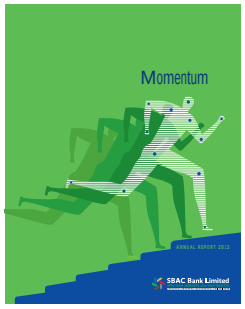
Momentum

ANNUAL REPORT 2013

SBAC Bank Limited
সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ
LOCAL BANK GLOBAL VISION



Momentum is our power to residing in moving an object. But it is not for possess of the force, it's a direction and our straight. We never ever stop our momentum. This is our straight power.

This year's annual report captures the spirit of momentum within SBAC Bank Limited. Momentum is not simply moving reaction to adjust. Momentum should be about moving ahead promote on an accelerated pace and towards a inattentive ambition. We have the passion, commitment and devotion of our people.

In 2013 SBAC Bank Limited's aim was to further tie together this force to produce the momentum to boost our organization ahead in order to grow sustainably as a big business.

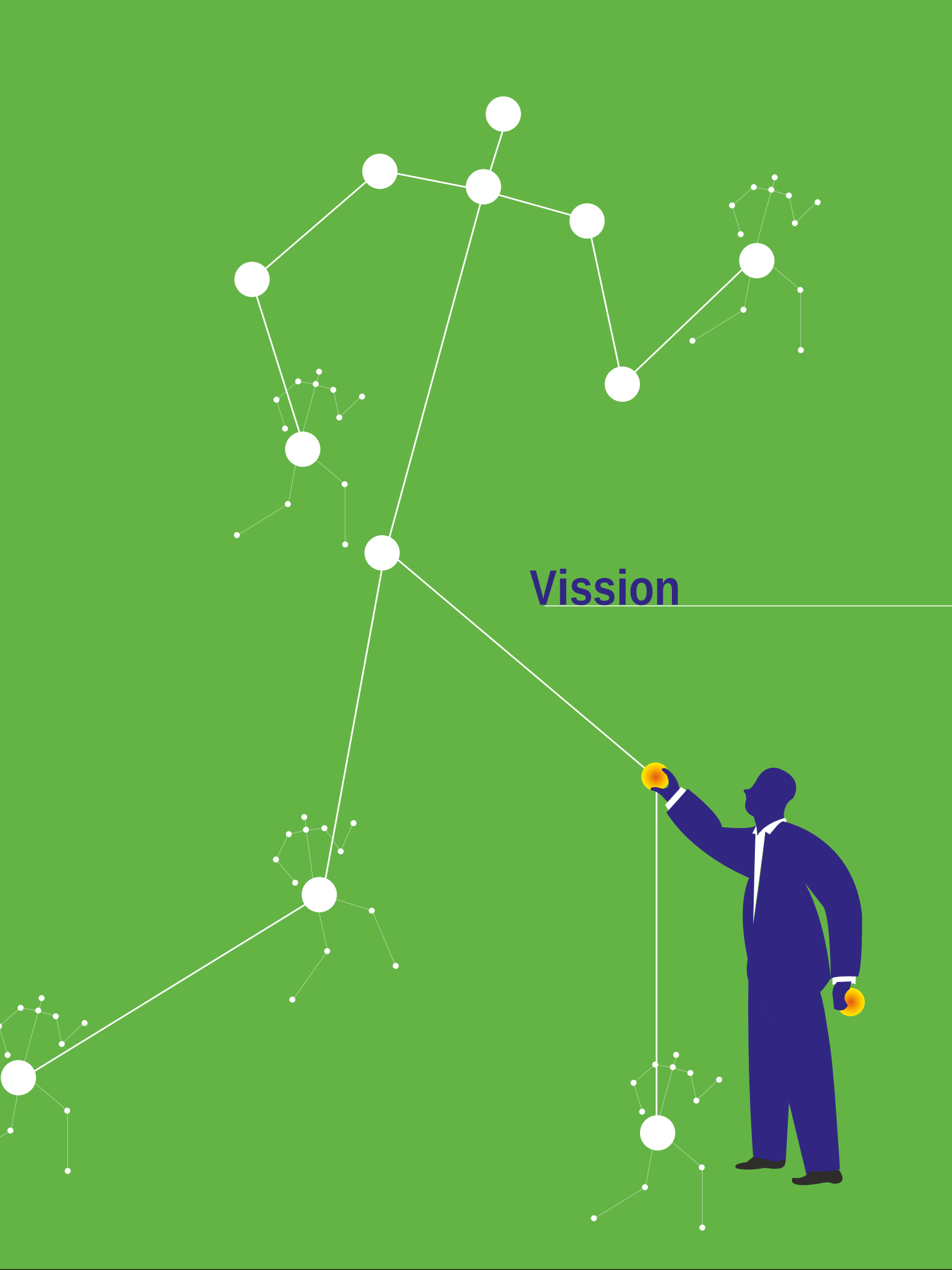
1st

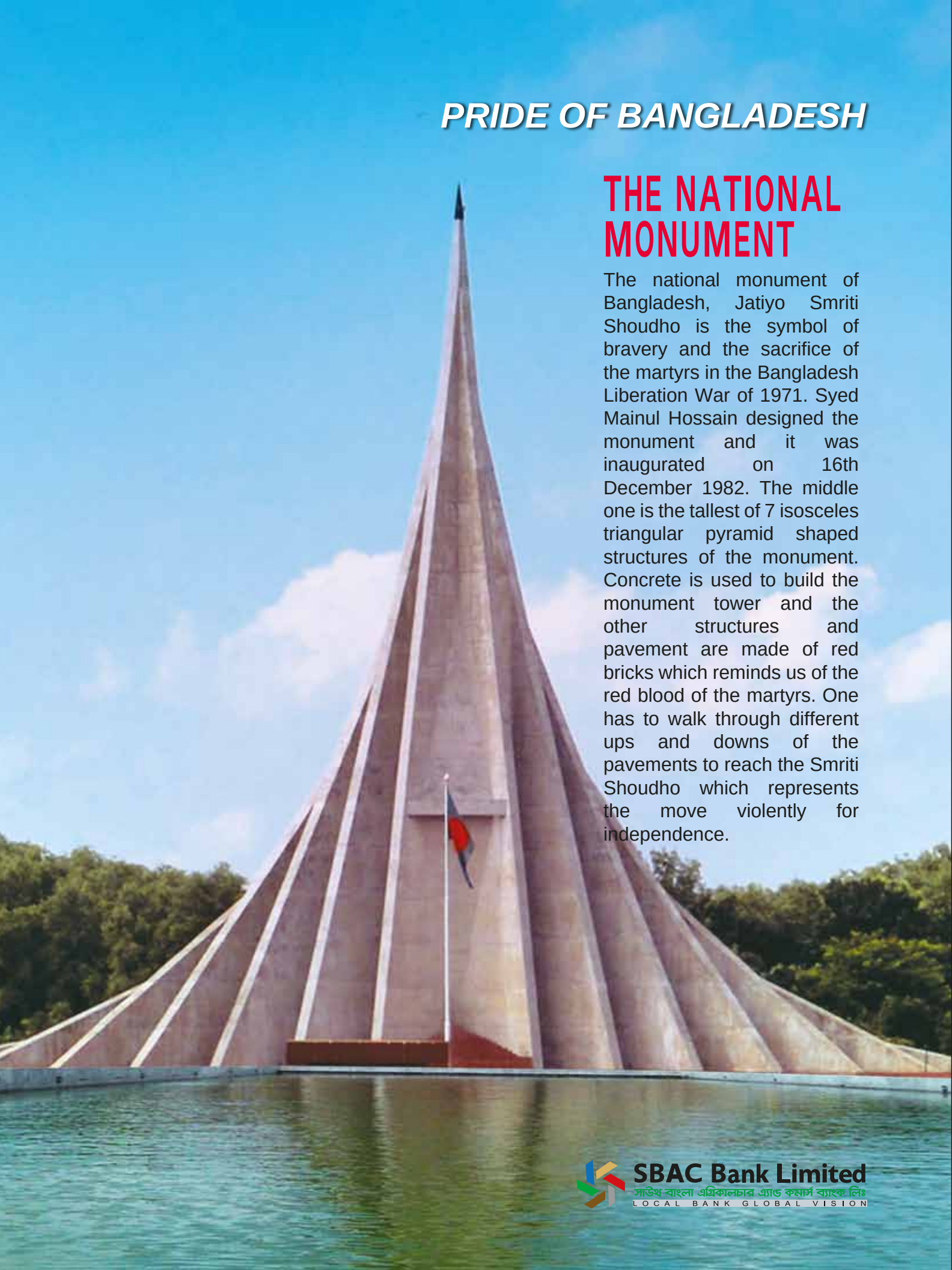
Annual General Meeting (AGM) of SBAC Bank Ltd. Radisson will be held at

Blu Water garden Ballroom,
No. 2, Airport Road
Dhaka Cantonment
Dhaka-1206
Tel: 02-8754555

► Tuesday, 10 April 2014 at 11.00 a.m.

AGM Helpdesk: Ms. Roman Khan
Tel: +02 9000000 Fax: 88 02 9000000
E-mail: sbacbank.com


Vission



PRIDE OF BANGLADESH

THE NATIONAL MONUMENT

The national monument of Bangladesh, Jatiyo Smriti Shoudho is the symbol of bravery and the sacrifice of the martyrs in the Bangladesh Liberation War of 1971. Syed Mainul Hossain designed the monument and it was inaugurated on 16th December 1982. The middle one is the tallest of 7 isosceles triangular pyramid shaped structures of the monument. Concrete is used to build the monument tower and the other structures and pavement are made of red bricks which reminds us of the red blood of the martyrs. One has to walk through different ups and downs of the pavements to reach the Smriti Shoudho which represents the move violently for independence.

SBAC Bank Limited
সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ
LOCAL BANK GLOBAL VISION

VISION

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

MISSION

- To provide a customer friendly environment.
- deliver service excellence for all of our corporate, agro based, SME and retail segments.
- To maximize shareholders' value.
- To foster emerging economy of green Bangladesh with the help of advanced Information Technology.
- To establish different compatible delivery channels.
- To expand financial inclusion.
- To be pro-active in fulfilling our Social Responsibilities.

Commitments

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

Client Focus:

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

Hard Work:

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

Transparency:

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

Integrity:

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

Innovation:

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

Teamwork:

- We collaborate, listen and share information openly within SBAC Bank and with our partners, clients and shareholders.
- Each one of us consistently represents SBAC Bank's total corporate image.
- We value and respect one another's cultural backgrounds and unique perspectives.

Respect to the Individual:

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

contents

VISION

Vission & Mission3
Commitments 4-5
Table of Content (Index) 6
Letter of transmittal 7
Notice of AGM 8
Company History 9
Corporate Information 10

LEADERSHIP

Board of Directors & its committees 13
Director's profile with picture 14-24
Management 25
Chairman's address 26-27
MD's message 28-30

PRODUCTIVITY

Value added statement 33-34
Director's report 35-53

RESPONSIBILITY

Risk Management 56-65
Audit committee report 66-67
Corporate Governance 67-75

GROWTH

78 -116 Accounts
a. Balance sheet
b. Off Balance Sheet
c. Profit & Loss Account
d. Cash Flow Statement
e. Statement of changes in Equity
f. Liquidity Statement
g. Notes to the Financial Statements

117-132 Bassel II Disclosure
133 Branch network (Existing & Proposed)
134-135 Proxy form

SNAP SHOT

137-140 Opening Of Branches (Alphabetical)
141 Board Meeting
142 Activities
143 Training & Development
144 Activities
145-146 Corporate Social Responsibilities
147-148 Diversified Sectoral Financing

Letter of Transmittal

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

Subject: Annual Report 2013 of South Bangla Agriculture & Commerce Bank Ltd.

Dear Sir/Madam (s),

Reference to the above, we enclose herewith the copy of Annual Report of South Bangla Agriculture and Commerce Bank Limited along with Audited Financial Statements as at 31st December 2013. This report includes Income Statements, Balance Sheet, Cash Flow Statements, Liquidity Statements, Statements of Changes in Equity and Notes to the Accounts thereon of South Bangla Agriculture and Commerce Bank Limited.

This is for your kind information and ready reference.

Md. Mokaddess Ali
First Vice President &
Company Secretary

NOTICE OF THE 1st ANNUAL GENERAL MEETING

Notice is hereby given to all Members of South Bangla Agriculture and Commerce Bank Limited (the "Company") that the 1st Annual General Meeting of the Members of the Company will be held on Sunday, March 30, 2014 at 11 a.m. at Head Office, Sun Moon Start Tower, 37 Dilkusha C/A to transact the following business and adopt necessary resolutions :

AGENDA:

1. To receive, consider and adopt the Profit & Loss Accounts of the Company for the year ended December 31, 2013.
2. To declare dividend out of the Profits for the year ended December 31, 2013.
3. To elect Directors in place of those who shall retire in accordance with the provisions of the laws and the Articles of Association of the Company.
4. To appoint Auditors of the Company for the term until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. To transact any other business with permission of the Chair.

Dated, Dhaka
March 13, 2014

By order of the Board,

Md. Mokaddess Ali
First Vice President & Company Secretary

NOTES:

a. The date of Book Closure (Record Date) is March 10, 2014.

b. The Shareholders whose names appear in the Register of Members of the Company as at the close of the business on March 10, 2014 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 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.

e. Members are requested to notify change of address, if any, to the Company Secretariat on or before March 10, 2014.

f. Election of Directors will be held in the vacant offices of Directors. Election schedule will be displayed in the Notice Board at the Registered office in due course. Election Rules will be available at the Registered office of the Company.

History of the Company

SL. No.	Event	Issue Date
1	Letter of Intent	17/04/2012
2	Certificate of Incorporation	20/02/2013
3	Certificate for Commencement of Business	20/02/2013
4	License Issued by Bangladesh Bank favoring South Bangla Agriculture & Commerce Bank Ltd.	07/03/2013
5	Bangladesh Gazet (SBAC Bank Ltd.)	31/03/2013
6	Enlistment as Scheduled Bank	25/03/2013
7	Inauguration of Head Office	03/04/2013
8	Inauguration of Principal Branch	28/04/2013
9	Obtain Foreign Currency Transactions License (HO & PB)	13/05/2013
10	EFTN	20/11/2013
11	**Nosto Account:**	
	AB Bank (Mumbai Branch)	31/05/2013
	United Bank Of India	17/06/2013
	Sonali Bank (UK)	25/06/2013
	Mashrek Bank Psc (Newyork)	25/09/2013

Name of the Company

South Bangla Agriculture and Commerce Bank Limited

Chairman
Mr. S.M. Amzad Hossain

Vice Chariman
Mr. Talukder Abdul Khaleque
Al-Haj Mizanur Rahman

Managing Director
Mr. Md. Rafiqul Islam

Company Secretary
Mr. Md. Mokaddess Ali

Legal Status
Public Limited Company

Line of Business
Banking

Date of Incorporation
February 20th, 2013

SWIFT : SBACBDDH
Registered Office: Sun Moon Start Tower, 37 Dilkusha C/A, Dhaka-1000
Tel: 9577207-11, **E-mail:** info@sbacbank.com **Website** www.sbacbank.com

Leadership

DOEL (Magpie Robin)

The Doel, the national bird of Bangladesh, is a very sweet and attractive bird. The color of the bird is a mixture of black and white. Doel is small in size and fickle in movement. In the rural area of Bangladesh Doel is normally seen. The Doel, Somebody says it the Magpie Robin, is one of the more familiar birds about towns and villages. One of the brightest features of the Doel is that it has a charming whistle playing off and on. The Doel does not fly very high and likes to stay close to the earth.

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LOCAL BANK GLOBAL VISION

THE BOARD AND ITS COMMITTEES

Chairman
Mr. S.M. Amzad Hossain

Vice Chairman
Mr. Talukder Abdul Khaleque
Al-Haj Mizanur Rahman

Directors
Mr. Maksudur Rahman
Begum Sufia Amjad
Mr. AZM Shofiuddin
Mr. Abdul Kadir Molla
Engr. Md. Moklesur Rahman
Md. Amzad Hossain
Captain M. Moazzam Hossain
Mr. Motiur Rahman
Mrs. Sanawar Bano
Mr. Hafizur Rahman Babu
Mr. Anwar Hussain
Mrs. Tahmina Afroz
Haji Shakhawat Anwara Eye Hospital
(Represented by, Mr. Shakhawat Hossain)
Mr. Mrinal Kanti Debnath
Mr. Mohammed Ilias
Mr. Muhammad Mohsin
M/S Contech Construction
(Represented by, Mr. Mushfiqur Rahman)

COMPANY SECRETARY
Mr. Md. Mokaddes Ali

EXECUTIVE COMMITTEE

Chairman
Mr. Maksudur Rahman

Vice Chairman
Mr. Abdul Kadir Molla

Members
Mr. Md. Amzad Hossain
Mr. Motiur Rahman
Mr. Hafizur Rahman Babu
Mr. Anwar Hussain
Haji Shakhawat Anwara Eye Hospital
(Represented by, Mr. Shakhawat Hossain)

AUDIT COMMITTEE

Chairman
Captain M. Moazzam Hossain

Members
Mr. AZM Shofiuddin
Mrs. Sanawar Bano
Mr. Mrinal Kanti Debnath
Mr. Muhammad Mohsin

RISK MANAGEMENT COMMITTEE

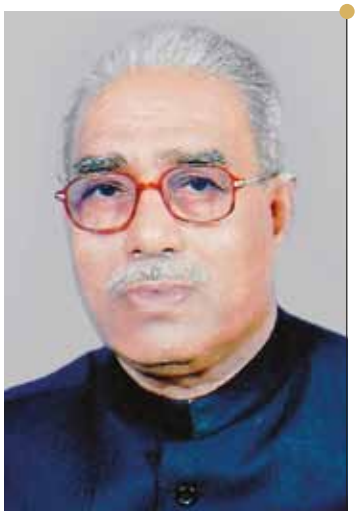
Chairman
Engr. Md. Moklesur Rahman

Members
Mr. AZM Shofiuddin
Mr. Motiur Rahman
Mr. Anwar Hussain
Mr. Mrinal Kanti Debnath

DIRECTORS PROFILE

Mr. S. M. Amzad Hossain
Chairman

Mr. S.M. Amzad Hossain, an eminent business personage of the country, has been elected Chairman of the first Board of Directors of South Bangla Agriculture and Commerce Bank Limited on February 20, 2013. A post-graduate from the University of Dhaka Mr. Hossain traversed a long path of business which for himself ramified into trade and other parts of commerce. More than three decades ago Mr. Hossain, in his early twenties, started a humble business in a hinterland at Bagerhat. By dint of all human qualities to the level of excellence his Shrimp cultivation very soon turned him an exporter. In quick succession he established the Lockpur Group which currently comprises 20 corporate independent units of diversified products. His business acumen and personal salesmanship are behind the national and international prize-winning successes of the concerns of the group which he leads as its Chairman and CEO. A philanthropist Mr. Hossain has established several schools, colleges, mosques and other socio-religious institutions.



Mr. Talukdar Abdul Khaleque
Vice Chairman

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

DIRECTORS PROFILE

Al-haj Mizanur Rahman
Vice Chairman

Al-haz Mizanur Rahman is the Vice Chairman of South Bangla Agriculture and Commerce Bank Limited since its inception on February 20, 2013. Born in a respected Muslim family at Borguna, he is a prominent business person of the country and being selected highest tax payer for last 7 years consecutively. He is the Chairman of Sun Moon Group, a business conglomerate of the country. The group consists of companies such as M R Trading Co Ltd., Moon International Printing Press Ltd., Modina Properties Ltd., Moon Bangladesh Ltd., Sun Moon Star Real Estate International Ltd., Sun Moon Star International Hotel. He is also Editor of the National Daily Bangla Newspaper "The Daily Bartoman" and English Daily "The Daily Sun Moon Star". He has strong communication and presentation skill, excellent management background, and can motivate teams and individuals to produce outstanding results.

Mr. Maksudur Rahman
Chairman, Executive Committee & Director

Mr. Maksudur Rahman the Chairman of the Executive Committee of South Bangla Agriculture & Commerce Bank Limited as well as the Managing Director of Ratanpur Steel Re-Rolling Mills Ltd., was born in 1950. He is a graduate and having 41 years of business experience. He is the founder of the RSRM group and the Ratanpur Steel Re-rolling Mills Limited is one of the concerns of the RSRM group. Upon completion of his Graduation Mr. Rahman started his business in the year 1972 and established a steel Re-rolling Mills in Chittagong in the year 1986. After realizing the business risk diversification regarding back ward linkage Mr. Rahman planned to start scrap ship breaking year 1990 and till now he is one of the pioneer businessman in Chittagong regarding scrap ship breaking and he owned two high-tech scrap ship breaking yard. In the mean-time he is known as one of the intelligent business entrepreneur's in the country. Mr. Rahman retained multi-dimensional business knowledge and he knows better how to reduce the systematic risk in the business as a result his foot print on the various back ward and forward linkage in the industry as well as business. He is engaged with various social development activities such as member trustee board of Feni University at Feni and Hakkani Darbersharif Dhakil Madrasha at Faridpur and member, Chittagong Seniors Club.

DIRECTORS PROFILE

Captain M. Moazzam Hossain
Chairman, Board Audit Committee & Director

Captain M. Moazzam Hossain is a Sponsor Director of the bank. He is the Chairman of Audit Committee of the Board also. He obtained the M.Sc. Degree from Bundeswehr University, Germany in 1986. His student life is full of brilliant academic achievements. Mr. Hossain has a diversified experience in the business of bank and financial industries. He is involved in diversified business entities like Agro base, Real Estate, Shipping etc. He is the Chairman of E-Securities Ltd., Paramount Properties Ltd., Agrovita Ltd., Admiral Trading Corporation, Ekushey Homes Ltd., United Corp. Advisory Ltd., Shoppers World Ltd., & Master Ocean Voyage Ltd. He is also the Director of PLFS Investment Ltd. & Peoples Investment Ltd.

Mr. Md. Moklesur Rahman
Chairman, Risk Management Committee & Director

Engr Md. Moklesur Rahman is one of the visionary industrialists in Bangladesh. He obtained his BSC Civil Engineering degree from Chittagaong University of Engineering and Technology (former Chittagong Engineering Collage), one of the top universities in Bangladesh. He has always been a dreamer and wanted to run his own business since an early age. After gaining experience working for Gemcon Group, on 29 May, 2001 he finally realised his dream and started Contech Construction Ltd, one the most highly respected SPC Piles & Poles supplier 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 on11 January, 2005 to supply electrical wires and is the largest income generator in the B&T Group. Mr. Moklesur Rahman is a hard working man and he had still not quenched his thirst for running new businesses and helping the economy of Bangladesh to grow. He also founded B&T Cold Storage, providing affordable perishable storage facilities to the mass of Bangladeshi farmers. He has always been a civil engineer at heart and founded B&T Development Limited, building apartments in prestigious locations in Dhaka such as Lalmatia, Banani, Gulshan & Khilgaon as well as providing affordable housing solutions elsewhere in Bangladesh. From his humble beginnings, he has come a long way to be one of the founding sponsor directors of South Bangla Agriculture and Commerce Bank Ltd. Since then, Mr. Moklesur Rahman has set his sights on giving back to the community of Bangladesh, the very same people who helped him reach where he is right now. He has donated generously to a number of educational and religious institutions, providing for the underprivileged people of Bangladesh with basic amenities such as food, clothing and shelter. Married to Mrs Quamrun Nahar and with two children, Engr. Md. Moklesur Rahman always believes in being honest and hard working.

DIRECTORS PROFILE

Mr. Abdul Kadir Molla
Vice Chairman, Executive Committee & Director

Mr. Abdul Kadir Molla is one of the Sponsor Directors of the Bank. He is also the Vice Chairman of Executive Committee of the Board. He obtained his MBA degree from American World University. Mr. Abdul Kadir Molla is one of the successful ones having huge conglomerates in the spinning, dyeing and knitting industries. He started his business in 1997 and established Thermax Group Ltd. Presently, he is the Chairman & Managing Director of Thermax Textile Mills Ltd., Thermax Melange Spinning Mills Ltd., Thermax Knit Yarn Ltd.,Thermax Spinning Ltd., Thermax Blended Yarn Ltd., Thermax Yarn Dyeing Ltd., Thermax Woven Dyeing Ltd., Thermax Yarn Dyed Fabrics Ltd., Adury Knit Composite Ltd., Adury Apparels Ltd., Thermax Check Fabrics Ltd., Sister Denim Composite Ltd., Indigo Spinning Ltd., Thermax paper Mills Ltd., Sister Garments Ltd., Thermax Accessories Ltd., Thermax Printing & Embroidery Ltd., Sultana Filling Point Ltd. etc. Near about 12,000 (Twelve Thousand) employments are provided by Thermax Group Ltd. Being 100% export oriented facilities, all the concerns of Thermax Group Ltd. earn foreign currency.

Mr. Abdul Kadir Mola is very much fond of education. He is the founder of Panch Kandi Degree College, Monorhardi, Narsingdi. He has own educational institutes like as Abdul Kadir Mola City College, N.K.M. High School & Homes, Abdul Kadir Mola International School, Abdul Kadir Molla City College deserves 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.

Mr. AZM Shofiuddin
Director

Mr. AZM Shofiuddin is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He is a prominent business person in the country. He obtained B.Com. Honors’ Degree from University of Dhaka in 2002. He is a member of Audit Committee and Risk Management Committee of the Board. He started his business in 1977 and established TS Group. He is the Chairman of Techno Electricals Ltd., SQ Wire & Cable Co. Ltd., SQ Properties Ltd. & SQ Lights Ltd. He is also the Managing Director of SQ Metal Industry Ltd., TSCO Power Ltd., TS Transformers Ltd.

DIRECTORS PROFILE

Mr. Md. Amzad Hossain
Director

Mr. Md Amzad Hossain is one of the Directors South Bangla Agriculture and Commerce Bank Limited. He is a renowned banker. He joined Pubali Bank after being recruited by BRC. In 1987 he joined Bangladesh Commerce Bank Ltd. in higher position with diversified responsibilities. He is a member of Executive Committee of the Board. He is also the Director of Bangladesh Poly Printing Int'l Ltd., Ideal Polymer Export Ltd. and Khulna Printing & Packaging Ltd. He is a Freedom War Hero of 1971.

