*	*3,538.41*	*82.64%*	*10.90%*	*7.06%*
Total	*59,304.33*	*50,121.49*	*18.32%*	*100%*	*100%*



Shareholders' Equity

The shareholdersí equity of the Bank stood Tk 7,414.91 million in 2018 as against Tk. 6,538.99 million in 2017 registering growth of 13.62%. The shareholdersí equity of the Bank consists of Paid-up capital, Statutory Reserve, Revaluation Reserve on Govt. Securities and Retained Earning .The strong growth in shareholdersí 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	2018	2017	Growth(%)
Cash	4,088.39	3,524.04	16.01
Balance with other banks and FIs	7,038.85	4,147.76	69.70
Money at call and short notice	80.00	-	
Investments	7,032.56	6,390.88	10.04
Loans and advances	50,254.94	43,284.97	16.10
Fixed & other assets	2,166.57	1,593.13	35.99
TOTAL PROPERTY AND ASSETS	70,661.31	58,940.78	19.89
Deposits	59,304.34	50,121.49	18.32
Borrowings	801.15	398.41	101.09
Other liabilities	3,126.11	1,881.89	66.12
Total Shareholders' equity	7,429.71	6,538.99	13.62
TOTAL LIABILITIES AND CAPITAL	70,661.31	58,940.78	19.89

Interest Income

The interest income stood at Tk. 6,420.41 million in 2018 as against Tk. 4,764.89 million in 2017 showing growth of 34.74 percent. Interest income consists of Interest earned from loans & advances amounting Tk. 5,889.38 million and Interest received on FDR & SND account kept with other banks and financial institutions amounting Tk. 531.03 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 (%)	
	2018	2017		2018	2017
Interest earned from loans & advances	5,889.38	4,343.00	35.61	91.73	91.15
Interest received from Banks & Financial Institutions	531.03	421.89	25.87	8.27	8.85
Total Interest Income	6,420.41	4,764.89	34.74	100.00	100.00

Interest Expense

The interest expense stood at Tk. 3,869.22million in 2018 as against Tk. 2,802.48 million in 2017 showing growth of 38.06 percent. Interest cost of deposits was the main component of interest expenses whereas interest cost of borrowings also had impact in 2018. Interest cost of deposits increased to 7.43 percent in 2018 from 6.69 percent in the previous year due to increase in rates of interest on deposits. Details of Interest Expense are as follows:

Types of Interest Expense	Amount (Taka in Million)		Growth (%)	Interest Expense Mix (%)	
	2018	2017		2018	2017
Interest on Deposits	3,808.40	2,707.49	40.66	98.43	96.61
Interest on Borrowings	60.82	94.99	(35.97)	1.57	3.39
Total Interest expense	3,869.22	2,802.48	38.06	100	100

Net Interest Income

The net interest income stood at Tk. 2,551.19 million in 2018 as against Tk. 1,962.41 million in 2017 showing growth of 30.00 percent. Net Interest Income increased due to increase in Interest earned from loans & advances and Interest received from Banks & Financial Institutions and decrease of interest expense on deposits.

Investment Income:

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. 917.54 million in 2018 as against Tk. 1,006.84 million in 2017. Net Interest Income decreased due to decrease in Investment in Government Securities.

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 etc. The Non-Interest Income & Other Operating Income stood at Tk. 535.16 million in 2018 of which Tk. 443.21 million was non-interest income and Tk. 91.96 million was other operating income as against Tk. 494.90 million in 2017 of which Non-interest income was Tk. 418.98 million and other operating income was Tk. 75.92 million showing growth of 8.13 percent. The growth was due to overall growth of banking business of the bank in 2018.

Total Operating Income

The operating income stood at Tk. 4,003.93 million in 2018 as against Tk. 3,476.12 million in 2017 showing growth of 15.18 percent. The operating income increased due to increase in interest income, 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. 1,970.10 million in 2018 as against Tk. 1,644.87 million in 2017 registering growth of 19.77 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 2018 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 801as on December 31, 2018. The productivity of the employees is measured in the following ratio:

(Amount in Million Taka)

Particular	2018	2017	Growth (%)
Income per employee	4.99	4.85	67.90
Expense per employee	2.46	2.31	34.65
Profit before provision per employee	2.54	2.54	-
Profit before tax per employee	2.03	2.12	(19.08)
Assets per employee	88.21	82.32	7.16

Provision of Classified Loans (Specific provision):

In 2018, the amount of Non Performing Loan (NPL) was Tk. 991.66 million. The specific provision for classified loans for the year 2018 was Tk. 516.58 million.

General Provision

The provision against unclassified loans and advances including off-balance sheet exposures was made to the tune of Tk. 469.67 million during 2018 of which Tk. 358.85 million was made for unclassified loans and advances and Tk. 110.82 million was made for off- balance sheet exposures as against Tk. 515.72 million in 2017 of which Tk. 398.08 million was made for unclassified loans and advances and Tk. 117.64 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 2018 since there was no diminution in value of investment in 2018.

Net Profit before Tax

After making above provision, net profit before tax of SBAC Bank Limited stood at Tk. 1,641.22 million in 2018 as against Tk. 1,517.93 million in 2017 showing growth of 8.12 percent. The growth was due to overall growth of banking business of the bank in 2018.

Provision for Income Tax

Provision against income tax of SBAC Bank Limited was Tk. 761.64 million in 2018 as against Tk. 535.90 million in 2017. The requirement was increased due to increase of net profit before tax in 2018.

Net Profit after Tax

Net profit after tax stood at Tk. 879.58 million in 2018 as against Tk. 982.04 million in 2017. EPS, ROA and ROE stood at Tk. 1.55, 1.36 percent & 12.59 percent respectively in 2018 as against Tk. 1.74, 1.88 percent and 16.16 percent respectively in 2017.

Statutory Reserve

As per Bank Companies Act 1991 (amended in 2018), 20 percent of profit before tax is required to be transferred to statutory reserve. As such an amount of Tk. 328.24 million has been transferred to statutory reserve in 2018 which was Tk. 303.59 million in 2017. Total statutory reserve stood at Tk. 1,126.91 million as on December 31, 2018 which was Tk. 798.66 million as on December 31, 2017.

OPERATING PERFORMANCE OF THE BANK

(Amount in Million Taka)

Particulars	2018	2017	2016	2015	2014
Interest Income	6420.41	4,764.88	3,843.96	2,861.10	1,590.07
Less: Interest Expense	3869.22	2,802.48	2,307.33	2,049.82	1,120.01
Net Interest Income	2551.19	1,962.40	1,536.63	811.28	470.06
Investment Income	917.54	1,006.84	1,143.57	833.15	285.54
Non-Interest Income & Other Operating Income	535.2	506.86	281.87	186.97	99.76
Total Operating Income	4003.93	3,476.10	2,962.06	1,831.40	855.36
Less: Operating Expense	1970.1	1,656.82	1,442.18	1,025.45	536.94
Profit before provision	2033.83	1,819.28	1,519.88	805.95	318.42
Less: Provision	392.62	301.37	74	78.62	121.74
Net Profit before Tax	1,641.22	1,517.91	1,445.88	727.33	196.68
Provision for Income Tax	761.64	535.9	496.42	369.32	130.68
Net Profit after Tax	879.59	982.01	949.45	358.01	66
Less: Statutory Reserve	328.24	303.59	289.17	145.47	39.34
Profit available to ordinary share holders	551.34	678.42	660.28	212.54	26.66
Earnings Per Share (EPS)	1.55	Tk. 1.97	Tk. 2.19	Tk. 0.83	Tk. 0.16
Return on Equity (ROE)	12.59%	16.16%	18.09%	7.85%	1.58%
Return on Assets (ROA)	1.36%	1.88%	2.31%	1.18%	0.41%

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 ì The Golden Globe Tigers Award 2018î (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 ìCORPORATE GOVERNANCEî 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

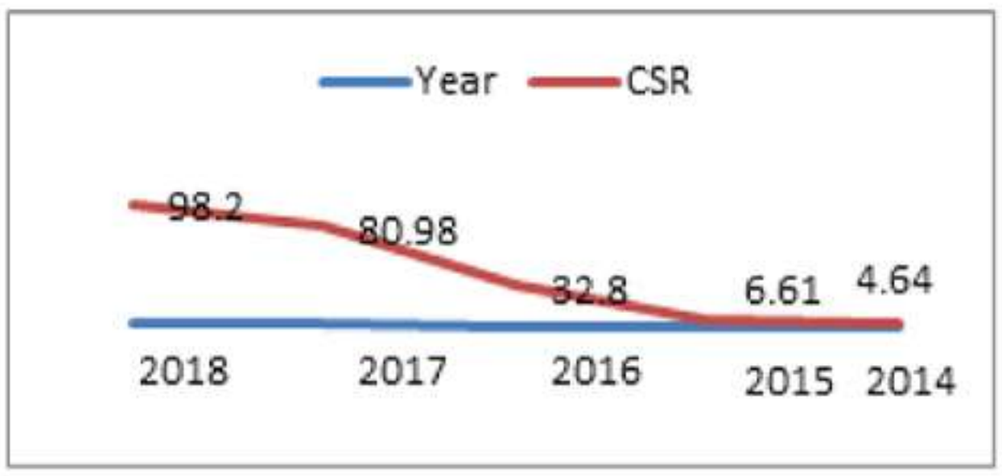


The chairman of the bank handing over a chaque to the honorable Prime Minister under CSR Activities

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. 9.82 crore (Taka nine crore eighty two lac only) among the areas mentioned above including Prime Ministerís Relief & Welfare Fund (1.00 crore) and Child Day Care Centre for Private Banks. Blankets worth Tk. 1.34 crore (Taka one crore thirty four lac only) were distributed for the cold bitten people particularly in the northern districts of the country.

(Amount in Million Taka)

Particulars	2018	2017	2016	2015	2014
CSR	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, ì A Green Banking Policyî 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 ìGREEN BANKINGî 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 Bankís 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 ì Bangla Payî that any account holder can provide or receive ordinary financial service to or from any account holder. We have introduced SBAC Digital Wallet ì Banglapayî 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.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Being a responsible corporate citizen, SBAC Bank Limited regularly pays corporate tax on time. We also deposit excise duty, withheld tax and VAT to Govt. exchequer on time deducted from employeesí salary as well as payments to customers and vendors. During the calendar year 2018, our contributions are as follows:

(Amount in Million Taka)

Particulars	2018	2017	2016	2015	2014
Withholding Tax	445.95	347.20	296.36	254.11	103.61
Advance Income Tax	258.90	507.19	269.89	146.16	38.89
VAT and Excise Duty	185.25	155.98	97.41	67.14	40.60
Total	890.10	1,010.37	663.66	467.41	183.10

GENERAL SERVICES PERFORMANCE:

The General Services Division (GSD) is the office responsible for the procurement and acquisition of supplies and services in support of the Bankís business. GSD is the entity within bank which is authorized to issue Invitations to Bid, Requests for Proposal, Requests for Quotation and issue contracts. GSD issues purchase/work orders, develops term contracts, and acquires supplies and services.

GSD is very conscious of its responsibility and accountability in the expenditure of Bankís funds. Therefore, it maintains a competitive bidding process in accordance with Bankís procurement policy. It is the GSD's policy, to encourage the participation of qualified vendors in the bidding process, emphasizing opportunities for direct suppliers and cutting off the intermediary. Preference is given to Bangladeshi bidders when not prohibited by the funding source.

Requirements of itís internal partners (i.e. different Divisions and Branches) vary widely.As a result, we have developed our internal database which helps us to predict the needs which in turn have helped us to fine tune the supply to meet its needs. GSD encourages the qualified business and contractor community to participate in the various bidding processes offered.

GSDís overall objective is to ensure that goods and services are obtained expeditiously and economically, that operational requirements are satisfied, and that Bankís procurement requirements are met.

The Bank authorities have clearly understands the importance of the procurement function and has tasked the General Services Division with the responsibility of accomplishing the following objectives:

- To procure required services, goods, materials and equipment while ensuring that quality, safety, and cost-effectiveness are achieved.
- To ensure that procurement transactions are conducted in a manner providing full and open competition whenever practicable.
- To comply with procurement policies.
- To solicit the participation of all qualified and responsible bidders and suppliers in the procurement process.
- To enhance accountability of the GSD and its participating officers for their procurement decisions and actions.
- To assure equity for all parties involved in the procurement process.
- To obtain the best value for the money spent.
- To eliminate the possibility of corruption or unethical practices in the procurement process.

Achievements for the year 2018:

1. Commencement of Banking operation of 74 Branches through collecting license and NOCís from different government organizations.

2. Timely inauguration of 9 new Branches around the urban areas as well as rural areas of our country.

3. Introducing more secured newly designed security instruments(i.e. cheque leaves)and equipments (i.e. fake note detector) in compliance with Bangladesh Bank instructions and equipping the branches with proper and modern state of the art technology to make banking more secure for our customers.

4. Working as active participant with Bangladesh Bank during CSR activities around the extremities of Bangladesh

Target in 2019:

1. Expanding our network through inauguration of 9 other new Branches and at least 27 Banking Booths at strategic points all over the country.

2.Creating a strong and wide network of ATM booths to create values in the mind of our customers.

3. Strengthening the internal database for asset management.

ANNUAL GENERAL MEETING:

Annual General Meeting will be held on May 23, 2019 at 4:00 p.m. at the Sky Ballroom (floor 16) of Le Meridien Dhaka, 79/A Commercial Area Airport Road, Nikunja 2, Khilkhet, Dhaka-1229. The Financial Statements were reviewed and recommended for final approval of the 6th AGM in the 90th meeting of Board of Directors of the Bank held April 30, 2019.



A vew of the 5th AGM

APPOINMENT/ RE-APPOINMENT OF AUDITORS:

KHAN WAHAB SHAFIQUE RAHMAN & CO., Chartered Accountants was appointed as external auditors of the bank for the year 2018 in the 5th AGM held on May 10, 2018. They have completed 03 (three) consecutive years as external auditors. Therefore, as per provision of laws, they are not eligible for re-appointment. The issue was placed before the 28 meeting of the Audit Committee of Board of Directors and subsequently in 90th Board Meeting. The Board recommended the following panel of Auditors for the approval of the shareholders in the 6th Annual General Meeting.

I. Hoda Vasi Chowdhury & Co., Chartered Accountants

II. MABS & J Partners, Chartered Accountants

III. G.kibria and company., Chartered Accountants

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 6th Annual General Meeting of the Bank to be held on May 23, 2019 but they will be eligible for re-election:

i. Mr. Md. Amzad Hossain
Nominated by: Rupsha Fish & Allied Industries Ltd.

ii. Mr. Shakhawat Hossain
Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.

iii. Mr. Sk. Shyedujjaman

iv. Mr. Mohammad Nawaz

v. Mr. Mohammed Ayub

Initial Public Offering of the Bank: As per clause 4 of the letter No. BRPD(P-3)/745(68)/2013-1076 dated 07 March, 2013 of Bangladesh Bank, our Bank was required to issue shares equivalent to sponsor capital through Initial Public Offering (IPO) within 3 (three) years from the date of commencement of Banking activities which has been extended up to March 6, 2018 through letter No. BRPD(P-3)/745(68)/2016-2142 dated 4 April, 2016 of Bangladesh.

Further, we have applied to the Bangladesh Bank through our letter No. SBACBL/HO/ CS/ 2017/00228 dated December 11, 2017 to extend the time for a further period of 3 years to go for IPO.

Bangladesh Bank through their letter No. BRPD(P-3)/745(68)/2018-1006 dated January 31, 2018 extended the time for 1 (one year) from the end of current tenure to complete the IPO process.

Subsequently the Board of Directors of the Bank in its 85th meeting decided to go for IPO to raise Tk. 200.00 crore based on the financial statements as on 30-06-2019 subject to approval of regulatory authorities. Accordingly, ICB Capital Management Ltd. has been appointed as Manager to the issue for forthcoming IPO and we have applied to Bangladesh Bank for approval to raise Tk. 200.00 crore as paid up capital through IPO.

STRATEGIC PLAN FOR 2018-2019:

The strategic priorities and actions plans as stated in the bankís Strategic Plan (2018-2019) are mentioned below:

✓ 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% within 2020.

✓ We believe in compliance culture. Our philosophy is ëcompliance first; profit is its logical consequenceí. 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. The Bank has already opened74 branches up to December 31, 2018 and opening of 9 more branches 27 banking booths are under process which to be completed by June 2019. The bank has a plan to increase number of branches to 85 by December 31, 2019 and 100 branches by December 31, 2020.

✓ Maintaining highest quality of customer services by offering best products compatible with customersí 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.
- ✓ 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 borrowersí 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.

HUMAN RESOURCES:

A talented and skilled workforce is the key to success for any organization. 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 Bankís Service built on the values of competence, impartiality, integrity, respect, and service.

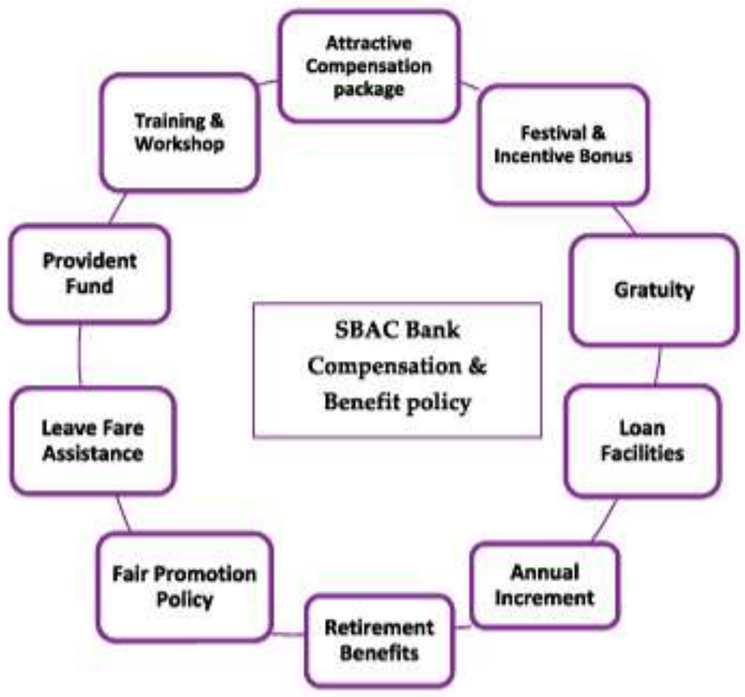
Human Resources Division sets its goal to help SBAC Bank Limited achieve its strategic mission, while ensuring employees are engaged and motivated to help the Bank succeed. HR has targeted its operational initiatives to align to the SBAC Strategic Plan by converting human resources into human capital 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 74 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	26	604	171	801



Total Workforce by Gender:

Number of Female Employees	157
Number of Male Employees	644
Total	801



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 2018, the Institute arranged training programs/workshops including foundation training for the fresh employees where 680 employees of different grades of the Bank participated. Details of the training programs/ workshops, no. of participants are as follows:

Details of Training Courses/Workshops (In-house) held in 2018:

Sl. No.	Date	Name of the Training	Duration	Number of Participants	Organizer
1	March 03-04	Operation of Trade Module under the new version of CBS-Flora Bank	02 days	26	SBAC Bank Training Institute
2	March 06-22	Foundation Training Course (6th Batch)	13 days	26	SBAC Bank Training Institute
3	April 01 - 05	Training Program on "Credit Management"	05 days	26	SBAC Bank Training Institute
4	April 08 - 12	Training Program on "Foreign Trade"	05 days	26	SBAC Bank Training Institute
5	April 18 - 26	Program on "Manager Induction Course"	07 days	14	SBAC Bank Training Institute
6	May 06 – 17	Foundation Training Course (7th Batch)	10 days	19	SBAC Bank Training Institute

7	May 20	CIB Online (Collateral Information System)	01 day	29	SBAC Bank Training Institute
8	July 01 – 05	Orientation Program for TJOs/TAOs	05 days	20	SBAC Bank Training Institute
9	July 08 – 19	Foundation Training Course (8th Batch)	10 days	24	SBAC Bank Training Institute
10	-	Prevention of Money Laundering (Addition)	-	24	SBAC Bank Training Institute
11	July 07	CIB Online (Khulna)	01 day	28	SBAC Bank Training Institute
12	July 21	Prevention of Money Laundering and Combating Financing of Terrorism (Khulna)	01 day	165	SBAC Bank Training Institute
13	July 23 – August 05	Foundation Training Course (9th Batch)	10 days	24	SBAC Bank Training Institute
14	September 04 - 20	Training Program on "Credit Management"	15 days	24	SBAC Bank Training Institute
15	October 20	CIB Online (Chottogram)	01 day	30	SBAC Bank Training Institute
16	October 20	Flora Training Program	01 day	07	SBAC Bank Training Institute
17	October 21 – November 08	Foundation Training Course 10th Batch for Senior Officers/TOs/TJOs	15 days	25	SBAC Bank Training Institute
18	October 21 – November 08	Foundation Training Course 11th Batch for TAOs.	15 days	12	SBAC Bank Training Institute
19	November 17	Training Workshop on "Professionalism in Banking"	01 day	42	SBAC Bank Training Institute
20	November 24	CTR Reporting Through goAML Portal	01 day	33	SBAC Bank Training Institute
21	December 01	Training Workshop on Flora Training Program" Online Collection of Titas Gas Bill through our Branches"	01 day	31	SBAC Bank Training Institute
22	December 22 - 23	Training Program on "Internal Control and Compliance"	2 days	25	SBAC Bank Training Institute
Total			122 Days	680	

In addition to Training Institute trainings, Human Resources Division nominated employees training Courses, workshop and seminars on different topics in different organizations in 2018. A total of 47 employees of SBAC Bank participated in training in different resourceful places like BIBM, BAB, Bangladesh Bank, 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 2018. 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 2018

Particular	2018
Entry Level Entrance	64%
Mid Level Entrance	35%
Management Level Entrance	1%
Total	100%



Instead of simply filling up the employee gap in certain positions of the bank, the recruitment and selection team emphasized on the ìBest Fitî 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 92 including both fresh and lateral candidates in 2018.

Disclosure under Corporate Governance Guidelines issue the Bangladesh Securities and Exchange Commission(Notifiation No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018)

An industry outlook and possible future developments in the industry.

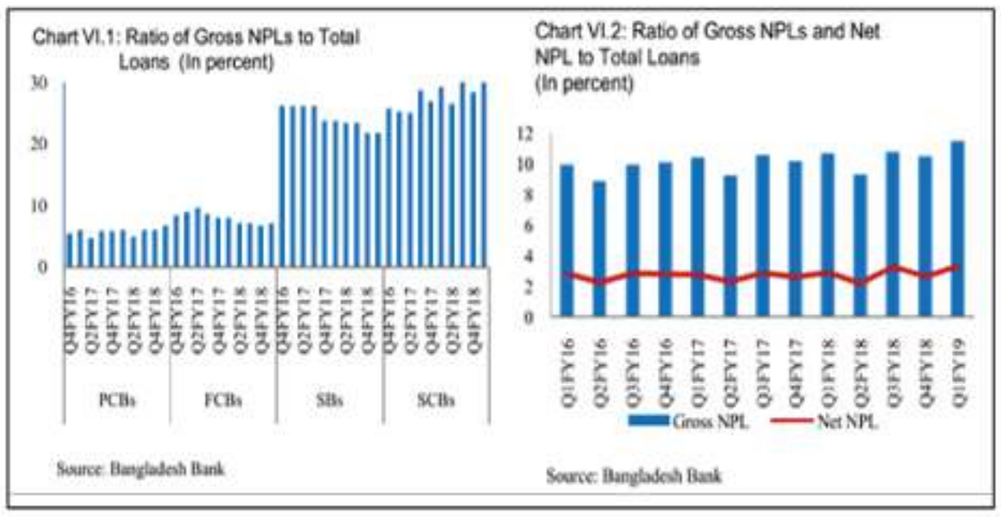
Bank Industry Outlook:

The banking sector of Bangladesh experienced a moderate level of resilience in FY18. Bangladesh Bank persistently continues its efforts to uplift and ensures a sound and stable performance in the banking sector. In FY18, Bangladesh Bank (BB) adopted a number of policy measures to emphasize risk management and corporate governance in the banks, periodic review of stability of the individual bank as well as the whole banking system, monitoring of large borrowers, fraud-forgeries and strengthening internal control and compliance through self assessment of anti-fraud internal controls etc. Monitoring of investment in shares by the scheduled banks has been made stringent in light of the amendment brought in the Bank Company Act, 1991 (amended up to 2018).

Banking Sector Performance

Banking sector's indicators show some mixed performance during Q1FY19, as reflected in the non-performing loan(NPL), capital adequacy, provision shortfall position and liquidity conditions. During Q1FY19, overall NPL edged up, driven mainly by the performance in the state-owned commercial banks (SCBs).

Overall NPL in the banking sector has edged up in Q1FY19. Gross NPL for private commercial banks (PCBs) increased from 6.0 percent in Q4FY18to 6.7 percent in Q1FY19. Gross NPL for SCBs widened further about 3.0 percentage point to 31.2 percent in Q1FY19, reflecting a weaker provisioning (Table 6.1, Table VI.1 and Chart VI.1). The system-wide gross NPL moves up by 1.0 percentage point during thequarter to 11.5 percent (Table VI.2 and Chart VI.2).

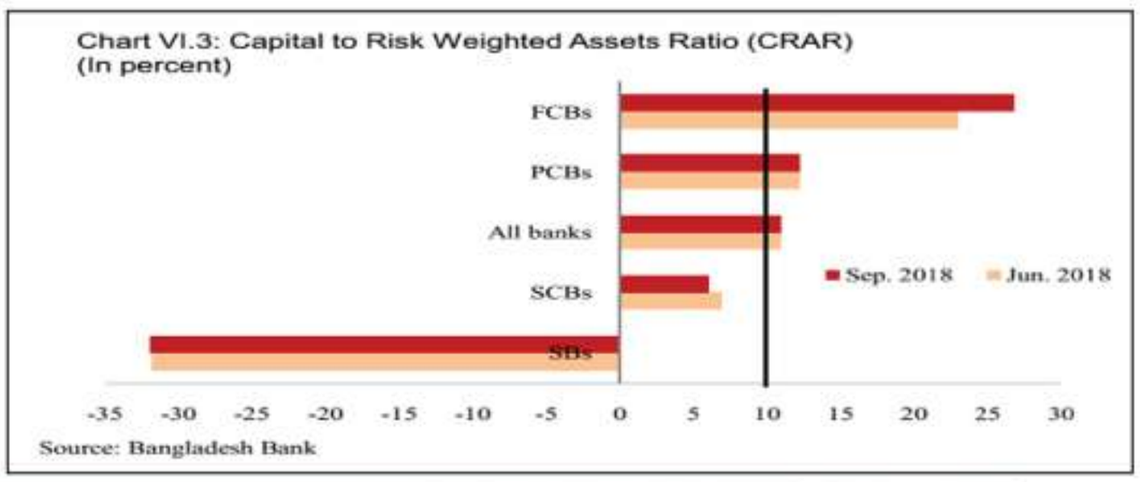


Overall capitalization of the banking system remained stable and CRAR reached 10.89 percent in Q1FY19. Private commercial banks remained well capitalized with CRAR around 12.23 percent at Q1FY19. Capital position of SCBs has fallen from 6.93 percent in Q4FY18 to 6.06 percent in Q1FY19 (Chart VI.3 and Table VI.3).

