



Annual Report 2017



SOUTH BANGLA AGRICULTURE & COMMERCE BANK LTD.

সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ

LOCAL BANK GLOBAL VISION



5th

Annual General Meeting (AGM)
of South Bangla Agriculture
& Commerce Bank
Limited will be held
on May 10, 2018 at
Antara Hall of Radisson
Blu Dhaka Water Garden,
Airport Road,
Dhaka Cantonment,
Dhaka-1206

Advancement

South Bangla Agriculture & Commerce (SBAC) Bank Limited started its journey in 2013 with a clear vision to be customer-friendly with service excellence. We started with two advantages: uniquely qualified leadership and a firm capital base of BDT 4089.6 million. Building on this rock-solid foundation enabled us to offer our customers a wide array of financial solutions. Combining these solutions with our wealth of experience enabled us to exercise judgment to propel our customers' financial interests forward.

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

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



SBAC Bank Limited
ANNUAL REPORT 2017





Vision

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

Mission

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

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Letter of Transmittal

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

Subject: Annual Report 2017 of South Bangla Agriculture & Commerce Bank Ltd.

Dear Sir/Madam (s),

Reference to the above, we enclose herewith copy of Annual Report 2017 of South Bangla Agriculture & Commerce Bank Limited along with Audited Financial Statements as at 31st December 2017. This report includes Income Statement, Balance Sheet, Cash Flow Statement, Liquidity Statement, Statement of Changes in Equity and Notes to the Accounts thereon of South Bangla Agriculture & Commerce Bank Limited.

This is for your kind information and ready reference.



Md. Mokaddess Ali ACS
Vice President &
Company Secretary

NOTICE OF THE 5th ANNUAL GENERAL MEETING

Notice is hereby given to all Members of South Bangla Agriculture & Commerce Bank Limited (the “Company”) that the 5th Annual General Meeting of the Members of the Company will be held on Thursday, May 10, 2018 at 11:30 a.m. at Antara Hall of Radisson Blu Dhaka Water Garden, Airport Road, Dhaka Cantonment, Dhaka-1206 to transact the following business and adopt necessary resolutions:

AGENDA:

- 1: To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2017.
- 2: To declare dividend out of the Profits for the year ended December 31, 2017.
- 3: To elect Directors in place of those who shall retire in accordance with the provisions of the laws and the Articles of Association of the Company.
- 4: To appoint Auditors of the Company for the term until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. Expenditure regarding Vehicles of Bank’s Pool.
- 6: To transact any other business with permission of the Chair.

Dhaka

Date- April 15, 2018

By order of the Board,



Md. Mokaddess Ali ACS
Vice President &
Company Secretary

NOTES:

- a. The date of Book Closure (Record Date) shall be April 12, 2018;
- b. The Shareholders whose names appear in the Register of Members of the Company as at the close of the business on April 12, 2018 will only be entitled to the dividend declared in the AGM, if any;
- c. Any member of the Company entitled to attend and vote at the General Meeting may appoint a proxy to attend and vote on his/her/their behalf;
- d. The instrument appointing proxy duly signed by the Member(s) and stamped must be submitted at the Registered Office of the Company at least 48 hours before the Meeting and
- e. Members are requested to notify changes of address, if any, to the Company Secretariat on or before April 12, 2018.



Commitments

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

Compliance Culture:

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

Client Focus:

- Bank is mainly a service oriented organization. To meet the need of customer with satisfactory service, we adopted modern technology based Core Banking Solution. Our clients are at the center of our activities and their satisfaction is our ultimate objective.
- Our success is dependent on our ability to provide the best products and services to our clients; we are committed to helping our clients achieve their goals.

Hard Work:

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

Transparency:

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

Integrity:

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

Innovation:

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

Teamwork:

- We ensure access to information openly within the stakeholders of the Bank.
- We believe in total quality Management (TQM) within the Bank.
- We value and respect one another's cultural backgrounds and unique perspectives.

Respect to the Individual:

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

Our Management Philosophy

1. Growing Together with Our Customers:

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

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

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

3. Develop human resources for creative and challenging activities:

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

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

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

5. Take good care of people and the Planet:

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



Strategic Priorities

Keeping the economic trend in mind, we have set our strategic priorities focusing on asset quality. Our objective is to maintain the Non Performing Loans below one percent. In the year 2018 we must concentrate our efforts to build up a better deposit mix with base deposit i.e. low/no cost deposit.

1. Expansion of branch network to make banking services available at important locations throughout the country. The Bank has already opened 64 branches up to December, 2017 and opening of few more branches is under process. The Bank has a plan to increase number of branches to 85 by December 31, 2018.
2. Maintaining highest quality of customer services by offering best products compatible with customers' needs.
3. Financial inclusion through widening the coverage of banking services specially by including the disadvantaged section of society. The Operation of Agent Banking will come into operation soon.
4. Continuation of diversification of credit portfolio on sectoral & geographical basis.
5. Improvement of deposit mix by penetrating board-based customers, increasing share of low cost and no cost deposit in total deposit and decreasing rate sensitive high cost deposit.
6. Maintaining optimum level of liquidity through skillfully managing asset-liability mismatch and recovery of past due loans.
7. Administering regular and effective monitoring and conducting recovery drive to ensure asset quality.
8. Diversification of products and services by introducing IT based innovative digital products and engaging alternate delivery channels.
9. Expediting delivery of inward remittance to increase the flow of foreign remittance.
10. Insuring good governance through strengthening corporate cultures, motivation, training and supervision at all levels of management.
11. Conduct Business Process Re-engineering in different functional areas to improve efficiency and ethical values.
12. Develop Human Resources Management system to motivate and retain Human Resources and transform them into Human Assets through continuous skill development.
13. Cost minimization and efficiency optimization at all levels of operation by ensuring budgetary control.
14. Expansion of activities related to Corporate Social Responsibility and Green Banking within the framework of organizational goals.
15. Maintaining strong capital base by ensuring borrowers' rating, concentrating on lending portfolio having lower capital charge, strengthening Internal Capital Adequacy Assessment Process (ICAAP).
16. Ensuring efficient and effective risks management for sustainable business growth.
17. Increasing brand visibility by creating positive image of the Bank.
18. To add value for all stakeholders.
19. To take appropriate measures to ensure AML/CFT
20. To be compliant with all organizational and regulatory requirements by adherence to all laws, rules, regulations relating to banking.



COMPANY HISTORY



Corporate Information

Name of the Company	: South Bangla Agriculture and Commerce Bank Limited.
Legal Form	: A public limited company incorporated in Bangladesh on 20th February 2013 under the Companies Act 1994.
Date of incorporation	: 20th February 2013.
Date of Commencement of Business	: 20th February 2013.
Nature of Business	: Banking, a Scheduled Private Commercial Bank licensed under Banking Companies Act 1991 (amended up to 2018)
Head Office (Registered)	: Sun Moon Star Tower 37, Dilkusha C/A, Dhaka - 1000
Phone	: (02) 9577207-11
Routing No	: 270270002
Fax No.	: +88 02 9577212
SWIFT	: SBACBDDH
Website	: www.sbacbank.com
Chairman	: Mr. S. M. Amzad Hossain
Managing Director & CEO	: Mr. Md. Golam Faruque
Company Secretary	: Mr. Md. Mokaddess Ali ACS
Auditors	: Khan Wahab Shafique Rahman & Co., Chartered Accountants
Tax Consultants	: Islam and Co., Chartered Accountants
Legal Consultant	: Bhuiyan Islam and Zaidi.
No. of Branches	: 64
No. of ATM Booth	: 22
No. of Employees	: 716
Stock Summary	
Authorized Capital	: Tk. 10,000 million
Paid up Capital	: Tk. 4985.2224 million
Face Value per Share	: Tk. 10
Chairman's Office	: Akram Tower (9th Floor), 199, Sayed Nazrul Islam Sarani 15/5, Bijoy Nagar, Dhaka-1000.
E-Mail	: lockpurgroup@gmail.com

Milestones

SL. No.	Event Issue	Date
1	Letter of Intent	17/04/2012
2	Certificate of Incorporation	20/02/2013
3	Certificate for Commencement of Business	20/02/2013
4	License Issued by Bangladesh Bank favoring South Bangla Agriculture & Commerce Bank Ltd.	25/03/2013
5	Inclusion of SBAC Bank in Bangladesh Gazette	31/03/2013
6	Enlistment as Scheduled Bank	01/04/2013
7	Inauguration of Head Office	03/04/2013
8	Inauguration of Principal Branch	28/04/2013
9	Obtaining Foreign Currency Transactions License (Head Office & Principal Branch)	13/05/2013
10	Inauguration of SWIFT Operation	04/08/2013
11	Inauguration of BACPS & BEFTN Operation	20/11/2013
12	Opening of Nostro Account:	
	AB Bank (Mumbai Branch)	22/05/2013
	United Bank Of India	17/06/2013
	Sonali Bank (UK)	25/06/2013
	Mashreq Bank Psc (Newyork)	25/09/2013
	National Bank of Pakistan (Tokyo, Japan)	20/03/2014
	Mashreq Bank Psc (London, U.K)	23/06/2014
	Sonali Bank (Kolkata)	11/02/2015
13	Signing agreement with ITCL for launching ATM operation	23/11/2013
14	Live ATM and Card Operation	09/03/2014
15	1st AGM held on	31/03/2014
16	Establishment of Trade Processing Unit	01/07/2014
17	Joining the National Payment Switch Bangladesh (NPSB)	01/10/2014
18	UBAF, France (Union De Banques Arabes Et Francaises) approved credit line	December, 2014
19	Commencement of Foreign Remittance Services:	
	Wall Street Finance LLC, USA	20/07/2014
	Trans-Fast Remittance LLC, USA	19/10/2014
	Xpress Money Service Limited	22/12/2014
	Western Union Network	07/06/2015
	Placid NK Corporation, USA (Placid Express)	29/06/2015
	Continental Exchange Solution (Ria Financial Service)	06/07/2015
	Aman Exchange Company WLL, Kuwait	11/24/2015
20	Obtained Letter of Appreciation, awarded by Bangladesh Bank	4/12/2016
21	Obtained Patel Award of Sardar Patel Trust, Gujrat India	23/09/2016
22	Agreement on Green Transformation Fund for Export oriented Textile & Textile Products, Leather manufacturing industries and Jute products	09/02/2017
23	The Bank has achieved "Grade A" for Successful implementation of National integrity strategy Action plan for the Quarter April-June, 2017	30/06/2017
24	Signing Agreement with JICA for "Two Step Fund of Foreign Direct Investment Promotion Project(FDIPP) BD-P86"	14/02/2018

UNIQUE ACHIEVEMENTS

1. The Bank has been rated A3 (long term) and ST-2 (short term) By Credit Rating Agency of Bangladesh Ltd. (CRAB) on June 21, 2017.
2. SBAC Bank Ltd. has been the highest profit maker among the nine fourth generation banks for two consecutive years i.e. 2016-17.
3. The bank has opened so far 64 branches maintaining rural-urban ratio 1:1.
4. At the end of December 2017, Balance Sheet size of the bank reached to Tk. 58,940.78 million.
5. The Bank made robust business growth in all respects of its business in 2017 i.e. the operating profit growth 19.70%, total assets growth 29.26%, total deposits growth 30.74%, total loans and advances growth 43.45%, earnings per share growth 3.68%.
6. The Bank earns net profit of Tk. 982.03 million in 2017 with a rising trend in compare to that of previous year.
7. SBAC Bank Ltd. has been able to uphold the quality of it's assets at a significant level by keeping Non-performing loan (NPL) very low.
8. Among the new banks, SBAC Bank Ltd. was first to go on live with SWIFT and open USD Nostro Account with Correspondent Banks in the USA, gets Credit Line Arrangement with foreign bank for LC confirmation and discounting thereof to facilitate foreign trade business.
9. The Bank has made Drawing Arrangements with Wall Street Finance LLC, USA and Aman Exchange Company WLL, Kuwait. Remittance through Instant Cash and Account Credit has also been started with Transfast Remittance LLC, Placid NK Corporation, Xpress Money Services Ltd., Western Union Network, Ria Financial services and Turbo



Cash under arrangement of Sub-agency/associate member.

10. In order to support the Non-AD (Non-Authorized Dealer) branches, the bank established Central Trade Processing Unit (TPU) at Head Office.
11. To transform the human resources into human asset, the bank established it's Training institute at the beginning of 2014.
12. The Bank launched Online Banking Service from the 1st day of it's operation.
13. Among the new generation banks, our Bank was the first to commence BACPS Operation, Inaugurate EFTN/ RTGS Operation and State of the Art Data Centre.
14. To foster inclusive growth, the bank has introduced Tk. 10 privileged savings account, senior citizen savings account and students savings account. Besides, the bank has obtained "AGENT BANKING" operation approval from Bangladesh Bank which will come into operation soon.
15. To fulfill the target of Green Finance at least 3% of total loan disbursed, The Bank has already formulated "Green Finance Policy" incorporating Bangladesh Bank approved green products duly approved by the Board.

- Under this policy the loan will be disbursed at flexible terms and subsidized interest rate.
16. To strengthen the organizational capability and human resources base, the bank has recruited 100 talented, meritorious and deserving candidates as MTO (Management Trainee Officer) who had come out successful after rigorous selection procedures of which 75 joined the bank.
 17. To combat Money Laundering and Terrorist Financing appropriate preventive measures have been taken.
 18. The Bank got "Letter of Appreciation" for achieving agriculture finance target in 2016.
 19. As an international recognition, the Bank achieved "Sardar Patel Award 2016" for the contribution in socio-economic development of our country.
 20. Agreement on Foreign currency loan from 'Long Term Financing Facility' under their financing agreement with International Development Association (IDA) of World Bank (WB)' On August 04, 2016.
 21. Agreement on 'Green Transformation Fund for Export oriented Textile & Textile Products, Leather manufacturing industries and Jute products' On 09 February, 2017.
 22. The Bank has achieved "Grade A" for Successful implementation of National integrity strategy Action plan for the Quarter April-June, 2017.
 23. Agreement with JICA on 'Two Step Fund of Foreign Direct Investment Promotion Project(FDIPP) BD-P86' On 14 February 2018



A3

Year	Long Term Rating	Short Term Rating	Date of Rating	Valid Till
2017	A ₃	ST-2	21 June 2017	30 June 2018
2016	BBB ₁	ST-2	02 June 2016	30 June 2017

Long Term : A₃

- Commercial Banks rated 'A₃' have strong capacity to meet their financial commitments
- Judged to be of high quality with low credit risk.

BBB₁

- Commercial Banks rated BBB₁ have adequate capacity to meet their financial commitments.

Short Term : ST-2

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

Outlook : Stable

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



LEADERSHIP





THE BOARD OF DIRECTORS



Mr. S.M. Amzad Hossain
Chairman



Mr. Talukder Abdul Khaleque
Independent Director
& Vice-Chairman



Captain M. Moazzam Hossain
Chairman
Executive Committee



Mr. Maksudur Rahman
Chairman
Risk Management Committee



Mr. Abdul Kadir Molla
Director



Begum Sufia Amjad
Director



Mr. Abu Zafar Mohammad Shofiuddin
Director



Al-haj Mizanur Rahman
Director



Engr. Md. Moklesur Rahman
Director



Mr. Md. Amzad Hossain
Director



Mr. Hafizur Rahman Babu
Director



Mr. Muhammad Mohsin
Director



Mr. Anwar Hussain
Director



Mrs. Tahmina Afroz
Director



Ms. Kamrun Nahar
Director



Mr. Sk. Shyedujaman
Director



Mr. Mohammad Nawaz
Director



Mr. Mohammed Ayub
Director



Mr. Sakhawat Hussain
Director



Dr. Syed Hafizur Rahman
Independent Director



COMMITTEES OF THE BOARD

EXECUTIVE COMMITTEE

Chairman

Captain M. Moazzam Hossain

Members

Mr. Abdul Kadir Molla

Engr. Md. Moklesur Rahman

Al-Haj Mizanur Rahman

Mr. Hafizur Rahman Babu

Mr. Sk. Shyeduljaman

Mr. Mohammad Nawaz

AUDIT COMMITTEE

Chairman

Mr. Talukder Abdul Khaleque

Members

Mr. Md. Amzad Hossain

Nominated by : Rupsha Fish & Allied Industries Ltd.

Mr. Abu Zafar Mohammod Shofiuddin

Mr. Anwar Hussain

Dr. Syed Hafizur Rahman

RISK MANAGEMENT COMMITTEE

Chairman

Mr. Maksudur Rahman

Members

Mr. Muhammad Mohsin

Ms. Kamrun Nahar

Mr. Mohammed Ayub

Mr. Sakhawat Hussain

Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.

Managing Director & CEO

Mr. Md. Golam Faruque

COMPANY SECRETARY

Mr. Md. Mokaddess Ali ACS



List of Honorable Sponsor Shareholders



Miss Tajori



Mr. Motiur Rahman



Ms. Mysha Khabir



Mrs. Sanawar Bano



Mr. Iqbal Haider Chowdhury



Mr. Mohammed Nazrul Islam



Mr. A.K. Mizanur Rahman, FCA



Mr. Mainul Huq Khan,
Representing
Padma Lamitube Ltd.



Mr. Mozaharul Haque Shahid



Mr. Md. Emdadul Haque



Mr. Md. Eathashamul Haque



Mr. Kafil Uddin Bhuiyan



Mr. Shahab Uddin Khan



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



Mr. Mohammad Imran



Mrs. Shamima Hossain



Ms. Sadnam Sadiana



Mr. Md. Rezaul Haque



Mr. Md. Mizanur Rahman



Ms. Shamsun Nahar Rahman



Mr. Mohammed Ilias



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



Mr. Ayaz Waris Khan Warisi



Mr. Mohammad Abdul Hye



Mst. Nasima Begum,
Representing
Thermax Textile Mills Ltd.



Mr. Md. Toyamur Islam Raseel



Barrister Ehsan-E-Moazzam,
Representing
Agrovita Ltd.



Mr. Sajid Mohammad Saad



Mr. Goutam Kumar Kundu,
Representing
Southern Foods Ltd.



Mr. Md. Mahin



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



Mr. Tabassum Arifin Rahman



Mr. Eshmam Arifin Rahman



Ms. Mahia Binte Mizan



Mr. Mohammed Belal



Directors Profile



Mr. S.M. Amzad Hossain
Chairman

Mr. S.M. Amzad Hossain, an eminent business personage of the country, has been elected Chairman of the first Board of Directors of South Bangla Agriculture and Commerce Bank Limited on February 20, 2013 and subsequently reappointed for a further period of three years on 03-01-2016. A post-graduate from the University of Dhaka Mr. Hossain traversed a long path of business which for himself ramified into trade and other parts of commerce. More than three decades ago Mr. Hossain, in his early twenties, started a humble business in a hinterland at Bagerhat. By dint of all human qualities to the level of excellence his Shrimp cultivation very soon turned him an exporter. In quick succession he established the Lockpur Group which currently comprises corporate independent units named: Lockpur Fish Processing Co. Ltd., Khulna Printing & Packaging Ltd., Bagerhat Seafood Ind. Ltd., Shampa Ice & Cold Storage Ltd., Western Inn International Ltd., Metro Bricks Ltd., Moon Star Jute Mills Ltd., Khulna Builders Ltd., Bangladesh Poly Printing Int'l Ltd., Rupsha Fish & Allied Industries Ltd., Ideal Polymer Export Ltd., Eastern Polymer Ltd., Moon Star Fish Ltd., Khulna Apparels Ltd., Woman Wears Ltd., Ocean Trade International. His business acumen and personal salesmanship are behind the national and international prize-winning successes of the concerns of the group which he leads as its Chairman and CEO. As a philanthropist Mr. Hossain has established several schools, colleges, mosques and other socio-religious institutions.



Mr. Talukder Abdul Khaleque
Independent Director & Vice-Chairman

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



Captain M. Moazzam Hossain
Director

Captain M. Moazzam Hossain, F.C.I.T., is a Sponsor Director of the Bank. He is also the Chairman of Executive Committee of the Board. He was born on 01 June 1961 in Bangladesh. He obtained his M.Sc. Degree from Bundeswehr University, Germany in 1986. He also qualified Master Class I from Australian Maritime Safety Authority and is a Fellow of Chartered Institute of Transport (FCIT), UK. His student life was full of brilliant academic achievements. He started his career in Bangladesh Navy as a Commissioned Officer in 1980 and later on joined Merchant Fleet and commanded ocean going large ships/vessels as Captain and continued till 1995. Mr. Hossain is a successful entrepreneur, industrialist and a businessman of Bangladesh having diversified experience in the business of Bank, Financial Industries, Stock Brokerage and Investment Banking. Initially, he started his business focusing in Shipping, Ship Chartering and ocean going ship operation but presently he has extended his business and association with Agro based farming & fisheries, Land Developer and Real Estate, Retail chain super shops, River, Seaport and Bay dredging, Insurance, Venture capital, Private Universities and College etc. Captain M. Moazzam Hossain is the Chairman of E-Securities Ltd. & Agrovita Ltd. At the same time, He is involved with Admiral Trading Corp., Ekushey Homes Ltd., United Corp. Advisory Ltd., Masters Ocean Voyage, Athena Venture and Equity Ltd., Radiant Dredging Ltd., Shoppers World Ltd., Paramount Properties Ltd., Canadian Trillinium School, Sonar Bangla Insurance Ltd., People's Leasing and Financial Services Ltd., Great Walls Land Property Ltd., Fareast International University, SS Steel Private Ltd.



Mr. Maksudur Rahman
Director

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

in the business. As a result his foot print is on the various backward and forward linkage firms in the same industry as well as other businesses. Presently, Mr. Maksudur Rahman is involved with Ratanpur Shipping Lines Ltd., Ratanpur Ship Re-cycling Inds. Ltd., Ratanpur Shipping Services Ltd., Ratanpur Real-State Ltd. and Sapphire Corporation Ltd. He is engaged with various social development activities such as member of trustee board of Feni University at Feni, Hakkani Darbersharif Dhakil Madrasha at Faridpur and Chittagong Seniors Club.



Mr. Abdul Kadir Molla
Director

Mr. Abdul Kadir Molla is one of the Sponsor Directors of the Bank. He obtained his MBA degree from American World University. Mr. Molla is one of the successful ones having huge conglomerates in the spinning, dyeing and knitting industries. He started his business in 1997 and established Thermax Group Ltd. Presently, he is the Chairman & Managing Director of Thermax Textile Mills Ltd., Thermax Melange Spinning Mills Ltd., Thermax Knit Yarn Ltd., Thermax Spinning Ltd., Thermax Blended Yarn Ltd., Thermax Yarn Dyeing Ltd., Thermax Woven Dyeing Ltd., Thermax Yarn Dyed Fabrics Ltd., Thermax Check Fabrics Ltd., Sister Denim Composite Ltd., Indigo Spinning Ltd., Thermax Colour Cotton Ltd., Sister Garments Ltd., Adury Knit Composite Ltd., Adury Apparels Ltd., Adury Fashion & Print Ltd., Adury Ring Denim Spun Ltd., Kadir Molla Medical College & Hospital Ltd., Sultana Enterprise and Sultana Filling Point Ltd. Near about 14,000 (Fourteen Thousand) employments are working in Thermax Group Ltd. Being 100% export oriented facilities, all the concerns of Thermax Group Ltd. earn

foreign currency. Mr. Molla is very much fond of education. He is the founder of Panch Kandi Degree College, Monohardi, Narsingdi. He has own educational institutes like as Abdul Kadir Molla City College, N.K.M. High School & Homes, Abdul Kadir Molla International School. Abdul Kadir Molla City College secured the second best result in Dhaka Board for last few years. He visited most of the countries in the world. He has a good reputation in overseas business. All the industries and institutes of Thermax Group Ltd. are in "State of the Art" under the dynamic leadership of Mr. Abdul Kadir Molla. He was honored as Commercially Important Person (CIP) in 2012 and as the highest individual tax payer for AY2012-13 for the country and the highest tax payer in Dhaka City Corporation for AY2013-14.



Begum Sufia Amjad
Director

Begum Sufia Amjad is one of the Sponsor Directors of South Bangla Agriculture and Commerce Bank Limited. She is also associated with several business firms of Lockpur Group. She is a successful entrepreneur in frozen fish industry. She is the wife of Mr. S.M. Amzad Hossain and a decision maker in Lockpur Group. Besides, she holds a significant number of shares as a Director of Lockpur Fish Processing Co. Ltd., Bagerhat Sea Food Ind. Ltd., Shampa Ice & Cold Storage Ltd., Rupsha Fish & Allied Ind. Ltd., Metro Bricks Ltd., Moon Star Jute Mills Ltd., Moon Star Fish Ltd., Woman Wears Ltd., Western Inn International Ltd., Khulna Builders Ltd., Ideal Polymer Export Ltd., Khulna Printing & Packaging Ltd. & Khulna Apparels Ltd. She has a remarkable contribution in socio economic activities in her local area.



Mr. Abu Zafar Mohammad Shofiuddin
Director

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



Al-haj Mizanur Rahman
Director

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



Engr. Md. Moklesur Rahman
Director

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

helping the economy of Bangladesh to grow. He also founded B&T Cold Storage, providing affordable perishable storage facilities to the mass of Bangladeshi farmers. He has always been a civil engineer at heart and founded B&T Development Limited, building apartments in prestigious locations in Dhaka such as Lalmatia, Banani, Gulshan & Khilgaon as well as providing affordable housing solutions elsewhere in Bangladesh. Presently, Engr. Md. Moklesur Rahman is involved with B&T Spinning Mills Ltd., B&T Distribution, B&T Meter Ltd., Tushar Ceramics Ltd., B&T Transformers Ltd also. From his humble beginnings, he has come a long way to be one of the founding sponsor directors of South Bangla Agriculture and Commerce Bank Ltd. Since then, Mr. Moklesur Rahman has set his sights on giving back to the community of Bangladesh, the very same people who helped him reach where he is right now. He has donated generously to a number of educational and religious institutions, providing for the underprivileged people of Bangladesh with basic amenities such as food, clothing and shelter. Married to Mrs Quamrun Nahar and with two children, Engr. Md. Moklesur Rahman always believes in being honest and hard working.



Mr. Md. Amzad Hossain
Director

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



Mr. Hafizur Rahman Babu
Director

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



Mr. Muhammad Mohsin
Director

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

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



Mr. Anwar Hussain
Director

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



Mrs. Tahmina Afroz
Director

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



Ms. Kamrun Nahar
Director

Ms. Kamrun Nahar is a Sponsor Director of South Bangla Agriculture and Commerce Bank Limited. She is a successful housewife in her personal life. Besides that, she is a successful businesswoman as well. She has business interest in diversified fields such as Insurance, Aviation and Travel, Education, Medical Services, Construction etc. Ms. Kamrun Nahar is the Founder and Proprietor of M/S. M.K. Fisheries. As a prominent entrepreneur she is engaged with Canadian Trillinium School, Noor Asset Development, Intelligent Technology Solutions Ltd., People's Leasing & Financial Services Ltd. She is also a founder and patron of different socio-cultural organizations in the country. She is the wife of Mr. Motiur Rahman who is Ex-Director of the Bank and Chairman of MK Group.



Mr. Sk. Shyedujjaman
Director

Mr. SK. Shyedujjaman is a Sponsor Director of South Bangla Agriculture and Commerce Bank Limited. He is a young and emerging entrepreneur of south Bengal. He obtained B.B.A. and M.B.A (Marketing) degree from AMC College, Bangalore in 2001 & 2003 respectively. He is a successful businessman in the frozen food industry. Mr. SK. Shyedujjaman is involved with South East Union Ceramic Industries Ltd. He is the Proprietor of Sadiana Trading. He is a man of strong moral values and believes in ethical investment.



Mr. Mohammad Nawaz
Director

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



Mr. Mohammed Ayub
Director

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



Mr. Sakhawat Hussain
Director

Mr. Sakhawat Hussain is one of the Directors of the Bank nominated by Haji Shakhawat Anwara Eye Hospital Ltd. He is also a member of 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. Mr. Hussain is also associates with Modern Group of Company.



Dr. Syed Hafizur Rahman
Independent Director

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



Mr. Md. Golam Faruque
Managing Director & CEO

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



Our Management Team



Mr. Md. Golam Faruque
MD & CEO



Mr. Mostafa Jalal Uddin Ahmed
AMD



Mr. Md. Ghulam Nabi
SEVP



Mr. Md. Mamunur Rashid Molla
SEVP



Mr. Shafiuddin Ahmed
SEVP



Mr. Md. Mizanur Rahman
EVP



Mr. Md. Masoodur Rahman
SVP



Mr. Mohammad Asadul Haque
SVP



Mr. Asirul Haque
VP



Mr. Md Abu Bayazid Sk
VP



Mr. Md. Mokaddess Ali
VP



Mr. Md. Shafiul Azam
FVP



Mr. Md. Khalequzzaman
AVP



List of Executives

Sl. No.	Name	Designation	Place of Posting
1	Mr. Md. Golam Faruque	MD & CEO	Head Office, Dhaka
2	Mr. Mostafa Jalal Uddin Ahmed	AMD	Head Office, Dhaka
3	Mr. Md. Ghulam Nabi	SEVP	HRD & GSD, Head Office
4	Mr. Mohammed Salim Chowdhury	SEVP	Agrabad Branch, Chittagong
5	Mr. Md. Mamunur Rashid Molla	SEVP	Credit Division, Head Office, Dhaka
6	Mr. Shafiuddin Ahmed	SEVP	International Division, Head Office, Dhaka
7	Mr. Md. Altaf Hossain Bhuyan	SEVP	Banani Branch, Dhaka
8	Mr. Md. Kamal Uddin	SEVP	Principal Branch, Dhaka
9	Mr. Md. Nurul Azim	EVP	Gulshan Branch, Dhaka
10	Mr. Md. Mizanur Rahman	EVP	ICT, Head office, Dhaka
11	Mr. Md. Saiful Islam	SVP	Nawabpur Branch, Dhaka
12	Mr. Salahuddin Ahmed	SVP	Amin Bazar Branch, Dhaka
13	Mr. Md. Masoodur Rahman	SVP	FAD, Head Office, Dhaka
14	Mr. Mohammad Asadul Haque	SVP	Treasury Division, Head Office, Dhaka
15	Mr. S.M. Iqbal Mehedi	SVP	Khulna Branch, Khulna
16	Mr. Asirul Haque	VP	CAD & RMD, Head Office, Dhaka
17	Mr. Mohammed Imtiaz	VP	Jubilee Road Branch, Chittagong
18	Mr. Md. Monzur Murshed Khan	VP	Rajshahi Branch, Rajshahi
19	Mr. Md. Sajedul Alam Khan	VP	Jessore Branch, Jessore
20	Mr. Abu Bayazid Sk.	VP	BOD, Head office, Dhaka
21	Mr. Yousuf Solaiman Russel	VP	Dhanmondi Branch, Dhaka
22	Mr. Md. Mokaddess Ali	VP	Board Division, Head Office
23	Mr. Emdad Haider	VP	EPZ Branch, Chittagong
24	Mr. Md. Rashed Mahbub Rabban	VP	Principal Branch, Dhaka
25	Mr. Md. Abdul Mannan	VP	Credit Division, Head Office, Dhaka
26	Mr. Mohammed Anwarul Kabir	VP	Gulshan Branch, Dhaka
27	Mr. Md. Mostafizur Rahman	FVP	Pragati Sharani Branch, Dhaka
28	Mr. Md. Ziaul Latif	FVP	Credit Division, Head Office, Dhaka
29	Mr. Md. Mahbubur Rahman	FVP	Rangpur Branch, Rangpur
30	Mr. Sahab Uddin	FVP	Bhatiary Branch, Chittagong
31	Mr. A.N.M. Moyeej Ahmed	FVP	Katakhali Branch, Bagerhat
32	Mr. Abu Salem Mohammad Hojaiffa Noman	FVP	Mirpur Branch, Dhaka
33	Mr. Mohammad Shafiul Azam	FVP	Card Division, Head Office, Dhaka
34	Mr. Mannan Bapari	FVP	Panthapath Branch, Dhaka
35	Mr. A.N.M. Mejbahul Hasan	FVP	ID, Head Office, Dhaka
36	Ms. Sultana Razia	FVP	Dhanmondi Branch, Dhaka
37	Mr. Md. Delowar Hossain Mondol	FVP	Bogra Branch, Bogra
38	Mr. Mohammad Yousuf Chowdhury	FVP	Nasirabad Branch, Chittagong
39	Mr. Md. Shahidur Rahman	FVP	Satkhira Branch, Satkhira
40	Mr. Bidhan Kumar Saha	FVP	KDA C/A Branch, Khulna



Sl. No.	Name	Designation	Place of Posting
41	Mr. Md. Fakhrul Islam	FVP	ICT, Head office, Dhaka
42	Mr. Sheikh Sharfuddin	FVP	Motijheel Branch, Dhaka
43	Mr. Dewan Arifur Rahman	FVP	Treasury, Head Office
44	Mr. Md. Khalequzzaman	AVP	ICCD, Head Office, Dhaka
45	Mr. Md. Mazharul Hasan	AVP	ID, Head Office, Dhaka
46	Mr. Sankar Kumar Ghosh	AVP	Narayangonj Branch, Narayangonj
47	Mr. Md. Sayeed-Bin-Islam	AVP	Uttara Branch, Dhaka
48	Mr. Husban Ahmed Chowdhury	AVP	Sylhet Branch, Sylhet
49	Mr. Md. Kamal Hosen	AVP	Natore Branch, Natore
50	Mr. Syed Hafij Ahmed	AVP	Barisal Branch, Barisal
51	Mr. Salil Kumar Dutta	AVP	Takerhat Branch, Madaripur
52	Mr. Mohammad Rafiqul Islam	AVP	Ashulia Branch, Dhaka
53	Mr. Md. Islamul Haque	AVP	Imamgonj Branch, Dhaka
54	Mr. Md. Arifur Rahman	AVP	ICCD, Head Office, Dhaka
55	Mr. Mohammed Gias Uddin	AVP	Feni Branch, Feni
56	Mr. Khondokar Noory Imam	AVP	Marketing Division, Head Office, Dhaka
57	Mr. Md. Manirul Islam	AVP	Gulshan Branch, Dhaka

Chairman's Address



"We strongly believe in good governance. The bank is governed with the set of rules and procedures that ensure the principles of value based management. Our Bank is founded on four "pillars" – Responsibility, Accountability, Fairness and Transparency. The Board of Directors of the Bank is responsible to formulate policy-guidelines and supervise business activities of the bank efficiently without any intervention in the role of Management as it is essential to earn and maintain the confidence of the depositors, who are the prime financiers. To accomplish the organizational goal, we are committed to establish good corporate governance."

Bismillahir Rahmanir Rahim

Distinguished Shareholders,

It is my immense pleasure and honour to welcome you at the 5th Annual General Meeting of South Bangla Agriculture and Commerce Bank Ltd. On behalf of the Board of Directors and from myself, I would like to express my sincere gratitude to all of you for your active support and cooperation for which it was easier for us to take your Bank to a prestigious position.

It is my privilege to place before you, the Annual Report-2017 and the financial statements of the Bank for the year ended 31st December 2017. By the grace of almighty Allah, this year your bank completes 5 years of journey and marching with a momentum of growth by accumulating a series of successes which includes deployment of state-of-the-art Core Banking Solution and implementing all Central Bank initiated projects within shortest time, expanding branch network, launching innovative products & services, achieving remarkable profitability etc.

Honourable fellow shareholders,

If we look at the world economic features, the global

upswing in economic activity is strengthening. Global growth, which in 2016 was the weakest since the global financial crisis at 3.2 percent, is projected to rise to 3.6 percent in 2017 and to 3.7 percent in 2018. The growth forecasts for both 2017 and 2018 are 0.1 percentage point stronger compared with the April 2017 World Economic Outlook (WEO) forecast. Global Growth Forecast to Rise Further in 2018 and 2019.

Bangladesh Economy is likely to benefit from the improved global outlook. Exports and remittances are projected to recover to still below their historic double digit averages. This together with the damages caused by floods to agricultural output and infrastructure will drag growth down in FY18 to 6.4 percent followed by a rise back to 6.7 percent in FY19. Inflation is likely to increase due to overheating resulting from the excess of actual growth over the potential growth rate and adverse supply shocks. But prudent monetary policy is expected to keep inflation bearable. External current account deficit will persist, making exchange rate flexibility more important. The public debt to GDP ratio is projected to rise as well, but remain below levels that may start worrying the

creditors. Downside risks include the resurgence of political instability in the run up to elections in early 2019 and a hardening of credit constraints with increased insolvency of banks due to rising NPLs. Excess liquidity and reduction in fiscal space through cost inefficient domestic financing of budget deficit present latent risks.

Dear Colleagues,

We have delivered another good year despite the uncertain and challenging economic environment and crisis in the bank industry. The banking sector, which dominates the financial sector in Bangladesh, has continued to struggle. Some banks failed to maintain the regulatory capital requirement and this problem is acute amongst the State-Owned Banks (SOB). In 2016, the CAR of State-Owned Commercial Banks (SCB) and State Owned Development Banks (SDB) was 5.9 percent and -33.7 percent respectively. The magnitude of their capital shortfall has prompted the government to once again keep a budgetary provision for their recapitalization. Asset quality has deteriorated. The gross non-performing loan (NPL) ratio increased to 9.2 percent in 2016 from 8.8 percent in 2015. The asset quality of the SCBs continues to remain poor and is the main driver behind the deterioration of the asset quality within the sector. Protecting profitability amidst the default loan culture makes banks reluctant to decrease the spread on the interest rate despite holding a high level of liquidity. The absence of good borrowers and a poor legal framework to recover default loans has also been instrumental in the banking sector's increase in risk aversion.

In spite of the crisis, our Bank has expanded its business significantly during the year 2017: deposits Tk.5,012.15 crore, loans and advances Tk 4,328.50 crore and net profit Tk. 98.20 crore. The bank maintained a healthy loan deposit ratio of 83.99% during the year. The Bank has ensured its presence in 64 different parts of the country i.e. the Bank now has 64 branches across Bangladesh. The Branches is equipped with modern technology and highly skill human resources. Currently your bank has a workforce consisting of almost 732 employees. Our lending expanded 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.

As the Government has embarked on strengthening

the rural economy of Bangladesh, the Bank has opened a number of rural branches to boost up rural economy through specialized product like Agriculture Loan, SME Loan and Women Entrepreneur Loan. 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. It is my strongest belief that it will be promoting self-employment in the economy, and contributing towards creation of new job opportunities.

The year 2018 will be one of the most challenging years in recent times for the financial sector in Bangladesh. The country witnessed remarkable crash in the country's stock market, crisis in the investment market, an immensely-fluctuating foreign exchange market and other flashpoints in the economic arena. As a new Bank, we had to garner deposit at higher costs and lend at lower rates. Despite, our Bank was able to maintain its corporate asset portfolio at BDT 5,894.08 crore. Financially, our Bank turned in a solid performance. We took advantage from both the favorable and unfavorable conditions in the banking industry to enable us to reach a position of long-term sustainability. Our strength, confidence and your cooperation helped us make 19.70% growth in operating profit in a challenging environment. In 2017, our operating income stood at 347.61 crore. Our loans and advances stood at 4,328.50 crore, compared to 3,017.41 crore in 2016, with a growth rate of 43.45%. During the year our total deposits was 5,012.15 crore in comparison to 3,833.72 crore in 2016, showing a growth rate of 30.74%. Our Net Profit was 98.20 crore in 2017. Our Capital and Reserve grew to 4,98.52 crore and 1,55.38 in 2017, respectively, strengthening of capital base and sustainability of the Bank.

Dear Members,

The Bank has been operating the foreign trade business through 6 (six) Authorized Dealer (AD) branches at important commercial hubs of the country including a centralized Trade Processing Unit at Head Office to handle the trade transaction of Non-AD branches using state-of-the-art technology. The Bank has been maintaining fervent correspondent banking relationship with internationally reputed banks to facilitate foreign trade and other international transactions. As on 31st December 2017, the number of foreign correspondents is 171 Banks spread across

45 countries. The Bank maintains 14 Nostro Accounts in 8 major currencies with reputed international banks around the world in all the important global financial centers. The bank also enjoys credit lines from the correspondent banks for adding confirmation to letter of credit as and when needed which is facilitating international trade.

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

In the year 2017 our Bank handled BDT 25854.40 million (equivalent USD 310.19 million) import business from 4503 number of Documentary Credit/LC. Import volume in the year 2016, 2015, and 2014 was BDT 17596.80 million (equivalent USD 219.96 million), 10942.10 million (equivalent USD 137.64 million) and 7969.00 million (equivalent USD 100.24 million) respectively.

Export volume in the year 2016, 2015, and 2014 was BDT 8760.31 million (equivalent USD 110.89 million), 9905.70 million (equivalent USD 126.19 million) and 5662.20 million (equivalent USD 72.13 million) respectively.

Bank is a legal channel for remittance procurement. As our prime regulator, the Bangladesh Bank always encourage scheduled banks to procure remittance through banking channel. SBAC Bank Ltd. is also committed to handle remittance inflow from the expatriate Bangladeshis. We have direct drawing arrangement with Aman Exchange Company WLL, Kuwait, Wall Street Finance LLC, USA, Al-Ansari Exchange LLC, UAE, Worldwide West 2 East Services Ltd, UK, (A/C: Sha Global), and LCC Trans-sending Ltd, UK (A/C: Small World). We have also arrangement with renowned exchange house such as Transfast Remittance LLC and Placid NK Corporation, Xpress Money Services Ltd., Western Union Network, Ria Financial services, and Turbo Cash as associate members. During the year 2017, the Bank received BDT 2294.60 million (equivalent USD 27.86 million) as wage earners remittance. Remittance figure was BDT 1199.76 million

(equivalent USD 15.25 million) in the year 2016, BDT 269.40 million (equivalent USD 3.43 million) in the year 2015, and BDT 70.60 million (equivalent USD 0.90 million) in the year 2014.

Our Bank has successfully managed the liquidity risk, interest rate risk and foreign currency risk within the laid down policies and guidelines of Bangladesh Bank. Statutory requirement in respect of all indicators (CRR, SLR, ADR, LCR, NSFR, Commitment, Wholesale Borrowing and NOP limits) has been maintained positively. Despite the challenges of 2017, our Treasury has done considerably well by exercising diligence and proper execution of its strategies.

The Bank has separate ALM Desk under Treasury, which supplies economic, market and Bank information and analysis to asset liability Management Committee (ALCO) for taking strategic decision. ALCO, which meets at least once in a month, is responsible for managing balance sheet compositions, determining interest rates to increase efficiency, managing liquidity and interest rate risks and maximizing returns. A new ALM policy has been formulated by ALM Desk keeping BASEL III liquidity ratios (LCR & NSFR) in mind and central bank's ALM guidelines into active consideration.

The Bank has undertaken various technology enabled business initiatives to realize the vision of customer centricity and to respond to customer demand in real time by knowing its customers and their behaviour. The bank is leveraging implementation of Digital Banking Apps, Mobile Wallet and automation of technology, which will enable us to be nimbler, more FinTech-like and faster to market in delivering cutting-edge solutions.

For the Core Banking System, new enhancements were implemented to improve operational efficiencies and provide better control and monitoring capabilities. Our Bank has best of technology infrastructure where state-of-the-art Data Centre and Disaster Recovery Site have been built in different seismic zone in order to avoid single point of failure and ensure uninterrupted banking service delivery to customers. In addition to the Disaster Recovery Centre, Bank has also implemented the Near Disaster Recovery Centre to ensure Near Zero Data Loss as part of its Business Continuity Planning and Disaster Recovery strategy. Over the years, Bank has built a strong foundation of cyber security comprising a comprehensive set of

information security measures to counter against cyber-attacks.

Our Bank has a well equipped Card Division capable to achieve the vision and commitment & for providing the customer an uninterrupted round the clock transaction facilities having ATM/CDM services along with Debit card operations. The bank deployed 22 ATMs and 2 CDMs in different branch locations of the country and more ATMs are yet to be set up with new and existing branches soon. Till the date we have issued 16,000 Debit Cards & approximately 700 credit cards with Implementation of EMV Chip Card.

Our Bank has a strong operating platform and a clear, well defined strategy. Sound management of risks, capital and costs will continue to be a priority. While continuing to pursue business targets, our Bank is committed to maintaining a high standard of Corporate Governance in the operations of the Bank. The Risk Weighted Assets of the Bank stood at Tk. 4238.97 crore based on 31.12.2017. So, the minimum capital was required Tk. 423.90 crore but the bank maintained Tk.695.76 crore i.e. surplus capital stood at Tk. 271.86 crore. As per directives of Bangladesh Bank, every bank is required to maintain minimum capital plus capital conservation buffer at 11.25% for the year 2017 but SBAC Bank maintained capital plus capital conservation buffer at 16.41% i.e. excess 5.16%. In accordance with Bangladesh Bank guidelines, we are happy to inform you that our present Capital Adequacy Ratio is 16.41% of Risk weighted Assets (RWA) and paid up capital 498.52 crore.

The Bank is a socially responsible corporate citizen. We are committed to work for the people and are actively engaged in social projects throughout. The Board of SBAC Bank Ltd. has approved a policy for Corporate Social Responsibility (CSR). Under the CSR program, the Bank has a remarkable contribution towards Education, Preventive and Curative Healthcare, Emergency Disaster Relief, Financial Inclusion, Community Investments by way of donations etc. Under CSR Program the Bank has distributed Tk. 80,976,820.00 (eight crore nine lac seventy six thousand eight hundred twenty) among the areas mentioned above including Prime Minister's Relief Fund 1.75 crore, Muktijoddha Sangshad Krira Chakra, Father of the Nation Sheikh Mujibur Rahman Memorial Trust, Muktijoddha Shanshad, Child Day Care Centre for Private Banks, Prime Minister's

Education Assistance Trust, BN Ashar Alo School & Rehabilitation Centre (BN Central Welfare Fund) etc. Blankets worth Tk. 73,60,000 for the cold bitten people, particularly in the northern districts of the Country.

We strongly believe in good governance. The bank is governed with the set of rules and procedures that ensure the principles of value based management. Our Bank is founded on four "pillars" – Responsibility, Accountability, Fairness and Transparency (RAFT). The Board of Directors of the Bank is responsible to formulate policy-guidelines, supervising business activities of the bank efficiently without any intervention in the role of Management as it is essential to earn and maintain confidence of the depositors, who are the prime financiers. To accomplish the organizational goal, we are committed to establish good corporate governance.

I have had the privilege to express my gratitude to the Government of Bangladesh, the Bangladesh Bank, the Bangladesh Securities and Exchange Commission, the Registrar of Joint Stock Companies & Firms, and other regulatory bodies for all their extended support during this year.

I would like to thank all our Directors for their guidance and support. I would also like to thank our respectable shareholders, clients, patrons, well wishers, and all employees for their constant support and cooperation, without which the bank would not be able to attain its current position. As we continue to deliver ever-higher standards of service and performance for our customers, our shareholders, stakeholders and our communities, we look forward to your cooperation and support for 2018.

I would like to express our firm commitment to our valuable shareholders to continue our effort to make it a bank of excellence.

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

Allah Hafiz,



S. M. Amzad Hossain

Chairman



Overview of Managing Director & CEO

"In South Bangla Agriculture and Commerce Bank Limited, we believe in compliance Culture. 'Compliance First; Profit is it's logical consequence' with this motto the Bank is going ahead with state-of-the-art Core Banking Solution to accomplish the organizational goal. We want to establish good governance in all spheres. In short span of journey, we have opened 64 branches supported by latest Financial Technology. We have been successful in achieving expected progress in Key Performance Indicators (KPIs) during the year 2017. Our aim is to build the bank as a centre of Excellence"

Bismillahir Rahmanir Rahim,

It is honourable and privilege for me to present about our progress and achievements of the bank in 2017 and outline for 2018. Despite challenges of acute competition in the banking industry and political upheaval, SBAC Bank Limited has been able to record progress in almost all the areas of operation in 2017. The bank has completed a successful year 2017 in respect of operating profit, capital adequacy ratio, branch network, asset qualities, working environment Risk Management, financial inclusion etc.

The International Monetary Fund (IMF) in its latest World Economic Outlook report (October, 2017) has given a more optimistic forecast for global economic growth. 3.6 per cent global economic growth this year followed by 3.7 per cent the next year have been predicted in the report. It is now 10 years since the Global Financial Crisis (GFC), the greatest economic collapse we have ever seen in our life time till now. Within this context this optimistic economic outlook is very encouraging.

In a major leap forward, Bangladesh has become

eligible to graduate to a developing country from a least developed one as it has met all the three criteria for the first time for getting out of the LDC bloc. The three criteria are Gross National Income (GNI) per capita, Human Assets Index (HAI) and Economic Vulnerability Index (EVI). According to the UN's graduation threshold, the GNI per capita of a country has to be \$1,230 or above. Bangladesh's GNI per capita is now \$1,272. In terms of the HAI, a country must have a score of 66 or above. Bangladesh's score is now 72.8 ; well above the threshold. In the economic vulnerability index (EVI), a country's score has to be 32 or below. Bangladesh's score is 25 in the EVI, an indicator of natural and trade-related shocks.

The Bangladesh economy is expected to grow between 6.4 per cent to 6.8 per cent in 2017 and 2018. But declining exports, falling remittances and rising food (especially rice) price inflation may result in lower than expected growth. The economy grew by 6.3 percent on average for more than a decade. The growth rate was over 7 percent in the last two fiscal years. But suddenly, this smoothly-run economy was hit by a serious liquidity crisis a couple of months back. As a result, banks' lending rates have hit double

digits again after more than a year, making things harder for businesses and consumers alike.