Mr. Motiur Rahman
Director

Mr. Motiur Rahman is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He is a member of Executive Committee and Risk Management Committee of the Board. He graduated from Govt. M M College in 1978. He is a prominent business man of the country having business conglomerate. He is the Chairman of Great walls Land Property Ltd. Mercantile Securities Ltd., TRUE Distribution Ltd. and TRUE Service Pvt. Ltd. He is also the Managing Director of Innovative Properties Ltd., Paramount Properties Ltd., Shoppers World, Shoppers World Express, Patient Care Hospital Pvt. Ltd., E–Securities Ltd., Tower Cold Storage & Far East International University.

DIRECTORS PROFILE

Begum Sufia Amjad
Director

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

Mrs. Sanawar Bano
Director

Mrs. Sanawar Bano is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. She is also a member of Audit Committee of the Board. She is a notable business person in the country. She is the Chairman of Famous Printing & Packaging Ltd., Famous Iberchem Flavors & Fragrances Ltd., Famous General Agencies Ltd., F.S. Printing & Packaging Ltd., Matcon Ltd., & Green Soap & Chemical Co. Ltd.

DIRECTORS PROFILE

Mr. Hafizur Rahman Babu
Director

Mr. Hafizur Rahman Babu is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He is a member of Executive Committee of the Board. He has a diversified experience in Business particularly in the Capital Market & Trading Business. He is a Member of Dhaka Stock Exchange Limited. He is the Chairman of SB Group and also the Managing Director of Joytun Securities International Ltd., S.B. Agro Fertilizer Industries Ltd., Sheikh Cement Mills Ltd., Sheikh Jute Mills Ltd. (Proposed) and Gold Hill Properties Ltd.

Mr. Anwar Hussain
Director

Mr. Anwar Hussain is one of the Sponsor Directors of the Bank. He is a member of Executive Committee and Risk Management Committee of the Board. He is a young, well reputed and emerging business man in the country. He has obtained Bachelor 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., Director of Asuka CNG Refueling Station Ltd., Director of SAFAH CNG Refueling Station Ltd. and Director of AG Bricks Ltd. His goal is to bring in new innovation and dynamism in his company.

DIRECTORS PROFILE

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 medical sector. She is also the Director of Anwer Khan Modern Medical College Hospital Ltd., Modern Diabetic Centre Ltd., Haji Shakhawat Anwara Eye Hospital Ltd., Marry Gold Holdings Ltd. and Modern Holdings Ltd.

Mr. Md. Shakhawat Hossain
Representative Director
Haji Shakhawat Anwara Eye Hospital Ltd.

Mr. Md. Shakhawat Hossain is one of the Directors of the Bank representing Haji Shakhawat Anwara Eye Hospital Ltd. He is also a member of Executive 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. Presently he is working as General Manager in Modern Group of Co.

DIRECTORS PROFILE

Mr. Mrinal Kanti Debnath
Director

Mr. Mrinal Kanti Debnath is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He is also a member of Audit Committee and Risk Management Committee of the Board. He obtained his B.Sc. degree from M M City College in 1977. He has a long experience in the agro-based and frozen fish industries. He is the Deputy Managing Director of Lockpur group.

Mr. Mohammed Ilias
Director

Mr. Mohammed Ilias is a Sponsor Director of South Bangla Agriculture and Commerce Bank Limited. He graduated from Hazi Muhammad Mohsin College, Chittagong in 1999. He is a renowned business person having business conglomerate consisted with different types of business firm. He is the Managing Director of Liberty Enterprise Ltd., Liberty Accessories (BD) Ltd., Chittagong Cartons Ltd. MIP (BD) Ltd., Sunrise Accessories Ltd., Liberty Poly Zone (BD) Ltd., AMI Accessories (BD) Ltd., Rahman Poly, Hanger & Accessories Industry Ltd.

DIRECTORS PROFILE

Mr. Muhammad Mohsin
Director

Mr. Muhammad Mohsin is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. He is a member of Audit Committee of the Board. He obtained his MSS degree from Chittagong University in 1990. He has been in the business operation since 1982. He has built his business conglomerate with wider range of business. He is the Managing Director of Saad Musa Group and also the Director of SM Avenue Motors, Chittagong Fibre Boards Ltd., Rokeya Spinning Mills Ltd., Emdad Etima Spinning Mills Ltd., Mahammud Sajid Cotton Mills Ltd., Sultana Habiba Fabrics Ltd., Saima Samira Textiles Mills Ltd., M A Rahaman Dyeing Industry Ltd., Saad Musa Hometex & Clothing Ltd., Hasni Vanaspati Manufacturing, Ahmadi Oil Mills Ltd., Al-mustafa Vegetable Oil Industry, Saad Musa Properties Ltd., Shade Developers, Saad Musa City Centre & Crescent Industries Ltd.

Mr. Mushfiqur Rahman
Representative Director
M/S Contech Construction

M/S Contech Construction is represented by Mr. Mushfiqur Rahman, who is one of the most successful young entrepreneurs of the country. He graduated from The University of Melbourne and is the director of M/S Contech Construction Ltd., B&T Cold Storage Ltd., B&T Development Ltd.

DIRECTORS PROFILE

Mr. Md. Rafiqul Islam
Managing Director

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

MANAGEMENT

MD & CEO	
1	Mr. Md. Rafiqul Islam
Executive Vice President (03)	
2	Mr. Md. Ghulam Nabi
3	Mr.Harun Ar Rashid
4	Mr.Mohammed Salim Chowdhury
Senior Vice President (01)	
5	Mr. Md. Kamal Uddin
Vice President (05)	
6	Mr. K.N.M. Md. Enamul Haque
7	Mr. Md. Mizanur Rahman
8	Mr. A K M Rabiul Islam
9	Mr. Md. Masoodur Rahman
10	Mr. Mohammad Asadul Haque
First Vice President (05)	
11	Mr. Md. Abu Bayazid SK
12	Mr.Yousuf Solaiman Russel
13	Mr. Md. Mokaddess Ali
14	Mr. S.M. Iqbal Mehedi
15	Mr. Emdad Haider
Assistant Vice President (06)	
16	Mr. A.N.M. Mejbahul Hasan
17	Mr. A.N.M. Moyeej Ahmed
18	Mr. Abu Salem Mohammad Hojaiffa Noman
19	Mr. Md. Rafiuzzaman
20	Mr. Mohammad Shafiul Azam
21	Mr. Sahab Uddin

CHAIRMAN'S ADDRESS

In the name of Allah

Distinguished Shareholders,

I cordially welcome you all to the 1st Annual General Meeting of our Bank.

With immense pleasure, I present the report of the Board of Directors together with the Audited Balance Sheet, the Profit and Loss Account and other Financial Statements of the Bank for the year 2013. As far as revenue is concerned Bank had a laudable year in 2013. This could be possible for your constant support, encouragement & trust on us. I express my gratitude to you.

I inform you that unstable political situation resulted in slower business and investment activities in our country which adversely affected overall economic activities and business operations in 2013. Bangladesh Bank pursued supportive monetary policy with a view to maintain adequate credit flow for sustained growth while containing inflation within a tolerable level.

Despite all the odds, at South Bangla Agriculture and Commerce Bank, we successfully progressed and our total income, good asset quality, standard Liquidity Management, borne testimony to our sound management.

During 2013, your Bank has expanded its business significantly: deposits Tk. 4,441.95 million, loans and advances Tk. 3,006.76 million and operating profit Tk. 139.15 million.

The bank maintained a healthy loan deposit ratio of 67.69% during the year. South Bangla Agriculture and Commerce Bank Limited registered its presence in 12 different parts of the country i.e. the Bank now has 12 branches across Bangladesh. Business expansion has been in the areas of manufacturing, import and export, infrastructure, services and agriculture credit, ranging from corporate clients to small and medium enterprises, and retail clients.

Bangladesh Bank has been pursuing prudential regulations, supervisory oversight, transparency and market disclosure to further strengthen the

country's financial system. Let me assure you that SBAC Bank has so far successfully & timely implemented almost all the directives of the regulatory authorities and shall continue to do so going forward.

As our vision and mission command us, we are particularly focused on customer satisfaction, excellence in service delivery, introduction of innovative products and strict observance of rules and regulations to become one of the leading commercial banks in Bangladesh. We have also undertaken several initiatives to further strengthen our position against all possible risk factors.

I am happy to inform you that we have already installed a high-end, efficient and tested Core Banking Solutions (Temonos T24) to provide our clients state-of-the–art banking operational facilities. The Bank has already undertaken a program to extend ATM services to its clients.

We are continuously in the process of updating and making ourselves adequately equipped and properly platformed to maintain and rev up our growth momentum. We can assure you that the Bank and our customers will reap benefits from the broad range of our products and services as well as expanding network of branches. We will remain focused to invest on those sectors of the Bangladesh economy, which have prospects of higher growth and are also the targets of the Government such as CCS, SME and Agriculture Loans. Our prime objective is to add more value to our Shareholders' Investments as well as contribute to our country's economy and welfare of the community at large by managing the risk factors prudently and efficiently.
With the new products in mind, the Bank will take initiatives to introduce new Liability and Asset products at its earliest. We also have a plan for further re-engineering of our existing products to make them suitable, more compatible and customer friendly in the light of ever changing financial and economic conditions.

Being a partner of the Government initiatives to strengthen the rural economy of Bangladesh, the Bank has opened a number of rural branches at Katakhali in Khulna, Bhatiari in Chittagong, Bhelanagar in Narsingdi, Hemayetpur, Ashulia and Keranigonj in Dhaka. We developed fascinating agri-loan products in order to better synchronize the Bank's financing approach with specific financial needs of different sub sectors of agriculture. Our Retail Banking and SME ¬units are extending fully fledged financial facilities to retail customers & small and medium enterprises under the refinance scheme of Bangladesh Bank. For this purpose we have already concluded a Refinance Agreement with Bangladesh Bank. It is my strongest belief that it will be promoting self-employment in the economy, and contributing towards creation of new job opportunities.

Being a cognizant citizen and ever vigilant corporate body, the Bank has already been contributing towards the people's welfare through its Corporate Social Responsibility (CSR) activities. We have been working to empower the community through socio-economic development of the underprivileged, destitute and the needy. During the year, we undertook a number of CSR activities such as donation for victims of Rana Bhaban collapse and distribution of blankets among destitute people.

The Board of Directors of the Bank has already approved CSR policy and the Bank has more plans to implement programs for the underprivileged such as establishing vocational training institute, giving stipend to the poor and meritorious students and rendering medicare establishing eye camp etc.

I take this privilege to express my gratitude to the Government of Bangladesh, Bangladesh Bank, Securities and Exchange Commission, Office of the Registrar of Joint Stock Companies and Firms for their continued support and guidance. I would also extend my thanks to all valued clients, patrons, well wishers and shareholders for their continued support and cooperation. My appreciation also goes to my fellow Members in the Board of Directors of the Bank for their deliberation and advice in bringing every success for the Bank.

Before I conclude, I would like to extend my appreciation to our employees for their dedication and hard work without which this performance would not have been possible.

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

S. M. Amzad Hossain
Chairman

Message from the Managing Director

"With the slogan "A Local Bank with Global Vision" SBAC Bank Limited started its journey since April 28, 2013 with the firm commitment of excellent customer service. In its beginning year of operation, the Bank has opened 12 branches with real time online banking services and has made expected progress in all areas, making operating profit of Tk.139.15 million. Our aim is to build the bank as an institution of Financial Excellence"

I am very pleased and feel honored to present the progress and achievements of the bank in 2013.

The operation of SBAC Bank Limited including eight other new Banks started in 2013 which heightened the 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 2013. The bank earned Tk.139.15 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities. We have successfully implemented world renowned & sophisticated centralized Temenos 24 (T24) Core Banking Software which is functionally rich, fully integrated, real-time online banking application, presently being used in more than 1000 financial institutions of 125 countries worldwide.

On a global perspective, the economy showed its varying colors with the European sovereign debt crisis, weak financial performance of EU countries, high unemployment rate in the developing countries, avoidance of fiscal cliff to avert recession in in USA etc. The estimated world GDP growth in 2013 was 2.9% compared to the actual World GDP growth of 3.20% in 2012 as reported by IMF World Economic Outlook (October 2013). The reason for lower growth in 2013 is the stagnant growth of Advanced Economy, negative growth in Euro Area, lower growth in USA, Emerging and Developing Economies and China. Only India registered higher GDP growth in 2013. The world economy continues to struggle for couple of years after the onset of the global financial crisis. The recovery of global economy continues but in weaker pace than forecast.

However, Bangladesh economy showed its resilience amidst global downturn registering 6.01 percent GDP growth against 4.5 percent GDP growth for developing countries. Bangladesh has witnessed political unrest in 2013 which hampered economic activities. In general manufacturing sector growth is likely to

have slowed in November-December' 2013 due to the nationwide shutdowns though data between July-November portray a healthy 18% growth in exports. Point to point inflation showed that food inflation has risen from 1.75% in September 2012 to 9.00% in December 2013. The reasons relate to higher distribution costs due to the frequent nation-wide strikes, and the fact that Indian food price inflation has also risen sharply which is also correlated with Bangladesh food inflation. Total Deposits (excluding interbank deposits and government deposits) in the banking system stood at Tk. 5,807,093 million in December 2013 registering 15.98% increase compared to the Deposits in 2012. Total Bank Credit including Investment stood at Tk. 6,247,412 million in December 2013 registering 14.69% increase compared to the Credit in 2012.

In its eight months of operation in 2013, SBAC Bank has made expected progress in all the areas. The operating profit stood at Tk.139.15 million having no classified loans, even a single account in the SMA (Special Mention Account). Total assets stood Tk. 8,673.89 million, total deposits Tk. 4,441.95 million , total loans and advances Tk. 3,006.76 million, Earnings per share Tk.0.11 , advance deposits ratio 67.69%, surplus capital Tk. 170.15 million and Income per employee Tk. 1.77 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 in to 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 2013. Consolidated loans and advances stood at Tk 3,006.76 million of which Loan disbursed to SME sector amounted Tk.317.61 million. In the Financial year 2013-2014 so far we have disbursed Tk.167.90 million in the agriculture sector.

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. 4,441.95 million in its eight months of operations in 2013. This has become possible by the support of branch network (12 branches in 8 months) 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 2013 to present fairly, in all material respects, its state of affairs, the results of its operations, cash flows and changes in equity complying all the rules and regulations applicable in this regards.

SBAC Bank has already formulated an 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.

SBAC Bank has always been in the forefront of implementing different risk management tools and techniques. Banking business is in fact a business of taking and administering risk. So it is vital to manage the risks efficiently. The risk management strategy of SBAC Bank is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. We have taken sufficient measures to prevent money laundering and terrorist finance. The implementation of goAML software is on the track.

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. 4,170.15 million in 2013 registering surplus capital of Tk. 170.15 million and capital adequacy ratio (CAR) is 61.99%.

Human Resources of any organization is an important asset and a key to success. SBAC Bank is working with a vision of transforming human resources into human capital through appropriate knowledge, skills, abilities and personal attribution. A healthy environment has been created where employees enjoy working with pride. Believing that human resources are main elements behind success and future sustainability of the bank, the bank is developing and motivating the workforce with contemporary HR policies and attractive benefits. The SBAC bank is not only offering a job but also creates opportunities for learning, challenging and rewarding career. The total regular employees of the Bank stood at 187 up to December 31, 2013. The Bank has already established Training Institute which is the 1st one among the fourth generation banks. The Training Institute has already successfully completed the Foundation Training of the 1st Batch Trainee Officers.

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

Being a socially responsible Bank, SBAC Bank has started CSR activities at the beginning year of its operation. We extended our helping hand to victims of Rana Plaza disaster through giving BDT 10.00 lac to Prime Minister's Relief & Welfare Fund. We distributed 3,000 (three thousand) blankets worth of BDT 6.96 lac to the people who are poor and suffering from cold weather of our country, especially north Bengal districts and char areas. We have also extended financial grants to Bangladesh Table Tennis Federation worth BDT 8.00 lac.

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 2013 we contributed Tk. 16.82 million as Tax, Tk. 21.08 million as advance tax & Tk.10.19 million as VAT and excise duty to national exchequer.

Our strategic priorities and actions plan for future is to expand of branch network throughout country to make available the banking services at the remote area also and ultimately towards financial inclusion. The Bank has already opened 12 branches in 2013 and opening of 10 more branches is under process which to be completed by June 2014. We have a plan to increase the branches to 50 by 2015. 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 and support. I convey my gratitude to the honorable Chairman, the Board of Directors, valued customers and shareholders of the bank for their support, guidance and co-operation. I appreciate the winning spirit of my team, their dedication, commitment towards their responsibility.

Md. Rafiqul Islam
Managing Director & CEO

Productivity

BANGLADESH

JACKFRUIT

The jackfruit has been named as the national fruit of Bangladesh and is a fruit that has been in existence for thousands of years. It usually grows in the month of Jaishtha and Ashar. It grows in plenty on the hilly areas of Chittagong and Sylhet and on the highland of Dhaka, Mymensingh, Comilla and Jessore. It has a rough and prickly skin. Inside the skin the fruit is found to be composed of many juicy flakes. It is one of the largest fruits to grow on trees in the world, and a Jackfruit Tree can live and bear fruit for approximately a hundred years if taken care of correctly.

SBAC Bank Limited
সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ
LOCAL BANK GLOBAL VISION

VALUE ADDED STATEMENT

Value added is the wealth accretion made by South Bangla Agriculture and 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 and reward to those who have created it and portion retained for continue operation and expansion of the bank. The value added statement for the year 2013 of the bank is given below:

	2013 Taka	%
Value Created		
Income from banking service	476,261,386	
Less: Cost of services & Supplies	254,114,296	
Value added by banking service	222,147,090	
Non-banking income	-	
Provision for loans & other assets	(33,675,218)	
	188,471,872	
Value distributed		
To employees as salaries & allowances	71,869,386	38.13%
To shareholders as dividend	-	0.00%
To Government as income tax	59,142,990	31.38%
	131,012,376	69.51%
Value retained		
(to maintain and develop operations)		
Statutory reserve	21,097,469	11.19%
Depreciation	11,117,727	5.90%
Retained earnings	25,244,300	13.39%
	57,459,496	30.49%
	188,471,872	100.00%

ECONOMIC VALUE ADDED 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 a 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 during the year minus cost of equity where the cost of equity is the opportunity cost that the shareholders forego. This cost of equity is calculated by taking proxy rate i.e. average Return on Equity (ROE) of the Banking Industry (at the end of June 2013) as reported in Monetary Policy Statement of Bangladesh Bank (January-June 2014) which is 8.21%.

	2013 Taka
Shareholders' equity	4,137,691,684
Add: Provision for loans & advances and other assets	33,675,218
Closing Shareholders' equity	4,171,366,902
Opening shareholders' equity	4,089,600,000
Average shareholders's equity	**4,130,483,451**
Earnings	
Profit after taxation	46,341,769
Add: Provision for loans & advances and other assets	33,675,218
	80,016,987
Average cost of equity	8.21%
Cost of average equity (for 8 months)	226,075,128
Economic value added	(146,058,141)

DIRECTORS REPORT

The Board of Directors of South Bangla Agriculture & Commerce (SBAC) Bank Limited has the pleasure and feels honored in welcoming you all to the 1st Annual General Meeting (AGM) and presenting the 1st Annual Report and Audited Financial Statements for the year 2013 along with the Report of the Auditors to the shareholders. A brief overview of the world market trend with comparison the performance of Bangladesh economy, Bank and strategic plan for 2014-2015 of the bank have also been provided in this Report.

GLOBAL ECONOMY: An Overview

The estimated world GDP growth in 2013 is 2.9% compared to the actual World GDP growth of 3.20% in 2012 as reported by IMF World Economic Outlook (October 2013). The reason for lower growth in 2013 is the stagnant growth of Advanced Economy, negative growth in Euro Area, lower growth in USA, Emerging and Developing Economies and China. Only India registered higher GDP growth in 2013. The world economy continues to struggle for couple of years after the onset of the global financial crisis. The recovery of global economy continues but in weaker pace than forecast.

World GDP Growth Rate Year –on-Year in Percent

Particular	2012	2013 (Proj)	2014 (Proj)
World	3.2	2.9	3.6
Advanced Economies	1.2	1.2	2.1
Other Advanced Economies	1.9	2.3	3.1
Euro Area	0.6	-0.4	1.0
USA	2.8	1.6	2.6
Emerging and Developing Economies	4.9	4.5	5.1
China	7.7	7.6	7.3
India	3.2	3.8	5.1

Source: *IMF World Economic Outlook (October 2013)*

World Outlook 2014:

Although global growth prospects for 2014 (3.6%) is higher than the previous two years, the road to recovery in the advanced economies is projected to remain uneven. Key trading partners, the US and the EU, are projected to grow faster in 2014 but private demand still remains very sluggish in the Euro Area. On the other hand, Emerging Market and Developing Economies (EDEs) are experiencing a multispeed recovery process with growth projected at 4.5% in 2013 and 5.1% in 2014 – which have both been revised downwards by about 0.5% points since July 2013 . While China is projected to grow at 7.3% in 2014, the rate of India is projected at 5.1%. Commodity prices and regional inflation continue to pose a key country risk. Crude oil prices rose about 5% in July-December 2013. The uncertainties in the Middle East may continue to persist and oil prices are therefore likely to remain volatile. On the other hand global food prices have declined somewhat over the past six months . FAO forecasts global food prices to remain reasonably stable over the next six months. Empirical studies show that Bangladesh's inflation is significantly correlated with India. Indian inflation has risen in recent months (WPI was 4.5% in June and rose to 6.2% in December 2013 while CPI was 9.9% in December 2013) and these inflationary pressures are already having knock-on effects on Bangladesh inflation, especially for food items.

BANGLADESH ECONOMY: An Overview

Domestic output growth:

Key indicators related to output growth in 1st half of FY 2013-2014 suggest that economic growth is likely to have slowed relative to FY 2012-2013 levels. Though service sector – which comprises over half of GDP - data is available only on an annual basis, a number of proxy indicators reflect slower service sector growth during the first half of FY14. Data on bank advances show that the growth of credit (outstanding) to the trade sector declined to 12.9 percent at the end of September' 13 from 24.7 percent at the end of September'12, while bank advances to transport and communication sector registered a negative growth of 43.54 percent. Moreover, there is also evidence that retail and wholesale trade, hotel and restaurant business, transport services and tourism faced sluggish demand due to frequent national shut-downs in July-December'13. Low growth of cement production (3.16 percent) and negative growth of iron and steel production (-8.54 percent) in the first two months of FY'13-14 indicate slowing growth of the construction sub-sector with bank credit to this sector also experiencing a low growth of

8.87 percent in July-September' 13. A sample of iron, steel and cement manufacturers reported a 50%-60% drop in sales in October –December' 13. In general manufacturing sector growth is likely to have slowed in November-December' 2013 due to the nationwide shutdowns though data between July-November portray a healthy 18% growth in exports.

Agricultural output data for July-December'13 suggests that thus far key targets for the cereal crops are on track (though these targets themselves imply a 2-3% growth in output relative to FY 12-13) though the farmgate price of other produce such as vegetables, potatoes etc have fallen sharply due to the disruption in the distribution network. Therefore, it is unclear whether agriculture growth will be significantly above the 2-3% range of the previous two years.

Overall the sluggish services and construction sector data along with the negative growth in remittances (-8.4% in July-December 13 relative to the same period in FY12-13), suggests that aggregate demand and overall economic growth in FY 13-14 will be lower than FY 12-13. BBS' estimates for FY 12-13 growth was 6.03% (using the 1995/96 base) though with the new 2005/06 base it was 6.2% (Bangladesh Bank's forecast in December 2012 was that output growth would range from 6.1-6.4% in FY 12-13 using the 1995/96 base and the eventual 6.03% outcome fell slightly outside this range). Bangladesh Bank's current forecast is that output growth will pick up in January –June 14 and this will partly make up for the losses faced in July-December 13, overall Bangladesh Bank's current forecast for FY 13-14 ranges from 5.8%-6.1% and should there be no major disruption to the economy, output growth could be closer to 6%. This is a slightly revised forecast relative to the 5.7%-6.0% range projected in December 2013. Bangladesh Bank will update its forecasts on a regular basis during the course of the year and the monetary program will also be flexible to accommodate any significant change in these forecasts.

Inflation

Point to point inflation data using the 2005/06 base broadly shows that food inflation has risen steadily from 1.75% in September 2012 to 9.00% in December 2013. The reasons relate to higher distribution costs due to the frequent nationwide strikes, and the fact that Indian food inflation has also risen sharply which is also correlated with Bangladesh food inflation. On the other hand, point to point non-food inflation is steadily declining, having peaked in October 2012 at 11.28% and has declined steadily to 4.88% in December 2013. This is due to the adherence to the monetary program and the recent disruptions which caused a slowdown in economic activity and lower consumer demand . However, the rise in food inflation is pushing up average inflation which bottomed out at 6.06% in January 2013, rose to 6.78% in June 2013 and is 7.53% in December 2013. Looking ahead, the FY 13-14 inflation target announced in the Budget is 7.0%. Reducing average inflation from its current 7.5% level may prove challenging especially as aggregate demand is likely to pick up in January –June 14 and the recent rise in Indian inflation is also a risk for Bangladesh as shown by historical long term trends.

Foreign Direct Investment (FDI):

The foreign direct investment in the first five months of FY 13-14 is at similar levels compared with the same period of FY 12-13. The pattern in FY 13-14 is likely to be dominated by reinvestment from existing firms such as for 3G upgrading, while new foreign firm entry is likely to have been limited given recent domestic uncertainties. Medium and long term loan disbursements in the first five months of FY 13-14 were USD 741 million relative to USD 745 million during July- November FY 12-13. Improved external balances are reflected in the accumulation of international reserves to over USD18 billion at the end of December 13, sufficient to cover 5.5 months of projected imports.