Table 6.1: Comparative Position of Classified Loan and Provision Maintained

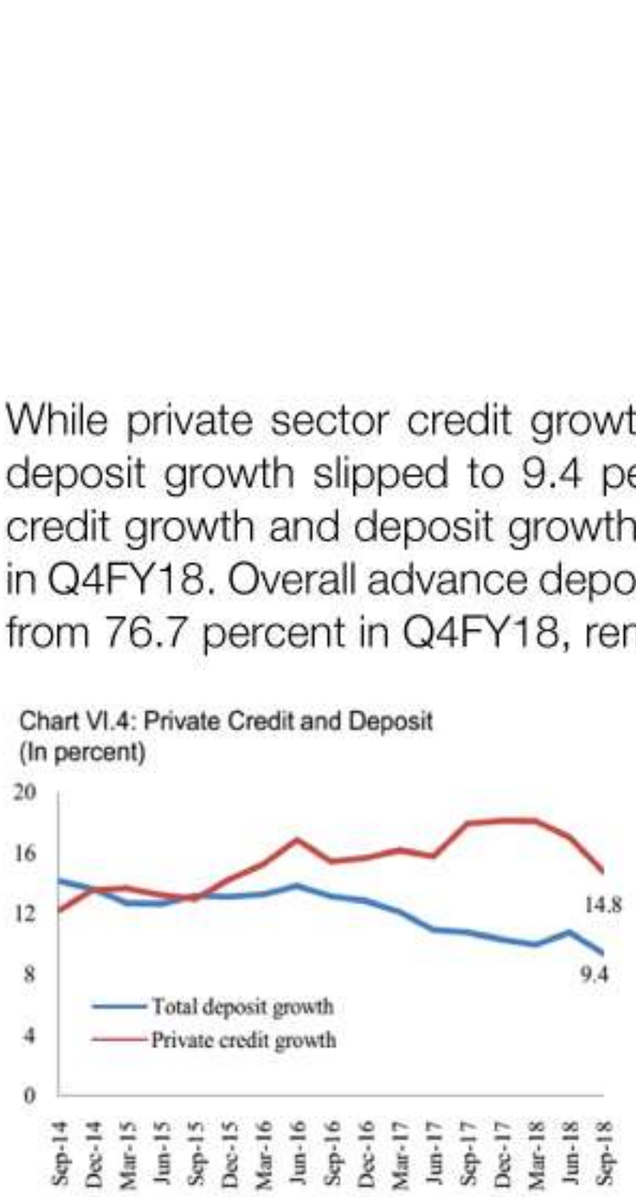
(In billion of BDT)

Quarter	Items	SCBs	SBs	PCBs	FCBs	All Banks
Q2 FY18	Total classified loan	373.3	54.3	294.0	21.5	743.0
	Required provision	216.9	26.1	184.3	15.6	443.0
	Provision maintained	134.3	26.2	198.2	16.5	375.3
	Excess(+)/shortfall(-)	-82.6	0.1	13.9	0.9	-67.7
Q3 FY18	Total classified loan	436.9	54.3	372.9	21.9	885.9
	Required provision	243.1	26.1	207.5	15.7	492.4
	Provision maintained	147.8	27.6	221.0	16.4	412.8
	Excess(+)/shortfall(-)	-95.3	1.5	13.4	0.8	-79.6
Q4FY18	Total classified loan	428.5	52.4	389.8	22.7	893.4
	Required provision	252.9	25.0	234.6	16.2	528.8
	Provision maintained	162.0	27.9	242.0	17.0	448.9
	Excess(+)/shortfall(-)	-90.9	2.9	7.4	0.7	-79.9
Q1FY19	Total classified loan	480.8	52.4	436.7	23.8	993.7
	Required provision	270.1	25.0	253.1	16.6	564.9
	Provision maintained	177.2	27.9	261.2	17.3	483.6
	Excess(+)/shortfall(-)	-92.9	2.9	8.1	0.7	-81.3



While private sector credit growth moderated to 14.8 percent in Q1FY19 from 17.0 percent in Q4FY18, deposit growth slipped to 9.4 percent in Q1FY19 (Chart VI.4). However, the gap between private sector credit growth and deposit growth declined to 5.4 percentage points in Q1FY19 from 6.2 percentage points in Q4FY18. Overall advance deposit ratio (ADR) in the banking system moderated to 76.4 percent in Q1FY19 from 76.7 percent in Q4FY18, remaining below the maximum regulatory ceiling (Chart VI.5 and Table 6.2).

Chart VI.4: Private Credit and Deposit
(In percent)



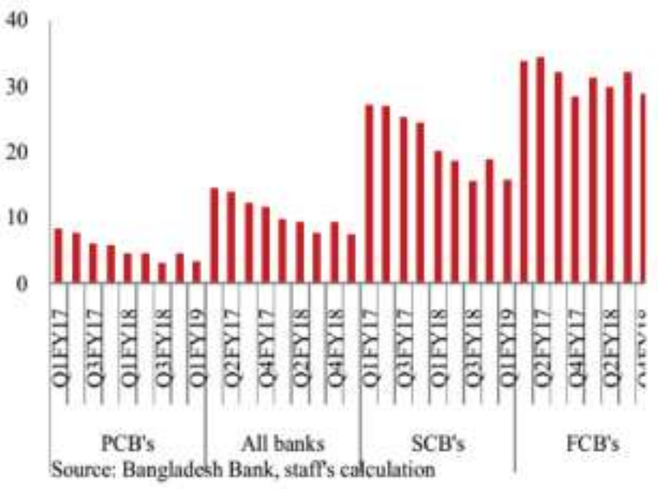
Source: Bangladesh Bank

Chart VI.5: Advance Deposit Ratio
(In percent)



Source: Bangladesh Bank

Chart VI.6: Excess of SLR as % of TDTL



Source: Bangladesh Bank, staff's calculation

Table 6.3: Liquidity Position of the Scheduled Banks

(In billion of BDT)

Bank groups	CRR			SLR		
	CRR requirement	Balance with BB in local currency	Excess(+)/ shortfall (-) in reserve	SLR	SLR eligible liquid assets of banks**	Excess(+)/ shortfall (-) of SLR
1	2	3	4=3-2	5	6	7=6-5
As of end-September, 2018						
SCBs	154.0	203.1	49.2	360.3	797.7	437.3
SBs*	15.5	15.2	-0.2	0.0	0.0	0.0
PCBs (other than Islamic)	272.1	290.1	18.0	643.1	825.3	182.2
Private Banks (Islamic)	119.0	152.6	33.5	119.0	173.2	54.2
FCBs	24.9	49.1	24.2	57.5	190.0	132.6
All	585.5	710.2	124.7	1180.0	1986.3	806.3
As of end-June, 2018						
SCBs	149.7	258.3	108.6	349.8	884.9	535.1
SBs*	15.0	22.7	7.8	0.0	0.0	0.0
PCBs (other than Islamic)	258.2	298.8	40.5	610.4	851.2	240.8
Private Banks (Islamic)	117.3	161.0	43.7	117.3	188.5	71.2
FCBs	23.4	30.1	6.7	53.8	181.5	127.7
All	563.6	770.9	207.4	1131.4	2106.1	974.7

Source: Bangladesh Bank

* SLR does not apply to specialized banks as exempted by the Government.

**includes cash in tills, balance with BB in foreign currency, balance with Sonali Bank as an agent of BB, unencumbered approved securities and excess reserve (column 4)

Note: According to the circular No-MPD-02, 2013 with effect from February 01, 2014 SLR has been calculated separately (excluded CRR) as 13% for conventional banks and 5.5% for Islamic banks of the total demand and time liabilities.

According to circular No. MPD-01, April 4, 2018, CRR revised to 5.5 percent from 6.5 percent effective from April 15, 2018

Despite the level of stressed asset during Q1FY19, liquidity conditions of the banking system remained stable, as credit growth recalibrated in line with deposit growth. To support inclusive growth and macro-financial stability, the focus has been on ensuring that credit flows to the productive sector through risk extensive and intrusive supervision.

(ii) 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 deoposit product offereing attractive profit rate such as: Saving Account, Surokkha 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: Lakhopoti Savings Scheme, Surokkha 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 accountholder.

Performance:

The deposits of the Bank stood Tk. 59,304.33 million in 2018 as against Tk. 50,121.49 million in 2017 registering growth of 18.32 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 70.05 percent of the total deposits. Interest cost of deposit increased to 7.43 percent as against 6.40 percent as against of 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, NBFI, government bodies etc.

Asset Product: The Bank has the following asset products:

1. Corporate Financing
   - i. Working Capital Finance
   - ii. Project Finance
   - iii. Term Finance
   - iv. Trade Finance
   - v. Lease Finance
   - vi. Syndication Loan
2. Retail Credit
   - i. Consumer Finance
   - ii. Credit Card- Local Card, International Card, Dual Currency Card
3. SME Financing
   - i. Working Capital Loan [CC(Hypo), CC(Pledge)]
   - ii. Trade Finance (L/C, LTR, IDBP)
   - iii. Transport Loan
   - iv. Commercial/Residential House Building Loan
   - v. Work Order Loan
   - vi. Bidder's Loan
   - vii. Project Loan
   - viii. Women Entrepreneur's Loan
   - ix. Small Business Loan
   - x. Green Financing
4. Agriculture Credit
   - i. General Agricultural Credit
   - ii. 10.00 Taka Account Loan



A steel Re-rolling mills finance by SBAC Bank.

01. 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.

i) 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.

ii) 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.

iii) Term Finance

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

iv) Trade Finance:

Import

1. Letter of Credit

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

2. Loan against Imported Merchandize (LIM) and Trust Receipt (LTR)

Business Enterprises engaged in import merchandise can avail working capital for retirement of import documents.

Export:

1) Pre-shipment finance:

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

2) Post-shipment finance:

Foreign Documentary Bills Purchase, Inward Documentary Bill Purchase.

v) 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.

vi) 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.

02. 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.

3) 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.

4) 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.

Performance: 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 2018. The loans and advances stood at 50,254.94 million in 2018 against Tk. 43,284.97 million in 2017 registering growth of 16.10 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bank increased to 12.99 percent from the level of 12.03 percent of previous year.

The detail features of the Advance and deposit are stated in the section 'Performance of the Bank'.

(iii) 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. 111-126.

(iv) A discussion on Cost of Fund, Gross Profit Margin and Net Profit Margin.

As of 31-12-2018 the Bank's cost of fund was 10.41%. Interest bearing asset was Tk. 63,955,218,216. Interest Income was Tk. 6,420,411,360 and interest expense Tk. 3,869,220,483. Considering the others incomes and expenses Bank's operating income stood at Tk. 4,003,929,673 . Bank's Gross profit margin was Tk. 2,033,838,843 and Net Profit Margin was Tk. 893,591,300

(v) A discussion on continuity of any extra-ordinary activities and their implications (gain or loss):

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

(vi) A 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. 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

(vii) 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.

(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.

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.

(ix) An 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.

(x) A 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. How ever, the meetings may be held other places subject to intimation to Bangladesh Bank in advance;
- Remuneration is applicable for 2 (two) meet ings of Board of Directors, 4 (four) meetings of Executive Committee (EC) and 1 (one) meet ing for Risk Management Com mittee (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 (foreign ers) 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 2018:

Name	Remuneration	Remarks
Mr. S.M. Amzad Hossain	104000.00	Attended Meetings- 13 (Board)
Mr. Talukder Abdul Khaleque	120000.00	Attended Meetings- 11 (Board) & 04 (AC)
Mr. Abdul Kadir Molla	112000.00	Attended Meetings- 12 (Board) & 02 (EC)
Captain M. Moazzam Hossain	144000.00	Attended Meetings- 07 (Board) & 11 (EC) Retired on 5th AGM
Begum Sufia Amjad	72000.00	Attended Meetings- 09 (Board)
Mr. Abu Zafar Mohammod Shofiuddin	112000.00	Attended Meetings- 11 (Board) & 03 (AC)
Engr. Md. Moklesur Rahman	200000.00	Attended Meetings- 12 (Board) & 13 (EC)
Al-Haj Mizanur Rahman	168000.00	Attended Meetings- 11 (Board) & 10 (EC)
Mr. Md. Amzad Hossain Nominated by: Rupsha Fish & Allied Industries Ltd.	152000.00	Attended Meetings- 13 (Board), 04 (AC) & 02 (RMC) Appointed at RMC on 15-11-2018
Mr. Hafizur Rahman Babu	128000.00	Attended Meetings- 06 (Board) & 10 (EC) Retired on 5th AGM Appointed at RMC on 15-11-2018
Mr. Anwar Hussain	112000.00	Attended Meetings- 09 (Board), 03 (AC) & 02 (RMC) Retired on 5th AGM Appointed at RMC on 15-11-2018
Mrs. Tahmina Afroz	56000.00	Attended Meetings- 07 (Board) Retired on 5th AGM
Mr. Sakhawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital	128000.00	Attended Meetings- 12 (Board) & 04 (RMC)
Mr. Sk. Shyedujjaman	216000.00	Attended Meetings- 13 (Board) & 14 (EC)
Mr. Mohammad Nawaz	176000.00	Attended Meetings- 10 (Board) & 12 (EC)
Mr. Mohammed Ayub	128000.00	Attended Meetings- 12 (Board) & 04 (RMC)
Dr. Syed Hafizur Rahman	120000.00	Attended Meetings- 11 (Board) & 04 (AC)
Total Remuneration	**2248000.00**	

REVIEW OF FINANCIAL REPORTING:

(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, the result of its operations:

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 2018 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 2018 and accordingly Opinion of the External Auditors, KHAN WAHAB SHAFIQUE RAHMAN & CO. has been incorporated in the report.

(xii) 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 KHAN WAHAB SHAFIQUE RAHMAN & CO., Chartered Accountants have provided their positive opinion in their report in the "Opinion Paragraph".

(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:

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 2018.

(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 that the accounting estimates are based on reasonable and prudent judgment:

The financial statements of the bank as at 31st December, 2018 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.

(xv) A 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 Com pliance Department to ensure comprehensive audit of the branches and Corporate HQ at periodic intervals;
- Review of the Bank's performance on a quar terly 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.

(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:

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/CMR-RCD/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.

(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:

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

(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:

There is no significant deviations occurred from the last year's operating results of our Bank.

(xix) A 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'.

(xx) An 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 2018 in it's 90th meeting held on April 30, 2019. The recommended dividend shall be finally approved in the 6th Annual General Meeting to be held on May 23, 2019.

(xxi) 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.

(xxii) The total number of Board meetings held during the year and attendance by each director:

MEETINGS IN 2018:

During the year 2018, 13 Board Meetings, 14 Executive Committee Meetings, 04 Audit Committee Meetings and 04 Risk Management Committee Meeting were held. Details of the participants are as follows:

Sl. No.	Name of Director	Meeting (2018)												Remarks
		Board			EC			AC			RMC			
		Held	Attend	Absent	Held	Attend	Absent	Held	Attend	Absent	Held	Attend	Absent	
1	Mr. S.M. Amzad Hossain	13	13	0										
2	Mr. Talukder Abdul Khaleque	13	11	2				4	4	0				
3	Mr. Abdul Kadir Molla	13	12	1	14	2	12							
4	Captain M. Moazzam Hossain	13	7	6	14	11	3							
5	Begum Sufia Amjad	13	9	4										
6	Mr. Abu Zafar Mohammod Shofiuddin	13	11	2				4	3	1				
7	Engr. Md. Moklesur Rahman	13	12	1	14	13	1							
8	Al-Haj Mizanur Rahman	13	11	2	14	10	4							
9	Mr. Md. Amzad Hossain Nominated by: Rupsha Fish & Allied Industries Ltd.	13	13	0				4	4	0	4	2	2	Appointed at RMC On 15-11-2018
10	Mr. Hafizur Rahman Babu	13	6	7	14	10	4				4	0	4	Appointed at RMC On 15-11-2018
11	Mr. Anwar Hussain	13	9	4				4	3	1	4	2	2	Appointed at RMC On 15-11-2018
12	Mrs. Tahmina Afroz	13	7	6										
13	Mr. Sakhawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital	13	12	1							4	4	0	
14	Mr. Sk. Shyedujjaman	13	13	0	14	14	0							
15	Mr. Mohammed Nawaz	13	10	3	14	12	2							
16	Mr. Mohammed Ayub	13	12	1							4	4	0	
17	Dr. Syed Hafizur Rahman	13	11	2				4	4	0				

(xxiii) A 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
1.	Mr. S.M. Amzad Hossain	Chairman	20,000,000	Begum Sufia Amjad	19,000,000
				S. M. Ruhan Hossain	Nil
2.	Mr. Talukder Abdul Khaleque	Vice-Chairman (Independent Director)	Nil	Mrs. Habibun Nahar	Nil
3.	Mr. Abdul Kadir Molla	Director	27,671,300	Mst. Nasima Begum	Nil
				Nawrin Sultana Adury	Nil
4.	Captain M. Moazzam Hossain	Director	28,219,505	Mrs. Farzana Moazzam	Nil
5.	Begum Sufia Amjad	Director	19,000,000	Mr. S.M. Amzad Hossain	20,000,000
				S. M. Ruhan Hossain	Nil
6.	Mr. Abu Zafar Mohammod Shofiuddin	Director	27,671,300	Mrs. Afroza Sultana	Nil
				A Z M Sahib Quader	Nil
7.	Mr. Md. Amzad Hossain Nominated by : Rupsha Fish & Allied Industries Ltd.	Director	Nil	Mrs. Nargis Hossain	Nil
8.	Engr. Md. Moklesur Rahman	Director	27,671,300	Mrs.Quamrun Nahar	Nil
9.	Mr. Hafizur Rahman Babu	Director	20,753,475	Mrs. Nasima Rahman Nipa	Nil
				Nusaiba Rahman Raita	Nil
10.	Mr. Anwar Hussain	Director	3,458,913	Mrs. Fadia Naz Aizah Hussain Amaya Hussain	Nil
11.	Mrs. Tahmina Afroz	Director	27,671,300	Mr. Anwer Hossain Khan	Nil
				Adil Mohammad Khan Akash	Nil
12.	Al-Haj Mizanur Rahman	Director	22,700,000	Mrs. Razia Rahman	Nil

				Ms. Sadnam Sadiana	1,150,000
13	Mr. Sk. Shyedujjaman	Director	2,270,000	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	22,690,466	Ms. Sufia Begum	Nil
				Mohammad Nuh Yaseen	Nil
				Sanowara Siddiqa	Nil
				Mohammad Farook Nawaz	Nil
16	Mr. Mohammed Ayub	Director	23,131,300	Mrs. Shalina Islam Chowdhury	Nil
17	Dr. Syed Hafizur Rahman	Independent Director	Nil	Ms. Parveen Akter Banu	Nil
				Syed Imtiaz Afridee	Nil
				Syeda Fahria Tasmeem Lazbee	Nil
18	Mr. Md. Golam Faruque	Managing Director & CEO	Nil	Mrs. Nurunnahar Begum	Nil
				Irfan Chowdhury Akib	Nil
19	Mr. Md. Masoodur Rahman	SVP & CFO	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	Nil
20	Mr. Md. Mokaddess Ali	SVP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Anima Mehraj Mehrin	Nil
				Hasnine Farhad	Nil
21	Mr. Md. Sayedul Haque	Head of ICC	Nil	Mrs. Hosne-Ara Haque	Nil

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

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.

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

(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.

(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:
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 ëDirectors Profileí.

(xxv) 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:

(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 companyís operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;

Managementís Discussion and Analysis signed by CEO or MD presenting detailed analysis of the companyís 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. 49-51.

(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

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. 191.

(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

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. 149-162.

SBAC Bank Business Conference held in Dhaka



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 spining mills.



A Renowned Drinking water bottling factory financed by the bank.



A Bank financed ship.



An agro project financed by the bank.

Glimpse of Miscellaneous Activities



SBAC Bank Launches New Logo

South Bangla Agriculture and Commerce Bank Ltd. has unveiled its new logo with a vision of strong bondage with customer at Rabindra Sharobor in the city of Dhaka on Saturday November 10, 2018. Mr. S.M. Amzad Hossain, Chairman of the bank, handed over the new logo to Mr. Md. Golam Faruque, Managing Director and CEO, at the ceremony. While, The Bankís Director Mrs. Begum Sufia Amjad, Independent Director Mr. Dr. Sayed Hafizur Rahman, AMD Mr. Mostafa Jalal Uddin Ahmed, DMD Mr. Tariqul Islam Chowdhury and Mr. Md. Mamunur Rashid Molla were also present in the program.



SBAC Bank paid tributes to Bangabandhu Sheikh Mujibur Rahman by placing floral wreaths at his portrait in front of Bangabandhu Memorial Museum at Dhanmondi Road No 32 in Dhaka marking the 43rd martyrdom anniversary of the great leader and the National Mourning Day.



The board of directors and Management of the South Bangla Agriculture & Commerce (SBAC) Bank Ltd, congratulated the board's Vice-Chairman Talukdar Abdul Khaleque for winning mayoral race of Khulna City Corporation (KCC).



SBAC Bank Training Institute organized a training workshop on 'Professionalism in Banking' at its head office on November 17, 2018. Mr. Khondokar Ibrahim Khaled, Former Deputy Governor of Bangladesh Bank and Mr. S. A. Chowdhury, Former Managing Director of Sonali Bank, were presented as speaker. Managing Director and CEO Mr. Md. Golam Faruque was also present at the program.



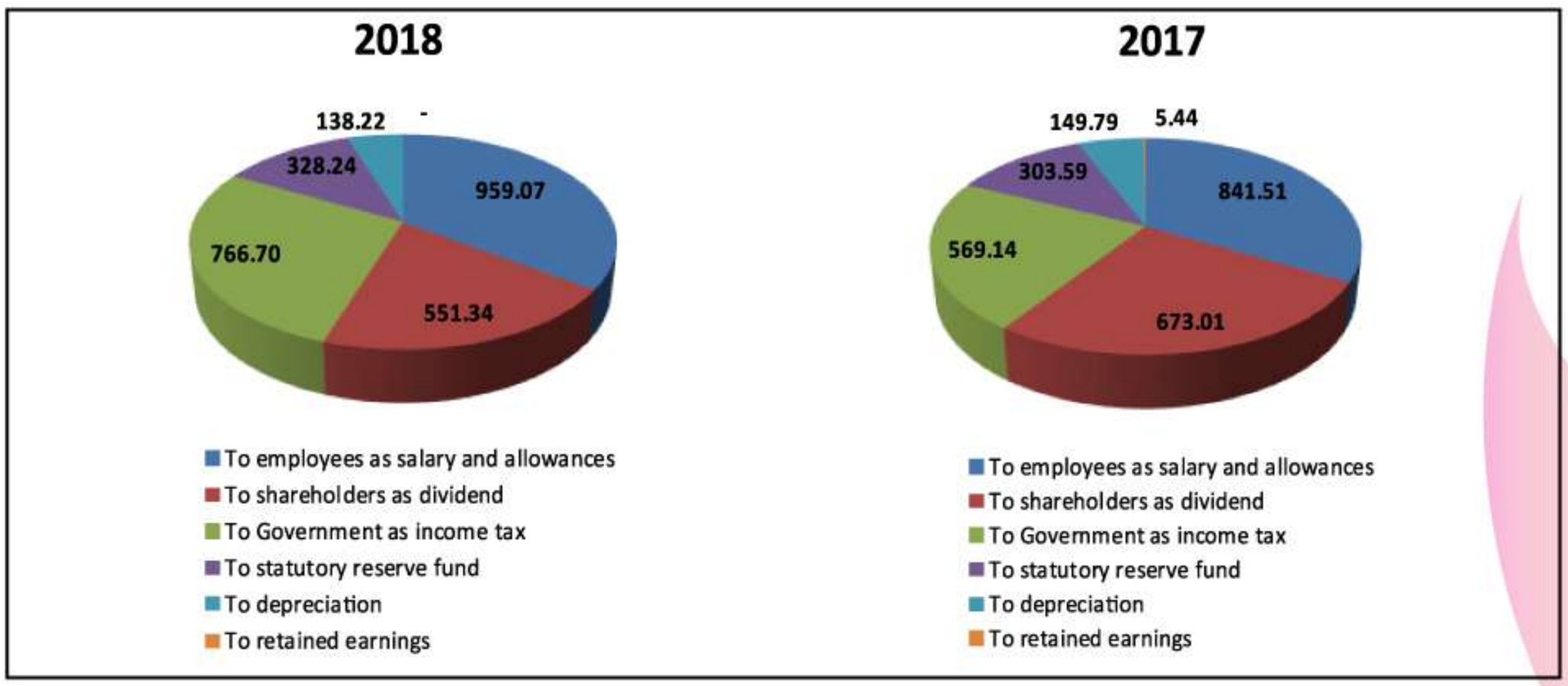
Managing Director and CEO of SBAC Bank, Mr. Md. Golam Faruque handing over a cheque for Tk 50,000 to meritorious student Sajib Baroi, who got the chance to study at Sylhet MAG Osmani Medical College, as part of the bank's Corporate Social Responsibility (CSR) Programme on October 23, 2018. While, AMD Mostafa Jalal Uddin Ahmed was also present.

Value Added Statement 2018

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 2018 is given below:

Fig. in million

	2018 Taka	%	2017 Taka	%
Value Created				
Income from Banking Services	7,873.15		6,266.64	
Less: Cost of services & Supplies	4,742.03		3,456.05	
Value added by banking service	3,131.12		2,810.59	
Non-banking income	-		-	
Provision for deferred tax	5.06		33.25	
Provision for loans & other assets	(392.62)		(301.37)	
	2,743.57		**2,542.47**	
Value distributed				
To employees as salaries & allowances	959.07	34.96%	841.51	33.10%
To shareholders as dividend (Proposed)	551.34	20.10%	673.01	26.47%
To Government as income tax	766.70	27.95%	569.14	22.39%
	2,277.11	83.00%	2,083.66	81.95%
Value retained				
(to maintain and continue operations)	328.24	11.96%	303.59	11.94%
Statutory reserve	138.22	5.04%	149.79	5.89%
Depreciation	-	0.00%	5.44	0.21%
Retained earnings	466.46	17.00%	458.82	18.05%
	2,743.57	100.00%	**2,542.47**	100.00%



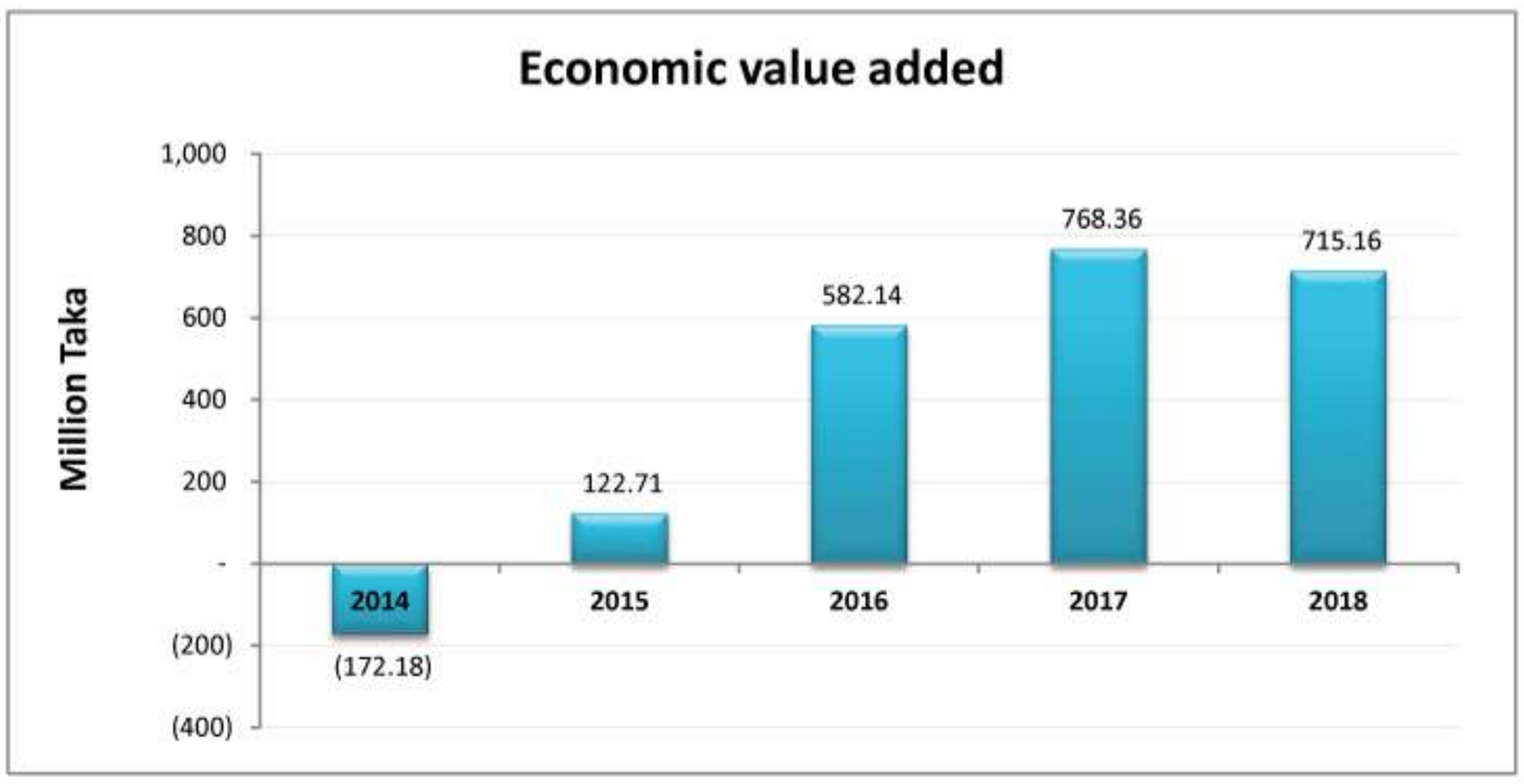
Economic Value Added (EVA) Statement

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

EVA is equal to Profit after Tax (PAT) plus the provision for loans & other assets less written off loans during the year minus cost of equity. The cost of equity is the opportunity cost that the shareholders forego. For 2018 this cost of equity is calculated on the basis of the return on 5 years Treasury Bonds plus 2% risk premium.

Fig. in million

	2014 Taka	2015 Taka	2016 Taka	2017 Taka	2018 Taka
Shareholders' equity	4,242.71	4,880.21	5,616.33	6,538.99	7,429.71
Add: Provision for loans & advances and other assets	155.41	234.03	302.27	515.71	469.67
Closing Shareholders' equity	**4,398.12**	**5,114.24**	**5,918.60**	**7,054.71**	**7,899.38**
Opening shareholders' equity	**4,171.38**	**4,398.12**	**5,114.24**	**5,918.60**	**7,054.71**
Average shareholders's equity	**4,284.75**	**4,756.18**	**5,516.42**	**6,486.65**	**7,477.04**
Earnings					
Profit after taxation	66.00	358.01	949.46	982.04	879.59
Add: Provision for loans & advances and other assets	121.74	78.61	74.00	301.37	392.62
	187.74	**436.62**	**1,023.46**	**1,283.40**	**1,272.20**
Average cost of equity	8.40%	6.60%	8.00%	7.94%	7.45%
Cost of average equity	359.92	313.91	441.31	515.04	557.04
Economic value added	**(172.18)**	**122.71**	**582.14**	**768.36**	**715.16**



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 bankís risk policies and procedures.