As the Government has embarked on strengthening the rural economy of Bangladesh, the Bank has opened a number of rural branches to boost up rural economy. As we believe in sustainable development, our SME units are extending fully fledged financial facilities to retail customers & small and medium enterprises under the refinance scheme of Bangladesh Bank in order to create new entrepreneurs. It is my strongest belief that it will be promoting self-employment in the economy and contributing towards creation of new job opportunities.

As Bangladesh is moving one step closer to being a cashless society, we are going to adopt latest financial technology which will ultimately help build a cashless society. Transactions through the digital payment system will be settled on a real-time basis. We have undertaken various technology enabled business initiatives to realize the vision of customer centricity in real time by knowing its customers and their behaviours. The bank is leveraging implementation of Digital Banking Apps, Mobile Wallet and automation of technology, which will enable us to be nimbler in delivering cutting-edge solutions. The Bank has equipped itself with state-of-the-art infrastructure management systems and support equipment in order to achieve best possible usage of power.

Our Bank has a goal to bring forward the small and medium businesses and needs continuous efforts to achieve the same. The SME sector is now recognized by economists as the undisputed symbol of sustainable, gender balanced development and progress of Bangladesh. Our Bank continues to thrive in the SME sector with a realistic target.

I am delighted and proud to express that SBAC Bank Ltd. was the highest profit maker among the nine fourth generation banks for two consecutive years i.e. 2016-17. Our Bank was able to maintain its corporate asset portfolio at BDT 5,894.08 crore showing a growth of 29.26% in such a challenging environment. Financially our Bank turned in a solid performance. Our strength, confidence and your cooperation helped us make 19.70% growth in operating profit in a tough situation. Our deposits stood Tk. 5,012.15 crore, loans and advances Tk 4,328.50 crore and operating profit Tk. 181.93 crore showing a growth of

30.74%, 43.45% and 19.70%. The bank was always complied in maintaining a healthy advance deposit ratio of 83.99 % during the year. Our Capital and Reserve grew to 4,98.52 crore and 1,55.38 in 2017, respectively, strengthening of capital base and sustainability of the Bank.

We may foresee the year 2018 as one of the most challenging years in recent times for the financial sector in Bangladesh. The country's stock market faced a volatile trend. The industry has been facing a severe liquidity crisis as well. Balance of payment of Bangladesh entered the negative territory for the first time in 16 years in July on the back of a wide mismatch in trade. The overall balance was \$179 million in the deficit in the first month of fiscal 2017-18 against \$480 million in the surplus a year earlier. The current account balance also traversed to the negative territory for the first time in four years in fiscal 2016-17.

Keeping the above facts in mind, we have set our strategic priorities. We have focused on asset quality. Our objective is to maintain the Non Performing Loans below one percent. In the year 2018 we must concentrate our efforts to build up a better deposit mix with base deposit i.e. low/no cost deposit. For the purpose we are going to expand of branch net work throughout country to make banking facilities available at the remote area. The Bank has already opened 64 branches and opening of 10 more branches is under process to be completed by June 2018. We have a plan to establish 3 women branches as we believe in women empowerment. We want to improve Deposit Base by maintaining efficient deposit mix, increasing share of low cost and no cost deposit in total deposit; increase non-funded business; maintain adequate level of liquidity through minimizing asset-liability mismatch ; diversify products and services by introducing IT based innovative products and alternate delivery channels; improve internal governance through strengthening good corporate cultures, motivation, training and supervision in all levels of management; strengthen internal control and monitoring; develop Human Resources Management System to motivate and retain the Human Resources and transform Human Resources to Human Capital through proper training in every aspects of working area; expansion of activities related to Corporate Social Responsibility and Green Banking.

Our strategic priorities and actions plan for future

focus on compliance with policies of the Bank, rules & regulations of the regulators and the provisions of laws of the country. In South Bangla Agriculture and Commerce Bank Limited, we believe in compliance Culture. 'Compliance First; Profit is it's logical consequence' with this motto the Bank is going ahead with state-of-the-art Core Banking Solution to accomplish the organizational goal. We want to establish good governance in all spheres. In short span of journey, we have opened 64 branches with full-fledged online banking services. We have been successful in achieving expected progress in Key Performance Indicators (KPIs) during the year 2017. Our aim is to build the bank as Financial Excellence.

I want to conclude with sincere thanks and gratitude to the honorable Governor of Bangladesh Bank and his good team for their time-befitting policies, guidance and supports. I would like to express my humble gratitude to our honorable Chairman, the

Board of Directors and the other members of the company for their support and co-operation. Thanks are also due to all our stakeholders and employees for their continuous support and guidance for making the Bank as an elevating service industry. I am also thankful to our valued customers for their continuous support and strong confidence in us. Let 2018 be a year of progress and prosperity.

In fine, we beg to add that we build upon our strengths and we are confident that we can make 2018 another prosperous year and cross more mile stones with our better service and best efforts.

Allah Hafiz,



Md. Golam Faruque
Managing Director & CEO



PERFORMANCE HIGHLIGHTS





PERFORMANCE HIGHLIGHTS

(Taka Fig in Million)

Particulars	2017	2016	2015	2014	2013	Change in 2017 (Compare to 2016)
1	2	3	4	5	6	7=(2-3)
Number of Branches	64	54	44	34	12	10
Number of ATMs	22	18	11	4	NIL	4
Total assets/Total Liabilities	58,940.78	45,599.98	36,687.94	23,835.40	8,673.89	13,340.80
Interest earning assets	53,613.97	41,387.85	33,246.69	21,177.31	7,537.73	12,226.12
Non interest earning assets	5,326.81	4,212.13	3,441.25	2,658.09	1,136.16	1,114.68
Total shareholders' Equity	6,538.99	5,616.33	4,880.21	4,242.71	4,137.70	922.66
Total capital (Tier I +II)	7,012.70	5,821.62	4,785.18	4,364.66	4,170.15	1,191.08
Surplus/(deficit) capital	2,773.72	1,821.62	785.18	364.66	170.15	952.10
Capital to Risk Weighted Asset Ratio (CRAR)	16.54%	18.59%	21.19%	29.32%	61.99%	(0.02)
Total deposits	50,121.49	38,337.20	30,775.38	18,641.90	44.42	11,784.29
Total loans and advances	43,284.97	30,174.09	23,128.29	13,518.05	3,006.76	13,110.88
Total contingent liabilities and commitments	11,763.83	9,245.37	4,987.95	2,976.73	501.37	2,518.46
Advance deposits ratio (%)	83.99%	78.71%	75.15%	72.51%	67.69%	0.05
Total Income	6,278.60	5,269.40	3,881.22	1,975.37	469.49	1,009.20
Total Expenses	4,459.30	3,749.51	3,075.27	1,656.95	330.33	709.79
Total Export	11,710.17	8,760.31	9,905.70	5,662.20	838.38	2,949.86
Total Import	25,900.58	17,596.80	10,942.10	7,969.00	819.64	8,303.78
Total Remittance	2,354.23	1,199.76	269.40	70.60	0.78	1,154.47
Profit before tax and provision (Operating Profit)	1,819.30	1,519.88	805.95	318.42	139.16	299.42
Profit after tax and provision (Net Profit)	982.04	949.46	358.01	66.00	46.34	32.58
Classified advance	375.25	NIL	22.33	NIL	NIL	375.25
Classified loans to advance ratio	0.87%	NIL	0.10%	NIL	NIL	0.87%
Yield on Advance (%)	12.03%	12.67%	14.10%	15.37%	15.81	-0.0064
Cost of fund (%)	9.51%	9.47%	10.95%	13.27%	15.45%	0.04
Net spread (%)	2.52%	3.20%	3.15%	2.10%	0.36%	-0.0068
Return on investment (ROI) (%)	18.19%	18.17%	17.57%	11.50%	9.43%	0.02
Return on Assets (ROA) (%)	1.88%	2.31%	1.18%	0.41%	0.53%	-0.43
Return on Equity (ROE) (%)	16.16%	18.09%	7.85%	1.58%	1.92%	-0.0193
Earnings per share (EPS)	1.97	1.90	0.83	0.16	0.11	0.07
Net Asset Value Per Share	13.12	12.96	11.93	10.75	10.2	0.16
Number of Employees	716	676	577	377	187	40

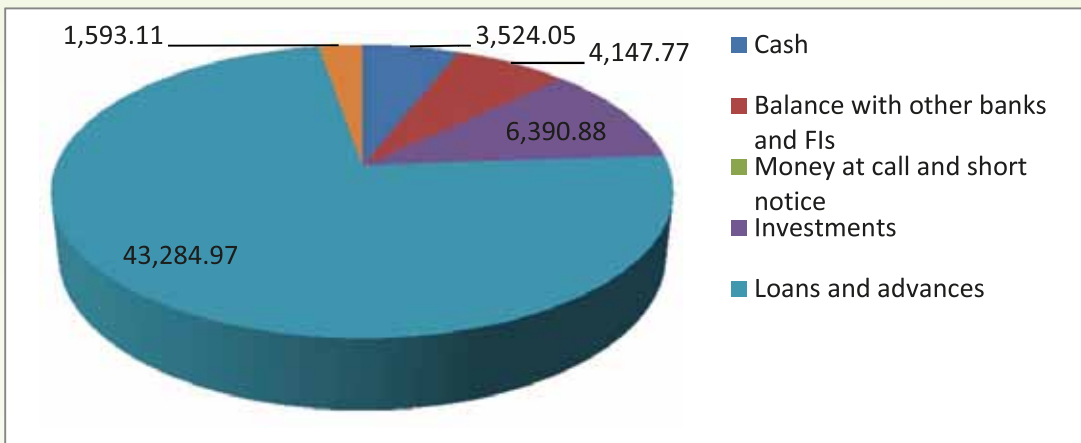


Total Assets

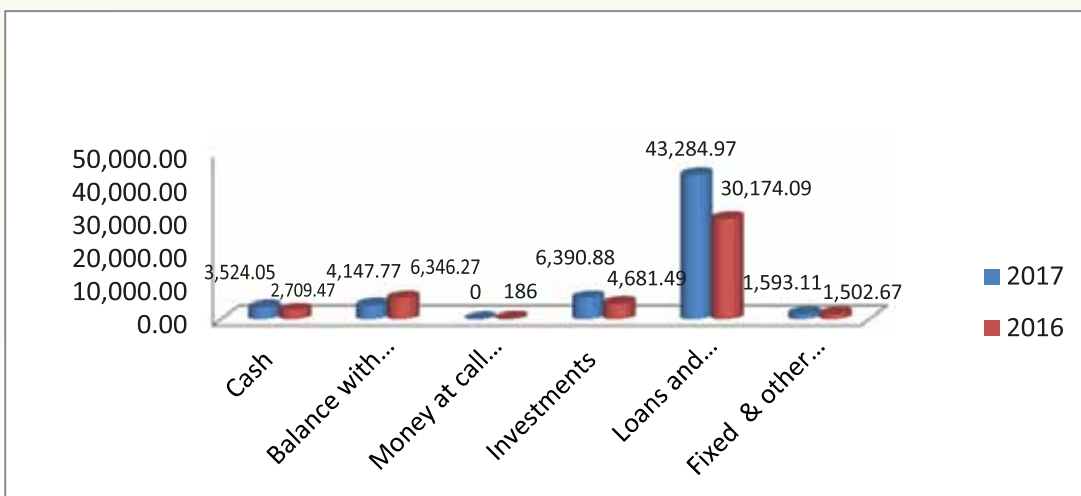
(Fig. Million Taka)

Particulars	2017	2016	Growth (%)
Cash	3,524.05	2,709.47	30.06
Balance with other banks and FIs	4,147.77	6,346.27	(34.64)
Money at call and short notice	0	186	
Investments	6,390.88	4,681.49	36.51
Loans and advances	43,284.97	30,174.09	43.45
Fixed & other assets	1,593.11	1,502.67	6.02
Total Assets	58,940.78	45,599.98	29.26

Total Assets as on 31.12.2017



Comparison of Assets in 2017 & 2016





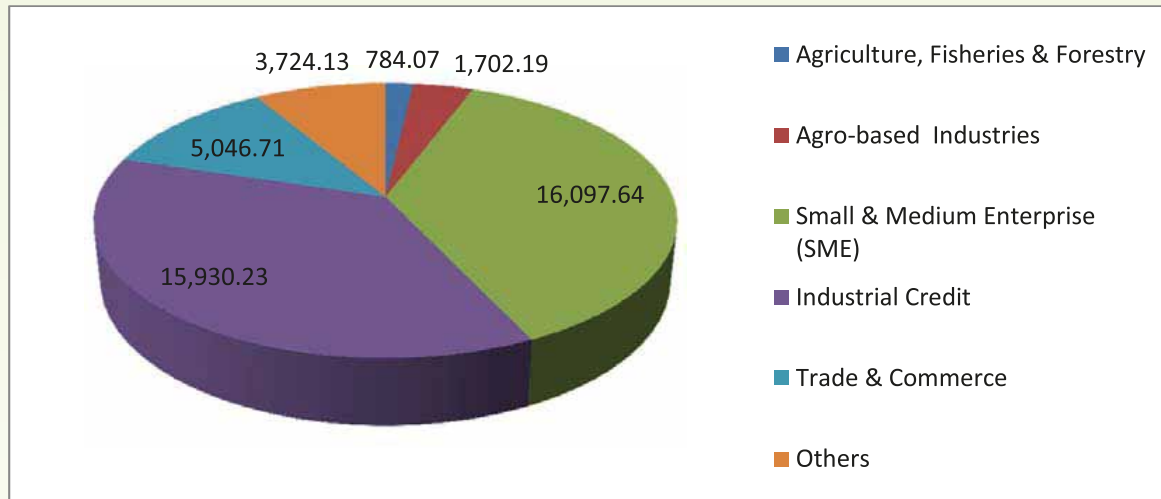
Loans and Advances

i) Sector wise Loans and Advances

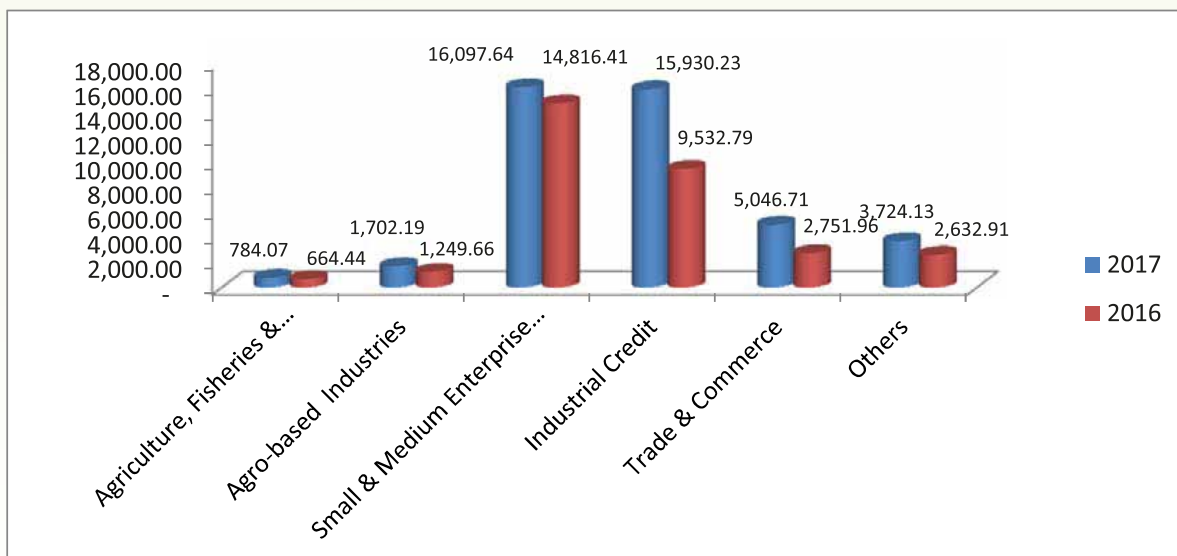
(Fig. Million Taka)

Particular of Sectors	2017	2016	Growth (%)
Agriculture, Fisheries & Forestry	784.07	664.44	18.00
Agro-based Industries	1,702.19	1,249.66	36.21
Small & Medium Enterprise (SME)	16,097.64	14,816.41	8.65
Industrial Credit	15,930.23	9,532.79	67.11
Trade & Commerce	5,046.71	2,751.96	83.39
Others	3,724.13	2,632.91	41.45
Total	43,284.97	30,174.09	43.45

Sector wise Loans and Advances as on 31.02.2017



Comparison of Sector wise Loans and Advances in 2017 & 2016

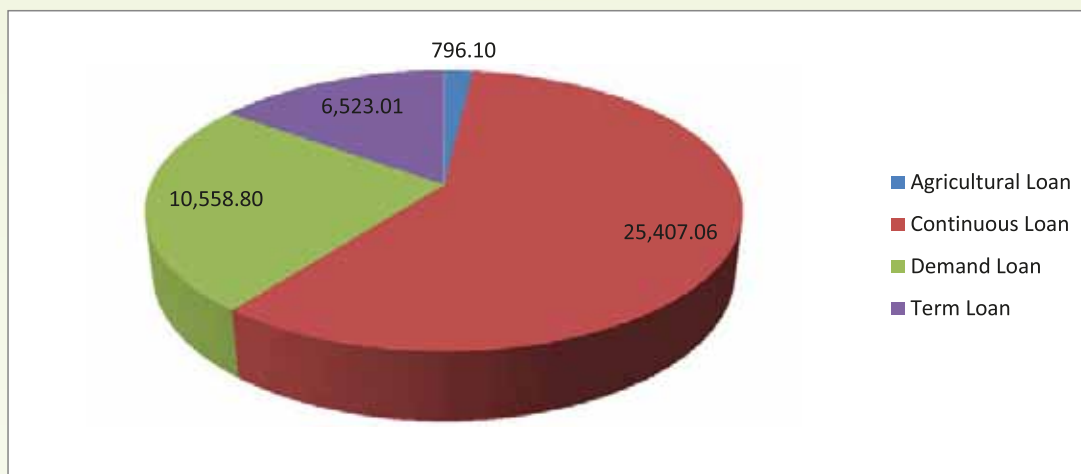


ii) Category wise Loans and Advances

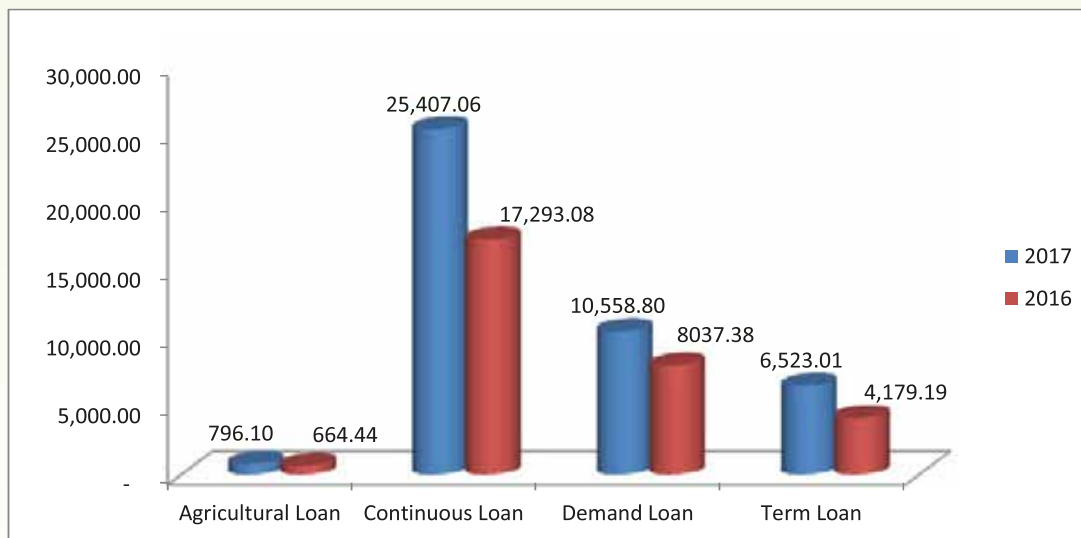
(Fig. Million Taka)

Category of Loans and Advances	2017	2016	Growth (%)
Agricultural Loan	796.10	664.44	146.93%
Continuous Loan	25,407.06	17,293.08	22.87%
Demand Loan	10,558.80	8037.38	46.13%
Term Loan	6,523.01	4,179.19	27.24%
Total	43,284.97	30,174.09	30.46%

Category wise Loans and Advances as on 31.12.2017



Comparison of Category wise Loans and Advances in 2017 & 2016



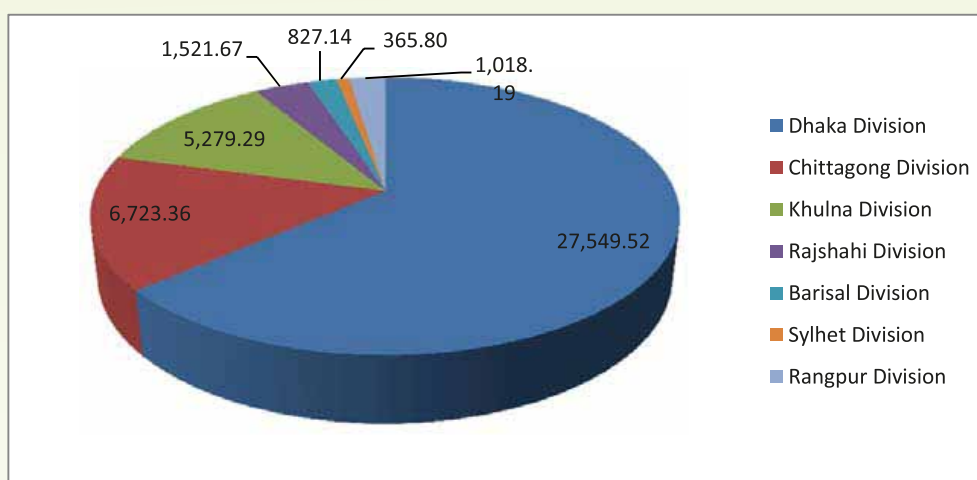


iii) Division wise Loans and Advances

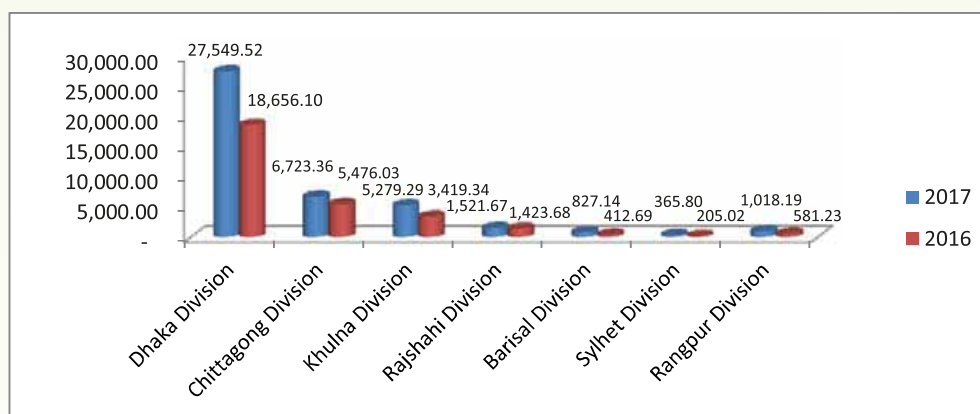
(Fig. Million Taka)

Name of Division	2017	2016	Growth (%)
Dhaka Division	27,549.52	18,656.10	47.67%
Chittagong Division	6,723.36	5,476.03	22.78%
Khulna Division	5,279.29	3,419.34	54.40%
Rajshahi Division	1,521.67	1,423.68	6.88%
Barisal Division	827.14	412.69	100.43%
Sylhet Division	365.80	205.02	78.42%
Rangpur Division	1,018.19	581.23	75.18%
Total	43,284.97	30,174.09	43.45%

Division wise Loans and Advances as on 31.12.2017



Comparison of Division wise Loans and Advances in 2017 & 2016

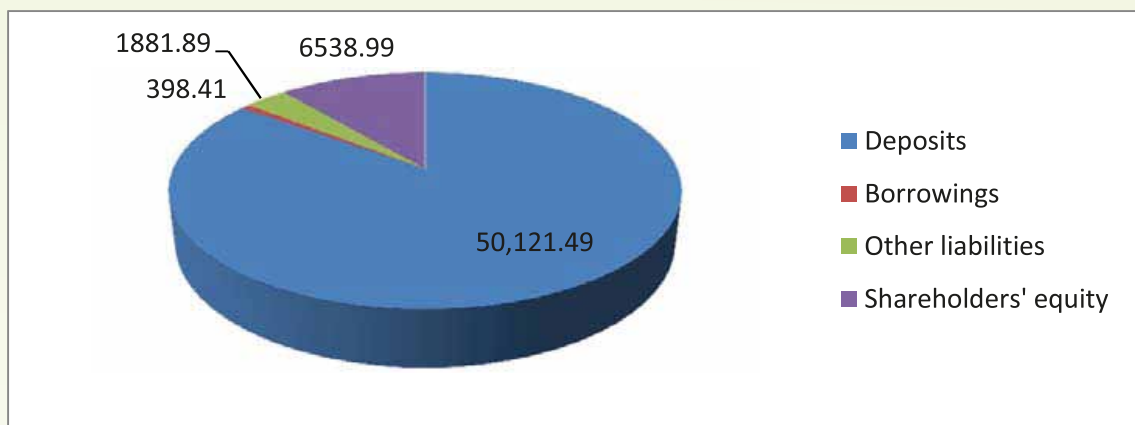


Total Liabilities

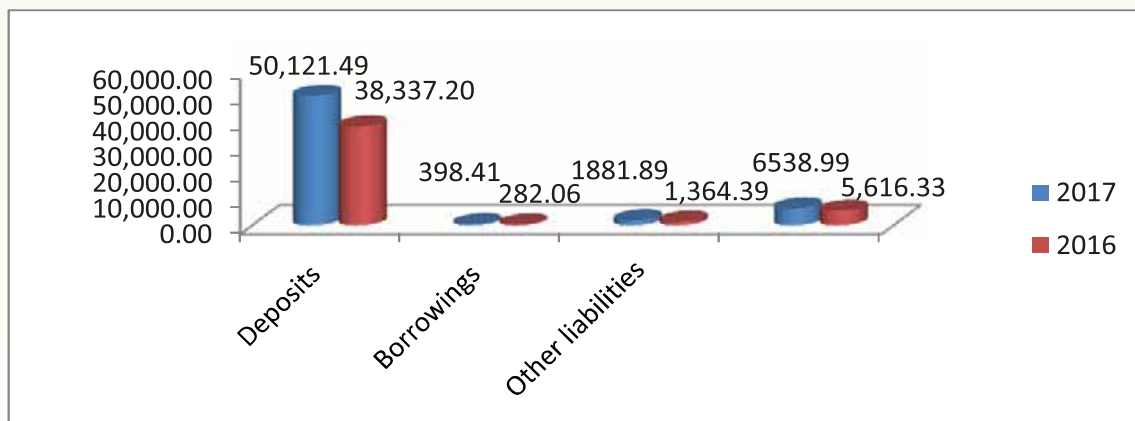
(Fig. Million Taka)

Particulars	2017	2016	Growth (%)
Deposits	50,121.49	38,337.20	30.74
Borrowings	398.41	282.06	41.25
Other liabilities	1881.89	1,364.39	37.93
Shareholders' equity	6538.99	5,616.33	16.43
Total liabilities	58,940.78	45,599.98	29.26

Total Liabilities as on 31.12.2017



Comparison of Liabilities in 2017 & 2016

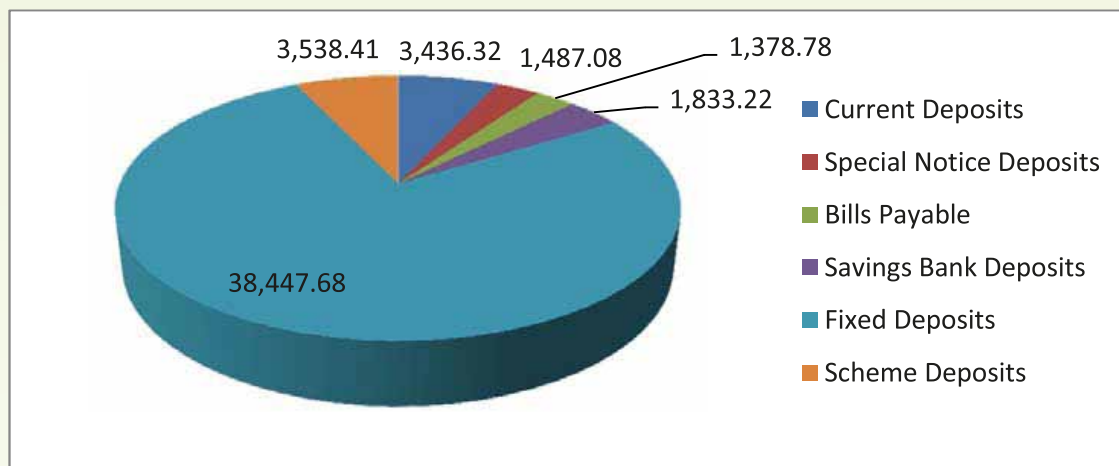




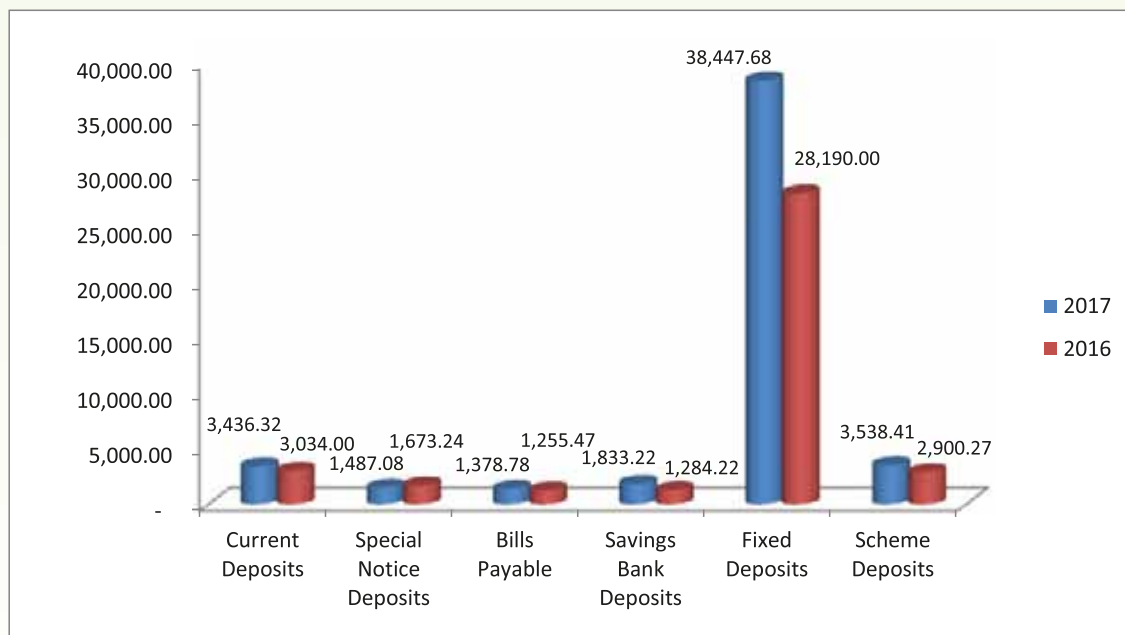
Deposits

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2017	2016		2017	2016
Current Deposits	3,436.32	3,034.00	13.26	6.86	7.91
Special Notice Deposits	1,487.08	1,673.24	(11.13)	2.97	4.36
Bills Payable	1,378.78	1,255.47	9.82	2.75	3.27
Savings Bank Deposits	1,833.22	1,284.22	42.75	3.66	3.35
Fixed Deposits	38,447.68	28,190.00	36.39	76.71	73.53
Scheme Deposits	3,538.41	2,900.27	22.00	7.06	7.57
Total	50,121.49	38,337.20	30.74	100.00	100.00

Deposit Mix as on 31.12.2017



Comparison of Deposit Mix in 2017 & 2016

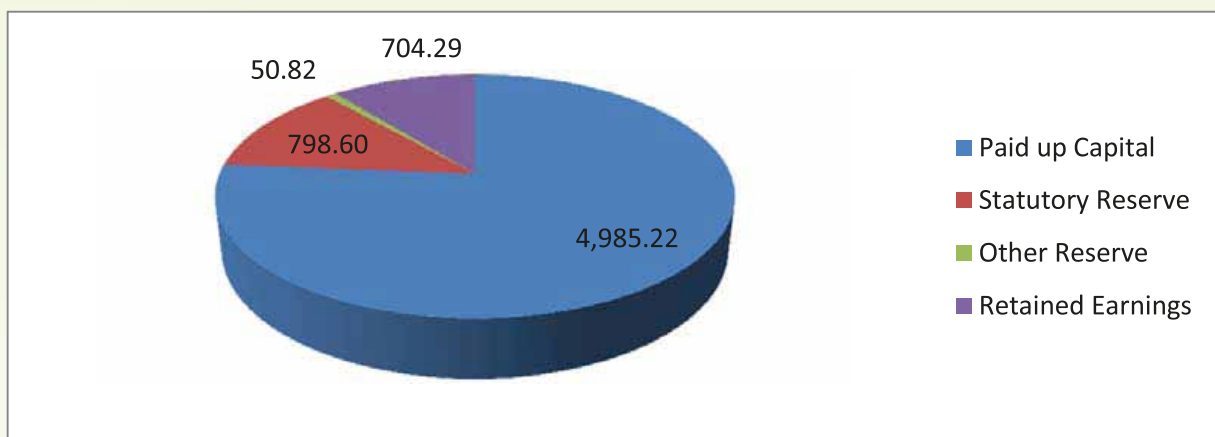


Shareholders' Equity

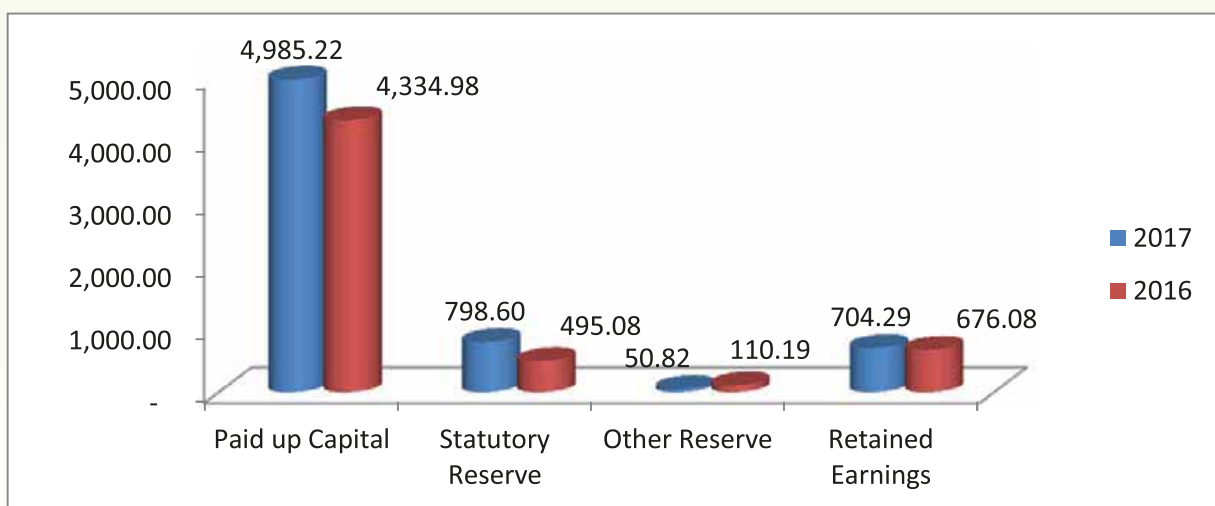
(Fig. Million Taka)

Particulars	2017	2016	Growth (%)
Paid up Capital	4,985.22	4,334.98	15.00
Statutory Reserve	798.60	495.08	61.31
Other Reserve	50.82	110.19	(53.88)
Retained Earnings	704.29	676.08	4.17
Total Shareholders' equity	6,538.93	5,616.33	16.43

Shareholders' Equity as on 31.12.2017



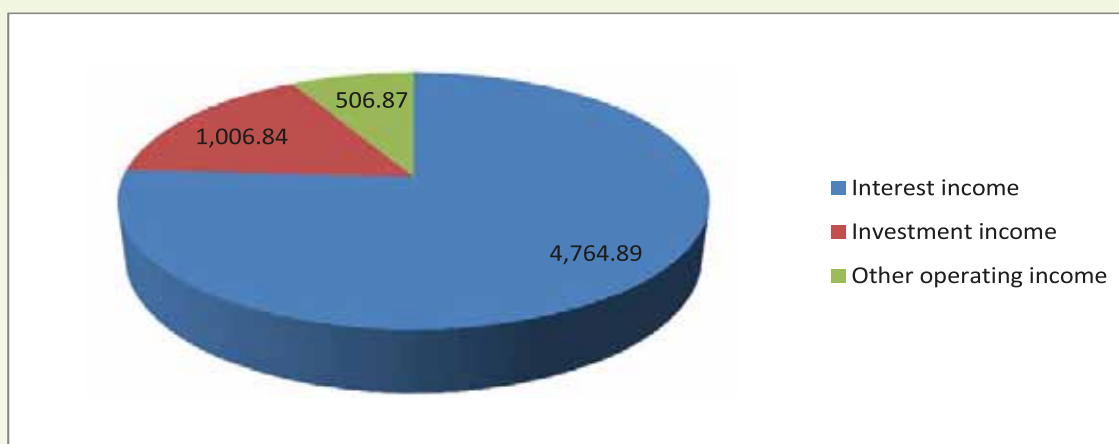
Comparison of Shareholders' Equity in 2017 & 2016



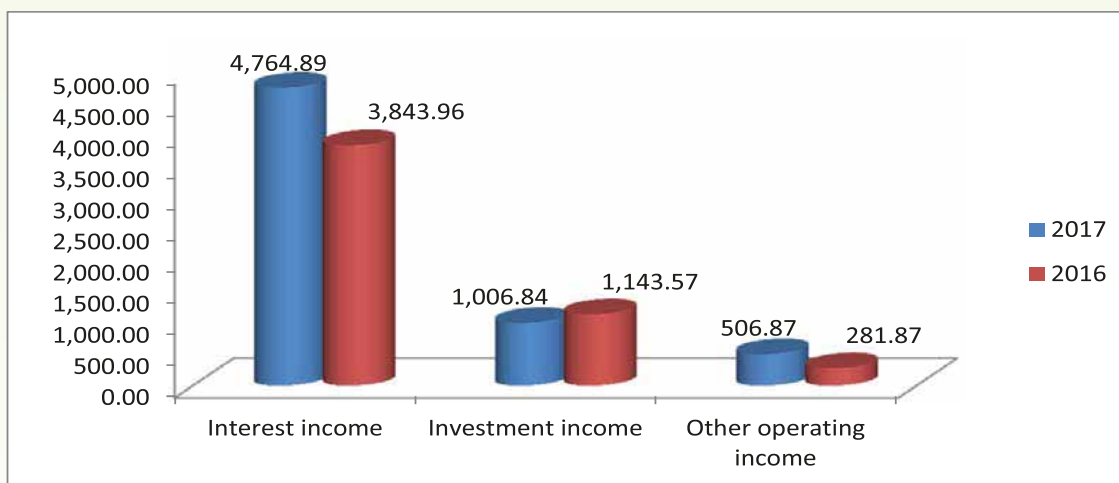
Total Income :

Types of Income	Amount in Million Taka		Growth (%)	Income Mix (%)	
	2017	2016		2017	2016
Interest income	4,764.89	3,843.96	23.96	75.89	72.95
Investment income	1,006.84	1,143.57	(11.96)	16.04	21.70
Other operating income	506.87	281.87	(11.96)	8.07	5.35
Total income	6,278.60	5,269.40	19.15	100.00	100.00

Total Income as on 31.12.2017



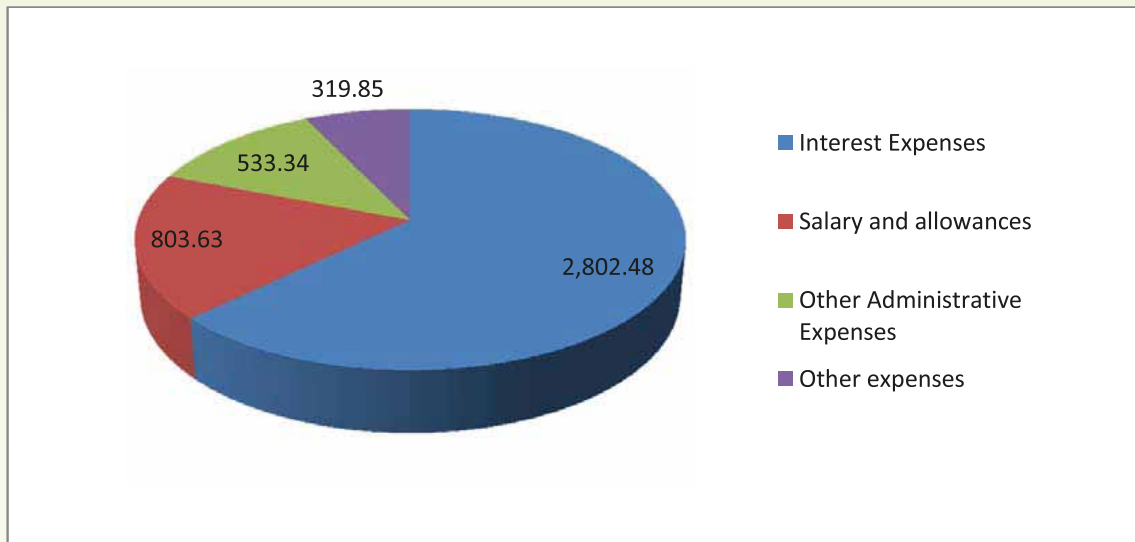
Comparison of Total Income in 2017 & 2016



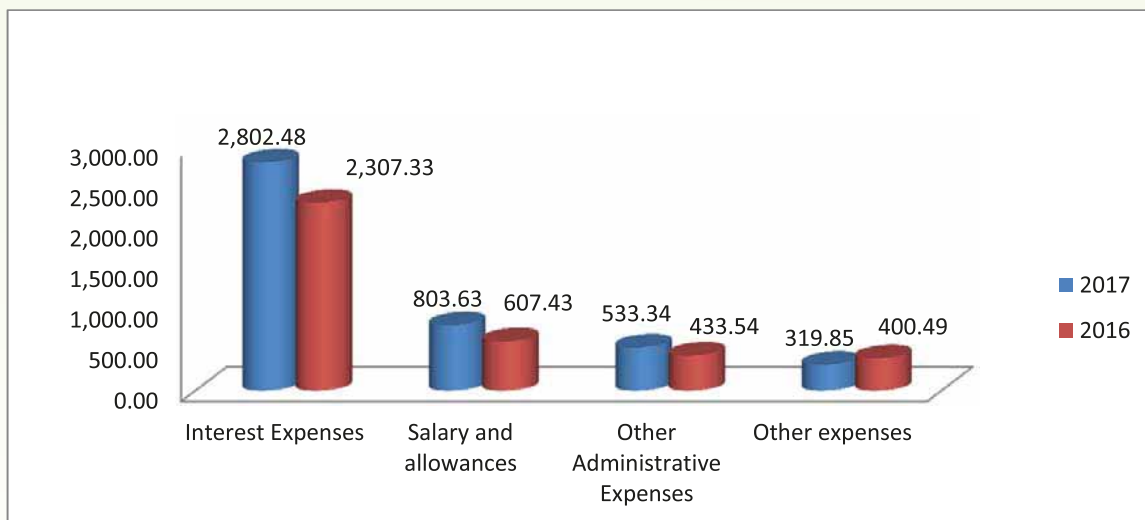
Total Expenses :

Types of Expense	Amount in Million Taka		Growth (%)	Expense Mix (%)	
	2017	2016		2017	2016
Interest Expenses	2,802.48	2,307.33	21.46	62.85	61.55
Salary and allowances	803.63	607.43	32.30	18.02	16.20
Other Administrative Expenses	533.34	433.54	23.02	11.96	11.56
Other expenses	319.85	400.49	(20.14)	7.17	10.68
Total Expenses	4,459.30	3,748.79	18.95	100.00	100.00

Total Expenses as on 31.12.2017



Comparison of Expenses in 2017 & 2016



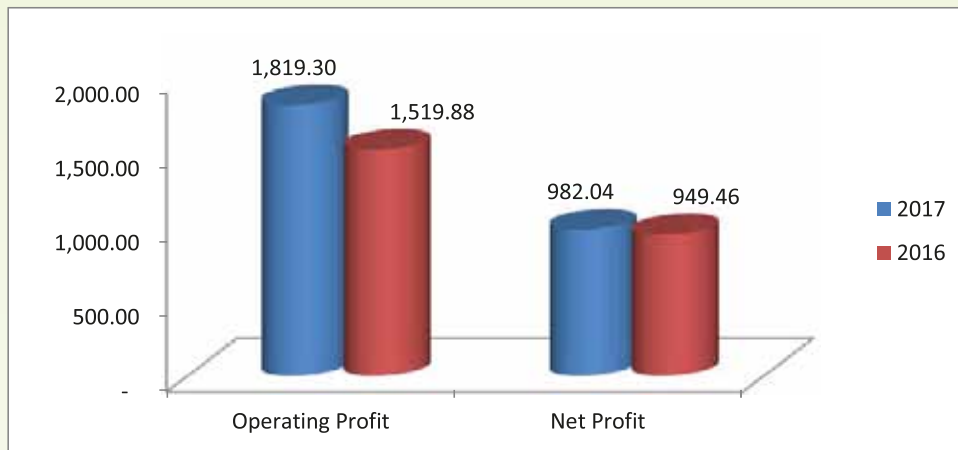


Profitability :

(Fig. Million Taka)

Particulars	2017	2016	Growth (%)
Operating Profit	1,819.30	1,519.88	19.70
Net Profit	982.04	949.46	3.43

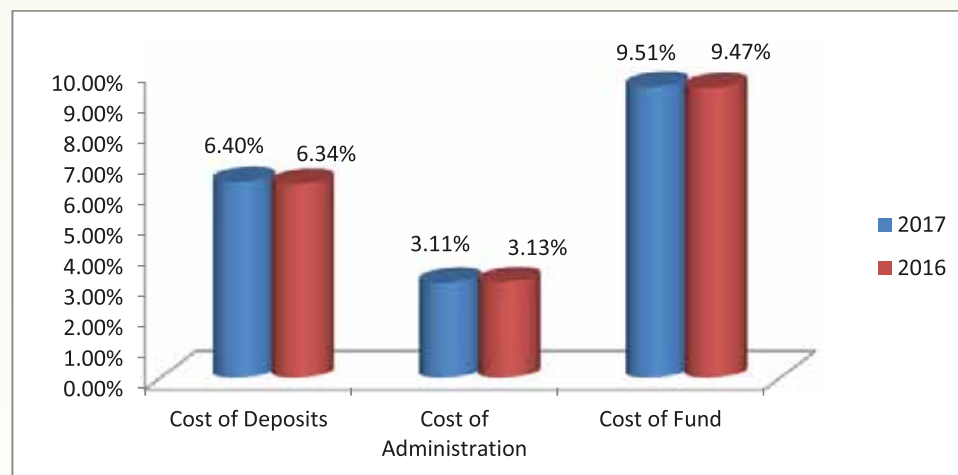
Comparison of Profitability in 2017 & 2016



Average Cost of Funds :

Particulars	2017	2016	Changes (%)
Cost of Deposits	6.40%	6.34%	0.06%
Cost of Administration	3.11%	3.13%	-0.02%
Cost of Fund	9.51%	9.47%	0.04%

Comparison of Cost of Deposits, Cost of Administration & Cost of Fund in 2017 & 2016

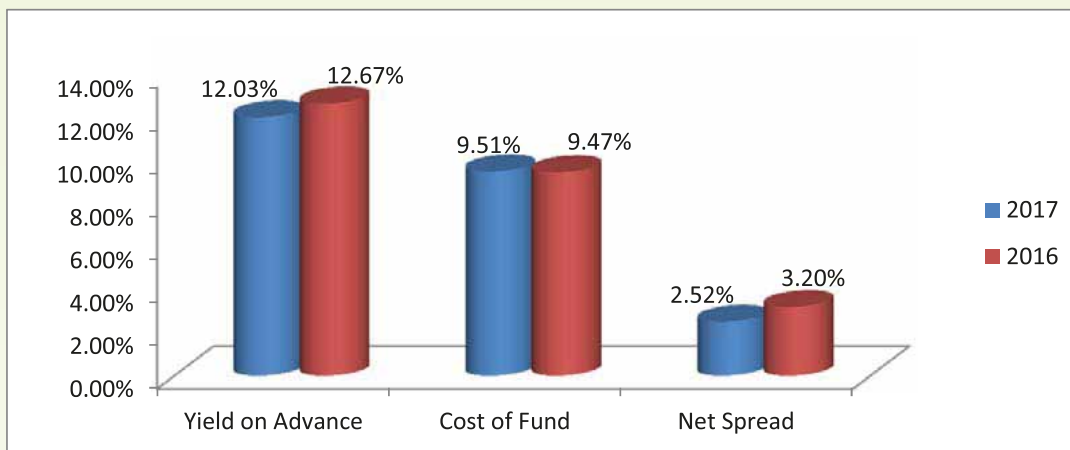




Net Spread :

Particulars	2017	2016
Yield on Advance	12.03%	12.67%
Cost of Fund	9.51%	9.47%
Net Spread	2.52%	3.20%

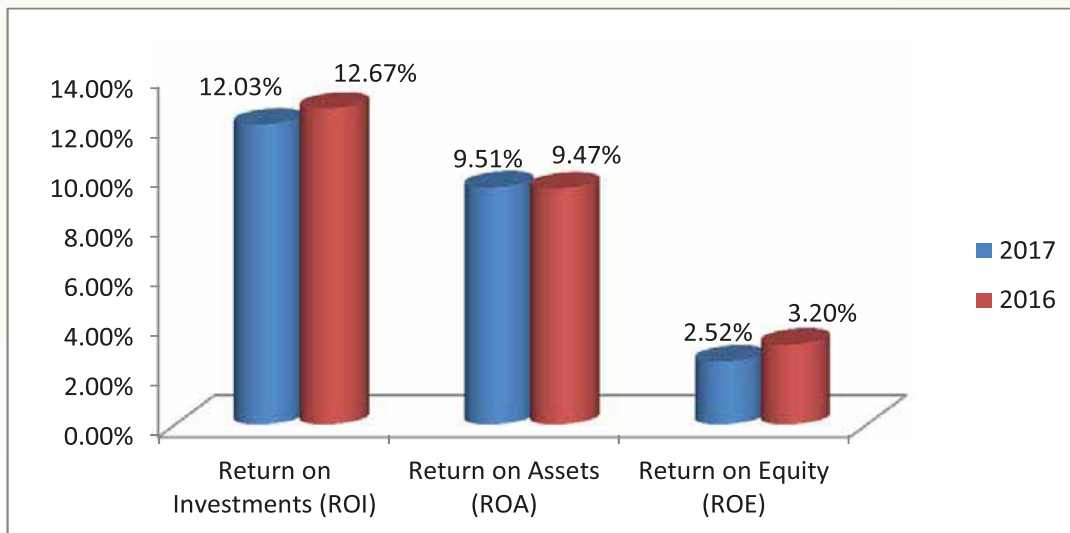
Comparison of Yield on Advances, Cost of Funds & Net Spread in 2017 & 2016



Rate of Returns :

Particulars	2017	2016
Return on Investments (ROI)	12.03%	12.67%
Return on Assets (ROA)	9.51%	9.47%
Return on Equity (ROE)	2.52%	3.20%

Comparison of Returns in 2017 & 2016





SBAC Bank Limited
ANNUAL REPORT 2017

DIRECTOR'S REPORT



Directors Report 2017

(Under Section 184 of Companies Act 1994 and Notification No. SEC/CMRRCD/2006-158/134/Admin/44 of Bangladesh Securities and Exchange Commission)



Meeting of Board of Directors in progress.