Government borrowing from the banking system:

Government borrowing (net) from the banking system amounted to 46 billion in July to December'13 against a budget provision of 260 billion for the whole of FY 13-14. The relatively low borrowing levels partly relates to the slow pace of ADP implementation and this pattern appears similar to the previous year where the borrowing largely took place in January 13 to June 13 as only 59 billion, of the total 248 billion taka borrowed, was borrowed in July 12 to December 12.

Another factor behind the low levels of borrowing from the banking sector is the fact that revenue from the sales of National Savings Certificates have risen sharply as the differential between their returns and that of bank fixed deposit rates has grown. Savings certificates sales between

July-November 2013 of 33.7 billion compares with 7.72 billion for the whole of FY13. The overall net borrowing from the banking system is the sum of borrowing by the Government from Bangladesh Bank and borrowing by the Government from scheduled banks.

Private sector credit growth:

In addition to access to credit from domestic sources, Bangladeshi corporate can tap foreign sources of financing. Private credit growth from domestic sources slowed to 11.1% growth in end November 13 compared with a year earlier. This slowdown is partly due to sluggish investment demand in the lead-up to the national elections, tighter lending practices by banks as well as the fact that there are two new channels through which entrepreneurs can access overseas lenders who offer lower cost financing. One existing channel is borrowing by corporates for term credit purposes with most having a maturity beyond five years – around US $534 million was approved in July –December 13 while US $1.82 billion was approved in FY 12-13 compared with US $1 billion in FY 11-12.

Call money market:

Call money rates have declined since their peaks in early 2012 when they were around 20%, and also fell in January-June 13 from around 10% in January 2013 to around 7% in June 2013. They have since leveled off ranging from around 7-8% in July –December 13. This is also reflected in below average loan to deposit ratios. At the retail level both deposit and lending rates fell in January-June 13 and since interest rate spreads have on average fallen – from 5.13% in June 2013 to 4.97% in November 2013 – we can infer that lending rates have fallen faster than deposit rates.

Domestic lending rates have fallen due to lower cost of funds for banks, lower demand for credit as well as increasing competition from overseas lenders whose lending rates are in single digits.

Banking Industry Outlook:

Total Deposits (excluding interbank deposits and government deposits) in the banking system stood at Tk. 5,807,093 million in December 2013 registering 15.98% increase compared to the Deposits in 2012. Total Bank Credit including Investment stood at Tk. 6,247,412 million in December 2013 registering 14.69% increase compared to the Deposit in 2012. But the Bills (Import & Inlands Bills) showed negative growth of 13.74% in the same period.

The spread between weighted average lending and deposit rate stood higher at 5.06 percent in December 2013. The weighted average call money rate (m-o-m) in the inter-bank market decreased slightly from 7.17 percent in January 2014 to 7.14 percent in February (up to 24 February) 2014 because of ample liquidity in the inter-bank money market.

The ratio of non-performing loans (NPL), in both gross and net terms, increased at the end of December 2013 compared with end of June 2013. Gross NPL went up from 11.9 percent at the end of June 2013 to 12.8 percent at the end of December 2013. The deterioration was across the board for all type of banks, but particularly for SOCBs and specialized banks. The reasons include having to classify loans stemming from the well-publicized scams in the banking sector as well as difficulties in loan repayment due to the economic disruptions resulting from national strikes.

Deposits held in Deposit Money Banks (Taka in Millions)

Items	December, 2013	November, 2013	December, 2012	Percentage Changes of December, 2013 over	
				November, 2013	December, 2012
Demand Deposits*	553777	518041	533857	6.9	3.73
Time Deposits*	5253316	5185680	4472968	1.3	17.45
Total	5807093	5703721	5006825	1.81	15.98

Source: *Statistics Department, Bangladesh Bank.*
Note: ** Excludes Interbank Deposits and Government Deposits.*

Bank Credit				(Taka in Millions)	
Items	December, 2013	November, 2013	December, 2012	Percentage Changes of December, 2013 over	
				November, 2013	December, 2012
Advances	4567984	4480072	4161796	1.96	9.76
Bills (Import & Inlands Bills)	193526	199556	224360	-3.02	-13.74
Investments	1485902	1462534	1061150	1.6	40.03
Total	6247412	6142162	5447306	1.71	14.69

Source: *Statistics Department, Bangladesh Bank.*
Note: *1. Advances include Advance, Money at Call, Balances with NBFI's & Accrued Interest.*
2. Investments include T. Bills, T. Bonds, Share & Securities.

During July – September 2013, capital adequacy ratio (CAR) remained at the 9.1 percent level of March –June 2013 with a slight improvement for State Owned Commercial Banks (SOCBs) and PCBs (Private Commercial Banks) but a deterioration for specialized banks.

Among the profitability measures, return on asset (ROA) in the banking sector declined marginally from 0.64 percent at the end of December 2012 to 0.61 percent at the end of June 2013 primarily due to the higher interest expenditure than interest income.
However, return on equity (ROE) of the banking industry remained virtually unchanged at 8.20 percent at the end of December 2012 and 8.21 percent at the end of June 2013.

Analysis of the economic purpose of outstanding loans to the private sector indicates that over the past year there has been a small increase in the share of loans going to the agriculture sector (from 5.2% in September 2012 to 5.4% in September 2013). The share of loans going towards trading activities has increased from 37.6% in September 2012 to 38.6% in September 2013 while there has been a reduction in the share of loans towards transport and communication (2.5% in September 2012 to 1.2% in September 2013). The share of construction loans has remained virtually unchanged (from 8.8% in September 2012 to 8.7% in September 2013) while the share of working capital financing has grown (from 13.8% to 15.0% during this period). The share of industrial term loans (19.9% in September 2013) in total outstanding credit remained unchanged compared to a year earlier.

Bangladesh Economy Outlook 2014:

The Government estimated the economic growth at 7.2% for 2013-2014 fiscal year. The monetary stance in January-June 2014 takes these recent economic and financial sector developments into account and will target a monetary growth path which aims to bring average inflation down to 7%, while ensuring that credit growth is sufficient to stimulate inclusive economic growth. This would require a monetary program framework that limits reserve money growth to 16.2% and broad money growth to 17% by June 2014. Bangladesh Bank will have a ceiling on net domestic assets as a key operating target. The ceiling for private sector credit growth of 16.5% has been kept well in line with economic growth targets. This level is sufficient to accommodate any substantial rise in investment and trade-finance over the next six months. Bangladesh Bank views these figures as indicative ceilings – banks continue to be advised to lend only to creditworthy clients for productive purposes and whether this ceiling is reached or not depends ultimately on investors' appetite and the banks' assessment of project viability. However there is a possibility of political disagreement again in 2014 which may create unrest in the economy.

HISTORY OF SBAC BANK LIMITED:

With the slogan "A Local Bank with Global Vision" SBAC Bank Limited started its journey since April 28, 2013 obtaining license from Bangladesh Bank with the firm commitment of excellent customer service with a difference. Its vision remained to be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong

liquidity. In its beginning year of operation within the shortest period of time, the Bank has opened 12 branches with full-fledged online banking service with the help of world famous Temenos 24 software in various locations in Bangladesh.

In its eight months of operation in 2013, SBAC Bank Limited has made expected progress in all areas. The operating profit stands Tk.139.15 million having no classified loans, even a single account in the SMA (Special Mention Account), considerable amount has been used for CSR activities.

AREA OF PRINCIPAL ACTIVITIES OF SBAC BANK LIMITED:

The principal activities of the bank are banking and related businesses. The banking businesses include deposits taking, cash withdrawal, extending credit to corporate organizations, organizing syndication deals, retail and SME financing, trade financing, project financing, agro-based project financing, agriculture loans, lease and hire purchase financing, remittance services etc. Mentionable that there is mandate for the Bank for disbursement of minimum 5% of its total loan and advances in the agriculture sector. The bank is in process to handle remittance business.

REVIEW OF INTERNAL CONTROL SYSTEMS:

SBAC Bank Limited has already formulated an Internal Control and Compliance (ICC) 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. 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 Limited include - control environment, risk assessment, control activities, segregation & rotation of duties, accounting information and reconciliation, IT security and self-assessment/monitoring.

REVIEW OF FINANCIAL REPORTING:

The directors are responsible for the preparation and fair presentation of financial stateme accordancein with applicable financial reporting framework, laws and regulations.

- **Fair Presentation of Financial Statements**
  We (the Directors) are responsible for the preparation and fair presentation of the Financial Statements of SBAC Bank Limited. We have got prepared the said financial statements as at and for the year ended 31 December 2013 to present fairly, in all material respects, its state of affairs, the results of its operations, cash flows and changes in equity. The External auditors i.e. MASIH MUHITH HAQUE & CO'S. opinion on the same has been given in their report.

- **Maintenance of Proper Books of Account**
  Proper books of account as required by law have been kept by SBAC Bank Limited. The External auditors MASIH MUHITH HAQUE & CO., Chartered Accountants also provided their opinion on the same in their report in "Opinion Paragraph".

- **Application of Accounting Policies and Accounting Estimates**
  Appropriate accounting policies to be consistently applied in preparation of the financial statements of the Bank and that the accounting estimates are based on reasonable and prudent judgment. Estimates and underlying assumptions are reviewed on an 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 2013.

- **Preparation of Financial Statements as per BAS/BFRS and any Departure there-from**
  The financial statements of the Bank as at and for the year ended 31 December 2013 have been prepared under the historical cost convention and in accordance with Bangladesh Financial Reporting Standards (BFRSs), the "First Schedule" (section 38) of the Bank Companies Act 1991, as amended by the BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong

Stock Exchange's listing regulations and other laws and rules applicable in Bangladesh.

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

- **Disclosure of Related Party Transactions**
  The related party transactions have been disclosed in details in the Financial Statements 2013.

RISK MANAGEMENT:

SBAC Bank Limited has always been in the forefront of implementing different risk management tools and techniques. The "Risk" of any banking institution may be defined as the possibility of incurring losses, financial or otherwise. Banking business is in fact a business of taking and administering risk. So it is vital to manage all these risks efficiently. In today's challenging financial and economic environment effective risk management is must for sustainable growth in shareholders' value. In banking arena, key risks include that of credit, market, operational, liquidity, reputation , environment and other risks like strategic risk, concentration risk, compliance risk etc. The risk management strategy of SBAC Bank Limited is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. We have taken sufficient measures to prevent money laundering and terrorist finance. The implementation of goAML software is on the track. Details of risk management are given in the "Risk Management" section of this Annual Report.

CAPITAL MANAGEMENT:

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

SBAC Bank Limited recognizes the impact of shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per directives of the Bangladesh Bank, the banks are required to maintain capital at 10.00 percent of its risk-weighted assets under Basel-II or Tk.400.00 crore whichever is higher. Tier-I capital should be minimum 5 percent of total capital. The bank also have the readiness for Basel-III as its Tier-I capital is equivalent to 10 percent of risk weighted assets on consolidated basis and has significant holding of Government Treasury Bills/Bonds which will support the maintenance of liquidity coverage ratio. Details of capital are as follows:

(Amount in million Taka)

A. Core capital (Tire –I)	2013
Paid up capital	4,089.60
Statutory reserve	21.10
Surplus / (deficit) in profit & loss account	25.24
Total Core capital (Tire –I)	4,135.94
B. Supplementary capital (Tire –II)	
General provision on unclassified loans	27.45
Revaluation reserve for HFT securities	1.75
General provision on off balance sheet exposures	5.01
Total Supplementary capital (Tire –II)	34.21
C. Total capital (A + B)	4,170.15
Total risk weighted assets	6,727.04
Required capital 10% on risk weighted assets or 400.00 crore whichever is higher (D)	4,000.00
Surplus of capital (C-D)	170.15
Capital adequacy ratio	61.99%
Capital Adequacy ratio-core capital	61.48%

(Comparative information is not given, as Bank started its operation in 2013)

HUMAN RESOURCES:

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

human resources are main elements behind success and future sustainability of the bank, the bank is developing and motivating the workforce with contemporary HR policies and attractive benefits. The bank is not only offering a job but also creates opportunities for learning, challenging and rewarding career.

The HR Division had a focus to establish SBAC Bank Ltd. as the best employer of choice in the banking sector by creating an attractive, inclusive and safe environment that recognizes the talents and encourages employees to take ownership for their professional and personal growth. HR Division has been coming up with relentless recommendations and contributions in each stage of employee life cycle starting from hire to retire. The Division has undertaken an initiative to align its core HR functions including but 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.

Diversity in workforce

From inception, the bank is successfully developing in bringing 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 12 branches, the bank is a proud employer of a diversified pull of people.

Total Workforce by Age Group

Age ranges	Total no. employees
Above 50	06
40-50	11
30-40	104
Below 30	66
Total	187

Total Workforce by Gender

Female Employees: 27, Male Employees: 160

Recruitment and Selection

The recruitment and selection unit of HR Division has carried out a massive talent acquisition during 2013. The bank strongly believes that its human resources are the driving force behind the financial excellence. 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 with sourcing the best potential candidates and developing a synergy between the employees and the bank.

Recruitment in 2013

24% Fresh Entrance, 76% Lateral Entrance

Instead of simply filling up the employee gap in certain positions of the bank, the recruitment and selection team emphasized on the "Best Fit" philosophy that can assure placing right people in right place at the right time. Since 2013 is the commencement year, for the expansion of Branch Network the HR Division has facilitated the recruitment for a total of 187 including both fresh and lateral candidates in 2013.

Quality of working relations

People treat each other as friends, colleagues and co-workers; support and help each other to get the job done. Though the organization is a very new one and employees came from different environments & backgrounds, all employees work as they are working as a team for a long time.

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.

Compensation & Benefit policy

SBAC Bank Ltd. is committed to performance based reward policy, which recognizes contribution of each of employees and links to the market competitive remuneration. Salary and benefits are dependent of employee's job grade and performance with no gender based differentiation

Training, Learning and Development

The Bank has already established Training Institute which is the 1st Training Institute among the fourth generation banks. The main activities of the Training Institute is to develop of the quality of the human resources by providing them on the job training and off the job training so that the employees of the Bank can be able to discharge their duties efficiently and effectively. The Training Institute has already successfully completed the Foundation Training of the 1st Batch consisting 25 Trainee Officers. To keep the

existing pool updated with contemporary practices, a good number of employees of the bank were also sent to attend various training, workshops and seminars arranged by different training academies.

INTERNATIONAL TRADE FINANCE:

In the last few months SBAC Bank has already been moving through all avenues of a conventional bank like export, import, opening L/Cs, remittance, both the funded and non-funded business. We have already got four Authorised Dealer (AD) licenses from Bangladesh Bank namely International Division, Head Office; Principal Branch, Dhaka; Agrabad Branch, Chittagong; Khulna Branch, Khulna to provide international business support to our valued customers.

Due to political turmoil in the late 2013, the overall foreign exchange business of our country was not satisfactory. Despite of all odds, the bank has done robust business among new banks in this arena. All AD branches are equipped with competent and experienced work team along with state-of-the-art modern and sophisticated software, Temenos T24.

SBAC Bank has first launched its SWIFT (Society for Worldwide Interbank Financial Telecommunication) operation among the new banks on 4th August, 2013. Since its inception, the bank has already established 82 RMAs (Relationship Management Application) with local and foreign banks. The bank is continuously endeavoring to increase its RMAs and to connect new destinations. At present SBAC bank has six Nostro Accounts of different currencies in New York, United Kingdom and India with renowned Correspondent Banks to facilitate payments throughout the world. More Correspondent Banks are eager to establish relationship with SBAC Bank with credit line facilities.

One of the core activities of the bank is to facilitate International Trade through export and import financing. As the RMG sector is the life line of our economy especially export, SBAC Bank has paid special attention to this sector. During the year 2013, our export business was USD 160.00 million. The bank has also emphasized on exporting diversified items such as agricultural products, ceramic, medicine, leather, shrimp, and so on. SBAC bank was involved in financing import business in the field of capital machineries, industrial raw material, scrap vessels, medical equipments, electronic goods, food grains, motor vehicles, spare parts, garment accessories, sports items, chemicals, baby food etc. Import business of the Bank stood at USD 117.40 million in the year 2013.

SBAC Bank is in continuous effort to encourage expatriate Bangladeshis living abroad for remitting funds through banking channels. In this regard the bank is trying to establish remittance drawing arrangements with reputed exchange houses/money transfer companies around the world. Wall Street Finance LLC, USA has shown interest to establish remittance drawing arrangement with us and SBAC Bank has taken necessary actions to obtain the approval from Bangladesh Bank. The bank has also take initiative to establish a special arrangement with Bangladesh Post Office in order to increase its delivery channel and for the distribution of foreign remittance taking the advantage of their wide network spread across the country.

TREASURY OPERATIONS:

The Treasury Division of SBAC Bank is engaged with Cash Management, Liquidity Planning and Liquidity Protection through dealing with money market, fixed income market, foreign exchange, asset liability management and primary dealer's business. The Treasury Division is also regarded as a Profit Center, which generates income by trading instruments in the Financial Market.

Primarily our Treasury Division is divided into following three wings:

1. Front Office (Dealing Room): Treasury front office deal with Call money, Inter-bank placement, Repo, Reverse Repo, sale/purchase of foreign currencies, maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), submission of primary auction bids and primary dealership business and secondary trading of Government securities.

2. Back Office: Treasury Back office is engaged in settlement of all deals done by front office. The major functions are maintenance of Bangladesh Bank account, reconciliation of Bangladesh Bank account and Nostro accounts, all regulatory reporting, entries of securities trading, Repo and Reverse Repo, posting of all entries, maintenance and revaluation of Government securities etc.

3. Mid Office: This Desk assesses all the risk associated with Treasury activities and report independently on crucial triggers, risk exposures.

Treasury Activities:

Foreign Exchange

SBAC Bank Forex Desk is engaged in foreign exchange market through buy and sell of foreign currency in inter-bank market. The Bank has good sources of Foreign Currency through its own export customers, Non-residence Remittances. SBAC Treasury keeps its open position within its set limit of 5.00 million USD. SBAC treasury makes forecast about future exchange rate movement on a regular basis and maintain its open position according to its future projection.

Money Market

Money market dealers arrange short and medium term funds at most economical terms which are required by the bank aside from customer deposit mobilization efforts. Money market desk ensures that the bank remains sufficiently liquid, meeting all its financial commitments and obligations to its customers besides meeting the SLR & CRR requirement at minimum risk and cost to the bank. In stress liquidity condition the desk always manages sufficient fund to provide business needs.

Investment

Investment desk in Treasury Front Office operates within the policy frame approved by the Board of Directors of the Bank. Fund invested in different securities both for maintenance of SLR & income generating activities. The philosophy is to manage and maximize income within certain parameters and limits. It also includes use of effective duration, rate shock analysis, as well as total return to analyze and manage the investment portfolio and to determine the effect of movements on the yield and value of the bank's portfolio. Investment desk operates within available investment opportunities in the country. The desk keeps an eye on the market movement to reap on every opportunity and to get the best of every penny invested and maximize profit as well as shareholders value.

Asset Liability Management (ALM)

Asset Liability Management is one of the major functions of Treasury. The ALM desk provides analysis, instruction and guidance in the area of asset liability management in order to promote the financial wellbeing of the Bank and proper management of balance sheet. Objective of the desk is to ensure efficient allocation of fund within an acceptable, measurable and defined risk structure. Conduct regular ALCO meeting once in a month but in case of urgent situation special meeting is arranged.

Primary Dealer

SBAC Bank is a Bangladesh Bank approved Primary Dealer (PD) from the inception of the Bank. We are actively involved in primary and secondary trading of Government securities. We bid for government securities in a competitive price in every auction. We are planning to expand our business to the clients through our branch network.

GENERAL SERVICES DIVISION:

The General Services Division (GSD) is the office responsible for the procurement and acquisition of supplies and services in support of the Bank's business. GSD is the entity within bank which is authorized to issue Invitations to Bid, Requests for Proposal, and 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 for expenditures of Bank's funds. Therefore, it maintains a competitive bidding process in accordance with Bank's procurement policy. We have developed our internal database which helps us to predict the needs of branches and divisions 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. General Services Division with the responsibility of accomplishing the following objectives:

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

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

Achievements of GSD for the year 2013:

1. Commencement of banking operation through collecting licenses and NOCs from different government organizations.
2. Shifting Head Office from "Akram Tower" to "Sun-Moon-Star Tower" within short period of time.
3. Timely inauguration of 12 (Twelve) new Branches around the urban areas as well as rural areas of our country.
4. Introducing more secured newly designed security instruments (i.e. cheque leaves) in compliance with Bangladesh Bank instructions and equipping the branches with proper and modern state of the art technology to make banking more secure for our customers.
5. Working as active participant with Bangladesh Bank during CSR activities around the extremities of Bangladesh

GSD Target in 2014:

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

INFORMATION TECHNOLOGY:

During the last couple of years, banking sector is facing a number of opportunities and challenges in the form of increased regulatory requirements, unstable financial markets, increased competition, changes in customer behavior and continuing technological development and innovation. Under this circumstance, Information Technology has been the cornerstone of recent financial sector reforms aimed at increasing the speed and reliability of financial operations and meeting the high aspirant customers' demand for instant, anytime and anywhere banking facilities. To face the challenges emanating from the growing competition and increasing customer aspiration, our bank has adopted latest technologies & infrastructure since its inception to develop more flexible structure that can respond quickly to the dynamics of a fast changing market scenario. Constant attention was paid to address IT risks and troubleshoot unnecessary dysfunction in technological involvement.

In the year under review, the first and foremost success of Information Technology Division was successful implementation of a world renowned & sophisticated centralized Core Banking Software. In fact,T24 of Temenos is a highly reputed banking solution that is operational in more than 1000 financial institutions of 125 countries worldwide and the CBS was deployed within shortest period of time which created a milestone in the history of Temenos. T24 is a modular, functionally rich, fully integrated, real-time banking application that enables us to respond to evolving market needs, providing core competitiveness for the future. At the moment, all systems/operation of our 12(twelve) Branches including General Banking, Credit, Trade Finance etc. are operating using this robust Core Banking Software (CBS) which has been designed to integrate operational excellence with broadened business activities.

A state-of-the-art, high density, high availability Data Centre has been built that is designed to flexibly handle different types of equipments. It has also been intended for scalability to handle our future requirements. Simultaneously, we have also implemented next generation network & system management tools which allow us to proactively monitor critical Data Centre and system parameters. A comprehensive network with redundancy has been implemented which is capable to prevent unauthorized entry into our network. Strong anti-virus software has been purchased and installed to beef up IT security measures. From an operational viewpoint, a number of new IT projects including launching of our Corporate Website have been opted for advanced mechanism with better control and security. Another significant project was successful implementation of Colocation Center which is currently operating as Disaster Recovery Site.

As a new and 4th Generation Bank, South Bangla Agriculture & Commerce Bank Ltd. has successfully implemented all projects initiated by Bangladesh Bank and entered into the system of Bangladesh Automated Cheque Processing System (BACPS), Electronic Fund Transfer Network (EFTN) and CIB Online within the shortest period of time. All necessary infrastructures have been developed and

new software has been accommodated to the Bank's internal system in this connection. Our IT Division undertook a great deal of basic and intermediate training initiatives to Bank's employees regarding Core Banking & other relevant IT Operations. Continuously trainings are organized both at Head Office and Branch level to impart IT knowhow to the Branch officials in a bid to minimize IT constraints and loss of IT related resources. It is essential that all Officers of the Bank are well conversant with Information and Communication Technology (ICT).

Information Technology Division with young, skilled & energetic IT personnel has developed Internal Web Portal which facilitates access into our Corporate Email System, Core Banking, BACH operation, Online CIB etc., and also working as repository of Circulars, User/Operation Manual, Employee Contact Info etc. Besides, an Online Recruitment Module for receiving application through online, sorting and selection of candidate based on criteria and issuance of Admit Card. System has been developed to make the delivery channels smooth, uninterrupted and user-friendly which added new dimension in our services.

We are planning to expand the use of technology-based banking this year which will include a number of new initiatives on priority such as introducing Internet & Mobile Banking, implementation of Self Service Terminals (Cheque Deposit & Cash Deposit Machine), Call Centre Operation etc. Our efforts will continue to find new and better ways to put technology for the best use of our customers.

ATM & CARDS SERVICES:

Now-a-days the ATM & Card facilities become one of the basic requirements of every account holder for their daily banking needs. Since the inception of SBAC Bank, the management has a wider vision to start SBAC debit/credit card along with ATM/CDM services to offer its valued customers, a 24X7 days cash deposit & withdrawal facilities. Considering the customers' needs, compare to the existing competitor banks' given features and to provide the customers a world class & hassle free round the clock uninterruptable transaction facilities, we have signed ATM network & system sharing agreement with the country's largest ATM & Card service provider ITCL (IT Consultant Ltd.).

ITCL consortium consists with more than 25 banks, which have approximate 1100 ATMs network. ITCL has also network sharing arrangement with Omnibus and DBBL ATM networks. So altogether SBAC Bank card holder can get access to more than 4000 ATMs countrywide by using their Debit cards. Meanwhile we have introduced Proprietorship Debit card and ATM and will expand the ATM network & install ATM to all branches and prime places within a short time. For ensuring more flexibility and wider acceptance of SBAC Debit card, including shopping in merchant outlets & online purchase, we are under process to get VISA membership. For ensuring more security and providing customized features to our card holders, SBAC Bank is also planning to implement an independent and robust card management system with switch and ATM controller soon.

As the retail business plays an important role in modern banking sector, which improves individual's lifestyle and social status, we are going to introduce VISA branded diversified Debit/Credit cards including Local & International use. We have a plan to cover all individual account by issuing SBAC debit cards, and hope we will able to issue approximate 30,000 debit cards in 2014. Our card holders shall also get privileged services and attractive discount while using their debit cards in selected merchant outlets including Hospitals, Hotels, restaurants and shopping malls.

CORPORATE SUSTAINABILITY:

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

CORPORATE GOVERNANCE:

The bank adheres strictly to the regulatory guidelines on corporate governance. Disclosures on corporate governance are provided in the "Corporate Governance" section of this Annual Report.