A sound risk culture encourages effective risk management, promotes sound risk-taking and ensures that risk-taking activities beyond the institutionís 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 promotes 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 Risk Management Guidelines which was approved by the Board of Directors of the Bank in its 84th meeting held on November 11, 2018 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 indentifies and measures potential risks in bankís 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/ Executive Committee about the identified risks and managementís 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 approved by the Board.

Risk management framework: In compliance with Bangladesh Bankís guidelines, SBAC Bank has formed an Executive Risk Management Committee comprising of members from all key business/risk areas with the objective of analyzing and measuring business risks and taking mitigating steps. In line with Bangladesh Bank, BRPD Circular No. 11 dated October 27, 2013; the Board of Directors has formed Risk Management Committee headed by me (Mr. Md. Amzad Hossain, Director) to look after the risk management issues of the Bank. In the year 2018, four (4) meetings of RMC were held. Instruction of RMC was communicated to the division/branches for compliance. To support this strategic risk management, the Bank has put in place a risk management framework, which consists of four key components.

1. Strategy and risk appetite: The Board establishes a strategy for the Bank and articulates a Statement of Risk Appetite that is consistent with that strategy. The Bank has set Risk Appetite of the Bank for the year 2019 as per Bangladesh Bank letter no. DOS(RMMS)1154/1/2018-885 dated February 18, 2018 which contains Capital Risk, Credit Risk, Market Risk and Liquidity Risk which have been approved by the Board of Directors of the Bank in its 88th meeting held on March 08, 2019. Besides, a revised Risk Management Guidelines has been adopted which has been duly approved by the Board of Directors.

2. Governance: The role of the Board, Board Risk Management Committee, Executive Risk Management Committee, and Chief Risk Officer of the Bank in this framework is summarized in the Risk Management guidelines.

The Board has overall responsibility for ensuring effective risk management within the Bank. Credit, market, liquidity, and operational risk ñ generally those matters regulated by the Prudential Regulation Authority ñ are monitored by the Executive Risk Management Committee and led at the Executive level by the Chief Risk Officer.

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

4. Management Information (MI): MI is produced so that each risk type can be monitored. The MI is produced on a range of frequencies and levels of detail, as appropriate for each risk and level of monitoring, from daily monitoring of liquidity by management to quarterly updates on regulatory risk for the Board. Effective MI relies on robust IT systems and high quality data.

Pillar-1 of Basel –III: During the establishment of the bank, SBAC Bank fully complied the Revised Regulatory Capital framework for banks in line with Basel- III. At the end of the year 2018, SBAC Bank maintained CRAR 15.88% against regulatory requirement of 11.87% including buffer capital. SBAC Bank complied Pillar-1 fully under Credit Risk, Market Risk and operational risk.

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

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

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

Under strategic layer the Risk Management Committee of the Board of Directors will bear the responsibility on behalf of the Board to implement SRP in the Bank. The Committee will supervise the activities, performance and monitoring of the managerial layer. Under managerial layer bank must have an exclusive body naming SRP Team which will be constituted by the concerned departmental heads of the bank headed by the Managing Director and the Team will assess the overall risk profile and a strategy for maintaining adequate capital. The formation and modification of SRP Team and its Terms of Reference (ToR) must be approved by the Board of Directors and to be notified to Bangladesh Bank. The Board of Directors in its 77th meeting held on May 21, 2018 approved re-constitution of SRP Team and revised ToR of SRP Team. The operational layer of the Bank basically is responsible for correspondences with the regulator, collection of information from branches and concerned divisions, calculation of capital requirement under ICAAP reporting, and implementation of the tasks assigned by the SRP Team. In the year 2017, SBAC Bank maintained total capital Tk.701.27 crore where as required minimum plus additional capital was Tk.446.43 crore i.e. surplus capital stood at Tk.254.84 crore. The bank conducts Stress Testing on its financial position on quarterly basis and reports the outcomes to Bangladesh bank, as part of 2nd pillar of BASEL-III Accord.

Pillar- 3 of Basel-III:

SBAC Bank delivers appropriate disclosures not only to meet the regulatory requirements but also as per international best banking practices. Disclosures on the position of the bankís risk profile, capital adequacy and risk management system have been included in the Annual Report also.

Conclusion:

From the above it appears that SBAC bank is trying to manage all risks relating to its activities and services efficiently and effectively 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, Risk Management Team and SRP Team of the Bank were held properly to instruct the Risk Management Division for minimizing the risk of the Bank. Basel-III implementation in Bangladesh has been started from January 2016 and will end in December 2019. SBAC Bank is committed to take the challenge of Basel-III implementation in the bank timely.



Md. Amzad Hossain
Chairman, Risk Management Committee



Risk Management

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

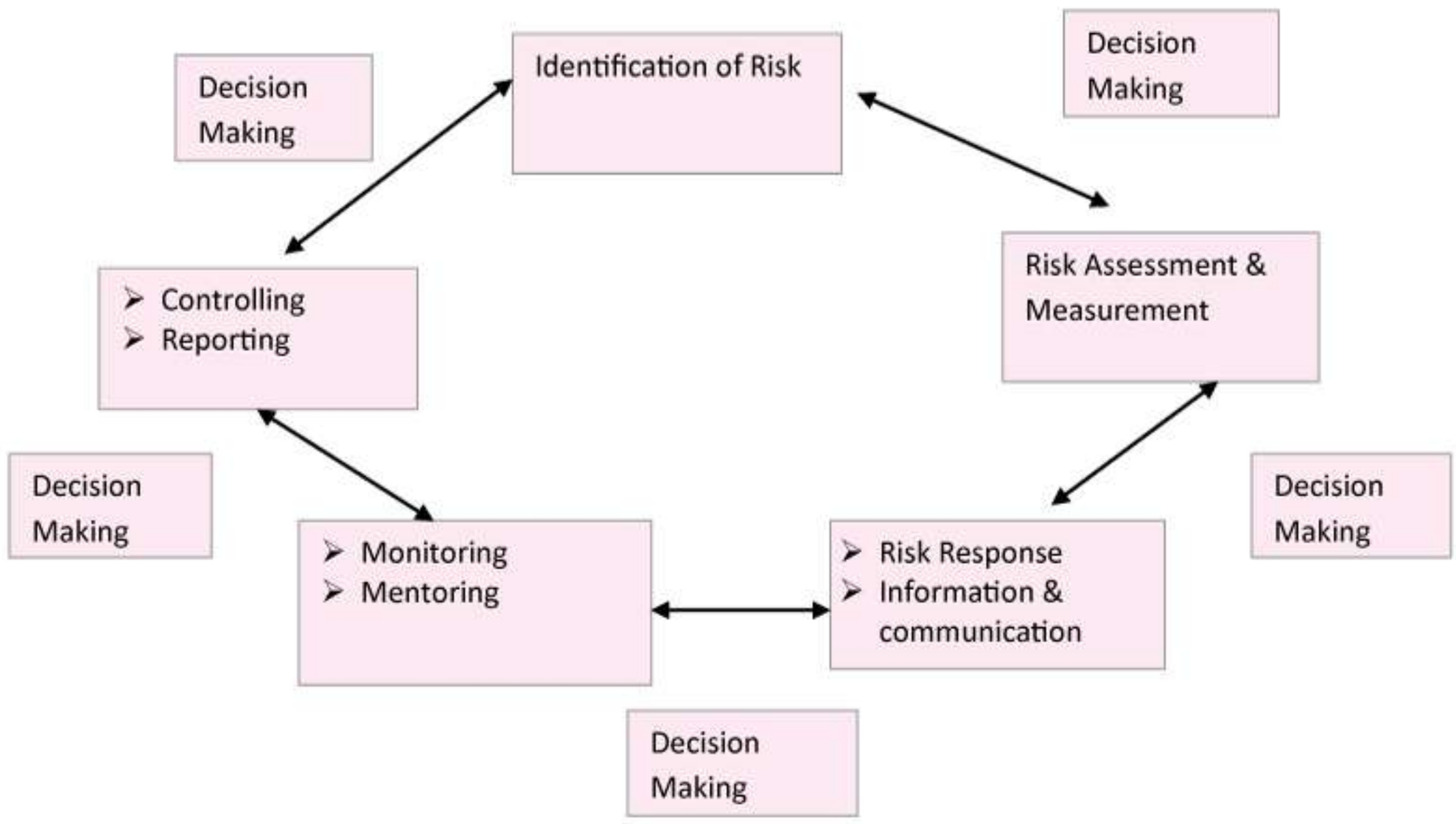
Risk-taking is an inherent element of the banking business and, indeed, profits are in part the reward for successful risk taking in business. On the other hand, excessive and poorly managed risk can lead to losses and thus endanger the safety of a bank's depositors.

Risk is an integral part of the banking business and SBAC Bank's aim is to deliver superior shareholders' value by achieving an appropriate tradeoff between risk and returns. In banking arena, key risks include credit, market, operational, liquidity, reputation risk and other risks like strategic risk, concentration risk, compliance risk etc. The risk management strategy of SBAC Bank is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. In this context, the RMD has prepared Risk Management Guideline which was approved by the Board of Directors.

1.Development Process- Risk Management Framework

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

SBAC Bank Risk Management Framework



2. Key elements of Risk Management System:

Risk management structure & senior management	1. Board Risk Management Committee is responsible for overall risk governance of the bank. 2. Bank Risk Management Team is the apex forum that consists of Senior Management. 3. MANCOM, ALCO, RMD, Credit Committee and other Risk Committees.
Organizational policies, procedures and limit that have been developed and implemented	1. Risk Management Policies and procedures for major risk areas like Credit, Market, Operation and Investment are in place and review periodically.
Adequate risk identification, measurement, monitoring, control and management information systems that are in place to support all business operations	1. Bank with the help of structured policies and procedures is able to identity major sources of risk. e.g. credit, market, operation, liquidity, investment and reputation. 2. RMD and ICC submit periodic reports on severity of risks.
Established internal controls and the performance of comprehensive audits to detect any deficiencies in the internal control environment in a timely fashion	1. Bank has independent audit, compliance and monitoring function.

3. Principles of Risk Management:

The main principle of Risk Management is the protection of SBAC Bankís financial health by mitigating risks. The key principles are described as follows:

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

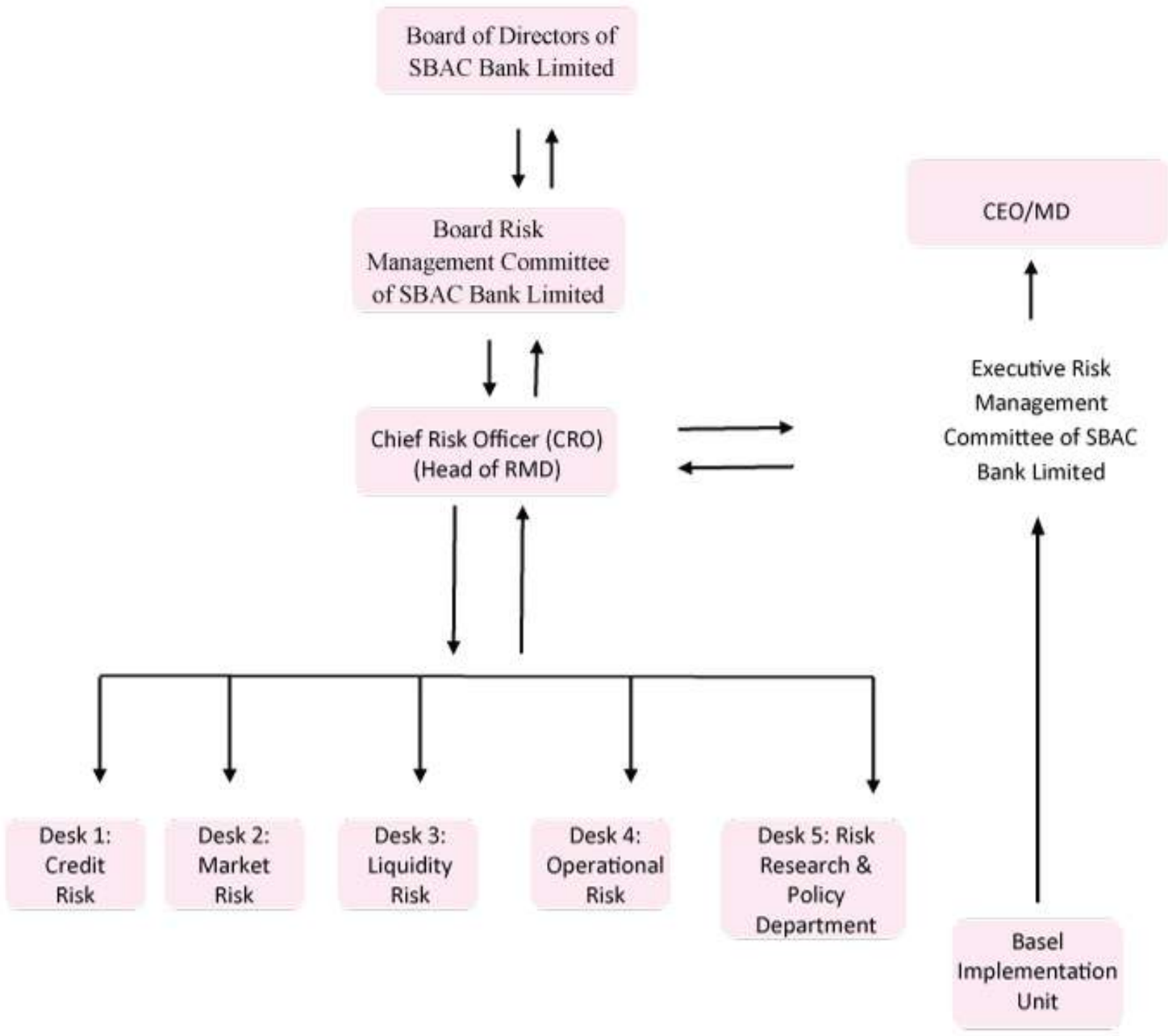
3.2 Protect Reputation: Reputation is essential for the proper performance of a bank and needs to be sustained for banking industries. SBAC Bank always tries to hold its reputation to sustain the banking industries.

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

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

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

4. Organizational Structure of Risk Management:



4.1 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) Making sure 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	Mr. Md. Amzad Hossain	Chairman
2	Mr. Hafizur Rahman Babu	Member
3	Mr. Mohammed Ayub	Member
4	Mr. Anwar Hussain	Member
5	Mr. Sakhawat Hussain	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 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 Md. Kamal Uddin, Senior Executive Vice President & CRO of the Bank along with other related divisional heads as the member of the committee.

4.4 Core Risk of the Bank:

4.4.1 Credit Risk:

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

Credit risk can be classified as follows:

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

4.4.2 Asset Liability Management Risk:

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

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

Proper management of asset/liability risk is facilitated through board approved policy, which sets limits on asset and liability mix, as well as the level of interest rate risk and foreign currency risk. Policy is also set

out guidelines for the pricing, term and maturity of loans and deposits. The use of derivatives, if any, is controlled by policy, which state among other things that derivatives must only be used to limit interest rate risk and must never be used for speculative or investment purposes.

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

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

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

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

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

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

4.4.3 Internal Control and Compliance Risk:

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

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

The Board of Directors has approved updated policy guidelines on Internal Control & Compliance Risk (ICC) management thereby restructuring the organizational chart of the Bank in accordance with the instructions of Bangladesh Bank for managing core risks. Internal Control & Compliance Division of the Bank, under direct supervision of Audit Committee of the Board, has been implementing detail guidelines on ICC risk management to assess and mitigate risks and as part of it, the ICCD has been segregated into three (3) independent units; namely :-

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

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

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

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

4.4.4 AML/CFT Risk:

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

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

4.4.5 Information & Communication Technology Risk:

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

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

4.4.6 Foreign Exchange Risk:

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

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

Board of Directors of the Bank:

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

ii) Strategy, Monitoring and Control:

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

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

4.5 Core Risk Management Committees:

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

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

4.5.2 Foreign Exchange Risk Management Committee: The committee oversees foreign

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

4.5.3 Information & Communication Technology Risk Management Committee: The committee monitors and supervises the risks related to data security, physical security, network security, disaster recovery, fraud, forgery, system failure and business continuity etc.

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

4.5.5 Internal Control and Compliance Risk Management Committee: The committee assesses and mitigates the risk related to compliance with regulatory requirements, set rules of the Bank, internal checking system, lapses, fraud, forgeries, violations of the set rules etc.

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

4.6 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:

- Collecting and analyzing data/information for identifying risks and making appropriate recommendations for risk mitigation;
- Preparing risk management reports, arranging monthly meeting of ERMC and preparing meeting minutes, disseminating the decisions to the concerned department/divisions, monitoring and follow up of implementation status;
- Ensuring timely submission of risk management reports, meeting minutes, compliance report and other documents to BB;
- Assisting BRMC/ERMC by providing risk issues that are needed to be addressed;
- Designing bank's overall risk management strategy;
- Ensuring significant contribution in establishing sophisticated risk management infrastructure with a sufficiently robust data-base, data architecture and information technology;
- Conducting, developing and overseeing Stress Testing activity;
- Utilizing the Stress Test result and scenario analysis to better understand potential risk exposures under a variety of adverse circumstances;
- Developing and testing different models (such as VaR, HHI index, Collection scoring, Vintage curve etc.), and observe their use for measuring and monitoring risks;
- Assisting senior management in formulating strategic planning considering bank's risk exposures and industry as a whole;
- Supporting the board, BRMC and ERMC in formulation, review and approval of the enterprisewide risk governance framework which includes the bank's risk culture, risk appetite, risk limits, and MAT;
- Monitoring on ongoing basis the risk-taking activities and risk exposures in line with the board approved risk appetite, risk limit and corresponding capital or liquidity needs (i.e. capital planning)
- Taking initiatives for interim review of risk appetites on request of other related departments and informing the board of directors and BRMC time to time about the status of risk exposures as compared to appetite;
- Establishing an early warning or trigger system for breaches of the bank's risk appetite or limits;
- Communicating views of the board and senior management throughout the bank;
- Taking initiatives for establishing enterprise/comprehensive risk management policies and procedures with the approval of the board;
- Monitoring concerned departments in formulating and reviewing related risk management policies and procedures;
- Monitoring compliance of irregularities found in core risk inspection reports of BB;
- Adopting proper financial protection measures through risk transfer, risk avoidance, and risk retention programs;
- Taking appropriate steps to control or mitigate risk exposures and ensure reporting the same to senior management and BRMC. RMD of the bank is encouraged to prepare a comparative analysis report on bank's

gain/loss due to/lack of proper risk management activities and its impact on capital and send the same to senior management & board of the bank and DOS of BB on yearly basis.

4.7 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.

4.7.1 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

4.7.2 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:

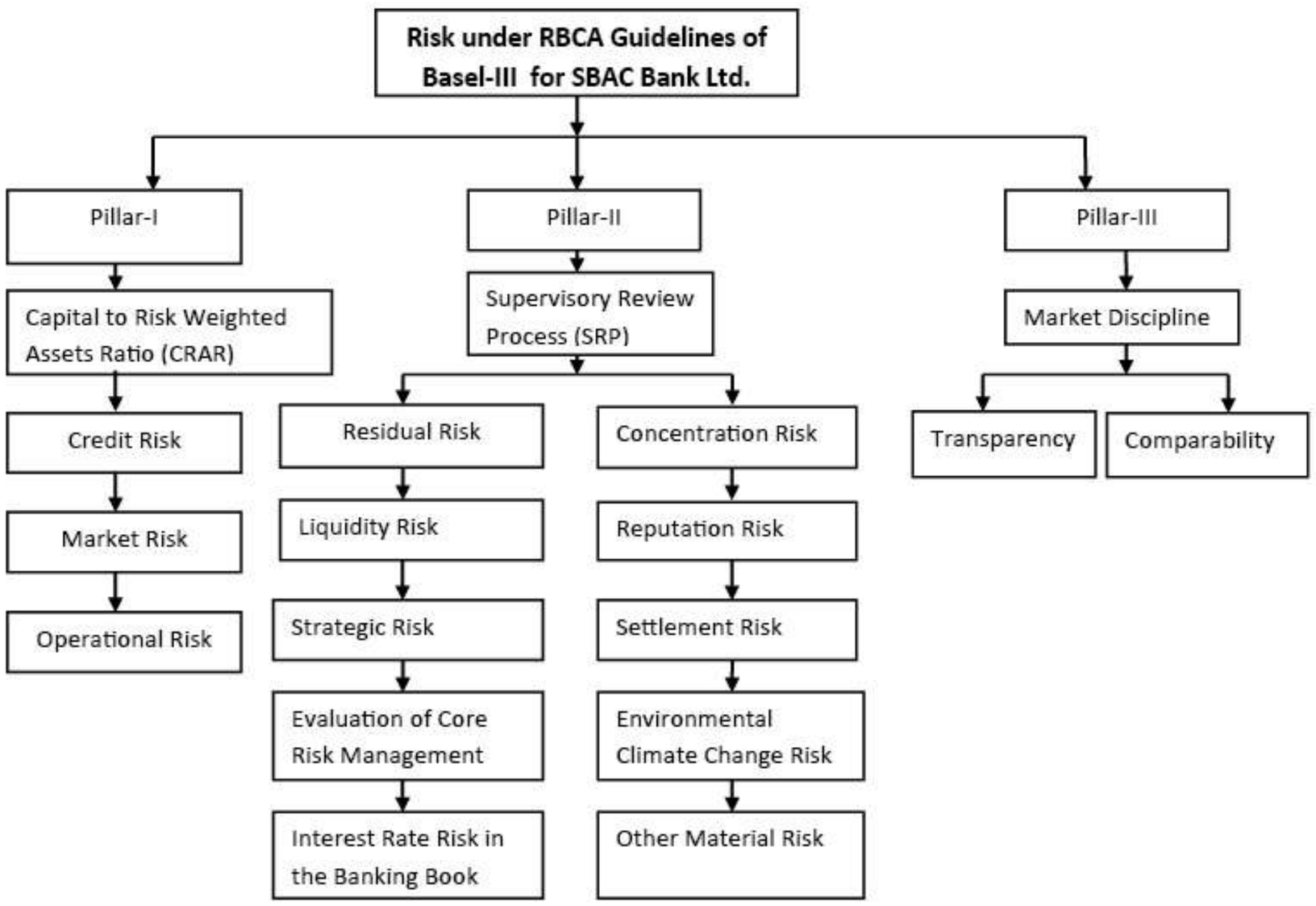
- Funding decisions, e.g., identify stock repurchase opportunities
- Risk-return tradeoff decisions
- Identifying highest value-added projects
- Asset-liability management (ALM)
- Provide incentive compensation aligned with increasing value

4.7.3 Capital Position of SBAC Bank Limited:

As per directives of the Bangladesh Bank, every bank is required to maintain capital at 11.875% including buffer capital of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher for the year 2018. Minimum Common Equity Tier-1 (CET-1) capital should be minimum 4.5 percent of total capital. SBAC Bank maintained total eligible capital Tk. 784.18 crore as on 31.12.2018 which was Tk. 701.27 crore as on 3.12.2017. The Capital to Risk Weighted Asset Ratio of the bank was 15.88% as on 31.12.2018 of which CET-1 was 14.92%. As on 31.12.2017 CRAR of the bank was 16.54%. So, SBAC Bank maintains excess capital as per requirement of Bangladesh Bank and the bank stands on strong capital base.

4.7.4 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 II) 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.



4.7.4.1 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 11.875% of Risk Weighted Assets (RWA). Under this requirement, Capital Adequacy Ratio of the Bank stood at 15.88% of RWA as on 31.12.2018. 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 captures 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 in its effective risk management capabilities. SBAC Bank also ensures its risk management strength and strives to continuously promote a proactive risk management culture in the bank.

ii) Lending guidelines:

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

iii) Credit Assessment:

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

iv) Risk Assessment:

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

- Amount and type of loan(s) proposed.
- Purpose of loans.
- Loan structure (Tenor, Covenants, Repayment schedule, Interest etc.)
- Security arrangements
- Marketing aspects
- Management capability

v) Credit Risk Grading:

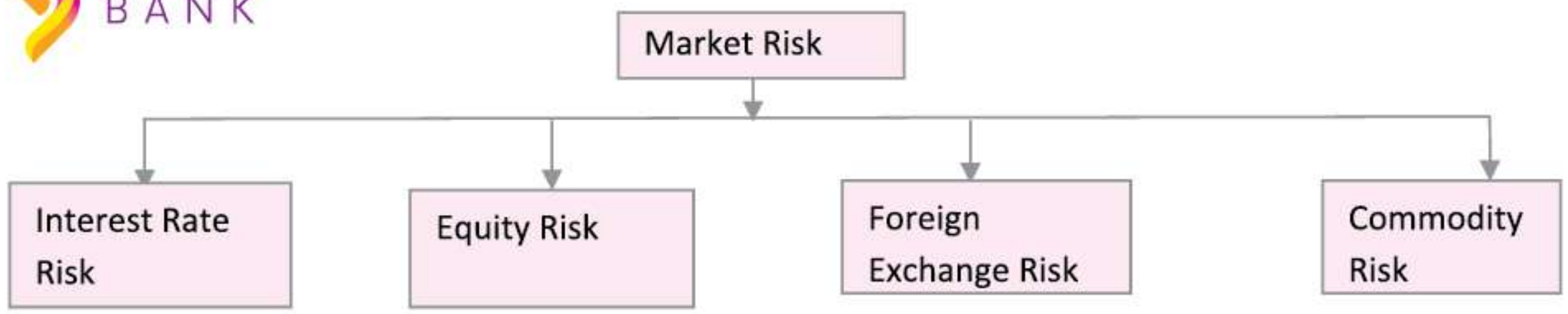
Credit risk grading is an important tool for credit risk management as it helps to understand various dimensions of risk involved in the underlying credit transaction. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality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

vi) Credit Risk Mitigation:

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

B) Market Risk:

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



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

i) Interest Rate Risk:

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

ii) Foreign Exchange Risk:

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

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

iii) Equity Price Risk:

Equity price risk is the risk of losses caused by changes in equity prices. These losses could arise because of changes in the value of listed shares held directly by the bank. Marked 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.

i) Mitigating operational risk:

Operational Risks result from inadequate or failed internal process, people and system or from external events. Within the Bank, Operational Risk may arise from negligence and dishonesty of the employees, lack of management supervision, inadequate operational control, lack of physical security, poor technology, lack of automation, non-compliance of regulatory requirements, internal and external fraud etc. Operational Risk Management Framework has been designed to provide a sound and well controlled operational environment and thereby mitigate the degree of operational risk.

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

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

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

F) Concentration Risk:

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

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

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

iii) Assessment of Credit Concentration Risk: To assess the credit concentration risk, following aspects of SBAC Bank's loan portfolio will be considered:

- Sector wise exposure,
- Division wise exposure (Geographic Concentration),
- Group wise exposure,
- 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 ECAIs
- 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.

4.7.4.3 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.

4.8 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 31.12.2018:

Individual Shocks	Minor changes in CAR	CAR after shock (%)	Moderate changes in CAR	CAR after shock (%)	Major changes in CAR	CAR after shock (%)
Performing loans directly downgraded to B/L: Sectoral Concentration- 1	-0.16	15.72	-0.49	15.39	-0.82	15.06
Performing loans directly downgraded to B/L: Sectoral Concentration- 2	-0.21	15.67	-0.62	15.26	-1.04	14.84
Increase in NPLs due to default of top large loan borrowers	-2.10	13.78	-4.74	11.14	-7.74	8.14
Negative shift in NPLs categories	-0.19	15.69	-0.48	15.40	-0.70	15.18
Decrease in the FSV of collateral	-0.10	15.78	-0.19	15.69	-0.39	15.49
Increase in NPLs	-1.16	14.72	-3.99	11.89	-8.44	7.44
Interest Rate	-1.35	14.53	-2.70	13.18	-4.05	11.83
FEX: Currency Appreciation	-0.06	15.82	-0.12	15.76	-0.17	15.71
Equity Shock	0.00	15.88	0.00	15.88	0.00	15.88
Combined Shock	**-2.85**	**13.03**	**-7.48**	**8.40**	**-13.75**	**2.13**

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

B) Credit Shock:

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

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

It is a measure of the concentration risk where the bank has the highest loans i.e. SME loans. It assumes that 3%, 9% and 15% of the performing loans will be directly downgraded to B/L category in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.88% before apply the shock for December quarter 2018 against the requirement of 11.875% including buffer capital showing excess CRAR 4.01%. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 15.72%, 15.39% and 15.06% in minor, moderate and major respectively when considering individual shock.

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

It is a measure of the concentration risk where the bank has the 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 15.88% before apply the shock for December quarter 2018. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR)) of SBAC Bank would stand at 15.67%, 15.26% and 14.84% in minor, moderate and major respectively when considering individual shock.