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

Global Economy: An Overview

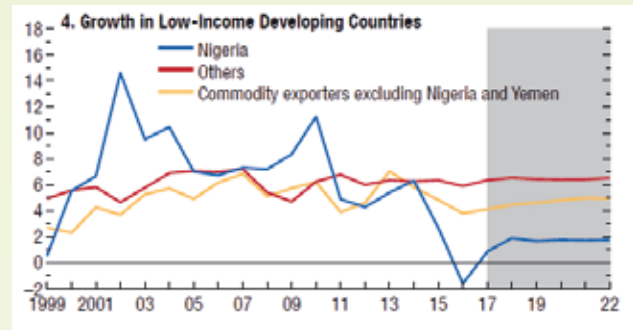
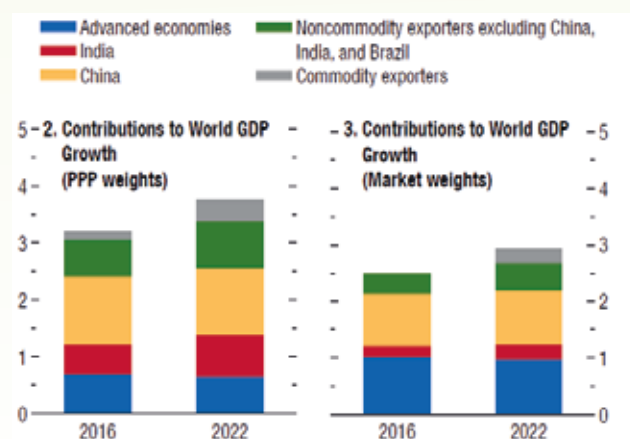
The International Monetary Fund (IMF) in its latest World Economic Outlook report (October, 2017) has given a more optimistic forecast for global economic growth. The global upswing in economic activity is strengthening. Global growth, which in 2016 was the weakest since the global financial crisis at 3.2 percent, is projected to rise to 3.6 percent in 2017 and to 3.7 percent in 2018. The growth forecasts for both 2017 and 2018 are 0.1 percentage point stronger compared with the April 2017 World Economic Outlook (WEO) forecast. Broad-based upward revisions in the euro area, Japan, emerging Asia, emerging Europe, and Russia—where growth outcomes in the first half of 2017 were better than expected—more than offset downward revisions for the United States and the United Kingdom. But the recovery is not complete: while the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies. Commodity exporters, especially of fuel, are particularly hard hit as their adjustment to a sharp step down in foreign earnings continues. And while short term risks are broadly balanced, medium-term risks are still tilted to the downside. The welcome cyclical pickup in global activity thus provides an ideal window of opportunity to tackle the key policy challenges—namely to boost potential output while ensuring its benefits are broadly shared, and to build resilience against downside risks.

A renewed multilateral effort is also needed to tackle the common challenges of an integrated global economy. The global pickup in activity that started in the second half of 2016 gained further momentum in the first half of 2017. Growth is projected to rise over this year and next in emerging market and developing economies, supported by improved external factors—a benign global financial environment and a recovery in advanced economies. Growth in China and other parts of emerging Asia remains strong, and the still-difficult conditions faced by several commodity exporters in Latin America, the Commonwealth of Independent States, and sub-Saharan Africa show some signs of improvement. In advanced economies, the notable 2017 growth pickup is broad based, with stronger activity in the United States and Canada, the euro area, and Japan. Prospects for medium-term growth are more subdued, however, as negative output gaps shrink (leaving less scope for cyclical improvement) and demographic factors and weak productivity weigh on potential growth. Changes to aggregate growth forecasts relative to the April 2017 WEO are generally positive but modest, with some meaningful changes for specific country groups and individual countries.

Fiscal policy at the global level is projected to remain broadly neutral in 2017 and 2018. The overall neutral stance masks some variation across countries and important changes relative to the April 2017 WEO assumptions. Among advanced economies, the fiscal stance (measured by the fiscal impulse) in 2017 is forecast to be broadly neutral, reflecting projected easing in Canada, Germany, Italy, and Korea; broadly neutral policy in Japan and the United States; and tightening in Spain. For 2018, the forecast assumes moderate fiscal policy tightening in advanced economies, reflecting projected tightening in Japan, the United Kingdom, and to a lesser extent, the United States. The projected increase in the structural fiscal balance for the United States in 2018 in the current forecast is similar to the projection in the October

2016 WEO, but represents major tightening relative to the April 2017 assumptions (which included a fiscal impulse of 1.5 Percent of GDP between 2017 and 2019 on the basis of then-anticipated corporate and personal income tax reductions). In emerging market and developing economies, fiscal policy is expected to be broadly neutral in both 2017 and 2018. (The projected looser fiscal policy for the group in 2018 relative to the assumptions in April primarily reflects downward revisions for the structural fiscal balances of Brazil and China). On monetary policy, the forecast assumes a somewhat more gradual normalization of the policy interest rate in the United States than projected in the April 2017 WEO. With US fiscal policy now set to be broadly neutral in 2017 and projected to tighten in 2018, monetary policy is projected to be moderately more accommodative than previously expected, given weaker projected demand and diminished inflation pressure. While commodity exporters are projected to grow at rates well below their historical averages, they are nevertheless expected to contribute significantly to the projected global growth pickup between 2016 and 2022.

Figure 1.12. GDP Growth, 1999–2022



Source: IMF staff estimates.

Note: Commodity exporters includes fuel and nonfuel primary products exporters, as indicated in Table D of the Statistical Appendix, plus Brazil and Peru. EMDEs = emerging market and developing economies; PPP = purchasing power parity.

Global Growth Forecast to Rise Further in 2018 and 2019. Upside growth surprises were particularly pronounced in Europe and Asia but broad based, with outturns for both the advanced and the emerging market and developing economy groups exceeding the fall forecasts by 0.1 percentage point. The stronger momentum experienced in 2017 is expected to carry into 2018 and 2019, with global growth revised up to 3.9 percent for both years (0.2 percentage point higher relative to the fall forecasts).

Table: Overview of the World Economic Outlook

GDP at constant prices	Percentage Change				Difference from October 2017 WEO Projection	
	Actual	Estimate	Projection		2018	2019
	2016	2017	2018	2019		
World	3.2	3.7	3.9	3.9	0.2	0.2
Advanced Economies	1.7	2.3	2.3	2.2	0.3	0.4
USA	1.5	2.3	2.7	2.5	0.4	0.6
Euro Area	1.8	2.4	2.2	2.0	0.3	0.3
Other Advanced Economics	2.3	2.7	2.6	2.6	0.1	0.1
Emerging Market and Developing Economies	4.4	4.7	4.9	5.0	0.0	0.0
China	6.7	6.8	6.6	6.4	0.1	0.1
India	7.1	6.7	7.4	7.8	0.0	0.0

Source: World Economic Outlook Update (January, 2018), International Monetary Fund.

Bangladesh Economy: An Overview

Economic Growth and Investment:

For the first time in the recent past, BBS published the final estimates of the growth of gross domestic product (GDP) of the outgoing fiscal year, FY2017, within the first half of the subsequent fiscal year. According to the BBS final estimates, the real GDP growth in FY2017 increased by 0.17 percentage points to register 7.28 per cent growth. This is the highest ever growth achieved considering the new base year of 2005-06 for estimating national accounts. This is also for the second successive time

that the final estimates of GDP growth by the BBS surpassed the planned target, which was set at 7.2 per cent for FY2017.

An analysis of contribution to GDP growth and a comparison with the previous fiscal year's performance (7.11 per cent GDP growth) shows that the incremental growth owed primarily to an increased contribution from the services sector, and in particular, from the wholesale and retail trades sector (Table 2.1). Growth contribution from financial intermediations also improved significantly in a year that was marked by deteriorating performance of the banking sector of the country. In contrast, in FY2016, industries (broad) sector was the lead contributor to the GDP growth of 7.11 per cent. In FY2017, industries sector's contribution has dropped due to lower contribution by both manufacturing and electricity sectors. In case of agriculture (broad) sector, the contribution was revised to lower than that reported in the provisional estimates as it incorporated the substantial loss of crop due to flash flood in haor areas in April 2017.

Nonetheless, as BBS data showed, industries sector has continued to grow at double digit (10.2 per cent) with significant contribution from the large and medium scale manufacturing industries (11.0 per cent growth). Quantum Index of Industrial Production (QIIP) data suggests that a number of large scale industries posted significant growth in FY2017 including leather and related products (53.4 per cent growth) inspite of the production dislocation due to shifting of factories from the Hazaribagh area, textile (21.2 per cent), pharmaceuticals and medicinal chemical manufacturer (32.1 per cent) and manufacture of other non-metallic mineral products (32.3 per cent). Combined weight of these four industries was about one-third of the total industrial production. However, this high growth recorded by large scale industrial production failed to get reflected in the export figures. Indeed, export earnings eventually registered only 1.7 per cent growth in FY2017 and in particular the RMG exports posted only 0.2 per cent growth. It is also pertinent to note that, in FY2017, export earnings of leather and leather

Table 2.1: Incremental Contribution to GDP Growth (%) in FY17

Sectors	FY16	FY17 (p)	FY17
Agriculture Sector	0.43	0.50	0.44
Crops & horticulture	0.07	0.14	0.08
Industries Sector	3.24	3.18	3.10
Manufacturing	2.26	2.21	2.21
Electricity	0.16	0.17	0.11
Services Sector	3.21	3.31	3.41
Public administration and defense	0.38	0.34	0.32
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	0.88	0.92	0.99
Transport, storage & communication	0.67	0.73	0.73
Education	0.26	0.26	0.26
Health and social works	0.13	0.13	0.13
Financial intermediations	0.25	0.25	0.30
GDP growth	7.11	7.24	7.28

Note: (p) stands for provisional estimates.

Source: CPD calculation from BBS (2017) data.

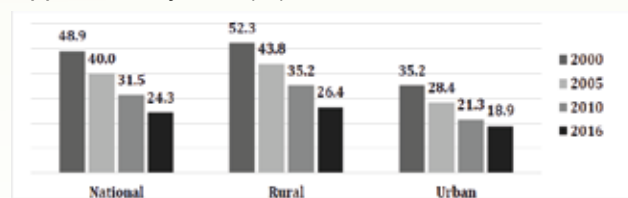
products increased by only 6.3 per cent. The export figures do corroborate the high growth of the manufacturing sub-sectors, putting under doubt the reliability of the production data.

Private investment as share of GDP, in the backdrop of some rise in the past, remained more or less at the same level, rising to 23.1 per cent from 23.0 per cent in FY2016. Private sector credit growth was consistent throughout the period and recorded 15.6 per cent growth against the 16.5 per cent target growth as of June 2017. On the other hand, public investment has increased by a not insignificant 0.7 percentage points to reach 7.4 per cent of GDP in FY2017. Gross national savings as a share of GDP has declined to 29.6 per cent which was 30.8 per cent in FY2016. Per capita GNI has increased to USD 1610 per capita in FY2017 from USD 1,464 in FY2016, a rise of 9.9 per cent.

New Trends in Poverty and Inequality:

The new estimates of Household Income and Expenditure Survey (HIES) 2016 (survey being conducted during April 2016 – March 2017) has brought forth a number of interesting trends in poverty and inequality. The poverty head count rate, calculated by using the Cost of Basic Needs (CBN) method, declined to 24.3 per cent in 2016 at the national level from 31.5 per cent in 2010 (Figure 2.1). Over the same timeframe, rural poverty reduced to 26.4 per cent from 35.2 per cent while urban poverty went down to 18.9 per cent from 21.3 per cent over the aforesaid period. Despite the improvement, poverty reduction continues to be a major challenge with poverty being an important feature in the rural areas with its relatively higher incidence when compared to the urban counterparts. One encouraging note in this regard is that the difference between the rural and urban poverty incidence has been on gradual decline over time. In 2000, the difference was about 17 percentage points which had come down to 7.5 percentage points in 2016.

Figure 2.1: Poverty Rate in Bangladesh Based on the Upper Poverty Line (%)



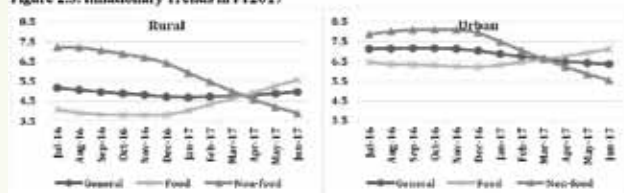
Source: BBS (2017).

Source: BBS (2017).

Inflation:

According to BBS data, the annual average inflation in June 2017 was 5.4 per cent – well contained within the target of 5.8 per cent envisaged in the Monetary Policy Statement of Bangladesh Bank. Indeed, inflation has steadily come down to 5.4 per cent in January 2017 and remained there until the end of FY2017. Non-food inflation started to drop from 7.5 per cent in September and stayed at 4.6 per cent in June 2017. On the other hand, food inflation started to move up from 4.5 per cent in December 2016 and reached 6.0 per cent in June 2017 primarily due to higher global food prices and various natural disasters. The haor flash flood in April caused significant loss of boro crops. This, coupled with government's failure to achieve procurement targets of food grains and inability to ensure timely import of rice, resulted in high food inflation. Indeed, from April 2017 onward, food inflation started to climb above the national average, while non-food inflation went below the national average. The rural-urban dynamics of inflation was rather interesting in FY2017. For both food and non-food commodities, inflation was lower in rural areas throughout the FY2017 (Figure 2.3). However, as the Figure 2.3 depicts, rural areas tend to succumb to inflationary pressure in a more intense manner compared to urban areas.

Figure 2.3: Inflationary Trends in FY2017



Source: Based on BBS Data.

Monetary Growth and Financial Institutions:

Growth rates of different monetary aggregates in the elapsed fiscal year remained varied compared to their respective annual targets. Growth rate of broad money hovered around 13-14 per cent throughout the fiscal year and at the end of June 2017 ended up at only 10.9 per cent while the target limit was 15.5 per cent (Table 2.6). Credit expansion to the public sector was negative during the reporting period as the government made repayments to banks in the backdrop of lower demand for bank borrowings to service fiscal deficit. Growth of private sector credit was very consistent, about 16 per cent, and closed the year with 15.7 per cent growth while annual target was set at 16.5 per cent. Volatility in exchange rate during the last quarter of FY2017 contributed to limit

the excessive flow of net foreign assets which gradually declined to 14.4 per cent as of June 2017. However, the growth was still higher than the programmed level of 10.1 per cent.

Table 2.6: Growth (%) of Monetary Aggregates in FY2017

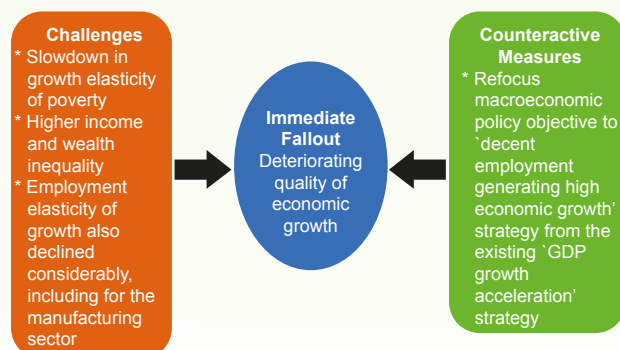
Monetary Aggregates	Actual FY16	Target FY17	Actual FY17
Net foreign assets	23.2	10.1	14.4
Total domestic credit	14.2	16.4	11.2
Credit to public sector	2.6	NA	-12.0
Credit to private sector	16.8	16.5	15.7
Net other assets	14.4	NA	19.7
Net domestic assets	14.2	17.3	9.7
Broad money	16.3	15.5	10.9

Source: Bangladesh Bank Data.

Key points of the report highlighted during the media briefing include:

1. Rising Income and Wealth Inequality

- Poverty reduced in absolute level, but pace of poverty reduction has slowed down.
- Poverty and employment estimates pose questions in context of the benefits of the attained economic growth.
- Rich are getting richer while the poor are getting poorer. Ratio of income of top five per cent and bottom five per cent households increased to 121.3 in 2016 from 31.6 in 2010.
- Wealth inequality depicts an even direr picture. The percentage share of wealth of top five per cent and bottom five per cent households was 51.32 and 0.04 in 2010.

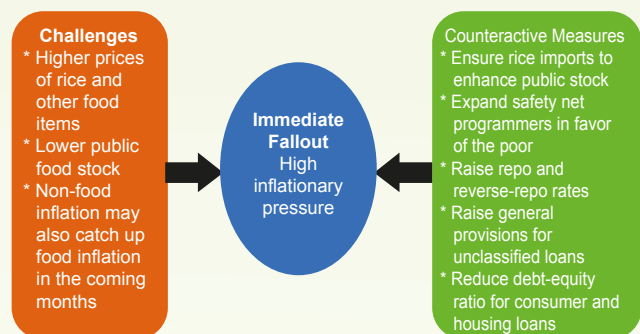


2. Inflation and Food Stock Outlook:

- Since mid-2017, Bangladesh has experienced a rise in inflation partly due to the consecutive floods. High food inflation is likely to continue in the coming months. The inflation rate rose to 7.13 per cent in

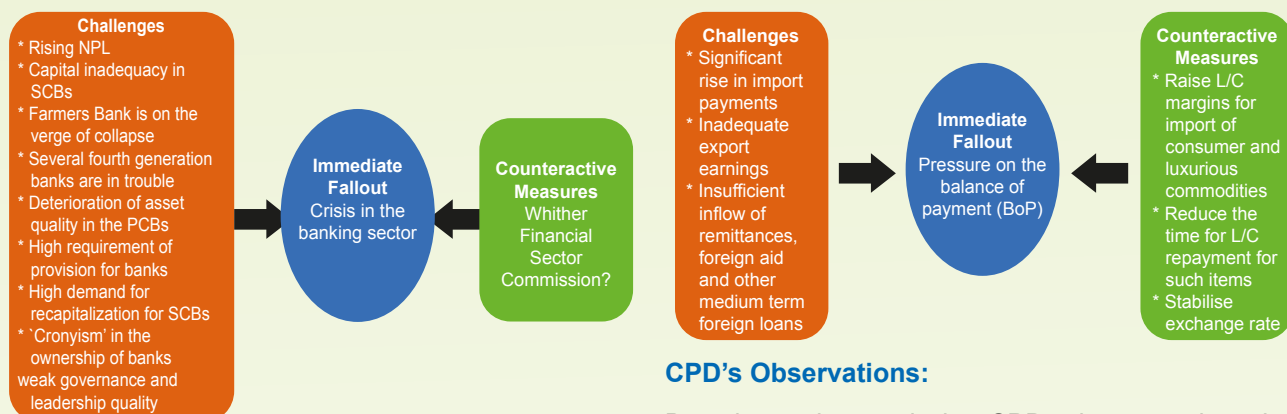
December'17 vis-à-vis 5.38 per cent in December'16.

- Government's distribution of food grains was at the lowest level when the inflationary pressure was at its peak. Inadequate stock is the major reason behind the failure to ensure required food grain supply under the public food distribution system (PFDS).
- According to a CPD study, the estimated loss of Boro production was about 15.8 lac metric tons during the flash flood in haor areas in 2017 while the estimated loss of rice production was about Tk700 crore to 2700 crore during the monsoon flood. Therefore, a possible shortfall of food grains for the PFDS during H2 FY18 could be between 2.44 to 3.47 lakh MT.
- According to CPD's estimation, an additional food budget of Tk700 crore to Tk1, 152 crore will be required to address the situation.



3. Growing Malignancy in the Banking Sector:

- The banking sector of Bangladesh has been plagued by financial scams, non-performing loans, inefficiency, and slack monitoring and supervision.
- Around Tk 15,705 crore spent in recapitalising the banks during the period FY2009-FY2017 which is roughly half the cost of the construction of the Padma Bridge.
- Instead of the growing malignancy, the government amended the Banking Companies Act increasing the tenure of the board of directors of a private bank from six years to nine years, and accommodating four members of a family instead of two in the board.
- Despite a decline in the interest rate, high rates of lending continued to prevail in key sectors, discouraging investors.



4. External Sector:

- Export sector of Bangladesh evinced positive signals during the 1st half of FY18. A period-on-period growth of 9.2 per cent will be required in the remaining half (January-June) of FY18 to reach the export target of USD 37.5 billion.
- Bangladesh may face additional burden of import payments in the 2nd half of FY18 as price of crude oil evinced signs of rise.
- US imports of RMG products from Bangladesh is decreasing (-5.1 per cent in July – October period of 2017).
- Suspicious import growth (75 per cent) of raw cotton despite stability in global price, unmatched RMG export growth and no strong indication of sudden spurt in investment in spinning. Besides, high import growth for sugar (50 percent) and edible oil (39 percent) is likely to continue.
- Taka started to experience some depreciation since second quarter of FY17 continuing to the early months of FY18. Monthly average nominal exchange rate (NER) in the first half of FY2018 was USD/BDT 82.6.
- Exchange rate depreciation and upturn of oil price helped the slow recovery of remittance growth. The growth for (Jul-Dec) FY18 was 12.5 per cent. On the other hand, migration growth for (Jul-Dec) FY18 was 26.8 per cent. However, but it rate will drop to -20 per cent, if excludes KSA.
- Foreign exchange reserve has declined to USD 32.0 billion as of January 2018. Current account balance is USD (-) 3,311 million, and the overall balance of payments is USD (-) 225 million for Jul-Oct FY2018.

CPD's Observations:

Based on the analysis, CPD observes that the macroeconomic stability of Bangladesh has come under considerable pressure. Slowdown in growth elasticity of poverty, high income and wealth inequality, food inflation, financing the budget deficit based on NSD certificates sale, rising non-performing loans (NPL), weak governance amid crisis in the banking sector, and lower remittance inflow are the major concerning areas of this fiscal year. However, the government did not undertake any major reform measures, especially for the banking sector, to improve the situation.

Bangladesh Economy Outlook 2018:

In a major leap forward, Bangladesh has become eligible to graduate to a developing country from a least developed one as it has met all the three criteria for the first time for getting out of the LDC bloc. The Committee for Development Policy (CDP), a United Nations panel, made an announcement on the country's eligibility at a meeting at the UN headquarters in New York. The three criteria are Gross National Income (GNI) per capita, Human Assets Index (HAI) and Economic Vulnerability Index (EVI). According to the UN's graduation threshold, the GNI per capita of a country has to be \$1,230 or above. Bangladesh's GNI per capita is now \$1,272. In terms of the HAI, a country must have a score of 66 or above. Bangladesh's score is now 72.8 ; well above the threshold. In the economic vulnerability index (EVI), a country's score has to be 32 or below. Bangladesh's score is 25 in the EVI, an indicator of natural and trade-related shocks.

THREE CRITERIA FOR ELIGIBILITY			
	Gross National Income	Human Assets Index	Economic Vulnerability Index
Required	\$1,230 or above	66 or above	32 or above
Bangladesh Score	\$1,272	72.8	25

The Bangladesh economy is expected to grow between 6.4 per cent to 6.8 per cent in 2017 and 2018. But declining exports, falling remittances and rising food (especially rice) price inflation may result in lower than expected growth. However, there are other risk factors that need to be factored in, such as early floods, the Rohingya refugee influx, the political uncertainties in the run up to elections in 2019, delays in fiscal reforms, very low productivity, industrial unrests and rising energy prices in projecting the future growth rates. But the ongoing infrastructure development may help drive growth rates to a higher level in 2018 and beyond.

The growth drivers in Bangladesh are likely to benefit from the improved global outlook. Exports and remittances are projected to recover to still below their historic double digit averages. This together with the damages caused by floods to agricultural output and infrastructure will drag growth down in FY18 to 6.4 percent followed by a rise back to 6.7 percent in FY19. Inflation is likely to increase due to overheating resulting from the excess of actual growth over the potential growth rate and adverse supply shocks. But prudent monetary policy is expected to keep inflation bearable. External current account deficit will persist, making exchange rate flexibility more important. Budget deficit will rise and not just because of election pressure on public expenditures and revenue mobilization. The public debt to GDP ratio is projected to rise as well, but remain below levels that may start worrying the creditors. Downside risks include the resurgence of political instability in the run up to elections in early 2019 and a hardening of credit constraints with increased insolvency of banks due to rising NPLs. Excess liquidity and reduction in fiscal space through cost inefficient domestic financing of budget deficit present latent risks

In a major leap forward, Bangladesh has become eligible to graduate to a developing country from a least developed one as it has met all the three criteria for the first time for getting out of the LDC bloc. The Committee for Development Policy (CDP), a United Nations panel, made an announcement on the country's eligibility at a meeting at the UN headquarters in New York. The three criteria are Gross National Income (GNI) per capita, Human Assets Index (HAI) and Economic Vulnerability Index (EVI). According to the UN's graduation threshold, the GNI per capita of a country has to be \$1,230 or above.

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History of SBAC Bank Limited:

South Bangla Agriculture and Commerce Bank Limited was incorporated in Bangladesh as a Public Limited Company (limited liability by shares) on February 20, 2013 under the Companies Act 1994. It obtained license from Bangladesh Bank for carrying out banking business on March 7, 2013 under Bank Companies Act 1991 (amended up to 2013). The Bank has been carrying out its business through its sixty four (64) branches all over Bangladesh. SBAC Bank Limited started its banking operation on April 28, 2013 with the firm commitment of excellent customer service with a difference. Its vision remains to be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having liquidity. The bank has now richly decorated 64 branches located at important places of Bangladesh with full-fledged online facilities (another 10 branches are under process to open within June 2018).

Area of Principal Activities of SBAC Bank Limited:

The principal activities of the bank are banking and related businesses. The banking businesses include deposits taking, cash withdrawal, extending credit to corporate organizations, organizing syndication deals, retail and SME financing, trade financing, project financing, agro-based project financing, agriculture loans, green financing, lease and hire purchase financing, remittance services, international trade financing etc.

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.

As per guidelines of Basel III, minimum capital requirement of the bank is 10% of Risk Weighted

Assets (RWA) or Tk. 400.00 crore whichever is higher. RWAs is calculated considering 03 three risks i.e., credit risk, market risk and operational risk. Besides at the end of December 2017, bank has to maintain capital conservation buffer by 1.25%, which will be gradually increased to 2.50% at the end of December 2019. On December 31, 2017 Risk Weighted Assets of the Bank stood at Tk. 4,238.97 crore. Total eligible capital stood at Tk. 701.27 crore against minimum requirement of Tk. 423.89 crore (10% of RWA), i.e., bank able to maintain excess capital of Tk. 277.38 crore as on December 31, 2017. Capital to Risk Weighted Asset Ratio (CRAR) stands to 16.54% on that day in which Tire 1 capital to Risk Weighted Asset Ratio was 15.31% (Tk. 648.82 crore) against minimum requirement of 6.00% and Tire 2 capital to Risk Weighted Asset Ratio was 1.24% (Tk. 52.45 crore).

Trade Finance:

Our Bank has a well equipped International Division (ID) which is a vital part of the trade business of the Bank and plays a strong role in overall supervision and control of foreign trade and foreign exchange business of the Bank. The division is looking after Correspondent Banking Relationships, Trade Processing Unit, Treasury Back Office, Trade Settlement & Regulatory Reporting Unit and Inward Wage-earner Remittance Unit. The foreign trade business of the Bank operates through 6 (six) Authorized Dealer (AD) branches in important commercial hubs of the country including a centralized Trade Processing Unit at Head Office to handle the trade transaction of Non-AD branches. A large pool of bright and dedicated professionals having international certification on trade products and procedures in foreign exchange business of the Bank using state of the art technology.

Correspondent Banking:

Correspondence Banking is the main international contact point of the Bank. SBAC Bank Ltd has been maintaining fervent correspondent banking relationship with internationally reputed banks to facilitate foreign trade and other international transactions such as advising, confirmation, reimbursement of L/Cs, discounting of bills, international transfers, documentary bills collection, guarantee etc. As on 31st December 2017, the number of foreign correspondents is 171 Banks

spread across 45 countries. The Bank maintains 14 Nostro Accounts in 8 major currencies with reputed international banks around the world in all the important global financial centers. The bank also enjoys credit lines from the correspondent banks for adding confirmation to letter of credit as and when needed which is facilitating international trade.

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

Here is glimpse of correspondent banking of SBAC Bank Ltd:

Category	Number
Authorized Dealer Branches	6
Relationship Management Application (RMA)	171
Nostro Account	14
Credit Line/ Add Confirmation facilities with foreign Banks	16
Direct Drawing arrangement with Exchange House for Remittance services	5
In-Direct (Sub-agent) Drawing arrangement with Exchange House for Remittance services	6

Import:

Import from overseas is essential in order to meet people's need as well as industrial needs. It is mentionable that Bangladesh is an Import based economy though its export volume is increasing over the last decades. Import customers of SBAC Bank Ltd are various types among them export oriented garments industry, and general traders are remarkable. The main import items includes rice, wheat, onion, Garlic, mustard oil cake, assorted food items, fresh fruits, poultry feeds, medical equipment,

chemicals, motor vehicles, coal, bicycle parts, computer parts, raw cotton Polyester yarn, packaging materials, raw materials and capital machinery of export oriented industry. They mainly Import from USA, UK, China, Taiwan, Singapore, India, Ireland, Germany, UAE, Dubai, Qatar, Thailand, Indonesia, Malaysia, Canada, Finland, Italy, and Japan. In the year 2017 SBAC Bank Ltd handled BDT 25854.40 million (equivalent USD 310.19 million) import business from 4503 number of Documentary Credit/LC. Import volume in the year 2016, 2015, and 2014 was BDT 17596.80 million (equivalent USD 219.96 million), 10942.10 million (equivalent USD 137.64 million) and 7969.00 million (equivalent USD 100.24 million) respectively.

Export:

Export and economic growth of a country is directly related to each other. If export increases at a faster pace as compared to import, economic development is being happened. Lower export contributes lower foreign exchange thus a lower purchasing capacity of a nation. In order to patronize the exporter as well as the economy of the country and to boost up income from export financing activities SBAC BANK Ltd adopted export friendly trade strategy. RMG (Ready Made Garments) sector is the largest sector of foreign currency earnings of the country. Our exporter mainly exports their manufactured items destined to UK, USA, Canada, Hongkong, Germany, Turkey, Poland, Norway, Denmark, Russia, Dubai, Japan, Italy, Switzerland, France, Greece, Netherlands and India. In the year 2017 SBAC Bank Ltd handled BDT 11361.00 million (equivalent USD 138.03 million) export business from 4634 number of export documents. Export volume in the year 2016, 2015, and 2014 was BDT 8760.31 million (equivalent USD 110.89 million), 9905.70 million (equivalent USD 126.19 million) and 5662.20 million (equivalent USD 72.13 million) respectively.

Remittance:

Remittance is the second most important sources of foreign exchange earnings for Bangladesh after readymade garments (RMG). Bank is a legal channel for remittance procurement. As central bank Bangladesh Bank always encourage scheduled banks to procure remittance through banking channel. SBAC Bank Ltd is also committed to handle

remittance inflow from the expatriate Bangladeshis. We are the pioneer of having tie up with an exchange company as a direct agent for remittance business among the new generation Banks. We have direct drawing arrangement with Aman Exchange Company WLL, Kuwait, Wall Street Finance LLC, USA, Al-Ansari Exchange LLC, UAE, Worldwide West 2 East Services Ltd, UK, (A/C: Sha Global), and LCC Trans-sending Ltd, UK (A/C: Small World). In the year 2017, the Bank received BDT 2294.60 million (equivalent USD 27.86 million) as wage earners remittance. Remittance figure was BDT 1199.76 million (equivalent USD 15.25 million) in the year 2016, BDT 269.40 million (equivalent USD 3.43 million) in the year 2015, and BDT 70.60 million (equivalent USD 0.90 million) in the year 2014

Here is a graphical presentation of Foreign Exchange Transaction during last four years:

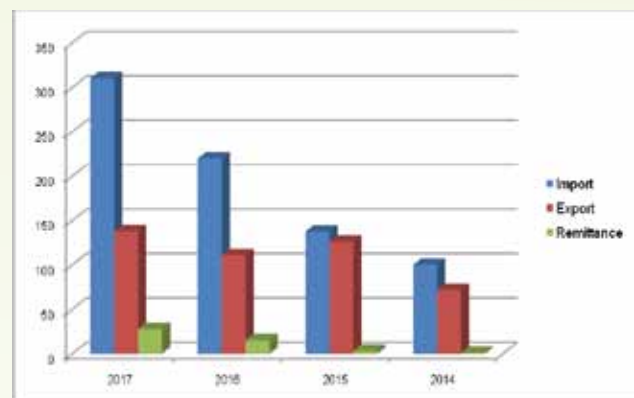


Fig: Foreign Exchange Business Performance (Amount in Million USD)

Anti-Money Laundering:

Money Laundering (ML) and Terrorist Financing (TF) is considered as vital issues and threat to all over the world as well as our country. For strengthening the AML/CFT activities Bangladesh Government has enacted Money laundering Prevention Act-2012 (Amended in 2015) and Anti-Terrorism Act-2009 (Amended in 2012 & 2013). In view of prevailing ML & TF scenario of the country, Bangladesh Financial Intelligence Unit (BFIU) of Bangladesh Bank has been issuing circulars/guidelines from time to time to strengthen AML & CFT compliance to protect the interest of the banks as well as the country as a whole.

'Money Laundering and Terrorist Financing Risk Management Guidelines issued in September, 2015 has been mandatory for the scheduled banks to implement within June, 2016. SBAC Bank Ltd. has formulated and implemented AML and CFT Risk Management policy Guidelines in December 03, 2015 in compliance with the rules, regulations, guidelines as enacted by the competent regulatory authorities.

Activities on Anti-Money Laundering Division during the year 2017 include:

- A message was circulated from the desk of the Chief Executive Officer on January 01, 2017 to all employees of the Bank emphasizing compliance of AML issues;
- They are advised to submit Reports to the Chief Executive Officer on half yearly basis regarding AML/CFT Activities;
- Organized quarterly meeting by Central Compliance Committee on AML issues and activities;
- Introduction of uniform Account opening form as prescribed by Bangladesh Bank with Bangla version;
- Review and update KYC profile and Transaction Profile on periodical basis;
- Reporting of Cash Transaction Report (CTR) and Suspicious Transactions/Activity Report (STR/ SAR) to BFIU on regular interval;
- Collection and review of the self-assessment and independent testing procedure reports from all of the Branches and took corrective measures as and when required;
- AML Division continuously communicates with branches for improving their AML & CFT compliance culture through identifying needs and directing branches as and when required and responding to queries of branches.
- AML Division through Training Institute has arranged several Training Programs in Dhaka, Bogra and Chittagong regions where total 164 participants received day long training on Prevention of Money Laundering and Combating Terrorist Financing.



Workshop on Prevention of Money Laundering and Combating Financing of Terrorism.

- As per requirement of AML Division, Training Institute has been regularly arranging training programs on AML/CFT for new coming Officers at the time of foundation program.
- Conducting refresher sessions round the year for updating knowledge of the Money Laundering Prevention and Anti-Terrorism with special focus on recent various Circulars of BFIU and current topics of country and world in this regard.
- Internal Audit & Inspection teams have conducted AML Inspection on our Branches to find out lapses in AML/ CFT issues.
- Surprise visits have also been done by AML Division on our 14 Branches to detect& rectify weakness in AML/CFT activities as well as conducted discussion meeting at branch premises to build up awareness among the employees.
- Follow up and monitoring of Audit reports (related to anti-money laundering) as and when received from the Bank's Audit & Inspection Division and external auditors of the Bank.
- Introduction of Automated Sanction Screening Solutions for screening the information of on boarding customers, periodical screening of existing customers, screening of all cross-border transactions including outward & inward SWIFT messages and remittances.
- Distribute leaflets among customers to make them aware about money laundering and terrorist financing and also arrange to stick posters in every branch at a visible place.

Treasury Operations:

SBAC Treasury is engaged in management of liquidity risk, interest rate risk and foreign currency risk within the laid down policies and guidelines of Bangladesh Bank. Functions of Treasury are broadly divided into Money Market Desk, Fixed Income Investment Desk, Foreign Exchange Desk, Asset Liability Management (ALM) Desk. Core responsibilities of Treasury operations are maintenance of statutory requirement i.e. CRR, SLR, ADR, LCR, NSFR, Commitment, Wholesale Borrowing and NOP limits. In the process of liquidity risk management, Treasury arranges funds both in LCY and FCY. While as an interest risk manager, Treasury focuses on maturity management of both loans and deposits in line with bank's risk appetite. Being a primary dealer, SBAC Bank performs its responsibility as an underwriter to government securities. SBAC Treasury provides an array of Treasury products at competitive prices and superior services with a dynamic and innovative workforce. It has been performing consistently over the years with respect to contribution to Bank's profitability.

Despite the challenges of 2017, SBAC Treasury has done considerably well by exercising diligence and proper execution of its strategies. To ensure market stability and to maintain the pace of economic growth, Bangladesh Bank has taken several measures in 2017, which are as follows:

- To mop up the excess liquidity and to keep the interest stable, Bangladesh Bank continued its sterilization operation through the auction of BB Bill of 30days, 14 days and 7 days tenor.
- BB has adopted the accommodative monetary policy to bring down the lending rate to single digit to stimulate credit growth for speeding up economic activity.
- Bangladesh Bank continues its participation in the domestic foreign exchange market as required for stabilizing foreign exchange rate (USD/BDT) to boost up export and remittance flow.

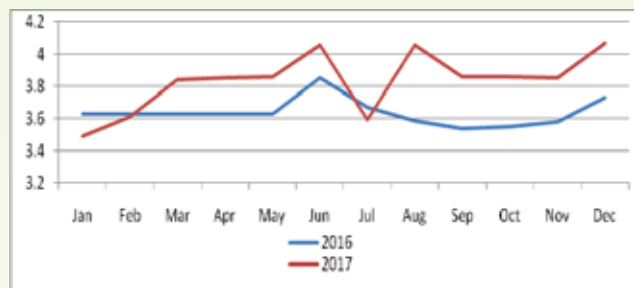
In the year 2017, there was no CRR/SLR shortfall and no breach of Net Open Position (NOP) limit. Treasury successfully used all types of money market and foreign exchange instruments to ensure optimum balance sheet spread.

Money Market Desk:

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

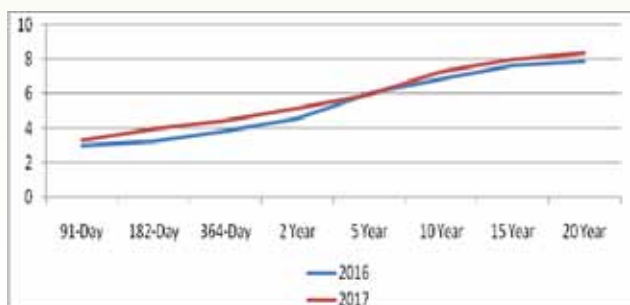
Money market remained highly liquid all through the 2017. Central Bank kept the reverse repo window closed leading all scheduled Banks to park their surplus liquidity in Bangladesh Bank bills of 7-day, 14-day and 30-day tenors whose returns hovered around 3.00%. Most market participants were in lending side keeping average call money rates below 4.00% throughout the year while most deals were settled around 3.75%.

Average Call Money Rate:



Fixed Income Investment Desk:

SBAC Bank Fixed Income Desk deals with products like Treasury Bills, Treasury Bonds. This Desk makes interest rate forecast and take position on Government Securities. Active participation in secondary market through trading of government securities generated substantial capital gain in 2017. Apart from that, we were able to successfully utilize new facilities provided by Bangladesh Bank for the development of secondary trading like TWS (Trader Work Station). SBAC Treasury is always active in capturing trades with corporate clients in government Treasury securities.



Foreign Exchange Desk:

Foreign Exchange Desk continuously makes forecast about movement of future exchange rate and maintains its open position accordingly within the limit USD 12.66 Million. This Desk minimizes foreign exchange risk-potential due to change in market prices through proper market forecasting. It engages into basic foreign exchange activities related to imports, exports and remittances which generated income for the Bank.

FX market was relatively tight throughout 2017 but USD/BDT pair started going rocket high from September and persisted up to December. Central Bank intervened in the FX market to keep export competitiveness as china and India; two major export competitors devalued their currencies. Remittance flows slowed as rates in informal market was higher than the rate in formal market. To encourage routing of remittance through formal channel, Central Bank was in favor of pushing rates up in the formal market. Corporate houses intended to hedge their future payments which pushed demand further. All turned USD/BDT rates up.

NOP & Exchange Rate Movement during the Year:



Asset Liability Management (ALM) Desk:

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

Change In interest rate, exchange rate and market liquidity may expose the Bank to risks and may threaten the survival of the Bank as well if not

managed effectively. The ALM function comprises management of liquidity, maturity profiles of assets and liabilities, interest rate risks and Forex risk. ALM Desk officials prepare ALCO paper incorporating local and international economic updates, market liquidity forecasts, interest rate projections, balance sheet analysis and recommend measures to be taken to optimize balance sheet whether to reduce or increase deposit and lending rates. ALM Desk guides ALCO in changing lending and deposit rates with proper analytics and better forecasts. In 2017, effective and timely change in rates by ALCO played a crucial role in the significant growth of NII. A new ALM policy has been formulated by ALM Desk keeping BASEL III liquidity ratios (LCR & NSFR) in mind and central bank's ALM guidelines into active consideration. Change in deposit mix reducing dependency on term deposits can reduce substantial costs.

Improvement of efficiency is a continuous process and SBAC Treasury is always learning form the market and getting updated time to time.

Information Technology:

Over the last 5 years, SBAC Bank has built a solid technological backbone that is standardized, resilient and scalable. Today, we have a common platform of services that enable us to integrate best-in-breed technologies and embraced the practices of global technology companies in design and technology – adopting agile methodology, user interface and human-centered designs to develop front-end applications. We continued to enhance and invest in information technology infrastructure as an enabler to serve customers better and minimize technology disruptions. So we have continuous endeavor to bring more value to our customers by way of implementing technology innovations.

The Bank has undertaken various technology enabled business initiatives to realize the vision of customer centricity and to respond to customer demand in real time by knowing its customers and their behavior. The bank is leveraging implementation of Digital Banking App, Mobile Wallet and automation of technology, which will enable us to be nimbler, more FinTech-like and faster to market in delivering cutting-edge solutions.

For the Core Banking System, new enhancements were implemented to improve operational efficiencies

and provide better control and monitoring capabilities. The Bank has equipped itself with state-of-the-art infrastructure management systems and support equipment in order to achieve best possible usage of power. The Bank strengthened its backup system to improve backup services and move towards better compliance and backup governance. Technology enabled solutions were deployed by the Bank which ensured high availability of critical applications along with enhanced performance.

Our Bank has best of technology infrastructure where state-of-the-art Data Centre and Disaster Recovery Site have been built in different seismic zone in order to avoid single point of failure and ensure uninterrupted banking service delivery to customers. In addition to the Disaster Recovery Centre, Bank has also implemented the Near Disaster Recovery Centre to ensure Near Zero Data Loss as part of its Business Continuity Planning and Disaster Recovery strategy.

In order to protect sensitive customer information and transactions, the Bank has put in place a robust information and cyber security system by implementing a gamut of security controls. The list includes firewalls, intrusion prevention system, data rights management, data leakage prevention, anti-email spoofing framework, security analytics, advanced behavior based anti-malware solution and dynamic URL filtering solution.

Over the years, Bank has built a strong foundation of cyber security comprising a comprehensive set of information security measures to counter against cyber-attacks. To further strengthen security posture, Bank is in process of implementing advanced technology solutions in the area of Network Security, Server Security, Application Security and Security Analytics. Bank has captive Security Operations Centre, which is equipped with advanced tools to monitor Cyber security events. Our Security operations centre continuously monitors activities on Servers, Network devices, Security devices, Critical databases etc. for security violations. In compliance with Central Bank mandates, ATM security and surveillance were enhanced with new anti-skimming devices adding further protection for ATMs. Security enhancements were also implemented on all online banking channels to mitigate the risk of cyber-attack.

To remain on the leading edge of the digital banking revolution and to meet the ever changing expectation trends of consumers, SBAC Bank is continuing to harness its information management and analytics capabilities to provide a superior experience to customers, digital innovations and efficiency in processes. Bank has been undertaking regular capacity planning and upgrades to support growing demand of business.

ATM & Cards Services:

The journey of Card Division has started with the commitment of providing service excellence, offering unique and versatile Card products to its clients through updated technological facilities. To achieve the vision and commitment & for providing the customer an uninterruptable round the clock transaction facilities, SBAC Bank launched ATM/CDM services along with Debit card operations on 9th March 2014 with the technical assistance of country's largest ATM & Card service provider ITCL (IT Consultants Ltd). ITCL consists with more than 33 consortium banks and approximate 2000 shared ATMs are connected in this network all over the country.

So far SBAC bank deployed 22 ATMs, 2 CDMs in different branch locations of the country and more ATMs are yet to be set up with new and existing branches soon. Though initially we have introduced Proprietorship Debit card but for wider acceptability and ensure more security, we have introduced VISA Debit & Credit Cards for our customers. Till the date we have issued 16,000 Debit Cards & approximately 700 credit cards.



Opening Ceremony of an ATM booth.



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

Implementation of EMV Chip Card: EMV is a global standard for credit and debit cards based on chip card technology. The standard covers the processing of credit and debit card payments using a card that contains a microprocessor chip. These transactions are often referred to as "Chip and PIN" because PIN entry is required to verify the customer is the genuine cardholder. Rather than physically signing a receipt for identification purposes, the user just enters a personal identification number (PIN). This number must correspond to the information stored on the chip. Chip and PIN technology makes it much harder for fraudsters to replicate the card, so if someone steals a card, they can't make fraudulent purchases unless they know the four-digit PIN.

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

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

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

VISA Platinum Multi Currency Credit Cards.

We have also customized products for frequent travelers and Businessmen, like International Credit Card against RFCD account and ERQ account. However with complete range of Credit card products SBAC bank cardholders can enjoy seamless shopping, dining, health service and other services from different service outlets all over the country.

We have also introduced multifactor authentication & OTP (one time password) for online purchase, hotel booking, railway ticket purchase and e-commerce transactions to protect fraudulent transactions and un-authorized use of cards. Our Card also support dynamic currency transaction by which our international cardholder can by online game or software.

Card Loyalty Program: Under corporate discount tie up program our valued cardholder can enjoy privileged services and attractive discounts while using their Debit & Credit cards in selected merchant outlets including Hospitals, Hotels, restaurants and shopping malls. Customer can enjoy interest free EMI (Equal Monthly Installment) facility for purchasing goods or services from selective merchant outlets. Cardholder can also enjoy EMI facility of his/her card's un-used balance with an attractive & competitive interest rate.

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

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

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

For ensuring more security and providing customized

features to our card holders, SBAC Bank is working for implementation of own processing card centre with world class card management system with robust switch, ATM & POS controller. Transforming the conventional banking in digital banking & diversifying the present banking products, expansion of ATM & CDM network, installation of ATMs to all branches and prime public places are under process.

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.