CSR ACITIVITIES:

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

- South Bangla Agriculture & Commerce (SBAC) Bank has extended its helping hand to victims of Rana Plaza disaster through giving BDT 10.00 lac to Prime Minister's Relief & Welfare Fund in 2013 as part CSR activities.

- The bank also distributed 3,000 (three thousand) blankets worth of BDT 6.96 lac to the people who are poor and suffering from cold weather of our country, especially north Bengal districts and char areas.
- We have also extended financial grants to Bangladesh Table Tennis Federation worth BDT 8.00 lac.
- So far, we have incurred expenses BDT 24.96 lac in total through our CSR activities.

We have firm commitment to contribute more in Corporate Social Responsibility (CSR) activities in coming days.

GREEN BANKING :

Under the guidance of Bangladesh Bank and we, being a socially responsible Bank, "A Green Banking Policy" of South Bangla Agriculture & Commerce Bank Limited has been formulated and approved by the Board of Directors. Green banking considers all the social and environmental factors along with financial priorities with an aim to protect the environment as well as to foster the economic development in a more environment friendly way. It is an opportunity to make a positive contribution to environmental and social concerns by enacting policies designed so that the business operations do not degrade the environment or turns harmful for the society. It covers a multitude of areas from a bank being environmentally friendly to how their money is invested. Global warming is an issue and has direct impact on bio-diversity, agriculture, fisheries, dry land, water resources and human health. The environmental degradation needs to be tackled in a concerted manner by all and society demands that businesses to take responsibility in safeguarding the planet. The key areas of degradation are air pollution, water pollution, encroachment of rivers, disposal of industrial and medical waste, deforestation, less of open air and bio diversity and so on. Green banking is a component of the global initiative to save the planet. Bangladesh is in a vulnerable stage in terms of climate change.

In line with global development and response to the environmental degradation, financial sector in Bangladesh should play important roles as one of the key stake holders. Banking sector in Bangladesh took steps in this regard particularly in the field of green financing but the activities got new momentum after issuance of Policy Guidelines for Green Banking by the Bangladesh Bank in this regard. SBAC Bank limited recognizes that balancing non-financial factors such as environmental and social issues with financial priorities is essential with a view to demonstrate the characteristics of good corporate governance. There are direct impacts on the environment through the daily consumption of energy and other resources. In addition, there are indirect effects on the environment through the provision of financial services to projects in environmentally sensitive areas.

Policy statements relating to Green Banking:

The environmental degradation needs to be tackled in a concerted manner by all. Society demands that business also take responsibility in safeguarding the planet. As a responsible Corporate Citizen, SBAC Bank Ltd reinforced its Green Banking initiatives by adopting followings policies:

- ✔ SBAC Bank Limited will comply with all laws and regulations related to environmental protection, green banking other requirements.
- ✔ The bank shall consider 'Environmental Risk' as a core risk for its business and shall develop effective procedures for management of environmental and social risks in its lending activities.
- ✔ The bank shall support business activities that contribute to the protection and improvement of the environment by providing specialized 'green' products-offered under comparatively more favorable terms and conditions; specifically in the area of renewable energy, energy saving, organic farming, biodiversity conservation, green chemistry, green transportation, water and waste management, environmental restoration, eco-tourism and agritourism.
- ✔ The bank shall support economic activities of the flood, cyclone, and drought prone areas with soft terms of business 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 waste 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 program that save energy and water, manage waste, recycle materials, reduce business trips, and promote green procurement and providing wide range of e-banking services.

- The bank shall provide 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 allocate considerable amounts in its annual budget for implementing & practicing green banking activities with flexible terms and conditions.

✔ A High-Powered Committee comprising of the director(s) from the Board of the Directors of the bank shall review environmental policies, strategies and programs of the bank

✔ Green Banking Policy Implementation Unit (GBPIU) is assigned responsibility for designing, evaluating and administering related Green Banking issues of the bank. A senior executive has been assigned with the responsibility of heading the unit and a permanent position playing the role of coordinator of the unit shall be created. The unit will report to the high powered committee time to time.

✔ The bank shall set up Green Branches to expedite Green banking Activities.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Being a responsible corporate citizen, SBAC Bank Limited regularly pays corporate tax on time. We also deposit excise duty, withheld tax and VAT to Govt. exchequer on time deducted from employees' salary as well as payments to customers and vendors. During the calendar year 2013 we contributed Tk. 16.82 million as Tax, Tk.21.08 million as advance tax & Tk.10.19 million as VAT and excise duty to national exchequer.

PERFORMANCE OF SBAC BANK LIMITED IN 2013:

The operation of SBAC Bank Limited including eight other new Banks has started in 2013 which heightened the competition in the Banking arena. Despite the challenges, SBAC Bank Limited has been able to record progress in almost all the areas of operation in 2013. The bank earned Tk.139.15 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities. Trade finance and other ancillary businesses have also been started. The Financial performance of the Bank is as follows:

HIGHLIGHT OF THE PERFORMANCE OF SBAC BANK LIMITED 2013

Sl. No.	Particulars	Amount in Million Taka
01	Paid up capital	4,089.60
02	Total capital (Tier I +II)	4,170.15
03	Surplus/(deficit) capital	170.15
04	Total assets	8,673.89
05	Total deposits	4,441.95
06	Total loans and advances	3,006.76
07	Total contingent liabilities and commitments	501.37
08	Advance deposits ratio (%)	67.69
09	Classified loans to advance ratio (%)	46.34
10	Profit after tax and provision	NIL
11	Classified advance	NIL
12	Provision kept against classified advance	NIL
13	Cost of fund (%)	10.12%
14	Interest earning assets	7,537.73
15	Non interest earning assets	583.23
16	Return on investment (ROI) (%)	3.50
17	Return on Assets (ROA) (%)	0.53
18	Income from investment	19.33
19	Earnings per share	0.11
20	Profit per share	0.11

Total Assets

At the inaugural year end 2013 , consolidated assets of the bank stood at Tk 8,673.89 million of which Tk. 7,537.73 million (86.90%) is interest earning assets , Tk.583.24 million (6.73%) is non interest earning assets and Tk. 552.92 (6.37%) million is investment

Cash and Balance with Bangladesh Bank & its Agent:

Consolidated position of the bank is Tk. 482.97 million in 2013 of which Tk. 155.34 million in the form of cash and rest of Tk.327.62 million held with Bangladesh Bank & its Agent.

Balance with other banks and financial institutions:
Consolidated position of the bank is Tk 3,928.03 million in 2013 of which Tk.3,918.96 million in Bangladesh and Tk.9.07 million outside Bangladesh

Investment

The Investment of SBAC Bank Limited reached Tk.552.92 at the end of 2013 which is 6.37% of total assets. Out of total Investment, Tk. 502.93 million (90.96%) is invested in Govt. securities and Tk. 49.99 million (9.04%) is invested in other than government securities.

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 2013. Consolidated loans and advances stood at Tk 3,006.76 million. To minimize the risks, the loan and advances has been given to diversified sectors. Loan disbursed to SME sector amounted Tk.317.61 million. In the Financial year 2013-2014 we have disbursed Tk.167.90 million in the agriculture sector. The sector in which we disbursed loan and advances during the year 2013 is as follows:

Sl. No.	Sectors	Amount in million Taka
01	Industrial Loan (other than working capital)	52.01
02	Industrial Loan (Working Capital)	37.20
03	Export Credit	422.84
04	Import Credit	377.42
05	Commercial Loan	1312.10
06	RMG & Textile	554.66
07	Construction	23.50
08	Consumer Credit	12.21
09	Others	214.82
	Total	**3006.76**

Liabilities

Consolidated total liabilities (excluding equity) of the bank stood at Tk 4,536.20 million in 2013 of which Tk. 4,441.95 million (97.92%) is deposit and rest Tk. 94.25 million (2.08%) is other liabilities .

Deposits

We attracted Depositors by offering lucrative rates and benefits. The deposits of SBAC Bank Limited stood at Tk. 4,441.95 million in its eight months of operations in 2013. This has become possible by the support of branch network (12 branches in 8 months) and high standard service provided to customers along with campaign carried out by retail team for mobilization of deposit. We have lucrative saving deposit schemes which are embodied with lucrative differential features. The Schemes are Monthly savings scheme, Monthly benefit scheme, Double benefit scheme, Triple benefit scheme, Lakhopoti savings scheme (LSS) etc. The Term Deposit is a substantial part of Deposit.

The clientele group of the Bank was individuals, corporation, NGO, NBFI, government bodies etc. The Deposit mix of Bank Limited is as follows:

Sl. No.	Type of Deposits	Amount in million Taka
01	Current deposits	294.09
02	Savings bank deposits	95.81
03	Short term deposits	506.66
04	Fixed deposits	3,263.40
05	Deposits under different schemes	135.11
06	Other deposits	146.88
	Total	**4,441.95**

Shareholders' Equity

Consolidated shareholders' equity stood at Tk. 4,137.69 million of which Tk. 4,089.60 million is paid up capital, Tk. 21.10 million is statutory reserve,

Tk.1.75 million is revaluation reserve and Tk. 25.24 million is retained profit.

TOTAL PROPERTY & ASSETS & TOTAL LIABILITIES AND CAPITAL OF THE BANK IN 2013

Particulars	Amount in million Taka
Cash	482.97
Balance with other banks and financial institution	3,928.03
Money at call and short notice	100.00
Investments	552.92
Loans and advances	3,006.77
Fixed assets including premises, furniture and fixtures	181.67
Other assets	421.53
TOTAL PROPERTY & ASSETS	**8,673.89**
Deposits and other accounts	4,441.95
Other liabilities	94.25
Total shareholders' equity	4,137.69
TOTAL LIABILITIES AND CAPITAL	**8,673.89**

Interest Income

The interest income stood at Tk.446.90 of which Interest received from loans and advances is Tk.151.07 million (33.80%) and Interest received from banks & other financial institutions is Tk. 295.83 (66.20%) million. The reason for higher interest received from banks & other financial institutions is that the surplus fund arising from deposit and paid up capital was invested on short term basis in the banks and financial institutions.

Interest Expense

The interest expense stood at Tk. 144.33 of which Interest paid on deposits is Tk.137.46 million. Interest paid on borrowing Tk. 0.08 million. Interest paid on securities and bonds is Tk. 6.79 million.

Net Interest Income

The net interest income stood at Tk. 302.57 million. Net interest income was the main contributor to operating income.

Investment Income:

The Investment income stood at Tk. 19.33 million in 2013 which came from Treasury bills only.

Non-Interest Income & Other Operating Income:

Non-interest income consists of Commission, Exchange earnings, Brokerage etc and other operating income consists appraisal fees, accounts maintenance charge, postage, telex, telephone & telegram which stood at Tk. 10.02 million of which Non-interest income is Tk. 8.16 million and other operating income is Tk. 1.86 million .

Total Operating Income

The total operating income stood at Tk. 331.92 million of which Tk. 302.57 million (91.16%) is net interest income, Tk. 19.33 million (5.82%) is investment income and Tk. 10.02 million (3.02%) is non interest income and other operating 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, audtors' fees, depreciation, amortization and repair of fixed assets etc which stood at Tk. 192.77 million . The item wise expenses including Directors fees are disclosed in the Financial Statements section of this annual report. The bank has recruited efficient Officials to perform the banking activities. The total regular employees of the Bank stood at 187 up to December 31, 2013. The productivity of the employees is measured in the following ratio:

Particular	2013 (amount in Lac Taka)
Income per employee	17.74
Expense per employee	10.30
Profit before provision per employee	7.44
Profit before tax per employee	5.64
Assets per employee	463.84

Provision of Classified Loans:

As there was no classified loans at the end of December 2013, no provision for classified loans was required to maintain.

General Provision

Provision against unclassified loans and off balance sheet items was made to the tune of Tk 32.46 million of which Tk. 27.45 million was made for unclassified loans and advances and Tk.5.01 million was made for off balance sheet items.

Other Provisions

Upon detection of irregularities assessing the recovery prospects, the bank made full provision against protested bills and claims originated during the course of banking operations amounting to Tk 1.21 million.

Net Profit before Tax

After making above provisions, net profit before tax of SBAC Bank Limited stood at Tk 105.48 million in the first year (8 months) of its operation.

Provision for Income Tax

Provision against current year income tax of SBAC Bank Limited was Tk. 59.14 million.

Net Profit after Tax

Net profit after tax stood at Tk 46.34 million. Average ROA and ROE stood at 0.53 percent and 1.92 percent respectively.

Statutory Reserve

As per Bank Companies Act 1991, 20 percent of profit before tax is required to be transferred to statutory reserve. As such an amount of Tk. 21.10 million has been transferred to statutory reserve.

Dividends

The SBAC Bank Limited started its operation in 2013. In spite of having distributable profit of Tk. 25.24 million, the Board of Directors decided not to declare dividend in any form for future growth.

OPERATING PERFORMANCE OF THE BANK IN 2013

	Amount in million Taka
Interest Income	446.90
Less: Interest Expense	(144.33)
Net Interest Income	**302.57**
Investment Income	19.33
Non-Interest Income & Other Operating Income	10.02
Total Operating Income	**331.92**
Less: Operating Expense	(192.77)
Profit before provision	**139.15**
Less: Provision	(33.67)
Net Profit before Tax	**105.48**
Provision for Income Tax	(59.14)
Net Profit after Tax	**46.34**
Less: Statutory Reserve	(21.10)
Profit available to ordinary share holders	**25.24**
Earnings Per Share	**Tk. 0.11 per share**

MEETINGS IN 2013:

During the year 2013, 11 Board Meetings, 6 Executive Committee Meetings, 02 Audit Committee Meetings and 01 Risk Management Committee Meeting were held. Details of the participants are as follows:

Sl. No.	Name of Director	Meetings (2013)							
		Board		EC		AC		RMC	
		Held	Attend.	Held	Attend.	Held	Attend.	Held	Attend
1	Mr. S.M. Amzad Hossain	11	11	-	-	-	-	-	-
2	Mr. Talukder Abdul Khaleque	11	2	-	-	-	-	-	-
3	Al-haj Mizanur Rahman	11	10	-	-	-	-	-	-
4	Mr. Maksudur Rahman	11	10	6	6	-	-	-	-
5	Captain M. Moazzam Hossain	11	10	-	-	2	2	-	-
6	Mr. Md. Moklesur Rahman	11	10	-	-	-	-	1	1
7	Begum Sufia Amjad	11	4	-	-	-	-	-	-
8	Mr. Abu Zafar Mohammod Shofiuddin	11	9	-	-	2	-	1	1
9	Mr. Abdul Kadir Molla	11	10	6	6	-	-	-	-
10	Mr. Md. Amzad Hossain	11	11	6	5	-	-	-	-
11	Mr. Motiur Rahman	11	9	6	6	-	-	1	-
12	Mrs. Sanawar Bano	11	9	-	-	2	2	-	-
13	Mr. Hafizur Rahman Babu	11	10	6	5	-	-	-	-
14	Mr. Anwar Hussain	11	10	6	6	-	-	1	1
15	Mrs. Tahmina Afroz	11	6	-	-	-	-	-	-
16	Haji Shakhawat Anwara Eye Hospital Ltd.	11	9	6	6	-	-	-	-
17	Mr. Mrinal Kanti Debnath	11	11	-	-	2	2	1	1
18	Mr. Mohammed Ilias	11	5	-	-	-	-	-	-
19	Mr. Muhammad Mohsin	11	11	-	-	2	2	-	-
20	M/S Contech Consruction Ltd.	11	2	-	-	-	-	-	-

PATTERN OF SHAREHOLDING:

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

a) Parent/Subsidiary/Associated companies and other related parties : Nill

b) Shareholding of Directors, Chief Executive Officer/Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children:

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
1	Mr. S.M. Amzad Hossain	Chairman	20,000,000	Begum Sufia Amjad	19,000,000
				S. M. Ruhan Hossain	Nil
2	Mr. Talukder Abdul Khaleque	Vice-Chairman	2,000,000	Mrs. Habibun Nahar	Nil
3	Al-haj Mizanur Rahman	Vice-Chairman	20,000,000	Mrs. Razia Rahman	Nil
				Eshmam Arifin Rahman	Nil
				Mahia Binte Mizan	Nil
4	Mr. Maksudur Rahman	Director	17,100,000	Mrs. Shamsun Nahar Rahman	2,000,000
5	Captain M. Moazzam Hossain	Director	27,000,000	Most. Farzana Moazzam	Nil
				Eshmam-E- Moazzam	Nil
6	Mr. Md. Moklesur Rahman	Director	20,000,000	Mrs.Quamrun Nahar	Nil
				Mayesha Maliha	Nil
7	Begum Sufia Amjad	Director	19,000,000	Mr. S.M. Amzad Hossain	20,000,000
				S. M. Ruhan Hossain	Nil
8	Mr. Abu Zafar Mohammod Shofiuddin	Director	20,000,000	Mrs. Afroza Sultana	Nil
				A Z M Sahib Quader	Nil
9	Mr. Abdul Kadir Molla	Director	40,000,000	Mrs. Nasima Begum	Nil
				Nawrin Sultana Adury	Nil
10	Mr. Md. Amzad Hossain	Director	6,500,000	Mrs. Nargis Hossain	Nil
11	Mr. Motiur Rahman	Director	4,000,000	Mrs. Kamrun Nahar	5,000,000
				Manjum Hasan Khabir	Nil
12	Mrs. Sanawar Bano	Director	20,000,000	Mr. Mohammad Farooq	Nil
13	Mr. Hafizur Rahman Babu	Director	15,000,000	Mrs. Nasima Rahman Nipa	Nil
				Nabila Rahman Rafa	Nil
				Nusaiba Rahman Raita	Nil
14	Mr. Anwar Hussain	Director	2,500,000	Mrs. Fadia Naz	Nil
15	Mrs. Tahmina Afroz	Director	20,000,000	Mr. Anwer Hossain Khan	Nil
				Adil Mohammad Khan Akash	Nil

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
16	Haji Shakhawat Anwara Eye Hospital Ltd.	Director	20,000,000	20,000,000	
17	Mr. Mrinal Kanti Debnath	Director	6,000,000	Mrs. Tripti Rani Debnath	Nil
				Mrinmoy Debnath	Nil
18	Mr. Mohammed Ilias	Director	15,000,000	Mrs. Parvin Ilias	Nil
				Mohammed Ilham	Nil
				Mohammed Israk	Nil
				Mohammed Imtinan	Nil
19	Mr. Muhammad Mohsin	Director	12,000,000	Mrs. Shamima Nargis	Nil
				Abida Saima Mahmud	Nil
				Abida Samira Mahmud	Nil
20	M/S Contech Consruction Ltd.	Director	20,000,000		Nil
21	Mr. Md. Rafiqul Islam	Managing Director & CEO	Nil	Mohammed Imtinan	Nil
22	Mr. Md. Masoodur Rahman	VP & CFO	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	Nil
23	Mr. Md. Mokaddess Ali	FVP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Anima Mehraj Mehrin	Nil
				Hasnine Farhad	Nil
24	Mr. Salil Kumar Dutta	FAVP & Head of ICC	Nil	Mrs. Sutapa Das	Nil
				Soummya Deep Dutta	Nil

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

SL. No.	Name	Status	No. of Shares
1	Mr. Md. Ghulam Nabi	EVP	Nil
2	Mr. Harun Ar Rashid	EVP	Nil
3	Mr. Mohammed Salim Chowdhury	EVP	Nil
4	Mr. Md. Kamal Uddin	SVP	Nil
5	Mr. Md. Mizanur Rahman	VP	Nil

RE-APPOINMENT OF AUDITORS:

MASIH MUHITH HAQUE & CO., Chartered Accountants was appointed as external auditors of the bank for the year 2013. They have expressed their willingness to continue as external auditors for the year 2014. As per Bangladesh Bank guidelines they are eligible for re-appointment.

ANNUAL GENERAL MEETING:

Annual General Meeting will be held on 30th March 2014 at 37, Dilkusha C/A, SBAC Bank Limited, Head Office. The Financial Statements were approved at 14th Board Meeting held on February 26, 2014 for presentation to the shareholders.

STRATEGIC PLAN FOR 2014-2015:

The strategic priorities and actions plans as stated in the bank's Strategic Plan (2014-2015) are mentioned below:

- Expansion of branch network throughout the country to make available the banking services at the remote area is the prime priority of the bank. The Bank has already opened 12 branches up to December 31, 2013 and opening of 10 more branches is under process which to be completed by June 2014. We plan to increase the branches to 50 by December 31, 2015.
- To take necessary steps to make the reality of the bank's slogan "Local Bank Global Vision"
- Continuation of diversification of 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 emphasize on geographical diversification.
- Improvement 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 minimizing asset-liability mismatch and recovery of past due loans.
- Diversification of products and services by introducing IT based innovative products and alternate delivery channels.
- Inward remittance service by making agreements with exchange houses like Wall Street Finance LLC, Xpress Money, Placid Express, Money Gram, IME, Merchant Trade, opening of new exchange houses, increase in domestic network like Post Office for the beneficiaries through strategic alliance, development of new products for the NRBs.
- Increase non-funded (non-interest fee based) income.
- Extend banking services to un-banked and under banked people for inclusive growth.
- Innovative approach in dealing with complex and large transactions / fund requirements with strategic alliance.
- Improve internal governance through strengthening good corporate cultures, motivation, training and supervision in all levels of management.
- Strengthening internal control and monitoring.
- Conduct Business Process Re-engineering in different functional areas to improve efficiency and bring in required structural change.
- Improvement of IT infrastructure in order to develop new IT based products and services.
- Integrated marketing effort by creating a customer-orientated culture.
- Development in 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.
- 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.
- Maintain strong capital base by ensuring borrowers' rating, concentrating on lending portfolio having lower capital charge, strengthening Internal Capital Adequacy Assessment Process (ICAAP).

On behalf of the Board of Directors

S.M Amzad Hossain
Chairman of the Board of Directors
March 4, 2014

Responsibility

ROYAL BENGAL TIGER

Royal Bengal Tiger is without question the most amazing wild animal these days. It is the national animal of Bangladesh. It has decided the place to stay of important field types for most part of the present millennium. Royal Bengal Tiger is crimson red with filter dark-colored, grayish or darkish lines, usually in a straight route. The bottom is rich and steamy or white; an unusual version has a chalky bright cover with deeper lines. It is known as so because of its royal look and is available in Bangladesh (Sundarbans).

SBAC Bank Limited
সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ
LOCAL BANK GLOBAL VISION

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.

Development Process- Risk Management Framework

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

Key elements of Risk Management System:

Risk management structure & senior management

1. Board Audit committee and Board Risk Management Committee are responsible for overall risk governance of the bank.
2. Bank Risk Management Committee is the apex forum that consists of Senior Management.
3. ALCO, RMD, Credit Committee and other Risk Committees.

Organizational policies, procedures and limit that have been developed and implemented

1. Risk Management Policies and procdures for major risk areas like Credit, Market and Operation are in place and review periodically.

Adequate risk identification, measurment, 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 various 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 and compliance function.

Risk Management Division:

As per Bangladesh Bank letter No. DOS(RMMS)1154/1/SBAC/2013-397 date December 02, 2013 SBAC Bank has formed a separate 'Risk Management Division' under Chief Risk Officer to ensure following things:

1. Designing of organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it;

2. Formulation of overall risk assessment and management policies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining at every individual unit level an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines as provided by Bangladesh Bank;

3. Reviewing and updating risks on systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them;

4. Formulation of strategies and different models in consistency with risk management policy based on IT Policy and in house IT support which can identify, measure, monitor and maintain acceptable risk levels of the bank;

5. Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the bank;

6. Ensure compliance with the core risks management guidelines at the department level, and at the individual desk level;

7. Analysis of self resilience capability by the Basel-II and Stress Testing of the bank;

8. Initiation to measure different market conditions, vulnerability in investing in different sectors;

9. Risk Management Division of South Bangla Agriculture and Commerce Bank Limited is arranging monthly meeting on various issues to determine strategies in consistency with risk manament policy, which can measure, monitor, and maintain acceptable risk level of the bank. Minutes of each meeting is submitted to Bangladesh Bank on quarterly basis;

10. Besides, Risk Management Paper has also been prepared on the basis of 03 months' monthly minutes addressing different areas of risk and their mitigating tools & techniques guided by the members of Risk Management Division.

Board Risk Management Committee:

As per Bangladesh Bank circular no. 11 dated November 27, 2013 South Bangla Agriculture and Commerce Bank Limited has formed a Risk Management Committee from the 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
01	Engr. Md. Moklesur Rahman	Chairman
02	Mr. Motiur Rahman	Member
03	Mr. A Z M Shofiuddin	Member
04	Mr. Anwar Hussain	Member
05	Mr. Mrinal Kanti Debnath	Member

Risk Management Committee with Executives of the Bank:

Pursuant to Bangladesh Bank vide Letter No: DOS (RMMS)1154/1/SBAC/2013-397 dated December 02, 2013 SBAC Bank introduced Risk Management Division (RMD) to analyze and measure business risk with taking effective steps to reduce the risks involved in the business of Banking. In view of the above to comply with Bangladesh bank directives and efficient operation of risk management activities of the bank, a Risk Management Committee is arranged with the following executives of the bank:

Sl. No.	Name & Designation	
01	Mr. Md. Ghulam Nabi, Executive Vice President, Head of CAMLCO	Chairman
02	Mr. Harun Ar Rashid, Executive Vice President, Head of ID	Member
03	Mr. Md. Nishadul Islam, Vice President, Head of RMD	Member Secretary

04	Mr. Md. Mizanur Rahman, Vice President , Head of ICT	Member
05	Mr. Mohammad Asadul Haque, Vice President , Head of Treasury	Member
06	Mr. Md. Masoodur Rahman, Vice President, Head of FAD	Member
07	Mr. ASM Hojaiffa Noman, Assistant Vice President, Head of Credit	Member
08	Mr. Salil Kumar Dutta, First Assistant Vice President, Head of ICCD	Member

Credit Risk:

Credit Risk is simply defined as the potential 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.