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

It represents the scenario of the bank when top large borrowers default. It is assumed that top 3, 7 and 10 borrowers of the bank will default in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR)) of SBAC Bank was 15.88% before apply the shock for December quarter 2018. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 13.75%, 11.14% and 8.14% in minor, moderate and

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

iv) Negative shift in NPLs categories:

It represents the shift of loans from one NPL category to the next NPL category. It is based on the assumption of 5%, 10% and 15% downward shift in the NPLs categories in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.88% before applying the shock for December quarter 2018. After applying shock, the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 15.69%, 15.40% and 15.18% in minor, moderate and major shock respectively when considering individual shock.

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

It represents the bank's condition when FSV of collateral decreases sharply. It is based on the assumption that FSV of collateral will fall by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.88% before apply the shock for December quarter 2018. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 15.78%, 15.69% and 15.49% in minor, moderate and major respectively when considering individual shock.

vi) Interest rate shock:

It represents the condition of the bank when interest rate changes significantly. It is based on the assumption that interest rate will change by 1%, 2% and 3% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.88% before apply the shock for December quarter 2018. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.53%, 13.18% and 11.83% in minor, moderate and major respectively when considering individual shock.

vii) Foreign exchange shock:

It represents the condition of the bank when exchange rate changes significantly. It is based on the assumption that exchange rate will change by 5%, 10% and 15% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.88% before' applying the shock for December quarter 2018. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 15.82%, 15.76% and 15.71% in minor, moderate and major respectively when considering individual shock.

viii) Equity shock:

It represents the bank's condition when market value of share falls sharply. It is based on the assumption that share price will change by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.88% before applying the shock for December quarter 2018. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 15.88%, 15.88% and 15.88% in minor, moderate and major respectively when considering individual shock.

C) Combined Shock:

The stress test also measures effect of combined shocks on Capital to Risk Weighted Assets Ratio (CRAR) for assumptions that includes: decrease in the FSV of the collateral, increase in Non Performing Loans, negative shift in NPL categories, change in interest rate, change in foreign exchange rate and change in the market value of shares and securities. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.88% before applying the shock for December quarter 2018. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 13.03%, 8.40% and 2.13% in minor, moderate and major shock respectively when considering combined shock.

4.9 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.

4.10 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 2018 SBAC Bank sent the ICAAP Report to the Bangladesh Bank based on December 31, 2017 and Supplementary Documents after approval of the Board of Directors. Besides the ICAAP Report based on December 2018 will be submitted in May 2019.

4.11 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 backstop to the risk-based capital measure;
- Raise the standards for the supervisory review process (Pillar 2); and
- Public disclosures (Pillar 3) etc.

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

Particulars	Basel-III required for 2018	Bank Position	Remarks
Minimum Common Equity Tire-1 (CET-1) Capital Ratio	4.50%	14.92%	Excess 10.42%
Minimum Capital plus Capital Conservation Buffer (Buffer 2.50% up to 2019, 0.625% each year)	6.375%	14.92%	Excess 8.55 %
Minimum T-1 Capital Ratio	6.00%	14.92%	Excess 8.92%
Minimum Total Capital Ratio	10.00%	15.88%	Excess 5.88%
Minimum Total Capital plus Capital Conservation Buffer	11.875%	15.88%	Excess 4.01%
Phase –in of deduction from Tier-1: Excess Investment over 10% of a bank's equity in the equity of Bank	80.00%	Nil	-
Phase –in of deduction from Tier-2 Revaluation Reserve (RR): RR for Fixed Assets, Securities and Equity	80.00%	80.00%	-
Leverage Ratio	6.00%	9.71%	3.71%
Liquidity Coverage Ratio	≥ 100%	349.31%	Excess 249.31%
Net Stable Funding Ratio	> 100%	126.26%	Excess 26.26%

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

GREEN BANKING



Green Banking:

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 2018 is Tk. 279.13 million being 5% of total new loan to be disbursed in 2018.

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 2018, there were 48 nos. of bank financed projects applicable for Environment Due Diligence and the Bank assessed the Environmental Risk of those projects and found low Environment Risk. The Bank financed Tk. 4362.10 million for 48 projects in 2018 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 2018, total 2,21,499 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 2017-18:

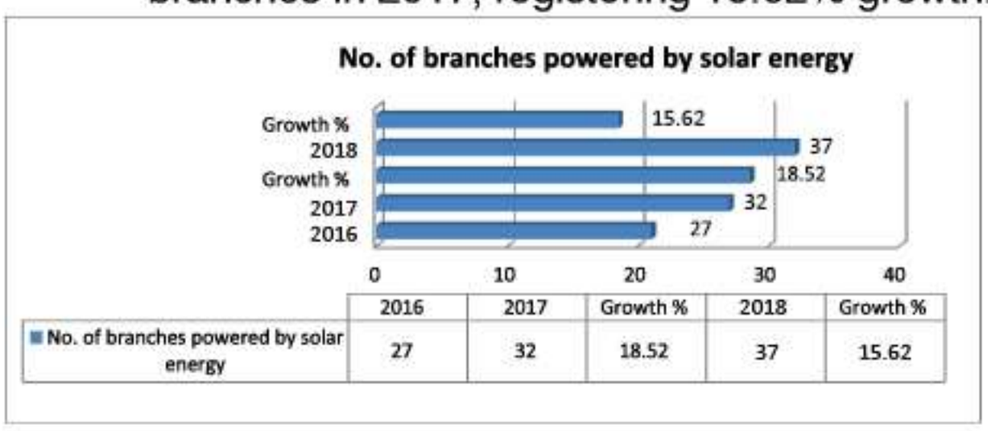
Sl No.	Particular		Amount in Million Taka		Growth %
			2018	2017	
01	Consumption of water		0.07	0.74	(90.54)
02	Consumption of paper		3.95	2.96	33.45
03	Consumption energy	Electricity	32.70	24.00	36.25
		Gas	0.01	0.13	(92.31)
		Fuel	5.73	3.24	76.85
		Total =	42.46	31.07	36.65

N.B.: The expenses have been increased by 36.65% since new 10 branches came into operation in the year of 2018.

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 2018, 37 branches are powered by solar energy against 32 branches in 2017, registering 15.62% 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 74 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.

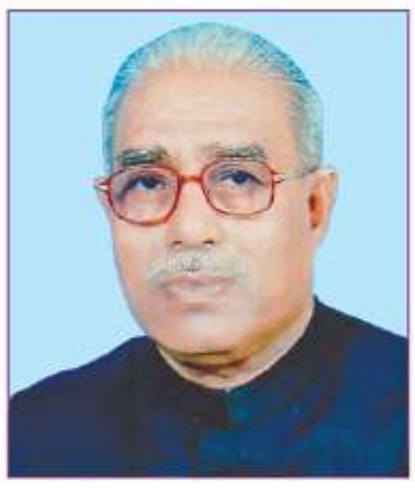
i) Climate Risk Fund:

A fund of Tk.500.00 million has been allocated to finance green products/projects. The Bank shall also finance economic activities of the areas susceptible to flood, cyclone and drought at regular interest rates without charging additional risk premium. In 2018, the Bank distributed 38000 blankets costing Tk. 13.40 million to the cold stricken poor people in different areas in Bangladesh & Donated Tk. 10.00 million for the Prime Minister's Relief & Welfare Fund.

j) Other issues relating to Green banking:

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

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



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 2018.

The Present Audit Committee of the Board was duly reconstituted by the Board of Directors of the Bank in its 71st meeting held on December 12, 2017 in compliance with Bangladesh Bank guidelines and corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC). Audit Committee efficiently conducted the monitoring activities as assigned by the Board and also played an effective role in supervision of execution of strategies and work plans so formulated towards smooth operation of the bank. The Committee supervised whether banking activities were carried out in line with the prevailing laws, rules and regulations imposed by the regulatory authorities. The committee also reviewed the Financial Statements, internal control management, audit system and relevant policies thereof.

Composition:

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

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

Brief profile of the Audit Committee:

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

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, 4(four) meetings of the Committee were held in the year 2018. 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 2018 were as under:

SL	Meeting No.	Held on
1	24th	14.02.2018
2	25th	27.06.2018
3	26h	30.10.2018
4	27th	09.12.2018

Key activities in 2018: The major areas focused by the Audit Committee of the Board during 2018 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 2019.
- Summary of Loan Classification and Provision.
- Consideration and recommendation on Annual Accounts (Audited) along with the reports of the External Auditors thereon for the year ended on 31st December 2018.
- Consideration and recommendation of Half-yearly Financial Statements (Un-audited) of the Bank for the period ended on 30th June 2018.
- Review of Quarterly Financial statements.
- Recommendation for approval of the revised policy of the different Divisions of the Bank.
- Recommendation for approval of different formats for Assessing Credit Applications.
- Summary of Loan classification and provision as on 31.03.2018, 30.06.2018 and 30.09.2018 and 31.12.2018

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 video Conference system to discuss the observations and compliance status with the respective branch manager during Audit Meetings.
- Recommended for IT Test Area & Lab facilities to build up technical expertise through practical exercises.
- Directed Management to arrange special training program to acquaint all the employees about the range & use of CBS System for controlling lapses in banking system CBS.
- Reviewed and recommended for fortifying ICC Division through experienced and trained Professional manpower.
- Advised to post required number of personnel to ICCD for effectively forming audit team and compliance team independently.
- Directed Internal Control & Compliance Division to audit the unaudited branches with reasonable and justified interval.
- Advised to inform the branches/divisions to instantly communicate with Internal Control & Compliance Division if any financial incidence/irregularities take place.
- Recommended to establish a self monitoring system for better and effective monitoring over the branches.
- Reviewed the reports of internal and external audits. During the review of reports against the internal and external audits, the Audit Committee expressed their dissatisfaction for major irregularities took place at the branches.
- Suggested for immediate improvement against the deficiencies in operational activities at the branches.
- Advised for improvement of systems to promote the operational activities of Branch to a certain efficient level.
- Advised to immediately report the major irregularities to the Chairman of Audit Committee through e-mail before preparation of audit reports.
- Advised to check each and every audit report by the line management time and again to ensure its reliability and standard.
- Advised to ensure implementation of recommendations made by different committee of the board meticulously.
- Advised for thoroughly checking the Transaction Profile of the Accounts during audit to ensure reliability of transactions.
- Recommended for taking effective initiatives by ICCD of the Bank to strengthen overall monitoring, so that no fraudulent activities can take place in the bank.
- Advised to meticulously comply with all terms and conditions of the credit approvals for disbursement by the branches.
- 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, 2018, prepared by the Management and audited by External Auditors M/s. Khan Wahab Shafiq Rahman & 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.



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

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

SBAC Bank Limited has its own Articles of Association by which Appointment of Directors is governed. Moreover the Bank always complies with the prescriptions of the regulatory authorities regarding appointment of directors. In this connection Circulars of Bangladesh Bank (BB), notification of Bangladesh Securities and Exchange Commission (BSEC), provisions of Bank Companies Act, 1991, (amended up to 2018) and Companies Act 1994 are strictly followed. The number of the Board members of the Bank is 17 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 2 (two) 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 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, directly or indirectly, 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 to 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:

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:

As per BSEC Notification BSEC/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 4 members. One of the members of the committee is from Finance and Accounting background. The head of internal audit always has direct access to the audit committee and can express his issues in front of the committee. The Audit Committee has a terms of reference and is empowered to investigate/question employees and retain external counsel as required.

The Board 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 2 (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 arc prepared according to existing rules & regulations, accounting principles and standards enforced in the country such as Bangladesh Accounting Standards, International Accounting Standards, Bangladesh Financial Reporting Standards, International Financial Reporting Standards and as per relevant prescribed accounting standards set by Bangladesh Bank;
2. Discuss with management and the external auditors to review the financial statements before its finalization

Internal Audit:

I. Audit committee will monitor whether internal audit functions are carried out independently from the management.

i. Review the activities of the internal audit and the organizational structure and ensure that no unjustified restrictions or limitations hinder the internal audit process:

ii. Examine the efficiency and effectiveness of internal audit functions;

iii. Examine whether the findings and recommendations made by the internal auditors arc duly considered by the management.

External Audit

i. Review the performance of the external auditors and their audit reports;

ii. Examine whether the findings and recommendations made by the external auditors arc duly considered by the management.

iii. Make recommendations to the Board regarding the appointment of the external auditors.

Compliance with existing laws and regulations:

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

Other Responsibilities:

i. Submission of compliance report to the Board on quarterly basis on regularization of the omissions, frauds and forgeries and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities;

ii. External and internal auditors will submit item audit report, if the committee solicit;

iii. Perform other oversight functions as desired by the Board of Directors and evaluate the committee's own performance on a regular basis.

Meetings:

i. The audit committee should hold at least 4 meetings in a year and it can sit any time as it may deem fit;

ii. The committee may invite Chief Executive Officer, Head of internal audit or any other Officer to its meetings, if it deems necessary;

iii. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to the committee members well in advance before each meeting;

iv. All decisions/observations of the committee should be noted in minutes.

v. Company secretary of the bank 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 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, operational 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, operational 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 4 meetings in a year and it can sit any time as it may deem fit;

ii. The committee may invite Chief Executive Officer, Chief Risk Officer and any other Officer to its meetings, if it deems necessary;

iii. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to committee members well in advance before each meeting;

iv. All decisions/observations of the committee should be 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. Three directors of the Bank attended in an workshop regarding Revisiting Corporate Governance Regulations for Banks in Bangladesh organized by International Finance Corporation and Bangladesh Bank jointly on January 31, 2015.

Chairman of the Board of Directors:

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

The role and responsibilities of the Chairman:

a) The Chairman of the Board of directors does not personally possess the jurisdiction to apply policy making or executive authority. He /she does not participate or interfere in the administrative or operational and routine affairs of the bank.

b) The chairman 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/ CMRRC/ 2006-158/129/ Admin/ 44 dated 7th August 2012 on Corporate Governance, the Bank appoints a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors clearly defines respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.

Role of the Company Secretary

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

The responsibilities of the Company Secretary include:

i) To act as a point of communication among the management, board of directors, 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 confidentially 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 profile 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, 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.

SBAC BANK

ISLAM & CO.
Chartered Accountants

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 Liomited** for the year ended on December 31, 2018. This Code relates to the Notification **No.** ***SEC/CMRRCD/2006-158/207/admin/80,dated June 03, 2018*** of the Bangladesh Securities and Exchange Commossion.

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 Mangement 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 Status (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 Governace Code as stipulated in the above mentioned Corporated Goverance Code issued by the Commission.
(b) The Company has Complied with the provisions of the relavant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartaries 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: May 12, 2019

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

Office : House # 11 (1st Floor), Road # 06, Shakhertech, Mohammadpur, Dhaka-1207.
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Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969):

(Report under Condition No. 9.00)

Condition No.	Title	Compliance Status (Put in the appropriate column)		Remarks if any)
		Complied	Not complied	
1	Board of Directors			
1(1)	Size of the Board of Directors- The total number of members of a company's Board of Directors 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);			Partially Complied. Noted for full Compliance
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:	√		
	(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 internal audit services or audit firm conducting special audit or professional certifying compliance of this Code; (viii) Who is not independent director in more than 5 (five) listed companies; (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 (x) Who has not been convicted for a criminal offence involving moral turpitude.	√ √ √ √ √		
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)	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:	√		
1(2)(e)	**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)	**Independent director shall have following qualifications:** (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 (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	√ √		

	(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	√		
	(iv) University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	√		
	(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;	√		
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
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)	**The Directors' Report to Shareholders** 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):-			

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);	√		
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)	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: (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;	√		
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)	Meetings of the Board of Directors 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.	√		

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	Board of Directors' Committee For ensuring good governance in the company, the Board shall have at least following sub-committees:			
4(i)	Audit Committee	√		
4(ii)	Nomination and Remuneration 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.
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;	√		
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:			Not applicable
5(6)	Reporting of the Audit Committee			
5(6)(a)(i)	Reporting to the Board of Directors: 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;	√		

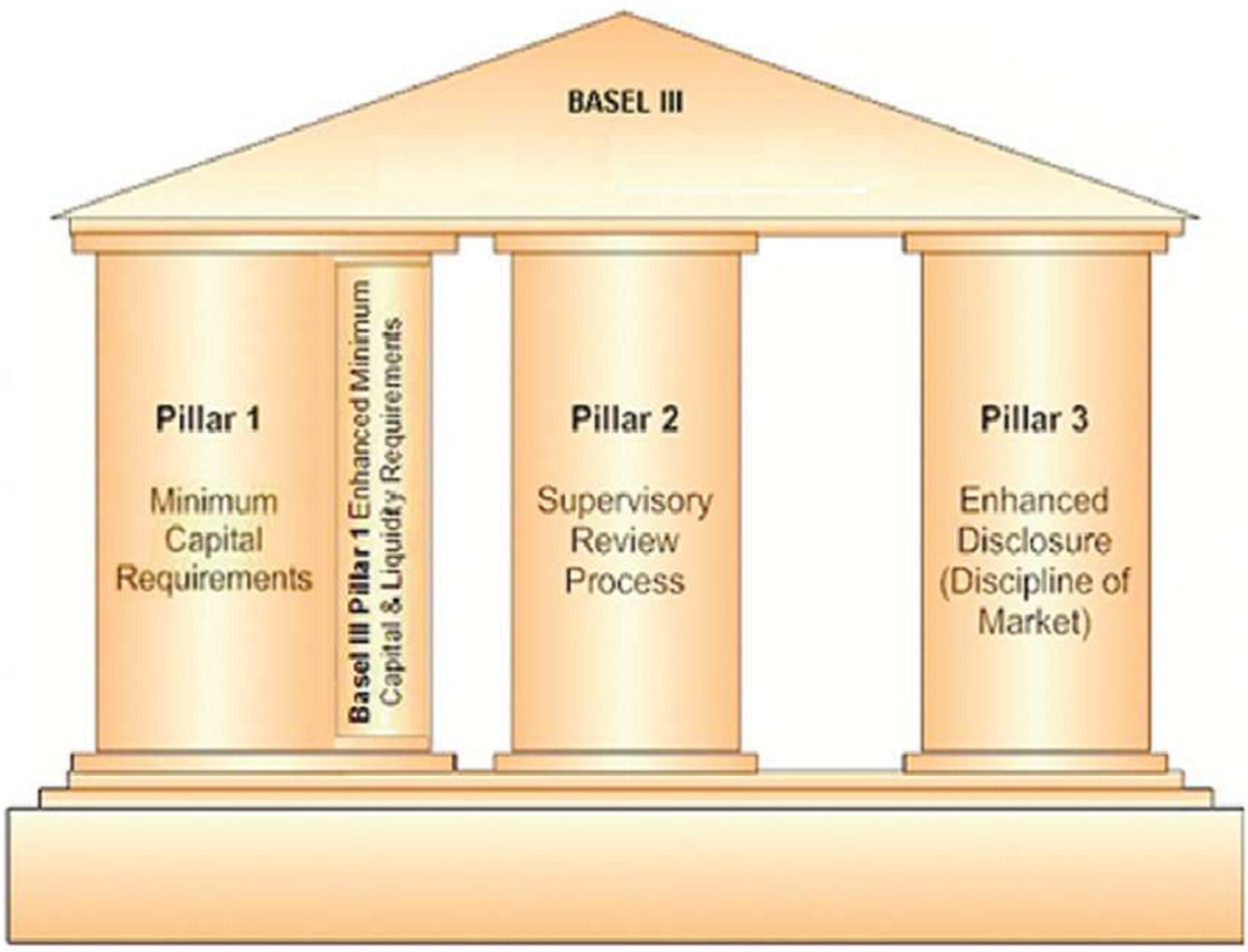
5(6)(b)	Reporting to the Authorities: If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 06 (six) months from the date of first reporting to the Board, whichever is earlier.			Not applicable
5(7)	Reporting to the Shareholders and General Investors: Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	Nomination and Remuneration Committee (NRC): 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.			
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:	√		
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.			Not applicable
8(2)	The company shall keep the website functional from the date of listing.			Not applicable
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).			Not applicable
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.			
	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.			
	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.	√		

Disclosures on Risk Based Capital

(Under Pillar-3 of Basel-III Framework)

For the year ended 31 December 2018



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).	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. 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 74(seventy four) as on 31 December 2018 all over Bangladesh. The principal activities of the Bank are to carry on all kinds of commercial banking business in Bangladesh.
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)	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.	In terms of Section 13 of the Bank Company Act, 1991 (Amended upto 2018), 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: **Common Equity Tier 1 (CET1) capital instruments** **Paid-up share capital:** Issued, subscribed and fully paid up share capital of the Bank. **Non-repayable share premium account:** Amount of premium realized with the face value per share at the time of issuing shares through initial public offering. **Statutory reserve:** As per Section 24 of the Bank Company Act, 1991(Amended upto 2018), 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. **Dividend equalization account:** As per BRPD Circular Letter No. 18 dated 20 October 2002 issued by Bangladesh Bank, 'Dividend Equalization Account' has been created by transferring the amount from the profit that is equal to the cash dividend paid in excess of 20%. **Retained earnings:** Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations. **Additional Tier 1 (AT1) capital instruments** **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. **Tier 2 capital instruments** **General provision against unclassified loans and off-balance sheet exposures:** 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. **Subordinated debt capital:** In compliance with BRPD Circular No. 18 dated 21 December 2014, Subordinated Debt is considered as a component of Tier 2 capital.

Assets revaluation reserves: 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.

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.

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.

Quantitative Disclosures

b) The amount of Common Equity Tier 1 (CET1) Capital

The amount of Common Equity Tier 1 (CET1) Capital as per disclosures in the audited financial statements as of 31 December 2018 are as follows:

In million Taka

Particulars	Amount
Paid up capital	5,658.23
No-repayable share premium account	-
Statutory reserve	1,126.91
General reserve	-
Retained earnings	582.62
Dividend equalization account	-
Other (if any item approved by Bangladesh Bank)	-
Sub-Total of Tier 1 Capital [A]	7,367.76

c) The amount of Additional Tier 1 (AT1) Capital

The amount of Additional Tier 1 (AT1) Capital as per disclosures in the audited financial statements as of 31 December 2018 are as follows:

In million Taka

Particulars	Amount
Non-cumulative irredeemable preference shares	-
Instruments issued by the banks that meet the qualifying criteria for AT1	-
Other (if any item approved by Bangladesh Bank)	-
Sub-Total AT1 Capital [B]	-

d) The amount of Tier 2 Capital

The amount of Tier 2 Capital as per disclosures in the audited financial statements as of 31 December 2018 are as follows:

In million Taka

Particulars	Amount
General provision against unclassified loans and off-balance sheet exposures	469.67
All other preference shares	-
Subordinate debt	-
Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFT Securities)	22.01
Other (if any item approved by Bangladesh Bank)	-
Sub-Total of Tier 2 Capital [C]	491.68

Capital Structure (continued)

e) Regulatory Adjustments / Deductions from Capital

The amount of Common Equity Tier 1 (CET1) Capital as per disclosures in the audited financial statements as of 31 December 2018 are as follows:

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 (80% for the year 2018) from Tier 2 Capital	17.61
Sub-Total of Regulatory Adjustments / Deductions from Capital[D]	17.61

f) Total Eligible Capital

In million Taka

Particulars	Amount
Total Eligible Capital [A+B+C-D]	7,841.83

Capital Adequacy

Qualitative Disclosures:

a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.

The Bank assesses the adequacy of its capital in terms of Section 13 (1) of the Bank Company Act, 1991 (Amended up to 2018) 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 & 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:

i. **Credit risk** : On the basis of Standardized Approach;
ii. **Market risk** : On the basis of Standardized Approach; and
iii. **Operational risk**: On the basis of Basic Indicator Approach.

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 2018, Bank maintained total capital (CET 1 and Tier 2) of Taka 7,841.83 million against the minimum requirement including capital conservation buffer of Taka 5,863.94 million with a surplus of Taka 1,977.89 million. Bank's capital to risk-weighted asset ratio (CRAR) as of 31 December 2018 stood at 15.88% (consisting of 14.92% in CET 1 capital and 0.96% in Tier 2 capital) against the regulatory requirement of minimum including capital conservation buffer 11.875%. 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 upheld and strengthen the confidence of its investors, depositors and other stakeholders.

Capital Adequacy (countinued)

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	36,278.74	3,627.87
Off-balance sheet	4,135.22	413.52
Total	40,413.96	4,041.39

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	4,837.00	483.70
Equities	-	-
Foreign exchange position	355.64	35.56
Commodities	-	-
Total	5,192.64	519.26

d) Capital Requirement for Operational Risk

In million Taka

Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)
Operational Risk	3,773.97	377.40
Total	3,773.97	377.40

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	36,278.74
Off-balance sheet	4,135.22
Total Credit Risk [i]	40,413.96
Market Risk [ii]	5,192.64
Operational Risk [iii]	3,773.97
Total Risk Weighted Assets (RWA) [i+ii+iii]	49,380.57

In million Taka

Total Minimum Capital Requirement (MCR)	
Credit Risk	
On-balance sheet	3,627.87
Off-balance sheet	413.52
Total Credit Risk [i]	4,041.39
Market Risk [ii]	519.26
Operational Risk [iii]	377.40
Total Minimum Capital Requirement (MCR)	4,938.05
Total Eligible Regulatory Capital	7,841.83

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)	15.88%
Common Equity Tier 1 Capital to Risk-weighted Assets Ratio	14.92%
Total Tier 1 Capital to Risk-weighted Asset Ratio	14.92%
Tier 2 Capital to Risk-weighted Asset Ratio	0.96%

g) Capital Conservation Buffer

In million Taka

Particulars	Amount
Risk Weighted Assets [A]	49,380.57
Rate of Capital Conservation Buffer for 2018 in percentage [B]	1.875%
Amount of Common Equity Tier 1 (CET 1) Capital is required as per Capital Conservation Buffer [C = A x B]	925.88

h) Available Capital under Pillar 2 Requirement

In million Taka

Particulars	Amount
Total Eligible Regulatory Capital [A]	7,841.83
Minimum Capital Requirement under Pillar 1 [B]	4,938.06
Capital Conservation Buffer [C]	925.88
Minimum Capital Requirement including Capital Conservation Buffer [D=B+C]	5,863.94
Available Capital for Pillar 2 [E=A-D]	1,977.89

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)	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 & Micro Credit. Definition of past due/overdue: 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; 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; 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; 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. 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.

Credit Risk (Continued)

Definition of impaired / classified / non-performing loans and advances are as follows:

Continuous loan are classified are as follows:

- **Substandard**: If it is past due /overdue for 3 (three) months or beyond but less than 6 (six) months;
- **Doubtful**: If it is past due / overdue for 6 (six) months or beyond but less than 9 (nine) months;
- **Bad / Loss**: If is past due / overdue for 9 (nine) months or beyond

Demand loan are classified are as follows:

- **Substandard**: If it remains past due / overdue for 3 (three) months or beyond but not over 6 (six) months from the date of expiry or claim by the Bank or from the date of creation of forced loan;
- **Doubtful**: If it remains past due / overdue for 6 (six) months or beyond but not over 9 (nine) months from the date of expiry or claim by the Bank or from the date of creation of forced loan;
- Bad / Loss: If it remains past due / overdue for 9 (nine) months or beyond from the date of expiry or claim by the Bank or from the date of creation of forced loan.

Fixed Term Loans are classified are as follows:

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:

- **Substandard**: If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loan will be classified as 'Sub- standard';
- **Doubtful**: If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire loan will be classified as 'Doubtful';
- **Bad / Loss**: If the amount of past due installment is equal to or more than the amount of installment (s) due within 12 (twelve) months, the entire loan will be classified as 'Bad/Loss';

b) In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 10 lacs is not repaid within the due date, the classification is as under:

- **Substandard**: If the amount of past due installment is equal to or more than the amount of installment (s) due within 3 (three) months, the entire loan will be classified as 'Sub- standard';
- **Doubtful**: If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loan will be classified as 'Doubtful';
- **Bad / Loss**: If the amount of past due installment is equal to or more than the amount of installment(s) due within 9 (nine) months, the entire loan will be classified as 'Bad/Loss'.

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.