Performance of SBAC Bank Limited In 2017:

Performance of the Bank In 2017:

South Bangla Agriculture and Commerce Bank Limited along with eight other new Banks started its journey in 2013 which heightened the competition in the Banking arena. Despite various challenges, the Bank has been able to record progress in almost all the areas of operation in 2017. The bank earned Tk. 1,819.30 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities. Trade finance, remittances and other ancillary businesses have also been expanded compare to the operation in 2016. The Financial performances of the Bank are as follow:

Total Assets:

Total assets of the bank stood at Tk. 58,940.78 million in 2017 as against Tk. 45,599.98 million in 2016 registering a growth of 29.26 percent. The increase in assets was mainly driven by growth of customer deposits. The growth of deposits was used for funding growth in credit and holding of securities for SLR purpose and as a primary dealer. The economy witnessed a satisfactory growth scenario in credit and deposits mobilization.

Cash and Balance with Bangladesh Bank & its Agent:

The position of Cash and Balance with Bangladesh Bank & its Agent of the bank is Tk. 3,524.05 million in 2017 of which Tk. 463.17 million in the form of cash and rest of Tk. 3,060.88 million held with Bangladesh Bank & its Agent as against Tk. 2,709.47 million in 2016 of which Tk. 351.41 million in the form of cash and rest of Tk. 2,373.81 million held with Bangladesh

Bank & its Agent registering growth of 14.14 percent. The growth in deposits increased the Cash Reserve Requirement of the bank which is maintained with the Bangladesh Bank and its agent.

Balance with other banks and financial institutions:

The position of balance with other banks and financial institutions is Tk. 4,147.77 million in 2017 of which Tk.4,001.75 million in Bangladesh and Tk.146.02 million outside Bangladesh as against Tk. 6,346.27 million in 2016 of which Tk. 6,211.06 million in Bangladesh and Tk. 135.21 million outside Bangladesh. The balance with other banks and financial institutions in Bangladesh increased by Tk. 1,012.79 million (Tk. 6,346.26 million - Tk. 5,333.47 million) in 2016 due to investment in Government Securities . The balance in outside Bangladesh increased by Tk. 10.81 million (Tk.146.02 million – Tk. 135.21million) in 2017 due to increase in both number and balance of nostro accounts maintained with overseas banks. Adequate funds were maintained with correspondent banks for payment against LC commitments.

Investment:

The position of Investment of the Bank is Tk. 6,390.88 million in 2017 as against Tk. 4,681.49 million in 2016. The investment increased during the year 2017 by Tk. 1,709.39 million (Tk. 6,390.88 million - Tk. 4,681.49 million). The bank purchased government treasury bills to cover the increased SLR requirement and for high yield. In addition, as a primary dealer, Bank had to buy government treasury bills/bonds which were devolved by Bangladesh Bank.

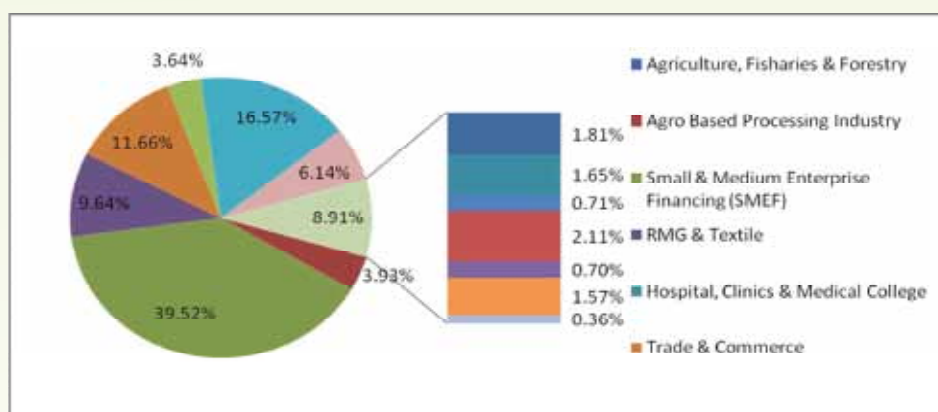
Loans and Advances:

The SBAC Bank Limited since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2017. The loans and advances stood at 43,284.97 million in 2017 against Tk. 30,174.09 million in 2016 registering growth of 43.45 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bank decreased to 12.67 percent from the level of 14.80 percent of previous year due to decrease of lending rates.

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

(Amount in million Taka)

Particular of Sectors	2017	2016	2015	2016 to 2017 Growth%
Agriculture, Fisheries & Forestry	784.07	664.44	269.08	18.00%
Agro Based Processing Industry	1,702.19	1,249.66	844.95	36.21%
Small & Medium Enterprise Financing (SMEF)	17,105.04	14,816.41	9,861.77	15.45%
RMG & Textile	4,171.59	3,582.86	2,937.93	16.43%
Hospital, Clinics & Medical College	713.19	149.14	375.04	378.20%
Trade & Commerce	5,046.71	2,751.96	2,825.07	83.39%
Transport & Communication	307.35	521.04	619.29	-41.01%
Rubber and Plastic Industry	912.96	882.74	863.92	3.42%
Iron, Steel and Aluminium Industry	1,576.16	1,310.67	1,301.39	20.26%
Printing & Packaging Industries	302.70	334.38	336.32	-9.47%
Other Manufacturing Industries	7,171.63	2,220.19	1,682.53	223.02%
Housing Service (construction)	680.29	260.56	159.86	161.09%
Consumer Credit	155.24	152.16	146.02	2.02%
Others	2,655.84	1,277.88	905.10	107.83%
	43,284.96	30,174.09	23,128.27	43.45%



Liabilities:

The liabilities (excluding equity) of the Bank stood at Tk. 52,401.79 million in 2017 of which Tk. 50,121.49 million (95.64%) was deposit and rest Tk. 1,881.89 million (4.36%) was borrowing & other liabilities as against Tk. 39,983.65 million in 2016 of which Tk. 38,337.20 million (95.87%) was deposit and rest Tk. 1,364.39 million (4.13%) was other liabilities registering growth of 25.70%. The increase in liability was mainly due to growth in deposits. The borrowings from other banks, financial institutions and agents stood at Tk. 398.41 million in 2017 which represents Bank's borrowing from Bangladesh Bank under various Refinance Scheme & EDF.

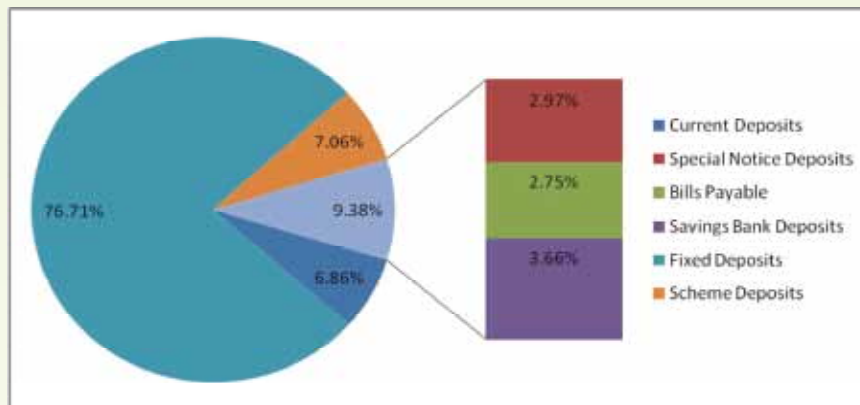
Deposits:

The deposits of the Bank stood Tk. 50,121.49 million

in 2017 as against Tk. 39,983.65 million in 2016 registering growth of 25.35 percent. The growth was supported by branch network and high standard service provided to customers along with concerted and unwavering efforts of the employees of the Bank. Fixed deposits remained the main component of deposits contributing 76.71 percent of the total deposits. Interest cost of deposit increased to 6.69 percent as against 6.34 percent as against of the previous year as a result of increase in rates of high cost term deposits fueled by the liquidity position in the market. The clientele group of the Bank was individuals, corporation, NGO, NBF, government bodies etc.

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

Types of Deposit	Amount Taka in Million		Growth (%)	Deposit Mix (%)	
	2017	2016		2017	2016
Current Deposits	3,436.32	3,034.00	13.26	6.86	7.91
Special Notice Deposits	1,487.08	1,673.24	(11.13)	2.97	4.36
Bills Payable	1,378.78	1,255.47	9.82	2.75	3.27
Savings Bank Deposits	1,833.22	1,284.22	42.75	3.66	3.35
Fixed Deposits	38,447.68	28,190.00	36.39	76.71	73.53
Scheme Deposits	3,538.41	2,900.27	22.00	7.06	7.57
Total	50,121.49	38,337.20	30.74	100.00	100.00



Shareholders' Equity:

The shareholders' equity of the Bank stood Tk. 6,538.99 million in 2017 as against Tk. 5,616.33 million in 2016 registering growth of 16.43%. The shareholders' equity of the Bank consists of Paid-up capital, Statutory Reserve, Revaluation Reserve on Govt. Securities and Retained Earning. The strong growth in shareholders' equity will help the bank to expand its business.

Total Property & Assets & Total Liabilities And Shareholders' Equity of the Bank

Amount in million Taka

Particulars	2017	2016	Growth(%)
Cash	524.04	2,709.47	30.06
Balance with other banks and FIs	4,147.76	6,346.27	(34.64)
Money at call and short notice	-	186.00	(100.00)
Investments	6,390.88	4,681.49	36.51
Loans and advances	43,284.97	30,174.09	43.45
Fixed & other assets	1,593.13	1,502.67	6.02
TOTAL PROPERTY AND ASSETS	58,940.78	45,599.98	29.26
Deposits	50,121.49	38,337.20	30.74
Borrowings	398.41	282.06	41.25
Other liabilities	1,881.89	1,364.39	37.93
Total Shareholders' equity	6,538.99	5,616.33	16.43
TOTAL LIABILITIES AND CAPITAL	58,940.78	45,599.98	29.26

Interest Income:

The interest income stood at Tk. 4,764.89 million in 2017 as against Tk. 3,843.96 million in 2016 showing growth of 23.96 percent. Interest income consists of Interest earned from loans & advances amounting Tk. 4,343.00 million and Interest received on FDR & SND account kept with other banks and financial institutions amounting Tk. 421.89 million. The reasons for growth of Interest Income are due to increase of loans and advances and investment in banks and financial institutions. Details of Interest Income are as follows:

Types of Interest Income	Amount (Taka in Million)		Growth (%)	Interest Income Mix (%)	
	2017	2016		2017	2016
Interest earned from loans & advances	4,343.00	3,433.46	26.49	91.15	89.32
Interest received from Banks & Financial Institutions	421.89	410.49	2.78	8.85	10.68
Total Interest Income	4,764.89	3,843.95	29.27	100.00	100.00

Interest Expense:

The interest expense stood at Tk. 2,802.47 million in 2017 as against Tk. 2,307.33 million in 2016 showing growth of 21.46 percent. Interest cost of deposits was the main component of interest expenses whereas

interest cost of borrowings also had impact in 2017. Interest cost of deposits increased to 6.69 percent in 2017 from 6.34 percent in the previous year due to increase in rates of interest on deposits arising from high liquidity in the market. Moreover, high liquidity in the market induced the bank, a Primary Dealer, to go for mobilization of deposits at low cost. Details of Interest Expense are as follows:

Types of Interest Expense	Amount (Taka in Million)		Growth (%)	Interest Expense Mix (%)	
	2017	2016		2017	2016
Interest on Deposits	2,707.49	2,221.25	21.89	96.61	96.27
Interest on Borrowings	94.99	86.07	10.36	3.39	3.73
Total Interest expense	2,802.48	2,307.32	21.46	100.00	100

Net Interest Income:

The net interest income stood at Tk. 1,962.41 million in 2017 as against Tk. 1,536.63 million in 2016 showing growth of 27.71 percent. Net Interest Income increased due to increase in Interest earned from loans & advances and Interest received from Banks & Financial Institutions and decrease of interest expense on deposits.

Investment Income:

The investment income of the bank consists of interest / discount earned on treasury bills / bonds, gain on government security trading, dividend received on shares and capital gain from sale of securities of listed companies. The investment income stood at Tk. 1,006.84 million in 2017 as against Tk. 1,143.57 million in 2016. Net Interest Income decreased due to decrease in Investment in Government Securities and capital gain on sale of shares of listed companies.

Non-Interest Income & Other Operating Income:

Non-interest income consists of Commission, Exchange earnings, Brokerage etc and other operating income consists of appraisal fees, accounts maintenance charge, postage & SWIFT recovery charge etc. The Non-Interest Income & Other Operating Income stood at Tk. 506.87 million in 2017 of which Tk. 281.14 million was non-interest income and Tk. 87.88 million was other operating income as against Tk. 68.12 million in 2016 of which Non-interest income was Tk. 213.02 million and other operating income was Tk. 68.12 million showing growth of 80.29

percent. The growth was due to overall growth of banking business of the bank in 2017.

Total Operating Income:

The operating income stood at Tk. 3,476.12 million in 2017 as against Tk. 2,961.35 million in 2016 showing growth of 17.38 percent. The operating income increased due to increase in interest income, investment income and other operating & non interest income.

Total Operating Expense:

Total operating expenses include salary and allowances, rent, taxes, insurance, electricity, legal expenses, postage, stamp, telecommunication, stationery, printing, advertisement, Managing Director's salary and allowances, Directors' fees, Auditors' fees, depreciation, amortization and repair of fixed assets etc which stood at Tk. 1,656.82 million in 2017 as against Tk. 1,441.46 million in 2017 registering growth of 14.94 percent. The item wise expenses including Directors fees are disclosed in the Financial Statements section of this Annual Report. The operating expenses increased during the year 2017 mainly due to increase in manpower expenses for 10 new branches and other operating expenses. The bank has recruited efficient Officials to perform the banking activities. The total regular employees of the Bank stood at 716 as on December 31, 2017. The productivity of the employees is measured in the following ratio:

(Amount in Million Taka)

Particular	2016	2016	Growth (%)
Income per employee	4.85	4.38	10.73
Expense per employee	2.31	2.13	8.45
Profit before provision per employee	2.54	2.25	12.89
Profit before tax per employee	2.12	2.14	(0.93)
Assets per employee	82.32	67.46	22.03

Provision of Classified Loans (Specific provision):

In 2017, the amount of Non Performing Loan (NPL) was Tk. 375.15 million. The specific provision for classified loans for the year 2017 was Tk. 82.92 million.

General Provision:

The provision against unclassified loans and advances including off-balance sheet exposures was made to the tune of Tk. 598.64 million during 2017 of

which Tk. 481.00 million was made for unclassified loans and advances and Tk. 117.64 million was made for off- balance sheet exposures as against Tk. 302.27 million in 2016 of which Tk. 209.82 million was made for unclassified loans and advances and Tk. 92.45 million was made for off- balance sheet exposures. The additional requirement of General Provision was required due to increase in loans & advances and off-balance sheet exposures.

Provision for diminution in value of investment:

The was no provision for diminution in value of investment for the year 2017 since there was no diminution in value of investment in 2016.

Net Profit before Tax:

After making above provisions, net profit before tax of SBAC Bank Limited stood at Tk. 1,517.93 million in 2017 as against Tk. 1,445.88 million in 2016 showing growth of 4.98 percent. The growth was due to overall growth of banking business of the bank in 2017.

Provision for Income Tax:

Provision against income tax of SBAC Bank Limited was Tk. 535.90 million in 2017 as against Tk. 496.43

million in 2016. The requirement was increased due to increase of net profit before tax in 2017.

Net Profit after Tax:

Net profit after tax stood at Tk. 982.06 million in 2017 as against Tk. 949.45 million in 2016 showing growth of 3.43 percent. The growth was due to overall growth of banking business of the bank in 2017. EPS, ROA and ROE stood at Tk. 1.97, 1.88 percent & 16.16 percent respectively in 2017 as against Tk. 2.19, 2.31 percent and 16.90 percent respectively in 2016.

Statutory Reserve:

As per Bank Companies Act 1991 (amended in 2013), 20 percent of profit before tax is required to be transferred to statutory reserve. As such an amount of Tk. 303.59 million has been transferred to statutory reserve in 2017 which was Tk. 289.17 million in 2016. Total statutory reserve stood at Tk. 798.66 million as on December 31, 2017 which was Tk. 495.07 million as on December 31, 2016.

Operating Performance of the Bank:

Amount in million Taka

Particulars	2017	2016	2015	2014	Growth (%) [2016 to 2017]
Interest Income	4,764.88	3,843.96	2,861.10	1,590.07	23.96%
Less: Interest Expense	2,802.48	2,307.33	2,049.82	1,120.01	21.46%
Net Interest Income	1,962.40	1,536.63	811.28	470.06	27.71%
Investment Income	1,006.84	1,143.57	833.15	285.54	-11.96%
Non-Interest Income & Other Operating Income	506.86	281.87	186.97	99.76	79.82%
Total Operating Income	3,476.10	2,962.06	1,831.40	855.36	17.35%
Less: Operating Expense	1,656.82	1,442.18	1,025.45	536.94	14.88%
Profit before provision	1,819.28	1,519.88	805.95	318.42	19.70%
Less: Provision	301.37	74.00	78.62	121.74	307.26%
Net Profit before Tax	1,517.91	1,445.88	727.33	196.68	4.98%
Provision for Income Tax	535.90	496.42	369.32	130.68	7.95%
Net Profit after Tax	982.01	949.45	358.01	66.00	3.43%
Less: Statutory Reserve	303.59	289.17	145.47	39.34	4.99%
Profit available to ordinary share holders	678.42	660.28	212.54	26.66	2.75%
Earnings Per Share (EPS)	Tk. 1.97	Tk. 2.19	Tk. 0.83	Tk. 0.16	-10.05%
Return on Equity (ROE)	16.16%	18.09%	7.85%	1.58%	-10.67%
Return on Assets (ROA)	1.88%	2.31%	1.18%	0.41%	-18.61%

Corporate Governance:

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

CSR Activities:

The Bank is a socially responsible corporate citizen. We are committed to work for the people and are actively engaged in social projects throughout. The Board of SBAC Bank Ltd. has approved a policy for Corporate Social Responsibility (CSR). Under the CSR program, the Bank has a remarkable contribution towards Education, Preventive and Curative Healthcare, Emergency Disaster Relief, Financial Inclusion, Community Investments by way of donations etc. Under CSR Program the Bank has distributed Tk. 8.10 (eight point one crore) among the areas mentioned above including Prime Minister's Relief Fund 1.75 crore, Muktijoddha Sangshad Krira Chakra, Father of the Nation Sheikh Mujibur Rahman Memorial Trust, Muktijoddha Shanshad, Child Day Care Centre for Private Banks, Prime Minister's Education Assistance Trust, BN Ashar Alo School & Rehabilitation Centre (BN Central Welfare Fund) etc. Blankets worth Tk. 73,60,000 for the cold bitten people, particularly in the northern districts of the Country.

(Amount in million Taka)

Particulars	2017	2016	2015	2014
CSR	80.98	32.80	6.61	4.64



The Chairman of the Bank handing over cheque to the honorable Prime Minister's relief fund as part of CSR program.

Green Banking:

Under the guidance of Bangladesh Bank and we, being a socially responsible Bank, "A Green Banking Policy" of South Bangla Agriculture & Commerce Bank Limited has been formulated and approved by

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

Inclusive Banking:

Financial inclusion is one of the mottos of SBAC Bank Ltd. It believes in inclusive banking by including the disadvantaged section of the society in the formal financial systems. The bank has introduced Tk.10 privileged savings account, senior citizen savings account and students savings account. Besides the bank has already obtained "AGENT BANKING" operation approval from Bangladesh Bank which shall be come in to operation very soon.

Contribution To National Exchequer:

Being a responsible corporate citizen, SBAC Bank Limited regularly pays corporate tax on time. We also deposit excise duty, withheld tax and VAT to Govt. exchequer on time deducted from employees' salary as well as payments to customers and vendors. During the calendar year 2017, our contributions are as follows:

(Amount in Million Taka)

Particulars	2017	2016	2015	2014	2013
Withholding Tax	347.20	296.36	254.11	103.61	16.82
Advance Income Tax	507.19	269.89	146.16	38.89	21.08
VAT and Excise Duty	155.98	97.41	67.14	40.60	10.19
Total	1,010.37	663.66	467.41	183.10	48.09

General Services Performance:

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

GSD works with following objectives:

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

Achievements of GSD for the year 2017:

- Commencement of banking operation through collecting licenses and NOCs from different government organizations.
- Timely inauguration of 10 new Branches around the urban areas as well as rural areas of our country.
- 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.
- Working as active participant with Bangladesh Bank during CSR activities around the extremities of Bangladesh.



Amin Bazar Branch opening.

GSD Target in 2018:

- Expanding our network through inauguration of new Branches at strategic points around Bangladesh.
- Creating a strong and wide network of ATM booths to create values in the mind of our customers.
- Strengthening the internal database for asset management.
- Shifting of our Head Office to Bangladesh Shipping Corporation(BSC) Tower, a luxurious & lucrative building, for ensuring modern amenities & customer friendly services to the clients through our Branches, which indicates the gradual financial growth of our Bank.

Human Resources:

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

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

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

The following factors differentiate SBAC Bank Ltd. as

an excellent work place from generally good work places around the country.

➤ Compensation & Benefit policy

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



To improve productivity and employee satisfaction, within four years of journey, SBAC Bank Limited revised its pay scale in 2017.

➤ Diversity in workforce

Human Resource Division is committed to attracting and retaining a talented and diverse workforce. Therefore, the bank is trying to bring diversity in workforce in context of age, gender, ethnicity and locality. There is an increasing trend in workforce along with the business and span of service. With 64 branches, the bank is a proud employer of a diversified pull of people.

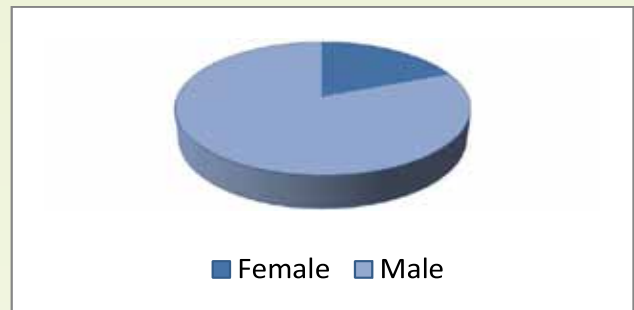
Total Workforce by Age Group

Age ranges	Age: Above 50 Years	Age: 30-50 Years	Age: Below 30 Years	Total
Number of employees	11	464	241	716



Total Workforce by Gender:

Number of Female Employees	136
Number of Male Employees	580
Total	716



➤ Excellent Working environment

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

Quality of working relations:

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

Having a say:

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

➤ Training, Learning and Development

To transform the human resources into human asset, South Bangla Agriculture & Commerce Bank Limited established its Training Institute at the beginning of 2014. Since inception, the Training Institute of the Bank took initiatives for arranging different training programs and workshops to turn the employees into useful and effective workforce. In 2017, the Institute arranged 01 Foundation Training course for Trainee Officers where 26 Trainee officers participated and completed the programs. Another 7 training programs/workshops were arranged by the Training Institute in 2017 where 270 employees of different grades of the Bank participated. Details of the training programs/workshops, no. of participants are as follows:

Details of Training Courses/Workshops (In-house) held in 2017:

SL. No.	Date	Name of the Training	Duration	Number of Participants	Organizer
1	27-February	Workshop on Internal Control and Compliance	1 Day	20	SBAC Bank Training Institute
2	01 April-27 April	Foundation Training course for Trainee Officers	28 Days	26	SBAC Bank Training Institute
3	5-April	ISS Reporting	1 Day	26	SBAC Bank Training Institute
4	08 April-09 April	Prevention of Money Laundering	2 Days	26	SBAC Bank Training Institute
5	23-September	Prevention of Money Laundering and Combating Financing Workshop on of Terrorism	1 Day	42	SBAC Bank Training Institute
6	26-October	Workshop on Internal Control and Compliance	1 Day	27	SBAC Bank Training Institute
7	11 November -12 November	Workshop on International Trade and Foreign Exchange	2 Days	26	SBAC Bank Training Institute
8	17-November	Workshop on Prevention of Money Laundering and Combating Financing of Terrorism	1 Day	77	SBAC Bank Training Institute
Total			37 Days	270	



Closing Ceremony of Foundation Course.

In addition to Training Institute trainings, Human Resources Division nominated employees training Courses, workshops and seminars on different topics in different organizations in 2017. A total of 68 employees of SBAC Bank participated in training in different resourceful places like BIBM, BAB, Bangladesh Bank, BAFEDA, PDBL etc.

➤ **Recruitment and Selection**

The recruitment and selection unit of HR Division has carried out a massive talent acquisition during 2017. Along with developing an internal pool of competent workforce, HR Division also ensures that there is steady flow of skilled and experienced employees from the job market who can deal with the new challenges of time. HR also contributes in the management and leadership development in every area of the bank.

Recruitment in 2017

Particular	2017
Entry Level Entrance	93%
Mid Level Entrance	6%
Management Level Entrance	1%
Total	100%

Recruitment in the year 2017



Instead of simply filling up the employee gap in certain positions of the bank, the recruitment and selection team emphasized on the “Best Fit” philosophy that can assure placing right people in right place at the right time. For the expansion of Branch Network the HR Division has facilitated the recruitment for a total of 67 including both fresh and lateral candidates in 2017.

Annual General Meeting:

The 5th Annual General Meeting will be held on May 10, 2018 at Antara Hall of Radisson Blu Dhaka Water Garden, Airport Road, Dhaka Cantonment, Dhaka-1206. The Financial Statements were reviewed and recommended for final approval of the 5th AGM in the 75th meeting of Board of Directors of the Bank held March 21, 2018.



A view of the 4th AGM of SBAC Bank.

Appointment/ Re-appointment Of Auditors:

KHAN WAHAB SHAFIQUE RAHMAN & CO., Chartered Accountants was appointed as external auditors of the bank for the year 2017 in the 4th AGM held on May 10, 2017. They have completed 02 (two) years as external auditors. They have expressed their willingness to continue as external auditors for the year 2018. As per provision of laws they are eligible for re-appointment.

Election Of Directors:

In compliance with the section 91(2) of the Companies Act 1994, regulation 79-82 of First Schedule of the Companies Act 1994 and Article 101(2) of Articles of Association of the Bank the following persons (one third of the Directors) shall retire from the office of the Directors effective from the close of business of the 5th Annual General Meeting of the Bank to be held on May 10, 2018 but they will be eligible for re-election:

1. Captain M. Moazzam Hossain
2. Mr. Maksudur Rahman
3. Mr. Hafizur Rahman Babu
4. Mr. Anwar Hussain
5. Mrs. Tahmina Afroz
6. Ms. Kamrun Nahar



Chief Election Commissioner declaring the result of Election of Directors in the 4th AGM.

Additional Disclosure as per Corporate Governance Guidelines issue the Bangladesh Securities and Exchange Commission (Notifiation No. SEC/CMRRCD/2006-158/134/ Admin/44 dated 07 August 2012)

An industry outlook and possible future developments in the industry.

i) Banking Industry Outlook:

Distress in the banking sector continues. The banking sector, which dominates the financial sector in Bangladesh, has continued to struggle. While the sector's capital adequacy ratio (CAR) is above the 10 percent requirement of the Basel II framework, the overall asset quality deteriorated in 2016. Seven banks failed to maintain the regulatory capital requirement and this problem is acute amongst the State-Owned Banks (SOB). In 2016, the CAR of State-Owned Commercial Banks (SCB) and State Owned Development Banks (SDB) was 5.9 percent and -33.7 percent respectively. The magnitude of their capital shortfall has prompted the government to once again keep a budgetary provision for their recapitalization. Asset quality has deteriorated. The gross non-performing loan (NPL) ratio increased to 9.2 percent in 2016 from 8.8 percent in 2015 (Figure-8). The asset quality of the SCBs continues to remain poor and is the main driver behind the deterioration of the asset quality within the sector. In 2016, the NPL ratio for SCBs increased by 3.6 percentage points whereas it decreased by 0.6 percentage points for Private Commercial Banks (PCB). Since 2013, the NPL has continued to rise in the SCBs which has also been accompanied by a greater concentration of default loans within them. The rise in NPLs as well as the increase in default loans explain the stickiness of the interest rate spread within the banking sector. Despite a decline in both ending and deposit rates, the interest rate spread has been stagnant at 4.7 percent (Figure 9). Protecting profitability amidst the default loan culture makes banks reluctant to decrease the spread on the interest rate despite holding a high level of liquidity. The absence of good borrowers and a poor legal framework to recover default loans has also been instrumental in the banking sector's increase in risk aversion.

Crisis in the Banking Sector:

Performance of the banking sector of Bangladesh has been quite disappointing in recent times (Table 4.1 and Figures 4.1-4.4). Track record of many of the banks has been unsatisfactory. There is a wealth of empirical research which indicates that the relationship between financial development and economic growth is positive. However, the banking sector of Bangladesh has been plagued by financial scams, non-performing loans, inefficiency, and slack monitoring and supervision. This has posed serious threats to the sustainability of the sector. This section of the IRBD report provides a brief overview of the situation of the banking sector, highlights a few issues that are detrimental to the development of the sector and makes recommendations for way forward.

Overview of performance of the banking sector:

State owned Commercial Banks (SCBs) performed miserably (Annex Table 4.1) with a dismal record of large non-performing loans, bad governance, and embarrassing recapitalisation. The setback from several major financial scams was taking a heavy toll on both the health and reputation of SCBs. The fourth generation banks (9 newly approved commercial banks) are beset with large amounts of non-performing loans (NPLs) (Annex Table 4.2) and are making losses. Research has shown that 65 per cent of banks faced financial crimes during the years 2014-2016, whilst financial statements of borrowers was always available to the banks only 17 per cent of the time. Capital adequacy was still below BASEL III requirements for some banks, and the prospects of full BASEL III implementation by 2019 seem bleak. Two detrimental amendments of dubious nature have been proposed to the Banking Company Act which undermined the cause of good governance. The tenure of board of directors is proposed to increase from 6 years to 9 years, and up to four family members would be allowed to be on the Board, instead of the earlier two per family. These changes are apprehended to reinforce crony capitalism in a sector of the economy already impaired by poor governance. Major changes were made to Islami Bank management, which had already been suffering from poor governance, on allegations of terror financing and political violence. A bank once known to be a high performer in the banking sector was now in disarray.

Table 4.1: Overall Banking Sector Performance during 2012-2017

Soundness Indicators	2012	2013	2014	2015	2016 (J)	2017 (P)
Capital to Risk Weighted Asset (%)	10.5	11.5	11.3	10.8	10.7	10.9
NPL to Total Loans (%)	10.0	8.9	9.7	8.8	10.1	10.1
Expenditure-Income Ratio (%)	74.0	77.8	76.1	76.3	79.8	NA
Return on Asset (%)	0.6	0.9	0.6	0.8	0.4	0.3
Return on Equity (%)	8.2	11.0	8.1	10.5	7.1	4.7
Liquid Asset (%)	27.1	32.5	32.7	26.5	25.3	21.6
Excess Liquidity (%)	9.9	15.4	15.7	16.9	NA	NA

Source: Bangladesh Bank Annual and Quarterly Reports
Note: J=June; P= Provisional.

Figure 4.1 Performance of the State Owned Banks 2012-2016

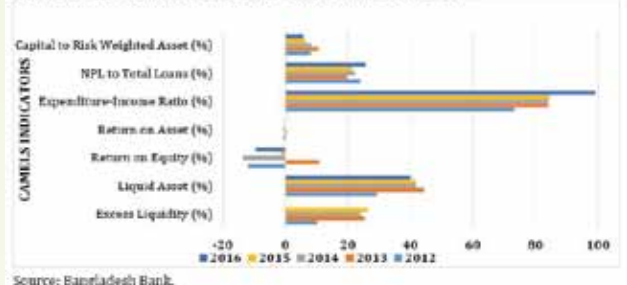


Figure 4.2: Performance of the Development Finance Institutions during 2012-2016

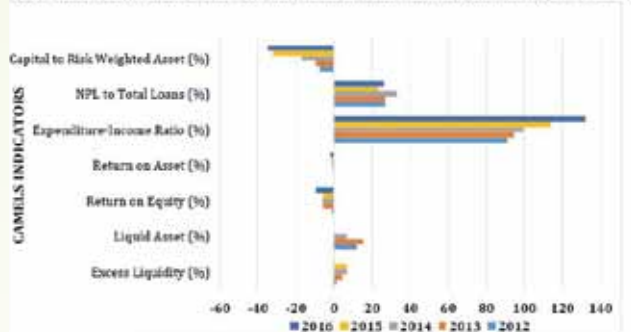


Figure 4.3: Performance of the Private Commercial Banks during 2012-2016

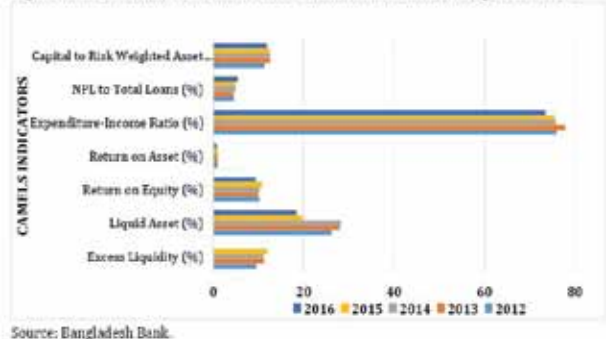


Figure 4.4: Performance of the Foreign Commercial Banks during 2012-2016



Source: Bangladesh Bank.

In the backdrop of consistent private investment, the classified loans in Bangladesh banking sector had come down during the first half of FY2017 (to 9.23 per cent of total loans outstanding) due to several provisioning and rescheduling measures concerning bad loans. However, at the end of June 2017, the figure once again stood at double digit level (10.1 per cent of total loans outstanding).

Banking sector experience was a major setback for the Bangladesh economy in FY2017. A number of new scams were exposed, which pushed the sector deeper into risky terrain in FY2017. Rise of NPL, lower capital adequacy and the overall lack of governance evinced banking sector's growing weaknesses in FY2017. State-owned commercial banks (SCBs) faced serious capital deficit which in turn created additional fiscal pressure for the government. Government had to spend Tk. 1,585 crore for recapitalization of the SCBs; however, the default loan situation of the SCBs failed to improve. It goes without saying that, there is hardly any justification to use public money towards compensating for the greed of bank defaulters and inefficient management of the sector. A number of private commercial banks have joined the ranks of those affected by poor banking governance. In spite of repeated calls to strengthen its supervisory-regulatory role, the central bank was not able to make any tangible dent in terms of improving the performance of the banking sector and state of financial sector governance. (Section 4.1 will discuss in details on governance in the banking sector.)

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

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

Source: Statistics Department, Bangladesh Bank.

Note: * Excludes Interbank Deposits and Government Deposits.

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

Source: Statistics Department, Bangladesh Bank.

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

Non-performing loans (NPLs), in gross terms, increased at the end of December 2016 to Tk.621,700 million (9.20 percent of total loans) which was Tk. 513,710 million (8.30 percent of total loans) at the end of December 2015. The provision maintenance ratio at end of December 2016 reached 84.98 percent which was 86.10 percent in December 2015. The banking sector aggregate CRAR under BASEL-III at end of December 2016 stood 10.80 percent. Both the return on assets (ROA) and return on equity (ROE) increased to 0.60% & 8.30% respectively in September 2016 which were 0.57 and 6.57 percent respectively in September 2015.

ii) The segment-wise or product-wise performances:

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

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

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

Performance:

The deposits of the Bank stood Tk. 50,121.49 million in 2017 as against Tk. 39,983.65 million in 2016 registering growth of 25.35 percent. The growth was supported by branch network and high standard service provided to customers along with concerted and unwavering efforts of the employees of the Bank. Fixed deposits remained the main component of deposits contributing 76.71 percent of the total deposits. Interest cost of deposit increased to 6.69 percent as against 6.34 percent as against of the previous year as a result of increase in rates of high cost term deposits fueled by the liquidity position in the market. The clientele group of the Bank was individuals, corporation, NGO, NBF, government bodies etc.

Asset Product: The Bank has the following asset products:

1. Corporate Financing

- Working Capital Finance
- Project Finance
- Term Finance
- Trade Finance
- Lease Finance
- Syndication Loan

2. Retail Credit

- Consumer Finance

- Credit Card- Local Card, International Card, Dual Currency Card

3. SME Financing

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

4. Agriculture Credit

- General Agricultural Credit
- 10.00 Taka Account Loan



A rice mill financed by our bank.

01. Corporate Financing:

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

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

i) Working Capital Finance

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

ii) Project Finance

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

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



A steel Re-rolling Mills Finance by the Bank.

iii) Term Finance

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

iv) Trade Finance:

Import

1. Letter of Credit

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

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

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

Export:

1) Pre-shipment finance:

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

2) Post-shipment finance:

Foreign Documentary Bills Purchase, Inward Documentary Bill Purchase.

v) Lease Financing

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

vi) Syndication Finance

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

fund from the banking sector on behalf of the customer through syndication arrangement.

02. Retail Credit:

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

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

3) SME Financing:

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

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

4) Agriculture Credit:

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

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

Performance: Loans and Advances:

The SBAC Bank Limited since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2017. The loans and advances stood at 43,284.97 million in 2017 against Tk. 30,174.09 million in 2016 registering growth of 43.45 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bank decreased to 12.67 percent from the level of 14.80 percent of previous year due to decrease of lending rates.

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



Our Bank Financed Project

iii) Risks and concerns:

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



Limited is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

We have taken sufficient measures to prevent money laundering and terrorist finance. The implementation of goAML software is on the track. Details of risk management are given in the “Risk Management” section of this Annual Report.

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

As of 31-12-2017 the Bank’s cost of fund was 9.91%. Interest bearing asset was Tk. 53,823,609,375. Interest Income was Tk. 4,767,986,602 and interest expense Tk. 2,802,476,484. Considering the others incomes and expenses Bank’s operating income stood at Tk. 3,479,216,267. Bank’s Gross profit margin was and Net Profit Margin was Tk.

v) A discussion on continuity of any extra-ordinary gain or loss:

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

vi) Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report:

As per Bank Companies Act 1991(amended up to 2018) and Corporate Governance Guide Lines issue by Bangladesh Securities and Exchange Commission (Notification No. SEC/CMRRCD/2006-158/134/ Admin/4407 dated August 2012) have provided the necessary provisions for related party transactions. As per general instruction in the First Schedule of Bank Companies Act 1991 (amended up to 2018) {general instruction Kha 11(ka)}. A statement of all related party transactions has been disclosed in the Financial Statements as Annex A

vii) Utilization of proceeds from public issues (IPO/RPO), rights issues, private placement and/or through any others instruments:

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

viii) An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering

(RPO), Rights Offer, Direct Listing, etc.

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

ix) If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.

The Bank has faced a little variance occurred between Quarterly Financial performance and Annual Financial Statements. No significant variance occurred in spite of greater volatility in the financial sectors.

x) Remuneration to directors including independent directors.

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

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

Statement of Remuneration to Directors including Independent Directors with Details of Meetings attended by the Board Members during the year 2017:

Name	Remuneration	Remarks
Mr. S. M. Amzad Hossain	120,000.00	Attended Meetings-15 Board
Mr. Talukder Abdul Khaleque Independent Director	128,000.00	Attended Meetings -15 (Board) & 01 (AC) Appointed as Chairman of AC on 12-12-2017
Begum Sufia Amjad	72,000.00	Number of Board Meeting Attended-09
Mr. Abu Zafar Mohammad Shofiuddin	1,84,000.00	Attended Meetings -12 (Board), 10 (EC) & 01 (AC) Appointed as Member of AC on 12-12-2017
Mr. Abdul Kadir Molla	2,56,000.00	Attended Meetings -16 (Board) & 16 (EC)
Engr. Md. Moklesur Rahman	2,48,000.00	Attended Meetings -14 (Board) & 17 (EC)
Mr. Md. Amzad Hossain	160,000.00	Attended Meetings -15 (Board), 01 (AC) & 04 (RMC) Appointed as Member of AC On 12-12-2017
Mrs. Tahmina Afroz	64,000.00	Attended Meetings -08 (Board)
Mr. Maksudur Rahman	1,44,000.00	Attended Meetings-14 (Board) & 04 (RMC)
Mr. Hafizur Rahman Babu	1,68,000.00	Attended Meetings -16 (Board), 01 (EC) & 04 (AC) Appointed as Member of EC on 12-12-2017
Mr. Muhammad Mohsin	1,76,000.00	Attended Meetings -13 (Board) & 09 (EC) Appointed as Member of RMC on 12-12-2017
Ms. Kamrun Nahar	2,32,000.00	Attended Meetings -14 (Board) & 15 (EC) Appointed as Member of RMC On 12-12-2017
Mr. Anwar Hussain	1,60,000.00	Attended Meetings -15 (Board), 01 (AC) & 04 (RMC) Appointed as Member of AC on 12-12-2017
Captain M. Moazzam Hossain	1,60,000.00	Attended Meetings -15 (Board), 01 (EC) & 04 (AC) Appointed as Chairman of EC on 12-12-2017
Mr. Sakhawat Hussain	88,000.00	Attended Meetings -11 (Board)
Mr. Sk. Shyedujjaman	2,48,000.00	Attended Meetings -15 (Board) & 16 (EC)
Mr. Mohammad Nawaz	1,36,000.00	Attended Meetings -12 (Board), 01 (EC) & 04 (AC) Appointed as Member of EC On 12-12-2017
Al-Haj Mizanur Rahman	80,000.00	Attended Meetings -09 (Board)& 01 (EC) Appointed as Member of EC On 12-12-2017
Mr. Mohammad Ayub	64,000.00	Attended Meetings -09 (Board)
Dr. Syed Hafizur Rahman Independent Director	1,52,000.00	Attended Meetings -15 (Board) & 04 (AC)
Mr. Md. Mizanur Rahman	64,000.00	Attended Meetings -06 (Board) & 02 (AC) Retired on 5th AGM
Mst. Nasima Begum	40,000.00	Attended Meetings -05 (Board) Retired on 5th AGM
Total Remuneration	31,44,000.00	

xi) REVIEW OF FINANCIAL REPORTING:

The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

The financial statements prepared by the management has presented fairly its state of affairs, the result of its operations, cash flows and changes in equity. Balance Sheet, Income Statement, Statement

of Changes of Ownership and Cash flow Statement etc. are presented in Annual Report under respective heads.

The Board of Directors is responsible for the preparation and fair presentation of financial statements in accordance with applicable financial reporting framework, laws and regulations. The Financial Statements have been audited by the External Auditor and reviewed by the Audit Committee of the Board of Directors of the Bank. The

financial Statements have been recommended for final approval of the shareholders by the Board of Directors of the Bank.

Fair Presentation of Financial Statements

Financial Statements for the year ended on 31 December 2017 have been prepared in a very fair way with inclusion of all material aspects viz, it's state of affairs, the results of its operations, cash flows and changes in equity. Opinion of the External Auditors, KHAN WAHAB SHAFIQUE RAHMAN & CO. has been incorporated in the report.

xii) Maintenance of Proper Books of Accounts:

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

xiii) Application of appropriate Accounting Policies and Accounting Estimates:

Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.

Appropriate accounting policies have been consistently applied in preparation of the financial statements of the Bank and the accounting estimates are based on reasonable and prudent judgment. Estimates and underlying assumptions are reviewed on ongoing basis and any revisions to these are recognized in the period in which the estimate is revised and in any future period affected. The significant accounting policies applied and accounting estimates used for preparation of the financial statements of the Bank have been stated in details in notes of the Financial Statement 2017.

xiv) International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial

statements and any departure there-from has been adequately disclosed:

The financial statements of the bank as at 31st December, 2017 have been prepared on going concern basis under historical cost convention and in accordance with the "First Schedule" of the Bank Companies Act, 1991(amended up to 2018) and BRPD Circular No. 14 dated 25th June 2003, other Circulars of Bangladesh Bank, Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BASs), the Companies Act 1994, the Securities and Exchange Rules 1987, and other laws and rules applicable for Banks in Bangladesh. In case of any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and BFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank will prevail.

xv) Review of Internal Control Systems:

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

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

- Strengthened the Internal Control and Compliance Department to ensure comprehensive audit of the branches and Corporate HQ at periodic intervals;
- Review of the Bank's performance on a quarterly basis at Board level;
- Established authority limits for transactions and expenses;

- Review of Bangladesh Bank's audit report and Management's compliance thereof at regular intervals;
- Ensuring strict compliance to all regulatory requirements, both existing and new.

xvi) 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.

xvii) Significant deviations from the last year's operating and Key operating and financial data of at least preceding 5 (five) years.

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

xviii) Key operating and financial data of at least

preceding 5 (five) years shall be summarized.

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

xix) If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.

The Board of Directors recommended 13.50% stock Dividend for the year 2017 in it's 75th meeting held on March 21, 2018. The recommended dividend shall be finally approved in the 5th Annual General Meeting to be held on May 10, 2018.

xx) The number of Board/Committee meetings held during the year and attendance by each director shall be disclosed:

Meetings In 2017:

During the year 2017, 16 Board Meetings, 17 Executive Committee (EC) Meetings, 05 Audit Committee (AC) Meetings and 04 Risk Management Committee (RMC) Meetings were held. Details of the participation are as follows:

Sl. No.	Name of Director	Meetings (2017)								Remarks
		Board		EC		AC		RMC		
		Held	Attend	Held	Attend	Held	Attend	Held	Attend	
1	Mr. S.M. Amzad Hossain	16	15							
2	Mr. Talukder Abdul Khaleque Independent Director	16	15			5	1			Appointed at Chairman of AC on 12-12-2017
3	Captain M. Moazzam Hossain	16	15	17	1	5	4			Appointed at Chairman of EC on 12-12-2017
4	Mr. Maksudur Rahman	16	14					4	4	
5	Mr. Abdul Kadir Molla	16	16	17	16					
6	Begum Sufia Amjad	16	9							
7	Mr. Abu Zafar Mohammad Shofiuddin	16	12	17	10	5	1			Appointed at member of AC on 12-12-2017
8	Al-Haj Mizanur Rahman	16	9	17	1					Appointed at member of EC on 12-12-2017
9	Mr. Md. Moklesur Rahman	16	14	17	17					



Sl. No.	Name of Director	Meetings (2017)								Remarks
		Board		EC		AC		RMC		
		Held	Attend	Held	Attend	Held	Attend	Held	Attend	
10	Mr. Md. Amzad Hossain Nominated by : Rupsha Fish & Allied Industries Ltd.	16	15			5	1	4	4	Appointed at member of AC on 12-12-2017
11	Mr. Hafizur Rahman Babu	16	16	17	1	5	4			Appointed at member of EC on 12-12-2017
12	Mr. Anwar Hussain	16	15			5	1	4	4	Appointed at member of AC on 12-12-2017
13	Mrs. Tahmina Afroz	16	8	17	0					
14	Mr. Muhammad Mohsin	16	13	17	9			4	0	Appointed at member of RMC on 12-12-2017
15	Mrs. Kamrun Nahar	16	14	17	15			4	0	Appointed at member of RMC on 12-12-2017
16	Mr. Sakhawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.	16	11					4	0	Appointed at member of RMC on 12-12-2017
17	Mr. Sk. Shyedujjaman	16	15	17	16					
18	Mr. Mohammad Nawaz	16	12	17	1			4	4	Appointed at member of EC on 12-12-2017
19	Mr. Mohammed Ayub	16	8					4	0	Appointed at member of RMC on 12-12-2017
20	Dr. Syed Hafizur Rahman Independent Director	16	15			5	4			

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:

a) Parent/Subsidiary/Associated Companies and other related parties (name wise details): **Nil**

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	2,30,00,000	Begum Sufia Amjad	2,18,50,000
				S. M. Ruhan Hossain	Nil
2	Mr. Talukder Abdul Khaleque	Vice-Chairman	Nil	Mrs. Habibun Nahar	Nil
3	Captain M. Moazzam Hossain	Director	2,48,63,000	Mrs. Farzana Moazzam	Nil
4	Mr. Maksudur Rahman	Director	2,08,44,900	Mrs. Shamsun Nahar Rahman	2,438,000
5	Mr. Abdul Kadir Molla	Director	2,43,80,000	Mrs. Nasima Begum	Nil
				Nawrin Sultana Adury	Nil
6	Begum Sufia Amjad	Director	2,18,50,000	Mr. S.M. Amzad Hossain	2,30,00,000
				S. M. Ruhan Hossain	Nil
7	Mr. Abu Zafar Mohammad Shofiuddin	Director	2,43,80,000	Mrs. Afroza Sultana	Nil
				A Z M Sahib Quader	Nil
8	Al-Haj Mizanur Rahman	Director	2,00,00,000	Mrs. Razia Rahman	Nil
				Ms. Mahia Binte Mizan	1,000,000
9	Engr. Md. Moklesur Rahman	Director	2,43,80,000	Mrs. Quamrun Nahar	Nil
10	Mr. Hafizur Rahman Babu	Director	1,82,85,000	Mrs. Nasima Rahman Nipa	Nil
				Nusaiba Rahman Raita	Nil
11	Mr. Anwar Hussain	Director	30,47,500	Mrs. Fadia Naz	Nil
12	Mrs. Tahmina Afroz	Director	2,43,80,000	Mr. Anwer Hossain Khan	Nil
				Adil Mohammad Khan Akash	Nil
13	Mr. Muhammad Mohsin	Director	1,46,28,000	Mrs. Shamima Nargis	Nil
14	Mrs. Kamrun Nahar	Director	60,95,000	Mr. Motiur Rahman	48,76,000
				Manjum Hasan Khabir	Nil
15	Mr. Md. Amzad Hossain Nominated by : Rupsha Fish & Allied Industries Ltd.	Director	Nil	Mrs. Nargis Hossain	Nil
16	Mr. Sk. Shyedujjaman	Director	23,00,000	Ms. Sadnam Sadiana	1,150,000
				Suhain Maisah Zaman	Nil
				Mashiyat Safeerah Shiza	Nil
17	Mr. Sakawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.	Director	Nil	Ms. Rokeya Begum	Nil
18	Mr. Mohammad Nawaz	Director	1,99,91,600	Ms. Sufia Begum	Nil
				Mohammad Nuh Yaseen	Nil
				Sanowara Siddiqa	Nil
				Mohammad Farook Nawaz	Nil
19	Mr. Mohammed Ayub	Director	2,03,80,000	Mrs. Shalina Islam Chowdhury	Nil

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
20	Dr. Syed Hafizur Rahman	Independent Director	Nil	Ms. Parveen Akter Banu	Nil
				Syed Imtiaz Afridee	Nil
				Syeda Fahria Tasmeem Lazbee	Nil
21	Mr. Md. Golam Faruque	Managing Director & CEO	Nil	Mrs. Rokeya Begum	Nil
				Irfan Chowdhury Akib	Nil
22	Mr. Md. Masoodur Rahman	SVP & CFO	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	Nil
23	Mr. Md. Mokaddess Ali	VP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Anima Mehraj Mehrin	Nil
				Hasnine Farhad	Nil
24	Mr. Md. Khalequzzaman	AVP & Head of ICC	Nil	Mrs. Mahmuda Akram	Nil
				Abdullah Al Mukaddim	Nil

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

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

Explanation: For the purpose of this clause, the expression “executive” means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.