South Bangla Agriculture and Commerce Bank Limited has well written procedure both for appraisal and regular monitoring of credit risk. Regular reviews are held and risks identified 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.

Credit Policy:

Credit Policy of the Bank capture the core principles for identifying, measuring and managing credit risk of the bank. These policies are approved by the Board of Directors (BoD) and are designed to meet the organizational requirements that exist today and to provide flexibility for the future. SBAC Bank recognizes that a critical factor in the bank's continued profitability and stability is its effective risk management capabilities. SBAC Bank also ensure its risk management strength and strive to continuously promote a proactive risk management culture in the bank.

Lending guidelines:

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

Credit Assessment:

A thorough credit and risk assessment is being 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.

Risk Assessment:

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

1. Amount and type of loan(s) proposed.
2. Purpose of loans.
3. Loan structure (Tenor, Covenants, Repayment schedule, Interest etc.)
4. Security arrangements

Credit Risk Grading:

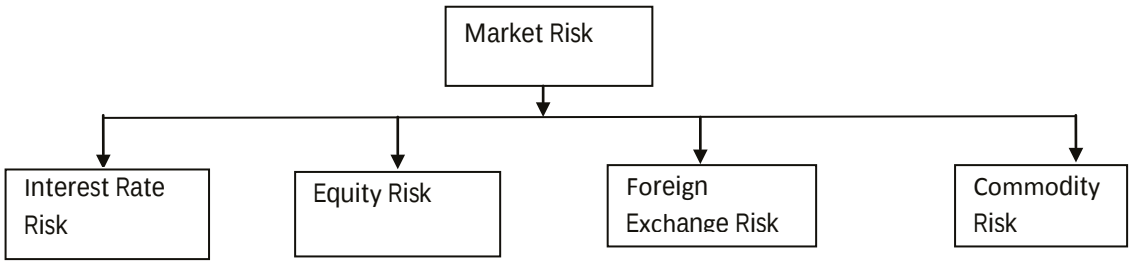
Credit risk grading is an important tool for credit risk management as it helps to understand various dimensions of risk involved in the underlying credit transaction. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality 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 post-sanction stage.

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 mitigate in the overall investment culture of SBAC Bank.

Market Risk:

Market risk is the risk of potential losses in the on 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.

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.

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 interest 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.

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. Marking to market is the tool bank applies for making full provision against losses arisen from changes in the market price of securities. As of the 31 December 2013 bank set aside BDT 0.12 crore charging its profit and loss account to cover the differential amount between purchase price and market price of securities traded in the secondary market.

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 no 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 Risk Management monthly meeting 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 SBAC Bank determines the adequacy of the liquidity position by doing analysis based on the following factors:

01. Historical funding requirement
02. Current liquidity position
03. Anticipated loan disbursement
04. Anticipated future funding needs
05. Present and future earning capacity
06. Sources of funds
07. Socio economic perspective of present and near future
08. Regulatory guidelines
09. Capital planning
10. GAP analysis
11 Stress Testing with minor, moderate and major shock showing absorbing capacity.

Operational Risk:

Operational risk refers to the risk of loss 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.

Mitigating operational risk:

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

Reputation Risk:

SBAC Bank defines reputation risk is the current or prospective indirect risk to earnings and capital arising from adverse perception of the image of the financial institution 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.

Prevention of Money Laundering:

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:

01. Dully filled in KYC (Know Your Customer) Form is a must for account opening;
02. TP (Transition Profile) in which every customer must specify what will be the frequency and amount of transaction;
03. There should be a monitoring function to monitor unusual/suspicious transaction which needs to be reported to the Bangladesh Bank;
04. Cast 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;
05. Record should be maintained for 5(five) years;
06. Appoint Compliance Officer in every branch and Chief Compliance Officer at Head Office;
07. Train officials on anti-money laundering
08. STR to be reported as and when needed.

The SBAC Bank, all of the above issues has been fully complied. For mitigating the risks the bank has designed a Chief Compliance Officer at Head Office and Compliance Officer at branches who independently review the transaction of the accounts to verify suspicious transaction. Training has been continuously given to all the category of officers and executives of the bank for developing awareness and skill for identifying suspicious activities.

Internal Control and Compliance:

Internal Control and Compliance is a management process designed to achieve

01. Effective and efficient of operations
02. Reliable financial reporting
03. Compliance with laws and regulations

The Bank has formulated 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 IC&CD has been divided into three (3) independent units; namely :-

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

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

Internal audit have been conducted on periodical intervals to ensure compliance of Banks and Regulatory authority policies. Core Risk Guidelines of Bangladesh Bank on Internal Control and Compliance, the MANCOM will review on yearly 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.

Information and 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 a comprehensive ICT policy has been formulated and approved by the Board of Directors. SBAC Bank has adopted Core Banking Software "TEMENOS T24" for its Bank management. IT 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.

RMD was active in 2013 for compliance with Bangladesh Bank guidelines:

RMD was active in 2013 to oversee comprehensive risk management activities of the Bank. It has taken necessary measures for compliance with guidelines on Risk Management Papers. It had regular monthly meeting to assess risk management status of various divisions and operations. The RMD coordinated various risk management activities of the Bank and provided guidelines to concerned divisions in this respect. The activities, observations and recommendations of RMD were regularly reported to the Managing Director and Bangladesh Bank.

Stress Testing:

Stress Testing is a risk management technique used to evaluate the potential effects of an institution'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 DOS circular no. 01 dated February 2011. The scope of stress testing is limited to simple sensitivity analysis. The methodology and calibration of shocks of stress testing are described below:

Credit Risk:

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

Performing Loans directly downgraded to B/L- Sectoral Concentration 1:

It is a measure of the concentration risk where the bank has the highest 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 Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 61.81%, 61.47% and 61.12% in minor, moderate and major respectively when considering individual shock.

Performing Loans directly downgraded to B/L Sectoral Concentration 2:
It is a measure of the concentration risk where the bank has the highest 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 Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 61.91%, 61.76% and 61.62% in minor, moderate and major respectively when considering individual shock.

Increase in NPLs due to default of top large borrowers:
It represents the scenario of the bank when top large borrowers default. It is assumed that top 3, 7 and 10 borrowers of the bank will default in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 55.00%, 53.49% and 53.08% in minor, moderate and major respectively when considering individual shock. The bank as a part of strategy is reducing the exposure of large investment borrower and focusing on diversification of credit portfolio like SME, Agriculture and Agri-based Industries. However, the bank is continuously monitoring the performance of large loan borrowers. Besides, a good amount of security coverage is also maintained against those large loans.

Negative shift in NPIs 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 Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 61.98%, 61.98% and 61.98% in minor, moderate and major respectively when considering individual shock.

Decrease in the Forced Sale Value (FSV) of the collateral:
It represents the bank's condition when FSV of collateral decreases sharply. It is based on the assumption that FSV of collateral will fall by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 61.98%, 61.98% and 61.98% in minor, moderate and major respectively when considering individual shock.

Interest rate shock:
It represents the condition of the bank when interest rate changes significantly. It is based on the assumption that interest rate will change by 1%, 2% and 3% in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 62.60%, 63.22% and 63.84% in minor, moderate and major respectively when considering individual shock.

Foreign exchange shock:
It represents the condition of the bank when exchange rate changes significantly. It is based on the assumption that exchange rate will change by 5%, 10% and 15% in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 61.97%, 61.97% and 61.96% in minor, moderate and major respectively when considering individual shock.

Equity shock:

It represents the bank's condition when market value of share falls sharply. It is based on the assumption that share price will change by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 61.95%, 61.92% and 61.87% in minor, moderate and major respectively when considering individual shock.

Combined Shock:

The stress test also measures effect of combined shocks on Capital Adequacy Ratio (CAR) 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 Adequacy Ratio (CAR) of SBAC Bank was 61.98% before apply the shock for December quarter 2013. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 62.33%, 62.42% and 62.15% in minor, moderate and major respectively when considering combined shock.

Credit Shock under Basel-II:

Standardized approach of Basel-II allows banks to compute its Risk Weighted Assets following external rating of the borrower. Higher the external rating, lower the risk weight; hence regulatory requirement of capital depends on the external rating customers. Under circumstances, if the credit rating of any customer downgraded, CAR of the bank will be affected. Applied level of shock is 5%, 10% and 15% of credit shock under Basel-II.

BOARD AUDIT COMMITTEE

Report of the Audit Committee of the Board of Director as per Bangladesh Securities and Exchange Commission Notification No. SEC/CMRRCD/2006/158/134/Admin/44, on Corporate Governance, dated 07 August, 2012

The 1st Audit Committee of the Board of Directors was duly constituted by the Board of Directors of the Bank in its 1st meeting held on March 11, 2013 in accordance with the BRPD Circular Number 12 dated December 23, 2002 of Bangladesh Bank as follows :

SL No.	Name	Status withthe Board	Status with the Committee
1	Captain M. Moazzam Hossain	Director	Chairman
2	Mr. Mrinal Kanti Debnath	Director	Member
3	Mr. Muhammad Mohsin	Director	Member
4	Mrs. Sanawar Bano	Director	Member
5	Mr. Abu Zafar Mohammod Shofiuddin	Director	Member

The objectives of the Audit Committee are to assist the Board of Directors mainly in the following areas:

Establishing a culture of adequate internal control system to ensure that sufficient risk management system is in place to manage core risks of the Bank and that financial reports disclosed by the bank are reliable.

- Developing an adequate Information Technology (IT) and MIS and establishing sufficient control system in IT operations to protect the Bank against any operational risk.
- Ensuring true and fair presentation of financial statements in compliance with Bangladesh Accounting Standards / Bangladesh Financial Reporting Standards and other regulatory requirements as applicable in Bangladesh.
- Reviewing the internal audit procedure of the Bank to ensure that the internal audit can pursue their activities without any hindrance.
- Reviewing the adequacy and effectiveness of internal audit and whether management is complying with recommendations made by the internal audit to ensure good monitoring system within the business.
- Recommending appointment of external auditors and special auditors, if any, and also reviewing audit works and reports submitted by external auditors and special auditors to ensure compliance and regularization of recommendations made by the auditors.
- Reporting to the Board of Directors on mistakes, frauds and forgeries and other irregularities, if any, for guidelines.
- Ensuring compliance to all applicable legal and regulatory rules and regulations and the directives made by the Board of Directors of the Bank.

The company secretary acts as the Secretary of the Audit Committee.

In pursuance of the objectives, Two (2) meetings of the Audit Committee of the Board were held on 13.07.2013(1st) and 08.09.2013(2nd) during the Calendar year 2013 . The Committee reviewed compliance of policy issues, regulations and applicable laws in general and audit reports submitted by Bank's Internal Control & Compliance Division as well as reports of external auditors.

The Committee put special emphasis on the following areas:

- To comply with all the requirements of the regulatory circulars meticulously provided by the regulatory authorities like Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) etc.
- To give emphasis on implementing the customer services including ATM service.

- To complete all documentation formalities in the loan accounts and foreign trade, if any.
- To improve the deposit mix with a view to bring down the cost of fund.
- To give emphasis on account opening retail and SME business.
- To take necessary actions for proper and prompt delivery of ATM cards and cheque books.
- Not to provide EOL without the approval of the competent authority of the Bank.
- To check the daily activity reports of the Branches regularly.
- To complete the audit of the new Branches within 06 (six) months from the date of the opening with a view to minimizing the irregularities at the early stage.
- To comply the Anti Money Laundering rules and regularize the KYC profiles.
- To define roles and responsibilities of all officers of the Branch by making organogram of the Branch.
- To prepare manpower planning of the Branches.
- To take necessary steps for removing the anomalies between daily listing and statement of affairs.
- To maintain Departmental Control Function Check List (DCFCL).
- To obtain Quarterly Operation Report(QOR)
- To obtain Quarterly Loan Documentation Checklist(QLDC)
- To maintain fire proof safe custody for ensuring security of documents.
- To complete affixing of stickers on the body of the fixed assets of the Branches.
- To open accounts with proper documents and complying all the rules and regulations in force.
- To keep the maintenance cost register against ATMs and list of ATM booths.
- To solve mismatches between physical cash position of the ATM and the figure of cash at ATM GL as per statement of affairs when required.
- To secure the vault room of the Branch.
- To strengthen the internal control system.
- To implement the Core Risk Management Guidelines.
- To ensure necessary training arrangement to the AROs for effective service.
- To regularize various lapses, irregularities in general banking, foreign trade and credit in the Branches.

The Audit Committee has further satisfied itself that:

- The rules & regulations of Bangladesh Bank and all other authorities and Bank's policy guidelines approved by the Board of Directors of the Bank are duly complied with.
- Internal Control Security measures are being adequately undertaken by the Bank in facilitating information Technology(IT) based/computerized banking including appropriate Management Information System(MIS).
- The Bank's system of Internal Control and its process are strengthened including ensuring right man in right place towards creation of a compliance culture in the Bank.
- The assets of the Bank are safeguarded and the creation of Liabilities and commitments are made transparent.
- The Financial Statements of the Bank has been prepared in accordance with Bangladesh Financial Reporting Standards(BFRS) and contained full disclosure.

The Committee also reviewed the audited financial statements as of 31 December 2013, half-yearly financial statements as of 30 June, 2013 and quarterly financial statements as of 30 September 2013 of the Bank.

While reviewing financial statements, the Committee thoroughly reviewed adequacy of provisions made against loans and advances and other assets and capital adequacy ratio.

The Committee stressed the need for close co-ordination between external Auditors and Internal Control and Compliance Division for continuous improvement of internal control procedure and risk management system of the Bank.

Captain M. Moazzam Hossain
Chairman
Audit Committee of the Board

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.1	Board Size 1. Board members should not be less than 5 (five) and not more than 20 (twenty)	√		
1.2	Independent Director			Noted for future Compliance
1.3	Chairman of the Board and Chief Executive Officer: The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company and the Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		
1.4	The Directors' Report to Shareholdershall include following additional statements	√		
1.4 (i)	Industry outlook and possible future developments in the industry.	√		
1.4(ii)	Segment- wise orproduct-wise performances.	√		
1.4 (iii)	Risks and concerns.	√		
1.4 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	√		
1.4 (v)	Discussion on continuity of any Extra -Ordinary gain or loss.	√		
1.4 (vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the	√		

	annual report.			
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.			N.A
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N.A
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	√		
1.5 (x)	Remuneration to directors including independent directors.	√		
1.5 (xi)	The financial statements prepared by the managementof the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
1.5 (xii)	Proper books of account of the issuer company have been maintained	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ Interna tional Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the	√		

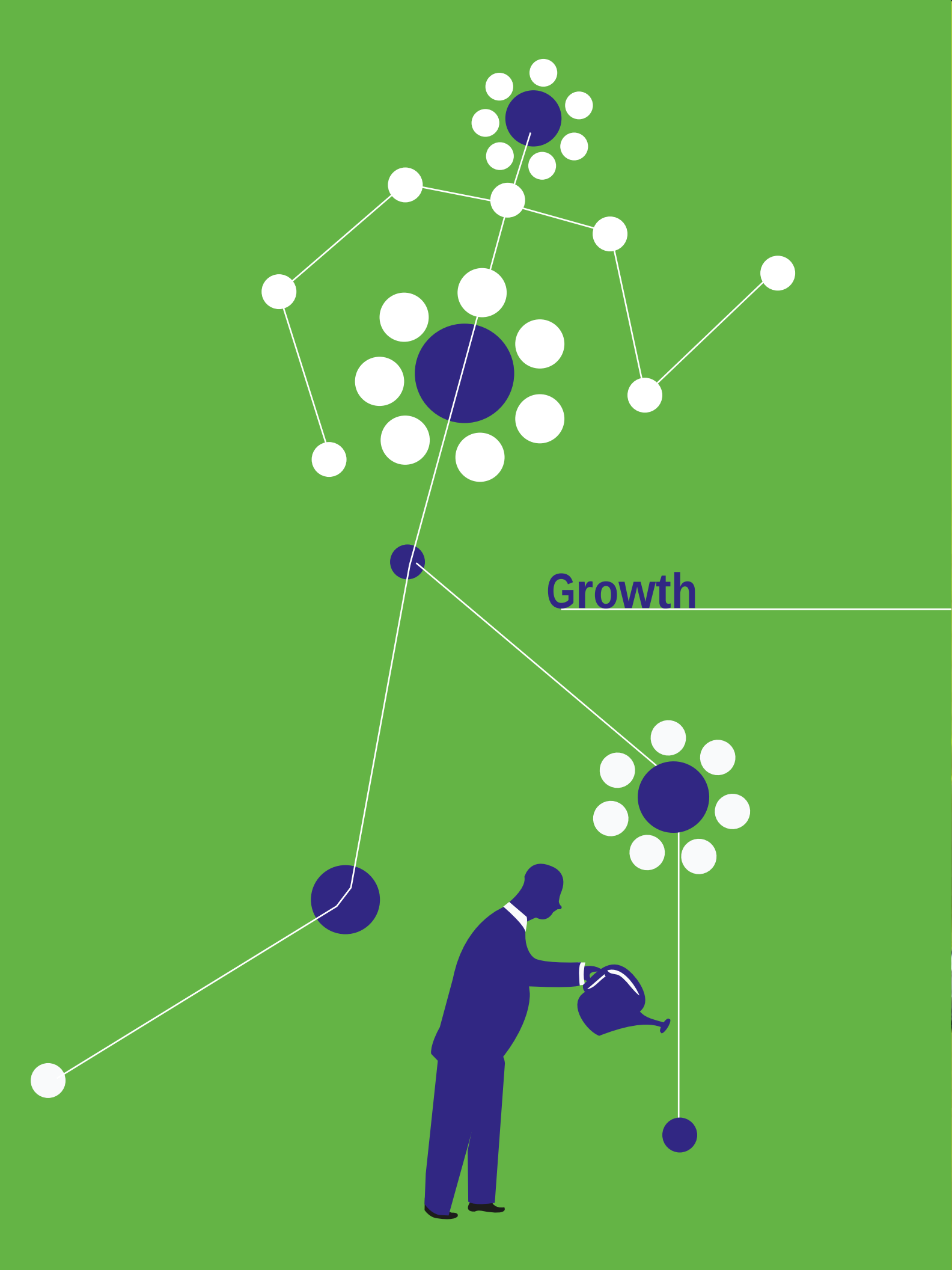
	issuer company is not conside red to be a going concern, the fact along with reasons thereof should be disclosed.			
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized			N.A
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	√		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by: -			
1.5 (xxii) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxii) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxii) (c)	Executives	√		
1.5 (xxii) (d)	Shareholders holding ten percent (10%) or more votes' interest in the company (name wise details). Explanation: For the purpose of this clause, the expression "executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.	√		
1.5 (xxiii) (a)	A brief resume of the director	√		
1.5 (xxiii) (b)	Nature of his/her expertise in specific functional areas;	√		
1.5 (xxiii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2	Chief Financial Officer (CFO),	√		

	Head of Internal Audit and Company Secretary (CS) :			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS).	√		
	The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Requirement to attend the Board Meetings Attendance of CFO and the company secretary at Board of Directors' meeting	√		-
3.	Audit Committee:	√		
3 (i)	The company shall have an Audit Committee as a sub -committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		-
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1 (ii)	Constitution of Committee with Board members including one Independent Director (ID)			Partially Complied
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1 (iv)	Filing of casual vacancy in committee.	√		
3.1 (v)	The company secretary shall act as the secretary of the Committee.	√		

3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		Noted for future Compliance
3.2	**Chairman of the Audit Committee**			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.			Noted for future Compliance
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of Audit Commite			
3.3 (i)	Oversee the financial reporting process.	√		
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function			
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a	√		N.A

	statement of funds utilized for the purposes other than those stated in the offer document/prospectus.			
3.4	**Reporting of Audit Committee**			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii) a)	Reporting of conflict of Interest to the Board of Directors	√		
3.4.1 (ii) b)	Reporting of any fraud or irregularity to the Board of Directors	√		
3.4.1 (ii) c)	Reporting of violation of laws to the Board of Directors	√		
3.4.1 (ii) d)	Reporting of any other matter to the Board of Directors	√		
3.4.2	Reporting to the Authorities If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	√		
3.5	Reporting to Shareholders and General Investors Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	√		
4.	**External/Statutory Auditors** **The issuer company should not engage its external / statutory auditors to perform the following services of the company; namely:**			
4 (i)	Appraisal or valuation services or fairness opinions.	√		
4 (ii)	Financial information systems design and implementation.	√		
4 (iii)	Book -keeping or other services related to the accounting records or financial statements.	√		

4 (iv)	Broker -dealer services.	√		
4 (v)	Actuarial services.	√		
4 (vi)	Internal audit services.	√		
4 (vii)	Any other service that the Audit Committee determines.	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√		
5.	Subsidiary Company			N.A
6.	**The Chief Executive Officer (CEO) And The Chief Financial Officer (CFO) shall certify to the board that**			
6 (i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6 (i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
7.	Repor ting a nd Compliance of Corporate Governance:			
7 (i)	The company shall obtain a certificate from a Professional Accountant/Secretary (Chartered Accountant/Cost & Management Accountant/Chartered Secretary) regarding compliance of conditions of			Noted for future Compliance
	Corporate Governance Guidelines of the Commission and shall send t he same to the shareholders along with the Annual Report on a yearly basis.			
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		


Growth

PRIDE OF BANGLADESH

HILSA FISH

Hilsa fish is the national fish of Bangladesh. But it is also popular in West Bengal, India's Assamese, Bengali & Oriya- speaking regions & in Pakistan Sindh. It is economically known as important tropical fish. The Hilsa fish from Padma River considered being the best in taste. The fishes of Padma have also an international demand. Though. Hilsa is caught from the sea. But the Hilsa of the river is considered for lovely taste than the Hilsa of the sea.

SBAC Bank Limited
সাউথ বাংলা এগ্রিবিজনেস এন্ড কমার্স ব্যাংক লিঃ
LOCAL BANK GLOBAL VISION

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

BALANCE SHEET - as at 31 December 2013

	Notes	Amount in Taka 2013
PROPERTY & ASSETS		
Cash	03.00	
In hand (including foreign currency)		155,342,064
Balance with Bangladesh Bank and its agent bank (s) (including foreign currency)		327,624,903
		482,966,967
Balance with other banks and financial institution	04.00	
In Bangladesh		3,918,968,648
Outside Bangladesh		9,065,050
		3,928,033,698
Money at call and short notice	05.00	**100,000,000**
Investments	06.00	
Government		502,930,886
Others		49,993,419
		552,924,305
Loans and advances	07.00	
Loan, Cash Credit and Over Drafts etc.		2,583,890,586
Bills purchased and discounted		422,877,389
		3,006,767,975
Fixed assets including premises, furniture and fixtures	08.00	181,674,080
Other assets	09.00	421,526,953
Non - banking assets		-
Total assets		**8,673,893,977**
LIABILITIES AND CAPITAL		
Deposits and other accounts	10.00	
Current account and other accounts etc.		294,088,490
Savings bank deposits		95,806,056
Short term deposits		506,660,420
Fixed deposits		3,263,396,812
Deposit under different schemes	10.01	135,112,549
Bills payable	10.03	43,332,482
Bank deposit		-
Other deposits	10.04	103,554,116
		4,441,950,925
Other liabilities	11.00	94,251,368
Total liabilities		**4,536,202,293**
Capital / Shareholders' equity		
Paid up capital	12.02	4,089,600,000
Statutory reserve	13.00	21,097,469
Revaluation reserve for HFT securities		1,749,915
Exchange equalization account		-
Surplus/(deficit) in profit and loss account	14.00	25,244,300
Total shareholders' equity		**4,137,691,684**
Total liabilities and shareholders' equity		**8,673,893,977**

Chairman | Director | Director | Managing Director

Place: Dhaka
Date : February 25, 2014

Masih Muhith Haque & Co.
Chartered Accountants

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

BALANCE SHEET - as at 31 December 2013

Particulars	Notes	Amount in Taka 2013
OFF - BALANCE SHEET EXPOSURES		
Contingent liabilities	**15.00**	
Acceptances and endorsements		49,711,022
Letter of guarantees	**15.01**	149,504,282
Irrevocable letter of credit		302,157,743
Bills for collection		-
Other contingent liability	**15.02**	-
Total Contingent Liabilities		**501,373,047**
Other Commitments		
Documentary Credits and Short Term Trade Related Transactions		-
Forward Assets Purchased and Forward Deposits Placed		-
Undrawn Note Issuance and Revolving Underwriting Facilities		-
Undrawn Formal Standby Facilities, Credit Lines and Other Commitments		-
		-
Total Off-Balance sheet exposure including contingent liabilities		**501,373,047**

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

Chairman **Director** **Director** **Managing Director**

Place: Dhaka
Date : February 25, 2014

Masih Muhith Haque & Co.
Chartered Accountants

See annexed auditors' report to the shareholders of the date.

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

PROFIT AND LOSS ACCOUNT - for the period ended 31 December 2013

Particulars	Notes	Amount in Taka 2013
Interest income	16.00	446,905,038
Less: Interest paid on deposits and borrowings etc	17.00	144,331,954
Net interest income		**302,573,084**
Income from investments	18.00	19,333,053
Commission, exchange and brokerage	19.00	8,166,208
Other operating income	20.00	1,857,088
		29,356,348
Total operating income (A)		**331,929,433**
Salary and allowances	21.00	65,869,386
Rent, taxes, insurance, electricity, etc.	22.00	70,489,578
Legal expenses		165,545
Postage, stamp, telecommunication etc.	23.00	2,497,939
Stationery, printing, advertisement etc.	24.00	4,411,043
Managing Director's salary and allowances	25.00	6,000,000
Directors' fees		700,500
Auditors' fees		57,500
Depreciation, amortization and repair of fixed assets	26.00	11,182,147
Other expenses	27.00	31,395,817
Total operating expenses (B)		**192,769,455**
Profit before Provision (C)=A-B		**139,159,977**
Provision against unclassified loans (including Off-balance sheet exposures)	11.01 & 11.05	32,464,768
Provisions for diminution in value of investment	11.03	1,210,450
Total provision (D)		**33,675,218**
Total profit/(loss) before tax (C-D)		**105,484,759**
Provision for current income tax	11.02	59,142,990
Net profit/(loss) after taxation		**46,341,769**
Appropriations		
Statutory reserve	13.00	21,097,469
General reserve		-
Dividends etc.		-
		21,097,469
Retained Surplus		**25,244,300**
Earnings per Share (EPS)	29.00	**0.11**

These Financial Statements should be read in conjunction with the annexed notes

Chairman **Director** **Director** **Managing Director**

Place: Dhaka
Date : February 25, 2014

Masih Muhith Haque & Co.
Chartered Accountants

See annexed auditors' report to the shareholders of the date.