Credit Risk (Continued)

<table>
<tr>
<td></td>
<td>ii) Description of approaches followed for specific and general allowances and statistical methods</td>
<td>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:
a) Calculation of base for provision for unclassified /standard loans: Outstanding amount less suspended interest, if any;
b) Calculation of base for provision for the classified loans, the higher of the following two amounts:
i. Outstanding amount less suspended interest less value of eligible securities;
or
ii. 15% of outstanding amount.
Secondly, the following rates are applied on base for provision for determination of general and specific allowances for loans:
<table>
<tr><th colspan="2" 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& LP</th><th>HF</th><th>LP</th></tr>
<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>
</table>
<table>
<tr><td>HF= House Financing</td><td>LP = Loan for Professional</td><td>SD = Stock Dealer</td></tr>
<tr><td>BH = Broker House</td><td>MB = Merchant Bank</td><td></td></tr>
</table>
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.
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.</td>
</tr>
<tr>
<td></td>
<td>(iii) Discussion of the bank's credit risk Management policy</td>
<td>The salient features of the Bank credit risk management policy and procedures are as under:
• Credit policy approved by the Board: The Board approves the Credit Risk Management Policy of the Bank for ensuring the best practice in credit risk management and maintaining quality of assets. The credit policy/manual has been put in place in compliance with Bangladesh Bank's guidelines on credit risk management and other rules & regulations circulated by BB from time to time. The policy envisages making credit decisions based on sound lending principles and practices supported by reliable and accurate financials, management integrity, industry/ technical analysis, environmental due diligence, industry information of the borrowing entity/ company etc.
• Credit approval is delegated properly: Authorities are properly delegated ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system.
• Independent Credit Risk Management Division: There is an independent Credit Risk Management Division to assess credit risks and suggest the mitigation procedures & techniques while processing the credit proposals by the Credit Division for approval.</td>
</tr>
</table>

Credit Risk (Continued)

		• **Separate Credit Administration Division**: A separate credit administration division confirms that perfected security documents are in place before disbursement. The division also monitors borrower's compliance with lending covenants and agreed terms and conditions. • **Independent Credit Monitoring & Recovery Division and Management Recovery Committee**: An independent and fully dedicated Credit Monitoring & Recovery Division monitors the performance and recovery of loans, identify early signs of delinquencies in portfolio and take corrective measures including legal actions to mitigate risks, improve loan quality and to ensure timely recovery of loans. This division also monitors risk status of loan portfolio and ensures adequate loan loss provision. There is a dedicated and high-level management recovery committee to deal with the problem loans for early and most appropriate settlements. • **Credit operations are subject to independent internal Audit**: Internal Control & Compliance Division independently verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control, documentation and overall Credit Risk Management System. • **Reporting to Board/ Executive Committee/Risk Management Committee**: Overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio are regularly reported to the Board of Directors/ Executive Committee/ Risk Management Committee of the Board for information and guidance. 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. 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.
	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 2018: In million Taka

Particulars	Exposure	Mix (%)
Overdrafts	16,835.40	33.50%
Cash Credit	17,053.58	33.93%
Loans against Trust Receipt	3,716.56	7.39%
Export Packing Credit	92.98	0.19%
Payment against Document – Sight L/C	560.92	1.12%
Time Loans	1,898.29	3.78%
EDF Loans	784.72	1.56%
Demand Loans	160.00	0.32%
Lease Finance	391.05	0.78%
House Building Finance	616.67	1.23%
General Term Loans	5,138.30	10.22%
SME Term Loans	1,220.13	2.43%
Agriculture Term Loans	118.01	0.23%
Personal Loans	66.35	0.13%
Auto Loans	7.00	0.01%
Credit Card	133.86	0.27%
Staff Loans	276.00	0.55%
Other Loans	2.89	0.01%
Bills Purchased and Discounted	1,182.24	2.35%
Total	**50,254.94**	**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 2018 are as follows:

In million Taka

Particulars	Outstanding Amount	Mix (%)
Urban		
Dhaka Division	27,554.29	54.83%
Chattogram Division	6,200.00	12.34%
Khulna Division	4,430.34	8.81%
Rajshahi Division	1,699.82	3.38%
Barishal Division	1,211.20	2.41%
Sylhet Division	202.64	0.40%
Rangpur Division	1,291.59	2.57%
Sub-total (Urban)	**42,589.89**	**84.74%**
Rural		
Dhaka Division	3,725.69	7.41%
Chattogram Division	1,350.69	2.69%
Khulna Division	2,272.37	4.52%
Rajshahi Division	3.11	0.01%
Barishal Division	95.35	0.20%
Sylhet Division	217.85	0.43%
Rangpur Division	-	-
Sub-Total (Rural)	**7,665.05**	**15.26%**
Grand Total	**50,254.94**	**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 2018 are as follows:

In million Taka

Particulars	Outstanding Amount	Mix (%)
Agriculture, Fisheries and Forestry	793.39	1.58%
Agro base Processing Industries	2,245.47	4.47%
Small & Medium Enterprise Financing	20,410.79	40.61%
RMG & Textile Industries	4,374.64	8.70%
Hospitals, Clinics & Medical Colleges	540.81	1.08%
Trade & Commerce	5,659.23	11.26%
Transport and Communications	426.37	0.85%
Rubber & Plastic Industries	1,134.97	2.26%
Iron, Steel & Aluminum Industries	1,759.92	3.50%
Printing & Packaging Industries	351.44	0.70%
Other Manufacturing Industries	8,975.93	17.86%
Housing & Construction Industries	636.43	1.27%
Consumer Credit	188.50	0.37%
Others	2,757.05	5.49%
Total	**50,254.94**	**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 2018 are as follows:

In million Taka

Particulars	Outstanding Amount	Mix (%)
On Demand	5,159.48	10.27%
Within one month	3,636.15	7.24%
Within one to three months	10,450.57	20.79%
Within three to twelve months	17,815.75	35.45%
Within one to five years	10,729.32	21.35%
More than five years	2,463.67	4.90%
Total	**50,254.94**	**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 2018 was as follows :

In million Taka

Major Industry / Sector type	Status amount of impaired / classified Loans			Total
	Substandard	Doubtful	Bad/Loss	
SMEF	119.85	219.62	338.76	**678.23**
Other Than SMEF	81.39	0.37	231.67	**313.43**
Total	**201.24**	**219.99**	**570.43**	**991.66**

b) Amount of impaired / classified loans by exposure type as on 31 December 2018 was as under :

In million Taka

Major Exposure type	Status amount of impaired / classified Loans			Total
	Substandard	Doubtful	Bad/Loss	
Continuous loan	184.84	217.95	421.19	**823.98**
Demand loan	-	1.21	83.32	**84.53**
Term loan	16.40	0.82	65.93	**83.15**
Total	**201.24**	**219.98**	**570.44**	**991.66**

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 2018 was as under :

In million Taka

Particulars	Amount
General provision for loans and advances	358.85
Specific provision for loans and advances	516.58
General provision for off-balance sheet exposures	110.82
Total	**986.25**

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 2018 was as under :

In million Taka

Particulars	Amount
General provision for loans and advances	(39.23)
Specific provision for loans and advances	433.67
General provision for off-balance sheet exposures	(6.82)
Total	**387.62**

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 2018 was as under :

Particulars	Amount
Gross Non-Performing Assets (NPAs)	991.66
Non-Performing Assets (NPAs) to Outstanding Loans and Advances	1.97%
Movement of Non-Performing Assets (NPAs)	
Opening Balance	375.25
Additions / adjustment during the year (net)	616.41
Closing balance	**991.66**
Movement of specific provision for NPAs	
Opening balance	82.91
Add : provision made during the year	433.67
Less : Write-off	-
Add : Write-back of excess provision	-
Closing balance	**516.58**

Equities: Disclosures for Banking Book Positions

	Qualitative Disclosures:	
a)	The general qualitative disclosures requirement with respect to equity risk, including :	
	Differentiation between Holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Not applicable
	Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	Quoted shares are valued at cost. Provisions are made for any loss arising from diminution in value of investment.
	Qualitative Disclosures:	
b)	Value disclosed in the balance sheet on investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Not applicable
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2018) period.	Nil
d)	• Total unrealized gains (losses)	Nil
	• 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)	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.	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. 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. **Key assumptions on loan prepayments and behavior of non-maturity deposits:** a) Loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule; b) Loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and re-priced accordingly; c) Non-maturity deposits namely current, saving deposits are segregated into different time buckets on the basis of past trend of withdrawal, seasonality, religious festivals, geographical perspective and re-priced accordingly. However, the behavior of withdrawal of non-maturity deposits of the Bank is more or less stable. The Bank measures the IRRBB as per the regulatory guidelines on a quarterly rest.
	Quantitative Disclosures:	
b)	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 2018 is furnished below:	

In million Taka

Particulars	Residual Maturity Bucket				
	1 month	3 month	6 month	1 year	1 year above
Rate Sensitive Assets [A]	20,733.20	9,502.10	9,038.20	12,206.30	12,926.50
Rate Sensitive Liabilities [B]	4,512.90	13,784.40	6,041.90	14,185.70	15,181.30
GAP [A – B]	16,220.30	-4,282.30	2,996.30	-1,979.40	-2,254.80
Cumulative GAP	16,220.30	11,938.00	14,934.30	12,954.90	10,700.10
Interest Rate Change (IRC) [Note 1]	1%	1%	1%	1%	1%
Quarterly Earnings Impact [GAP X IRC]	162.20	-42.82	29.96	-19.79	-22.55
Cumulative Earnings Impact	162.20	119.38	149.34	129.55	107.00

Note 1: Assuming 1% rise in interest for both asset and liability portfolio of the Bank.

Market Risk

Qualitative Disclosures:	
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.	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: i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk.
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 :

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	

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

Particulars	Amount
Interest Rate Risk	483.70
Equity Position Risk	-
Foreign Exchange Risk	35.56
Commodity Risk	-
Total Capital Requirement of Market Risk	**519.26**

Operational Risk

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce Operational Risk	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Internal Control and Compliance Division (IC&CD) to protect against all operational risk. As a part of continued surveillance, the management committee (MANCOM), Risk Management Committee (at the management level), independent Risk Management Division regularly reviews different aspects of operational risk. The analytical assessment was reported to the Board/ Risk Management Committee/Audit Committee of the Bank for review and formulating appropriate policies, tools & techniques for mitigation of operational risk.
ii) Performance gap of executives and staffs	The Bank has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. The Bank's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
iii) Potential external events	Like other peers, the Bank operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. based on the overall perspective of the country. Potential external events and related downside risk, namely, political impasse, damage of Bank's delivery channel including ATM, fear of theft/ robbery in banks vaults, compliance/ adjustment due to changes of regulatory policy stance, laws & regulations etc. are managed to keep within tolerable limit.
iv) Policies and processes for mitigating operational risk	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. A policy guideline on Risk Based Internal Audit (RBIA) System is in operation. As per RBIA, branches with high risk status and subjected to more frequent audit by Internal Control and Compliance Division (IC&CD). IC&CD directly reports to Audit Committee of the Board. 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. 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.

Operational Risk (continued)

v) Approaches for calculating capital charge for operational risk	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 Basel II)]. The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula: K = [(GI 1 + GI2 + GI3) α]/n Where: K = the capital charge under the Basic Indicator Approach GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded) α = 15 percent n = number of the previous three years for which gross income is positive. Besides, Gross Income (GI) is calculated as "Net Interest Income" plus "Net non-Interest Income". The GI is also the net result of : i) Gross of any provisions; ii) Gross of operating expenses, including fees paid to outsourcing service providers; iii) Excluding realized profits/losses from the sale of securities held to maturity in the banking book; iv) Excluding extraordinary or irregular items; iv) Excluding income derived from insurance.
Quantitative Disclosures:	
The capital requirements for operational risk	Taka377.40million.
Capital Charge for Operational Risk- Basic Indicator Approach	Amount in million Taka

Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge = 15% of AGI
2016	1,820.09	1,224.61	183.69
2017	2,483.62	1,767.36	265.10
2018	3,244.23	2,515.98	377.40

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 21December 2014 and DOS Circular No. 1 dated 1 January 2015.

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce Liquidity Risk	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.

Liquidity Ratio (continued)

	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 polices 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.
ii) Methods used to measure Liquidity Risk	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. 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. 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. 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: a) Asset-Liability Maturity Analysis (Liquidity profile); b) Whole sale borrowing capacity; c) Maximum Cumulative Outflow (MCO); Besides the above, the following tools are also used for measuring liquidity risk: a) Stress Testing (Liquidity Stress); b) Net open position limit - to monitor the FX funding liquidity risk.
iii) Liquidity risk management system	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. Treasury Division upon reviewing the overall funding requirements on daily basis sets their strategy to maintain 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 &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.

Liquidity Ratio (continued)

<table>
<tr><td>iv) Policies and processes for mitigating Liquidity Risk</td><td>The Asset-Liability Management Committee (ALCO) policy leads the process & procedures for mitigation of liquidity risk of the Bank.
ALCO works under specific Terms of References (functions) approved by the Board.
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.</td></tr>
<tr><td>Quantitative Disclosures</td><td></td></tr>
<tr><td>i) Liquidity Coverage Ratio (LCR)</td><td>The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under:
$\text{Liquidity Coverage Ratio (LCR)} = \frac{\text{Stock of High quality liquid assets}}{\text{Net cash outflows over the next 30 calendar days*}}$
<table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Liquidity Coverage Ratio (LCR)</td><td>≥ 100%</td><td>349.31%</td></tr></table>* 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.</td></tr>
<tr><td>ii) Net Stable Funding Ratio (NSFR)</td><td>The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under:
$\text{Net Stable Funding Ratio (NSFR)} = \frac{\text{Available amount of stable funding (ASF)}}{\text{Required amount of stable funding (RSF)}}$
<table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Net Stable Funding Ratio (NSFR)</td><td>≥ 100%</td><td>126.26%</td></tr></table></td></tr>
<tr><td>iii) Stock of High Quality Liquid Assets (SHQLA)</td><td>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015,the Stock of High Quality Liquid Assets (SHQLA) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under:
In million Taka
<table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Cash in hand</td><td>546.10</td></tr><tr><td>Balance with Bangladesh Bank</td><td>3,542.29</td></tr><tr><td>Un-encumbered approved securities</td><td>7,030.56</td></tr><tr><td>Total Stock of High Quality Liquid Assets (SHQLA)</td><td>11,118.95</td></tr></table></td></tr>
<tr><td>iv) Total net cash outflows over the next 30 calendar days</td><td>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, total net cash outflows over the next 30 calendar days of South Bangla Agriculture & Commerce Bank Limited based on the position as of 31 December 2018 was as under:</td></tr>
</table>

Liquidity Ratio (continued)

	In million Taka **Particulars** / **Amount** Total weighted cash outflows over next 30 days [A] — 12,441.10 Total weighted cash inflows over next 30 days [B] — 9,257.97 **Total net cash outflows over next 30 days [A – B]** — **3,183.13**
v) Available amount of stable funding	As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the available amount of stable funding (ASF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under: In million Taka **Particulars** / **Weighted Amount** Available amount of Stable Funding (ASF) — 58,761.94
vi) Required amount of stable funding	As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the required amount of stable funding (RSF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under: In million Taka **Particulars** / **Weighted Amount** Required amount of Stable Funding (RSF) — 46,541.62

Leverage Ratio

Qualitative Disclosures	
i) Views of BOD on system to reduce excessive leverage	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 emphasizes 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. 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.
ii) Policies and processes for managing excessive on and off balance sheet leverage	First and foremost, Bank's policy is to maintain the Leverage Ratio (Tier 1 capital as proportion to total adjusted On and Off balance sheet asset) well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits & borrowing, loans &advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed on monthly basis. 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. 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.

Leverage Ratio (continued)

iii) Approach for calculating exposure/Leverage	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. 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. For calculating "leverage", the Bank follows the 'Leverage Ratio' approach/method as suggested by Bangladesh Bank.
Quantitative Disclosures	
i) Leverage Ratio	Leverage Ratio (LR) under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under: $\text{Leverage Ratio (LR)} = \frac{\text{Tier 1 Capital (after related adjustment)}}{\text{Total Exposure (after related deductions)}}$

Particulars	Ratio (%)	
	Bangladesh Bank Requirement	Bank's Position
Liquidity Ratio (LR)	> 3%	9.72%

ii) On balance sheet exposure

Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under:

In million Taka

Particulars	Amount
Total On Balance Sheet Assets [A]	70,656.30
Less : Total Specific Provision [B]	516.58
Total Adjusted On Balance Sheet Exposure [A – B]	**70,139.72**

iii) Off balance sheet exposure

Total Off-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under:

In million Taka

Exposures Types	Notional Amount	Credit Conversion Factor (CCF)	Weighted Amount
1	2	3	4 = 2 X 3
Direct credit substitutes	4,244.34	100%	4,244.34
Short-term self-liquidating trade letters of credit	6,918.65	20%	1,383.73
Total			**5,628.07**

iv) Total exposure

Total Exposures for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2018 was as under:

In million Taka

Particulars	Amount
Total On Balance Sheet Exposures [A]	70,139.72
Total Off Balance Sheet Exposures [B]	5,628.07
Less : Total Deduction / Regulatory adjustments [c]	-
Total Adjusted Exposure [A + B – C]	**75,767.79**

Remuneration

Qualitative Disclosures	
a) Information relating to the bodies that oversee remuneration	
i) Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy / policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank.
ii) Composition of the main body overseeing remuneration	The MANCOM is headed and chaired by the Managing Director of the Bank; along with other members of top executive management (Deputy Managing Directors) and the Heads of different functional divisions of Head Office. The Company Secretary of the Bank acts as the Member Secretary of the MANCOM.
iii) Mandate of the main body overseeing remuneration	The mandate of the Management Committee (MANCOM)as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.
iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.
v) A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate the 'Pay Structure' and 'employee benefits' by regions. However, variation in remuneration is in practice based on nature of job/business line/activity primarily bifurcated for the employees who are directly recruited by the Bank and the headcounts/employees explored through outsourcing service providers as per rule. As of 31 December 2018, 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)

iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.
iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.
c) Description of the ways in which current and future risks are taken in account in the remuneration processes	
i) An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit/default risk, compliance &reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risk are also considered.
ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature& type of business lines/segments etc. These measures are primarily focused on the business target/goals set for each area of operation, branch vis-a-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio),Net Interest Margin (NIM), provision coverage ratio, credit-deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.
iii) A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	No material change has been made during the year 2018 that could the affect the remuneration.
d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	
i) An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs) while approving the business target / budget for each year for the Bank and business lines / segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence / approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.

Remuneration (continued)

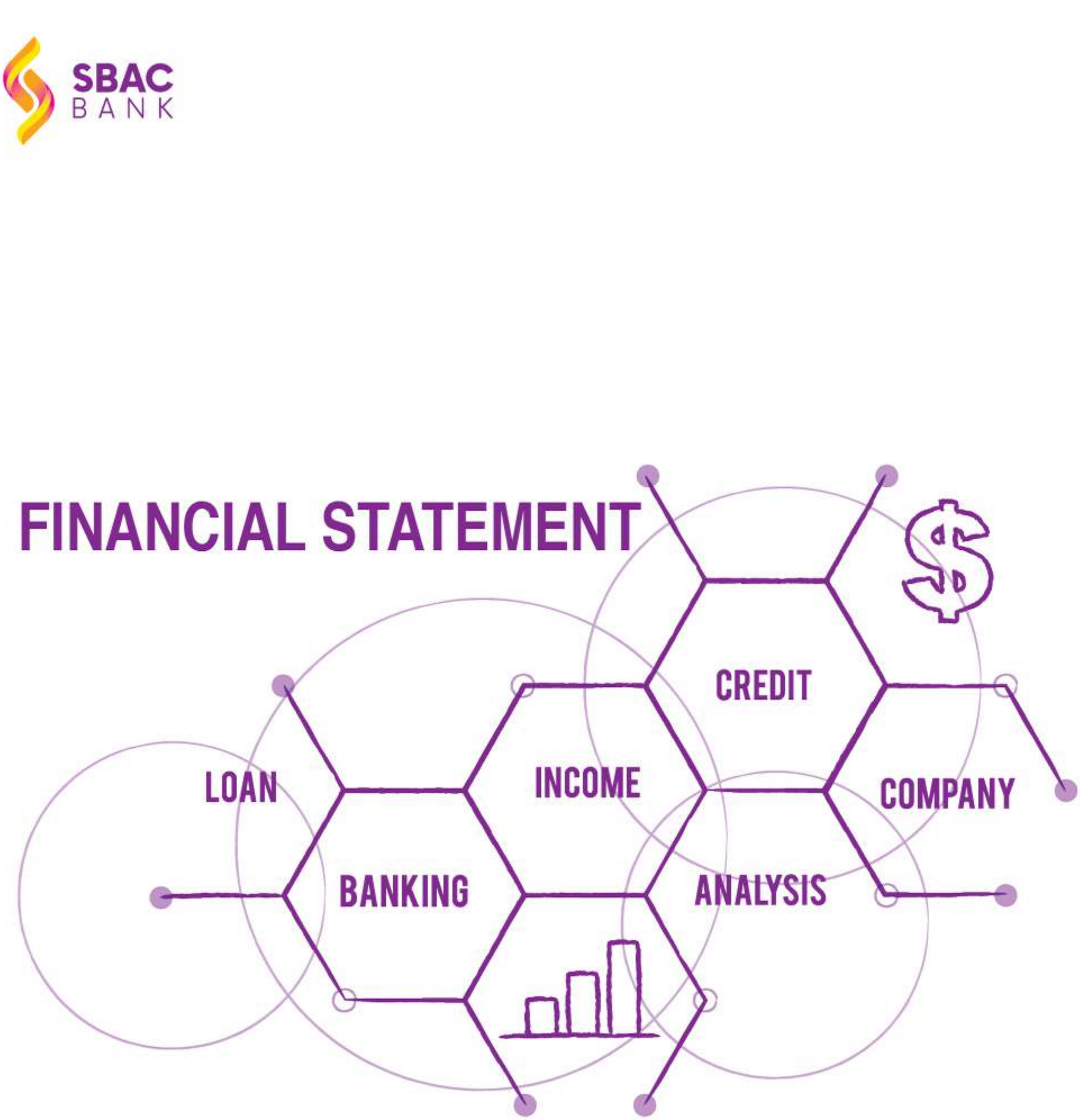
ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her/his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole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

Remuneration (continued)

<table>
<tr><td>Quantitative Disclosures</td><td></td></tr>
<tr><td>i) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.</td><td>There were 6 (six) meetings of the Management Committee (MANCOM) held during the year 2018. 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.</td></tr>
<tr><td>ii) Number of employees having received a variable remuneration award during the financial year.</td><td>Number of Employees having received a variable remuneration award during the year 2018 was :
No. of Employees :710
Total Amount : Tk 72.13 million</td></tr>
<tr><td>iii) Number and total amount of guaranteed bonuses awarded during the financial year.</td><td>The following number and total amount of Guaranteed bonuses awarded during the year 2018:
<table>
<tr><th>Particulars</th><th>Number of Employees</th><th>Total Amount of Guaranteed Bonuses (in million Taka)</th></tr>
<tr><td>Guaranteed Bonus awarded during the year 2018</td><td>767</td><td>58.37</td></tr>
</table></td></tr>
<tr><td>iv) Number and total amount of sign-on awards made during the financial year.</td><td>There was no sign-on awards made in 2018.</td></tr>
<tr><td>v) Number and total amount of severance payments made during the financial year.</td><td>There was no severance payment made during the year 2018.</td></tr>
<tr><td>vi) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</td><td>There was no deferred remuneration, split into cash, shares and share-linked instruments and other forms made in 2018.</td></tr>
<tr><td>vii) Total amount of deferred remuneration paid out in the financial year.</td><td>There was deferred remuneration paid out in the financial year 2018.</td></tr>
<tr><td>viii) Breakdown of amount of remuneration awards for the financial year.</td><td>Fixed and variable remuneration paid in 2018 are as follows :
In million Taka
<table>
<tr><th>Particulars</th><th>Amount</th></tr>
<tr><td>Fixed Pay</td><td>886.94</td></tr>
<tr><td>Variable Pay</td><td>72.13</td></tr>
<tr><td>Total Fixed and Variable Pay</td><td>959.07</td></tr>
</table></td></tr>
</table>

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
CREDIT
LOAN
INCOME
COMPANY
BANKING
ANALYSIS

SBACBL/HO/FAD/2019/566

30 April 2019

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 2018.

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 2018 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 2018 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

Md. Golam Faruque
Managing Director & CEO

Independent Auditor's 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, 2018 and the profit and loss account, statement of changes in equity and cash flow statements 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 of the Bank as at 31 December 2018, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
Measurement of provision for loans and advances	
The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex. For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions. For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation. At year end the Bank reported total gross loans and advances of BDT 50,254,940,444 and provision for loans and advances of BDT 875,431,385. We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias: Completeness and timing of recognition of loss events in accordance with criteria set out in BRPD circular no 14; For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows; Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates.	We tested the design and operating effectiveness of key controls focusing on the following: • Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; • Reviewed quarterly Classification of Loans (CL); Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following: • Reviewed the adequacy of the companies general and specific provisions; • Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.

See note no 8 and 13.3, to the financial statements.	
Valuation of treasury bill and treasury bond	
The classification and measurement of T-Bill and T-Bond require judgment and complex estimates. At the year end the Bank reported total Treasure bill BDT 496,539,742 and Treasury bond BDT 6,534,023,258. In the absence of a quoted price in an active market, the fair value of T-Bills and T-Bonds is determined using complex valuation techniques which may take into consideration direct or indirect unobservable market data and complex pricing models which require an elevated level of judgment. Completeness and timing of recognition of value and amortization events in accordance with criteria set out in DOS circular no 5;	We assessed the processes and controls put in place by the Bank to identify and confirm the existence of financial instruments. We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the financial instrument valuation processes, including controls over market data inputs into valuation models, model governance, and valuation adjustments. We tested a sample of the valuation models and the inputs used in those models, using a variety of techniques, including comparing inputs to available market data. Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
See note no 7, to the financial statements.	
Measurement of deferred tax assets	
The Bank reports net deferred tax assets to totaling BDT 19,452,582 as at 31 December 2018. Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Bank's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Bank's future taxable income. We also assessed the completeness and accuracy of the data used for the estimations of future taxable income. We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTA's. Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.
See note no 10.4 ,to the financial statements	
Legal and regulatory matters	
We focused on this area because the Bank operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities. Overall, the legal provision represents the Bank's best estimate for existing legal matters that have a probable and estimable impact on the Bank's financial position.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Bank's key controls over the legal provision and contingencies process. We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters. We enquired of the Bank's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information. We also assessed the Bank's provisions and contingent liabilities disclosure.

IT systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.	We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. We tested the Bank's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.
See note no 2.17.6, to the financial statements	

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than financial statements and our auditors' 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 the 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the Bank.

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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 (amended up to 2013) and the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment 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 to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Bank Company Act, 1991 (amended up to 2013) and the rules and regulations issued by Bangladesh Bank, we also report that:

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

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

(a) internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;

(b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities {other than matters disclosed in these financial statements};

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

(iv) the records and statements submitted by the branches have been properly maintained in the financial state ments;

(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 were for the purpose of the Bank's business for the year;

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

(viii) adequate provisions have been made for advance which are in our opinion, doubtful of recovery as per tripar tite meeting held on 23.04.2019 and Bangladesh Bank approval given vide letter No. DBI-1/132/2019-910 dated 29-04-2019.

(ix) the information and explanations required by us have been received and found satisfactory;

(x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 4,600 person hours; and

(xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequate ly during the year.

Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Dated, Dhaka, April 30, 2019

SBAC BANK

South Bangla Agriculture and Commerce Bank Limited
Balance Sheet
As at 31 December 2018

	Notes	2018 Taka	2017 Taka
PROPERTY AND ASSETS			
Cash			
Cash in hand (Including foreign currencies)	3	546,096,482	463,165,656
Balance with Bangladesh Bank and its agent bank(s)	4	3,542,292,096	3,060,880,987
		4,088,388,578	**3,524,046,643**
Balance with other banks and financial institutions	5		
In Bangladesh		6,693,349,087	4,001,749,184
Outside Bangladesh		345,496,114	146,016,589
		7,038,845,201	**4,147,765,773**
Money at call and short notice	6	80,000,000	-
Investments :	7		
Government		7,032,555,300	6,390,878,377
Others		-	-
		7,032,555,300	**6,390,878,377**
Loans and advances	8		
Loans, cash credits, overdrafts etc.		49,072,696,441	41,353,266,835
Bills purchased & discounted		1,182,244,003	1,931,698,390
		50,254,940,444	**43,284,965,225**
Fixed assets including land, buildings, furniture and fixtures	9	456,893,760	479,756,109
Other assets	10	1,709,684,983	1,113,371,751
Non-banking assets		-	-
TOTAL ASSETS		**70,661,308,266**	**58,940,783,878**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	801,154,383	398,414,216
Deposits and other accounts	12		
Current deposits and other accounts		4,747,675,498	3,436,316,085
Special notice deposits		2,140,632,984	1,487,081,252
Bills payable		1,651,823,035	1,378,779,929
Savings bank deposits		2,758,438,251	1,833,217,886
Fixed deposits		41,543,319,087	38,447,684,399
Other term deposits		6,462,443,267	3,538,410,916
		59,304,332,122	**50,121,490,467**
Subordianted bonds		-	-
Other liabilities	13	3,126,109,849	1,881,887,053
TOTAL LIABILITIES		**63,231,596,354**	**52,401,791,736**
Shareholders' equity			
Paid up capital	14	5,658,227,420	4,985,222,400
Statutory reserve	15	1,126,907,844	798,663,282
General reserve		-	-
Other reserves (revaluation reserve on Govt. Securities)	16	61,948,106	50,815,472
Retained earnings	17	582,628,542	704,290,988
TOTAL SHAREHOLDERS' EQUITY		**7,429,711,912**	**6,538,992,141**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**70,661,308,266**	**58,940,783,878**

Accompanying notes form an integral part of these financial statements.

Chairman	Director	Director	Managing Director & CEO

Signed in terms of our report of even date.