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

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

xxii) In case of the appointment/

re-appointment of a director the company shall disclose the following information to the shareholders:

a) A brief resume of the director:

b) Nature of his/her expertise in specific functional areas:

c) names of companies in which the person also holds the directorship and the membership of committees of the board:

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

Strategic Plan for 2018-2019:

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

- ✓ We believe in compliance culture. Our philosophy is ‘compliance first; profit is its logical consequence’. We must do business in compliance with the laws of the country.



SBAC Bank Business Conference.

- ✓ Expansion of branch network to make banking services available at important locations throughout the country. The Bank has already opened 64 branches up to December 31, 2017 and opening of 10 more branches is under process which to be completed by June 2018. The bank has a plan to increase number of branches to 75 by December 31, 2018 and 80 branches by December 31, 2019.
- ✓ Maintaining highest quality of customer services by offering best products compatible with customers' needs. We have already re-designed our products and services. Some lucrative liability products have been launched.
- ✓ Financial inclusion through widening the coverage of banking services specially by including the disadvantaged section of society. The operation of Agent Banking will come into operation very soon.
- ✓ Continuation of diversification of credit portfolio in corporate exposure, focus on retail, SME, direct green finance and agricultural loans, gender issues by providing loans to women entrepreneurs in SME segment and emphasize on geographical dispersion.
- ✓ Improvement of deposit mix by penetrating board-based customers, increase share of low cost and no cost deposit in total deposit, increase non-funded (non-interest fee based) business.
- ✓ Maintaining required level of liquidity through skillfully managing asset-liability mismatch and recovery of past due loans.
- ✓ Administering regular and effective monitoring and conducting recovery drive to ensure that loans and advances do not turn non-performing.
- ✓ Diversification of products and services by introducing IT based innovative products and engaging alternate delivery channels.
- ✓ Expediting delivery of inward remittance to increase the flow of foreign remittance.
- ✓ Continuously improving internal governance through strengthening good corporate cultures, motivation, training and supervision at all levels of management.
- ✓ Conduct Business Process Re-engineering in different functional areas to improve efficiency and bring in required structural changes.
- ✓ Develop Human Resources Management system to motivate and retain Human Resources and transform them into Human Assets through continuous skill development.



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- ✓ Cost minimization and efficiency optimization at all levels of operation by ensuring budgetary control.
- ✓ Expansion of activities related to Corporate Social Responsibility and Green Banking within the framework of organizational goals.
- ✓ Maintain strong capital base by ensuring borrowers' rating, concentrating on lending portfolio having lower capital charge, strengthening Internal Capital Adequacy Assessment Process (ICAAP).
- ✓ Ensuring efficient and effective risks management for sustainable business growth.
- ✓ Increasing brand visibility by creating positive image of the Bank.
- ✓ To add value for all stakeholders.
- ✓ To be compliant with all organizational and regulatory requirements by adherence to all laws, rules, regulations relating to banking.

On behalf of the Board of Directors

S.M Amzad Hossain

Chairman of the Board of Directors



Glimpse of diversified sectoral financing



An Agro based business financed by the bank.



A bank financed spinning mills.



A factory of poultry feed financed by our bank.



A bank financed garments factory.



A Showroom of Durable Plastic products financed by our bank.



An agro project financed by the bank.



A Bank financed ship.



Renowned Drinking water bottling factory financed by the bank.

Glimpse of Miscellaneous Activities



Meet with Prime Minister.



Donation to Honorable Prime Minister's Relief Fund.



Inaugural ceremony of School Banking Conference-2017.



Agreement Signing Ceremony for JICA Fund.



A View of the Women's Day Celebration Organized by the Bank.



The Managing Director & CEO handing over Cheque to the Principal of Proyash School under CSR Programme.



Jibonnagar Branch Opening Ceremony.



Opening Ceremony of Foundation Training Course (6th batch) of the Bank.

Value Added Statement 2017

Value Added Statement

Value added is the wealth accretion made by South Bangla Agriculture & Commerce Bank Limited through providing banking and other financial services. Value created from the income from banking services and other financial services is the excess of cost of service rendered. The value added statement shows the total wealth created, how it was distributed to meet certain obligations, reward to those who have created it and portion retained for continuing operation and expansion of the bank. The value added statement of the bank for the year ended 31 December 2017 is given below:

Fig. in million

Value Created

Income from Banking Services
Less: Cost of services & Supplies
Value added by banking service
Non-banking income
Provision for deferred tax
Provision for loans & other assets

2017 Taka	%	2016 Taka	%
6,278.60		5,268.67	
3,505.88		3,025.17	
2,772.72		2,243.50	
-		-	
33.25		2.89	
(301.37)		(74.00)	
2,504.60		2,172.39	

Value distributed

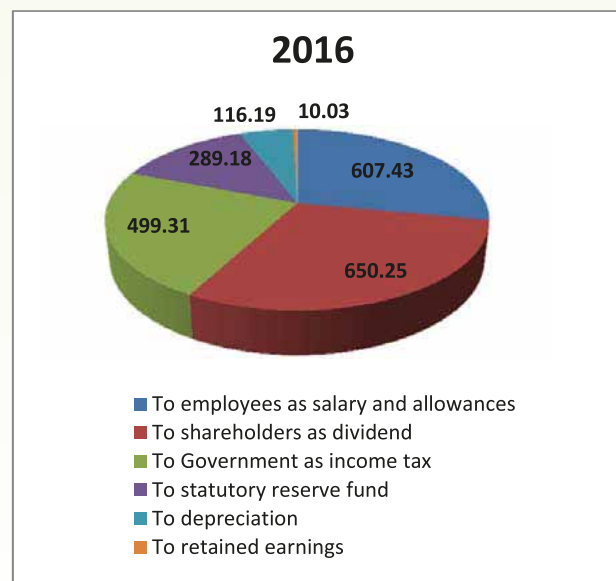
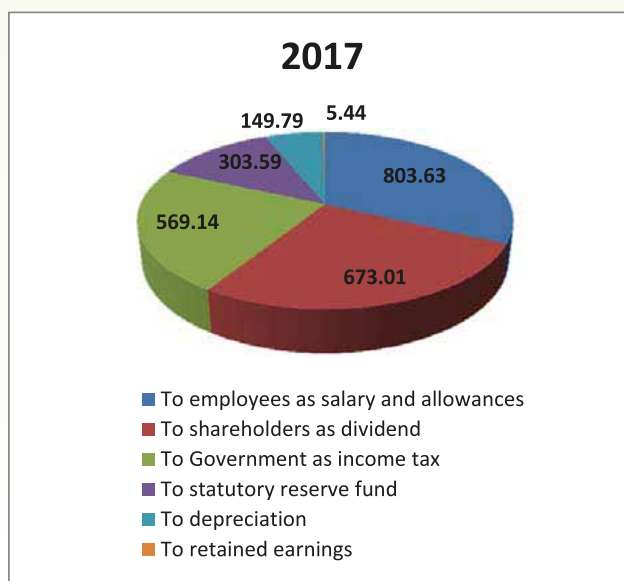
To employees as salaries & allowances
To shareholders as dividend (Proposed)
To Government as income tax

803.63	32.09%	607.43	27.96%
673.01	26.87%	650.25	29.93%
569.14	22.72%	499.31	22.98%
2,045.78	81.68%	1,756.99	80.88%

Value retained

(to maintain and continue operations)
Statutory reserve
Depreciation
Retained earnings

303.59	12.12%	289.18	13.31%
149.79	5.98%	116.19	5.35%
5.44	0.22%	10.03	0.46%
458.82	18.32%	415.40	19.12%
2,504.60	100.00%	2,172.39	100.00%





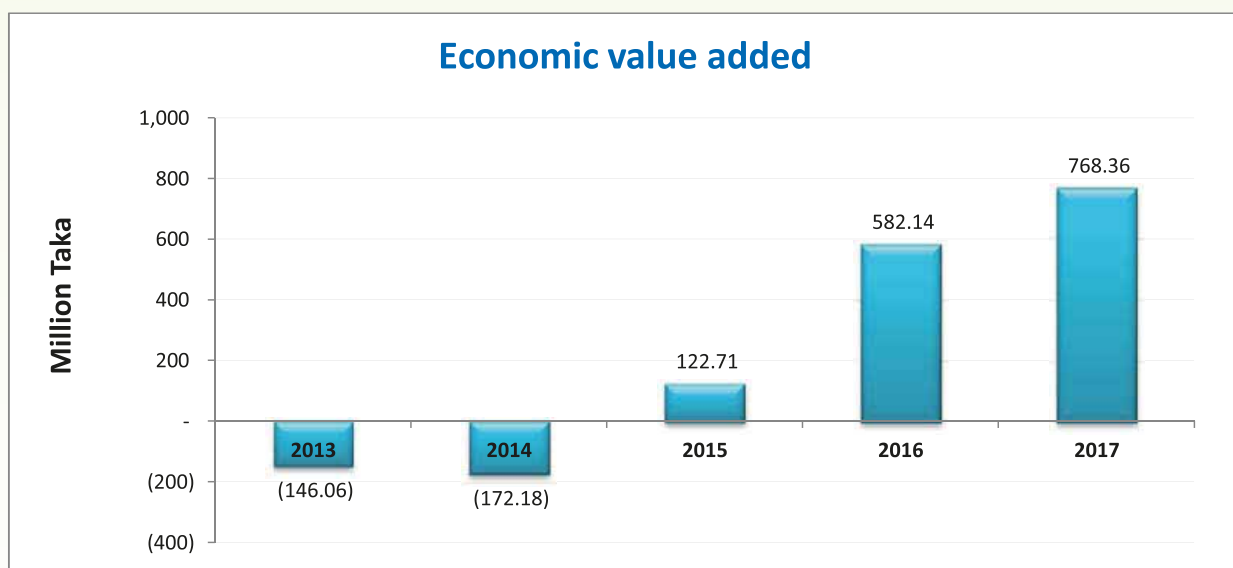
Economic Value Added (EVA) Statement

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

EVA is equal to Profit after Tax (PAT) plus the provision for loans & other assets less written off loans during the year minus cost of equity. The cost of equity is the opportunity cost that the shareholders forego. For 2017 this cost of equity is calculated on the basis of the return on 5 years Treasury Bonds plus 2% risk premium.

Fig. in million

	2013	2014	2015	2016	2017
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Shareholders' equity	4,137.70	4,242.71	4,880.21	5,616.33	6,538.99
Add: Provision for loans & advances and other assets	33.68	155.41	234.03	302.27	515.71
Closing Shareholders' equity	<u>4,171.38</u>	<u>4,398.12</u>	<u>5,114.24</u>	<u>5,918.60</u>	<u>7,054.71</u>
Opening shareholders' equity	<u>4,089.60</u>	<u>4,171.38</u>	<u>4,398.12</u>	<u>5,114.24</u>	<u>5,918.60</u>
Average shareholders's equity	<u>4,130.49</u>	<u>4,284.75</u>	<u>4,756.18</u>	<u>5,516.42</u>	<u>6,486.65</u>
Earnings					
Profit after taxation	46.34	66.00	358.01	949.46	982.04
Add: Provision for loans & advances and other assets	33.68	121.74	78.61	74.00	301.37
	<u>80.02</u>	<u>187.74</u>	<u>436.62</u>	<u>1,023.46</u>	<u>1,283.40</u>
Average cost of equity	8.21%	8.40%	6.60%	8.00%	7.94%
Cost of average equity	<u>226.08</u>	<u>359.92</u>	<u>313.91</u>	<u>441.31</u>	<u>515.04</u>
Economic value added	<u>(146.06)</u>	<u>(172.18)</u>	<u>122.71</u>	<u>582.14</u>	<u>768.36</u>





RESPONSIBILITY





Report of the Risk Management Committee of the Board

The risk management framework incorporates active management and monitoring of market, credit, equity, liquidity, operational, compliance, regulatory and legal risks. It is designed to ensure policies and procedures are in place to manage the risks arising within each division. In this context Bangladesh Bank has issued six core risks management guidelines (revised during 2015-2016), risk based capital adequacy guideline and stress testing guideline to ensure robustness, efficiency and effectiveness of risk management systems for the Banking sector. On February 15, 2012 Bangladesh Bank issued another guideline called Risk Management Guideline for Banks. This guideline promotes an integrated, bank-wide approach to risk management which will facilitate banks in adopting contemporary methods to identify, measure, monitor and control risks throughout their institutions.

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

SBAC Bank is increasingly focusing on development of appropriate risk management framework for managing risks of the bank. Risk Management Department (RMD) has been set up in the bank headed by Chief Risk Officer. This department monitors and reports various types of risks and develops appropriate risk culture in the bank. Major activities of RMD include preparing half yearly Comprehensive Risk Management Report which identifies and measures potential risks in bank's activities and portfolios, monthly Risk Management Report, performing Stress Testing, processing of manuals, developing various risk models, acting as

operational layer for Internal Capital Adequacy Assessment Process, arranging meeting of Board Risk Management Committee and apprise the Board/ Executive Committee about the identified risks and management's recommendations to address the risks. Besides as per instruction of Bangladesh Bank DOS Circular Letter No.13 dated September 09, 2015 Risk Management Division prepares Risk Appetite of the Bank considering the key risk areas which is approved by the Board.

Risk management framework: In compliance with Bangladesh Bank's guidelines, SBAC Bank has formed a Risk Management Team comprising of members from all key business/risk areas with the objective of analyzing and measuring business risks and taking mitigating steps. In line with Bangladesh Bank, BRPD Circular No. 11 dated October 27, 2013; the Board of Directors has formed Risk Management Committee headed by me (Maksudur Rahman, Director) to look after the risk management issues of the Bank. In the year 2017, four (4) meetings of RMC were held. Instruction of RMC was communicated to the division/branches for compliance. To support this strategic risk management, the Bank has put in place a risk management framework, which consists of four key components.

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

2. Governance: The role of the Board, Board Executive Committee, Board Risk Management Committee, Board

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

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

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

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

During the establishment of the bank, SBAC Bank fully complied the Revised Regulatory Capital framework for banks in line with Basel- III. At the end of the year 2017, SBAC Bank maintained capital requirement 16.54% of Risk Weighted Assets (RWA) against regulatory requirement 11.25% including buffer capital. SBAC Bank complied fully Pillar -1 under Credit Risk, Market Risk and operational risk.

Pillar- 2 of Basel-III: Supervisory Review Process (SRP)

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

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

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

Under strategic layer the Risk Management Committee of the Board of Directors will bear the responsibility on behalf of the Board to implement SRP in the Bank. The Committee will supervise the activities, performance and monitoring of the managerial layer. Under managerial layer bank must have an exclusive body naming SRP

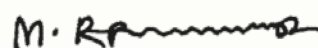
Team which will be constituted by the concerned departmental heads of the bank headed by the Managing Director and the Team will assess the overall risk profile and a strategy for maintaining adequate capital. The formation and modification of SRP Team and its Terms of Reference (ToR) must be approved by the Board of Directors and to be notified to Bangladesh Bank. The Board of Directors in its 68th meeting on October 04, 2017 approved re-constitution of SRP Team and revised ToR of SRP Team. The operational layer of the Bank basically is responsible for correspondences with the regulator, collection of information from branches and concerned divisions, calculation of capital requirement under ICAAP reporting, and implementation of the tasks assigned by the SRP Team. In the year 2016, SBAC Bank maintained total capital Tk.582.16 crore where as required minimum plus additional capital was Tk.414.17 crore i.e. surplus capital stood at Tk.167.99 crore. The bank conducts Stress Testing on its financial position on quarterly basis and reports the outcomes to Bangladesh bank, as part of 2nd pillar of BASEL-III Accord.

Pillar- 3 of Basel-III:

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

Conclusion:

From the above it appears that SBAC bank is trying to manage all risks relating to its activities and services efficiently and effectively as well as improving the risk management rating of the Bank. Risk Management Rating will have a significant effect on its CAMELS rating. Besides, this rating plays an important role in getting branch license, AD license and permission for dividend declaration etc. for banks. In this context, the meetings of Risk Management Committee of the Board, Risk Management Team and SRP Team of the Bank were held properly to instruct the Risk Management Division for minimizing the risk of the Bank. Basel-III implementation in Bangladesh has been started from January 2016 and will end in December 2019. SBAC Bank is committed to take the challenge of Basel-III implementation in the bank timely.



Mr. Maksudur Rahman

Chairman, Risk Management Committee



Risk Management

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

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

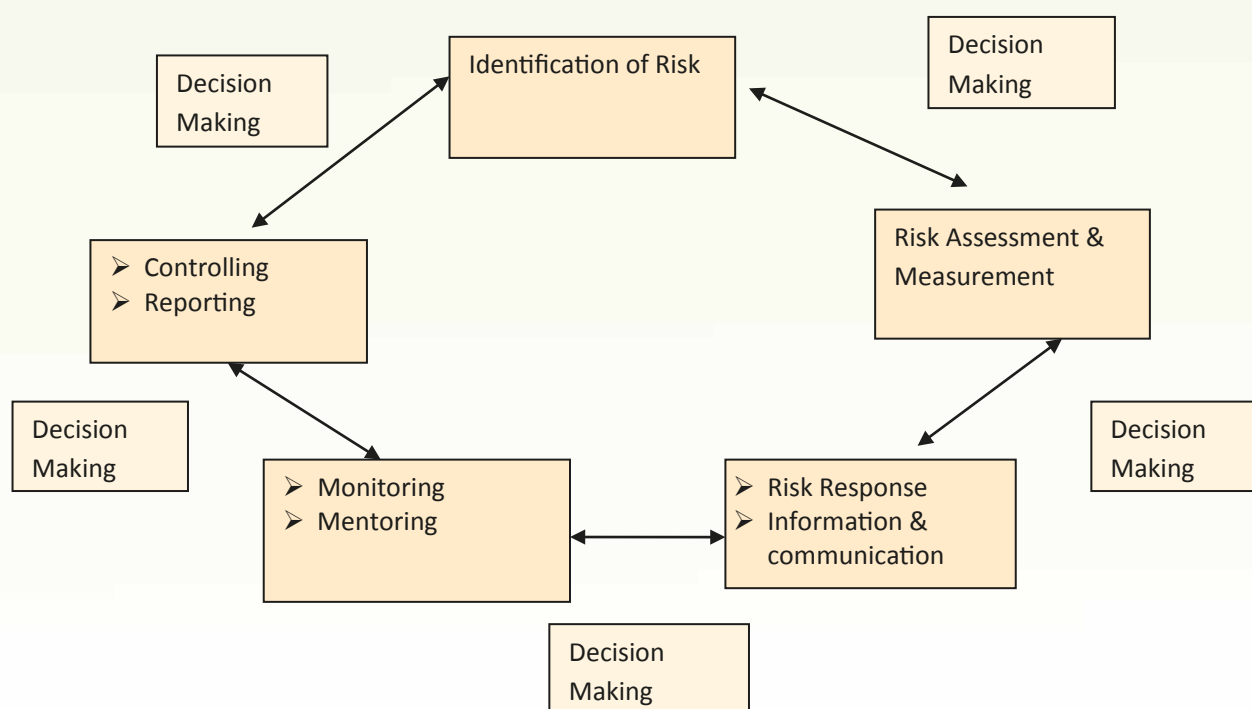
Risk is an integral part of the banking business and SBAC Bank's aim is to deliver superior shareholders' value by achieving an appropriate tradeoff between risk and returns. In banking arena, key risks include credit, market, operational, liquidity, reputation risk and other

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

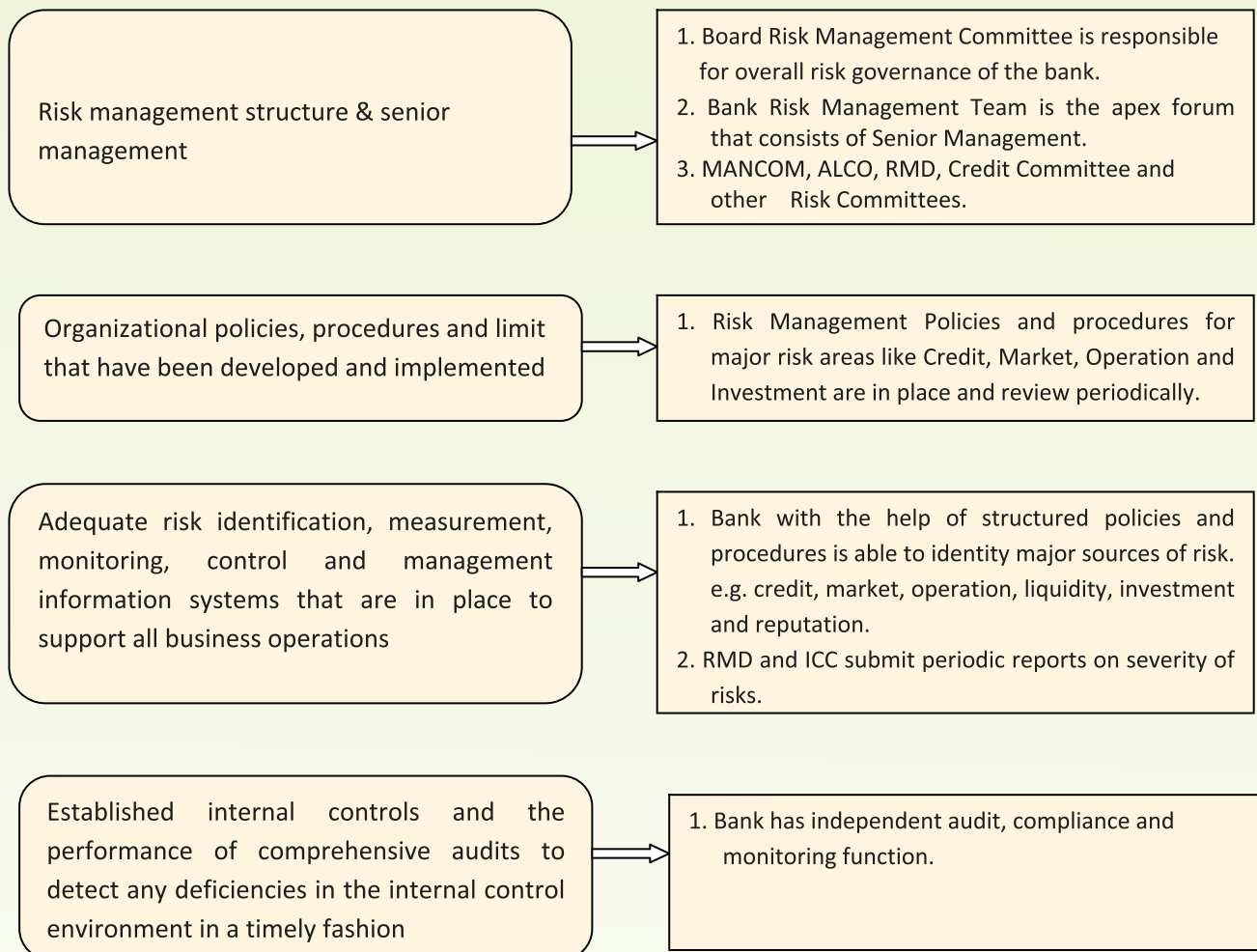
1. Development Process- Risk Management Framework

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

SBAC Bank Risk Management Framework



2. Key elements of Risk Management System:



3. Principles of Risk Management:

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

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

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

3.3 Risk Transparency: For good insight into SBAC Bank positions, it is vital to identify all risks. Risks must always be considered as accurately as possible and

documented in order to be able to make sound business decision.

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

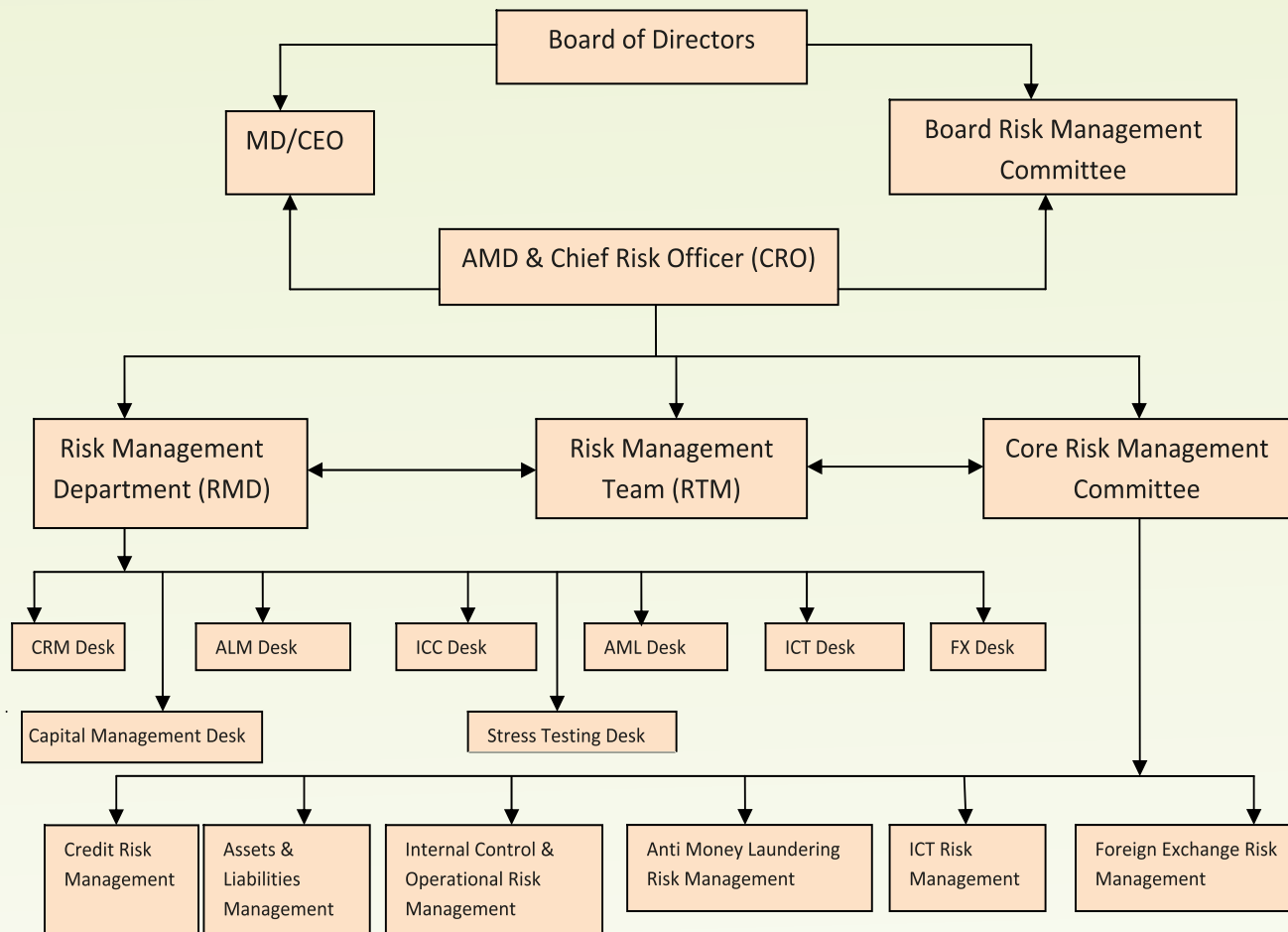
3.5 Independent Risk Control: This is the structured process of identifying, measuring, controlling, monitoring and reporting risks. In order to ensure integrity, the Risk Management Department operates independently to administer risks.

4.1. Board Risk Management Committee:

As per directives of Bangladesh Bank circular no. 11 dated November 27, 2013, SBAC Bank formed a Risk Management Committee consisting of 5 (five) members of the Board of Directors. The members of the committee are given below:



4. Organizational Structure of Risk Management:



Sl. No.	Name of Directors	Position of the Committee
1	Mr. Maksudur Rahman	Chairman
2	Mr. Muhammad Mohasin	Member
3	Mr. Mohammed Ayub	Member
4	Mr. Sakhawat Hussain	Member
5	Mrs. Kamrun Nahar	Member

4.1.1: Role of the Board Risk Management Committee:

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

- Examining and amending risk strategies, risk management policies, risk preference, overall risk management system and internal control procedures of the Bank, supervising and assessing the implementation and effectiveness thereof according to the overall strategy of the Bank, making suggestions in that respect to the Board of Directors;

- Supervising and assessing the establishment, organizational structure, working procedures and effects of the risk management departments, and making suggestions for improvement;
- Supervising and assessing the risk control by the senior management in respect of credit, market and operation, and making suggestions for improving the Bank's risk management and internal control;
- Conducting regular assessments on the risk management policies, risk preference and overall risk management status of the Bank, and making suggestions in that respect to the Board of Directors;
- Ensuring appropriate knowledge, experience, and expertise of lower-level managers and staff involved in risk management;
- Ensuring sufficient staff resources for each risk management activity;
- Establishing committees and sub-committees to

- be in charge of ongoing risk management; and
- Other duties and powers required by laws, administrative regulations, rules, relevant provisions of the securities regulatory authority, and as may be authorized by the Board of Directors.

4.2. Risk Management Team with Executives of the Bank:

Pursuant to Bangladesh Bank Letter No: DOS (RMMS)1154/1/SBAC/2013-397 dated December 02, 2013, SBAC Bank formed Risk Management Department (RMD) to analyze and measure business risk with taking effective steps to reduce the risks involved in the business of Banking. The Bank also formed a Risk Management Team headed by Additional Managing Director & CRO of the Bank along with other related divisional heads as the member of the team.

4.3. Core Risk of the Bank:

4.3.1. Credit Risk:

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

Credit risk can be classified as follows:

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

4.3.2. Asset Liability Management Risk:

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

The goal of asset/liability management (ALM) is to

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

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

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

- I. Liquidity risk: The current and prospective risk arising when the bank is unable to meet its obligations as they come due without adversely affecting the bank's financial conditions. From an ALM perspective, the focus is on the funding liquidity risk of the bank, meaning its ability to meet its current and future cash-flow obligations and collateral needs, both expected and unexpected. This mission thus includes the bank liquidity's benchmark price in the market.
- II. Interest rate risk: The risk of losses resulting from movements in interest rates and their impact on future cash-flows. Generally because a bank may have a disproportionate amount of fixed or variable rates instruments on either side of the balance-sheet. One of the primary causes is mismatches in terms of bank deposits and loans.
- III. Currency risk management: The risk of losses resulting from movements in exchange rates to the extent that cash-flow assets and liabilities are denominated in different currencies.
- IV. Funding and capital management: It is a mechanism to ensure the maintenance of adequate capital on a continuous basis. It is a dynamic and ongoing process considering both short- and longer-term capital needs and is coordinated with a bank's overall strategy and planning cycles.

The ALM function scope covers both a prudential component (management of all possible risks and rules and regulation) and an optimization role (management of funding costs, generating results on balance sheet position), within the limits of compliance (implementation



and monitoring with internal rules and regulatory set of rules). ALM intervenes in these issues of current business activities but is also consulted to organic development and external acquisition to analyze and validate the funding terms options, conditions of the projects and any risks (i.e., funding issues in local currencies).

4.3.3. Internal Control and Compliance Risk:

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

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

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

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

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

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

Effective control of the capital assessment process includes an independent review and, where appropriate, the involvement of internal or external audits. The Bank's Board of Directors has the responsibility to

ensure that management establishes a system for assessing the various risks, develops a system to relate risk to the Bank's capital level, and establishes a method for monitoring compliance with internal policies. Board's audit committee, internal auditors, external auditors and Risk Management Division are actively involved, wherever necessary, to assess compliance status and adequacy of capital of the Bank.

4.3.4. AML/CFT Risk:

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

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

4.3.5 Information & Communication Technology Risk:

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

To manage ICT related risk, SBAC Bank has adopted Core Banking Software "FLORA BANK ONLINE

BANKING SOLUTION" for its Bank management. ICT Department has controls over password, User ID maintenance, input control, network security, virus protection, internet and e-mail. Data centre has been set up and disaster recovery plan has been formulated as part of Business Continuity Planning.

4.3.6. Foreign Exchange Risk:

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

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

Board of Directors of the Bank:

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

ii) Strategy, Monitoring and Control:

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

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

4.4. Core Risk Management Committees:

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

4.4.1. Credit Risk Management Committee: The committee supervises and monitors issues related with credit concentration, credit risk grading, corporate &

SME clients rating, non-performing loans & advances, residual risk against credit, provision against classified loans & advances, credit mix, Combating Terrorist Financing, asset quality etc.

4.4.2. Foreign Exchange Risk Management Committee:

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

4.4.3. Information & Communication Technology Risk Management Committee:

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

4.4.4. AML/CFT Risk Management Committee:

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

4.4.5. Internal Control and Compliance Risk Management Committee:

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

4.4.6. Asset Liability Committee (ALCO):

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

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

- Designing of organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it;
- Formulation of overall risk assessment and management policies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining at every individual unit level an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines as provided by Bangladesh Bank;
- Reviewing and updating risks on systematic

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

- Formulation of strategies and different models in 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;
- Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the bank.
- Ensure compliance with the core risks management guidelines at the department level, and at the individual desk level;
- Analysis of self resilience capability by the Basel-II & III and Stress Testing of the bank;
- Review Risk Appetite of the Bank;
- Initiation to measure different market conditions, vulnerability in investing in different sectors;
- Risk Management Department of SBAC Bank is arranging monthly meeting on various issues to determine strategies in consistent with risk management policy, which can measure, monitor, and maintain acceptable risk level of the bank. Minutes of each meeting is submitted to Bangladesh Bank on monthly & half yearly basis;
- Besides, Risk Management Paper is also being prepared on monthly basis and the minutes of the meeting is prepared to address different areas of risk and their mitigating tools & techniques guided by the members of Risk Management Team.

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

4.5.1. Capital Assessment under Basel-III:

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

4.5.1.1. Adequate capital:

- Regulatory requirements to promote bank safety and soundness
- Mitigate moral hazard problems of deposit insurance by increasing shareholders' exposure

to bank operating losses

- Market confidence is important to depositors and other bank claimants

4.5.1.2. Practical applications of capital assessment:

Strategic:

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

Tactical:

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

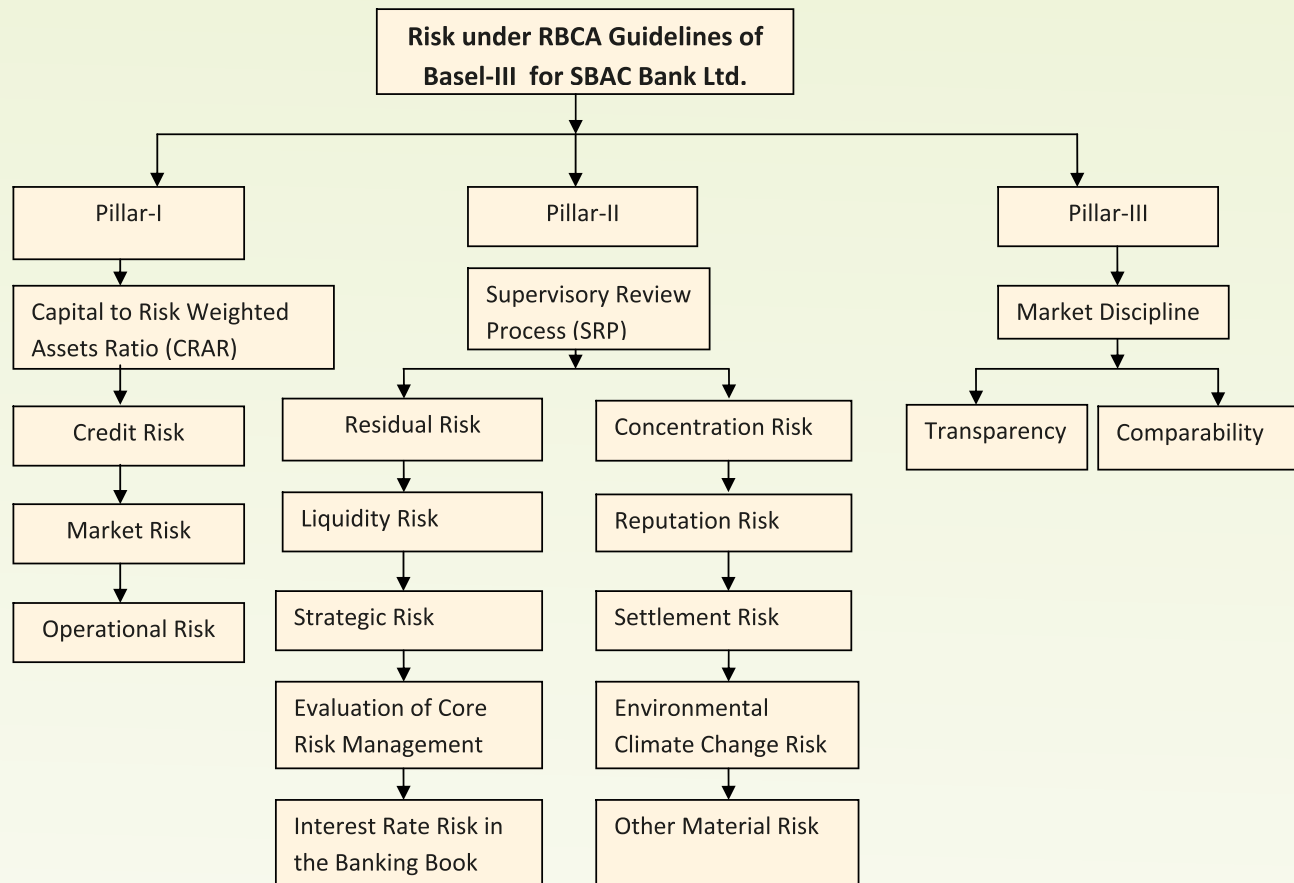
4.5.2. Capital Position of SBAC Bank Limited:

As per directives of the Bangladesh Bank, every bank is required to maintain capital at 11.25% including buffer capital of its risk-weighted assets under Basel-III or Tk.400.00 crore whichever is higher for the year 2017. Minimum Common Equity Tire-1 (CET-1) capital should be minimum 4.5 percent of total capital. SBAC Bank maintained total eligible capital Tk.701.27 crore as on 31.12.2017 which was Tk. 582.16 crore as on 3.12.2016. The Capital Adequacy Ratio of the bank was 16.54% as on 31.12.2017 of which CET-1 was 15.31%. Where as bank maintained CRAR 18.59% as on 31.12.2017. So, SBAC Bank maintains excess capital as per requirement of Bangladesh Bank and bank stood on strong base capital.

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

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

4.5.3.1 Capital to Risk Weighted Assets Ratio (CRAR):



As per guidelines of Risk Based Capital Adequacy (RBCA) of Bangladesh Bank, every scheduled bank should maintain Capital to Risk Weighted Assets Ratio including buffer capital of 11.25% of Risk Weighted Assets (RWA). Under this requirement, Capital Adequacy Ratio of the Bank stood at 16.41% of RWA as on 31.12.2017. While calculating Risk Weighted Assets, Credit Risk, Market Risk and Operational Risk are taken into consideration. These are described below:

A) Credit Risk:

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

SBAC Bank Limited has well written procedure both for appraisal and regular monitoring of credit risk. Regular reviews are held and risks are identified. Risks are mitigated in a number of ways namely recourse to

collateral, counter-guarantees from shareholder/ third parties. Adequate margins are maintained on the collateral to guard against adverse fluctuation in the market price of collateral.

i) Credit Policy:

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

ii) Lending guidelines:

Bank's credit strategy is to determine the risk appetite of the Bank. So Bank's focus is to maintain a credit portfolio keeping in mind of our risk absorbing capacity. Thus its

strategy is invigorating loan processing steps including identifying, measuring, containing risks as maintaining a balance portfolio through minimizing loan concentration, encouraging loan diversification, expanding product range, streamlining security, insurance etc. as buffer against unexpected cash flow.

iii) Credit Assessment:

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

iv) Risk Assessment:

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

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

v) Credit Risk Grading:

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

vi) Credit Risk Mitigation:

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

B) Market Risk:

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

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

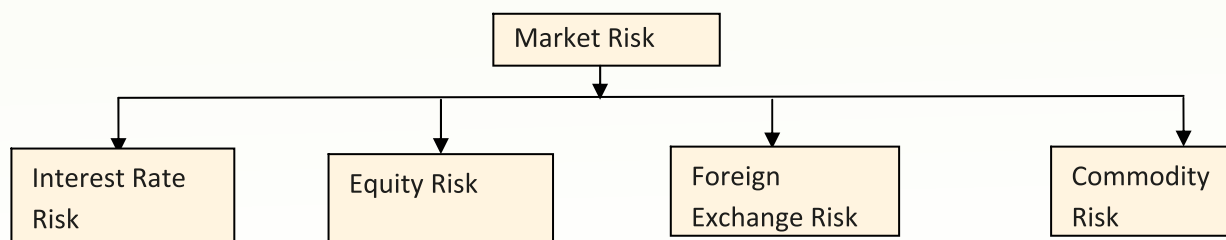
i) Interest Rate Risk:

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

ii) Foreign Exchange Risk:

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

The SBAC Bank has established Risk Tolerance limits for foreign exchange exposure within the directives of



Central Bank of Bangladesh in order to ensure that any adverse exchange rate movements on the results of the Bank due to un-hedged foreign exchange positions are managed within acceptable parameters.

iii) Equity Price Risk:

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

iv) Commodity Risk:

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

- Price risk (Risk arising out of adverse movements in the world prices, exchange rates, basis between local and world prices)
- Quantity risk
- Cost risk (Input price risk)
- Political risk

C) Operational Risk:

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

4.5.3.2. Supervisory Review Process:

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

The key principle of the SRP is that "banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level". Bank must be able to demonstrate that chosen internal capital targets are well founded and that these targets are consistent with their overall risk profile and current operating environment. Bank management will clearly bear primary responsibility and Board of Directors hold the tertiary responsibility for ensuring that the bank has adequate capital to support its risks. Under SRP, there must have three layers such as managerial layer, strategic layer and operational layer.

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

A) Residual Risk:

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

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

I. Error in Documentation: Banks collect and preserve documents against loans and advances to have legal

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

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

B) Liquidity Risk:

Liquidity risk is the risk that the bank cannot promptly fulfill its payment obligations due to unforeseen factors or be forced to placement funds on unfavorable terms. In-addition to the more traditional Static Liquidity Gap Report (prepared with certain assumptions to classify non maturing assets and non maturing liabilities). Dynamic Liquidity Gap Reports which incorporate all contacted as well as anticipated inflows and outflows are regularly discussed at monthly meeting of Risk Management Team to ascertain real cash flow mismatches. Appropriate measures are then initiated to ensure that the bank's overall liquidity risk is maintained at a moderate level.

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

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

C) Strategic Risk:

Strategic risk means the current or prospective risk to earnings and capital arising from imperfection in business strategy formulation, inefficiencies in

implementing business strategy, non-adaptability/less adaptability with the changes in the business environment and adverse business decisions. Strategic risk induces operational loss that consequentially hampers the capital base.

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

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

D) Evaluation of Core Risk Management:

Bangladesh Bank introduced core risk management system for assessing the risk management environment and practices in banks in 2003. In that respect, BB identified 6 (six) risk areas which are termed as core risks through issuing industry best practices framework. Those frameworks provided benchmark to be followed by the banks and suggested the banks to develop own assessment methodology for each core risks as well as to calculate own risk rating at least once a year. Thus, rigorous risk management framework of banks would require own assessment methodology and annual review. To ensure the stability of the business model and the soundness of the operational structural, appraisal of risk management structure of a bank is necessary. In this respect, SBAC Banks has developed its own methodology for assessing each core risk separately which was approved by Board of Directors. Based on these approved methodologies, SBAC Banks conducts rigorous review on annual basis and derive rating for each risk. The capital charge against Appraisal of Core Risk Management Methodology is as follows:

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

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

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

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

i) SBAC Bank Steps for conducting Simple Sensitivity Analysis:

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

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

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

F) Concentration Risk:

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

risk:

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

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

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

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

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

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

G) Reputation Risk:

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

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

- Bank's Credit Rating conducted by ECAs
- Continuous Monitoring on internal and external

fraud.

- Non-payment or delayed payment of accepted bills (foreign & domestic)
- Ensuring Quality customer service

H) Settlement Risk:

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

I) Environmental Climate Change Risk:

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

These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction. Environmental and climate

change risk can hamper the business stability of the borrowers in respect of both- i) profitability and ii) reputation. Consequentially, the extent of risk for the banks will be higher.

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

4.5.3.3. Market Discipline:

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

4.5.4. Stress Testing:

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

A) The position of Capital to Risk Weighted Assets (CRAR) after shocks on 31.12.2017:

Individual Shocks	Minor changes in CAR	CAR after shock (%)	Moderate changes in CAR	CAR after shock (%)	Major changes in CAR	CAR after shock (%)
Performing loans directly downgraded to B/L: Sectoral Concentration- 1	-0.11	16.44	-0.32	16.22	-0.54	16.00
Performing loans directly downgraded to B/L: Sectoral Concentration- 2	-0.10	16.44	-0.32	16.23	-0.53	16.02
Increase in NPLs due to default of top large loan borrowers	-2.26	14.28	-5.81	10.73	-8.95	7.60
Negative shift in NPLs categories	-0.06	16.48	-0.12	16.43	-0.22	16.32
Decrease in the FSV of collateral	-0.05	16.49	-0.10	16.44	-0.20	16.35
Increase in NPLs	-0.71	15.84	-2.76	13.79	-6.81	9.74
Interest Rate	-1.76	14.78	-3.53	13.10	-5.29	11.25
FEX: Currency Appreciation	-0.02	16.52	-0.04	16.50	-0.06	16.48
Equity Shock	0.00	16.54	0.00	16.54	0.00	16.54
Combined Shock	-2.60	13.94	-6.54	10.00	-12.58	3.96

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

B) Credit Shock:

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

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

It is a measure of the concentration risk where the bank has the highest loans i.e. SME loans. It assumes that 3%, 9% and 15% of the performing loans will be directly downgraded to B/L category in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017 against the requirement of 11.25% including buffer capital showing excess CAR 5.16%. After apply shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 16.44%, 16.22% and 16.00% in minor, moderate and major respectively when considering individual shock.

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

It is a measure of the concentration risk where the bank has the highest second loans i.e. Trade Service. It assumes that 3%, 9% and 15% of the performing loans will be directly downgraded to B/L category in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 16.44%, 16.23% and 16.02% in minor, moderate and major respectively when considering individual shock.

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

It represents the scenario of the bank when top large borrowers default. It is assumed that top 3, 7 and 10 borrowers of the bank will default in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at

14.28%, 10.73% and 7.60% in minor, moderate and major respectively when considering individual shock. The bank as a part of strategy is reducing the exposure of large investment borrower and focusing on diversification of credit portfolio like SME, Agriculture and Agri-based Industries. However, the bank is continuously monitoring the performance of large loan borrowers. Besides, a good amount of security coverage is also maintained against those large loans.

iv) Negative shift in NPLs categories:

It represents the shift of loans from one NPL category to the next NPL category. It is based on the assumption of 5%, 10% and 15% downward shift in the NPLs categories in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017. After applying shock, the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 16.43%, 16.43% and 16.32% in minor, moderate and major shock respectively when considering individual shock.

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

It represents the bank's condition when FSV of collateral decreases sharply. It is based on the assumption that FSV of collateral will fall by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 15.54% before applying the shock for December quarter 2017. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 16.49%, 16.44% and 16.35% in minor, moderate and major respectively when considering individual shock.

vi) Interest rate shock:

It represents the condition of the bank when interest rate changes significantly. It is based on the assumption that interest rate will change by 1%, 2% and 3% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 14.78%, 13.01% and 11.25% in minor, moderate and major respectively when considering individual shock.

vii) Foreign exchange shock:

It represents the condition of the bank when exchange rate changes significantly. It is based on the



assumption that exchange rate will change by 5%, 10% and 15% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 16.52%, 16.50% and 16.48% in minor, moderate and major respectively when considering individual shock.

viii) Equity shock:

It represents the bank's condition when market value of share falls sharply. It is based on the assumption that share price will change by 10%, 20% and 40% in minor, moderate and major levels of shock respectively. Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 16.54%, 16.54% and 16.54% in minor, moderate and major respectively when considering individual shock.

C) 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 to Risk Weighted Assets Ratio (CRAR) of SBAC Bank was 16.54% before applying the shock for December quarter 2017. After applying shock the Capital to Risk Weighted Assets Ratio (CRAR) of SBAC Bank would stand at 13.94%, 10.00% and 3.96% in minor, moderate and major shock respectively when considering combined shock.