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

STATEMENT OF CASH FLOW - for the period ended 31 December 2013

Particulars	Notes	Amount in Taka 2013
A) Cash flows from operating activities		
Interest receipts in cash		387,838,486
Interest payment		(95,764,079)
Income from investment		16,377,714
Fees and commission receipts in cash		7,855,854
Recoveries of loans previously written off		-
Cash payment to employees		(71,869,386)
Cash payment to suppliers		(77,398,560)
Income tax paid		-
Receipts from other operating activities		1,857,088
Payment for other operating activities		(30,949,922)
Operating cash flow before changes in current assets & liabilities		**137,947,194**
Increase/Decrease in Operating Assets and Liabilities		
(Purchase)/sale of trading securities		-
(Increase)/decrease in loans & advances to other banks		-
(Increase)/decrease in loans & advances to customers		(3,006,767,975)
(Increase)/decrease in other assets		(359,194,707)
Increase/(decrease) in deposits from other banks		-
Increase/(decrease) in deposits from customers		4,393,383,050
Increase/(decrease) in other liabilities		(701)
Increase/(decrease) in trading liabilities		-
		1,027,419,666
Net cash flow from operating activities		**1,165,366,860**
B) Cash flows from investing activities		
Proceeds from sale of securities		-
Increase/(decrease) in cash due to sale and purchase of investments		(48,243,504)
(Purchase)/sale of property, plant and equipment		(192,791,806)
(Purchase)/sale of subsidiary		-
Net cash used in investing activities		**(241,035,310)**
C) Cash flow from financial activities		
Receipts from issue of ordinary shares/(redemption of share capital)		4,089,600,000
Dividend paid		-
Net cash flow from financial activities		**4,089,600,000**
Net increase/(decrease) in Cash (A+B+C)		5,013,931,550
Opening cash & cash equivalent		-
Closing cash and cash equivalent	**28.00**	**5,013,931,550**

These Financial Statements should be read in conjunction with the annexed notes

Chairman **Director** **Director** **Managing Director**

Place: Dhaka
Date : February 25, 2014

Masih Muhith Haque & Co.
Chartered Accountants

See annexed auditors' report to the shareholders of the date.

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December-2013

Particulars	Paid up Capital	Share premium account	Statutory reserve	Revaluation reserve on securities	Other reserve	Exchange equalization account	Profit/(loss)	Total (Tk.)
Balance as at 1 January 2013	-	-	-	-	-	-	-	-
Prior period's adjustment	-	-	-	-	-	-	-	-
Dividend paid during the period	-	-	-	-	-	-	-	-
Decrease from statutory reserve	-	-	-	-	-	-	-	-
Increase in statutory reserve	-	-	21,097,469	-	-	-	-	**21,097,469**
Surplus of revaluation reserve for HFT securities	-	-	-	1,749,915	-	-	-	**1,749,915**
Issuance of share capital	4,089,600,000	-	-	-	-	-	-	**4,089,600,000**
Redemption of share capital	-	-	-	-	-	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	25,244,300	**25,244,300**
Balance as at 31 December 2013	**4,089,600,000**	-	**21,097,469**	**1,749,915**	-	-	**25,244,300**	**4,137,691,684**

Net result of liquidity statement represents the shareholders' equity of bank

Chairman **Director** **Director** **Managing Director**

Place: Dhaka
Date : February 25, 2014

Masih Muhith Haque & Co.
Chartered Accountants

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

LIQUIDITY STATEMENT (ASSET AND LIABILITIES MATURITY ANALYSIS)

as at 31 December 2013

Particulars	Upto 01 Month	1-3 Months	3-12 Months	1-5 Years	More than 5 Years	Total
Assets:						
Cash in hand & with Bangladesh Bank	482,966,967	-	-	-	-	**482,966,967**
Balance with other banks & financial institutions	28,033,698	2,750,000,000	1,150,000,000	-	-	**3,928,033,698**
Money at call and short notice	100,000,000	-	-	-	-	**100,000,000**
Investment	50,050,219	9,840,530	336,086,958	-	156,946,598	**552,924,305**
Loans and advances	332,627,793	822,072,207	1,751,733,987	53,517,000	46,816,988	**3,006,767,975**
Fixed assets including premises, furniture and fixtures	-	-	-	181,674,080	-	**181,674,080**
Other assets	212,732,095	-	-	208,794,858	-	**421,526,953**
Non-Banking assets	-	-	-	-	-	**-**
Total Assets	**1,206,410,771**	**3,581,912,737**	**3,237,820,945**	**443,985,938**	**203,763,586**	**8,673,893,976**
Liabilities:						
Borrowing from Bangladesh Bank, other banks, financial institutions and agents	-	-	-	-	-	**-**
Deposits	939,887,448	633,853,067	2,297,791,499	393,670,936	176,747,974	**4,441,950,925**
Other liabilities	-	-	-	94,251,368	-	**94,251,368**
Total Liabilities	**939,887,448**	**633,853,067**	**2,297,791,499**	**487,922,304**	**176,747,974**	**4,536,202,293**
Net liquidity gap	**266,523,323**	**2,948,059,670**	**940,029,446**	**(43,936,366)**	**27,015,611**	**4,137,691,684**

Net result of liquidity statement represents the shareholders' equity of bank.

Chairman **Director** **Director** **Managing Director**

Place: Dhaka
Date : February 25, 2014

Masih Muhith Haque & Co.
Chartered Accountants

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December, 2013

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 20th 2013 under Companies Act 1994 to carry out banking business. It obtained license from Bangladesh Bank for carrying out banking business on March 25th, 2013 under Bank Companies Act 1991. The Bank has been carrying out its banking activities through its twelve(12) 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 service, cash management, treasury, 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, 2013 have been prepared on going concern basis under the 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 Bangladesh Bank Circulars, 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 in Bangladesh.

2.1.1 Statement of Compliance

The financial statements of the Bank are prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987. In case any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of BFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail. Material departures from the requirements of BFRS are as follows:

i) Investment in shares and securities

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

Bangladesh Bank: 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 investment; otherwise investments are recognized at cost.

ii) REVALUATION GAINS/LOSSES ON GOVERNMENT SECURITIES

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

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

iii) Provision on loans and advances/investments

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

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

iv) Recognition of interest in suspense

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

Bangladesh Bank: 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.

v) Other comprehensive income

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

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

vi) Financial instruments – presentation and disclosure

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

vii) Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is 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 14, financial guarantees such as letter of credit, letter 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 equivalent

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

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

ix) Non-banking asset

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

Bangladesh Bank: As per BRPD 14, there must exist a face item named Non-banking asset.

x) Cash flow statement

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

Bangladesh Bank: As per BRPD 14, cash flow is the mixture of direct and indirect methods.

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

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

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

xii) Presentation of intangible asset

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

Bangladesh Bank: There is no regulation for intangible assets in BRPD 14.

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 assets can be measured reliably.

b) Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. 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 commencing from the date of application when software is available for use.

xiii) Off-balance sheet items

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

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

xiv) Loans and advances/investments net of provision

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

Bangladesh Bank: As per BRPD 14, provision on loans and advances/investments are presented separately as liability and cannot be netted off against loans and advances.

2.2 Use of estimates and judgment

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

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

2.3 Foreign currency transaction

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 Bangladesh Accounting Standard-21(BAS) "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) Translation gains and losses

The resulting exchange transaction gains and losses are included in the profit and loss account.

2.4 Assets and basis of their valuation

2.4.1 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.
Value of investments has been enumerated as follows:

Items	Applicable accounting value
Government treasury bills-HTM	Amortized value
Government treasury bills-HFT	Market value
Government treasury bonds-HTM	Amortized value
Government treasury bonds-HFT	Market value
Prize bond	At cost

2.4.2 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 loan and advances.

2.4.3 Lease finance

Leases are classified as finance leases whenever the 'terms of the lease' transfer substantially all the risks and rewards of ownership to the lessee as per BAS-17 "Leases". All other leases are classified as operating leases as per BAS-17 "Leases". Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the bank's net investment outstanding in respect of the leases.

2.4.4 Property, plant and equipment

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

a) All fixed assets are stated at cost less accumulated depreciation as per BAS-16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged off as revenue expenditure in the period in which it is incurred .

b) Depreciation is charged for the period at the following rates using straight line method on all fixed assets:

Category of fixed assets	Rate
Motor vehicles	20%
Machinery & equipments	20%
Furniture & Fixture	10%
Computer & Accessories	20%
Software	20%
Other tools	20%

c) For additions during the period, depreciation is charged for the remaining days of the period from the date of those put into use and for disposal depreciation is charged up to the date of disposal.

d) On disposal of fixed assets, the cost and accumulated depreciation 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 net book value of the assets and net sale proceeds.

e) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalized as part of the cost of the asset as per BAS-23.

2.4.5 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.

2.4.6 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.

2.4.7 Receivables

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

2.4.8 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 not material.

2.5 Share capital

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

2.6 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.

2.7 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.

2.8 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.

2.9 Basis for valuation of liabilities and provisions

2.9.1 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 not recognized with National Board of Revenue. 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' account on yearly basis.

c. Gratuity

As per the Employees Service Rule 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 and in case of experienced banker recruited through head hunting the admissible period shall be 5 (five) years. The amount of gratuity shall be calculated at the rate of 2 (two) months' substantive pay for each completed year' of service. As no employee has completed one year period of service period, provision for gratuity has not been made.

d. Other benefits

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

2.9.2 Provision for liabilities

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

2.9.3 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/C and Guarantee etc) in addition to the existing provisioning arrangement is made as per BRPD Circular # 14, dated 23rd September, 2012.

2.9.4 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act, 2013 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS-12 " Income Taxes".

2.10 Revenue recognition

The revenues during the period are recognized complying all conditions of revenue recognition as prescribed in Bangladesh Accounting Standard (BAS)-18, "Revenue Recognition".

2.10.1 Interest income

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

2.10.2 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.

2.10.3 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.

2.10.4 Dividend income on shares

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

2.10.5 Interest paid on borrowings and deposits

Interest paid on Borrowings and Deposits are calculated on a day basis and recognized on accrual basis.

2.10.6 Management and other expenses

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

2.11 Risk management

2.11.1 Internal Control and Compliance Management

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

2.11.2 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 passing 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 by the management for settlement on regular basis.

2.11.3 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. For maintaining steady growth of the Bank and for economic development of the country, the Bank manages credit risk meticulously. The Bank extends credit facilities to different clients in different sectors after ensuring due diligence and mitigating risk factors properly as per guidelines set by Bangladesh Bank, Executive Committee of 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 has been formed at Head Office which is 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, three 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 risk involved in lending, sanctioning credit and formulating policy/strategy for lending operation. Credit Risk Grading (CRG) is also made for individual borrowers.

2.11.4 Asset Liability Management

The Asset Liability Committee (ALCO) of the Bank monitors market risk and liquidity risk of the Bank. The market risk is defined as potential change in earnings due to change in rate of interest, foreign exchange rates which are not of trading nature. Asset Liability Committee (ALCO) reviews liquidity requirement of the Bank, the maturity of assets and liabilities, deposit and lending, pricing strategy 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.

2.11.5 Money Laundering Risk Management

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

2.11.6 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.

2.11.7 Internal Audit Management

Internal audit is an independent, objective assurance and consulting activity designed to add value and to detect human error and non-compliance of Internal Control Procedures. The bank has formed an Internal Audit Department under Internal Control & Compliance Division which are conducting internal audit on 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.

2.11.8 Fraud and Forgeries Management

The Internal Control and Compliance Division take initiatives for preparing guidelines / instruction on regular basis to detect and prevent fraud & forgeries. The ICCD communicate the guidelines / instructions to the branches and divisions at Head Office on regular basis. The division always monitoring and supervising for compliance of the guidelines / instructions so that the occurrence of fraud & forgeries come to zero level.

2.12 Earnings per share (EPS)

Earnings per share (EPS) have been calculated in accordance with BAS-33, "Earnings per Share", which is shown on the face of the Profit & Loss Account. This has been calculated by dividing the net profit after tax by the weighted average number of ordinary shares outstanding as on December 31st 2013.

2.13 Statement of changes in equity

Statement of changes in equity has been prepared in accordance with BAS-1, "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25th June, 2003.

2.14 Statement of liquidity

The liquidity statement has been prepared in accordance with the remaining maturity grouping of the value of the assets and liabilities as on the reporting date.

2.15 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.

		Amount in Taka 2013
03.00	**Cash in hand and with Bangladesh Bank**	
03.01	**Cash in hand**	
	In local currency	154,778,376
	In foreign currency	563,688
		155,342,064
03.02	**Balance with Bangladesh Bank**	
	In local currency	314,289,540
	In foreign currencies	13,335,363
	Balance with Sonali Bank as Agent of Bangladesh Bank	-
		327,624,903

03.03 Statutory deposit

Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and MPD circular nos. 04 & 05, dated December 01, 2010.

The Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 6% has been calculated and maintained with Bangladesh Bank in current account and 19% Statutory Liquidity Ratio, including CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both the reserves maintained by the Bank are in excess of the statutory requirements, as shown below:

03.04	**Cash Reserve Ratio (CRR) : 6% of average demand and time liabilities**	
	Required reserve	**150,342,720**
	Actual reserve held with Bangladesh Bank	314,267,000
	TT in Transit	-
		314,267,000
	Surplus / (deficit)	**163,924,280**
	Maintained ratio	**12.54%**
03.05	**Statutory Liquidity Ratio (SLR) : 19% of average demand and time liabilities**	
	Required reserve	476,085,280
	Actual reserve held	972,295,085
	Surplus / (deficit)	**496,209,805**
	Maintained Ratio	**38.80%**
	Average Deposit	**2,505,712,000**
04.00	**Balance with other bank and financial institutions**	
	In Bangladesh **(note- 04.01)**	3,918,968,648
	Outside Bangladesh **(Nostro A/C note- 04.02)**	9,065,050
		3,928,033,698
04.01	**Balance with other banks and financial institutions (In Bangladesh)**	
	Form of deposits	
	Current deposits:	-
	STD accounts:	
	Janata Bank Limited	2,442,593
	Eastern Bank Limited	400,000
	Mercantile Bank Limited	5,001
	Bank Asia Limited	2,500
	Standard Bank Ltd.	15,616,553
	Jamuna Bank Ltd	2,000
	Al-Arafah Islami Bank Ltd.	500,000
		18,968,648

	Amount in Taka 2013
FDR accounts:	
Janata Bank Ltd.	1,800,000,000
Rupali Bank Ltd.	750,000,000
G. S. P. Finance & Investment Ltd.	50,000,000
Lanka Bangla Finance Ltd.	300,000,000
Uttara Finance Ltd.	300,000,000
Phoenix Finance Ltd.	200,000,000
People's Leasing and Financial Services Ltd.	200,000,000
Prime Finance & Investment Ltd.	50,000,000
International Leasing & Financial Services Ltd.	100,000,000
Reliance Finance Ltd.	100,000,000
Industrial and Infrastructure Development Company Ltd.	50,000,000
	3,900,000,000
	3,918,968,648

04.02 Outside Bangladesh (NOSTRO A/C)

Non interest- bearing accounts **(note- 04.02.01)**	9,065,050
Interest-bearing accounts **(note- 04.02.03)**	-
	9,065,050

04.02.01 Non Interest-bearing Accounts (NOSTRO A/C)

Sonali Bank Ltd. UK	1,008,042
Sonali Bank Ltd. UK	1,135,873
Sonali Bank Ltd. UK	-
Mashreq Bank PSC, NY	800,362
AB Bank, Mumbai	4,841,396
United Bank of India	1,279,376
Total	**9,065,050**

04.02.02 Non Interest-bearing accounts (Nostro A/C)

Particulars	Currency name	2013		
		Amount in FC	Conversion rate per unit FC	Amount in BDT
Sonali Bank Ltd. UK	USD$	12,965.17	77.75	1,008,042
Sonali Bank Ltd. UK	EURO€	10,639.50	106.76	1,135,873
Sonali Bank Ltd. UK	GBP£	-	-	-
Mashreq Bank PSC, NY	USD$	10,294.05	77.75	800,362
AB Bank, Mumbai	ACU$	62,268.76	77.75	4,841,396
United Bank of India	ACU$	16,455.00	77.75	1,279,376
		112,622.48		**9,065,050**

04.02.03 Interest bearing A/C (Outside Bangladesh - Nostro A/C) -

-

04.03 Maturity grouping of balance with other banks and financial institutions

On demand	28,033,698
Upto 1 month	-
1-3 months	2,750,000,000
3-6 months	1,150,000,000
6-9 months	-
9 months to 1 year	-
1 year and above	-
	3,928,033,698

		Amount in Taka 2013
05.00	**Money at call and short notice (Note-05.01)**	**100,000,000**
05.01	**Money at call and short notice classified in the following Broad categories :**	
	Mutual Trust Bank Ltd @ 7.00%	100,000,000
		100,000,000
06.00	**Investments**	
	Government securities	
	Treasury bond/ bill	
	28-days treasury bill	-
	91-days treasury bill	9,840,530
	182-days treasury bill	112,500,631
	1- Year treasury bill	223,586,327
	3-Years treasury bond	-
	10-Years treasury bond	69,899,851
	15-Years treasury bond	77,024,996
	20-Years treasury bond	10,021,750
		502,874,086
	Prize Bond	56,800
		502,930,886
	Other investments	
	Shares in quoted companies (at cost) **(note- 06.02)**	49,993,419
		49,993,419
		552,924,305
06.01	**Maturity grouping of investments**	
	Repayable on demand	56,800
	With a residual maturity of:	
	Upto 1 month	49,993,419
	More than 1 month but less than 3 months	9,840,530
	More than 3 months but less than 1 year	336,086,958
	More than 1 year but less than 2 years	-
	More than 2 years	156,946,598
		552,867,505
		552,924,305

06.02 Cost and market value of investment in share as on 31 December 2013 as follows:

Particular	No. of shares	Rate	Total cost	Market value
			(Tk.)	(Tk.)
AB Bank Ltd.	75,000	28.02	2,101,811	1,965,000
Al Arafah Islami Bank Ltd.	333,750	19.77	6,597,561	6,374,625
BRAC Bank Ltd.	200,000	31.84	6,368,111	6,520,000
Jamuna Bank Ltd.	15,000	16.66	249,871	244,500
Lafarge Surma Cement Ltd.	262,000	33.72	8,835,717	8,777,000
Mutual Trust Bank Ltd.	16,000	16.06	256,896	260,800
One Bank Ltd.	300,000	16.89	5,065,668	4,740,000
Square Pharma Ltd.	10,000	192.47	1,924,713	1,902,000
Titas Gas	200,000	76.29	15,257,063	14,760,000
Uttara Bank Ltd.	104,150	32.03	3,336,008	3,239,065
Total	**1,515,900**		**49,993,419**	**48,782,990**

		Amount in Taka 2013
07.00	**Loans and advances**	
	Loans , cash credit, overdrafts etc. **(note- 07.01)**	2,583,890,586
	Bills purchased and discounted **(note- 07.02)**	422,877,389
		3,006,767,975
07.01	**Loans , cash credit, overdrafts etc.**	
	In Bangladesh:	
	Overdrafts	694,703,828
	General loans	7,588,542
	Cash credit	1,425,473,912
	Loan against trust receipt	377,357,568
	Consumer credit	10,662,418
	Lease finance	2,000,000
	Staff loan	66,104,318
		2,583,890,586
	Outside Bangladesh	-
		2,583,890,586
07.02	**Bills purchased and discounted**	
	Payable in Bangladesh	
	Inland bills purchased	422,877,389
	Payable outside Bangladesh	
	Foreign bills purchased	-
		422,877,389
07.03	**Maturity grouping of loans and advances (including bills purchased and discounted)**	
	Re-payable on demand	-
	Not more than 3 months	1,154,700,000
	More than 3 months but less than 1 year	1,751,733,987
	More than 1year but less than 5 years	53,517,000
	More than 5 years	46,816,988
		3,006,767,975
07.04	**Countrywise loans and advances (including bills purchased and discounted)**	
	Inside Bangladesh	3,006,767,975
	Outside Bangladesh	-
		3,006,767,975
07.05	**Loans and advances including bills purchased and discounted classified into following broad categories**	
	Loans	463,712,846
	Cash credit	1,425,473,912
	Overdraft	694,703,828
		2,583,890,586
	Bills purchased and discounted	422,877,389
		3,006,767,975
07.06	**Loans and advances on the basis of significant concentration (including bills purchased and discounted)**	
	a) Loans and advances to Directors of the bank	196,492,087
	b) Loans and advances to CEO, senior executives and other staffs	66,104,318
	c) Loans and advances to customer (groupwise)	1,888,671,570
	d) Industrial advances	605,100,000
	e) Other customers	250,400,000
		3,006,767,975

		Amount in Taka 2013
07.07	**Loans and advances allowed to each customer exceeding 10% of bank's total capital fund**	
	Number of the clients	**4**
	Detail of information on advances more than 10% of bank's total capital	
	Amount of outstanding loans and advances	1,753,150,000
	Amount of recovery	-
	Amount of classified loans and advances	-
07.08	**Loan and advances as per geographical concentration (including bills purchased and discounted)**	
	Segment	
	Dhaka division	2,812,317,758
	Chittagong division	87,484,075
	Khulna division	106,966,142
		3,006,767,975
07.09	**Industrial concentration of loans and advances (including bills purchased and discounted)**	
	Agriculture	-
	Term loan to small cottage industries	37,200,000
	Term loan to large & medium industries	52,000,000
	Import credit	377,357,567
	Export credit	422,877,389
	Trade finance	1,866,933,019
	Consumer credit	12,100,000
	Credit card	-
	Others	238,300,000
		3,006,767,975
07.10	**Loans and advances to executives and all other staffs**	
	Loans and advances to executives and all other staffs	66,104,318
		66,104,318

07.11 Required provision for loans and advances (including bills purchased and discounted)

Base	2013		
	Base for Provision	Rate	Provision
Unclassified (including Staff Loan)	**3,006,767,975**		**27,451,038**
I) Standard	**3,006,767,975**		**27,451,038**
a) CCS	10,662,418	5%	533,121
b) Staff loan	66,104,318	0%	-
c) HBL	-	2%	-
d) Loan to professional	-	2%	-
e) Small enterprise finance	317,612,704	0.25%	794,032
f) Loans against share	-	1%	-
g) Agricultural credit	-	5%	-
h) Others	2,612,388,535	1%	26,123,885
(II) Sub-standard	-	20%	-
(III) Doubtful	-	50%	-
(IV) Bad or loss	-	100%	-
Total	**3,006,767,975**		**27,451,038**
07.11.01 Provision provided			**27,451,038**

	Amount in Taka 2013
07.12 Classification of loans and advances (including bills purchased and discounted)	
Unclassified (including staff loan)	**3,006,767,975**
i) Standard	3,006,767,975
ii) SMA	-
Sub-standard	-
Doubtful	-
Bad or loss	-
Total	**3,006,767,975**
07.13 Particulars of Loans and Advances	
(1) Debts considered good in respect of which the bank company is fully secured	2,992,656,865
(2) Debts considered Good in against which the Banking Company holds no security other than the debtor's personal guarantee;	-
(3) Debts considered good & decured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors;	14,111,111
(4) Loans adversely classified; provision not maintained there against;	-
	3,006,767,975
(5) Debts due by directors or officers of the banking company of any of these separately or jointly with any other person;	262,596,405
(6) Loan due from companies or firms which the directors of the banking company directors, partners or managing agents or in the case have interest as of private companies as members;	196,492,087
(7) Maximum total amount of advances including temporary advance 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 person;	262,596,405
(8) Maximum total amount of advances including temporary advance granted during the period to the companies or firm in which the directors of the banking or company have interest as directors, companies as members;	196,492,087
(9) Due from banking companies.	-
(10) Amount of classified loan on which interest has been charged, should be mentioned as follows;	-
a) Decrease/increase in provision;	27,451,038
b) Amount of loan written off;	-
c) Amount realized against loan previously written off;	-
d) Amount of provision kept against loan classified as 'bad/loss' on the date of preparing the balance sheet;	-
e) Interest creditable to the interest suspense accounts;	-
(11) Cumulative amount of the written off loan:	-
(12) Amount written off in the current period;	-
(13) The amount of written off loan for which lawsuit has been filed;	-

		Amount in Taka 2013
07.14	**Bills purchased and discounted**	**422,877,389**
07.15	**As per classification into the following broad categories**	
	Payable In Bangladesh	422,877,389
	Payable Outside Bangladesh	-
		422,877,389
07.16	**As per the remaining maturity grouping in the following order**	
	Payable within 1 month	303,034,158
	Over 1 month but less than 3 months	17,017,651
	Over 3 months but less than 6 months	102,825,580
	6 months or more	-
		422,877,389
08.00	**Fixed Assets**	
	Motor vehicles	3,986,666
	Machinery and equipment	40,768,979
	Furniture and fixture	31,482,875
	Computer and accessories	99,270,159
	Software	4,349,279
	Other tools	1,816,122
	Total (details are shown in annexed - B)	**181,674,080**
09.00	**Other Assets**	
	Advance income tax **(note- 09.01)**	21,083,592
	Stock of stationery, stamps & security stationery **(note- 09.02)**	570,513
	Advance rent, advertisement, etc. **(note- 09.03)**	208,794,858
	Accrued interest and commission receivable **(note- 09.04)**	62,332,245
	Security deposits	66,550
	Suspense accounts **(note- 09.05)**	128,679,194
		421,526,953
09.01	**Advance income tax**	
	Opening balance	-
	Prior period's adjustment	-
	Addition during the period	21,083,592
	Closing balance	**21,083,592**
09.02	**Stock of stationery, stamps and security stationery**	
	Stock of stationery	513,303
	Stock of stamp	57,210
		570,513
09.03	**Advance rent, advertisement, etc.**	
	Advance rent	207,294,858
	Advance advertisement	1,500,000
		208,794,858
09.04	**Accrued interest and commission receivable**	
	Accrued Interest on Investment **(note- 09.04.01)**	62,021,891
	Commission receivables	310,354
		62,332,245