Place: Dhaka
Date: April 30, 2019

Khan Wahab Shafique Rahman & Co
Chartered Accountants

	Notes	2018 Taka	2017 Taka
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	18		
Acceptance and endorsements		3,321,578,348	3,043,413,391
Letters of guarantee		4,195,413,693	2,810,536,030
Irrevocable letters of credit		3,565,011,412	4,126,404,481
Bills for collection		922,763,554	967,377,539
Other contingent liabilities		-	816,100,000
Total contingent liabilities		**12,004,767,007**	**11,763,831,442**
Other commitments			
Lease rental commitments		-	-
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Spot and forward foreign exchange rate contracts		-	-
other exchange contracts		-	-
		-	-
Claims against the Bank not acknowledged as debt		-	-
Total other commitments		-	-
Total off balance sheet items (including contingent liabilities)		**12,004,767,007**	**11,763,831,442**
Net asset value per share (NAV)	39	**13.13**	**13.12**

Accompanying notes form an integral part of these financial statements.

Chairman	Director	Director	Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co

Khan Wahab Shafique Rahman & Co
Chartered Accountants

Place: Dhaka
Date: April 30, 2019

South Bangla Agriculture and Commerce Bank Limited

Profit and Loss Account

For the year ended 31 December 2018

	Notes	2018 Taka	2017 Taka
Interest income	21	6,420,411,360	4,764,888,426
Less: Interest paid on deposits and borrowings	22	3,869,220,483	2,802,476,484
Net interest income		**2,551,190,877**	**1,962,411,942**
Investment income	23	917,544,683	1,006,844,262
Commission, exchange and brokerage	24	443,208,538	418,979,605
Other operating income	25	91,985,576	75,930,089
		1,452,738,796	**1,501,753,956**
Total operating income		**4,003,929,673**	**3,464,165,898**
Salary and allowances	26	947,587,803	829,275,668
Rent, taxes, insurance, electricity etc.	27	373,375,007	320,350,708
Legal & professional expenses	28	3,484,322	1,862,941
Postage, stamp, telecommunication etc.	29	13,337,981	15,534,710
Stationery, printing, advertisement etc.	30	30,853,253	24,039,889
Managing director's salary and allowances	31	11,480,000	12,233,548
Directors' fees and other benefits	32	2,432,000	2,968,000
Audit fees	33	442,750	402,500
Repairs, maintenance and depreciation	34	146,099,719	156,223,616
Other expenses	35	440,997,994	281,975,849
Total operating expenses		**1,970,090,830**	**1,644,867,430**
Profit before provision		**2,033,838,843**	**1,819,298,469**
Provision for loans and advances			
Specific provision	13.3	433,663,322	82,921,644
General provision (including off balance sheet items)	13.3 & 13.4	(46,047,287)	213,444,935
		387,616,035	296,366,579
Provision for rebate to good borrowers	13.5	5,000,000	5,000,000
Provision for diminution in value of investment		-	-
Total provision		**392,616,035**	**301,366,579**
Profit before taxes		**1,641,222,809**	**1,517,931,890**
Provision for taxation			
Current tax	13.2	766,698,818	569,142,096
Deferred tax	10.4	(5,063,146)	(33,246,066)
		761,635,672	**535,896,030**
Net profit after taxation		**879,587,136**	**982,035,860**
Appropriations			
Statutory reserve	15	328,244,562	303,586,378
Transferred to retained earnings	17	551,342,574	678,449,482
		879,587,136	**982,035,860**
Earnings per share (EPS)	36	**1.55**	**1.74**

Accompanying notes form an integral part of these financial statements.

Chairman | **Director** | **Director** | **Managing Director & CEO**

Signed in terms of our report of even date.

Place: Dhaka
Date: April 30, 2019

Khan Wahab Shafique Rahman & Co
Chartered Accountants

South Bangla Agriculture and Commerce Bank Limited

Cash Flow Statement

For the year ended 31 December 2018

	Notes	2018 Taka	2017 Taka
A) Cash flows from operating activities			
Interest received		6,311,735,848	4,746,691,547
Interest paid		(3,453,114,556)	(2,715,061,167)
Dividend received		-	-
Income from Government securities		900,501,299	1,027,292,553
Fees, commission, exchange & brokerage received		443,208,538	418,979,605
Cash paid to employees		(960,567,803)	(840,009,217)
Cash paid to suppliers		(417,369,668)	(364,325,026)
Income taxes paid		(653,152,354)	(518,365,765)
Received from other operating activities		91,985,576	75,930,089
Paid for other operating activities		(455,238,512)	(293,646,539)
Operating cash flow before changes in operating assets and liabilities		**1,807,988,367**	**1,537,486,080**
Increase / decrease in operating assets & liabilities			
Changes in trading securities		-	-
Loans and advances to other banks		-	-
Loans and advances to customers		(6,861,299,707)	(13,092,675,530)
Other assets	37	78,945,652	63,628,157
Deposits from other banks		479,490,739	2,999,841,753
Deposits from customers		8,287,244,988	8,697,032,794
Other liabilities	38	86,211,370	37,926,604
		2,070,593,042	**(1,294,246,221)**
Net cash received from operating activities		**3,878,581,409**	**243,239,859**
B) Cash flows from investing activities			
Changes in non-trading securities		-	-
Changes in Government securities		11,132,634	(59,374,488)
Purchase of property, plant and equipment		(115,355,924)	(160,746,714)
Sale proceeds of fixed assets		-	-
Net cash used in investing activities		**(104,223,290)**	**(220,121,202)**
C) Cash flows from financing activities			
Borrowing from other banks, financial institutions and agents		402,740,167	116,347,959
Issue of share capital		-	-
Net cash received from financing activities		**402,740,167**	**116,347,959**
D) Net increase / (decrease) in cash and cash-equivalents (A + B + C)		**4,177,098,286**	**139,466,615**
E) Cash and cash-equivalents at beginning of the period		**14,062,690,793**	**13,923,224,178**
F) Cash and cash-equivalents at end of the period (D + E)		**18,239,789,079**	**14,062,690,793**
G) Cash and cash-equivalents at end of the period			
Cash in hand including foreign currencies	3	546,096,482	463,165,656
Balances with Bangladesh Bank and its agent bank(s) including foreign currencies	4	3,542,292,096	3,060,880,987
Balances with other Banks and Financial institutions	5	7,038,845,201	4,147,765,773
Money at call and short notice	6	80,000,000	-
Government securities	7	7,032,555,300	6,390,878,377
		18,239,789,079	**14,062,690,793**

Accompanying notes form an integral part of these financial statements.

Chairman	Director	Director	Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co

Khan Wahab Shafique Rahman & Co
Chartered Accountants

Place: Dhaka
Date: April 30, 2019

South Bangla Agriculture and Commerce Bank Limited

Statement of Changes in Equity

For the year ended 31 December 2018

Particulars	Paid Up Capital Taka	Statutory Reserve Taka	General Reserve Taka	Other Reserve Taka	Retained Earnings Taka	Total Taka
Balance as on 01 January 2018	4,985,222,400	798,663,282	-	50,815,472	704,290,988	6,538,992,141
Prior period adjustment	-	-	-	-	-	-
Net profit for the period	-	-	-	-	879,587,136	879,587,136
Transfer to statutory reserve	-	328,244,562	-	-	(328,244,562)	-
Revaluation of Govt. treasury bills, bonds and other investments	-	-	-	11,132,634	-	11,132,634
Stock dividend issued	673,005,020	-	-	-	(673,005,020)	-
Balance as on 31 December 2018	**5,658,227,420**	**1,126,907,844**	-	**61,948,106**	**582,628,542**	**7,429,711,912**
Balance as on 31 December 2017	**4,985,222,400**	**798,663,282**	-	**50,815,472**	**704,290,988**	**6,538,992,141**

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

Chairman | **Director** | **Director** | **Managing Director & CEO**

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co

Khan Wahab Shafique Rahman & Co
Chartered Accountants

Place: Dhaka
Date: April 30, 2019

South Bangla Agriculture and Commerce Bank Limited

Liquidity Statement (asset and liabilities maturity analysis)

As at 31 December 2018

Particulars	Within one month Taka	Within one to three months Taka	Within three to twelve months Taka	Within one to five years Taka	More than five years Taka	Total Taka
Assets:						
Cash in hand including balance with Bangladesh Bank and its agent Banks	1,167,091,807	-	-	-	2,921,296,771	**4,088,388,578**
Balance with other banks & financial institutions	5,198,845,202	1,280,000,000	560,000,000	-	-	**7,038,845,202**
Money at call and short notice	80,000,000	-	-	-	-	**80,000,000**
Investments	201,913,990	-	296,618,052	317,400,436	6,216,622,821	**7,032,555,300**
Loans and advances	8,795,628,538	10,450,565,294	17,815,754,624	10,729,320,870	2,463,671,119	**50,254,940,444**
Fixed assets including premises, furniture and fixtures	8,474,975	16,949,951	76,274,779	355,194,054	-	**456,893,760**
Other assets	256,452,747	427,421,246	598,389,744	427,421,246	-	**1,709,684,983**
Non-Banking assets						-
Total Assets	**15,708,407,259**	**12,174,936,491**	**19,347,037,199**	**11,829,336,605**	**11,601,590,711**	**70,661,308,266**
Liabilities:						
Borrowing from other banks, financial institutions and agents	107,743,463	85,661,535	575,954,973	31,794,412	-	**801,154,384**
Deposits and other accounts	11,377,145,422	10,819,177,104	17,768,461,191	10,662,231,119	8,677,317,285	**59,304,332,122**
Provisions and other liabilities	37,266,587	594,673,129	725,921,135	842,167,853	926,081,144	**3,126,109,849**
Total Liabilities	**11,522,155,473**	**11,499,511,768**	**19,070,337,299**	**11,536,193,384**	**9,603,398,430**	**63,231,596,354**
Liquidity surplus	**4,186,251,786**	**675,424,723**	**276,699,900**	**293,143,221**	**1,998,192,281**	**7,429,711,912**
Cumulative liquidity surplus	**4,186,251,786**	**4,861,676,509**	**5,138,376,409**	**5,431,519,631**	**7,429,711,912**	

Net result of liquidity statement represents the shareholders' equity.

Chairman | **Director** | **Director** | **Managing Director & CEO**

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co

Khan Wahab Shafique Rahman & Co
Chartered Accountants

Place: Dhaka
Date: April 30, 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 Companies Act 1991. The Bank has been carrying out its business through its seventy four (74) branches all over Bangladesh.

1.2 Principal activities

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

2 Basis of preparation of financial statements and significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the bank as at 31st December, 2018 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), International Accounting Standards (IASs), 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 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 requirement of IAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with IFRS 13) at the year end is taken to profit and loss account or revaluation reserve respectively.

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

ii) Revaluation gains/losses on Government securities

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

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

iii) Provision on loans and advances/investments

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

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

iv) Recognition of interest in suspense

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

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

v) Other comprehensive income

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

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

vi) Financial instruments – presentation and disclosure

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

vii) Financial guarantees

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

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

viii) Cash and cash equivalents

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 and on short notice', treasury bills, Bangladesh Bank bills and prize bonds are not shown as cash and cash equivalents. Money at call and on short notice is presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

ix) Non-banking asset

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

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

x) Cash flow statement

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.

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

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

xii) Presentation of intangible assets

BFRS: An intangible asset must be identified and recognized, and the disclosure must be given as per IAS 38.
Bangladesh Bank: There is no regulation for intangible assets in BRPD Circular No. 14 dated 25th June 2003.

Management:

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

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

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

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

xiii) Off-balance sheet items

IFRS: There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD Circular No. 14 dated 25th June 2003, off balance sheet items (e.g. Letters of credit, Letters of guarantee etc.) must be disclosed separately on the face of the balance sheet.

xiv) Loans and advances net of provision

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.

2.2 Use of estimates and judgment

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

Estimates and underlying assumptions are reviewed on an ongoing basis which will be disclosed in the financial statements as and when required. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

2.3 Consistency

In accordance with BFRS framework for the presentation of financial statements together with 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

Cash flow statement has been prepared in accordance with IAS 7 – "Statement of Cash Flows" under direct method for the period classified by operating activities, investing and financing activities as recommended in the Bangladesh Bank BRPD Circular no. 14 dated 25th June 2003. The Statement shows the structure of changes in cash and cash equivalents during the financial year.

2.6 Statement of changes in equity

Statement of changes in equity has been prepared in accordance with BAS 1 – "Presentation of Financial Statements" and as per the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25th June, 2003. The statement reflects information about the increase or decrease in net assets or wealth. The statement also shows item-wise movement along with the description of changes from the end of last year to the end of current year.

2.7 Statement of liquidity

The liquidity statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as at the close of the year as per following basis:

Particulars	Basis of Use
Cash, Balance with Bangladesh Bank and its agent banks, Balance with other banks and financial institutions, money at call and short notice etc.	Maturity/behavioral trend.
Investments	Residual maturity term.
Loans and advances	Repayment/maturity schedule and behavioral trend (non-maturity products).
Fixed assets	Useful life.
Other assets	Realization/amortization basis.
Borrowings from other banks and financial institutions	Maturity/repayment term.
Deposits and other accounts	Maturity and behavioral trend (non-maturity products).
Other long term liabilities	Maturity term.
Provision and other liabilities	Settlement/adjustment schedule basis.

2.8 Reporting period

These financial statements of the Bank cover one calendar year from 1 January to 31 December 2018.

Significant Accounting Policies

2.9 Assets and basis of their valuation

2.9.1 Investment in Govt. Securities

All investment securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accredited, using the effective yield method and are taken to discount income.

The valuation method of investments used are:

Held to Maturity (HTM): Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortized cost-others' are classified as held to maturity.

Held for Trading (HFT): Investments classified in this category are acquired principally for the purpose of selling or repurchasing -- in short -- trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognized in other reserve as a part of equity.

Items	Applicable accounting value
Government Securities - Treasury Bills-HTM	Amortized value
Government Securities - Treasury Bills-HFT	Market value
Government Securities - Treasury Bonds-HTM	Amortized value
Government Securities - Treasury Bonds-HFT	Market value
Prize Bond	At cost

2.9.2 Investment in listed / quoted securities

These securities are bought and held primarily for the purpose of selling them in future or hold for dividend income. These are reported at cost. Unrealized gains are not recognized in the profit and loss account. But provision for diminution in value of investment is recognized in the profit and loss account.

2.9.3 Loans and advances

a) Loans and advances are stated in the balance sheet on gross basis.

b) Commission and discounts on bills purchased and discounted are recognized at the time of realization.

c) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. These written off accounts however will not undermine / affect the claimed amount against the borrower. Detailed memorandum records for all such written off accounts are meticulously maintained and followed up. Before being written off 100% provision is made against loans and advances.

2.9.4 Lease finance

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee as per IAS 17 - "Leases". All other leases are classified as operating leases as per BAS 17 - "Leases".

Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the bank's net investment outstanding in respect of the leases.

2.9.5 Property, plant and equipment

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the assets can be reliably measured.

a) All fixed assets are stated at cost less accumulated depreciation as per 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.

2.9.6 Intangible asset

An intangible asset is to be recognized only if it is probable the future economic benefits attributable to the asset will flow to the bank and the cost of the asset can be measured reliably. Recognition & measurement of intangible asset are guided by 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.

2.9.7 Other assets

Other assets include all balance sheet accounts not

covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant considering the overall financial condition of the Bank.

2.9.8 Non banking assets

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

2.9.9 Securities purchased under re-sale agreement

Securities purchased under re-sale agreements are treated as collateralized lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as loans and advances to customers or loans to other banks.
The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

2.9.10 Receivables

Receivables are recognized when there is a contractual right to receive cash or another financial asset from another entity.

2.9.11 Reconciliation of inter-bank and inter-branch account

Accounts with regard to inter-bank are reconciled regularly and there are no material differences which may affect the financial statements significantly. Un-reconciled entries / balances in the case of inter-branch transactions as on the reporting date are Nil.

2.10 Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

2.11 Statutory reserve

Bank Companies Act, 1991 requires the Bank to transfer 20% of its current year's profit before tax to reserve until such reserve equals to its paid up capital.

2.12 Other reserve

Other reserve comprises investment revaluation reserve and fixed assets revaluation reserve. When carrying amount of an item of property, plant and equipment is increased as a result of revaluation, the increased amount is classified directly to equity under heading of assets revaluation reserve as per 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.

2.13 Deposits and other accounts

Deposits by customers and banks are recognized when the Bank enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

2.14 Borrowings from other banks, financial institutions and agents

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from banks. These are stated in the balance sheet at amounts payable. Interest paid / payable on these borrowings is charged to the profit & loss account.

2.15 Basis for valuation of liabilities and provisions

2.15.1 Employees benefits

a. Short term benefits

Short-term benefits are employee benefits which fall due wholly within twelve month after the end of the period in which the employees render the related service. The Bank provides various short term benefits to its employees like incentive bonus, leave fare assistance etc.

b. Provident fund

The benefits of provident fund are given to the employees of the Bank in accordance with the Provident Fund Rules as per section 2(52) of Income Tax Ordinance, 1984. The Provident Fund was recognized by National Board of Revenue on 12th May 2015. Separate bank account is maintained to manage the fund. All confirmed employees of the Bank contribute 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount to the Fund. Interest earned from the investments of fund is credited to the members' accounts on yearly basis.

c. Gratuity

As per the Employees Service Rules of the Bank, gratuity shall be admissible to all regular employees who have completed continuous service for a period of 7 (seven) years in the Bank
but in case of experienced banker recruited through head hunting the admissible period is 5 (five) years. The amount of gratuity shall be calculated at the rate of 2 (two) months' last drawn basic pay for each completed years of service. The 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.

2.15.2 Provision for liabilities

Provision are recognized in the Balance Sheet when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets".

2.15.3 Provision for Off-balance sheet items:

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. Provision @1% against off-balance sheet exposures (L/Cs and Guarantees etc) in addition to the existing provisioning arrangement is made as per BRPD Circular No. 14 dated 23rd September, 2012 and BRPD circular No. 07 dated 21 june 2018.

2.15.4 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act, 2017 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".

2.15.5 Provision for deferred tax

Deferred tax is accounted for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purpose. Tax rate prevailing at the balance sheet date is used to determine deferred tax.

2.16 Revenue recognition

The revenues during the period are recognized complying with all conditions of revenue recognition as prescribed in IAS 18 – "Revenue Recognition".

2.16.1 Interest income

In terms of the provision of the IAS 18 – "Revenue", the interest income is recognized on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified. It is then kept in interest suspense account. After the loan is classified as bad, interest ceases to be applied and recorded in the memorandum account. cash receipt basis.

2.16.2 Investment income

Interest income on investments is recognized on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognized when it is realized.

2.16.3 Fees and commission income

Fees and commission income arising on services provided by the Bank are recognized on a cash receipt basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of affecting the transactions.

2.16.4 Dividend income on shares

Dividend income on shares is recognized during the period in which it is declared and ascertained.

2.16.5 Interest paid on borrowings and deposits

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

2.16.6 Management and other expenses

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

2.17 Risk management

2.17.1 Internal Control and Compliance Management

Operational loss may arise from error and fraud due to weakness of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and Compliance Division undertakes periodic and special audit of the branches and departments at Head Office for review of the operation and compliance with statutory requirements. The Audit Committee of the Board reviews the reports of the Internal Control and Compliance Division.

2.17.2 Foreign Exchange Risk Management

Foreign exchange risk is defined as the potential change in earnings arising due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements.
Treasury Department independently conducts the transactions and the Back Office of treasury is responsible for verification of the deals and recording of their entries in the books of account. All foreign exchange transactions are revalued at Mark to

Market rate at the month end. All Nostro accounts are reconciled on monthly basis and outstanding entries are reviewed on regular basis.

2.17.3 Credit Risk Management

Credit Risk is defined as potential loss arising from the failure of a counter-party to meet financial obligations as per contractual agreement with the Bank. Bank manages credit risk meticulously. The Bank extends credit facilities to different clients in different sectors after ensuring due diligence and mitigating risk factors as per guidelines set by Bangladesh Bank, the Board of Directors and Management Credit Committee of the Bank.

The Bank has segregated duties of the executives/officers involved in credit related activities. A separate marketing division is there at Head Office entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, two separate units have been formed namely Credit Risk Management Division, Credit Administration Division. Credit Risk Management Division is entrusted with the duties of maintaining asset quality, assessing risks involved in lending, sanctioning credit and formulating policies/strategies for lending operation. Credit Risk Grading (CRG) is also made for individual borrowers.

2.17.4 Asset Liability Management

The Asset Liability Committee (ALCO) of the Bank monitors market risks and liquidity risks of the Bank. The market risks emanate from potential change in earnings due to change in rate of interest, foreign exchange rates which are not of trading nature. ALCO reviews liquidity requirements of the Bank, the maturity of assets and liabilities, deposit and lending, pricing strategies and the liquidity contingency plan. The primary objective of the ALCO is to monitor and avert significant volatility in Net Interest Income (NII), return on assets, investment value and exchange earnings. The ALCO also monitors the Capital Adequacy Ratio on monthly/quarterly basis.

2.17.5 Money Laundering Risk Management

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has a designated Chief Anti Money Laundering Compliance Officer at Head Office and Branch Anti Money Laundering Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been compiled and transaction profile has been introduced. Training has been continuously imparted to all categories of officers and executives for developing awareness and skills for identifying suspicious activities.

2.17.6 Information and Communication Technology Security Risk Management

Transformation of business processes in response to technology-driven customers' needs and services has brought in tremendous change in information technology platform in the bank. The bank has adopted measures to protect the information and communication platform from unauthorized access, modification, virus, disclosure and destruction in order to ensure business continuity, data safety and security thereby protecting customers' interest at large.

2.17.7 Internal Audit Management

Internal audit is an independent, objective assurance and consulting activity designed to add value and to detect human errors and non-compliance with Internal Control Procedures. The bank has formed an Internal Audit Department under Internal Control & Compliance Division which are conducting internal audit on a regular basis of every branch and division at Head Office and report the findings to the Audit Committee of the Board of Directors. The Audit Department takes necessary steps to regularize the irregularities detected at the time of audit.

2.17.8 Fraud and Forgeries Management

The Internal Control and Compliance Division takes initiatives for preparing guidelines / instructions on a regular basis to prevent and detect frauds & forgeries. The ICCD communicate the guidelines / instructions to the branches and divisions at Head Office on a regular basis. The division is constantly monitoring and supervising for compliance with the guidelines / instructions so that the occurrence of fraud & forgeries comes to nil.

2.18 Earnings per share (EPS)

Earnings per share (EPS) have been calculated in accordance with 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 weighted average number of ordinary shares outstanding as on December 31st 2018.

No diluted earnings per share are required to be calculated for the period, as there was no element or scope for dilution during the period under review.

2.19 Off-setting financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount reported in the Balance Sheet when and only when the Bank has a legal right to offset the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains or losses arising from a group of similar transactions.

		2018 Taka	2017 Taka
3.	**Cash in hand (including foreign currencies)**		
	Local currency	541,933,632	460,955,032
	Foreign currencies	4,162,850	2,210,624
		546,096,482	**463,165,656**
4.	**Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)**		
	Bangladesh Bank		
	In local currency	3,185,886,418	3,010,861,867
	In foreign currencies	356,405,678	50,019,120
		3,542,292,096	3,060,880,987
	Sonali Bank Limited (as Agent of Bangladesh Bank) - local currency	-	-
		3,542,292,096	**3,060,880,987**

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 Companies Act, 1991 (revised 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		
Required reserve	2,921,296,771	2,818,909,373
Actual reserve maintained		
Balance with Bangladesh Bank - local currency	3,186,382,470	2,998,567,320
Surplus / (deficit)	265,085,699	179,657,948
Maintained ratio	6.00%	6.91%

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 reconcilling 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		
Required reserve	6,904,883,278	5,637,818,745
Available for maintenance :		
Cash in hand (including foreign currencies)	546,096,482	463,165,656
Balance with Sonali Bank Limited (as an agent of Bangladesh Bank)		-
Excess of CRR requirement	265,085,699	179,657,948
Unencumbered approved securities (treasury bills and bonds, debentures etc.)	7,030,563,000	6,389,734,877
	7,841,745,180	7,032,558,480
Surplus / (deficit)	**936,861,902**	**1,394,739,735**
Maintained Ratio	**14.76%**	**16.22%**
Average time and demand liabilities	**53,114,486,750**	**43,367,836,500**

	2018 Taka	2017 Taka
5. Balance with other banks and financial institutions		
In Bangladesh (note 5.1)	6,693,349,087	4,001,749,184
Outside Bangladesh (note 5.2)	345,496,114	146,016,589
	7,038,845,201	**4,147,765,773**
5.1 In Bangladesh		
Balance with other banks :		
In current deposit accounts with		
Sonali Bank Limited	95,551,906	57,352,293
Dutch Bangla Bank Limited	4,506,185	3,011,265
Eastern Bank Limited	5,568,524	3,256,394
	105,626,615	**63,619,951**
In special notice deposit accounts with		
Janata Bank Limited	136,738,635	73,846,188
Eastern Bank Limited	2,923,087	367,640
Sonali Bank Limited	55,452,112	17,169,950
Mercantile Bank Limited	126,370	49,868
Bank Asia Limited	25	26
Standard Bank Limited	1,375,515	563,227
Jamuna Bank Limited	19,302	19,519
Al-Arafa Islami Bank Limited	11,221	5,996
Trust Bank Limited	3,160,022	3,933,898
Union Bank Limited	86,640	68,443
IFIC Bank Limited	750	83
Rupali Bank Limited	2,978,793	2,104,395
	202,872,472	**98,129,233**
In fixed deposit accounts with		
Mutual Trust Bank Limited	500,000,000	-
Midland Bank Limited	200,000,000	-
Modhumoti Bank Limited	83,950,000	-
	783,950,000	-
Balance with financial institutions :		
Lanka Bangla Finance Limited	500,000,000	500,000,000
Phoenix Finance Limited	500,000,000	600,000,000
International Leasing & Financial Services Limited	576,000,000	600,000,000
Uttara Finance Limited	100,000,000	-
Prime Finance & Investment Limited	41,500,000	200,000,000
IDLC Finance Limited	550,000,000	-
Industrial & Insfructure Development Finance Company Ltd.	950,000,000	400,000,000
Fareast Finance and Investment Limited	310,000,000	400,000,000
First Finance Limited	-	100,000,000
FAS Finance Limited	273,000,000	180,000,000
Premier Leasing and Finance Limited	138,400,000	260,000,000
Union Capital Limited	260,000,000	200,000,000
MIDAS Financing Limited	-	100,000,000
IPDC Finance Limited	400,000,000	200,000,000
Bangladesh Finance and Investment Company Ltd.	262,000,000	100,000,000
Bay Leasing & Investment Limited	140,000,000	-
National Finance Limited	100,000,000	-
Hajj Finance Company Limited	100,000,000	-
National Housing Finance and Investment Limited	400,000,000	-
	5,600,900,000	**3,840,000,000**
	6,693,349,087	**4,001,749,184**

5.2 Outside Bangladesh

In demand deposit accounts (non-interest bearing) with

Particulars	Currency	2018			2017		
		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	2,479,905.71	83.9000	208,064,089	913,391.02	82.7000	75,537,437
AB Bank, Mumbai	ACU	71,573.80	83.9000	6,005,042	130,280.51	82.7000	10,774,198
United Bank of India, Kolkata	ACU USD	70,429.40	83.9000	5,909,027	24,757.26	82.7000	2,047,425
National Bank of Pakistan, Tokyo	JPY	2,263.00	0.7563	1,712	438,063.00	0.7311	320,268
Mashreq Bank PSC, London	GBP	3,573.47	106.1838	379,445	13,374.64	110.9917	1,484,474
Mashreq Bank PSC, London	EURO	15,171.28	95.4866	1,448,654	14,920.85	98.5205	1,470,010
Sonali Bank Ltd. Kolkata	ACU	49,888.25	83.9000	4,185,624	234,486.66	82.7000	19,392,047
Habib American Bank, NY	USD	1,182,405.56	83.9000	99,203,826	252,069.02	82.7000	20,846,108
Habib Metropolitan Bank Ltd., Karachi	ACU	83,837.42	83.9000	7,033,960	94,031.84	82.7000	7,776,433
AXIS Bank Ltd., Mumbai	ACU	158,101.75	83.9000	13,264,737	57,536.98	82.7000	4,758,308
State Bank of India, Sydney	AUD	-	-	-	24,995.00	64.4081	1,609,880
				345,496,114			**146,016,589**
In demand deposit accounts (interest bearing)				-			-
Total Outside Bangladesh				**345,496,114**			**146,016,589**

	2018	2017
	Taka	Taka

5.3 Maturity grouping of balance with other banks and financial institutions

On demand	105,626,615	209,636,540
Within one month	5,093,218,587	1,838,129,233
Within one to three months	1,280,000,000	1,400,000,000
Within three to twelve months	560,000,000	700,000,000
Within one to five years	-	-
More than five years	-	-
	7,038,845,202	**4,147,765,773**

6. Money at call and short notice

With banks		
Modhumoti Bank Limited	80,000,000	-
With non bank financial institutions	-	-
	80,000,000	-