4.5.5. Risk Management Paper & Comprehensive Risk Management Report:

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

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

Internal capital adequacy assessment process (ICAAP), includes an evaluation of the bank's preferred risk

profile, identification of actual risks the means by which they will be mitigated, and what risks will be covered by capital. The ICAAP reporting must be approved by the Board of Directors of the bank before submitting to Bangladesh Bank. The information provided in the ICAAP reporting will be verified by Inspection Department of Bangladesh Bank. In the year 2016 SBAC Bank sent the ICAAP Report based on December 31, 2015 and Supplementary Documents after approval of the Board of Directors which was accepted by Bangladesh Bank. Besides the ICAAP Report based on December 2017 will be submitted in May 2018.

4.5.7. Policy & Strategy:

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

5. Preparedness in Implementation of Basel-III:

Basel III reforms are the response of Basel Committee on Banking Supervision (BCBS) to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. These new global regulatory and supervisory standards mainly address the following areas:

- Raise the quality and level of capital to ensure banks are better able to absorb losses on both a going concern and a gone concern basis;
- Increase the risk coverage of the capital framework;
- Introduce leverage ratio to serve as a backstop to the risk-based capital measure;
- Raise the standards for the supervisory review process (Pillar 2); and
- Public disclosures (Pillar 3) etc.

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

Particulars	Basel-III required for 2017	Bank Position	Remarks
Minimum Common Equity Tire-1 (CET-1) Capital Ratio	4.50%	15.36%	Excess 10.86%
Minimum Capital plus Capital Conservation Buffer (Buffer 2.50% up to 2019, 0.625% each year)	5.125%	15.36%	Excess10.235%
Minimum T-1 Capital Ratio	5.50%	15.36%	Excess 9.86%
Minimum Total Capital Ratio	10.00%	16.41%	Excess 6.41%
Minimum Total Capital plus Capital Conservation Buffer	11.25%	16.41%	Excess 5.16%
Phase –in of deduction from Tire-1: Excess Investment over 10% of a bank's equity in the equity of Bank	60.00%	Nil	-
Phase –in of deduction from Tire-2 Revaluation Reserve (RR): RR for Fixed Assets, Securities and Equity	60.00%	60.00%	-
Leverage Ratio	3.00%	10.14%	Excess 7.14%
Liquidity Coverage Ratio	≥ 100%	149.07%	Excess 49.07%
Net Stable Funding Ratio	> 100%	110.16%	Excess 10.16%

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

hold the position for implementation of Basel-III to emphasis for lending the rated corporate clients.



GREEN BANKING



Green Banking:

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

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

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

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

energy and other resources.

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

a) Green Initiatives:

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

b) Green Governance:

"Green Banking Policy Implementation Unit (GBPIU)" is formed entrusting with the responsibilities of designing, evaluating and administering related green banking issues of the bank in line of Board approved policy. Total available fund for direct green finance for 2018 is Tk. 436.00 million being 5% of total new loan to be disbursed in 2018.

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

SBAC Bank takes into account the Environment Risk while assessing credit proposals as per Environmental Risk Management (ERM) guidelines of Bangladesh Bank. In the year 2017, there were 30 nos. of bank financed projects applicable for Environment Due Diligence and the Bank assessed the Environmental Risk of those projects and found low Environment Risk. The Bank financed Tk. 3103.20 million for 30 projects in 2017 having status "Standard".

d) Electronic Payment System:

SBAC Bank is such a platform where all customers receive a wide range of customer service relating to electronic payment system like Online Banking, RTGS, BEFTN, e-GP, utility bill payment etc. In 2017, total 21,474 nos. of transaction has been made through e-GP service.



e) In-house Environment Management:

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

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

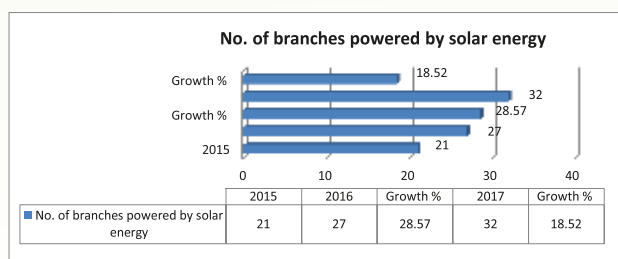
All Branches and Head Office were strict to reduce the consumption of paper, stationery, electricity, energy, water etc. which leads to positive outcome for the bank.

Utility consumption during 2016-17:

Sl No.	Particular		Amount in Million Taka		Growth %
			2017	2016	
01	Consumption of water		0.74	0.59	25.42
02	Consumption of paper		2.96	2.11	40.28
03	Consumption energy	Electricity	24.00	24.11	(0.46)
		Gas	0.13	0.11	18.18
		Fuel	3.24	3.83	(15.40)
Total =			31.07	30.75	1.04

N.B.: The expenses have been increased by 1.04% since new 10 branches came into operation in the year of 2017 along with the existing 54 branches.

- ii. Electronic communication is being extensively used (wherever possible) for office management in place of printed documents, especially when multiple copies are required, to save papers.
- iii. Installation of energy efficient electronic equipment and automatic shutdown of computers, fans, lights, air coolers etc. have been implemented in consultation with concerned divisions of Head Office gradually for reducing electricity consumption.
- iv. Use of solar energy at the premises as an alternative source of electricity is initiated in consultation with and approval from concerned authority of the Bank. The bank has installed solar energy system in its branches. In the year of 2017, 32 branches are powered by solar energy against 27 branches in 2016, registering 18.52% growth.



- v. Preserving maintenance schedule of Generators and Air Conditioners and other major electrical and electronic equipment for monitoring performance as well as fuel/energy efficiency.
- vi. All officials of the bank have been advised to ensure that their PC, Fan and other office equipment are turned off whenever those are not in use for prolonged period of time. Office hour is maintained properly so that unnecessary stay in Branch/ head office could be avoided and as such office hour is utilized effectively.
- vii. In procurement of vehicles and other electrical and electronic equipment, fuel/energy efficient quality is considered with priority.
- viii. All branches/divisions now focus on minimizing use of resources at every possible aspect of work. All officials of the bank is advised to discharge their duties in environmentally responsible ways.

f) Introducing Green Finance :

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

g) Online Banking :

SBAC Bank has opened 64 branches at 1:1 rural-urban ratio. Our Branches are fully equipped with modern banking facilities having full-fledged online banking facilities through renowned Florabank Online Core Banking Solution.

h) Supporting Employee Training:

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

i) Climate Risk Fund:

A fund of Tk.500.00 million has been allocated to finance green products/projects. The Bank shall also finance economic activities of the areas susceptible to flood, cyclone and drought at regular interest rates without charging additional risk premium. In 2017, the Bank distributed 38000 blankets costing Tk. 12.16 million to the cold stricken poor people in different areas in Bangladesh & Tk. 15.00 million for the Prime Minister's Relief & Welfare Fund.

j) Other issues relating to Green banking:

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

- SBAC Bank Limited shall comply with all laws and regulations related to environmental protection, green banking other requirements.
- The Bank shall formulate sector specific environmental policies to finance those sectors so as to protect the environment.
- The bank shall support economic activities of the flood, cyclone, and drought prone areas with soft term financing and shall create "Climate Risk Fund" to support contingencies in adverse climatic conditions.
- The bank recognize the environmental burden caused by consumption of resources and release of wastes from own business

activities and aim to protect the environment through resource recycling as well as efficient use of energy and resources. We are committed to continually minimizing our operational environmental impacts, by monitoring environmental performance; setting improvement targets; and by implementing and evaluating environmental management programs that save energy and water, manage wastes, recycle materials, reduce business trips, and promote green procurement and providing wide range of e-banking services.

- The bank shall improve in-house environmental education and support and promote environmental protection activities of individual directors and employees both during and outside working hours.
- The bank shall inform its customers, shareholders, and the general public about the targets and the performance of its environmental actions that collectively aim at improving the quality of environment and climate.
- The bank shall support initiatives of third parties i.e. non-profit agencies, organizations or institutions that generate added value by benefiting both humans and the environment.
- The bank shall set up Green Branches to expedite Green banking Activities.



Report of the Audit Committee of the Board

Report of the Audit Committee of the Board of Directors in Compliance with Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC) issued through their notification No.SEC/CMRRCD/2016-158/134/ Admin/44 dated August 07, 2012 for the year ended 2017.

The Present Audit Committee of the Board was duly reconstituted by the Board of Directors of the Bank in its 71st meeting held on December 12, 2017 in compliance with Bangladesh Bank guidelines and Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC). The Prior Committee was formed on 03.01.2016 and it functioned till 11.12.2017. Audit Committee efficiently conducted the monitoring activities as assigned by the Board and also played an effective role in supervision of execution of strategies and work plans so formulated towards smooth operation of the bank.

The Committee supervised whether banking activities were carried out in line with the prevailing laws, rules and regulations imposed by the regulatory authorities. The committee also reviewed the Financial Statements, internal control management, audit system and relevant policies thereof.

from among the directors of the board.

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

Brief profile of the Audit Committee:

* Mr. Talukder Abdul Khaleque, Mr. Abu Zafar Mohammad Shofiuddin, Mr. Anwar Hussain and Mr. Md Amzad Hossain was duly elected as a member of the committee on December 12, 2017. Where Mr. Talukder was made chairman there of.

Sl	Name	Status with the Bank	Status with the committee	Educational Qualification	No. meetings held	No. of meetings attended
1	Mr. Talukder Abdul Khaleque	Independent Director	Chairman	Graduate	05	01
2	Mr. Abu Zafar Mohammad Shofiuddin	Director	Member	M.Com	05	01
3	Mr. Anwar Hussain	Director	Member	BBA	05	01
4	Mr. Md. Amzad Hossain	Director	Member	Graduate	05	01
5	Dr. Syed Hafizur Rahman	Independent Director	Member	Masters	05	04

* Mr. Talukder Abdul Khaleque assumed the Position of the Chairman on 12.12.2017 and Mr. Abu Zafar Mohammad Shofiuddin, Mr. Anwar Hussain and Mr. Amzad Hossain assumed the Position of Member on the Same Day.

Composition:

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

- Members of the committee shall be selected

Duties and responsibilities:

Internal control:

- Evaluate whether the bank management has been able to build a compliance culture in accordance with the provision of laws.
- Internal control system; whether the bank

employees/workforce have been clearly advised about their duties and responsibilities in this regard and whether the management has established full control on their activities.

- Review all initiatives taken by the bank management as regards building a suitable Management Information System (MIS) along with the state of the art computer application in banking system and uses thereof;
- Review the bank's compliance on recommendations made from time to time concerning establishment of an internal control mechanism/framework by internal as well as external auditors;
- Apprise the board of any fraud-forgery, internal control lapses found by internal or external auditors and inspection team of regulatory authority or identification of such other areas and remedial measures therein.

Disclosure of financial report:

- Scrutinize whether true and fair view of the state of affairs is reflected in annual financial statements and prevailing rules, regulations and standards along with BB guidelines are adhered for making such statements;
- Exchange views with the external auditors, Bangladesh bank and the Management of the bank before recommendation of the financial statements.

Internal Audit:

- Review whether internal audit activities is able to conduct its operation and independent of Bank Management;
- Review internal audit activities and its organizational structure and ensure that no untoward hurdles or limitations create bottleneck to internal audit activities;
- Verify the skills and effectiveness of internal audit system;
- Examine appropriateness of management consideration about observations/recommendations of the internal auditors regarding banking operation and mitigation of irregularities identified.
- Review Management Letter issued by Bangladesh Bank & other External Auditors and Management response thereto as part of compliance activities.

- Convene audit meetings just after completion of the reports, rather than waiting for compliance from branches.
- Review the compliance status on a regular interval.
- Proper and timely review of all quarterly and monthly statements.

External Audit:

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

Meeting of the committee:

According to applicable rules and regulations, 5(Five) meetings of the Committee were held during the year 2017. The committee, from time to time invited the Managing Director, the Head of Internal Control & Compliance Department and other responsible officials entrusted with internal control activities or any other personnel to participate in their meeting, as deemed necessary. All recommendations/ observations of the committee were recorded in minutes. The meetings held in 2017 were as under:

SL	Meeting No.	Held on
1	19th	21.03.2017
2	20th	04.04.2017
3	21th	24.08.2017
4	22th	30.10.2017
5	23rd	27.12.2017

Key activities in 2017: The major areas focused by the Audit Committee of the Board during 2017 are outlined below:

- Self Assessment of Anti-Fraud Internal Controls under DOS Circular Letter No. 17 dated November 07, 2012 of Bangladesh Bank.



- Review Audit Plan for the year 2018.
- Review and recommendation on Annual Accounts (Audited) along with the reports of the External Auditors thereon for the year ended 31st December 2017.
- Review and recommendation of Half-yearly Financial Statements (Un-audited) of the Bank for the period ended 30th June 2017.
- Review of Quarterly Financial statements.
- Recommendation for approval of the revised policy of the different Divisions of the Bank.
- Recommendation for approval of different formats for Assessing Credit Applications.
- Review Stress Testing Reports of the Bank as per Bangladesh bank guidelines.
- Review summary of Loan classification and provision as on 31.03.2017, 30.06.2017, 30.09.2017 and 31.12.2017.
- Recommendation to the management to take necessary steps to maintain optimum security against loans to all the Branches of the Bank.
- Recommendation not to provide any further credit facilities against Bad Loan.
- Recommendation for decentralization of investment portfolio to mitigate the business risk.
- Recommendation to the bank management to analyze for recruited Audit agent for complete uninterrupted audit formalities.
- Recommendation to the bank management for involvement in capital market for decentralization of investment portfolio.
- Recommendation to the bank management to purchase land for established bank Head Office.
- Recommendation to the ICC Division to include Classified Loan information with Branch Comprehensive Audit Report.
- Recommended for arranging video Conference system to discuss the observations and compliance status with the respective branch manager during Audit Meetings.
- Recommended for IT Test Area & Lab facilities to build up technical expertise through practical exercises.
- Directed Management to arrange special training program to acquaint all the employees about the range & use of Flora Bank System for controlling lapses in banking system Flora Bank.
- Reviewed and recommended for fortifying ICC Division through experienced and trained Professional manpower.
- Committee contented to set up the Task Force for recovery the classified loan.
- Advised to post required number of personnel to ICCD for effectively forming audit team and compliance team independently.
- Directed Internal Control & Compliance Division to audit the unaudited branches with reasonable and justified interval.
- Advised to inform the branches/divisions to instantly communicate with Internal Control & Compliance Division if any financial incidence/irregularities take place.
- Recommended to establish a self monitoring system for better and effective monitoring over the branches.
- Reviewed the reports of internal and external audits. During the review of reports against the internal and external audits, the Audit Committee expressed their dissatisfaction for major irregularities took on place at the branches.
- Suggested for immediate improvement against the deficiencies in operational activities at the branches.
- Advised for improvement of systems to promote the operational activities of Branch to a certain efficient level.
- Advised to immediately report the major irregularities to the Chairman of Audit Committee through e-mail before preparation of audit reports.
- Advised to check each and every audit report

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

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

by the line management time and again to ensure its reliability and standard.

- Advised to ensure implementation of recommendations made by different committee of the board meticulously.
- Advised for thoroughly checking the Transaction Profile of the Accounts during audit to ensure reliability of transactions.
- Recommended for taking effective initiatives by ICCD of the Bank to strengthen overall monitoring, so that no fraudulent activities can take place in the bank.
- Advised to meticulously comply with all terms and conditions of the credit approvals for disbursement by the branches.
- Advised to allow land as collateral security after proper verification of its genuineness from respective A.C. land office.
- Advised to recover overdue loans/Advance and to take remedial measures to restraint further classification/bad in future.
- Suggested to be more cautious regarding takeover loan, so that other bank may not get opportunity to transfer any classified/bad loan at our end.
- Advised to decentralized loan portfolio in order to enhance SME loans.
- Recommended for complying with the detail guidelines of Bangladesh Bank and other Regulatory Authorities for opening of all types of accounts at the branches.
- Recommended for complying with the detail guidelines of Bangladesh Bank following BRPD circular 03 dated 08.03.2016 and BRPD circular 06 dated 04.09.2016 on Internal Control and Compliance in Bank.
- Advised to corroborate compliance maintaining excellence of customer services at Branch level.
- Advised to issue Debit and Credit cards

carefully and to maintain security of ATM system very cautiously to avoid the fraudulent transactions.

- Advised to train the officers/executives of the branches and to make them aware about their individual responsibilities in duties.
- Suggested for installation of Disaster Recovery Site (DRS) for Data Center of the Bank.
- Advised to take necessary steps for maintaining file management in order to keep perfect workable environment at office, radical modification of cleanliness program and to manage fire and sudden incidence.
- Advised to pay more attention regarding protection of information of the Bank.
- Suggested for special monitoring on rural branches of the Bank.

Approval of Financial Statements:

The Audit Committee reviewed and examined the Bank's Annual Financial Statements for the year ended December 31, 2017, prepared by the Management and audited by External Auditors Khan Wahab Shafique Rahman & Co, Chartered Accountants with a recommendation to the Board for consideration and approval.

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



Talukder Abdul Khaleque
Chairman
Audit Committee of the Board



Corporate Governance Practices in South Bangla Agriculture and Commerce Bank Limited

Conceptual Framework

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

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

Guiding Philosophy of Corporate Governance Practices

As our Bank is incorporated as a legal entity, it is guided in its corporate governance practices mainly by two regulatory bodies: The Bangladesh Bank (The Central Bank of Bangladesh) and The Bangladesh Securities and Exchange Commission (BSEC). However, the Bank's corporate governance philosophy encompasses not only regulatory and legal requirements but also various internal rules, policies, procedures and practices based on the best

practices of local and global banks. At SBACBL we attach a simple meaning to 'Corporate Governance' which is 'Due Diligence' in observing responsibilities by the Board as well as by the Management to safeguard interest of key stakeholders i.e. depositors, shareholders, employees and the society at large. Two very important pillars of a good corporate governance structure are "Transparency" and "Accountability" backed by strong Internal Control and Compliance Structure and MIS capabilities.

Board of Directors

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

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

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

of the Bank is 20 which complies with the rules and regulations mentioned above.

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

Formation of Board of Directors:

The newly amended Section 15 of the Bank Companies Act, 1991 (amended up to 2018) includes provisions for prior approval of Bangladesh Bank before the appointment of new directors, as well as dismissal, termination or removal of any director from the post; director's fit & proper criteria; maximum number of directors; appointment of independent directors; appointment of maximum number of 4 (four) directors from a family etc. The Board of Directors of our bank is formed as per provisions of laws.

Composition:

All directors of the Board are non-executive directors. As per section 15(9) of Bank Companies Act 1991 (amended up to 2018) we have co-opted 2 (two) Independent Directors. Another Independent Director is going to be appointed soon for full compliance of the provision of aforesaid Acts. The Chairman has been independent of the CEO, and has been in practice from the inception of SBAC Bank. This also complies with Section 1.4 of the BSEC's notification No. SEC/CMRRCD/2006-158/134/ Admin/44 dated August 7, 2012 on Corporate Governance Guidelines.

Selection and Appointment of New Directors:

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

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

The directors are selected by the shareholders in the Annual General Meeting. Casual vacancies, if any, are filled up by the Board in accordance with the

provision of the Companies Act 1994 and Articles of Association of the Bank.

Under section 15(4) of the Bank Companies Act, 1991 (amended up to 2018), prior approval is taken at the time of appointment of directors from Bangladesh Bank and along with the application following documents are submitted:

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

Retirement and Re-election of Directors

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

Independent Director

As per BSEC Circular No. EC/ CMRRCD/ 2006-158/ 134/Admin/ 44 dated August 07, 2012, 1/5th of total number of Directors should be Independent Directors. But as per section 15(9) of Bank Companies Act 1991 (amended up to 2018) Independent Directors shall be maximum 3 (three).

Vacation of office of Director:

- a. The office of a director shall be vacated as per provision specified in section 108 (1) of the Companies Act, 1994. Besides, if any director becomes defaulter and does not repay the loan within two months after getting a notice under section 17 of the Bank Companies Act, 1991(amended up to 2018); provides false statement at the time of

appointment or fails to fulfill the minimum eligibility criteria, the office of the director will be vacated;

- b. If the office of a director is vacated by a notice under section 17 of Bank Companies Act 1991, the person will not be eligible to become a director of the bank for one year from the date of repayment of the total amount due to the bank. It is mentionable here that the dues can be adjusted with the shares held by the director in the respective bank. When a director receives a notice under section 17 of Bank Companies Act, 1991(amended up to 2018), he/she cannot transfer his/her shares of that bank until he/she repays all the liabilities of the notifying bank or financial institution.
- c. Besides, Bangladesh Bank can remove a director or chairman of the bank for conducting any kind of activities that is detrimental to the interest of the banks depositors or against the public interest under Section 46 and can suspend the board of a Banking Company under Section 47 of BCA, 1991(amended up to 2018).

Removal of Directors from office:

According to section 106 of the Companies Act, 1994, with the prior approval of Bangladesh Bank, directors may be removed from his office for the reason specified in its Articles of Association. For this purpose, the reason and grounds of the dismissal/removal and copy of the decision of the shareholders and list of directors should be submitted to Bangladesh Bank. In this case, the removal will be effective from the date of Bangladesh Bank's approval. A director so removed shall not be re-appointed a director by the Board of Directors.

Appointment of Alternate Director:

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

- a. Bank has to collect and properly maintain the documentary evidences relating to departure and arrival of the original director. If there is any exception, the chief executive officer

should immediately inform it to Bangladesh Bank.

- b. The copy of the decision of the board regarding appointment of alternate director, with original director's probable date of returning from abroad, is sent to Bangladesh Bank within 7 days of taking the decision and the director's arrival date is intimated to Bangladesh Bank immediately after his/her return.
- c. Any loan defaulter or any person who is not eligible to become a director as per any rules & regulation shall not be appointed as an Alternate Director.
- d. As appointment of alternate director is a temporary measure, therefore, he/she is not included in any kind of committee constituted by the board.
- e. While in the office, an alternate director or his/her affiliated organization will not get any kind of loan facilities from his bank. In case of previous loan, enhancement of limit or extension of time period or any kind of exemption or interest waiver will not be allowed. Moreover, all restrictions applicable to directors according to rules & regulations will also be applicable to the alternate director.

Information regarding Directors:

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

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

Role and Responsibilities of the Board

To ensure good governance in the bank there is a specific demarcation of responsibilities and authorities among controlling bodies over bank's affairs in compliance with provisions of Bank Companies Act, 1991 (amended up to 2018). The newly included Section 15(kha) & (ga) give

responsibility to the board of directors for establishing relevant policies such as policy for investments, procurement of assets, recruitment, risk management, internal controls, internal audit and compliance and for ensuring their implementation.

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

Authority of the Board of Directors

- a) Work-planning and strategic management: The board determines the objectives and goals and to this end chalks out strategies and work-plans on annual basis. It specially engages itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural changes and reformation for enhancement of institutional efficiency and other relevant policy matters. It analyzes/monitors, at quarterly rests, the development of implementation of the work-plans.

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

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

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

- c) Internal control management: The board is vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. The board establishes such an internal control system so that the internal audit process can be conducted independently from the management. It reviews the reports submitted by its audit committee at quarterly rests regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.
- d) Human resources management and development: Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules are framed and approved by the board. The chairman or the directors in no way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the board of directors is included in the selection committees for recruitment and promotion to different levels. Recruitment, promotion, transfer & punishment of the officers immediate two tiers below the CEO shall, however, rest upon the board. Such recruitment and promotion are carried out complying with the service rules.

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

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

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

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

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

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

The Board's responsibilities include but not limited to:

- Analyzing and approving the strategies and business plans for the Bank;
- Approval of the Bank's annual budget and carrying out periodic review of the achievements by the various operating divisions against their respective business targets;
- Setting the minimum standards and establishing policies on the management of credit risks and other key areas of the Bank's operations;
- Ensuring that the operating infrastructure, system of control, system for risk identification and management, financial and operational controls are in place and properly implemented;
- Reviewing the adequacy and efficacy of the Bank's internal control systems;
- Overseeing the Bank's businesses vis-à-vis business plans;
- Succession planning including ensuring that all candidates appointed to senior management positions are capable and experienced and program are in place to provide for the orderly succession of senior management;
- Reviewing succession planning and talent management plans for the Bank and approving the appointment and compensation of senior management staff;
- Approving changes in the corporate organization structure;
- Approving policies relating to corporate branding, public relations, investor relations and shareholder communication programs and
- Reviewing the Bank's strategies on promotion of sustainability focusing on environmental, social and governance aspects.

The Board duly complies with the circulars/guidelines issued by Bangladesh Bank, notifications issued by Bangladesh Securities and Exchange Commission, provisions of Bank Companies Act 1991 (amended up to 2018) and the Companies Act 1994 regarding the responsibility and accountability of the Board, its Chairman and Managing Director.

Code of Conduct for the Board of Directors

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

The Code of Conduct states:

- 1) The Members of Board of Directors shall act honestly in good faith and in the best interests of the shareholders and the company;
- 2) The members shall not make improper use of information acquired as a director;
- 3) The members shall not take improper advantage of the position as a director;
- 4) The members will be obligated to be independent in judgment and actions and take all reasonable steps to be satisfied as to the soundness of decision taken by the Board of Directors;
- 5) Confidential information acquired by the members in the course of exercise of directorial duties shall be treated as the property of the company and it will be improper to disclose or allow it to be disclosed, unless that disclosure has been authorized by the company, or the person from whom the information has been received;
- 6) Members shall make every effort to attend all Board and Committee Meetings during their tenure. They will not absent themselves without good reasons or without confirming leave of absence;
- 7) To maximize effectiveness of the Board/Committee Meetings, contribution of individual director shall be monitored and appraised on an annual basis;
- 8) Board members having interest of any nature in the agenda of the meeting shall declare beforehand the nature of their interest and withdraw themselves from the room unless they have a dispensation to speak;

- 9) Training opportunities/orientation/ workshops will be arranged for the members (especially for the newly inducted members) to make them acquainted with the international best practices, their fiduciary obligations, Code of Conduct etc.
- 10) Members shall always maintain 'Fit and Proper Test Criteria', clean CIB status and other obligations declared by the Primary and other Regulators
- 11) Members shall be judicious about their entitlement of benefits/privileges as per Banking Companies Act -1991 (amended up to 2018) and all circulars issued by Bangladesh Bank and shall be willing to produce supporting documents, if required;
- 12) Every Director will assure annually signing a confirmation that they have gone through, have complied with and will continue to comply with the set of codes approved by the Board of Directors.

Directors' Remuneration

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

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

Meeting of Board:

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

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

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

Formation of committees from the Board of Directors:

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

Executive committee:

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

Organizational structure:

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

Qualifications of the Members:

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

Roles and Responsibilities of the Executive Committee:

- i. The executive committee can decide or can act in those cases as instructed by the Board of directors and those not specifically assigned on full board through the Bank Companies Act, 1991 (amended up to 2018) and other laws and regulations.
- ii. The executive committee can take all necessary decisions or can approve cases within power delegated by the board of directors.
- iii. All decisions taken in the executive committee

should be placed for ratification in the next board meeting.

Meetings

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

Audit Committee:

As per BSEC notification No. SEC/ CMRRC/ 2006-158/129/ Admin/ 44 dated 7th August 2012 on Corporate Governance and BRPD Circular No. 11 dated October 27, 2013 the Audit Committee of the Board is formed. The current Audit Committee consists of 5 members. One of the members of the committee is from Finance and Accounting background. The head of internal audit always has direct access to the audit committee and can express his issues in front of the committee. The Audit Committee has a terms of reference and is empowered to investigate/question employees and retain external counsel as required.

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

Organizational structure:

- i. Members of the committee will be nominated by the board of directors from the directors;
- ii. The audit committee will comprise of maximum 05 (five) members, with minimum 2 (two) independent director;
- iii. Audit committee will consist of the directors who are not executive committee members;

- iv. Members may be appointed for a 03 (three) year term of office;

- v. Company secretary of the bank will be the secretary of the audit committee.

Qualifications of the Member:

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

Roles and Responsibilities of the Audit Committee

Internal Control:

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

Financial Reporting:

1. Audit committee will check whether the financial statements reflect the complete and concrete information and determine whether the statements are prepared according to existing rules & regulations, accounting principles and standards enforced in the country such as Bangladesh Accounting Standards, International Accounting Standards, Bangladesh Financial Reporting Standards, International Financial Reporting Standards and as per relevant prescribed accounting standards set by Bangladesh Bank;
2. Discuss with management and the external auditors to review the financial statements before its finalization.

Internal Audit:

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

External Audit

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

Compliance with existing laws and regulations:

The Committee shall review whether the laws and regulations framed by the regulatory authorities (Bangladesh Bank, Bangladesh Securities and

exchange Commission, Registrar of Joint Stock Companies and Firms and other bodies) and internal regulations approved by the board are being complied with.

Other Responsibilities:

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

Meetings:

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

Reporting of the Audit Committee

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

Reporting to the Board of Directors

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

- a. report on conflicts of interests;
- b. suspected or presumed fraud or irregularity or material defect in the internal control system;

- c. suspected infringement of laws, including securities related laws, rules and regulations;
- d. any other matter which shall be disclosed to the Board of Directors immediately.

Reporting to the Authorities

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

Reporting to the Shareholders and General Investors

Report on activities carried out by the Audit Committee, including any report made to the Board of Directors shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the Bank.

Risk Management Committee:

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

Organizational Structure:

- i. Members of the committee will be nominated by the board of directors from themselves;
- ii. The Risk Management Committee will comprise maximum 05 (five) members;

- iii. Members may be appointed for a 03 (three) year term of office;
- iv. Company secretary of the bank will be the secretary of the Risk Management Committee.

Qualifications of the Member:

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

Roles and Responsibilities of the Risk Management Committee:

Risk identification & control policy :

Formulation and implementation of appropriate strategies for risk assessment and its control is the responsibility of Risk Management Committee. Risk Management Committee will monitor risk management policies & methods and amend it if necessary. The committee will review the risk management process to ensure effective prevention and control measures.

Construction of organizational management structure:

The responsibility of Risk Management Committee is to ensure an adequate organizational structure for managing risks within the bank. The Risk Management Committee will supervise formation of separate Risk Management Department and monitor their activities for the compliance with instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other risks related guidelines.

Analysis and approval of Risk Management policy:

Risk management policies & guidelines of the bank should be reviewed annually by the committee. The committee will propose amendments if necessary and

send it to the Board of Directors for their approval. Besides, other limits including lending limit should be reviewed at least once annually and should be amended, if necessary.

Storage of data & Reporting system:

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

Monitoring the implementation of overall Risk Management Policy:

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

Other responsibilities:

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

Meetings:

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

Training for the Directors:

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

Chairman of the Board of Directors:

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

The role and responsibilities of the Chairman:

- a) The Chairman of the board of directors does not personally possess the jurisdiction to apply policy making or executive authority. He /she does not participate or interfere in the administrative or operational and routine affairs of the bank.
- b) The chairman conducts on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall initiate necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the board along with the statement of the CEO.
- c) The chairman may be offered an office-room, a personal secretary/ assistant, one peon/MLSS, one telephone at the office, one mobile phone to use inside the country and a vehicle in the business-interest of the bank subject to the approval of the board.

Besides this, the Chairman may/shall assume any other responsibility if the Board assigns within the purview of the Rules, Regulations, Acts and Articles of

the Bank. The Chairman's responsibilities are defined by the Board as directed by BSEC's notification on Corporate Governance Guidelines.

Role of the Chairman and CEO as independent

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

Role and Responsibilities of the CEO

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

- i) In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plans, efficient implementation thereof and prudent administrative and financial management.
- ii) The CEO shall ensure compliance of the Bank Companies Act, 1991 (amended up to 2018) and/or other relevant laws and regulations in discharging routine functions of the bank.
- iii) The CEO shall include information on violation of any law, rules, regulation including Bank Companies Act, 1991 (amended up to 2018) while presenting memos before the Board or the committee formed by the board.
- iv) CEO will provide all sorts of information to Bangladesh Bank about the violation of Banking Companies Act, 1991 and/ or any violation of Laws, rules and regulations.
- v) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board. The board or the chairman of any committee of the board or any director shall not get involved or interfere in such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at two tier below the CEO, shall rest on him, which he shall apply in accordance with the approved

service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training

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

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

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

Role of the Company Secretary

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

The responsibilities of the Company Secretary include:

- i) To act as a point of communication among the management, board of directors, company shareholders.
- ii) To ensure the Bank complies with its governing document, policies, company law and any other relevant legislation i.e. regulations of Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies and Firms, Bourses etc. He will support and advise the Chair by ensuring smooth functioning of the Board. He will work in partnership with the Chief Executive Officer and other Trustees to ensure proper discharge of activities & operations of the Bank.

- iii) To support the Chairman in the smooth functioning of the Board. Receive agenda items from management and ensure consented agenda items are tabled at Board meetings. This is done in consultation with the Chief Executive Officer and the Chair who are responsible for preparing Board meeting agenda.
- iv) In line with Bangladesh Bank guidelines the company secretary has to act as the Secretary to the sub committees of the Board of Directors. In this area of risk mitigation, the Company Secretary has a pivotal role to play in support of the members of the Sub Committees, Board Audit Cell, Audit & Inspection Division, Risk Management Division and Internal Control & Compliance Division.
- v) Act as a custodian of Bank's governing documents and policies. Ensure the Bank pursues its objects as defined in its governing document. He should act as a custodian of the interests of the Bank. So, it is his prime duty to protect and safeguard such interests of the Bank at all levels: statutory, administrative, and arbitrational and in other policy matters. He should also ensure that Board meeting minutes are signed by the Chair once they have been confirmed and copies filed and kept at the Bank.
- vi) Ensure the appointment of Bank's board members, that those appointed are not disqualified in law and are eligible to be members under the provisions of the governing documents and policies, and that the appointment procedure laid down in the governing document and policies are followed.
- vii) Make sure that the Directors have information to enable them to comply with the decisions and fulfill their responsibilities. This includes organizing the induction of new Directors also.
- viii) Ensure that Board meetings are held in compliance with Bank's governing documents and arrangements for the meetings are made.
- ix) Confirms that Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) are conducted effectively and in accordance with the provisions of laws and Bank's governing document. This includes checking that a quorum is present, adequate notice is served, notice period is maintained etc. Also make sure that agenda and minutes of AGMs and EGMs are circulated among the members and submitted to the regulators in a timely manner.
- x) File the annual list of members and summary of share capital together with the authenticated Balance Sheet and the Profit and Loss account. Issue Dividend Warrants, bonus share certificates and make arrangement for disposal of fractional shares, if any
- xi) Maintain strict confidentiality of information, manage situations like conflict of interest, identify problems and implement or recommend solutions
- xii) Maintain and liaise with various associated/regulatory bodies viz. BAB, ABB, Chambers/other bodies, BSEC, BB, RJSC and other regulators

Roles and Responsibilities of Chief Financial Officer (CFO):

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

designed to preserve bank's assets and report accurate financial positions.

Role and responsibilities of ICCD Head

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

Appraisal and evaluation of Board of Directors and CEO

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

Management Committee

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

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

Certification of CEO and CFO Regarding Financial Statements

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

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



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

We have examined the status report along with the relevant documents of **South Bangla Agriculture & Commerce Bank Limited** regarding the compliance of the provisions of Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) under notification No.SEC/CMRRCD/2006-158/134/admin/44dated August 7, 2012 for the year ended 31 December, 2017. The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the review of the procedures and implementations thereof as adopted by the Management in ensuring compliance with the conditions of Corporate Governance.

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

Dated: Dhaka
April 08, 2018


Islam & Co.
Chartered Accountants

Office : House # 11 (1st Floor), Road # 06, Shakhertech, Mohammadpur, Dhaka-1207.
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Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969):

(Report under Condition No. 7.00)

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



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

1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	√		
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report.	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.			N/A
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.			N/A
1.5 (x)	Remuneration to directors including independent directors.	√		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
1.5 (xii)	Proper books of account of the issuer company have been maintained.	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		



1.5 (xix)	f the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.			N/A
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxi) (c)	Executives (top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.)	√		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more votes' interest in the company (name wise details).	√		
1.5 (xxii) (a)	A brief resume of the director.	√		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas;	√		
1.5 (xxii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2	Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS):			
2.1	Appointment:			
	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Requirement to attend the Board Meetings: Attendance of CFO and the company secretary at Board of Directors' meeting.	√		
3.	Audit Committee:			
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		

3.1	Constitution of the Audit Committee:			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1 (ii)	Constitution of Committee with Board members including at least one Independent Director.	√		
3.1 (iii)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1 (iv)	Filing of casual vacancy in committee.	√		
3.1 (v)	The company secretary shall act as the secretary of the Committee.	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
3.2	Chairman of the Audit Committee			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process.	√		
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category.			N/A

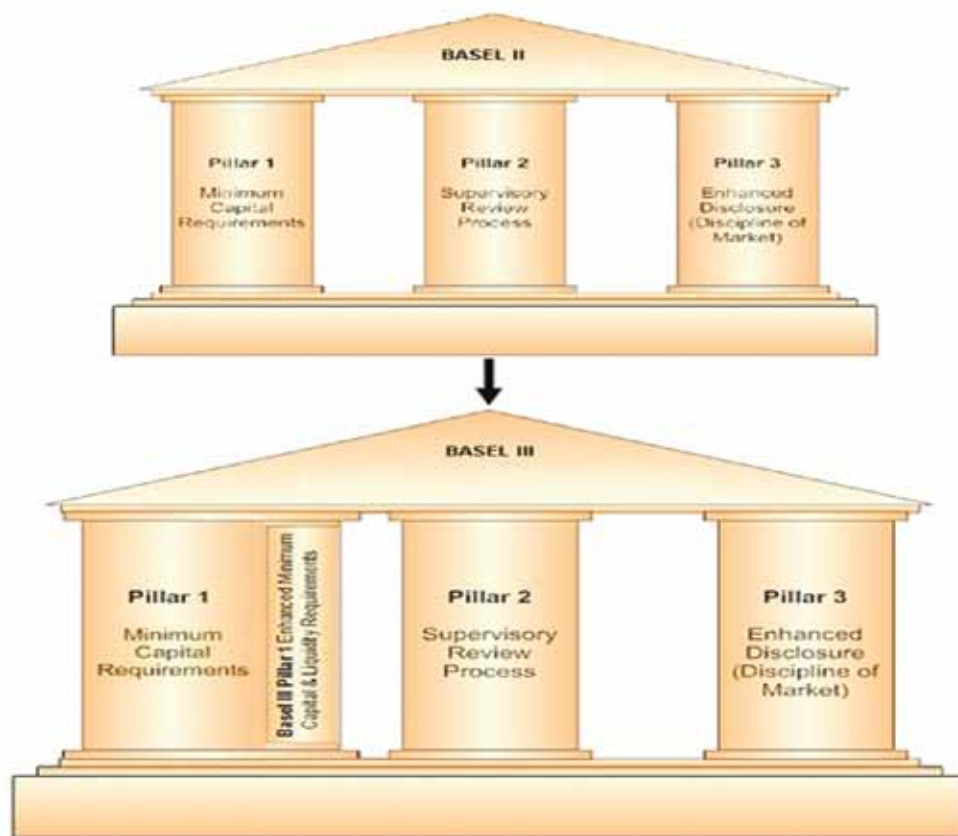


3.4	Reporting of Audit Committee:			
3.4.1	Reporting to the Board of Directors			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1.(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii)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

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



Disclosures under Risk Based Capital (Basel III)



South Bangla Agriculture and Commerce Bank Ltd.

Disclosures under Risk Based Capital (Basel III) For the year ended on 31 December 2017

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

The purpose of market discipline in the Revised Capital Adequacy Framework is to disclose relevant information on capital adequacy in relation to various risks of the bank so that stakeholders can assess the position of a bank regarding holding of assets, identify the risks relating to the assets and capital adequacy and can make economic decision. The disclosures under Pillar-III of Basel III framework of the bank as on 31 December 2017 are as under:

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

A) Scope of Application

Qualitative Disclosures:		
a)	The name of the top corporate entity in the group to which this guidelines applies.	South Bangla Agriculture and Commerce Bank Limited (the Bank)
b)	An outline of differences on the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group <ul style="list-style-type: none"> (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the credit is risk-weighted). 	<p>The Risk Based Capital Adequacy framework applies to South Bangla Agriculture and Commerce Bank Limited on "Solo Basis" as there is no subsidiary of the bank on reporting date.</p> <p>South Bangla Agriculture and Commerce Bank Limited (the Bank) is a scheduled commercial bank. Incorporated as a public limited company under the Companies Act 1994, the Bank obtained license from Bangladesh Bank on 25th March 2013 and started its banking business on 28th April 2013. The number of branches was 64 as on 31 December 2017 all over Bangladesh. The principal activities of the Bank are to carry on all kinds of commercial banking business in Bangladesh.</p>
c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative Disclosures:		
d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries	Not applicable

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



Quantitative Disclosures																				
b)	The amount of Common Equity Tier 1 (CET1) Capital	<div>The amount of Common Equity Tier 1 (CET1) Capital as per disclosures in the audited financial statements as of 31 December 2017 are as follows:</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Paid up capital</td><td>4,985.22</td></tr><tr><td>Non-repayable share premium account</td><td>-</td></tr><tr><td>Statutory reserve</td><td>798.66</td></tr><tr><td>General reserve</td><td>-</td></tr><tr><td>Retained earnings</td><td>704.29</td></tr><tr><td>Dividend equalization account</td><td>-</td></tr><tr><td>Other (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total of Tier 1 Capital [A]</td><td>6,488.17</td></tr></table>	Particulars	Amount	Paid up capital	4,985.22	Non-repayable share premium account	-	Statutory reserve	798.66	General reserve	-	Retained earnings	704.29	Dividend equalization account	-	Other (if any item approved by Bangladesh Bank)	-	Sub-Total of Tier 1 Capital [A]	6,488.17
Particulars	Amount																			
Paid up capital	4,985.22																			
Non-repayable share premium account	-																			
Statutory reserve	798.66																			
General reserve	-																			
Retained earnings	704.29																			
Dividend equalization account	-																			
Other (if any item approved by Bangladesh Bank)	-																			
Sub-Total of Tier 1 Capital [A]	6,488.17																			
c)	The amount of Additional Tier 1 (AT1) Capital	<div>The amount of Additional Tier 1 (AT1) Capital as per disclosures in the audited financial statements as of 31 December 2017 are as follows:</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Non-cumulative irredeemable preference shares</td><td>-</td></tr><tr><td>Instruments issued by the banks that meet the qualifying criteria for AT1</td><td>-</td></tr><tr><td>Other (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total AT1 Capital [B]</td><td>-</td></tr></table>	Particulars	Amount	Non-cumulative irredeemable preference shares	-	Instruments issued by the banks that meet the qualifying criteria for AT1	-	Other (if any item approved by Bangladesh Bank)	-	Sub-Total AT1 Capital [B]	-								
Particulars	Amount																			
Non-cumulative irredeemable preference shares	-																			
Instruments issued by the banks that meet the qualifying criteria for AT1	-																			
Other (if any item approved by Bangladesh Bank)	-																			
Sub-Total AT1 Capital [B]	-																			
d)	The amount of Tier 2 Capital	<div>The amount of Tier 2 Capital as per disclosures in the audited financial statements as of 31 December 2017 are as follows:</div> <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>General provision against unclassified loans and off-balance sheet exposures</td><td>515.71</td></tr><tr><td>All other preference shares</td><td>-</td></tr><tr><td>Subordinate debt</td><td>-</td></tr><tr><td>Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFT Securities)</td><td>22.01</td></tr><tr><td>Other (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total of Tier 2 Capital [C]</td><td>537.72</td></tr></table>	Particulars	Amount	General provision against unclassified loans and off-balance sheet exposures	515.71	All other preference shares	-	Subordinate debt	-	Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFT Securities)	22.01	Other (if any item approved by Bangladesh Bank)	-	Sub-Total of Tier 2 Capital [C]	537.72				
Particulars	Amount																			
General provision against unclassified loans and off-balance sheet exposures	515.71																			
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Subordinate debt	-																			
Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFT Securities)	22.01																			
Other (if any item approved by Bangladesh Bank)	-																			
Sub-Total of Tier 2 Capital [C]	537.72																			
e)	Regulatory Adjustments / Deductions from Capital	<div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Deferred tax assets</td><td>-</td></tr><tr><td>Revaluation Reserves for Fixed Assets, Securities (60% for the year 2017) from Tier 2 Capital</td><td>13.20</td></tr><tr><td>Sub-Total of Regulatory Adjustments / Deductions from Capital [D]</td><td>13.20</td></tr></table>	Particulars	Amount	Deferred tax assets	-	Revaluation Reserves for Fixed Assets, Securities (60% for the year 2017) from Tier 2 Capital	13.20	Sub-Total of Regulatory Adjustments / Deductions from Capital [D]	13.20										
Particulars	Amount																			
Deferred tax assets	-																			
Revaluation Reserves for Fixed Assets, Securities (60% for the year 2017) from Tier 2 Capital	13.20																			
Sub-Total of Regulatory Adjustments / Deductions from Capital [D]	13.20																			
f)	Total Eligible Capital	<div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Total Eligible Capital [A+B+C-D]</td><td>7,012.69</td></tr></table>	Particulars	Amount	Total Eligible Capital [A+B+C-D]	7,012.69														
Particulars	Amount																			
Total Eligible Capital [A+B+C-D]	7,012.69																			

C) Capital Adequacy

Qualitative Disclosures																							
a)	<p>A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.</p>	<p>The Bank assesses the adequacy of its capital in terms of Section 13 (1) of the Bank Company Act, 1991 (Amended up to 2013) and instruction contained in BRPD Circular No. 18 dated 21 December 2014 [Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Basel III)]. However, in terms of the regulatory guidelines, the Bank computes the capital charge / requirement as under:</p> <ul style="list-style-type: none"> i. Credit risk : On the basis of Standardized Approach; ii. Market risk : On the basis of Standardized Approach; and iii. Operational risk: On the basis of Basic Indicator Approach. <p>The Bank assesses the capital requirement considering the existing size of portfolio, concentration of portfolio to different risk weight groups, asset quality, profit trend etc. on quarterly rest. The Bank also forecasts the adequacy of capital in terms of its capacity of internal capital generation, maintaining the size of the portfolio, asset quality, conducting credit rating of the borrowers, segregation of portfolio to different risk weight groups etc. As of 31 December 2017, Bank maintained total capital (CET 1 and Tier 2) of Taka 7,012.69 million against the minimum requirement of Taka 4,238.97 million with a surplus of Taka 2,773.72 million. Bank's capital to risk-weighted asset (CRAR) as of 31 December 2017 stood at 16.54% (consisting of 15.31% in CET 1 capital and 1.24% in Tier 2 capital) against the regulatory requirement of minimum 10%. This surplus capital both in term of absolute amount and ratio (CRAR) is considered to be adequate to absorb all the material risks to which the Bank may be exposed in future. The Bank maintained more than adequate capital against the regulatory requirement to uphold and strengthen the confidence of its investors, depositors and other stakeholders.</p>																					
Quantitative Disclosures																							
b)	Capital Requirement for Credit Risk	<p style="text-align: right;">In million Taka</p> <table> <tr> <th>Particulars</th><th>Risk Weighted Assets (RWA)</th><th>Minimum Capital Requirement (MCR)</th></tr> <tr> <td>Credit Risk</td><td></td><td></td></tr> <tr> <td>On-balance sheet</td><td>31,232.24</td><td>3,123.22</td></tr> <tr> <td>Off-balance sheet</td><td>4,134.98</td><td>413.50</td></tr> <tr> <td>Total</td><td>35,367.22</td><td>3,536.72</td></tr> </table>	Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)	Credit Risk			On-balance sheet	31,232.24	3,123.22	Off-balance sheet	4,134.98	413.50	Total	35,367.22	3,536.72						
Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)																					
Credit Risk																							
On-balance sheet	31,232.24	3,123.22																					
Off-balance sheet	4,134.98	413.50																					
Total	35,367.22	3,536.72																					
c)	Capital Requirement for Market Risk	<p style="text-align: right;">In million Taka</p> <table> <tr> <th>Particulars</th><th>Risk Weighted Assets (RWA) Capital Chage</th><th>Minimum Capital Requirement (MCR)</th></tr> <tr> <td>Market Risk</td><td></td><td></td></tr> <tr> <td>Interest rate related instruments</td><td>3,927.00</td><td>392.70</td></tr> <tr> <td>Equities</td><td>-</td><td>-</td></tr> <tr> <td>Foreign exchange position</td><td>444.46</td><td>44.45</td></tr> <tr> <td>Commodities</td><td>-</td><td>-</td></tr> <tr> <td>Total</td><td>4,371.46</td><td>437.15</td></tr> </table>	Particulars	Risk Weighted Assets (RWA) Capital Chage	Minimum Capital Requirement (MCR)	Market Risk			Interest rate related instruments	3,927.00	392.70	Equities	-	-	Foreign exchange position	444.46	44.45	Commodities	-	-	Total	4,371.46	437.15
Particulars	Risk Weighted Assets (RWA) Capital Chage	Minimum Capital Requirement (MCR)																					
Market Risk																							
Interest rate related instruments	3,927.00	392.70																					
Equities	-	-																					
Foreign exchange position	444.46	44.45																					
Commodities	-	-																					
Total	4,371.46	437.15																					
d)	Capital Requirement for Operational Risk	<p style="text-align: right;">In million Taka</p> <table> <tr> <th>Particulars</th><th>Risk Weighted Assets (RWA)</th><th>Minimum Capital Requirement (MCR)</th></tr> <tr> <td>Operational Risk</td><td>2,651.04</td><td>265.10</td></tr> <tr> <td>Total</td><td>2,651.04</td><td>265.10</td></tr> </table>	Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)	Operational Risk	2,651.04	265.10	Total	2,651.04	265.10												
Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)																					
Operational Risk	2,651.04	265.10																					
Total	2,651.04	265.10																					

e)	Total Risk Weighted Assets (RWA), Total Minimum Capital Requirement (MCR) and Total Eligible Regulatory Capital	In million Taka		
		Particulars	Amount	
		Total Risk Weighted Assets (RWA)		
		Credit Risk		
		On-balance sheet		31,232.24
		Off-balance sheet		4,134.98
		Total Credit Risk [i]		35,367.22
		Market Risk [ii]		4,371.46
		Operational Risk [iii]		2,651.04
		Total Risk Weighted Assets (RWA) [i+ii+iii]		42,389.71
		Total Minimum Capital Requirement (MCR) [10% of RWA or Tk. 4,000.00 million whichever is higher]		
		Credit Risk		
		On-balance sheet		3,123.22
		Off-balance sheet		413.50
		Total Credit Risk [i]		3,536.72
		Market Risk [ii]		437.15
		Operational Risk [iii]		265.10
		Total Risk Weighted Assets [10% of RWA]		4,238.97
		Total Minimum Capital Requirement (MCR)		4,238.97
		Total Eligible Regulatory Capital		7,012.69
f)	Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio:	Particulars	Ratio (%)	
		Total Capital to Risk-weighted Assets Ratio (CRAR)	16.54%	
		Common Equity Tier 1 Capital to Risk-weighted Assets Ratio	15.31%	
		Total Tier 1 Capital to Risk-weighted Asset Ratio	15.31%	
		Tier 2 Capital to Risk-weighted Asset Ratio	1.24%	
g)	Capital Conservation Buffer	In million Taka		
		Particulars	Amount	
		Risk Weighted Assets [A]	42,389.71	
		Rate of Capital Conservation Buffer for 2017 in percentage [B]	1.25%	
		Amount of Common Equity Tier 1 (CET 1) Capital is required as per Capital Conservation Buffer [C = A x B]	529.87	
h)	Available Capital under Pillar 2 Requirement	In million Taka		
		Particulars	Amount	
		Total Eligible Regulatory Capital [A]	7,012.69	
		Minimum Capital Requirement under Pillar 1 [B]	4,238.97	
		Capital Conservation Buffer [C]	529.87	
		Minimum Capital Requirement including Capital Conservation Buffer [D=B+C]	4,768.84	
		Available Capital for Pillar 2 [E=A-D]	2,243.85	