		Amount in Taka 2013
09.04.01	**Accrued interest on investment**	
	Interest on loans and advances	106,199
	Accrued interest on call loan	19,444
	Interest on PAD / income A/C LDBP	-
	Interest on bank deposit	58,940,909
	Accrued income on HFT	2,955,339
		62,021,891
09.05	**Suspense accounts**	
	Sundry debtors	6,581
	Advance against expenses	1,433,269
	Advance against fixed assets	126,681,784
	Other prepaid expenses	557,560
		128,679,194
10.00	**Deposits and other accounts**	
	Deposits (general)	**4,441,950,925**
	Current deposits	294,088,490
	Savings bank deposits	95,806,056
	Short term deposits	506,660,420
	Fixed deposits	3,263,396,812
	Deposits under different schemes **(note- 10.01)**	135,112,549
	Bills payable **(note- 10.03)**	43,332,482
	Other deposits **(note- 10.04)**	103,554,116
	Deposits from Bank	**-**
		4,441,950,925
10.01	**Deposits under different schemes**	
	Monthly savings scheme	6,262,930
	Monthly benefit scheme	61,360,089
	Double benefit scheme	65,935,270
	Triple benefit scheme	1,550,000
	Lakhopoti savings scheme(LSS)	4,260
		135,112,549
10.02	**Maturitywise classification**	
	Repayable:	
	On demand	852,703,937
	Within 1 month	87,183,511
	More than 1 month but less than 6 months	633,853,067
	More than 6 months but less than 1 year	2,297,791,499
	More than 1 year but within 5 years	393,670,936
	More than 5 years but within 10 years	176,747,974
	Over 10 years and unclaimed	-
		4,441,950,925
10.03	**Bills Payable**	
	Pay order payable	43,332,482
	D.D. payable	-
		43,332,482

	Amount in Taka 2013
10.04 Other deposits	
Sundry creditors	1,933,953
Margin on L/C	23,034,546
Margin on L/G	11,980,997
Clearing adjustment	54,992
Tax at source (interest)	5,032,419
Tax at source (salary)	282,600
Tax at source (office rent)	363,729
Tax at source (buying house)	94,106
Risk fund	20,000
Service charge / CIB service charge	9,000
Value added tax	3,605,575
Charges for cheque books	174,693
Sundry deposit against local bill	31,019
Excise duty	1,423,319
Interest payable on deposits	48,567,875
Sundry deposit	1,907,093
Foreign currency held against BTB L/C	5,038,201
	103,554,116
11.00 Other Liabilities	
Provision for loans and advances **(note- 11.01)**	27,451,038
Provision for current income tax **(note- 11.02)**	59,142,990
Provision for diminution in value of investment **(note- 11.03)**	1,210,450
Adjusting account credit **(note- 11.04)**	1,433,860
Provision for off balance sheet exposure **(note- 11.05)**	5,013,730
SBACBL general accounts **(note- 11.06)**	(701)
	94,251,368
11.01 Provision for loans and advances	
Provision for unclassified loans and advances **(note- 11.01.01)**	27,451,038
	27,451,038
11.01.01 Provision for unclassified loans and advances (note- 07.11)	
Opening balance	-
Add : Transferred during the period	27,451,038
Less: Adjustment during the period	-
Closing balance	**27,451,038**
11.02 Provision for current income tax	
Deffered tax	14,813,079
Current income tax	44,329,911
Closing balance	**59,142,990**

	Amount in Taka 2013
11.03 Provision for diminution in value of investment	
Opening balance	-
Add : Addition during the period	1,210,450
Less: Adjustment during the period	-
Closing balance	**1,210,450**
11.04 Adjusting account credit	
Rent	300,649
Telephone bill/telex	52,866
Other payable	1,073,570
Wasa bill	6,776
	1,433,860
11.05 Provision for off balance sheet exposure	
Opening balance	-
Add : Addition during the period	5,013,730
Less: Adjustment during the period	-
Closing balance	**5,013,730**
11.06 SBACBL general account	
SBACBL general account Cr.	1,087,196,077
SBACBL general account Dr.	(1,087,196,778)
	(701)
12.00 Capital	
12.01 Authorized capital	
100,00,00,000 ordinary share of Tk. 10/- each	10,000,000,000
12.02 Issued, subscribed and paid up capital	
40,89,60,000 ordinary share of Tk. 10/- each	4,089,600,000

12.03 Groupwise shareholding position

Particulars	No. of shares	% of holding	
Sponsor directors	326,100,000	79.74%	3,261,000,000
Sponsor shareholders	82,860,000	20.26%	828,600,000
	408,960,000	**100.00%**	**4,089,600,000**

12.04 Rangewise shareholding position

Range	No of share holders	No of shares	% of share holding
Less than 500	0	-	0.00%
500 - 5,000	0	-	0.00%
5,001 - 10,000	0	-	0.00%
10,001 - 20,000	0	-	0.00%
20,001 - 30,000	0	-	0.00%
30,001 - 40,000	0	-	0.00%
40,001 - 50,000	0	-	0.00%
50,001 - 1,00,000	0	-	0.00%
1,00,001 - 10,00,000	13	13,000,000	3.18%
10,00,001 and above	39	395,960,000	96.82%
Total	**52**	**408,960,000**	**100.00%**

		Amount in Taka 2013
12.05	**Capital adequacy ratio**	
	As per Section13(2) of the Bank Companies Act, 1991 and of instructions contained in BRPD Circular No. 10 dated 25 November 2002, BRPD Circular No. 03 dated 9 May 2004 and BRPD Circular No. 01 dated 19 February 2007, details of capital adequacy ratio are furnished below:	
12.05.01	**Elements of core capital**	
	Paid up capital	4,089,600,000
	Non-repayable share premium account	-
	Statutory reserve	21,097,469
	General reserve	-
	Surplus / (deficit) in profit & loss account	25,244,300
	Minority interest in subsidiaries	-
	Non cumulative irredeemable preference share	-
		4,135,941,769
12.05.02	**Elements of supplementary capital**	
	General provision on unclassified loans	27,451,038
	Revaluation reserve for HFT securities	1,749,915
	Assets revaluation reserve	-
	All other preference share	-
	General provision on off balance sheet exposures	5,013,730
	Exchange equalization fund	-
		34,214,683
	Total capital (A)	**4,170,156,452**
	Total risk weighted assets	**6,727,038,443**
	Required capital 10% on risk weighted assets or 400.00 crore which ever is higher (B)	**4,000,000,000**
	Surplus/(shortfall) (A-B)	**170,156,452**
	Capital adequacy ratio	**61.99%**
	Capital Adequacy ratio-core capital	**61.48%**
13.00	**Statutory reserve**	
	Opening balance	-
	Add : Transferred during the period	21,097,469
	Closing balance	**21,097,469**
14.00	**Profit and loss accounts / retained earnings**	
	Opening balance	-
	Prior period's adjustment	-
	Profit/loss for the period as per profit and loss account	25,244,300
	Closing balance	**25,244,300**
15.00	**Contingent liabilities and other commitments**	
	Acceptances and endorsement	49,711,022
	Letter of guarantee **(note- 15.01)**	149,504,282
	Irrevocable letter of credit	302,157,743
	Bills for collection	-
	Other contingent liability	-
	Total contingent liabilities	**501,373,047**

		Amount in Taka 2013
15.01	**Letter of guarantee**	
	Money for which the bank is contingently liable in respect of guarantee issued favoring:	
	Directors	-
	Government	-
	Bank and other financial institution	-
	Others	149,504,282
		149,504,282
16.00	**Interest income**	
	Interest received from loans and advances	151,072,152
	Interest received from banks & other financial institutions	295,832,886
		446,905,038
17.00		
	Interest paid on deposits	137,461,522
	Interest paid on borrowing	77,778
	Interest paid on securities and bonds	6,792,654
		144,331,954
18.00	**Income from investments**	
	Treasury bill	19,333,053
	Capital gain	-
	Dividend on share	-
		19,333,053
19.00	**Commission, exchange and brokerage**	
	Commission	4,640,640
	Exchange earnings	3,215,215
	Brokerage	310,353
		8,166,208
20.00	**Other operating income**	
	Rent on locker	-
	Other receipts **(note- 20.01)**	1,857,088
		1,857,088
20.01	**Other receipts**	
	Appraisal fees	52,500
	Accounts maintenance charge	1,619,908
	Postage	2,025
	Telex, telephone & telegram	182,655
		1,857,088
21.00	**Salary and allowances**	
	Basic salary	30,654,364
	Allowances	26,388,576
	Provident fund	1,961,846
	Bonus	6,864,600
		65,869,386
22.00	**Rent, taxes, insurance, electricity, etc.**	
	Rent	63,245,119
	Rates and taxes	1,461,353
	Insurance	3,770,396
	Electricity	2,012,710
		70,489,578

		Amount in Taka 2013
23.00	**Postage, stamp, telecommunication etc.**	
	Telephone	2,414,420
	Postage, telegram and telex	39,699
	Cartage	43,820
		2,497,939
24.00	**Stationery, printing, advertisement etc.**	
	Printing stationery	237,036
	Other stationery (petty)	1,105,509
	Security stationery	5,560
	Publicity and advertisement	3,062,938
		4,411,043
25.00	**Managing Director's salary and allowances**	
	Basic salary	2,700,000
	House rent allowance	1,215,000
	House maintenance allowances	450,000
	Medical allowance	585,000
	Bonus	600,000
	Utility allowance	450,000
		6,000,000
26.00	**Depreciation, amortization and repair of fixed assets**	
	Depreciation & amortization of fixed assets	11,117,727
	Repairs and maintenance	64,420
		11,182,147
27.00	**Other expenses**	
	Statutory meeting expenses / board meeting expenses	455,710
	Business development	47,080
	CIB Service charge	15,000
	Car maintenance expenses	4,866,566
	Conveyance	291,681
	Cash carrying charges	61,225
	Electrical fittings	96,269
	Branch & head office inauguration expenses	3,563,042
	Entertainment	1,020,790
	Preliminary expenses **(note- 27.01)**	14,969,645
	Utility (gas, wasa, etc.)	134,535
	Software expenses (antivirus & other)	330,213
	Service charges on rent	425,000
	Revaluation loss on treasury bond	1,147,832
	Miscellaneous expenditure	409,828
	Security services expenses	1,491,701
	Washing and cleaning	1,146,829
	SWIFT charges	75,551
	Training Expenses	87,973
	Travelling expenses	759,348
		31,395,817

	Amount in Taka 2013
27.01 Preliminary expenses	
Application fee for bank's license	1,000,000
Remuneration paid to Executives and Officers	4,369,000
Fees paid to Registrar of Joint Stock Companies	5,487,125
Fees paid to Securities and Exchange Commission	1,062,920
Stationeries and other office contingencies	2,567,246
Conveyance & entertainment	483,354
	14,969,645
28.00 Closing cash and cash equivalent	
Cash in hand (including foreign currency)	155,342,064
Balance with Bangladesh Bank and Sonali Bank (including foreign currency)	327,624,903
Balance with other banks and financial institutions	3,928,033,698
Money at call and short notice	100,000,000
Investment government	502,930,886
	5,013,931,550
29.00 Earnings per share (EPS)	
a) Net profit after tax	46,341,769
b) Number of ordinary shares	408,960,000
Earnings per share (a÷b)	**0.11**
30.00 Net asset value per share (NAV)	
a) Capital / shareholders' equity for the period	4,137,691,684
b) Number of outstanding shares	408,960,000
Net asset value per share (NAV) (a÷b)	**10.12**
31.00 Net operating cash flow per share	
a) Net cash flow from operating activities	1,165,366,860
b) Number of outstanding shares	408,960,000
Net operating cash flow per share (NAV) (a÷b)	**2.85**

32.00 Risk Factors and Risk Management

Implementations of other Core Risk Management guidelines are being followed. Credit Risk Grading is done for all commercial exposure. Bank's Asset Liability Committee is entrusted with the responsibility of managing short-term & long-term liquidity. ALM guidelines & ICT guidelines have also been implemented in accordance with the guidelines issued by Bangladesh Bank & it has been approved by the Board of Directors. The bank has established its KYC & operation control procedure for the prevention of Money Laundering. The bank has strengthened the internal control and audit division to ensure comprehensive audit thereof. A comprehensive ICT policy has been formulated and approved by the board of directors to minimize ICT risk which is already implemented.

33.00 Number of employees

The number of employees engaged for the whole period or part thereof who received a total remuneration of Tk. 36,000/- p.a or above were 183.

34.00 Event after the balance sheet date

No material event had occurred after the balance sheet date.

35.00 General

i) Figures appearing in these financial statements have been rounded off to the nearest taka.

ii) Figures of previous year have not been shown as the bank started operation on 28.04.2013.

Chairman **Director** **Director** **Managing Director**

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LTD

RELATED PARTY DISCLOSURES

ANNEX-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	Name of the firms/companies 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	1. Lockpur Fish Proc. Co. Ltd	80.00%	
			2. Bagerhat Seafood Ind. Ltd	75.00%	
			3. Southern Foods Ltd	30.00%	
			4. Shampa Ice & Cold Storage Ltd	90.00%	
			5. Rupsha Fish & Allied Ind. Ltd	50.00%	
			6. Metro Bricks Ltd	51.00%	
			7. Moon Star Jute Mills Ltd	44.44%	
			8. Moon Star Fish Ltd	60.00%	
			9. Khulna Printing & Packaging Ltd	50.00%	
			10. Western Inn Int'l Ltd	20.00%	
			11. Bangladesh Poly Printing Int'l Ltd	44.44%	
			12. Khulna Agro Export (Pvt.) Ltd	51.00%	
			13. Ocean Trade International	100.00%	
			14. Khulna Builders Ltd.	51.00%	
			15. Ideal Polymer Export Ltd.	40.00%	
			16. M/S SM Amzad Hossain	100.00%	
2	**Begum Sufia Amjad**	Director	1. Bagerhat Seafood Ind. Ltd	25.00%	
			2. Southern Foods Ltd	40.00%	
			3. Shampa Ice & Cold Storage Ltd	10.00%	
			4. Rupsha Fish & Allied Ind. Ltd	25.00%	
			5. Metro Bricks Ltd	49.00%	
			6. Moon Star Jute Mills Ltd	7.41%	
			7. Moon Star Fish Ltd	40.00%	
			8. Khulna Printing & Packaging Ltd	25.00%	
			9. Western Inn Int'l Ltd	60.00%	
			10. Bangladesh Poly Printing Int'l Ltd	7.41%	
			11. Khulna Agro Export (Pvt.) Ltd	49.00%	
			12. Khulna Builders Ltd.	49.00%	

SL No	Name of the Director	Status with the Bank	Name of the firms/companies in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
3	**Mr. AZM Shofiuddin**	Director	1. Techno Electrical Ltd.	16.89%	
			2. SQ Wire & Cable Co. Ltd.	32.24%	
			3. SQ Metal Industry Ltd.	20.00%	
			4. TSCO Power Ltd.	20.00%	
			5. TS Transformers Ltd.	35.00%	
			6. SQ Properties Ltd.	35.00%	
			7. SQ Wood Presarvatives	35.00%	
			8. SQ Lights Ltd.	35.00%	
			9. SQ Advertising Ltd.	25.00%	
			10. Microgenix BD Ltd.	25.00%	
4	**Mr. Abdul Kadir Molla**	Director	1. THERMAX Textile Mills Ltd.	29.98%	
			2. ADURY Knit Composit Ltd.	50.00%	
			3. ADURY Apparels Ltd.	30.00%	
			4. THERMAX Melange Spinning Mills Ltd.	60.00%	
			5. ADURY Washing & Printing Ltd.	60.00%	
			6. THERMAX Knit Yarn Ltd.	30.00%	
			7. THERMAX Yarn Dyeing Ltd.	50.00%	
			8. THERMAX Woven Dyeing Ltd.	60.00%	
			9. THERMAX Yarn Dyed Fabrics Ltd.	20.00%	
			10. THERMAX Spinning Ltd.	60.00%	
			11. THERMAX Super Spin Ltd.	60.00%	
5	**Mr. Md. Amzad Hossain**	Director	1. Khulna Printing & Packaging Ltd.	5.00%	
			2. BD Poly Printing International Ltd.	5.00%	
			3. Ideal Polymar Export Ltd.	10.00%	
6	**Engr. Moklesur Rahman**	Director	1. Contech Construction Ltd.	65.00%	
			2. Pre-Stressed Poles Ltd.	65.00%	
			3. B & T Cables Ltd.	80.00%	
			4. B & T Cold Storage Ltd.	6.67%	
			5. B & T Development Ltd.	33.34%	
7	**Al-haj Mizanur Rahman**	Director	1. M R Trading Co.	100.00%	
			2. Modina Properties Ltd.	90.00%	
			3. Moon Bangladesh Ltd.	90.00%	
			4. Sun Moon Star Real Estate International	100.00%	
			5. Moon Group Of Industries Ltd.	90.00%	

SL No	Name of the Director	Status with the Bank	Name of the firms/companies in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
8	**Capt. M. Moazzam Hossain**	Director	1. Peoples Leasing & Financial Services Ltd.	2.02%	
			2. Agrovita Ltd.	40.00%	
			3. Shoppers World Ltd.	20.00%	
			4. Ekushey Homes Ltd.	35.00%	
			5. Masters Ocean Voyage Ltd.	100.00%	
			6. Paramount Properties Ltd.	30.00%	
			7. PLFS Investment Ltd.	25.00%	
			8. E-Securities Ltd.	45.08%	
			9. Admiral Trading Corp.	100.00%	
			10. United Corp. Advisory Ltd.	20.00%	
			11. Peoples Investment Ltd.	20.00%	
9	**Mr. Motiur Rahman**	Director	1. Peoples Leasing & Financial Services Ltd.	2.29%	
			2. Great Wall Land Property Ltd.	25.55%	
			3. True Distribution Pvt. Ltd.	35.00%	
			4. Mercantile Securities Ltd.	17.00%	
			5. True Services Pvt. Ltd.	35.00%	
			6. Patient Care Hospital (Pvt.) Ltd.	20.00%	
			7. Shoppers World Ltd.	10.00%	
			8. Shoppers World Express Ltd.	10.00%	
			9. E -Securities Ltd.	10.50%	
			10. Jess Tower	100.00%	
			11. Highway Filling Station	100.00%	
			12. Telelink	100.00%	
			13. MK Connection	100.00%	
			14. MK Plus	100.00%	
			15. MK Link	100.00%	
			16. MK World	100.00%	
			17. MK Trade International	100.00%	
			18. M/S Motiur Rahman	100.00%	
			19. M/S Arman Enterprise	100.00%	

SL No	Name of the Director	Status with the Bank	Name of the firms/companies in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
10	**Mrs. Sanawar Bano**	Director	1. Famous Printing & Packaging Ltd.	0.04%	
			2. Famous Iberchem Flavours & Fragnances Ltd.	0.01%	
			3. Famous General Agencies Ltd.	0.40%	
			4. Matcon limited	0.72%	
			5. F.S. Printing & Packaging Ltd.	0.18%	
			6. Green Soap & Chemical Co. Ltd.	0.34%	
			7. M/S Sanawar Bano	100.00%	
11	**Mr. Hafizur Rahman Babu**	Director	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 Ltd.	18.99%	
			5. Gold Hill Properties Ltd.	19.00%	
			6. M/S. Sheikh Brothers	100.00%	
			7. M/S. Hafizur Rahman Babu	100.00%	
12	**Mr. Anwar Hussain**	Director	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.	10.00%	
			5. Asuka CNG Filling Station Ltd.	25.00%	
13	**Mrs. Tahmina Afroz**	Director	1. Anwer Khan Modern Medical College & Hospital Ltd.	10.00%	
			2. Haji Shakhawat Anwera Modern Eye Hospital Ltd.	10.00%	
			3. Modern Diabetic Centre Ltd.	10.00%	
			4. Marry Gold Holdings Ltd.	10.00%	
			5. Modern Holdings Ltd.	50.00%	
			6. Mother Trade Center	100.00%	
			7. Modern Pharma Industries Ltd.	20.00%	
14	**Haji Shakhawat AnwaraEye HospitalLtd.**	Director			Represented by Mr. Md. Shakwat Hossain
15	**Mr. Talukdar Abdul Khaleque**	Director	1. M/S Nahar Trading	100.00%	

SL No	Name of the Director	Status with the Bank	Name of the firms/companies in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
16	**Mr. Mrinal Kanti Debnath**	Director	1. Lockpur Group Of Companies		
17	**Mr. Maksudur Rahman**	Director	1. Ratanpur Steel Rerolling Mills Ltd.	65.084%	
			2. Ratonpur Shipping Lines Ltd.	60.00%	
			3. Ratonpur Ship Recycling Industries Ltd.	60.00%	
			4. Fareast Property Development Ltd.	25.00%	
			5. S M Re -rolling Mills Ltd.	65.00%	
			6. M Rahman Still Mills Ltd.	65.00%	
18	**Mr. Mohammed Ilias**	Director	1. Liberty Enterprise Ltd.	80.00%	
			2. Liberty Accessories (BD) Ltd.	80.00%	
			3. MIP (BD) Ltd.	50.00%	
			4. Sunrise Accessories Ltd.	75.00%	
			5. Chittagong Cartons Ltd.	75.00%	
			6. Liberty Poly Zone (BD) Ltd.	80.00%	
			7. AMI Accessories (BD) Pvt. Ltd.	25.00%	
			8. Elfat Poly Packaging and Accessories Ltd.	40.00%	
			9. Rahman Poly, Hanger & Accessories Industry Ltd.	60.00%	
19	**Mr. Mohammad Mohsin**	Director	1. Chittagong Fibre Board Ltd.	43.33%	
			2. SAAD MUSA Fabrics Ltd. (Weaving Division)	22.33%	
			3. SAAD MUSA Fabrics Ltd. (Dyeing Division)	22.33%	
			4. Rokeya Spinning Mills Ltd.	60.00%	
			5. Emdad Etima Spinning Mills Ltd.	60.00%	
			6. Mahamud Sajid Cotton Mills Ltd.	60.00%	
			7. Sultana Habiba Fabrics Mills Ltd.	60.00%	
			8. Saima Samira Textiles Mills Ltd.	60.00%	
			9. SAAD MUSA Fabrics Ltd.	22.33%	
			10. M A Rahaman Dyeing Industry Ltd.	40.00%	
			11. SAAD MUSA Hometex & Clothing Ltd.	40.00%	
			12. Hasni Vanaspati Manufacturing	79.18%	
			13. Ahmadi Oil Mills Ltd.	78.00%	
			14. Al -Mustafa Vegetable Oil Industry	77.12%	
			15. SAAD MUSA Housing Complex	100.00%	

			16. Desh Computers	100.00%	
			17. SAAD MUSA City Centre	100.00%	
			18. MARSS Automobile	100.00%	
			19. Crescent Industries Ltd.	2.50%	
			20. SAAD MUSA Properties Ltd.	100.00%	
			21. Shade Developers Ltd.	86.78%	
			22. Crescent Park Neighbor Hood	100.00%	
			23. SAAD MUSA Fishing Project	100.00%	
			24. S M Avenue Motors	100.00%	
20	Contech Construction Ltd.	Director			Represented By Mr. Mushfiqur Rahman

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:

(Amount in Crore taka)

Name of the Party	Nature of Relation	Nature of Transaction	2013
Mother Trade Center	Mrs Tahmina Afroz, Proprietor	Cash Credit	10.04
Haji Shakwat Anwera Eye Hospital	Mrs Tahmina Afroz , Director and Mr. Md. Shakwat Hossain Managing Director	Cash Credit	9.61

v) Lending policies to related parties:
Related parties are allowed loans and advances as per general policy of the bank.

vi) Business other than banking business with any related concern of the directors' as per section 8 (2) of the bank 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	Head Office	M. R. Trading Co. related by Al-haj Mizanur Rahman	Lease period: 01.01.2013 to 31.12.2022
Lease agreement	Katakhali Branch	Mr. S. M. Amzad Hossain	Lease period: 01.07.2013 to 30.06.2023

vii) Investment of securities and related concern: NIL

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

SCHEDULE OF FIXED ASSETS - as at 31 December 2013

ANNEX-B

Particulars	Motor Vehicles (Tk.)	Machinery & Equipment (Tk.)	Furniture & Fixture (Tk.)	Computer & Accessories (Tk.)	Software	Other Tools (Tk.)	Total (Tk.)
COST							
Balance as on 01.01.2013	-	-	-	-	-	-	-
Additions during the period	4,600,000	41,677,664	32,631,298	107,507,745	4,477,150	1,897,949	**192,791,806**
Balance as on 31.12.2013	**4,600,000**	**41,677,664**	**32,631,298**	**107,507,745**	**4,477,150**	**1,897,949**	**192,791,806**
LESS: ACCUMULATED DEPRECIATION & AMORTIZATION							
Balance as on 01.01.2013	-	-	-	-	-	-	-
Charge for the Period	613,334	908,685	1,148,423	8,237,586	127,871	81,827	11,117,726
Balance as on 31.12.2013	**613,334**	**908,685**	**1,148,423**	**8,237,586**	**127,871**	**81,827**	**11,117,726**
Written down value as at 31.12.2013	**3,986,666**	**40,768,979**	**31,482,875**	**99,270,159**	**4,349,279**	**1,816,122**	**181,674,080**

Rate Applied

1) Furniture & Fixtures 10%
2) Computer & Accessories 20%
3) Hardware 20%
4) Software 20%
5) Electrical /Mechanical Appliances 20%
6) Motor Vehicles 20%
7) Depreciation has been applied from the date of use of the asset in proportion to the time for which those were put into use.