	2018 Taka	2017 Taka
7. Investments		
Government securities		
Treasury bills		
91-day treasury bills	199,921,690	-
182-day treasury bills	198,737,274	-
364-day treasury bills	97,880,778	-
30-day Bangladesh Bank bills	-	-
	496,539,742	-
Treasury bonds		
2-Year treasury bonds	-	224,980,876
5-Year treasury bonds	59,906,222	39,993,201
10-Year treasury bonds	1,450,631,544	1,039,297,505
15-Year treasury bonds	1,559,358,858	1,847,843,293
20-Year treasury bonds	3,464,126,633	3,237,620,003
	6,534,023,258	**6,389,734,877**
Total treasury bills and bonds	**7,030,563,000**	**6,389,734,877**
Prize bonds	1,992,300	1,143,500
Total Government securities	**7,032,555,300**	**6,390,878,377**
Other investments	-	-
	7,032,555,300	**6,390,878,377**
7.1 Classification of investments		
Government treasury bills and bonds		
Held for Trading (HFT)	1,491,728,788	2,469,135,821
Held to Maturity (HTM)	5,538,834,212	3,920,599,056
Total investments in government securities	**7,030,563,000**	**6,389,734,877**
Prize bonds	1,992,300	1,143,500
Reverse-REPO with Bangladesh Bank	-	-
Other investments	-	-
	7,032,555,300	**6,390,878,377**
7.2 Maturity grouping of investments		
On demand	1,992,300	1,143,500
Within one month	199,921,690	-
Within one to three months	-	-
Within three to twelve months	296,618,052	224,980,876
Within one to five years	317,400,436	39,993,201
More than five years	6,216,622,821	6,124,760,800
	7,032,555,300	**6,390,878,377**

7.3 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 :

7.3.1 Disclosure regarding outstanding REPO as on 31 December 2018

Sl. No.	Name of the counterparty	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
-	-	-	-	-

7.3.2 Disclosure regarding outstanding Reverse REPO as on 31 December 2018

Sl. No.	Name of the counterparty	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
-	-	-	-	-

7.3.3 Disclosure regarding overall transactions of REPO and Reverse REPO for the year ended 31 December 2018

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
	Taka	Taka	Taka
Securities sold under repo :			
i) with Bangladesh Bank		-	-
ii) with other banks & FIs	120,030,720	693,464,198	354,977,504
Securities purchased under reverse repo			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	196,588,800	196,588,800	196,588,800

	2018 Taka	2017 Taka
8. Loans and advances		
Loans , cash credit, overdrafts etc. (note 8.1)	49,072,696,441	41,353,266,835
Bills purchased and discounted (note 8.2)	1,182,244,003	1,931,698,390
	50,254,940,444	**43,284,965,225**
8.1 Loans , cash credit, overdrafts etc.		
In Bangladesh:		
Overdrafts	16,835,400,789	**12,890,494,053**
Cash credit :		
General cash credit	6,416,427,454	5,912,911,035
Agriculture cash credit	182,838,736	170,204,234
SME cash credit	10,454,314,196	9,314,728,590
	17,053,580,387	**15,397,843,858**
Loans :		
Loans against trust receipt	3,716,560,633	4,229,826,899
Export packing credit	92,983,851	8,142,992
Payment against document	560,918,904	602,780,642
Payment against document - (EDF)	1,651,926	3,710,557
Time loans	1,898,287,214	1,138,403,824
EDF loans	784,723,917	290,641,766
Demand loans	159,995,151	2,676,902
Lease finance	391,045,472	476,626,801
House building finance	616,671,248	544,808,966
General term loans	5,138,295,869	4,253,377,408
SME term loans	1,220,128,652	1,025,143,510
Agriculture term loans	118,010,161	138,285,403
Short term micro credit	1,240,905	267,365
Personal loans	66,347,401	58,022,245
Auto loans	6,996,990	9,579,429
Credit Card	133,857,145	59,493,096
Staff loans	275,999,827	223,141,120
	15,183,715,265	**13,064,928,923**
	49,072,696,441	**41,353,266,835**
Outside Bangladesh	-	-
	49,072,696,441	**41,353,266,835**
8.2 Bills purchased and discounted		
Payable in Bangladesh		
Inland bills purchased and discounted	1,022,816,663	1,881,059,431
Payable outside Bangladesh		
Foreign bills purchased and discounted	159,427,340	50,638,959
	1,182,244,003	**1,931,698,390**
8.3 Maturity grouping of loans and advances including bills purchased and discounted		
On demand	5,159,481,662	4,443,997,986
Within one month	3,636,146,876	3,131,909,454
Within one to three months	10,450,565,294	9,001,348,229
Within three to twelve months	17,815,754,624	15,345,180,555
Within one to five years	10,729,320,870	9,241,447,778
More than five years	2,463,671,119	2,121,081,224
	50,254,940,444	**43,284,965,225**
8.4 Loans and advances including bills purchased and discounted are classified into following broad categories		
(a) Loans and advances (note 8.1)		
In Bangladesh		
Loans	15,183,715,265	13,064,928,923
Cash credit	17,053,580,387	15,397,843,858
Overdraft	16,835,400,789	12,890,494,053
	49,072,696,441	**41,353,266,835**
Outside Bangladesh	-	-
	49,072,696,441	**41,353,266,835**
(b) Bills purchased and discounted (note 8.2)		
In Bangladesh	1,022,816,663	1,881,059,431
Outside Bangladesh	159,427,340	50,638,959
	1,182,244,003	**1,931,698,390**
	50,254,940,444	**43,284,965,225**

	2018 Taka	2017 Taka

8.5 Loans and advances including bills purchased and discounted on the basis of significant concentration

i.	Loans and advances to Directors of the bank	483,240,035	609,080,810
ii.	Loans and advances to CEO and other senior executives	221,048,556	201,323,845
iii.	Staff loans other than in sl. no. ii	54,951,271	20,858,772
iv.	Loans and advances to customers' group	49,495,700,582	42,453,701,797
		50,254,940,444	**43,284,965,225**

iv. Disclosure on large loans

Disclosure on large loans i.e. loan sanctioned to any individual or enterprise or any organization of a group amounting to 10% or more of the Bank's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Mentionable that, total capital (Tier I + Tier II) of the Bank was Taka 7,841,833,142 as at 31 December 2018 and Taka 7,012,696,176 as at 31 December 2017.

iv (a) Number of the clients to whom loans and advances sanctioned more than 10% of the Bank's total capital	22	24
iv (b) Amount of outstanding loans and advances to the clients mentioned in iv (a) above	15,833,605,283	14,162,948,759
iv (c) Amount of classified loans and advances out of the amount mentioned in iv (b) above	-	-
iv (d) Measures taken for recovery of the amount mentioned in iv (c) above	-	-

8.6 Geographical location-wise loans and advances including bills purchased and discounted

Urban		
Dhaka Division	27,554,285,798	24,273,539,220
Chattogram Division	6,199,997,143	5,360,150,652
Khulna Division	4,430,343,981	3,533,267,289
Rajshahi Division	1,699,825,205	1,521,664,896
Barishal Division	1,211,199,623	827,144,920
Sylhet Division	202,644,482	181,721,801
Rangpur Division	1,291,594,709	1,018,193,063
	42,589,890,942	**36,715,681,841**
Rural		
Dhaka Division	3,725,692,232	3,275,980,336
Chattogram Division	1,350,687,468	1,363,208,282
Khulna Division	2,272,366,590	1,746,015,451
Rajshahi Division	3,109,676	-
Barishal Division	95,345,576	-
Sylhet Division	217,847,960	184,079,314
Rangpur Division	-	-
	7,665,049,502	**6,569,283,384**
	50,254,940,444	**43,284,965,225**

8.7 Industry-wise loans and advances including bills purchased and discounted

Agriculture, fisheries and forestry	793,392,935	784,068,772
Agro base processing industries	2,245,474,706	1,702,194,218
Small & medium enterprise financing (SMEF)	20,410,789,804	16,097,642,914
RMG & textile industries	4,374,643,992	4,171,594,144
Hospitals, clinics & medical colleges	540,812,307	713,191,375
Trade & commerce	5,659,233,113	5,046,712,415
Transport and communications	426,368,822	307,352,032
Rubber & plastic industries	1,134,967,472	912,961,987
Iron, steel & aluminium industries	1,759,922,926	1,576,157,445
Printing &Packaging industries	351,440,310	302,704,832
Other manufacturing industries	8,975,932,048	8,178,930,399
Housing & construction industries	636,430,772	680,293,560
Consumer credit	188,500,611	155,241,298
Others	2,757,030,625	2,655,919,836
	50,254,940,444	**43,284,965,225**

	2018 Taka	2017 Taka

8.8 Broad economic sector-wise segregation of loans and advances including bills purchased and discounted

Government and autonomous bodies	-	-
Other public sector	-	-
Private sector	50,254,940,444	43,284,965,225
	50,254,940,444	**43,284,965,225**

8.9 Required provision for loans and advances including bills purchased and discounted

Particulars	Amount of outstanding loans and advances as at 31 December 2018	Base for Provision	Rate	Amount of required provision as at 31 December 2018	Amount of required provision as at 31 December 2017
I) Unclassified loans and advances :					
a) Consumer finance	188,500,611	188,500,611	5.00%	9,425,031	6,182,335
b) Staff loans	275,999,827	-	0.00%	-	-
c) Housing finance	349,319,924	349,319,924	1.00%	3,493,199	6,036,818
d) Loans to professional		-	2.00%	-	-
e) Small & medium enterprise finance	19,371,114,272	19,371,114,272	0.25%	48,427,786	42,383,583
f) Loans to BH, MB, SD, etc.	1,088,302,318	1,088,302,318	2.00%	21,766,046	21,184,108
g) Agricultural and micro credit	784,092,935	784,092,935	1.00%	7,840,929	7,960,984
h) Others	25,388,926,382	25,388,926,382	1.00%	253,889,264	314,327,598
i) Others	883,542,461	402,987,855	20.00%	80,597,571	-
j) Others	168,885,004	167,478,443	50.00%	83,739,221	-
k) Others	510,401,729	173,064,654	100.00%	173,064,654	-
l) Others	254,192,999	168,915,109	100.00%	168,915,109	-
	49,263,278,461	**48,082,702,502**		**851,158,810**	**398,075,425**
(II) Sub-standard	201,240,983	69,280,485	20.00%	13,856,097	13,039,824
(III) Doubtful	219,989,673	116,860,616	50.00%	58,430,308	2,113,617
(IV) Bad / loss	570,431,326	176,820,660	100.00%	176,820,660	67,768,203
Total provision required	**50,254,940,444**	**48,445,664,263**		**1,100,265,874**	**480,997,069**
Total provision maintained				**875,431,385**	**480,997,069**
Provision to be maintained*				**224,834,490**	**-**
Surplus / (deficit)				**-**	**-**

* As per Bangladesh Bank letter (reference no. DBI-1/132/2019-910) dated 29 April 2019, the Bank has maintained required provision of Tk. 130,000,000 for the year 2018. The remaining balance of BDT 238,838,654 will be provided as Tk. 120,000,000 in 2019 and Tk. 118,838,654 in 2020. It is mentioned that the Bank maintained Tk. 14,004,164 additional provisition than required for un-classified loans and advances in the year, 2018.

8.10 Classification of loans and advances including bills purchased and discounted

Unclassified (including staff loans)		
I) Standard	47,013,875,006	42,004,666,963
ii) Special mention account (SMA)	2,249,403,456	905,049,467
	49,263,278,462	**42,909,716,429**
Sub-standard	201,240,983	126,773,947
Doubtful	219,989,673	13,307,935
Bad / loss	570,431,326	235,166,913
Total	**50,254,940,444**	**43,284,965,225**

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	43,661,831,533	37,606,270,008
ii)	Loans considered good for which the banking company holds no security other than the debtor's personal guarantee	5,785,418,262	4,983,025,073
iii)	Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	807,690,649	695,670,144
iv)	Loans adversely classified; provision not maintained there against	-	-
		50,254,940,444	**43,284,965,225**
v)	Loans due by directors or officers of the banking company or any of them either separately or jointly with any other person	759,239,862	831,263,428

	2018 Taka	2017 Taka
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	483,240,035	609,080,810
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	759,239,862	832,221,931
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	483,240,035	609,080,810
ix) Due from other banking companies	-	-
x) Classified loans and advances :		
(a) Amount of classified loan on which interest has not been charged	991,661,983	375,248,795
(b) (Decrease)/increase in specific provision	433,663,322	82,921,644
(c) Amount of loan written off during the year	-	-
(d) Amount realized against loan previously written off	-	-
(e) Amount of provision kept against loan classified as bad/loss as on the Balance Sheet date	176,820,660	67,768,203
(f) Interest creditable to the interest suspense accounts	126,872,392	18,196,879
xi) Cumulative amount of the written off loan	-	-
xii) Amount written off in the year	-	-
xiii) Amount of written off loan for which lawsuit has been filed for recovery	-	-

8.12 Bills purchased and discounted

Payable -		
In Bangladesh	1,022,816,663	1,881,059,431
Outside Bangladesh	159,427,340	50,638,959
	1,182,244,003	**1,931,698,390**

8.13 Bills purchased and discounted on the basis of the residual maturity grouping

Within one month	152,628,743	249,383,966
Within one to three months	700,154,635	1,144,000,373
Within three to six months	266,916,932	436,122,328
More than six months	62,543,693	102,191,723
	1,182,244,003	**1,931,698,390**

		2018 Taka	2017 Taka
9.	**Fixed Assets (Annexure - B)**		
	Motor vehicles	47,280,004	47,124,590
	Machinery and equipments	232,556,459	210,365,003
	Furniture and fixtures	70,408,484	65,554,973
	Interior decoration	232,216,051	220,673,496
	Computers and accessories	242,309,938	191,776,303
	Softwares	164,902,176	142,798,042
	Other tools	27,323,948	23,348,728
		1,016,997,060	**901,641,136**
	Less : Accumulated depreciation	560,103,300	421,885,027
		456,893,760	**479,756,109**
10.	**Other Assets**		
	Advance income tax (note 10.1)	1,326,695,685	673,543,331
	Stock of stationeries and stamps (note 10.2)	9,899,563	7,523,979
	Advance rent, advertisement, etc. (note 10.3)	124,826,720	221,559,369
	Accrued interest and commission receivable	152,972,784	135,929,400
	Advance and security deposits	3,888,372	511,149
	Deferred tax asset (note 10.4)	19,452,582	14,389,436
	Suspense accounts (note 10.5)	71,949,277	59,915,088
		1,709,684,983	**1,113,371,751**
10.1	**Advance income tax**		
	Opening balance	673,543,331	524,356,426
	Add : Paid during the year		
	Income tax deducted at source	29,353,419	36,924,109
	Income tax paid u/s 64 & 74 of Income Tax Ordinance 1984	623,798,935	470,048,000
		653,152,354	506,972,109
		1,326,695,685	1,031,328,535
	Less : Adjustment during the year	-	357,785,204
	Closing balance	**1,326,695,685**	**673,543,331**
10.1.1	**Assessment year wise break up of advance income tax**		
	2017 - 2018	470,184,936	456,911,656
	2018 - 2019	597,157,330	216,631,675
	2019 - 2020	259,353,419	-
		1,326,695,685	**673,543,331**
10.2	**Stock of stationeries and stamps**		
	Stock of printing stationeries	2,433,677	2,001,432
	Stock of security stationeries	5,439,287	3,780,507
	Stock of stamps	2,026,600	1,742,040
		9,899,563	**7,523,979**
10.3	**Advance rent, advertisement, etc.**		
	Advance rent	124,826,720	221,493,129
	Prepaid advertisement	-	66,240
		124,826,720	**221,559,369**
10.4	**Deferred tax asset / (liability)**		
	Opening balance	14,389,436	(18,856,630)
	Add : Deferred tax income / (expenses) for the year (note 10.4.1)	5,063,146	33,246,066
		19,452,582	**14,389,436**

	2018 Taka	2017 Taka
10.4.1 Detailed calculation of deferred tax liability / (asset)		
In terms of instructions contained in BRPD Circular No. 11 dated 12 December 2011 and provision of BAS 12 - Taxation, the detail calculation of deferred tax (assets) / liability of the Bank is furnished as under :		
i) Temporary timing difference in written down value (WDV) of fixed assets :		
Written down value of fixed assets as per Tax (Tax Base) as on the balance sheet date	508,767,309	517,229,697
Written down value (carrying amount) of fixed assets	456,893,760	479,756,109
	51,873,550	37,473,588
ii) Temporary timing difference in provision for gratuity and intangible assets	-	(1,500,000)
Total amount of temporary timing difference in asset /(liability)	**51,873,550**	**35,973,588**
Effective tax rate	37.50%	40.00%
Net Deferred tax assets /(liability) at year end	**19,452,582**	**14,389,436**
Net Deferred tax assets /(liability) at opening	14,389,436	(18,856,630)
Deferred tax income /(expenses) for the year	**5,063,146**	**33,246,066**
10.5 Suspense accounts		
Sundry debtors	4,401,502	11,713,374
Suspense for Sanchayapatra	19,630,613	23,863,060
Advance against expenses	3,247,402	1,347,225
Advance against fixed assets (note 10.5.1)	37,409,545	9,941,557
Other prepaid expenses	7,260,214	13,049,871
	71,949,277	**59,915,088**
10.5.1 Advance against fixed assets		
Advance against fixed assets has been made for which final bill has not being received :		
Furniture and fixtures	-	-
Interior Decoration	33,409,545	9,037,407
Machineries and eqiipments	4,000,000	904,151
Computers, accessories and software	-	-
	37,409,545	**9,941,557**
11. Borrowings from other banks, financial institutions and agents		
a) In Bangladesh		
Refinance from Bangladesh Bank		
Agro based industries	1,564,051	44,220,955
Green industries	35,833,324	46,827,828
Small enterprise enterpreneurs	6,786,970	27,223,557
Export Development Fund (EDF)	756,970,038	280,141,876
	801,154,383	398,414,216
b) Outside Bangladesh	-	-
	801,154,383	**398,414,216**
11.1 Residual maturity grouping of borrowings from other banks, financial institutions and agents		
On demand	-	-
Within one month	107,743,463	48,252,542
Within one to three months	85,661,535	49,538,863
Within three to twelve months	575,954,973	253,794,983
Within one to five years	31,794,412	46,827,828
More than five years	-	-
	801,154,384	**398,414,216**

	2018 Taka	2017 Taka
12. Deposits and other accounts		
Current deposits and other accounts [note : 12.1]	4,747,675,498	3,436,316,085
Special notice deposits	2,140,632,984	1,487,081,252
Bills payable	1,651,823,035	1,378,779,929
Savings bank deposits	2,758,438,251	1,833,217,886
Fixed deposits	41,543,319,087	38,447,684,399
Other term deposits [note : 12.2]	6,462,443,267	3,538,410,916
	59,304,332,122	**50,121,490,467**
12.1 Current Deposits and other accounts		
Current deposits	1,973,993,660	1,755,457,832
FGN currency deposits	12,044,076	11,291,806
ERQ accounts	2,614,443	628,773
FC held against BTB L/Cs	505,074,481	170,541,497
Non resident Taka account	36,225,053	9,004,329
Non resident foreign currency account	2,600,397	862,396
Resident foreign currency account	2,817,140	1,727,798
Margin against L/Cs	593,851,186	592,923,844
Margin against L/Gs	247,922,298	156,628,250
Margin on Loans	67,481,279	37,338,064
Margin on LDBP	123,119	188,400
Security Deposit	14,387,185	8,708,291
Sundry deposits - excise duty	64,624,100	55,342,500
Sundry deposits - local bills	109,543,335	11,041,318
Sundry deposits - Sanchayapatra	23,200,000	27,514,900
Sundry deposits - other	12,437,859	10,829,465
Sundry deposits - foreign correspondents charge	12,698,516	543,408
Sundry deposits - risk fund	515,230	485,080
Sundry deposits - advance installment on Lease	5,973,589	1,085,102
Sundry deposits - Tax Deducted at source	89,076,613	44,853,282
Sundry deposits - VAT collected at source	3,248,848	1,165,037
Sundry deposits - VAT deducted Service Bills	8,339,221	4,369,685
Sundry deposits - card settlement account	12,413,208	3,420,292
Interest payable on deposits	946,470,663	530,364,736
	4,747,675,498	**3,436,316,085**
12.2 Other term deposits		
Monthly Savings Scheme Deposits	1,923,566,783	1,173,596,785
Monthly Benefit Scheme Deposits	1,953,229,777	1,271,754,963
Lakhpoti Savings Scheme Deposits	64,371,377	31,857,304
Surokkha Millionaire Scheme Deposits	90,039,039	-
Double Benefit Scheme Deposits	2,067,094,057	994,384,595
Triple Benefit Scheme	364,142,233	66,817,269
	6,462,443,267	**3,538,410,916**
12.3 Segregation of deposits and other accounts		
Other than inter-bank deposits	55,122,786,495	46,419,435,580
Inter-bank deposits (Note 12.4)	4,181,545,627	3,702,054,887
	59,304,332,122	**50,121,490,467**
12.4 Details of inter-bank deposits		
Mercantile Bank Limited	1,569,421	1,574,892
Trust Bank Limited	176,389	484,389
Janata Bank Limited	500,124,317	500,120,606
Rupali Bank Limited	1,606,675,000	999,975,000
Agrani Bank Limited	1,503,087,500	399,975,000
Bangladesh Development Bank Limited	369,938,000	1,299,950,000
Sonali Bank Limited	-	499,975,000
Modhumoti Bank Limited	199,975,000	-
	4,181,545,627	**3,702,054,887**

		2018 Taka	2017 Taka
12.5	**Residual maturity grouping of deposits and other accounts**		
	On demand	494,519,028	417,943,976
	Within one month	10,882,626,394	9,197,766,420
	Within one to three months	10,819,177,104	9,989,006,686
	Within three to six months	8,417,802,615	7,114,326,646
	Within six to twelve months	9,350,658,576	8,325,308,396
	Within one to five years	10,662,231,119	7,954,770,349
	More than five years	8,677,317,285	7,122,367,993
		59,304,332,122	**50,121,490,467**
12.6	Unclaimed deposits for ten years and more held by the bank	-	-

12.7 As on the reporting date of these financial statements, there were no valuable items unclaimed for ten years or more held by the bank.

12.8	**Sector-wise break-up of deposits and other accounts**		
	Government	3,895,435,322	2,690,905,267
	Deposit money banks	4,181,545,627	3,702,054,887
	Other public	10,989,467,207	5,774,821,012
	Foreign currency	525,150,536	185,052,270
	Private	39,712,733,430	37,768,657,032
		59,304,332,122	**50,121,490,467**

12.9	**Payable on demand and time deposits**		
	a) Demand deposits		
	Current deposits	1,973,993,660	1,755,457,832
	Savings deposits (9%)	248,259,443	164,989,610
	Foreign currency deposits (non interest bearing)	525,150,536	185,052,270
	Security deposits	14,387,185	8,708,291
	Sundry deposits	2,197,919,064	1,478,093,364
	Bills Payable	1,651,823,035	1,378,779,929
		6,611,532,923	**4,971,081,295**
	b) Time deposits		
	Savings deposits (91%)	2,510,178,809	1,668,228,276
	Fixed deposits	41,543,319,087	38,447,684,399
	Special notice deposits	2,140,632,984	1,487,081,252
	Deposits under schemes	6,462,443,267	3,538,410,916
	Non resident Taka deposits	36,225,053	9,004,329
		52,692,799,199	**45,150,409,172**
		59,304,332,122	**50,121,490,467**

13.	**Other liabilities**		
	Sundry creditors	13,063,689	16,831,738
	Provision for expenses	29,433,854	29,237,281
	Central clearing, EFT, NPSB adjustment account	8,659,352	27,355,446
	Provision for gratuity (note 13.1)	-	1,500,000
	Provision for taxation (note 13.2)	1,946,829,143	1,180,130,325
	Provision on loans & advances (note 13.3)	875,431,385	480,997,069
	General provision on Off Balance Sheet exposures (note 13.4)	110,820,033	117,638,314
	Provision for rebate to good borrowers (note 13.5)	15,000,000	10,000,000
	Interest suspense account (note 13.6)	126,872,392	18,196,879
		3,126,109,849	**1,881,887,053**

	2018 Taka	2017 Taka
13.1 Provision for gratuity		
Opening balance	1,500,000	-
Add : Provision made for the year	18,000,000	17,500,000
	19,500,000	17,500,000
Less : transferred to gratuity fund during the year	19,500,000	16,000,000
Closing balance	-	**1,500,000**
13.2 Provision for taxation		
Opening balance	1,180,130,325	980,167,089
Add : Provision made for the year	766,698,818	569,142,096
	1,946,829,143	1,549,309,185
Less : Adjustment during the year	-	369,178,860
Closing balance	**1,946,829,143**	**1,180,130,325**

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 2015 i.e. assessment year 2016-17.

13.3 Provision for loans and advances (note 8.9)		
A. General provision on loans and advances		
Opening balance	**398,075,425**	209,815,114
General provision for the year	(39,229,006)	188,260,311
Provision held at the year end	**358,846,419**	**398,075,425**
B. Specific provision against classified loans and advances		
Opening balance	**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	434,455,049	82,921,644
Less : Provision no more required for loans realized	791,727	-
Add : Net charge to profit and loss account	-	-
Provision held at the end of the year	**516,584,966**	**82,921,644**
Total (A + B)	**875,431,385**	**480,997,069**
13.4 Provision for off balance sheet exposures (note 18.4)		
Opening balance	117,638,314	92,453,691
Add : Provision made for the year	(6,818,281)	25,184,623
	110,820,033	**117,638,314**
13.5 Provision for rebate to good borrowers		
Opening balance	10,000,000	5,000,000
Add : Provision made for the year	5,000,000	5,000,000
	15,000,000	**10,000,000**
Less: Paid during the period	-	-
Closing balance	**15,000,000**	**10,000,000**
13.6 Interest suspense account		
Balance as on 1 January	18,196,879	-
Add : Amount transferred to "interest suspense" account during the year	108,893,510	18,196,879
Less : Amount recoverred from "interest suspense" account during the year	217,997	-
Less : Amount written-off during the year	-	-
Balance as on 31 December	**126,872,392**	**18,196,879**

	2018 Taka	2017 Taka
14. Share capital		
14.1 Authorized share capital		
1,000,000,000 ordinary shares of Tk. 10/- each	10,000,000,000	10,000,000,000
14.2 Issued, subscribed and paid up share capital		
565,822,742 ordinary shares of Tk. 10/- each	5,658,227,420	4,985,222,400
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
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	-
	5,658,227,420	**4,985,222,400**

14.4 Group-wise shareholding position

Particulars	2018			2017		
	No. of shares	Percentage (%) of holding	Taka	No. of shares	Percentage (%) of holding	Taka
Sponsor directors	272,908,859	48.23%	2,729,088,590	318,185,000	63.83%	3,181,850,000
Sponsor shareholders	292,913,883	51.77%	2,929,138,830	180,337,240	36.17%	1,803,372,400
Total	**565,822,742**	**100.00%**	**5,658,227,420**	**498,522,240**	**100.00%**	**4,985,222,400**

14.5 Range-wise shareholdings as on 31 December 2018

Range of holding of shares	No of share holders	Percentage % of share holding	No of shares	Taka
Less than 500	-		-	-
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	2	0.29%	1,658,260	16,582,600
10,00,001 and above	51	99.71%	564,164,482	5,641,644,820
Total	**53**	**100.00%**	**565,822,742**	**5,658,227,420**

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 2018 stood at Taka 7,841,833,142 against the risk based capital requirement of Taka 5,863,943,068 As a result, there was a capital surplus of Taka 1,977,890,073 in risk based capital adequacy as on 31 December 2018.

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 lease Taka 2,000 million. Against that, the paid-up share capital, statutory reserve and retained earnings of the Bank was Taka 7,367,763,806 (paid-up share capital Taka 5,658,227,420; statutory reserve Taka 1,126,907,844 and retained earnings Taka 582,628,542) as on 31 December 2018.

	2018 Taka	2017 Taka
14.7 Details of capital adequacy ratio are furnished below :		
A. Total common equity Tier - I capital		
Paid up capital	5,658,227,420	4,985,222,400
Statutory reserve	1,126,907,844	798,663,282
Retained earnings	582,628,542	704,290,988
	7,367,763,806	**6,488,176,670**
B. Additional Tier - I capital	-	-
C. Total Tier - I Capital (A + B)	**7,367,763,806**	**6,488,176,670**
D. Tier - II capital		
General provision on unclassified loans and off-balance sheet exposures	469,666,452	515,713,739
50% of Revaluation reserve as on 31 December 2014	22,014,417	22,014,417
	491,680,869	537,728,156
Less : Regulatory Adjustments:		
Revaluation reserve for HFT securities	17,611,534	13,208,650
	474,069,335	**524,519,506**
E. Total capital (C + D)	**7,841,833,142**	**7,012,696,176**
F. Total risk weighted assets (RWA)	**49,380,573,207**	**42,389,712,083**
G. Minimum capital requirement (MCR) with Capital Conservation Buffer (CCB) [11.875% for 2018 & 11.25% for 2017 of risk weighted assets]	**5,863,943,068**	**4,715,855,469**
H. Surplus/(shortfall) of capital (E - G)	**1,977,890,073**	**2,296,840,707**
I. Total Exposure	**75,868,195,692**	**64,204,734,755**
Capital to risk weighted assets ratio (CRAR) (E/F X 100)	**15.88%**	**16.54%**
Common equity Tier-I to risk weighted assets ratio (A/F X 100)	**14.92%**	**15.31%**
Tier-I capital to risk weighted assets ratio (C/F X 100)	**14.92%**	**15.31%**
Tier-II capital to risk weighted assets ratio (D/F X 100)	**0.96%**	**1.24%**
Leverage ratio (C/I X 100)	**9.71%**	**10.11%**

14.8 Total risk weighted assets (RWA)

A. Credit risk weighted assets		
On-Balance Sheet	36,278,738,876	31,232,237,162
Off-Balance Sheet	4,135,220,283	4,134,980,000
	40,413,959,158	**35,367,217,162**
B. Market risk weighted assets	5,192,641,604	4,371,456,666
C. Operational risk weighted assets	3,773,972,444	2,651,038,255
Total risk weighted assets (RWA)	**49,380,573,207**	**42,389,712,083**

15. Statutory reserve

As per Section 24(1) of the Bank Companies Act, 1991, an amount equivalent to 20% of profit before taxes for the year has been transferred to the statutory reserve fund.