D) Credit Risk

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



		<p>b) In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 10 lacs is not repaid within the due date, the classification is as under:</p> <ul style="list-style-type: none">• Substandard : If the amount of past due installment is equal to or more than the amount of installment (s) due within 3 (three) months, the entire loan will be classified as 'Sub- standard';• Doubtful: If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loan will be classified as 'Doubtful';• Bad / Loss: If the amount of past due installment is equal to or more than the amount of installment(s) due within 9 (nine) months, the entire loan will be classified as 'Bad/Loss'. <p>Short-term Agricultural and Micro-Credit: The Short-term Agricultural and Micro-Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Sub-standard' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.</p>																																																												
ii) Description of approaches followed for specific and general allowances and statistical methods		<p>The Bank follows the relevant Bangladesh Bank guideline for determination of general and specific allowances for loans and advances. Firstly, the base for provision for the unclassified and classified loans are calculated as under:</p> <p>a) Calculation of base for provision for unclassified /standard loans: Outstanding amount less suspended interest, if any;</p> <p>b) Calculation of base for provision for the classified loans, the higher of the following two amounts:</p> <p>i. Outstanding amount less suspended interest less value of eligible securities; or ii. 15% of outstanding amount.</p> <p>Secondly, the following rates are applied on base for provision for determination of general and specific allowances for loans:</p> <table><tr><th colspan="2" rowspan="2">Particulars</th><th rowspan="2">Short Term Agriculture and Micro Credit</th><th colspan="3">Consumer Financing</th><th rowspan="2">Small Enterprise Financing</th><th rowspan="2">Credits to BHs/MBs / SDs</th><th rowspan="2">All Other Credits</th></tr><tr><th>Other than HF & LP</th><th>HF</th><th>LP</th></tr><tr><td rowspan="2">Unclassified</td><td>Standard</td><td>1%</td><td>5%</td><td>1%</td><td>2%</td><td>0.25%</td><td>2%</td><td>1%</td></tr><tr><td>SMA</td><td>1%</td><td>5%</td><td>1%</td><td>2%</td><td>0.25%</td><td>2%</td><td>1%</td></tr><tr><td rowspan="3">Classified</td><td>SS</td><td>5%</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td></tr><tr><td>DF</td><td>5%</td><td>50%</td><td>50%</td><td>50%</td><td>50%</td><td>50%</td><td>50%</td></tr><tr><td>B/L</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr></table> <table><tr><td>HF= House Financing</td><td>LP = Loan for Professional</td><td>SD = Stock Dealer</td></tr><tr><td>BH = Broker House</td><td>MB = Merchant Bank</td><td></td></tr></table> <p>Mentionable that, all interest accrued is credited to interest suspense account instead of crediting the same to income account if the loan is classified as sub-standard and doubtful. However, charging of interest is discontinued when the loan is classified as bad/loss.</p> <p>As per BRPD Circular No. 4 dated 29 January 2015, the restructured large loan facilities have been treated as Special Mention Account (SMA) for the purpose of classification. Provision has also been calculated at existing applicable rate of SMA with additional 1%. The income from restructured loan has been accounted for only when it was actually received.</p>	Particulars		Short Term Agriculture and Micro Credit	Consumer Financing			Small Enterprise Financing	Credits to BHs/MBs / SDs	All Other Credits	Other than HF & LP	HF	LP	Unclassified	Standard	1%	5%	1%	2%	0.25%	2%	1%	SMA	1%	5%	1%	2%	0.25%	2%	1%	Classified	SS	5%	20%	20%	20%	20%	20%	20%	DF	5%	50%	50%	50%	50%	50%	50%	B/L	100%	100%	100%	100%	100%	100%	100%	HF= House Financing	LP = Loan for Professional	SD = Stock Dealer	BH = Broker House	MB = Merchant Bank	
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<p>(iii) Discussion of the bank's credit risk Management policy</p>	<p>The salient features of the Bank credit risk management policy and procedures are as under:</p> <ul style="list-style-type: none"> • Credit policy approved by the Board: The Board approves the Credit Risk Management Policy of the Bank for ensuring the best practice in credit risk management and maintaining quality of assets. The credit policy/manual has been put in place in compliance with Bangladesh Bank's guidelines on credit risk management and other rules & regulations circulated by BB from time to time. The policy envisages making credit decisions based on sound lending principles and practices supported by reliable and accurate financials, management integrity, industry/ technical analysis, environmental due diligence, industry information of the borrowing entity/ company etc. • Credit approval is delegated properly: Authorities are properly delegated ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system. • Independent Credit Risk Management Division: There is an independent Credit Risk Management Division to assess credit risks and suggest the mitigation procedures & techniques while processing the credit proposals by the Credit Division for approval. • Separate Credit Administration Division: A separate credit administration division confirms that perfected security documents are in place before disbursement. The division also monitors borrower's compliance with lending covenants and agreed terms and conditions. • Independent Credit Monitoring & Recovery Division and Management Recovery Committee: An independent and fully dedicated Credit Monitoring & Recovery Division monitors the performance and recovery of loans, identify early signs of delinquencies in portfolio and take corrective measures including legal actions to mitigate risks, improve loan quality and to ensure timely recovery of loans. This division also monitors risk status of loan portfolio and ensures adequate loan loss provision. There is a dedicated and high-level management recovery committee to deal with the problem loans for early and most appropriate settlements. • Credit operations are subject to independent internal Audit: Internal Control & Compliance Division independently verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control, documentation and overall Credit Risk Management System. • Reporting to Board/ Executive Committee/Risk Management Committee: Overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio are regularly reported to the Board of Directors/ Executive Committee/ Risk Management Committee of the Board for information and guidance. <p>Above all, the Risk Management Division is regularly guiding the Credit Risk Management Division (s) on increasing the collateral coverage, product/sector specific diversification of credit exposures, single borrower exposures limit, large loan portfolio ceiling as stipulated by Bangladesh Bank, improving the asset quality, conducting credit rating of the borrowers to minimize the capital charge against credit risk of the Bank.</p> <p>Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans are regularly reported to the Board of Directors/ Risk Management Committee of the Board.</p>
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Quantitative Disclosures:

b)	Total gross credit risk exposures broken down by major types of credit exposures	Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2017:																																																															
In million Taka																																																																	
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Rubber & Plastic Industries	912.96	2.11%																																																
Iron, Steel & Aluminum Industries	1,576.16	3.64%																																																
Printing & Packaging Industries	302.70	0.70%																																																
Other Manufacturing Industries	8,178.93	18.90%																																																
Housing & Construction Industries	680.29	1.57%																																																
Consumer Credit	155.24	0.36%																																																
Others	2,655.92	6.14%																																																
Total	43,284.97	100.00%																																																
e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposures	<p>Residual contractual maturity of exposures as per the disclosures furnished in the audited financial statements as of 31 December 2017 are as follows:</p> <p style="text-align: right;">In million Taka</p> <table> <tr> <th>Particulars</th><th>Outstanding Amount</th><th>Mix (%)</th></tr> <tr> <td>On Demand</td><td>4,444.00</td><td>10.27%</td></tr> <tr> <td>Within one month</td><td>3,131.91</td><td>7.24%</td></tr> <tr> <td>Within one to three months</td><td>9,001.35</td><td>20.80%</td></tr> <tr> <td>Within three to twelve months</td><td>15,345.18</td><td>35.45%</td></tr> <tr> <td>Within one to five years</td><td>9,241.45</td><td>21.35%</td></tr> <tr> <td>More than five years</td><td>2,121.08</td><td>4.90%</td></tr> <tr> <td>Total</td><td>43,284.97</td><td>100.00%</td></tr> </table>	Particulars	Outstanding Amount	Mix (%)	On Demand	4,444.00	10.27%	Within one month	3,131.91	7.24%	Within one to three months	9,001.35	20.80%	Within three to twelve months	15,345.18	35.45%	Within one to five years	9,241.45	21.35%	More than five years	2,121.08	4.90%	Total	43,284.97	100.00%																								
Particulars	Outstanding Amount	Mix (%)																																																
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More than five years	2,121.08	4.90%																																																
Total	43,284.97	100.00%																																																
f)	Impaired / classified loans by major industry or counterparty type:	<p>a) Amount of impaired / classified loans by major industries / sector-type as of 31 December 2017 was as follows :</p> <p style="text-align: right;">In million Taka</p> <table> <tr> <th>Major Industries / Sector Type</th><th>Outstanding Amount</th><th>Mix (%)</th></tr> <tr> <td>SMEF</td><td>151.62</td><td>40.41%</td></tr> <tr> <td>Consumer Finance</td><td>0.38</td><td>0.10%</td></tr> <tr> <td>Other than SMEF</td><td>223.25</td><td>59.49%</td></tr> <tr> <td>Total</td><td>375.25</td><td>100.00%</td></tr> </table>	Major Industries / Sector Type	Outstanding Amount	Mix (%)	SMEF	151.62	40.41%	Consumer Finance	0.38	0.10%	Other than SMEF	223.25	59.49%	Total	375.25	100.00%																																	
Major Industries / Sector Type	Outstanding Amount	Mix (%)																																																
SMEF	151.62	40.41%																																																
Consumer Finance	0.38	0.10%																																																
Other than SMEF	223.25	59.49%																																																
Total	375.25	100.00%																																																



		<p>b) Amount of impaired / classified loans by exposure type as on 31 December 2017 was as under :</p> <p style="text-align: right;">In million Taka</p> <table><tr><th rowspan="2">Major Counterparty type</th><th colspan="3">Status amount of impaired / classified Loans</th><th rowspan="2">Total</th></tr><tr><th>Substandard</th><th>Doubtful</th><th>Bad/Loss</th></tr><tr><td>Continuous loan</td><td>122.12</td><td>-</td><td>125.42</td><td>247.54</td></tr><tr><td>Demand loan</td><td>-</td><td>-</td><td>74.65</td><td>74.65</td></tr><tr><td>Time loan</td><td>2.00</td><td>-</td><td>-</td><td>2.00</td></tr><tr><td>Term loan</td><td>2.66</td><td>13.31</td><td>35.09</td><td>51.06</td></tr><tr><td>Total</td><td>126.78</td><td>13.31</td><td>235.16</td><td>375.25</td></tr></table>	Major Counterparty type	Status amount of impaired / classified Loans			Total	Substandard	Doubtful	Bad/Loss	Continuous loan	122.12	-	125.42	247.54	Demand loan	-	-	74.65	74.65	Time loan	2.00	-	-	2.00	Term loan	2.66	13.31	35.09	51.06	Total	126.78	13.31	235.16	375.25
Major Counterparty type	Status amount of impaired / classified Loans			Total																															
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Time loan	2.00	-	-	2.00																															
Term loan	2.66	13.31	35.09	51.06																															
Total	126.78	13.31	235.16	375.25																															
g)	Specific and General Provision	<p>a) Total specific and general provision : Specific and general provision for loans portfolio and general provision for off-balance sheet exposures of the Bank as per audited financial statements as of 31 December 2017 was as under :</p> <p style="text-align: right;">In million Taka</p> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>General provision for loans and advances</td><td>398.08</td></tr><tr><td>Specific provision for loans and advances</td><td>82.92</td></tr><tr><td>General provision for off-balance sheet exposures</td><td>117.64</td></tr><tr><td>Total</td><td>598.64</td></tr></table> <p>b) Charges for specific general provision during the period : Specific and general provision for loans portfolio and general provision for off-balance sheet exposures of the Bank charged during the year as per audited financial statements for the year ended 31 December 2017 was as under :</p> <p style="text-align: right;">In million Taka</p> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>General provision for loans and advances</td><td>188.26</td></tr><tr><td>Specific provision for loans and advances</td><td>82.92</td></tr><tr><td>General provision for off-balance sheet exposures</td><td>25.18</td></tr><tr><td>Total</td><td>296.36</td></tr></table>	Particulars	Amount	General provision for loans and advances	398.08	Specific provision for loans and advances	82.92	General provision for off-balance sheet exposures	117.64	Total	598.64	Particulars	Amount	General provision for loans and advances	188.26	Specific provision for loans and advances	82.92	General provision for off-balance sheet exposures	25.18	Total	296.36													
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Total	296.36																																		
h)	Gross Non Performing Assets (NPAs)	<p>Position of Non Performing Loans and Advances including bills purchased and discounted of the Bank as per audited financial statements for the year ended 31 December 2017 was as under :</p> <p style="text-align: right;">In million Taka</p> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Gross Non Performing Assets (NPAs)</td><td>375.25</td></tr><tr><td>Non Performing Assets (NPAs) to Outstanding Loans and Advances</td><td>0.87%</td></tr><tr><td>Movement of Non Performing Assets (NPAs)</td><td></td></tr><tr><td>Opening Balance</td><td>-</td></tr><tr><td>Additions / adjustment during the year (net)</td><td>375.25</td></tr><tr><td>Closing balance</td><td>375.25</td></tr><tr><td>Movement of specific provision for NPAs</td><td></td></tr><tr><td>Opening balance</td><td>-</td></tr><tr><td>Add : provision made during the year</td><td>82.92</td></tr><tr><td>Less : Write-off</td><td>-</td></tr><tr><td>Add : Write-back of excess provision</td><td>-</td></tr><tr><td>Closing balance</td><td>82.92</td></tr></table>	Particulars	Amount	Gross Non Performing Assets (NPAs)	375.25	Non Performing Assets (NPAs) to Outstanding Loans and Advances	0.87%	Movement of Non Performing Assets (NPAs)		Opening Balance	-	Additions / adjustment during the year (net)	375.25	Closing balance	375.25	Movement of specific provision for NPAs		Opening balance	-	Add : provision made during the year	82.92	Less : Write-off	-	Add : Write-back of excess provision	-	Closing balance	82.92							
Particulars	Amount																																		
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Add : Write-back of excess provision	-																																		
Closing balance	82.92																																		

E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures:		
a)	The general qualitative disclosures requirement with respect to equity risk, including :	
	Differentiation between Holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Not applicable
	Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	Quoted shares are valued at cost. Provisions are made for any loss arising from diminution in value of investment.
Quantitative Disclosures:		
b)	Value disclosed in the balance sheet on investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Not Applicable
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2017) period.	Nil
d)	• Total unrealized gains (losses)	Nil
	• Total latent revaluation gains (losses)	Nil
	• Any amounts of the above included in Tier II capital.	No
e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.	Nil

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.	<p>Interest rate risk is the potential impact on the Bank's earnings (Net Interest Income- NII) and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), for both On and Off-balance sheet exposures, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The portfolio of assets and liabilities in the banking book sensitive to interest rate changes is the element of interest rate risk.</p> <p>The immediate impact of changes in interest rates is on the Bank's net interest income (difference between interest income accrued on rate sensitive asset portfolio and interest expenses accrued on rate sensitive liability portfolio) for particular period of time, while the long term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and off-balance sheet exposures are affected.</p> <p>Key assumptions on loan prepayments and behavior of non-maturity deposits:</p> <p>a) Loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule;</p> <p>b) Loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and re-priced accordingly;</p> <p>c) Non-maturity deposits namely current, saving deposits are segregated into different time buckets on the basis of past trend of withdrawal, seasonality, religious festivals, geographical perspective and re-priced accordingly. However, the behavior of withdrawal of non-maturity deposits of the Bank is more or less stable.</p> <p>The Bank measures the IRRBB as per the regulatory guidelines on a quarterly rest.</p>
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Quantitative Disclosures:

- b) The impact of changes in interest rate for On-balance sheet rate sensitive assets and liabilities of the Bank as per the audited financial statements as of 31 December 2017 is furnished below:

In million Taka

Particulars	Residual Maturity Bucket				
	1 month	3 month	6 month	1 year	1 year above
Rate Sensitive Assets [A]	1,032.20	706.64	1,004.83	1,439.33	1,192.82
Rate Sensitive Liabilities [B]	406.94	1,311.30	993.45	795.55	1,058.18
GAP [A – B]	625.26	(604.66)	11.38	643.78	134.64
Cumulative GAP	625.26	20.60	31.98	675.76	810.40
Interest Rate Change (IRC) [Note 1]	1%	1%	1%	1%	1%
Quarterly Earnings Impact [GAP X IRC]	6.25	(6.05)	0.11	6.44	1.35
Cumulative Earnings Impact	6.25	0.20	0.31	6.75	8.10

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



G) Market Risk

Qualitative Disclosures:																			
Views of Board of Directors on trading / investment activities:	The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet: i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk.																		
Methods used to measure Market risk:	As per relevant Bangladesh Bank guidelines, Standardize approach has been used to measure the market risk for capital requirement for of the Bank. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculate capital charges for "Specific Risk" and "General Market Risk" as under :																		
	<table><tr><th rowspan="2">Component of Market Risk</th><th colspan="2">Capital Charged for Market Risk</th></tr><tr><th>General Market Risk</th><th>Specific Market Risk</th></tr><tr><td>Interest Rate Risk</td><td>Applied</td><td>Applied</td></tr><tr><td>Equity Price Risk</td><td>Applied</td><td>Applied</td></tr><tr><td>Foreign Exchange Risk</td><td colspan="2">Applied</td></tr><tr><td>Commodities Price Risk</td><td colspan="2">Applied</td></tr></table>		Component of Market Risk	Capital Charged for Market Risk		General Market Risk	Specific Market Risk	Interest Rate Risk	Applied	Applied	Equity Price Risk	Applied	Applied	Foreign Exchange Risk	Applied		Commodities Price Risk	Applied	
Component of Market Risk	Capital Charged for Market Risk																		
	General Market Risk	Specific Market Risk																	
Interest Rate Risk	Applied	Applied																	
Equity Price Risk	Applied	Applied																	
Foreign Exchange Risk	Applied																		
Commodities Price Risk	Applied																		
Market Risk management system:	The Treasury Division of the Bank manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Assets-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meet at least once in a month. The Risk Management Division also reviews the market risk parameters on monthly basis and recommends on portfolio concentration for containing the RWA.																		
Policies and processes for mitigating market risk	There are approved limits for credit deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on a daily basis to review the prevailing market condition, exchange rate, foreign exchange position, and transactions to mitigate foreign exchange risks.																		
Quantitative Disclosures:																			
The capital requirements for market risk	In million Taka <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Interest Rate Risk</td><td>392.70</td></tr><tr><td>Equity Position Risk</td><td>-</td></tr><tr><td>Foreign Exchange Risk</td><td>44.45</td></tr><tr><td>Commodity Risk</td><td>-</td></tr><tr><td>Total Capital Requirement of Market Risk</td><td>437.15</td></tr></table>		Particulars	Amount	Interest Rate Risk	392.70	Equity Position Risk	-	Foreign Exchange Risk	44.45	Commodity Risk	-	Total Capital Requirement of Market Risk	437.15					
Particulars	Amount																		
Interest Rate Risk	392.70																		
Equity Position Risk	-																		
Foreign Exchange Risk	44.45																		
Commodity Risk	-																		
Total Capital Requirement of Market Risk	437.15																		

H) Operational Risk

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

v) Approaches for calculating capital charge for operational risk	<p>The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 [Guidelines on ‘Risk Based Capital Adequacy for Banks’ (Revised regulatory capital framework in line with Base III)]. The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:</p> $K = [(GI_1 + GI_2 + GI_3) \alpha]/n$ <p>Where: 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.</p> <p>Besides, Gross Income (GI) is calculated as “Net Interest Income” plus “Net non-Interest Income”. The GI is also the net result of :</p> <ul style="list-style-type: none">i) Gross of any provisions;ii) Gross of operating expenses, including fees paid to outsourcing service providers;iii) Excluding realized profits/losses from the sale of securities held to maturity in the banking book;iv) Excluding extraordinary or irregular items;iv) Excluding income derived from insurance.																
Quantitative Disclosures:																	
The capital requirements for operational risk	Taka 265.10 million.																
Capital Charge for Operational Risk-Basic Indicator Approach	<div>Amount in million Taka</div> <table><tr><th>Year</th><th>Gross Income (GI)</th><th>Average Gross Income (AGI)</th><th>Capital Charge = 15% of AGI</th></tr><tr><td>2015</td><td>998.36</td><td>728.55</td><td>109.28</td></tr><tr><td>2016</td><td>1,820.09</td><td>1,224.61</td><td>183.69</td></tr><tr><td>2017</td><td>2,483.62</td><td>1,767.36</td><td>265.10</td></tr></table>	Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge = 15% of AGI	2015	998.36	728.55	109.28	2016	1,820.09	1,224.61	183.69	2017	2,483.62	1,767.36	265.10
Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge = 15% of AGI														
2015	998.36	728.55	109.28														
2016	1,820.09	1,224.61	183.69														
2017	2,483.62	1,767.36	265.10														



Liquidity Ratio

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

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce Liquidity Risk	<p>The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the EC of the Board also reviews the liquidity position while reviewing the management information system (MIS) report on monthly basis.</p> <p>Upon reviewing the overall liquidity position along with the outlook of the Bank's funding need, investment opportunity, market/ industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates policies etc. The Board always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.</p>
ii) Methods used to measure Liquidity Risk	<p>The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods / tools to measure the liquidity position / risk of the Bank.</p> <p>However, under Basel III, the following methods and tools are mandated for measuring the liquidity risk.</p> <p>a) Liquidity Coverage Ratio (LCR): Liquidity Coverage Ratio ensures to maintain an adequate level of stock of high quality liquid assets that can be converted into cash to meet its liquidity needs (i.e. total net cash outflows) over the next 30 calendar days.</p> <p>b) Net Stable Funding Ratio (NSFR): Net Stable Funding Ratio aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that, available stable funding (ASF) should be at least equal to required stable funding (RSF).</p> <p>ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability.</p> <p>RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or "long-term" and therefore requires stable funding.</p> <p>In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner:</p> <p>a) Asset-Liability Maturity Analysis (Liquidity profile); b) Whole sale borrowing capacity; c) Maximum Cumulative Outflow (MCO);</p> <p>Besides the above, the following tools are also used for measuring liquidity risk:</p> <p>a) Stress Testing (Liquidity Stress); b) Net open position limit - to monitor the FX funding liquidity risk.</p>

iii) Liquidity risk management system	<p>In SBAC Bank Ltd., at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director along with other senior management.</p> <p>Treasury Division upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank's approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/profitability as well as overall market behavior and sentiment etc. Apart from the above, Risk Management Division also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division (s) on regular interval.</p>								
iv) Policies and processes for mitigating Liquidity Risk	<p>The Asset-Liability Management Committee (ALCO) policy leads the process & procedures for mitigation of liquidity risk of the Bank. ALCO works under specific Terms of References (functions) approved by the Board.</p> <p>Treasury Division (Front Office) and ALM desk under regular supervision of Top Management reviews the overall liquidity position of the Bank and takes appropriate strategy, process in line with the industry position for managing liquidity risk of the Bank.</p>								
Quantitative Disclosures									
i) Liquidity Coverage Ratio (LCR)	<p>The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under:</p> <p>Liquidity Coverage Ratio (LCR) = $\frac{\text{Stock of High quality liquid assets}}{\text{Net cash outflows over the next 30 calendar days}^*}$</p> <table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Liquidity Coverage Ratio (LCR)</td><td>≥ 100%</td><td>149.07%</td></tr></table> <p>* If total weighted cash inflows over next 30 days is greater than that of outflows then, for calculation of LCR, 25% of total weighted cash outflows over next 30 days will be taken instead of Net cash outflows over the next 30 calendar days.</p>	Particulars	Ratio (%)		Bangladesh Bank Requirement	Bank's Position	Liquidity Coverage Ratio (LCR)	≥ 100%	149.07%
Particulars	Ratio (%)								
	Bangladesh Bank Requirement	Bank's Position							
Liquidity Coverage Ratio (LCR)	≥ 100%	149.07%							
ii) Net Stable Funding Ratio (NSFR)	<p>The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under:</p> <p>Net Stable Funding Ratio (NSFR) = $\frac{\text{Available amount of stable funding (ASF)}}{\text{Required amount of stable funding (RSF)}}$</p> <table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Net Stable Funding Ratio (NSFR)</td><td>≥ 100%</td><td>110.57%</td></tr></table>	Particulars	Ratio (%)		Bangladesh Bank Requirement	Bank's Position	Net Stable Funding Ratio (NSFR)	≥ 100%	110.57%
Particulars	Ratio (%)								
	Bangladesh Bank Requirement	Bank's Position							
Net Stable Funding Ratio (NSFR)	≥ 100%	110.57%							



iii) Stock of High Quality Liquid Assets (SHQLA)	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the Stock of High Quality Liquid Assets (SHQLA) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under:</p>										
	<p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>Cash in hand</td><td>463.17</td></tr> <tr> <td>Balance with Bangladesh Bank</td><td>3,060.88</td></tr> <tr> <td>Un-encumbered approved securities</td><td>6,389.73</td></tr> <tr> <td>Total Stock of High Quality Liquid Assets (SHQLA)</td><td>9,913.78</td></tr> </tbody> </table>	Particulars	Amount	Cash in hand	463.17	Balance with Bangladesh Bank	3,060.88	Un-encumbered approved securities	6,389.73	Total Stock of High Quality Liquid Assets (SHQLA)	9,913.78
Particulars	Amount										
Cash in hand	463.17										
Balance with Bangladesh Bank	3,060.88										
Un-encumbered approved securities	6,389.73										
Total Stock of High Quality Liquid Assets (SHQLA)	9,913.78										
iv) Total net cash outflows over the next 30 calendar days	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, total net cash outflows over the next 30 calendar days of South Bangla Agriculture & Commerce Bank Limited based on the position as of 31 December 2017 was as under:</p>										
	<p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>Total weighted cash outflows over next 30 days [A]</td><td>12,783.95</td></tr> <tr> <td>Total weighted cash inflows over next 30 days [B]</td><td>6,133.75</td></tr> <tr> <td>Total net cash outflows over next 30 days [A – B]</td><td>6,650.20</td></tr> </tbody> </table>	Particulars	Amount	Total weighted cash outflows over next 30 days [A]	12,783.95	Total weighted cash inflows over next 30 days [B]	6,133.75	Total net cash outflows over next 30 days [A – B]	6,650.20		
Particulars	Amount										
Total weighted cash outflows over next 30 days [A]	12,783.95										
Total weighted cash inflows over next 30 days [B]	6,133.75										
Total net cash outflows over next 30 days [A – B]	6,650.20										
v) Available amount of stable funding	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the available amount of stable funding (ASF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under:</p>										
	<p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Weighted Amount</th></tr> </thead> <tbody> <tr> <td>Available amount of Stable Funding (ASF)</td><td>49,447.34</td></tr> </tbody> </table>	Particulars	Weighted Amount	Available amount of Stable Funding (ASF)	49,447.34						
Particulars	Weighted Amount										
Available amount of Stable Funding (ASF)	49,447.34										
vi) Required amount of stable funding	<p>As stipulated by Bangladesh Bank vide DOS Circular Letter No. 1 dated 1 January 2015, the required amount of stable funding (RSF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under:</p>										
	<p style="text-align: right;">In million Taka</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Weighted Amount</th></tr> </thead> <tbody> <tr> <td>Required amount of Stable Funding (RSF)</td><td>44,722.27</td></tr> </tbody> </table>	Particulars	Weighted Amount	Required amount of Stable Funding (RSF)	44,722.27						
Particulars	Weighted Amount										
Required amount of Stable Funding (RSF)	44,722.27										

Leverage Ratio

Qualitative Disclosures										
i) Views of BOD on system to reduce excessive leverage	<p>The Board of Directors primarily views on the growth of On and Off balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasises on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.</p> <p>At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the credit-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset-liability gap within the tolerable limit to manage the liquidity risk.</p>									
ii) Policies and processes for managing excessive on and off balance sheet leverage	<p>First and foremost, Bank's policy is to maintain the Leverage Ratio (Tier 1 capital as proportion to total adjusted On and Off balance sheet asset) well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits & borrowing, loans & advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed on monthly basis.</p> <p>Measures are taken to contain the growth of overall size of balance sheet (On and Off balance sheet exposures aggregately) considering short term outlook of the industry indicators as well as possible growth of equity (Tier 1 capital) of the Bank on quarterly rest.</p> <p>With regard to managing the excessive leverage, the regulatory stance through the monetary policy initiatives i.e. the scope of expected business potential (growth), estimated money supply, inflation, resulting the estimated overall liquidity of the industry as well as the Bank in particular is also considered.</p>									
iii) Approach for calculating exposure / Leverage	<p>The exposures of balance sheet representing the overall position of the Bank as of the reporting date are calculated and presented in terms of applicable relevant accounting standards, i.e., IASs (BASs), IFRSs (BFRSs), etc.</p> <p>The accounting values of assets and liabilities are also presented and measured at gross. Netting of assets and liabilities are also made where permitted in compliance with the respective accounting standards and the regulatory instruction.</p> <p>For calculating "leverage", the Bank follows the 'Leverage Ratio' approach / method as suggested by Bangladesh Bank.</p>									
Quantitative Disclosures										
i) Leverage Ratio	<p>Leverage Ratio (LR) under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under:</p> <p style="text-align: center;">Tier 1 Capital (after related adjustment)</p> <p style="text-align: center;">Leverage Ratio (LR) = $\frac{\text{Tier 1 Capital (after related adjustment)}}{\text{Total Exposure (after related deductions)}}$</p> <table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Liquidity Ratio (LR)</td><td>> 3%</td><td>10.11%</td></tr></table>		Particulars	Ratio (%)		Bangladesh Bank Requirement	Bank's Position	Liquidity Ratio (LR)	> 3%	10.11%
Particulars	Ratio (%)									
	Bangladesh Bank Requirement	Bank's Position								
Liquidity Ratio (LR)	> 3%	10.11%								



ii) On balance sheet exposure	Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under: <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Total On Balance Sheet Assets [A]</td><td>58,940.78</td></tr><tr><td>Less : Total Specific Provision [B]</td><td>82.92</td></tr><tr><td>Total Adjusted On Balance Sheet Exposure [A – B]</td><td>58,857.86</td></tr></table>				Particulars	Amount	Total On Balance Sheet Assets [A]	58,940.78	Less : Total Specific Provision [B]	82.92	Total Adjusted On Balance Sheet Exposure [A – B]	58,857.86																				
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iii) Off balance sheet exposure	Total Off-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under: <div>In million Taka</div> <table><tr><th>Exposures Types</th><th>Notional Amount</th><th>Credit Conversion Factor (CCF)</th><th>Weighted Amount</th></tr><tr><td>1</td><td>2</td><td>3</td><td>4 = 2 X 3</td></tr><tr><td>Direct credit substitutes</td><td>4,092.36</td><td>100%</td><td>4,092.36</td></tr><tr><td>Performance related contingencies</td><td>0.00</td><td>50%</td><td>0.00</td></tr><tr><td>Short-term self-liquidating trade letters of credit</td><td>6,187.70</td><td>20%</td><td>1,237.54</td></tr><tr><td>Other commitments that can be unconditionally cancelled by any time</td><td>816.10</td><td>0%</td><td>0.00</td></tr><tr><td>Total</td><td>11,096.16</td><td></td><td>5,329.90</td></tr></table>				Exposures Types	Notional Amount	Credit Conversion Factor (CCF)	Weighted Amount	1	2	3	4 = 2 X 3	Direct credit substitutes	4,092.36	100%	4,092.36	Performance related contingencies	0.00	50%	0.00	Short-term self-liquidating trade letters of credit	6,187.70	20%	1,237.54	Other commitments that can be unconditionally cancelled by any time	816.10	0%	0.00	Total	11,096.16		5,329.90
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iv) Total exposure	Total Exposures for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2017 was as under: <div>In million Taka</div> <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Total On Balance Sheet Exposures [A]</td><td>58,857.86</td></tr><tr><td>Total Off Balance Sheet Exposures [B]</td><td>5,411.51</td></tr><tr><td>Less : Total Deduction / Regulatory adjustments [c]</td><td>0.00</td></tr><tr><td>Total Adjusted Exposure [A + B – C]</td><td>64,269.37</td></tr></table>				Particulars	Amount	Total On Balance Sheet Exposures [A]	58,857.86	Total Off Balance Sheet Exposures [B]	5,411.51	Less : Total Deduction / Regulatory adjustments [c]	0.00	Total Adjusted Exposure [A + B – C]	64,269.37																		
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Remuneration

Qualitative Disclosures	
a) Information relating to the bodies that oversee remuneration	
i) Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy / policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank.
ii) Composition of the main body overseeing remuneration	The MANCOM is headed and chaired by the Managing Director of the Bank; along with other members of top executive management (Deputy Managing Directors) and the Heads of different functional divisions of Head Office. The Company Secretary of the Bank acts as the Member Secretary of the MANCOM.
iii) Mandate of the main body overseeing remuneration	The mandate of the Management Committee (MANCOM) as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.
iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.
v) A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate the 'Pay Structure' and 'employee benefits' by regions. However, variation in remuneration is in practice based on nature of job/business line/activity primarily bifurcated for the employees who are directly recruited by the Bank and the headcounts/employees explored through outsourcing service providers as per rule. As of 31 December 2017, the Bank had no foreign subsidiaries and branches outside Bangladesh.
vi) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	The Bank consider the members of the senior management, branch managers and the employees engaged in different functional divisions at Head Office (except the employees involved in internal control, risk management and compliance) as the material risk takers of the Bank.
b) Information relating to the design and structure of remuneration processes	
i) An overview of the key features and objectives of remuneration policy.	Remuneration and other associated matters are guided by the Bank's Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/hiring of experienced, talented workforce focusing on sustainable growth of the Bank.
ii) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made.	Human Resources Division under guidance of MANCOM, the Board and senior management reviews the issues of remuneration & its associated matters from time to time.
iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.
c) Description of the ways in which current and future risks are taken in account in the remuneration processes	
i) An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit / default risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risk are also considered.



ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature & type of business lines / segments etc. These measures are primarily focused on the business target / goals set for each area of operation, branch vis-a-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit-deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.
iii) A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	No material change has been made during the year 2016 that could the affect the remuneration.
d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	
i) An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs) while approving the business target / budget for each year for the Bank and business lines / segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence / approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.
ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her / his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked / impacted to the same extent.
iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics / scorecard.
e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The Bank pays variable remuneration i.e. annual increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate / individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per the Bank's rule.
ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national	Not Applicable



law) after vesting through claw back arrangements.			
f) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms.			
i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.	The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and / or Payment Order / Cheque), as the case may be, as per rule / practice.		
ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	The following variable remuneration has been offered by the Bank to its employees: Annual Increment Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to the Bank's values.		
Quantitative Disclosures			
i) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 9 (nine) meetings of the Management Committee (MANCOM) held during the year 2017. All the members of MANCOM are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the Management Committee for attending the meeting except their regular remuneration.		
ii) Number of employees having received a variable remuneration award during the financial year.	Number of Employees having received a variable remuneration award during the year 2017 was : No. of Employees : 672 Total Amount : Tk 52.48 million		
iii) Number and total amount of guaranteed bonuses awarded during the financial year.	The following number and total amount of Guaranteed bonuses awarded during the year 2017:		
	Particulars	Number of Employees	Total Amount of Guaranteed Bonuses (in million Taka)
	Guaranteed Bonus awarded during the year 2017	716	54.13
iv) Number and total amount of sign-on awards made during the financial year.	There was no sign-on awards made in 2017.		
v) Number and total amount of severance payments made during the financial year.	There was no severance payment made during the year 2017.		
vi) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	There was no deferred remuneration, split into cash, shares and share-linked instruments and other forms made in 2017.		
vii) Total amount of deferred remuneration paid out in the financial year.	There was deferred remuneration paid out in the financial year 2017.		
viii) Breakdown of amount of remuneration awards for the financial year.	Fixed and variable remuneration paid in 2017 are as follows :		
	In million Taka		
	Particulars	Amount	
	Fixed Pay	662.70	
	Variable Pay	52.48	
Total Fixed and Variable Pay	715.18		



Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:

ix) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not Applicable
x) Total amount of reductions during the financial year due to ex post explicit adjustments.	Not Applicable
xi) Total amount of reductions during the financial year due to ex post implicit adjustments.	Not Applicable



FINANCIAL STATEMENT





20 March, 2018

The Board of Directors

South Bangla Agriculture and Commerce Bank Limited

37 Dilkusha C/A (Level – 10)

Dhaka-1000.

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

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

In accordance with the notification of Bangladesh Securities and Exchange Commission No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 we declare that for the financial year ended 31 December, 2017:

- i) We have reviewed the financial statements for the year ended 31 December 2017 and that to the best of our Knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards and applicable laws;
- ii) There are, to the best of knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violation of the Bank's code of conduct.

Md. Masoodur Rahman FCA
Chief Financial Officer

Md. Golam Faruque
Managing Director & CEO

Independent Auditor's Report to the Shareholders

Report on the Financial Statements

We have audited the accompanying financial statements of South Bangla Agriculture and Commerce Bank Limited (the Bank), which comprise the balance sheet as at 31 December, 2017 and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of the Bank. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control systems. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the Bank.

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

Opinion

In our opinion, the financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2.1.

Report on other Legal and Regulatory Requirements

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

- a) we have obtained all the information and

explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

- b) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:
 - i. Internal audit, internal control and risk management arrangements of the Bank as disclosed in note 2.17 of the financial statements appeared to be materially adequate;
 - ii. Nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank;
- c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- d) the balance sheet and the profit and loss account of the Bank dealt with by the report are in agreement with the books of account;
- e) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and Bangladesh Financial Reporting Standards as explained in note No 2.1 as well as with related guidance, Circulars issued by Bangladesh Bank and decision

taken in tripartite meeting amongst Inspection team of Bangladesh Bank, External Auditors and the Management of South Bangla Agriculture and commerce Bank Limited held on 07.03.2018 and subsequent letter no. DBI-1/132/2018-1053 dated 20.03.2018 issued by Bangladesh Bank;

- f) the expenditure incurred was for the purposes of the Bank's business;
- g) the financial statements of the bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- h) adequate provisions have been made for advances, other assets and off-balance sheet items which are, in our opinion, doubtful of recovery;
- i) the records and statements submitted by the branches have been properly maintained in the financial statements;
- j) the information and explanation required by us have been received and found satisfactory;
- k) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 3,944 person hours for the audit of the books and account of the Bank and
- l) Capital to Risk Weighted Assets Ratio (CRAR) as required by the Bangladesh Bank has been maintained adequately during the year.

Khan Wahab Shafique Rahman & Co.

Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Balance Sheet

As at 31 December 2017

	Notes	2017 Taka	2016 Taka
PROPERTY AND ASSETS			
Cash			
Cash in hand (Including foreign currencies)	3	463,165,656	335,651,998
Balance with Bangladesh Bank and its agent bank(s)	4	3,060,880,987	2,373,813,862
		3,524,046,643	2,709,465,860
Balance with other banks and financial institutions			
In Bangladesh	5	4,001,749,184	6,211,056,496
Outside Bangladesh		146,016,589	135,210,292
		4,147,765,773	6,346,266,788
Money at call and short notice			
	6	-	186,000,000
Investments :			
Government	7	6,390,878,377	4,681,491,529
Others		-	-
		6,390,878,377	4,681,491,529
Loans and advances			
Loans, cash credits, overdrafts etc.	8	41,353,266,835	28,306,481,017
Bills purchased & discounted		1,931,698,390	1,867,611,799
		43,284,965,225	30,174,092,816
Fixed assets including land, buildings, furniture and fixtures			
	9	479,756,109	468,795,762
Other assets			
	10	1,113,371,751	1,033,871,858
Non-banking assets			
		-	-
TOTAL ASSETS		58,940,783,878	45,599,984,613
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents			
	11	398,414,216	282,066,258
Deposits and other accounts			
Current deposits and other accounts	12	3,436,316,085	3,033,998,158
Special notice deposits		1,487,081,252	1,673,239,342
Bills payable		1,378,779,929	1,255,470,065
Savings bank deposits		1,833,217,886	1,284,222,550
Fixed deposits		38,447,684,399	28,189,998,960
Other term deposits		3,538,410,916	2,900,271,526
		50,121,490,467	38,337,200,601
Subordinated bonds		-	-
Other liabilities			
	13	1,881,887,053	1,364,386,983
TOTAL LIABILITIES		52,401,791,736	39,983,653,842
Shareholders' equity			
Paid up capital	14	4,985,222,400	4,334,976,000
Statutory reserve	15	798,663,282	495,076,904
General reserve		-	-
Other reserves (revaluation reserve on Govt. Securities)	16	50,815,472	110,189,960
Retained earnings	17	704,290,988	676,087,907
TOTAL SHAREHOLDERS' EQUITY		6,538,992,142	5,616,330,771
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		58,940,783,878	45,599,984,613

Accompanying notes form an integral part of these financial statements.



Chairman



Director



Director



Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co.

Khan Wahab Shafique Rahman & Co
Chartered Accountants

Date : March 22, 2018

	Notes	2017 Taka	2016 Taka
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	18		
Acceptance and endorsements		3,043,413,391	1,856,855,059
Letters of guarantee		2,810,536,030	2,346,444,973
Irrevocable letters of credit		4,126,404,481	3,805,785,291
Bills for collection		967,377,539	701,183,799
Other contingent liabilities		816,100,000	535,100,000
Total contingent liabilities		11,763,831,442	9,245,369,121
Other commitments			
Lease rental commitments		-	-
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Spot and forward foreign exchange rate contracts		-	-
other exchange contracts		-	-
Claims against the Bank not acknowledged as debt		-	-
Total other commitments		-	-
Total off balance sheet items (including contingent liabilities)		11,763,831,442	9,245,369,121
Net asset value per share (NAV)		13.12	12.96

Accompanying notes form an integral part of these financial statements.



Chairman



Director



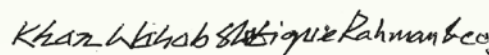
Director



Managing Director & CEO

Signed in terms of our report of even date.

Date : March 22, 2018



Khan Wahab Shafique Rahman & Co
Chartered Accountants

Profit and Loss Account

For the year ended 31 December 2017

	Notes	2017 Taka	2016 Taka
Interest income	21	4,764,888,426	3,843,962,422
Less: Interest paid on deposits and borrowings	22	2,802,476,484	2,307,330,523
Net interest income		1,962,411,942	1,536,631,899
Investment income	23	1,006,844,262	1,143,568,991
Commission, exchange and brokerage	24	418,979,605	213,022,174
Other operating income	25	87,882,281	68,123,343
		1,513,706,149	1,424,714,508
Total operating income		3,476,118,091	2,961,346,407
Salary and allowances	26	791,398,022	594,936,744
Rent, taxes, insurance, electricity etc.	27	320,350,708	264,422,335
Legal & professional expenses	28	1,862,941	915,275
Postage, stamp, telecommunication etc.	29	27,486,903	22,845,224
Stationery, printing, advertisement etc.	30	24,039,889	20,262,010
Managing director's salary and allowances	31	12,233,548	12,490,000
Directors' fees and other benefits	32	2,968,000	3,040,000
Audit fees	33	402,500	345,000
Repairs, maintenance and depreciation	34	156,223,616	121,715,722
Other expenses	35	319,853,495	400,491,278
Total operating expenses		1,656,819,622	1,441,463,588
Profit before provision		1,819,298,469	1,519,882,819
Provision for loans and advances			
Specific provision	13.4	82,921,644	(2,589,842)
General provision (including off balance sheet items)	13.4&13.5	213,444,935	85,156,596
		296,366,579	82,566,754
Provision for rebate to good borrowers	13.6	5,000,000	5,000,000
Provision for diminution in value of investment	13.3	-	(13,566,206)
Total provision		301,366,579	74,000,548
Profit before taxes		1,517,931,890	1,445,882,271
Provision for taxation			
Current tax	13.2	569,142,096	499,312,267
Deferred tax	13.4	(33,246,065)	(2,886,714)
		535,896,031	496,425,554
Net profit after taxation		982,035,859	949,456,718
Appropriations			
Statutory reserve	15	303,586,378	289,176,454
Transferred to retained earnings	17	678,449,481	660,280,263
		982,035,859	949,456,718
Earnings per share (EPS)	36	1.97	1.90


Accompanying notes form an integral part of these financial statements.



Chairman



Director

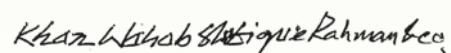


Director



Managing Director & CEO

Signed in terms of our report of even date.



Khan Wahab Shafique Rahman & Co
Chartered Accountants

Date : March 22, 2018

Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017 Taka	2016 Taka
A) Cash flows from operating activities			
Interest received		4,764,888,426	3,843,962,422
Interest paid		(2,715,061,167)	(2,343,217,435)
Dividend received		-	1,643,143
Income from Government securities		1,027,292,553	1,179,014,781
Fees, commission, exchange & brokerage received		418,979,605	213,022,174
Cash paid to employees		(802,131,571)	(614,926,744)
Cash paid to suppliers		(376,277,218)	(296,101,462)
Income taxes paid		(518,365,765)	(305,957,715)
Received from other operating activities		87,882,281	68,123,343
Paid for other operating activities		(331,524,185)	(409,595,904)
Operating cash flow before changes in operating assets and liabilities		1,555,682,959	1,335,966,604
Increase / (decrease) in operating assets & liabilities			
Changes in trading securities		-	35,298,356
Loans and advances to other banks		-	-
Loans and advances to customers		(13,092,675,530)	(7,046,563,979)
Other assets	37	63,628,157	(10,680,707)
Deposits from other banks		2,999,841,753	202,074,869
Deposits from customers		8,697,032,794	7,395,627,712
Other liabilities	38	19,729,725	(10,436,683)
		(1,312,443,101)	565,319,569
Net cash received from operating activities		243,239,859	1,901,286,173
B) Cash flows from investing activities			
Changes in non-trading securities		-	-
Changes in Government securities		(59,374,488)	(213,337,876)
Purchase of property, plant and equipment		(160,746,714)	(102,486,468)
Sale proceeds of fixed assets		-	-
Net cash used in investing activities		(220,121,202)	(315,824,344)
C) Cash flows from financing activities			
Borrowing from other banks, financial institutions and agents		116,347,959	50,235,675
Issue of share capital		-	-
Net cash received from financing activities		116,347,959	50,235,675
D) Net increase / (decrease) in cash and cash-equivalents (A + B + C)		139,466,615	1,635,697,503
E) Cash and cash-equivalents at beginning of the period		13,923,224,178	12,287,526,674
F) Cash and cash-equivalents at end of the period (D + E)		14,062,690,793	13,923,224,178
G) Cash and cash-equivalents at end of the period			
Cash in hand including foreign currencies	3	463,165,656	335,651,998
Balances with Bangladesh Bank and its agent bank(s) including foreign currencies	4	3,060,880,987	2,373,813,862
Balances with other Banks and Financial institutions	5	4,147,765,773	6,346,266,788
Money at call and short notice	6	-	186,000,000
Government securities	7	6,390,878,377	4,681,491,529
		14,062,690,793	13,923,224,178

Accompanying notes form an integral part of these financial statements.



Chairman



Director



Director



Managing Director & CEO

Signed in terms of our report of even date.