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

DETAILS OF LARGE LOAN - as at 31 December 2013

ANNEX-C

SL No	Group/ Client Name	Outstanding (Taka in crore)		
		Funded	Non-Funded	Total
1	Mahabub Brothers (Pvt) Ltd and Pubali Traders	52.43	29.69	82.13
2	Zaber & Zubair Fabrics & Talha Spinning Mills Limited	47.38	-	47.38
3	M/S Friends Traders, M/S RNS Corporation, AG Agro Industries Ltd and AG Ship Breaking Industries.	50.70	3.67	54.37
4	Masihata Sweaters Limited	8.10	0.04	8.14
Total		**158.62**	**33.39**	**192.01**

SOUTH BANGLA AGRICULTURE AND COMMERCE BANK LIMITED

HIGHLIGHTS OF THE OVERALL ACTIVITIES OF THE BANK

for the period ended 2013

ANNEX-D

(Amount in Tk.)

Sl. No.	Particulars	2013
01	Paid up capital	4,089,600,000
02	Total capital (Tier I +II)	4,170,156,452
03	Surplus/(deficit) capital	170,156,452
04	Total assets	8,673,893,977
05	Total deposits	4,441,950,925
06	Total loans and advances	3,006,767,975
07	Total contingent liabilities and commitments	501,373,047
08	Advance deposits ratio (%)	67.69
09	Classified loans to advance ratio (%)	-
10	Profit after tax and provision	46,341,769
11	Classified advance	-
12	Provision kept against classified advance	-
13	Surplus/(deficit) provision	-
14	Cost of fund (%)	10.12%
15	Interest earning assets	7,537,732,559
16	Non interest earning assets	583,237,113
17	Return on investment (ROI) (%)	3.50
18	Return on Assets (ROA) (%)	0.53
19	Income from investment	19,333,053
20	Earnings per share	0.11
21	Profit per share	**0.11**
22	Price - earnings ratio (times)	**-**

South Bangla Agriculture and Commerce Bank Ltd.

Disclosures under Risk Based Capital (Basel II)

For the year ended 31 December 2013

Background: These disclosures under Pillar III of Basel II are made according to revised 'Guidelines on Risk Based Capital Adequacy (RBCA)' for banks issued by Bangladesh Bank (Central Bank of Bangladesh) in December 2010. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar I and the Supervisory Review Process (SRP) under Pillar II of Basel II.

The purpose of market discipline in the Revised Capital Adequacy Framework is to disclose relevant information on capital adequacy in relation to various risks of the bank so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets as well as can make the economic decision. The disclosures under Pillar-III of Basel II framework of the bank as on 31 December 2013 are as under:

A) Scope of Application
B) Capital Structure
C) Capital Adequacy
D) Credit Risk
E) Equities: Disclosures for Banking Book Positions
F) Interest Rate Risk in Banking Book (IRRBB)
G) Market Risk
H) Operational risk

Disclosures under Risk Based Capital (Basel II)

A) Scope of Application

Qualitative Disclosures:		
a)	The name of the top corporate entity in the group to which this guidelines applies.	**South Bangla Agriculture and Commerce Bank Ltd. (the Bank)**
b)	An outline of differences in 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 are no subsidiaries of the bank on reporting date.
c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative Disclosures:		
d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries	Not applicable

Disclosures under Risk Based Capital (Basel II)

B) 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 Tier 1 or Tier 2.	Regulatory capital, as stipulated by the revised RBCA guidelines by Bangladesh Bank, is categorized into three tiers according to the order of quality of capital (Tier I, II & III). **i) Tier-I** capital called 'Core Capital' comprises of highest quality of capital elements that consists of paid up capital, statutory reserves, general reserve eligible for inclusion in Tier-I capital that comply with requirement specified by Bangladesh Bank. **ii) Tier-II** capital called 'Supplementary Capital' represents other elements, which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank and consists of revaluation reserve, general provision etc. iii) Tier-III capital called 'Additional Supplementary Capital', consists of short-term subordinated debt, which would be solely for the purpose of meeting a proportion of the capital requirements for market risk. The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the revised RBCA guidelines by Bangladesh Bank as per following details: 1) Requirements: The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital. Status of Compliance: Complied 2) Requirements: 50% of revaluation reserves for fixed assets and securities eligible for Tier 2 capital. **Status of Compliance:** Complied 3) **Requirements:** 10% of revaluation reserves for equity instruments eligible for Tier 2 capital. **Status of Compliance:** There was no revaluation reserve from quoted equities as on the reporting date. 4) **Requirements:** Subordinated debt shall be limited to a maximum of 30% of the amount of Tier- I capital. **Compliance Status :** As on the reporting date there was no subordinated debt in the capital structure of South Bangla Agriculture and Commerce Bank Ltd.

Disclosures under Risk Based Capital (Basel II)

		5) Requirements: Limitation of Tier 3: A minimum of about 28.5% of market risk needs to be supported by Tier-I capital. Supporting of Market Risk from Tier 3 capital shall be limited up to maximum of 250% of a bank's Tier-I capital that is available after meeting credit risk capital requirement. Compliance Status : As on the reporting date there was no subordinated debt in the capital structure of South Bangla Agriculture and Commerce Bank Ltd

Quantitative Disclosures: As on the reporting date, the Bank had a total capital of BDT 416.93 Crore comprising Tier-I capital of BDT 413.59 Crore and Tier-II capital of BDT 3.34 Crore (South Bangla Agriculture and Commerce Bank had no Tier III element in its capital structure). Following table presents component wise details of capital as on reporting date i.e. 31 December 2013:

Amount in crore Tk

Sl No.	Particulars	Solo
1	**Elements of Tier-I Capital**	
2	Paid up capital	408.96
3	Statutory Reserve	2.11
4	Non-repayable Share premium account	-
5	General Reserve	-
6	Retained Earnings	2.52
7	Minority interest in Subsidiaries	-
8	Non-Cumulative Irredeemable Preferences shares	-
9	Dividend Equalization Account	-
10	Other (if any item approved by Bangladesh Bank)	-
11	**Sub Total(2+3+----------+10)**	**413.59**
12	**Deductions from Tier-1 Capital**	**-**
13	**Total eligible Tier -1 Capital (Core Capital) (11-12)**	**413.59**
14	**Total amount of Tier-II Capital**	3.34
15	**Total amount of Tier-III Capital**	**-**
16	**Other deductions from Capital**	**-**
17	**Total Eligible Capital (13+14+15-16)**	**416.93**

Disclosures under Risk Based Capital (Basel II)

C) Capital Adequacy

Qualitative Disclosures:		
a)	A summary discussion of the bank's approach to assess the adequacy of its capital to support current and future activities.	In terms of RBCA guidelines on Basel-II framework issued by Bangladesh Bank, the bank has adopted the standardized approach for credit risk, standardized (rule based) approach for market risk and basic indicator approach for operational risk. As per capital adequacy guidelines, the bank is required to maintain a minimum CAR of 10.00% with regards to Risk Weighted Assets. South Bangla Agriculture and Commerce Bank Ltd. focuses on strengthening and enhancing its risk management culture and internal control processes rather than increasing capital to cover up weak risk management and control practices. The bank is able to maintain capital adequacy ratio (CAR) at 61.98% on solo basis against the regulatory minimum level of 10.00%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalized at all times.

b. Quantitative Disclosures:

Amount in crore Tk

Sl No.	Particulars	Solo
1	Capital Requirement for Credit Risk	612.68
2	Capital Requirement for Market Risk	10.23
3	Capital Requirement for Operational Risk	49.79
4	Total Risk Weighted Assets (RWA)	672.70
5	Minimum Capital Requirement	400.00
6	Total CAR	61.98 %
7	Tier-I CAR	61.48 %
8	Tier-II CAR	0.50 %
9	Total and Tier 1 Capital Ratio	99.20 %

Disclosures under Risk Based Capital (Basel II)

B) Credit Risk

Qualitative Disclosures:		
a)	The general qualitative disclosures:	
	Definitions of past due and impaired:	A loan payment that has not been made as of its due date is called past due/overdue. Failure to repay any credit on time could have negative implications for the customer's credit worthiness. In case of past due loan, the bank may charge compensation which does not come under bank's income rather the charges are used for benevolent purpose. A loan is impaired when it is not likely the bank will collect the full value of the loan because the credit worthiness of a customer has fallen. The bank will pursue either restructuring or foreclosure as a result of the impaired status of the credit. Further, the bank must report the loan as impaired on any of its financial statements and CIB of Bangladesh bank. With a view to strengthening loan discipline and bring classification and provisioning regulation in the line with international standard, a phase wise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. The above loans are classified as follows: **Continuous & Demand Credit are classified as under:** • Sub-standard- if it is past due/overdue for 3 months or beyond but less than 6 months • Doubtful- if it is past due/overdue for 6 months or beyond but less Than 9 months • Bad/Loss- if it is past due/overdue for 9 months or beyond **Fixed Term Loan (More than BDT 10.00 Lac) is classified as** • Sub-standard- if the defaulted installment is equal to or more than the amount of installment (s) due within 3 (three) months, the entire loans are classified as "Sub-standard" • Doubtful- if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loans are classified as "Doubtful. • Bad/Loss- if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire loans are classifiedas "Bad/Loss".

Disclosures under Risk Based Capital (Basel II)

B) Credit Risk

Qualitative Disclosures:		
a)	The general qualitative disclosures:	
	Definitions of past due and impaired:	A loan payment that has not been made as of its due date is called past due/overdue. Failure to repay any credit on time could have negative implications for the customer's credit worthiness. In case of past due loan, the bank may charge compensation which does not come under bank's income rather the charges are used for benevolent purpose. A loan is impaired when it is not likely the bank will collect the full value of the loan because the credit worthiness of a customer has fallen. The bank will pursue either restructuring or foreclosure as a result of the impaired status of the credit. Further, the bank must report the loan as impaired on any of its financial statements and CIB of Bangladesh bank. With a view to strengthening loan discipline and bring classification and provisioning regulation in the line with international standard, a phase wise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. The above loans are classified as follows: **Continuous & Demand Credit are classified as under:** • Sub-standard- if it is past due/overdue for 3 months or beyond but less than 6 months • Doubtful- if it is past due/overdue for 6 months or beyond but less Than 9 months • Bad/Loss- if it is past due/overdue for 9 months or beyond **Fixed Term Loan (More than BDT 10.00 Lac) is classified as** • Sub-standard- if the defaulted installment is equal to or more than the amount of installment (s) due within 3 (three) months, the entire loans are classified as "Sub-standard" • Doubtful- if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loans are classified as "Doubtful. • Bad/Loss- if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire loans are classifiedas "Bad/Loss".

Disclosures under Risk Based Capital (Basel II)

Description of approaches followed for specific and general allowances and statistical methods:

Fixed Term Loan (Up to BDT 10.00 Lac) is classified as

- Sub-standard- if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loans are classified as "Sub-standard".
- Doubtful- if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire loans are classified as "Doubtful
- Bad/Loss- if the defaulted installment is equal to or more than the amount of installment (s) due within 12 (twelve) months, the entire loans are classified as "Bad/Loss".

Short-term Agricultural and Micro Loan Short term Agricultural and Micro Loan are classified as

- Sub-standard- if the irregular status continue after a period of 12 (twelve) months, the loans are classified as "Sub-standard"
- Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the loan are classified as "Doubtful"
- Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the loan are classified as "Bad/Loss".

** A Continuous loan, Demand loan or Term Loan which will remain overdue for a period of 60 days or more, are treated as "Special Mention Account (SMA)"

Past due for more than 90 days excluding term loan upto Tk. 10.00 lac have been considered for the purpose of calculation of risk weighted asset as per guidelines of Bangladesh Bank.

We follow the following approach for specific and general allowances and statistical method:

Particulars		Short Term Agriculture credit and micro credit	Consumer Financing			Small Enterprise Financing	Credits to BHs/MBS/ SDs	All other credit
			Other than HF & LP	HF	LP			
Unclassified	Standard	5%	5%	2%	2%	0.25%	2%	1%
	SMA	n/a	5%	2%	2%	0.25%	2%	1%
Classified	SS	5%	20%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%	50%
	B/L	100%	100%	100%	100%	100%	100%	100%

Disclosures under Risk Based Capital (Basel II)

	Discussion of the bank's credit risk management policy.	*** Base for provision = Outstanding- (eligible security+ interest suspense) or 15% outstanding whichever is higher. Risk is inherent in all aspects of a commercial operation; however for Banks and financial institutions, Credit risk is an essential factor that needs to be managed. Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions. To manage credit risk South Bangla Agriculture and Commerce Bank Ltd follows "Bangladesh bank's Circulated CREDIT RISK MANAGEMENT guidelines".
b)	**Quantitative Disclosures:**	
	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 2013

Amount in Crore Tk.

Sl.	Mode-wise Credit	Exposure	Mix (%)
1	Overdrafts	69.47	23.10%
2	General loans	0.76	0.25%
3	Cash credit	142.55	47.41%
4	Loan against trust receipt	37.73	12.55%
5	Consumer credit	1.07	0.36%
6	Lease finance	0.20	0.07%
7	Staff loan	6.61	2.20%
8	Inland bills purchased	42.29	14.06%
	Total	300.68	100.00%

	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 2013 are as follows:

Amount in Crore Tk.

Sl.	**Division-wise Loan**	Exposure	**Mix (%)**
1	Dhaka	281.23	93.53%
2	Chittagong	8.75	2.91%
3	Khulna	10.70	3.56%
	Total	**300.68**	**100.00%**

Disclosures under Risk Based Capital (Basel II)

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 2013 are as follows:

Amount in Crore Tk.

Sl.	Industry-wise Loans	Exposure	Mix (%)
1	Loan to small cottage industries	3.72	1.24%
2	Loan to large & medium industries	5.20	1.73%
3	Import credit	37.74	12.55%
4	Export credit	42.29	14.06%
5	Trade finance	186.69	62.09%
6	Consumer credit	1.21	0.40%
7	Others	23.83	7.93%
	Total	300.68	100.00%

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 2013 are as follows:

Amount in Crore Tk.

Sl.	Item	Exposure	Mix (%)
1	On demand	-	-
2	Not more than 3 months	115.47	38.40%
3	More than 3 months but less than 1 year	175.17	58.26%
4	More than 1year but less than 5 years	5.36	1.78%
5	More than 5 years	4.68	1.56%
	Total	**300.68**	**100.00%**

By major industry or counterparty type:

No past dues against impaired Loans.

Disclosures under Risk Based Capital (Basel II)

	Specific and general provisions	Amount in Crore Tk. Provision required: Taka Unclassified Loans 2.74 Special mention accounts (SMA) - Agriculture (Short Term Agri) - Sub total 2.74 Substandard - Doubtful - Bad/Loss - Sub total - Total 2.74 ***Provision for off-balance sheet item- BDT 0.50 crore

E) Equities: Disclosures for Banking Book Positions

a)	**Qualitative Disclosures:**	
	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;	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 and unquoted shares are valued at cost. Provisions are made for any loss arising from diminution in value of investment.

Disclosures under Risk Based Capital (Basel II)

Quantitative Disclosures:

b)	Value disclosed in the balance sheet of 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 2013) period.	-
d)	• Total unrealized gains (losses)	-
	• Total latent revaluation gains (losses)	-
	• Any amounts of the above included in Tier 2 capital.	-
e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements	Capital charge on banking book equities has been BDT 6.25 crore, calculated by giving 125% risk weight

F) 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 exposure of a bank's financial condition to adverse movements in interest rates. The process of interest rate risk management by the bank involves determination of the business objectives, expectation about future macro variables and understanding the money markets and debt market in which it operates. Interest rate risk is the risk, which affects the Bank's financial condition due to changes in the market interest rates. Changes in interest rates affect both the current earnings (earnings perspective, traditional approach to interest rate risk assessment taken by many banks) as well as the net worth of the Bank (economic value perspective). The risk from earnings perspective measured as impact on the Net Interest Income (NII). Similarly, the risk from economic value perspective which affect the underlying value of the bank's assets, liabilities, and off- balance-sheet (OBS) instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change can be measured in the Economic Value of Equity (EVE). Accordingly, an effective risk management process that maintains interest rate risk within prudent levels is essential to the safety and soundness of banks. The Bank adopted traditional (earnings perspective) Duration Gap Analysis for assessing the impact on the Economic Value of Equity (Economic Value Perspective) by applying a notional Interest rate shock up from 100 bps to 300 bps under stress test practice at the bank.

Disclosures under Risk Based Capital (Basel II)

Quantitative Disclosures:

The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) due to changes in Interest rate.

CAR before-shock (%) 61.98

Amount in Crore Tk.

Interest Rate Stress	Minor	Moderate	Major
Assumed change in Interest Rate	1%	2%	3%
Net interest income impact			
<12 months	4.18	8.36	12.55
Capital after-shock	421.11	425.29	429.48
CAR after-shock (%)	**62.60**	**63.22**	**63.84**
Change in CAR after-shock (%)	**0.62**	**1.24**	**1.87**

Impact of fluctuation in the interest rates on economic value of a financial institution is tested in the stress test. Economic value is affected both by changes in future cash flows and discount rate used for determining present value. To determine the impact of increase in interest rate risk 3 scenarios are tested, in minor level of shock of 1% increase in interest rate cause CAR to 62.60% from 61.98% and 2% increase in interest rate cause CAR to 63.22%, finally a major shock of 3% increase in interest rate cause CAR to 63.84%.

Amount in Crore Tk.

Interest Rate Risk- Increase in Interest Rate	Minor Level of Shock	Moderate Level of Shock	Major Level of Shock
Magnitude of Shock	1%	2%	3%
Duration GAP (year)	0.25	0.25	0.25
Fall in MVE (on-balance sheet)	1.93	3.86	5.80
Revised Capital	415.00	413.07	411.13
Revised RWA	672.25	672.25	672.25
Revised CAR (%)	61.73	61.455	61.16
Net Investment Income Impact (<12 Month)	4.18	8.36	12.55

*The stress testing was conducted considering CAR of 61.98% before finalizing the Financial Statement 2013.

Disclosures under Risk Based Capital (Basel II)

G) Market Risk

a) Qualitative Disclosures:	
Views of Board of Directors on trading/ investment activities:	The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet: i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk
Methods used to measure Market risk:	Methods used to measure Market risk as per relevant Bangladesh Bank guidelines, Standardize approach has been used to measure the Market risk. 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".
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.
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.

Disclosures under Risk Based Capital (Basel II)

b) Quantitative Disclosures:

Amount in crore Tk

	Total Capital Charge
Interest Rate Related Instruments	
Equities a) Specific Risk - Market value of investment in equities BDT 50.28 Crore. Capital Charge at 10% of market value amounting BDT 5.02 Crore . b) General Market Risk -Market value of investment in equities BDT 50.28 Crore. Capital Charge at 10% of market value amounting BDT 5.02 Crore .	0.80
Foreign Exchange Position	0.22
Commodities	-
Total	**1.02**

H) Operational Risk

a) 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.
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**	No potential external events is expected to expose the Bank to significant operational risk.
iv)	**Policies and processes for mitigating operational risk**	No potential external events is expected to expose the Bank to significant 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. Policy guidelines on Risk Based Internal Audit (RBIA) System is in operation. As per RBIA, branches are rated according to their risk status and branches scoring more on risk status are subjected to more frequent audit by Internal Control and Compliance Division (IC&CD). IC&CD directly report to Audit Committee of the Board. In addition there is a Vigilance Cell established in 2013 to reinforce 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. 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.

Disclosures under Risk Based Capital (Basel II)

v)	**Approaches for calculating capital charge for operational risk**	The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 35 dated 29 December 2010 [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; v) Excluding income derived from insurance.

b) Quantitative Disclosures:

Amount in Crore Tk

The capital requirements for operational risk	49.79

Capital Charge for Operational Risk- Basic Indicator Approach

Amount in Crore Tk

Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge = 15% of AGI
2013	33.19	33.19	4.98

List of Branches

Sl#	Branch	Address	Phone
1	Principal Branch	Zaman Chamber, 47, Dilkusha C/A, Dhaka-1000	02-9587346-48
2	Hemayetpur Branch	Hazi Ashraf Shopping Complex, Jadurchar, Hemayetpur Bazar, Savar, Dhaka	02-7742939
3	Ashulia Branch	Holding - 4104, Baipail, Bashundhara, Ashulia, Dhaka	7789414, 7789415
4	Gulshan Branch	114, Gulshan Avenue, Gulshan, Dhaka - 1212	02-9853091, 9853093
5	Imamganj Branch	Crown Bhaban, 59 Mitford Road, Imamganj, Dhaka	7342223
6	Uttara Branch	Plot - 71, Sector - 07, Cosmo Shopping Centre, Azampur, Uttara, Dhaka	02-7911471, 7911863
7	Bhatiari Branch	N.D. Bhaban, D.T. Road, Bhatiari, Shitakunda, Chittagong	031-2781271
8	Agrabad Branch	96, Agrabad C/A, Agrabad, Chittagong	031-2516183-85
9	Keraniganj Branch	Akhter Tower, Bridge Road, Dakkhin Kadamtoli, Aganagar, Dakkhin Keraniganj, Dhaka	02-7764456, 7764457
10	Khulna Branch	Chamber Building Complex, 05 KDA Avenue, Khan A Sabur Road, Khulna	041-733426, 733464
11	Velanagar Branch	Mahbub Molla Concord Tower, Jailkhana Mor, DC Road, Narsingdi Sadar, Narsingdi	9452487
12	Katakhali Branch	Katakhali Mor, Khulna Mangla Sharak, Fakirhat, Bagerhat	046-6356117

SBAC Bank Limited

সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ

LOCAL BANK GLOBAL VISION

Head Office, Sun Moon Star Tower, 37 Dilkusha Commercial Area, Dhaka-1000.

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 1st AGM of the Company to be held on Sunday, March 30th, 2014 or at any adjournment thereof.

Signed this ..... day of ....., 2014.

Signature of Proxy .....

Signature of Member .....

Folio No. .....

No. of Shares held .....

Revenue Stamp
Tk. 20/

N.B: This Proxy Form, duly completed (as recorded with the Bank) and signed (in accordance with the specimen signature recorded with Bank), must be deposited at the Registered Office of the Company at least 48 (forty eight) hours before the Meeting. Proxy is invalid if not signed and stamped as explained above.

SBAC Bank Limited

সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ

LOCAL BANK GLOBAL VISION

ATTENDANCE SLIP

I hereby record my attendance at the 1st AGM of the Company being held on Sunday, March 30th, 2014 at 10.30 a.m. in our head office.

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.

Launching Ceremony

OPENING OF BRANCHES (ALPHABETICAL)

Inauguration of Agrabad Branch, Chittagong

Inauguration of Ashulia Branch, Savar, Dhaka

Inauguration of Bhatiari Branch, Chittagong

OPENING OF BRANCHES (ALPHABETICAL)

Inauguration of Gulshan Branch, Dhaka

Inauguration of Hemayetpur Branch, Savar, Dhaka

Inauguration of Imamgonj Branch, Dhaka

OPENING OF BRANCHES (ALPHABETICAL)

Inauguration of Katakhali Branch, Khulna

Inauguration of Keranigonj Branch, Dhaka

Inauguration of Khulna Branch, Khulna

OPENING OF BRANCHES (ALPHABETICAL)

Inauguration of Principal Branch, Dilkusha, Dhaka

Inauguration of Uttara Branch, Dhaka

Inauguration of Velanagar Branch, Narshindhi

BOARD MEETING

ACTIVITIES

Statutory Meeting

Orientation Program for honourable Directors where Mr. S. K. Sur Chowdhury, Deputy Gouvernor, Bangladesh Bank was present as Chief Guest.

TRAINING & DEVELOPMENT

Mr. S. M. Amzad Hossain, Chairman of SBAC Bank inaugurated the Training Institute of the Bank which is the first Training Institute among 4th generation Banks.

Participants of Foundation Training course (1st Batch) along with Senior Executives of the Bank.

ACTIVITIES

Agrement Signing Ceremony with ITCL for Debit Card Service.

Participation Agrement between Bangladesh Bank and SBAC Bank Ltd. for Agro Processing Finance Scheme and Small Enterprise Financing Scheme of Bangladesh Bank.

Mr. Md. Rafiqul Islam, Managing Director & CEO of the Bank inagurated the SWIFT Operation of the Bank.

CORPORATE SOCIAL RESPONSIBILITIES

The SBAC Bank distributed blankets to the poor people suffering from cold of our country.

Mr. S. M. Amzad Hossain, Chairman of the Board of Directors, SBAC Bank hands over a check for Tk. 25 lacs to honourable Prime Minister Sheikh Hasina for rehabilitation of Savar Rana Plaza Victims.

Mr. Md. Rafiqul Islam, Managing Director & CEO of the Bank handed over Cheque worth BDT 8.00 lac to Bangladesh Table Tennis Federation.

DIVERSIFIED SECTORAL FINANCING

AGRO INDUSTRY

- *M/S. Aklima Poultry Farm; an agrobased project financed by SBAC Bank Ltd.*
- *AG Agro Industries Ltd.; and agrobased project financed by SBAC Bank Ltd.*

WOMEN ENTREPRENEUR

- *M/S. HIJ.UP; financed by SBAC Bank Ltd. under women entrepreneur financing.*

DIVERSIFIED SECTORAL FINANCING

GARMENTS & TEXTILE INDUSTRIES

- *Masihata Sweaters Ltd.; a sweater project financed by SBAC Bank Ltd.*
- *MHC Wears (Pvt.) Ltd.; woven garments industry financed by SBAC Bank Ltd.*
- *Zaber & Zubair Fabrics Ltd.; financed by SBAC Bank Ltd.*
- *Talha Spinning Mills Ltd. financed by SBAC Bank Ltd.*

SHIPBUILDING

- *M/S. Rocky Dockyard; a shipbuilding project financed by SBAC Bank Ltd.*

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www.sbacbank.com