Opening balance	798,663,282	495,076,904
Add : Transferred from profit during the year	328,244,562	303,586,378
Closing balance	**1,126,907,844**	**798,663,282**

16. Revaluation reserve on Govt. Securities

Opening balance	50,815,472	110,189,960
Add : Reserve made during the year	11,132,634	-
	61,948,106	110,189,960
Less : Adjusted during the year	-	59,374,488
Closing balance	**61,948,106**	**50,815,472**

17. Retained earnings

Opening balance	704,290,988	676,087,907
Add : Net profit during the year	551,342,574	678,449,481
	1,255,633,562	1,354,537,388
Less : Dividend paid / Issuance of Stock Dividend	673,005,020	650,246,400
Closing balance	**582,628,542**	**704,290,988**

	2018 Taka	2017 Taka
18. Contingent liabilities		
Acceptances and endorsements	3,321,578,348	3,043,413,391
Letters of Guarantee (note 18.1)	4,195,413,693	2,810,536,030
Irrevocable letters of credit (note 18.2)	3,565,011,412	4,126,404,481
Bills for collection (note 18.3)	922,763,554	967,377,539
Other contingent liabilities		
Bangladesh Shanchaya Patra	-	816,100,000
	12,004,767,007	**11,763,831,442**
18.1 Letters of guarantee		
Money for which the bank is contingently liable in respect of guarantees issued favoring:		
Directors	-	-
Government	741,891,179	515,166,432
Banks and other financial institutions	-	-
Others	3,453,522,514	2,295,369,598
	4,195,413,693	**2,810,536,030**
18.2 Irrevocable letters of credit		
Local		
Irrevocable letters of credit (sight)	2,196,909,814	21,132,501
Irrevocable letters of credit (usance)	829,322,975	10,402,120
Irrevocable letters of credit - back to back	326,880,150	54,648,332
	3,353,112,938	86,182,953
Foreign		
Irrevocable letters of credit (sight)	3,985,251	2,822,707,474
Irrevocable letters of credit (usance)	103,879,486	1,191,321,227
Irrevocable letters of credit (sight) back to back	104,033,738	26,192,828
	211,898,474	4,040,221,528
	3,565,011,412	**4,126,404,481**
18.3 Bills for collection		
Outward local bills	9,068,851	9,033,357
Local documentary bills for collection	526,523,064	634,091,948
Foreign documentary bills for collection	387,171,639	324,252,234
	922,763,554	**967,377,539**

18.4 Particulars of required provision on off-balance sheet exposures

Particulars	Base for Provision	Rate (%)	2018 Taka	2017 Taka
Acceptances and endorsements	3,321,578,348	1.00	33,215,783	30,434,134
Letters of Guarantee (note 18.1)	4,195,413,693	1.00	41,954,137	28,105,360
Irrevocable letters of credit (note 18.2)	3,565,011,412	1.00	35,650,114	41,264,045
Bills for collection (note 18.3)	922,763,554	0.00	-	9,673,775
Other contingent liabilities	-	1.00	-	8,161,000
Total Required Provision			**110,820,034**	**117,638,314**
Total Provision Maintained			110,820,034	117,638,314
Excess / (short) Provision			-	-

	2018 Taka	2017 Taka
19. Particulars of profit and loss account		
Income		
Interest, discount and similar income (note 21)	6,420,411,360	4,764,888,426
Dividend income (note 23)	-	-
Fees, commission and brokerage (note 24)	211,415,967	175,028,407
Gains less losses arising from dealing in securities (note 23)	-	-
Gains less losses arising from investment securities (note 23)	917,544,683	1,006,844,262
Gains less losses arising from dealing in foreign currencies (note 24)	231,792,570	243,951,198
Income from non-banking assets	-	-
Other operating income (note 25)	91,985,576	87,882,281
Profit less losses in interest rate changes	-	-
	7,873,150,156	**6,278,594,575**
Expenses		
Interest, fee and commission (note 22)	3,869,220,483	2,802,476,484
Losses on loans and advances	-	-
Administrative expenses (note 20)	1,390,874,562	1,187,179,761
Other operating expenses (note 35)	440,997,994	319,853,495
Depreciation on bank's assets (note 34)	138,218,274	149,786,367
	5,839,311,313	**4,459,296,106**
Profit before provision	**2,033,838,843**	**1,819,298,469**

20. Administrative expenses		
Salary and allowances (note 26)	947,587,803	791,398,022
Rent, taxes, insurance, electricity etc. (note 27)	373,375,007	320,350,708
Legal & professional expenses (note 28)	3,484,322	1,862,941
Postage, stamp, telecommunication etc. (note 29)	13,337,981	27,486,903
Stationery, printing, advertisement etc. (note 30)	30,853,253	24,039,889
Managing Director's salary and allowances (note 31)	11,480,000	12,233,548
Directors' fees and other benefits (note 32)	2,432,000	2,968,000
Audit fees (note 33)	442,750	402,500
Repair of bank's assets (note 34)	7,881,445	6,437,250
	1,390,874,562	**1,187,179,761**

21. Interest Income		
Interest on loans and advances		
Interest on cash credit	2,112,281,223	1,610,106,126
Interest on SOD	1,504,631,167	958,697,444
Interest on OD General	271,699,025	203,764,529
Interest on local bills purchased	201,845,329	192,522,359
Interest on foreign bills purchased	8,461,712	10,282,262
Interest on import finance	634,552,187	524,057,555
Interest on export finance	6,162,300	3,333,430
Interest on other demand loans	264,486,236	190,405,211
Interest on lease finance	59,734,531	55,348,579
Interest on house building loans	80,947,406	56,811,807
Interest on general term loans	559,088,035	385,217,349
Interest on SME loans	140,162,119	117,480,931
Interest on consumer credit scheme	1,363,006	1,682,167
Interest on credit card	15,855,828	4,746,318
Interest on agriculture & rural credit	12,372,510	14,143,329
Interest on staff loans	15,736,153	14,404,826
	5,889,378,767	**4,343,004,222**
Interest on money at call and short notice	791,458	534,938
Interest on FDR with other banks	507,408,059	393,012,236
Interest on SND with other banks	22,833,075	28,337,030
	6,420,411,360	**4,764,888,426**

	2018 Taka	2017 Taka
22. Interest paid on deposits and borrowings		
Interest on Deposits		
Interest on savings deposits	80,841,126	60,172,273
Interest on special notice deposits	88,777,398	88,147,134
Interest on monthly savings schemes	147,086,739	88,711,209
Interest on monthly benefit schemes	162,381,236	137,707,930
Interest on special benefit schemes	213,298,432	102,888,287
Interest on fixed deposits	3,116,015,956	2,229,866,239
	3,808,400,889	**2,707,493,072**
Interest on call borrowing	41,365,347	70,136,305
Interest on credit lines	3,585,900	2,669,377
Interest on Bangladesh Bank Re-financing facilities	4,052,981	7,132,431
Interest on borrowing under REPO	11,815,366	15,045,298
	3,869,220,483	**2,802,476,484**
23. Investment Income		
Dividend Received on Shares	-	-
Income on treasury bills, bonds and debentures		
Interest on treasury bonds	552,384,529	474,160,813
Interest on treasury bills		13,439,395
Interest on reverse REPO	35,009	25,322
Gains on trading of government securities	365,125,145	519,218,732
	917,544,683	**1,006,844,262**
Gains on Capital Market	-	-
	917,544,683	**1,006,844,262**
24. Commission, Exchange and Brokerage		
Fees, commission and brokerage		
Commission on bills & remittance	1,741,366	1,590,111
Commission on letters of credit	96,495,539	92,371,493
Commission on letters of guarantee	69,095,656	45,289,826
Commission on acceptances	41,279,902	29,359,585
Commission on add confirmation	2,682,974	5,722,302
Commission on bank underwriting	120,530	695,090
	211,415,967	175,028,407
Exchange earnings (net)	231,792,570	243,951,198
	443,208,538	**418,979,605**
25. Other Operating Income		
Banking service charge	82,492,930	69,946,505
Card operation charge	4,867,568	2,370,482
Locker rent	44,000	12,000
Miscellaneous income	4,581,078	3,601,101
	91,985,576	**75,930,089**

	2018 Taka	2017 Taka
26. Salary and Allowances		
Basic salary	320,410,629	285,795,968
House rent allowance	148,428,707	127,673,009
Conveyance allowance	28,808,380	25,596,889
Medical allowance	42,906,904	38,737,369
Other allowances	149,008,914	132,881,471
Festival bonus	57,491,754	53,188,520
Incentive bonus for previous year	71,129,252	51,483,227
Bank's contribution on provident fund	29,403,139	25,472,658
Gratuity	18,000,000	17,500,000
Casual labourer & wages	82,000,123	70,946,558
	947,587,803	**829,275,668**
27. Rent, taxes, insurance, electricity etc.		
Rent - Office Premises	266,540,928	229,433,014
Rent - ATM Booths and other installations	1,205,820	2,848,991
Rates and taxes	33,224,058	21,106,820
Utilities	38,263,949	34,795,211
Insurance	34,140,253	32,166,672
	373,375,007	**320,350,708**
28. Legal and professional expenses		
Legal expenses	322,584	767,366
Professional fees	3,161,738	1,095,575
	3,484,322	**1,862,941**
29. Postage, stamp, telecommunication etc.		
Postage	867,765	825,373
Telephone, fax etc.	4,095,669	3,861,491
Internet & SWIFT	8,374,547	10,847,846
	13,337,981	**15,534,710**
30. Stationery, Printing, Advertisement etc.		
Office stationery	11,630,791	9,902,064
Computer stationery	3,952,201	2,965,210
Security stationery	448,557	213,292
Advertisement	11,410,477	7,903,491
Publicity	3,411,228	3,055,832
	30,853,253	**24,039,889**
31. Managing Director's salary and allowances		
Basic salary	4,800,000	5,146,774
House rent allowance	2,160,000	1,924,839
House maintenance allowance	720,000	827,903
Medical allowance	1,200,000	1,566,129
Festival bonus	880,000	940,000
Incentive bonus for previous year	1,000,000	1,000,000
Utility allowance	720,000	827,903
	11,480,000	**12,233,548**

	2018 Taka	2017 Taka
32. Directors' fees		
Meeting attendance fees	**2,432,000**	**2,968,000**

Each director of the bank was paid Tk. 8,000/- per attendance in board meeting and committee meeting held.

33. Audit fees		
Audit fees	385,000	350,000
VAT on audit fees	57,750	52,500
	442,750	**402,500**
34. Depreciation and repairs of Bank's assets		
Depreciation / amortization		
Motor vehicles	8,840,075	6,758,659
Machinery and equipments	41,892,347	36,708,851
Furniture & fixtures	6,832,683	6,245,328
Interior decoration	22,300,739	20,143,943
Computer and peripherals	33,379,598	36,555,761
Software	20,451,458	39,238,436
Office tools and accessories	4,521,374	4,135,389
	138,218,274	149,786,367
Repairs of bank's assets	7,881,445	6,437,250
	146,099,719	**156,223,616**
35. Other Expenses		
Entertainment expenses	12,793,030	9,342,124
Training & workshop expenses	697,399	1,145,236
Travel and daily allowance	4,766,602	4,581,681
Fuel and lubricants expenses - bank's vehicles	1,026,937	915,200
Subscriptions to trade associations	3,832,819	2,383,710
Expenses on bank's CSR activities	98,200,000	80,976,820
Business promotion and development	21,148,142	3,626,670
Books, magazines & news papers etc.	452,981	1,066,383
Charges & duties to Government	1,203,575	1,698,600
Local conveyance	3,578,103	1,849,776
Cash carrying expenses	3,570,050	2,791,943
Cartage and freight	474,520	87,953
Washing and cleaning	1,821,488	1,460,487
Other bank charges paid	7,350,648	2,692,680
Expenses on AGM	1,305,512	155,490
Expenses on managers' conference	1,549,221	1,498,819
Antivirus and other software	29,553,329	7,029,426
Branch & head office inauguration expenses	370,393	692,209
Miscellaneous expenses	1,119,943	757,392
Loss on sale/purchase of securities & investments	1,780,113	8,816,748
Loss on revaluation of investment	244,403,190	148,406,502
	440,997,994	**281,975,849**

	2018 Taka	2017 Taka
36. Earning per share (EPS)		
a) Net profit after tax	879,587,136	982,035,860
b) Number of ordinary shares	565,822,742	565,822,742
Earnings per share (a ÷ b)	**1.55**	**1.74**

Earnings per share has been calculated in accordance with BAS - 33: "Earnings Per Share (EPS)". Previous year's figures have been adjusted for the issue of bonus shares during the year.

37. Increase / (decrease) of other assets		
Closing -		
Stock of stationeries and stamps	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
	210,563,932	**289,509,584**
Opening -		
Stock of stationeries and stamps	7,523,979	8,081,723
Advance rent, advertisement, etc.	221,559,369	278,709,782
Security deposits	511,149	504,484
Suspense accounts	59,915,088	65,841,752
	289,509,584	**353,137,741**
	(78,945,652)	**(63,628,157)**
38. Increase / (decrease) of other liabilities		
Closing -		
Sundry creditors	13,063,689	16,831,738
Central EFT adjustment account	8,659,352	27,355,446
Interest suspense account	126,872,392	18,196,879
	148,595,433	**62,384,063**
Opening -		
Sundry creditors	16,831,738	14,501,775
Central EFT adjustment account	27,355,446	9,955,684
Interest suspense account	18,196,879	-
	62,384,063	**24,457,459**
	86,211,370	**37,926,604**
39. Net asset value (NAV) per share		
a) Capital / shareholders' equity for the period	7,429,711,912	6,538,992,141
b) Number of outstanding shares	565,822,742	498,522,240
Net asset value (NAV) per share (a÷b)	**13.13**	**13.12**

40. 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 mininize 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.

41. 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 71st meeting held on 12 December 2017 compliance with BRPD Circular No. 11 dated 27 October 2013 of Bangladesh Bank and Corporate Governance Guidelines (SECCMRRCD/2006-158/134/Admin/44) dated August 07, 2012 of Bangladesh Securities and Exchange Commission (BSEC). The members of the Audit Committee of the Board as on 31 December 2018 is as under:

Name of the Member	Status with the Bank	Status in the Committee	Educational Qualification
Mr. Talukder Abdul Khaleque	Vice Chairman (Independent Director)	Chairman	Graduate
Mr. Abu Zafar Mohammod Shofiuddin	Director	Member	M. Com
Mr. Anwar Hussain	Director	Member	BBA
Mr. Md. Amzad Hossain	Director	Member	Graduate
Dr. Syed Hafizur Rahman	Independent Director	Member	Masters

The Audit Committee of the Board convened 04 (four) meetings during 2018 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 promt rectification / solution of the irregularities / objections stated therein.

b) The Committee reviewed the Management Letter / Report for the year 2017 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 over all position as on 31 December 2017 as submitted by Internal Control & Compliance Division under the Risk Based Internal Audit system of

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 2018.

42. 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 801 as at 31 December 2018 compared to 716 as at 31 December 2017.

43. Events after the balance sheet date

The Board of Directors in its 90th meeting held on 30 April 2019 recommended stock dividend @ 10% (ten percent) for the year 2018. The total amount of dividend is Tk 565,822,742 (Taka fifty six crore fifty eight lac twenty two thousand seven hundred forty two) only.

44. General

i) Figures appearing in these financial statements have been rounded off to the nearest Taka.
ii) Figures of 2017 have been rearranged as per current year's presentation.

Chairman | **Director** | **Director** | **Managing Director & CEO**

Related party disclosures

Annexure - A

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Related party information is given below:

i) Directors' interest in different entities:

SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
1	Mr. S. M. Amzad Hossain	Chairman	20,000,000 & 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.	20.00%	
				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.	30.00%	
				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 Director)	0	1. M/S Nahar Trading	100.00%	
3	Mrs. Begum Sufia Amjad	Director	19,000,000 & 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.	60.00%	
				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. Ideal Polymer Export Ltd.	30.00%	
				11. Moon Star Fish Ltd.	40.00%	
4	Mr. Abu Zafar Mohammod Shofiuddin	Director	27,671,300 & 4.89%	1. SQ Wire & Cable Co. Ltd	32.24%	
				2. SQ Trading & Engineering	55.00%	
				3. SQ Light Ltd.	35.00%	
				4. SQ Wood Preservatives	35.00%	
				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	70.00%	
				10. Steamz Health Care (BD) Ltd.	20.00%	
				11. Power-Add	40.00%	
				12. Techno Electricals Ltd.	16.89%	
				13. TSCO Power Ltd.	20.00%	
				14. TS Transformers Ltd	34.50%	
				15. Building Dreams Ltd.	10.00%	

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	27,671,300 & 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	30.00%	
				20. Sultana Enterprise	100.00%	
6	Engr. Md. Moklesur Rahman	Director	27,671,300 & 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	Mr. Md. Amzad Hossain, Nominated by Rupsha Fish & Allied Industry Ltd.	Director	0	1. Khulna Printing & Packaging Ltd.	5.00%	
				2. Bangladesh Poly Printing International Ltd.	5.00%	
				3. Ideal Polymar Export Ltd.	10.00%	
				4. International Core Factory Ltd.	10.00%	
8	Al-Haj Mizanur Rahman	Director	22,700,000 & 4.01%	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%	
9	Mrs. Tahmina Afroz	Director	27,671,300 & 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%	
10	Mr. Hafizur Rahman Babu	Director	20,753,475 & 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%	

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
11	Mr. Anwar Hussain	Director	3,458,913 & 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%	
12	Capt. M. Moazzam Hossain	Director	28,219,505 & 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. Paramount Properties Ltd.	25.00%	
				11. Canadian Trillinium School	Chairman, Board of Governor	
				12. Sonar Bangla Insurance Ltd.	10.00%	
				13. People's Leasing and Financial Services Ltd.	2.40%	
				14. Great Walls Land Property Ltd.	27.00%	
				15. Fareast International University	Member, Board of Trustees	
				16. SS Steel Private Ltd.	8.00%	
13	Mr. Sakhawat Hussain, Nominated by Hazi Shakhawat Anwara Eye Hospital Ltd.	Director	0	General Manager, Anwer Khan Modern Hospital Ltd. & Diagnostic Centre	N/A	
14	Mr. Sk. Shyedujjaman	Director	2,270,000 & 0.40%	1. Sadiana Trading	100.00%	
				2. South East Union Ceramic Industries Ltd.	5.00%	
15	Mr. Mohammad Nawaz	Director	22,690,466 & 4.01%	1. Famous Printing & Packaging Ltd.	29.15%	
				2. Famous Iberchem Flavours & Fragnances	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%	
16	Mr. Mohammed Ayub	Director	23,131,300 & 4.09%	1. Ayub & Co. Ltd.	80.00%	
				2. Pioneer Enterprise	100.00%	
				3. United Enterprise	100.00%	
				4. Pacific Enterprise	70.00%	
17	Dr. Syed Hafizur Rahman	Independent Director	0	1. Shrimpex dot com	100.00%	
				2. Coal Mark	100.00%	
				3. Aliams Trade Associate	100.00%	

As per clause 94(1) of Articles of Association of South Bangla Agriculture and Commerce Bank Limited the qualifying number of shares for a director is 10,00,000 (ten lac) which is 0.24% of paid up Capital of the Bank. As per Notification No. SEC/CMRRCD/2009-193/119/ Admin/34 dated November 22, 2011 of Bangladesh Securities and Exchange Commission, the qualifying No. of shares of a director should be at least 2.00% of paid up Capital, which is mandatory only for listed companies. As per regulation 2(5&6) of listing regulations of Dhaka Stock Exchange Limited the Bank is not yet become a listed company.

ii) **Significant contract where bank is a party and wherein Directors have interest : NIL**

iii) **Shares issued to Directors and executives without consideration or exercisable at discount: NIL**

iv) **Related party transactions (loan to directors):**

(Amount in Crore taka)

Name of the Borrower	Representing Director	Nature of Facilities	Outstanding as at 31 Dec 2018	Outstanding as at 31 Dec 2017
Mother Trade Center	Mrs Tahmina Afroz	Cash Credit	-	9.56
Haji Shakwat Anwera Eye Hospital	Mrs Tahmina Afroz	Cash Credit	10.64	9.95
Khulna Builders Ltd.	Mr. SM Amzad Hossain & Mrs. Begum Sufia Amzad	Cash Credit	22.23	20.53
Radient Dredging Ltd.	Capt. M. Moazzam Hossain	Lease Finance & SOD (Gen)	3.83	4.83
Saima Samira Textile Miles Ltd.	Mr. Mohammad Mohsin	Cash Credit	-	10.00
Anwar Hussain & Imran Hossain	Mr. Anwar Hussain	House Building Loan	1.51	1.65
M M Fisheries	Mrs. Kamrunnahar	SOD (Gen)	-	4.00
M.R. Trading Co.	Mr. Md. Mizanur Rahman	SOD (Gen)	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.

vi) **Business other than banking business with any related concern of the directors as per section 8 (2) of the Banking Companies Act 1991:**

a) Lease agreement made with the directors / related concerns:

Nature of contract	Branch Name	Name of the Director and related by	Remarks
Lease agreement	Katakhali Branch	Mr. S. M. Amzad Hossain, Director & owner of the premises	Lease period: 01.07.2013 to 30.06.2023
Lease agreement	Head Office	Al-Haj Mizanur Rahman, Director & owner of M.R. Trading (Common Director)	Lease period: 01.01.2016 to 30.06.2018

b) Brokerage house :

Name of the Party	Name of the Director and related by	Nature of Transaction	Amount
E-Securities Ltd.	Capt. M. Moazzam Hossan and common director	Brokerage house commission and charges	Tk. 450.00

vii) **Investment in securities of the Directors and their related concern:** NIL

Annexure - B

South Bangla Agriculture and Commerce Bank Limited
Schedule of Fixed Assets
as at 31 December 2018

Particulars	Cost				Accumulated Depreciation				Net book value as at 31 December 2018
	Balance as at 01 January 2018	Additions during the year	Disposals during the year	Balance at 31 December 2018	Balance as at 01 January 2018	Charge for the year	On disposal during the year	Balance as at 31 December 2018	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Motor vehicles	47,124,590	155,414	-	**47,280,004**	19,425,001	8,840,075	-	**28,265,076**	**19,014,928**
Machinery and equipments	210,365,004	22,191,456	-	**232,556,459**	109,959,648	41,892,347	-	**151,851,994**	**80,704,465**
Furniture and fixtures	65,554,973	4,853,511	-	**70,408,484**	18,873,886	6,832,683	-	**25,706,569**	**44,701,915**
Interior decoration	220,673,497	11,542,555		**232,216,051**	52,712,661	22,300,739		**75,013,401**	**157,202,651**
Computers and accessories	191,776,304	50,533,634	-	**242,309,938**	132,523,798	33,379,598	-	**165,903,396**	**76,406,542**
Softwares	142,798,042	22,104,134	-	**164,902,176**	77,899,225	20,451,458	-	**98,350,684**	**66,551,492**
Other tools	23,348,728	3,975,220	-	**27,323,948**	10,490,807	4,521,374	-	**15,012,181**	**12,311,768**
At 31 December 2018	**901,641,137**	**115,355,923**	-	**1,016,997,060**	**421,885,027**	**138,218,274**	-	**560,103,300**	**456,893,759**
At 31 December 2017	**740,894,422**	**160,746,714**	-	**901,641,136**	**272,098,660**	**149,786,367**	-	**421,885,027**	**479,756,109**

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

Annexure - C

(Amount in Tk.)

Sl. No.	Particulars	2018	2017
01	Paid up capital	5,658,227,420	4,985,222,400
02	Total capital (Tier I +II)	7,841,833,142	7,012,696,176
03	Capital surplus/(deficit)	1,977,890,073	2,296,840,707
04	Total assets	70,661,308,266	58,940,783,878
05	Total deposits	59,304,332,122	50,121,490,467
06	Total loans and advances	50,254,940,444	43,284,965,225
07	Total contingent liabilities and commitments	12,004,767,007	11,763,831,442
08	Advance deposits ratio (%)	82.50%	83.99%
09	Classified loans to advance ratio (%)	1.97%	0.87%
10	Profit after tax and provision	879,587,136	982,035,860
11	Classified loans and advances at the end of the year	991,661,983	375,248,795
12	Provision kept against classified loans and advances	516,584,966	82,921,644
13	Surplus/(deficit) provision against classified advances	-	-
14	Cost of fund including operating cost (%)	10.41%	9.51%
15	Interest earning assets	63,955,218,216	53,613,972,835
16	Non interest earning assets	6,706,090,050	5,326,811,044
17	Return on investments (ROI) [Income from Investment/ Average Investments]	13.67%	18.19%
18	Return on Assets (ROA) [PAT/Average assets]	1.36%	1.88%
19	Return on Equity (ROE) [PAT/Average shareholders equity]	12.59%	16.16%
20	Net Asset Value per Share (NAV) [Shareholders equity/No. of Ordinary Share]	13.13	13.12
21	Income from investments	917,544,683	1,006,844,262
22	Earnings per share	1.55	1.74
23	Profit per share	1.55	1.74
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 Shoping 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, Jailkhana More, DC Road Narshingdi Sadar, Narshingdi.	(02) 9452487-88

11	Imamgonj Branch	Crown Bhaban 59, Midford Road, Imamgonj, Dhaka.	(02) 7342223
12	Ashulia Branch	Holding: 4104 Baipile, Bashundhara, Ashulia, Dhaka.	(02) 7789414-15
13	Dhanmondi Branch	A M M Center, Shat Masjid Road Road: 3/A, House:56/A, Dhanmondi, Dhaka.	(02) 9665264 9665267
14	Sylhet Branch	11, Naya Shorok, Sylmart Complex, East Zinda Bazar,Sylhet.	(0821)-726297-98
15	Jubilee Road Branch	Ali Building (2nd Floor), 837, Jubilee Road, Chittagong.	(031) 2856695-96
16	Bogra Branch	Padma Mansion, Dutta Store (2nd Floor) 742, Jhautola Rajabazar, Bogra.	(051) 69727, 62412,62108
17	Mawna Branch	Hazi Abdul Khaleque Master Super Market, Mulaid Telihati, Sreepur, Gazipur.	(0447) 8984788
18	Islampur Branch	Siddik Mansion, Islampur Bazar, Thana:Shahporan, Sylhet.	(0821)-762168
19	Modunaghat Branch	South Madarsha, Rashid Bari, Hathazari,Chittagong.	(031) 671552, 671542
20	Shyamnagar Branch	469, Moti Morol Super Market Badghata, Shyamnagar, Satkhira.	(04726)-44182, 44063
21	Gazipur Branch	Tajpur Tower (2nd Floor), Bhaoal College Road, Chandura Square, Gazipur.	(02) 9294506-07
22	Moynamoti Branch	Mostafa Palace and Hazi Faruk Plaza, Nischintopur, Moynamoti Cantonment,Comilla.	(081) 73740
23	Bangla Bazar Branch	Patowari Plaza (1st Floor), Nadna, Bangla Bazar, Sonaimuri, Noakhali.	01787-693618
24	Banani Branch	28 & 30, Kemal Ataturk Avenue, Banani, Dhaka.	(02) 9822365-68
25	Chuknagar Branch	Holding # 240 (1st Floor), Chuknagar, Dumuria, Khulna	01787-693625
26	Satkhira Branch	Holding # 44/46 (Gr. Floor), Sultanpur, Satkhira Sadar Satkhira.	(0471)-63806, 63804,63810
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 Bita 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, Narayangonj.	7635122, 7635123
33	Ghonapara Branch	Ghonapara, Vate Dour, Gopalgonj.	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

South Bangla Agriculture & Commerce Bank Limited

Head Office:

BSC Tower, 05th-16th 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 6th AGM of the Company to be held at 4:00 p.m. on Thursday, May 23, 2019 or at any adjournment thereof.

Signed this ..... day of ....., 2019.

Revenue Stamp

Tk. 20/-

Signature of Proxy .....

Signature of Member .....

Folio No. .....

No. of Shares held .....

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 6th AGM of the Company being held on Thursday, May, 23, 2019 at 4:00 p.m. at the Sky Ballroom (floor 16) of Le Meridien Dhaka, 79/A Commercial Area Airport Road, Nikunja 2, Khilkhet, Dhaka-1229.

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, 05th-16th Floor, 2-3 Rajuk Avenue, Motijheel C/A, Dhaka 1000, Bangladesh.

Tel: +8802 9577207-11, Web: sbacbank.com SWIFT: SBACBDDH