Khan Wahab Shafique Rahman & Co

Khan Wahab Shafique Rahman & Co
Chartered Accountants


Date : March 22, 2018

Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Paid Up Capital Taka	Statutory Reserve Taka	General Reserve Taka	Other Reserve Taka	Retained Earnings Taka	Total Taka
Balance as on 01 January 2017	4,334,976,000	495,076,904	-	110,189,960	676,087,907	5,616,330,771
Prior period adjustment	-	-	-	-	-	-
Net profit for the period	-	-	-	-	678,449,481	678,449,481
Transfer to statutory reserve	-	303,586,378	-	-	-	303,586,378
Revaluation of Govt. treasury bills, bonds and other investments	-	-	-	(59,374,488)	-	(59,374,488)
Stock dividend issued	650,246,400	-	-	-	(650,246,400)	-
Balance as on 31 December 2017	4,985,222,400	798,663,282	-	50,815,472	704,290,988	6,538,992,142
Balance as on 31 December 2016	4,334,976,000	495,076,904	-	110,189,960	676,087,907	5,616,330,771

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


Chairman

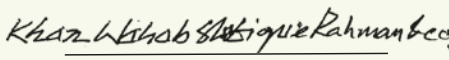

Director


Director


Managing Director & CEO

Signed in terms of our report of even date.

Date : March 22, 2018


Khan Wahab Shafique Rahman & Co
Chartered Accountants

Liquidity Statement (asset and liabilities maturity analysis)

As at 31 December 2017

Particulars	Within one month Taka	Within one to three months Taka	Within three to twelve months Taka	Within one to five years Taka	More than five years Taka	Total Taka
Assets:						
Cash in hand including balance with Bangladesh Bank and its agent Banks	705,137,270	-	-	-	2,818,909,373	3,524,046,643
Balance with other banks & financial institutions	2,047,765,773	1,400,000,000	700,000,000	-	-	4,147,765,773
Money at call and short notice	-	-	-	-	-	-
Investments	1,143,500	-	224,980,876	39,993,201	6,124,760,800	6,390,878,377
Loans and advances	7,575,907,440	9,001,348,229	15,345,180,555	9,241,447,778	2,121,081,224	43,284,965,225
Fixed assets including premises, furniture and fixtures	2,998,476	5,996,951	26,986,281	143,926,833	299,847,568	479,756,109
Other assets	32,113,298	64,226,596	910,171,904	106,859,953	-	1,113,371,751
Non-Banking assets	-	-	-	-	-	-
Total Assets	10,365,065,757	10,471,571,776	17,207,319,616	9,532,227,764	11,364,598,964	58,940,783,878
Liabilities:						
Borrowing from other banks, financial institutions and agents	48,252,542	49,538,863	253,794,983	46,827,828	-	398,414,216
Deposits and other accounts	9,615,710,397	9,989,006,686	15,439,635,042	7,954,770,349	7,122,367,993	50,121,490,467
Provisions and other liabilities	28,855,446	46,069,019	618,262,042	590,065,162	598,635,383	1,881,887,053
Total Liabilities	9,692,818,385	10,084,614,569	16,311,692,067	8,591,663,340	7,721,003,376	52,401,791,736
Liquidity surplus	672,247,373	386,957,208	895,627,549	940,564,424	3,643,595,588	6,538,992,141
Cumulative liquidity surplus	672,247,373	1,059,204,580	1,954,832,129	2,895,396,554	6,538,992,142	

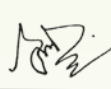
Net result of liquidity statement represents the shareholders' equity.



Chairman



Director

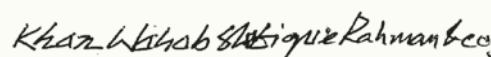


Director



Managing Director & CEO

Signed in terms of our report of even date.



Khan Wahab Shafique Rahman & Co
Chartered Accountants

Date : March 22, 2018

Notes to the Financial Statements

as at and for the year ended 31 December, 2017

1 General information

1.1 Status of the bank

South Bangla Agriculture and Commerce Bank Limited ("the Bank") was incorporated in Bangladesh as a public limited company with limited liability by shares as on February 20, 2013 under the Companies Act 1994 to carry out banking business. It obtained license from Bangladesh Bank for carrying out banking business on March 25, 2013 under Bank Companies Act 1991. The Bank has been carrying out its business through its sixty four (64) branches all over Bangladesh.

1.2 Principal activities

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

2 Basis of preparation of financial statements and significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the bank as at 31st December, 2017 have been prepared on going concern basis under historical cost convention and in accordance with the "First Schedule" of the Bank Companies Act, 1991 as amended by BRPD Circular No. 14 dated 25th June 2003, other Circulars of Bangladesh Bank, Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BASs), the Companies Act 1994, the Securities and Exchange Rules 1987, and other laws and rules applicable for Banks in Bangladesh. In case of any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and BFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank prevailed. Material departures from the requirements of BFRS are as follows:

i) Investment in shares and securities

BFRS: As per requirement of BAS 39 investment in

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

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

ii) Revaluation gains/losses on Government securities

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

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

iii) Provision on loans and advances/investments

BFRS: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For

financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

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

iv) Recognition of interest in suspense

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

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

v) Other comprehensive income

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

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

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

vi) Financial instruments – presentation and disclosure

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

vii) Financial guarantees

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

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

viii) Cash and cash equivalents

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

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

ix) Non-banking asset

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

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

x) Cash flow statement

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

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

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

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

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

xii) Presentation of intangible assets

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

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

Management:

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

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

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

as capital improvement and added to the original cost of software.

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

xiii) Off-balance sheet items

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

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

xiv) Loans and advances net of provision

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

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

2.2 Use of estimates and judgment

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

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

2.3 Consistency

In accordance with BFRS framework for the presentation of financial statements together with BAS – 1 and BAS – 8, the Bank discloses its

information consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies, correction of errors, the amount involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS – 8. However, for changes in the accounting estimates the related amount is recognized prospectively in the current period and in the next period or periods.

2.4 Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates, i.e. the functional currency. The financial statements of the Bank are presented in Bangladeshi Taka which is the Bank's functional and presentation currency.

b) Foreign currencies translation

Amounts in foreign currency are translated in accordance with the principles set forth in BAS 21 -- "The Effects of Changes in Foreign Exchange Rates". As per this standard monetary items not denominated in BDT and cash transactions not completed at the reporting date are translated into BDT using current market rates. Non-monetary items carried at fair value are translated into BDT using current market price at the reporting date and non-monetary items carried at cost are translated using the rate applicable at the time of acquisition. Transaction rates are used to translate the items related to income and expenses.

c) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance sheet date.

d) Transaction gains and losses

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

2.5 Cash flow statement

Cash flow statement has been prepared in

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

2.6 Statement of changes in equity

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

2.7 Statement of liquidity

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

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

2.8 Reporting period

These financial statements of the Bank cover one calendar year from 1 January to 31 December 2017.

Significant Accounting Policies

2.9 Assets and basis of their valuation

2.9.1 Investment in Govt. Securities

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

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

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

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

2.9.2 Investment in listed / quoted securities

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

2.9.3 Loans and advances

- Loans and advances are stated in the balance sheet on gross basis.
- Commission and discounts on bills purchased

and discounted are recognized at the time of realization.

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

2.9.4 Lease finance

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

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

2.9.5 Property, plant and equipment

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

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

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

Category of fixed assets	Rate
Motor vehicles	20%
Machinery & equipments	20%
Furniture & Fixture	10%
Interior Decoration	10%
Computer & Accessories	20%
Software	20% or for remaining usable periods
Other tools	20%

c) For additions during the period, depreciation is charged from the month those have been booked and for disposal depreciation is charged up to the previous month of disposal.

d) On disposal of fixed assets, the book value of the assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the book value of the asset and net sale proceeds.

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

2.9.6 Intangible asset

An intangible asset is to be recognized only if it is probable the future economic benefits attributable to the asset will flow to the bank and the cost of the asset can be measured reliably. Recognition & measurement of intangible asset are guided by BAS 38 – “Intangible Asset”. Due to following BRPD circular no. 14 dated 25th June 2003 intangible assets are not disclosed in a separate line rather in is reported under fixed assets. However, separate line item along with the rate of amortization is identifiable in the detail schedule of fixed assets.

2.9.7 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant considering the overall financial condition of the Bank.

2.9.8 Non banking assets

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

2.9.9 Securities purchased under re-sale agreement

Securities purchased under re-sale agreements are treated as collateralized lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as loans and advances to customers or loans to other banks.

The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

2.9.10 Receivables

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

2.9.11 Reconciliation of inter-bank and inter-branch account

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

2.10 Share capital

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

2.11 Statutory reserve

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

2.12 Other reserve

Other reserve comprises investment revaluation reserve and fixed assets revaluation reserve. When carrying amount of an item of property, plant and equipment is increased as a result of revaluation, the increased amount is classified directly to equity under heading of assets revaluation reserve as per BAS 16 – “Property, Plant and Equipment”. As per Bangladesh Bank DOS circular no. 5 dated 26th May 2008, revaluation gain arising from revaluation of government securities under HFT category is kept directly in equity under revaluation gain account

which is disclosed with other reserve while preparing the financial statements.

2.13 Deposits and other accounts

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

2.14 Borrowings from other banks, financial institutions and agents

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

2.15 Basis for valuation of liabilities and provisions

2.15.1 Employees benefits

a. Short term benefits

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

b. Provident fund

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

c. Gratuity

As per the Employees Service Rules of the Bank, gratuity shall be admissible to all regular employees who have completed continuous service for a

period of 7 (seven) years in the Bank but in case of experienced banker recruited through head hunting the admissible period is 5 (five) years. The amount of gratuity shall be calculated at the rate of 2 (two) months' last drawn basic pay for each completed years of service. The Bank is developing the fund to meet up its future obligation. National Board of Revenue recognized the gratuity fund on 10 April 2016.

d. Other benefits

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

2.15.2 Provision for liabilities

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

2.15.3 Provision for Off-balance sheet items:

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

2.15.4 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act, 2017 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS 12 - "Income Taxes".

2.15.5 Provision for deferred tax

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

2.16 Revenue recognition

The revenues during the period are recognized

complying with all conditions of revenue recognition as prescribed in BAS 18 – “Revenue Recognition”.

2.16.1 Interest income

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

2.16.2 Investment income

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

2.16.3 Fees and commission income

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

2.16.4 Dividend income on shares

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

2.16.5 Interest paid on borrowings and deposits

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

2.16.6 Management and other expenses

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

2.17 Risk management

2.17.1 Internal Control and Compliance Management

Operational loss may arise from error and fraud due to weakness of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and

Compliance Division undertakes periodic and special audit of the branches and departments at Head Office for review of the operation and compliance with statutory requirements. The Audit Committee of the Board reviews the reports of the Internal Control and Compliance Division.

2.17.2 Foreign Exchange Risk Management

Foreign exchange risk is defined as the potential change in earnings arising due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements.

Treasury Department independently conducts the transactions and the Back Office of treasury is responsible for verification of the deals and recording of their entries in the books of account. All foreign exchange transactions are revalued at Mark to Market rate at the month end. All Nostro accounts are reconciled on monthly basis and outstanding entries are reviewed on regular basis.

2.17.3 Credit Risk Management

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

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

Grading (CRG) is also made for individual borrowers.

2.17.4 Asset Liability Management

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

2.17.5 Money Laundering Risk Management

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

2.17.6 Information and Communication Technology Security Risk Management

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

2.17.7 Internal Audit Management

Internal audit is an independent, objective

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

2.17.8 Fraud and Forgeries Management

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

2.18 Earnings per share (EPS)

Earnings per share (EPS) have been calculated in accordance with BAS 33 – "Earnings per Share", which is shown on the face of the Profit & Loss Account. This has been calculated by dividing the net profit after tax by the weighted average number of ordinary shares outstanding as on December 31st 2017.

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

2.19 Off-setting financial assets and financial liabilities

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

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

	2017 Taka	2016 Taka
3. Cash in hand (including foreign currencies)		
Local currency	460,955,032	334,022,251
Foreign currencies	2,210,624	1,629,748
	463,165,656	335,651,998
4. Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		
Bangladesh Bank		
In local currency	3,010,861,867	2,266,484,328
In foreign currencies	50,019,120	107,329,535
	3,060,880,987	2,373,813,862
Sonali Bank Limited (as Agent of Bangladesh Bank) - local currency	-	-
	3,060,880,987	2,373,813,862

The above Balance represents amount as per Bank Book. The differences due to reconciling items with Bangladesh Bank are not material and most of the items are subsequently adjusted.

4.1 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 33 of the Banking Companies Act, 1991 (revised up to 2013) and of instructions contained in DOS Circular No. 01 dated 19 January, 2014 and MPD Circular No. 01 dated 23 June, 2014 issued by Bangladesh Bank.

The Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 6.50% has been calculated and maintained with Bangladesh Bank in current account and 13% Statutory Liquidity Ratio on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank etc. Both the reserves maintained by the Bank are in excess of the statutory requirements, as shown below:

4.1.1 Cash Reserve Requirement (CRR) : 6.50% of average demand and time liabilities

Required reserve	2,818,909,373	2,235,027,616
Actual reserve maintained		
Balance with Bangladesh Bank - local currency	2,998,567,320	2,265,286,210
Surplus / (deficit)	179,657,948	30,258,594
Maintained ratio	6.91%	6.59%

The above balance with Bangladesh Bank represents amount as per Bangladesh Bank Book.

CRR is maintained at 6.91% on 31.12.2017 against minimum requirement of 6.50% to fulfil the cumulative shortage during December 2017 and to maintain CRR requirement on 01.01.2018.

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

Required reserve	5,637,818,745	4,470,055,233
Available for maintenance :		
Cash in hand (including foreign currencies)	463,165,656	335,651,998
Balance with Sonali Bank Limited (as an agent of Bangladesh Bank)	-	-
Excess of CRR requirement	179,657,948	30,258,594
Unencumbered approved securities (treasury bills and bonds, debentures etc.)	6,389,734,877	4,681,010,829
	7,032,558,480	5,046,921,421
Surplus / (deficit)	1,394,739,735	576,866,188
Maintained Ratio	16.22%	14.68%
Average time and demand liabilities	43,367,836,500	34,385,040,250

SLR is maintained through Government Securities. The Bank invested in Government Securities at higher than the minimum requirement considering Bank's liquidity position, safety of investments and return.

5. Balance with other banks and financial institutions

In Bangladesh (note 5.1)
Outside Bangladesh (note 5.2)

2017 Taka	2016 Taka
4,001,749,184	6,211,056,496
146,016,589	135,210,292
4,147,765,773	6,346,266,788

5.1 In Bangladesh

Balance with other banks :

In current deposit accounts with

Sonali Bank Limited
Dutch Bangla Bank Limited
Eastern Bank Limited

57,352,293	2,229,636
3,011,265	5,013,520
3,256,394	1,776,516
63,619,951	9,019,671

In special notice deposit accounts with

Janata Bank Limited
Eastern Bank Limited
Sonali Bank Limited
Mercantile Bank Limited
Bank Asia Limited
Standard Bank Limited
Jamuna Bank Limited
Al-Arafa Islami Bank Limited
Trust Bank Limited
Union Bank Limited
IFIC Bank Limited
Rupali Bank Limited

73,846,188	1,267,353,558
367,640	200,813,272
17,169,950	160,305,335
49,868	62,713
26	24
563,227	527,780
19,519	20,869
5,996	36,220
3,933,898	22,589,892
68,443	29,351
83	75,275
2,104,395	222,536
98,129,233	1,652,036,825

In fixed deposit accounts with

Eastern Bank Limited
Midland Bank Limited
NRB Global Bank Limited

-	250,000,000
-	250,000,000
-	250,000,000
-	750,000,000

Balance with financial institutions :

Lanka Bangla Finance Limited
Phoenix Finance Limited
International Leasing & Financial Services Limited
United Finance Limited
Uttara Finance Limited
Prime Finance & Investment Limited
IDLC Finance Limited
Industrial & Infrastructure Development Finance Company Ltd.
Fareast Finance and Investment Limited
First Finance Limited
FAS Finance Limited
Premier Leasing and Finance Limited
Union Capital Limited
MIDAS Financing Limited
IPDC Finance Limited
Bangladesh Finance and Investment Company Ltd.

500,000,000	-
600,000,000	500,000,000
600,000,000	300,000,000
-	200,000,000
-	200,000,000
200,000,000	150,000,000
-	600,000,000
400,000,000	500,000,000
400,000,000	-
100,000,000	-
180,000,000	200,000,000
260,000,000	300,000,000
200,000,000	300,000,000
100,000,000	100,000,000
200,000,000	450,000,000
100,000,000	-
3,840,000,000	3,800,000,000
4,001,749,184	6,211,056,496



5.2 Outside Bangladesh

In demand deposit accounts (non-interest bearing) with

Particulars	Currency	2017			2016		
		Amount in foreign currency	Exchange rate for per unit foreign currency	Amount in Taka	Amount in foreign currency	Exchange rate for per unit foreign currency	Amount in Taka
Sonali Bank (UK) Ltd.	USD	-	82.7000	-	25,016.29	78.7000	1,968,782
Sonali Bank (UK) Ltd.	EURO	-	98.5205	-	-	82.1785	-
Sonali Bank (UK) Ltd.	GBP	-	110.9917	-	-	96.3682	-
Mashreq Bank PSC, New York	USD	913,391.02	82.7000	75,537,437	648,118.59	78.7000	51,006,933
AB Bank, Mumbai	ACU	130,280.51	82.7000	10,774,198	191,974.38	78.7000	15,108,384
United Bank of India, Kolkata	ACU USD	24,757.26	82.7000	2,047,425	67,932.51	78.7000	5,346,289
National Bank of Pakistan, Tokyo	JPY	438,063.00	0.7311	320,268	586,375.00	0.6743	395,393
Mashreq Bank PSC, London	GBP	13,374.64	110.9917	1,484,474	7,959.18	96.3682	767,012
Mashreq Bank PSC, London	EURO	14,920.85	98.5205	1,470,010	39,909.54	82.1785	3,279,706
Sonali Bank Ltd. Kolkata	ACU	234,486.66	82.7000	19,392,047	75,922.21	78.7000	5,975,078
United Bank of India, Kolkata	ACU EURO	-	98.5205	-	-	82.1785	-
Habib American Bank, NY	USD	252,069.02	82.7000	20,846,108	387,296.15	78.7000	30,480,207
Habib Metropolitan Bank Ltd., Karachi	ACU	94,031.84	82.7000	7,776,433	9,747.65	78.7000	767,140
AXIS Bank Ltd., Mumbai	ACU	57,536.98	82.7000	4,758,308	255,595.54	78.7000	20,115,369
State Bank of India, Sydney	AUD	24,995.00	64.4081	1,609,880	-	-	-
				146,016,589			135,210,292
In demand deposit accounts (interest bearing)				-			-
Total Outside Bangladesh				146,016,589			135,210,292

5.3 Maturity grouping of balance with other banks and financial institutions

On demand	209,636,540	144,229,963
Within one month	1,838,129,233	1,952,036,825
Within one to three months	1,400,000,000	3,950,000,000
Within three to twelve months	700,000,000	300,000,000
Within one to five years	-	-
More than five years	-	-
	4,147,765,773	6,346,266,788

6. Money at call and short notice

With banks

NRB Commercial Bank Limited	-	170,000,000
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With non bank financial institutions

Bangladesh Industrial Finance Company Limited	-	16,000,000
	-	186,000,000

7. Investments

Government securities

Treasury bills

91-day treasury bills	-	-
182-day treasury bills	-	-
364-day treasury bills	-	195,699,400
30-day Bangladesh Bank bills	-	-
	-	195,699,400

	2017 Taka	2016 Taka
Treasury bonds		
2-Year treasury bonds	224,980,876	260,445,485
5-Year treasury bonds	39,993,201	73,645,348
10-Year treasury bonds	1,039,297,505	414,620,402
15-Year treasury bonds	1,847,843,293	1,921,556,753
20-Year treasury bonds	3,237,620,003	1,815,043,441
	6,389,734,877	4,485,311,429
Total treasury bills and bonds	6,389,734,877	4,681,010,829
Prize bonds	1,143,500	480,700
Total Government securities	6,390,878,377	4,681,491,529
Other investments	-	-
	6,390,878,377	4,681,491,529

7.1 Classification of investments

Government treasury bills and bonds		
Held for Trading (HFT)	2,469,135,821	2,624,106,302
Held to Maturity (HTM)	3,920,599,056	2,056,904,527
Total investments in government securities	6,389,734,877	4,681,010,829
Prize bonds	1,143,500	480,700
Reverse-REPO with Bangladesh Bank	-	-
Other investments	-	-
	6,390,878,377	4,681,491,529

7.2 Maturity grouping of investments

On demand	1,143,500	480,700
Within one month	-	-
Within one to three months	-	30,246,337
Within three to twelve months	224,980,876	195,699,400
Within one to five years	39,993,201	303,844,496
More than five years	6,124,760,800	4,151,220,596
	6,390,878,377	4,681,491,529

7.4 Disclosure for REPO and Reverse REPO transactions

In terms of the instructions contained in DOS Circular No. 6 dated 15 July 2010, the disclosure requirements for REPO and Reverse REPO transactions of the Bank are furnished below :

7.4.1 Disclosure regarding outstanding REPO as on 31 December 2017

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

7.4.2 Disclosure regarding outstanding Reverse REPO as on 31 December 2017

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

7.4.3 Disclosure regarding overall transactions of REPO and Reverse REPO for the year ended 31 December 2017

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
	Taka	Taka	Taka
Securities sold under repo :			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	98,401,700	1,057,982,125	420,161,240
Securities purchased under reverse repo			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	-	-	-



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8. Loans and advances

Loans , cash credit, overdrafts etc. (note 8.1)
Bills purchased and discounted (note 8.2)

8.1 Loans , cash credit, overdrafts etc.

In Bangladesh:

Overdrafts

Cash credit :

General cash credit
Agriculture cash credit
SME cash credit

Loans :

Loans against trust receipt
Export packing credit
Payment against document -(sight L/C)
Payment against document - (EDF)
Time loans
EDF loans
Demand loans
Lease finance
House building finance
General term loans
SME term loans
Agriculture term loans
Short term micro credit
Personal loans
Auto loans
Credit Card
Staff loans

Outside Bangladesh

8.2 Bills purchased and discounted

Payable in Bangladesh

Inland bills purchased and discounted

Payable outside Bangladesh

Foreign bills purchased and discounted

8.3 Maturity grouping of loans and advances including bills purchased and discounted

On demand
Within one month
Within one to three months
Within three to twelve months
Within one to five years
More than five years

8.4 Loans and advances including bills purchased and discounted are classified into following broad categories

(a) Loans and advances (note 8.1)

In Bangladesh

Loans
Cash credit
Overdraft

Outside Bangladesh

(b) Bills purchased and discounted (note 8.2)

In Bangladesh
Outside Bangladesh

	2017 Taka	2016 Taka
Loans , cash credit, overdrafts etc. (note 8.1)	41,353,266,835	28,306,481,017
Bills purchased and discounted (note 8.2)	1,931,698,390	1,867,611,799
	43,284,965,225	30,174,092,816
8.1 Loans , cash credit, overdrafts etc.		
In Bangladesh:		
Overdrafts	12,890,494,053	8,403,277,652
Cash credit :		
General cash credit	5,912,911,035	3,904,784,313
Agriculture cash credit	170,204,234	72,815,444
SME cash credit	9,314,728,590	7,000,918,488
	15,397,843,858	10,978,518,245
Loans :		
Loans against trust receipt	4,229,826,899	2,956,436,832
Export packing credit	8,142,992	20,931,278
Payment against document -(sight L/C)	602,780,642	256,012,916
Payment against document - (EDF)	3,710,557	16,239,959
Time loans	1,138,403,824	1,181,386,939
EDF loans	290,641,766	150,103,199
Demand loans	2,676,902	7,624,068
Lease finance	476,626,801	460,446,003
House building finance	544,808,966	167,298,869
General term loans	4,253,377,408	2,518,875,224
SME term loans	1,025,143,510	847,523,837
Agriculture term loans	138,285,403	72,755,650
Short term micro credit	267,365	249,962
Personal loans	58,022,245	51,323,325
Auto loans	9,579,429	10,578,799
Credit Card	59,493,096	11,477,424
Staff loans	223,141,120	195,420,837
	13,064,928,923	8,924,685,120
	41,353,266,835	28,306,481,017
	41,353,266,835	28,306,481,017
8.2 Bills purchased and discounted		
Payable in Bangladesh		
Inland bills purchased and discounted	1,881,059,431	1,843,157,323
Payable outside Bangladesh		
Foreign bills purchased and discounted	50,638,959	24,454,475
	1,931,698,390	1,867,611,799
8.3 Maturity grouping of loans and advances including bills purchased and discounted		
On demand	4,443,997,986	2,668,731,531
Within one month	3,131,909,454	2,291,394,094
Within one to three months	9,001,348,229	3,806,520,736
Within three to twelve months	15,345,180,555	17,206,420,278
Within one to five years	9,241,447,778	2,695,343,620
More than five years	2,121,081,224	1,505,682,557
	43,284,965,225	30,174,092,816
8.4 Loans and advances including bills purchased and discounted are classified into following broad categories		
(a) Loans and advances (note 8.1)		
In Bangladesh		
Loans	13,064,928,923	8,924,685,120
Cash credit	15,397,843,858	10,978,518,245
Overdraft	12,890,494,053	8,403,277,652
	41,353,266,835	28,306,481,017
Outside Bangladesh	41,353,266,835	28,306,481,017
(b) Bills purchased and discounted (note 8.2)		
In Bangladesh		
Inland bills purchased and discounted	1,881,059,431	1,843,157,323
Outside Bangladesh	50,638,959	24,454,475
	1,931,698,390	1,867,611,799
	43,284,965,225	30,174,092,816



	2017 Taka	2016 Taka
8.5 Loans and advances including bills purchased and discounted on the basis of significant concentration		
i. Loans and advances to Directors of the bank	609,080,810	393,227,740
ii. Loans and advances to CEO and other senior executives	201,323,845	169,300,918
iii. Staff loans other than in sl. no. ii	20,858,772	26,119,919
iv. Loans and advances to customers' group	42,453,701,797	29,585,444,238
	43,284,965,225	30,174,092,816

iv. Disclosure on large loans

Disclosure on large loans i.e. loan sanctioned to any individual or enterprise or any organization of a group amounting to 10% or more of the Bank's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Mentionable that, total capital (Tier I + Toer II) of the Bank was Taka 7,012,696,176 as at 31 December 2017 and Taka 5,821,618,266 as at 31 December 2016.

iv (a) Number of the clients to whom loans and advances sanctioned more than 10% of the Bank's total capital	24	21
iv (b) Amount of outstanding loans and advances to the clients mentioned in iv (a) above	14,162,948,759	9,403,838,133
iv (c) Amount of classified loans and advances out of the amount mentioned in iv (b) above	-	-
iv (d) Measures taken for recovery of the amount mentioned in iv (c) above	-	-

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

Urban

Dhaka Division	24,273,539,220	16,173,902,010
Chittagong Division	5,360,150,652	4,254,398,982
Khulna Division	3,533,267,289	2,232,251,097
Rajshahi Division	1,521,664,896	1,423,675,580
Barisal Division	827,144,920	412,691,271
Sylhet Division	181,721,801	127,410,013
Rangpur Division	1,018,193,063	581,228,111
	36,715,681,841	25,205,557,064

Rural

Dhaka Division	3,275,980,336	2,482,209,127
Chittagong Division	1,363,208,282	1,221,630,086
Khulna Division	1,746,015,451	1,187,089,780
Rajshahi Division	-	-
Barisal Division	-	-
Sylhet Division	184,079,314	77,606,759
Rangpur Division	-	-
	6,569,283,384	4,968,535,752
	43,284,965,225	30,174,092,816

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

Agriculture, fisheries and forestry	784,068,772	664,443,003
Agro base processing industries	1,702,194,218	1,249,662,500
Small & medium enterprise financing (SMEF)	16,097,642,914	14,816,405,438
RMG & textile industries	4,171,594,144	3,582,860,902
Hospitals, clinics & medical colleges	713,191,375	149,142,323
Trade & commerce	5,046,712,415	2,751,957,452
Transport and communications	307,352,032	521,039,543
Rubber & plastic industries	912,961,987	882,733,544
Iron, steel & aluminium industries	1,576,157,445	1,310,674,303
Printing & Packaging industries	302,704,832	334,383,152
Other manufacturing industries	8,178,930,399	2,220,190,796
Housing & construction industries	680,293,560	260,557,317
Consumer credit	155,241,298	152,164,020
Others	2,655,919,836	1,277,878,524
	43,284,965,225	30,174,092,816

	2017 Taka	2016 Taka
8.8 Broad economic sector-wise segregation of loans and advances including bills purchased and discounted		
Government and autonomous bodies	-	-
Other public sector	-	-
Private sector	43,284,965,225	30,174,092,816
	43,284,965,225	30,174,092,816

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

Particulars	Amount of outstanding loans and advances as at 31 December 2017	Base for Provision	Rate	Amount of required provision as at 31 December 2017	Amount of required provision as at 31 December 2016
I) Unclassified loans and advances :					
a) Consumer finance	123,646,698	123,646,698	5.00%	6,182,335	3,412,281
b) Staff loans	223,141,120	223,141,120	0.00%	-	-
c) Housing finance	301,840,880	301,840,880	2.00%	6,036,818	3,345,977
d) Loans to professional	-	-	2.00%	-	2,781
e) Small enterprise finance	16,953,433,250	16,953,433,250	0.25%	42,383,583	37,088,405
f) Loans to BH, MB, SD, etc.	1,059,205,380	1,059,205,380	2.00%	21,184,108	14,072,240
g) Agricultural and micro credit	796,098,394	796,098,394	1.00%	7,960,984	16,422,143
e) Others	23,452,350,708	23,452,350,708	1.00%	314,327,598	135,471,285
	42,909,716,429	42,909,716,429		398,075,425	209,815,114
(II) Sub-standard	126,773,947	65,199,122	20.00%	13,039,824	-
(III) Doubtful	13,307,935	4,227,233	50.00%	2,113,617	-
(IV) Bad / loss	235,166,913	67,768,203	100.00%	67,768,203	-
Total provision required	43,284,965,225	43,046,910,987		480,997,069	209,815,114
Total provision maintained				480,997,069	210,270,444
Surplus / (deficit)				-	-

8.10 Classification of loans and advances including bills purchased and discounted

Unclassified (including staff loans)

I) Standard	42,004,666,963	29,810,319,284
ii) Special mention account (SMA)	905,049,467	363,773,532
	42,909,716,429	30,174,092,816
Sub-standard	126,773,947	-
Doubtful	13,307,935	-
Bad / loss	235,166,913	-
Total	43,284,965,225	30,174,092,816

8.11 Particulars of loans and advances including bills purchased and discounted

i) Loans considered good in respect of which the banking company is fully secured	37,606,270,008	27,214,359,103
ii) Loans considered good for which the banking company holds no security other than the debtor's personal guarantee	4,983,025,073	2,797,569,692
iii) Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	695,670,144	162,164,020
iv) Loans adversely classified; provision not maintained there against	-	-
	43,284,965,225	30,174,092,816
v) Loans due by directors or officers of the banking company or any of them either separately or jointly with any other person	831,263,428	588,648,577

	2017	2016
	Taka	Taka
vi) Loan due from companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in case of private companies as members	<u>609,080,810</u>	<u>393,227,740</u>
vii) Maximum total amount of advances, including temporary advances made at any time during the period to directors or managers or officers of the banking companies or any of them either separately or jointly with any other persons	<u>832,221,931</u>	<u>562,528,658</u>
viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firm in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members	<u>609,080,810</u>	<u>393,227,740</u>
ix) Due from other banking companies	<u>-</u>	<u>-</u>
x) Amount of classified loan on which interest has not been charged	<u>375,248,795</u>	<u>-</u>
(a) (Decrease)/increase in specific provision	<u>82,921,644</u>	<u>(3,348,842)</u>
(b) Amount of loan written off during the year	<u>-</u>	<u>-</u>
(c) Amount realized against loan previously written off	<u>-</u>	<u>-</u>
(d) Amount of provision kept against loan classified as bad/loss as on the Balance Sheet date	<u>67,768,203</u>	<u>-</u>
(e) Interest creditable to the interest suspense accounts	<u>18,196,879</u>	<u>-</u>
xi) Cumulative amount of the written off loan	<u>-</u>	<u>-</u>
xii) Amount written off in the year	<u>-</u>	<u>-</u>
xiii) Amount of written off loan for which lawsuit has been filed for recovery	<u>-</u>	<u>-</u>

8.12 Bills purchased and discounted

Payable -		
In Bangladesh	1,881,059,431	1,843,157,323
Outside Bangladesh	50,638,959	24,454,475
	<u>1,931,698,390</u>	<u>1,867,611,799</u>

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

Within one month	249,383,966	1,002,205,847
Within one to three months	1,144,000,373	256,843,812
Within three to six months	436,122,328	608,562,140
More than six months	102,191,723	-
	<u>1,931,698,390</u>	<u>1,867,611,799</u>



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9. Fixed Assets (Annexure - B)

Motor vehicles
Machinery and equipments
Furniture and fixtures
Interior decoration
Computers and accessories
Softwares
Other tools

Less : Accumulated depreciation

2017 Taka	2016 Taka
47,124,590	27,127,310
210,365,003	183,704,859
65,554,973	61,104,030
220,673,496	198,153,179
191,776,303	177,388,174
142,798,042	73,548,042
23,348,728	19,868,828
901,641,136	740,894,422
421,885,027	272,098,660
479,756,109	468,795,762

10. Other Assets

Advance income tax (note 10.1)
Stock of stationeries and stamps (note 10.2)
Advance rent, advertisement, etc. (note 10.3)
Accrued interest and commission receivable
Advance and security deposits
Deferred tax asset (note 13.4)
Suspense accounts (note 10.4)

673,543,331	524,356,426
7,523,979	8,081,723
221,559,369	278,709,782
135,929,400	156,377,691
511,149	504,484
14,389,435	-
59,915,088	65,841,752
1,113,371,751	1,033,871,859

10.1 Advance income tax

Opening balance
Add : Paid during the year
Income tax deducted at source
Income tax paid u/s 64 & 74 of Income Tax Ordinance 1984

Less : Adjustment during the year
Closing balance

524,356,426	218,398,710
36,924,109	267,001,700
470,048,000	38,956,015
506,972,109	305,957,715
1,031,328,535	524,356,426
357,785,204	-
673,543,331	524,356,426

10.1.1 Assessment year wise break up of advance income tax

2015 - 2016	-	122,366,697
2016 - 2017	-	246,237,897
2017 - 2018	456,911,656	155,751,831
2018 - 2019	216,631,675	-
	673,543,331	524,356,425

10.2 Stock of stationeries and stamps

Stock of printing stationeries
Stock of security stationeries
Stock of stamps

2,001,432	1,510,293
3,780,507	5,169,690
1,742,040	1,401,740
7,523,979	8,081,723

10.3 Advance rent, advertisement, etc.

Advance rent
Prepaid advertisement

221,493,129	277,201,982
66,240	1,507,800
221,559,369	278,709,782

10.4 Suspense accounts

Sundry debtors
Suspense for Sanchayapatra
Advance against expenses
Advance against fixed assets (note 10.4.1)
Asset Liability Catch All
SBACBL general account
Other prepaid expenses

11,713,374	29,813,494
23,863,060	3,654,820
1,347,225	400,873
9,941,557	27,569,512
	-
13,049,871	4,403,052
59,915,088	65,841,752

	2017 Taka	2016 Taka
10.4.1 Advance against fixed assets		
Advance against fixed assets has been made for which final bill has not being received :		
Furniture and fixtures	-	-
Interior Decoration	9,037,407	6,069,512
Machineries and equipments	904,151	-
Computers, accessories and software	-	21,500,000
	9,941,557	27,569,512
11. Borrowings from other banks, financial institutions and agents		
a) In Bangladesh		
Refinance from Bangladesh Bank		
Agro based industries	44,220,955	53,682,853
Green industries	46,827,828	51,875,000
Small enterprise entrepreneurs	27,223,557	27,616,667
Export Development Fund (EDF)	280,141,876	148,891,738
	398,414,216	282,066,258
b) Outside Bangladesh	-	-
	398,414,216	282,066,258
11.1 Residual maturity grouping of borrowings from other banks, financial institutions and agents		
On demand	-	3,433,333
Within one month	48,252,542	58,119,861
Within one to three months	49,538,863	97,889,827
Within three to twelve months	253,794,983	66,522,999
Within one to five years	46,827,828	45,683,571
More than five years	-	10,416,667
	398,414,216	282,066,258
12. Deposits and other accounts		
Current deposits and other accounts [note : 12.1]	3,436,316,085	3,033,998,158
Special notice deposits	1,487,081,252	1,673,239,342
Bills payable	1,378,779,929	1,255,470,065
Savings bank deposits	1,833,217,886	1,284,222,550
Fixed deposits	38,447,684,399	28,189,998,960
Other term deposits [note : 12.2]	3,538,410,916	2,900,271,526
	50,121,490,467	38,337,200,601
12.1 Current Deposits and other accounts		
Current deposits	1,755,457,832	1,534,752,985
FGN currency deposits	11,291,806	9,966,809
ERQ accounts	628,773	2,780,365
FC held against BTB L/Cs	170,541,497	290,338,837
Non resident Taka account	9,004,329	11,658,850
Non resident foreign currency account	862,396	5,939,081
Resident foreign currency account	1,727,798	285,795
Margin against L/Cs	592,923,844	452,363,962
Margin against L/Gs	156,628,250	103,530,149
Margin on SOD (pay order)	37,338,064	59,082,188
Margin on LDBP	188,400	762,400
Security Deposit	8,708,291	9,309,459
Sundry deposits - excise duty	55,342,500	31,774,450
Sundry deposits - local bills	11,041,318	10,202,250
Sundry deposits - Sanchayapatra	27,514,900	18,200,000
Sundry deposits - other	10,829,465	8,126,602
Sundry deposits - foreign correspondents charge	543,408	1,672,349
Sundry deposits - risk fund	485,080	337,700
Sundry deposits - advance installment on Lease	1,085,102	976,740
Sundry deposits - Tax Deducted at source	44,853,282	28,692,503
Sundry deposits - VAT collected at source	1,165,037	2,350,697
Sundry deposits - VAT deducted Service Bills	4,369,685	6,943,071
Sundry deposits - card settlement account	3,420,292	1,001,496
Interest payable on deposits	530,364,736	442,949,419
	3,436,316,085	3,033,998,158



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12.2 Other term deposits

	2017 Taka	2016 Taka
MSS Deposits	1,173,596,785	649,543,334
MBS Deposits	1,271,754,963	1,384,684,629
Special Deposit Scheme	1,061,201,864	850,758,695
Other Savings Schemes	31,857,304	15,284,867
	3,538,410,916	2,900,271,526

12.3 Segregation of deposits and other accounts

Other than inter-bank deposits	46,419,435,580	37,634,987,469
Inter-bank deposits (Note 12.4)	3,702,054,887	702,213,134
	50,121,490,467	38,337,200,601

12.4 Details of inter-bank deposits

Uttara Bank Limited	-	500,000,000
Mutual Trust Bank Limited	-	200,000,000
Mercantile Bank Limited	1,574,892	1,538,071
Trust Bank Limited	484,389	532,774
Janata Bank Limited	500,120,606	142,289
Rupali Bank Limited	999,975,000	-
Agrani Bank Limited	399,975,000	-
Sonali Bank Limited	499,975,000	-
Bangladesh Development Bank Limited	1,299,950,000	-
	3,702,054,887	702,213,134

12.5 Residual maturity grouping of deposits and other accounts

On demand	417,943,976	905,192,377
Within one month	9,197,766,420	3,245,161,464
Within one to three months	9,989,006,686	10,347,403,896
Within three to six months	7,114,326,646	7,392,552,085
Within six to twelve months	8,325,308,396	6,166,900,046
Within one to five years	7,954,770,349	7,815,475,268
More than five years	7,122,367,993	2,464,515,465
	50,121,490,467	38,337,200,601

12.6 Unclaimed deposits for ten years and more held by the bank

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

13. Other liabilities

Sundry creditors	16,831,738	14,501,775
Provision for expenses	29,237,281	33,637,000
Central clearing, EFT, NPSB adjustment account	27,355,446	9,955,684
Provision for gratuity (note 13.1)	1,500,000	-
Provision for taxation (note 13.2)	1,180,130,325	980,167,089
Provision for deferred tax liability (note 13.4)	-	18,856,630
Provision on loans & advances (note 13.5)	480,997,069	209,815,114
General provision on Off Balance Sheet exposures (note 13.6)	117,638,314	92,453,691
Provision for rebate to good borrowers (note 13.7)	10,000,000	5,000,000
Interest suspense account	18,196,879	-
	1,881,887,053	1,364,386,983

13.1 Provision for gratuity

Opening balance	-	7,500,000
Add : Provision made for the year	17,500,000	8,000,000
	17,500,000	15,500,000
Less : transferred to gratuity fund during the year	16,000,000	15,500,000
Closing balance	1,500,000	-

	2017 Taka	2016 Taka
13.2 Provision for taxation		
Opening balance	980,167,089	480,854,822
Add : Provision made for the year	569,142,096	499,312,267
	1,549,309,185	980,167,089
Less : Adjustment during the year	369,178,860	-
Closing balance	1,180,130,325	980,167,089

13.2.1 Provision for income tax has been kept as per the provisions of Income Tax Ordinance 1984. Assessment of income tax has been finalized with tax authority up to the year 2015 i.e. assessment year 2016-17.

13.3 Provision for diminution in value of investments

Opening balance	-	13,566,206
Add : Provision made for the year	-	-
	-	13,566,206
Less: Adjustment during the period	-	13,566,206
Closing balance	-	-

Provision has been kept on unrealized loss (gain net off) according to DOS Circular No. 4 dated 24 November 2011.

13.4 Deferred tax (asset) / liability

Opening balance	18,856,630	21,743,344
Add : Deferred tax expenses / (income) for the year (note 13.4.1)	(33,246,065)	(2,886,714)
	(14,389,435)	18,856,630

13.4.1 Detailed calculation of deferred tax liability / (asset)

In terms of instructions contained in BRPD Circular No. 11 dated 12 December 2011 and provision of BAS 12 - Taxation, the detail calculation of deferred tax (assets) / liability of the Bank is furnished as under :

i) Temporary timing difference in written down value (WDV) of fixed assets :

Written down value (carrying amount) of fixed assets	479,756,109	468,795,762
Written down value of fixed assets as per Tax (Tax Base) as on the balance sheet date	517,229,697	421,654,188
	(37,473,588)	47,141,575

ii) Temporary timing difference in provision for gratuity and intangible assets

	1,500,000	-
Total amount of temporary timing difference in asset /(liability)	(35,973,588)	47,141,575

Effective tax rate	40.00%	40.00%
Net Deferred tax assets /(liability)	(14,389,435)	18,856,630
Deferred tax assets /(liability) for the year	(33,246,065)	(2,886,714)

13.5 Provision for loans and advances (note 8.9)

A. General provision on loans and advances

Opening balance	209,815,114	170,340,747
General provision for the year	188,260,311	39,474,367
Provision held at the year end	398,075,425	209,815,114



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	2017 Taka	2016 Taka
B. Specific provision against classified loans and advances		
Opening balance	-	3,348,842
Less : Fully provided debt written-off (for final settlement)	-	759,000
Add : Recoveries of amounts previously written-off	-	-
Add : Specific provision for the year	82,921,644	-
Less : Provision no more required for loans realized	-	2,589,842
Add : Net charge to profit and loss account	-	-
Provision held at the end of the year	82,921,644	-
Total (A + B)	480,997,069	209,815,114
13.6 Provision for off balance sheet exposures		
Opening balance	92,453,691	46,771,462
Add : Provision made for the year	25,184,623	45,682,229
	117,638,314	92,453,691
13.7 Provision for rebate to good borrowers		
Opening balance	5,000,000	-
Add : Provision made for the year	5,000,000	5,000,000
	10,000,000	5,000,000
Less: Paid during the period	-	-
Closing balance	10,000,000	5,000,000
13.8 As per lease agreement of the bank's head office premises, total leased space was 33,050 sft. Bangladesh Bank in its inspection report as on 31.03.2014 pointed out that actual measured space was 29,050 sft. i.e. the bank had been paying excess rent for 4,000 sft. Subsequently the lessor filed a suit against the bank in the 5th Join District Court (Title Suit No. 200/2015) claiming rent for total space of 33,050 sft. To dessolve the matter, the bank management served a termination notice to the lessor (letter No. SBACBL/HO/2017/4003 dated November 27, 2017) as per decision of the Board of Directors in its 60th and 70th meeting. Under the above circumstances the title suit no. 200/2015 was rejected on 11.06.2017.		

	2017 Taka	2016 Taka
14. Share capital		
14.1 Authorized share capital		
1,000,000,000 ordinary shares of Tk. 10/- each	10,000,000,000	10,000,000,000
14.2 Issued, subscribed and paid up share capital		
498,522,240 ordinary shares of Tk. 10/- each	4,985,222,400	4,334,976,000
14.3 Raising of capital		
The paid-up share capital of the Bank was raised in the following manner :		
From the sponsor shareholders		
By issuing 408,960,000 ordinary shares of Taka 10 each	4,089,600,000	4,089,600,000
Stock dividend		
Stock dividend @ 0.06 against 1 existing share of Tk 10 each for the year 2015	245,376,000	245,376,000
Stock dividend @ 0.15 against 1 existing share of Tk 10 each for the year 2016	650,246,400	-
	4,985,222,400	4,334,976,000

14.4 Group-wise shareholding position

Particulars	2017			2016		
	No. of shares	Percentage (%) of holding	Taka	No. of shares	Percentage (%) of holding	Taka
Sponsor directors	318,185,000	63.83%	3,181,850,000	283,480,000	65.39%	2,834,800,000
Sponsor shareholders	180,337,240	36.17%	1,803,372,400	150,017,600	34.61%	1,500,176,000
Total	498,522,240	100.00%	4,985,222,400	433,497,600	100.00%	4,334,976,000

14.5 Range-wise shareholdings as on 31 December 2017

Range of holding of shares	No of share holders	Percentage % of share holding	No of shares	Taka
Less than 500	-	0.00%	-	-
500 - 5,000	-	0.00%	-	-
5,001 - 10,000	-	0.00%	-	-
10,001 - 20,000	-	0.00%	-	-
20,001 - 30,000	-	0.00%	-	-
30,001 - 40,000	-	0.00%	-	-
40,001 - 50,000	-	0.00%	-	-
50,001 - 1,00,000	-	0.00%	-	-
1,00,001 - 10,00,000	4	0.80%	4,000,000	40,000,000
10,00,001 and above	50	99.20%	494,522,240	4,945,222,400
Total	54	100.00%	498,522,240	4,985,222,400

14.6 Capital adequacy ratio

As per Section 13 of the Bank Companies Act, 1991 (Amended upto 2013) and instructions contained in BRPD Circular Letter No. 11 dated 14 August 2008, BRPD Circular No. 10 dated 10 March 2010, BRPD Circular No. 35 dated 29 December 2010, BRPD Circular No. 18 dated 21 December 2014 [Guidelines on Risk Based capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)], the risk based capital (eligible regulatory capital) of the Bank as of 31 December 2017 stood at Taka 7,012,696,176 against the risk based capital requirement of Taka 4,238,971,208. As a result, there was a capital surplus of Taka 2,773,724,968 in risk based capital adequacy as on 31 December 2017.

As per Section 13(2) of the Bank Companies Act, 1991 (Amended upto 2013) and instructions contained in BRPD Circular Letter No. 11 dated 14 August 2008, the paid-up share capital, statutory reserve and retained earnings should be at least Taka 4,000 million in which, the paid-up share capital should be at least Taka 2,000 million. Against that, the paid-up share capital, statutory reserve and retained earnings of the Bank was Taka 6,488,176,670 (paid-up share capital Taka 4,985,222,400; statutory reserve Taka 798,663,282 and retained earnings Taka 704,290,988) as on 31 December 2017.

14.7 Details of capital adequacy ratio are furnished below :

A. Total common equity Tier - I capital

Paid up capital	4,985,222,400	4,334,976,000
Statutory reserve	798,663,282	495,076,904
Retained earnings	704,290,988	676,087,907
	6,488,176,670	5,506,140,811

Less : Regulatory adjustments:

Deferred tax assets

B. Additional Tier - I capital

C. Total Tier - I Capital (A + B)

D. Tier - II capital

General provision on unclassified loans and off-balance sheet exposures

50% of Revaluation reserve as on 31 December 2014

Less : Regulatory Adjustments:

Revaluation reserve for HFT securities

E. Total capital (C + D)

F. Total risk weighted assets (RWA)

G. Minimum capital requirement - 10% on risk weighted assets or 400.00 crore whichever is higher

H. Surplus/(shortfall) of capital (E - G)

I. Total Exposure

Capital to risk weighted assets ratio (CRAR) (E/F X 100)

Common equity Tier-I to risk weighted assets ratio (A/F X 100)

Tier-I capital to risk weighted assets ratio (C/F X 100)

Tier-II capital to risk weighted assets ratio (D/F X 100)

Leverage ratio (C/I X 100)

14.8 Total risk weighted assets (RWA)

A. Credit risk weighted assets

On-Balance Sheet	31,232,237,162	23,059,552,520
Off-Balance Sheet	4,134,980,000	2,994,975,000
	35,367,217,162	26,054,527,520

B. Market risk weighted assets

C. Operational risk weighted assets

Total risk weighted assets (RWA)

15. Statutory reserve

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

Opening balance	495,076,904	205,900,450
Add : Transferred from profit during the year	303,586,378	289,176,454
Closing balance	798,663,282	495,076,904

16. Revaluation reserve on Govt. Securities

Opening balance	110,189,960	323,527,836
Add : Reserve made during the year	-	-
	110,189,960	323,527,836
Less : Adjusted during the year	59,374,488	213,337,876
Closing balance	50,815,472	110,189,960

17. Retained earnings

Opening balance	676,087,907	261,183,643
Add : Net profit during the year	678,449,481	660,280,264
	1,354,537,388	921,463,907
Less : Dividend paid / Issuance of Stock Dividend	650,246,400	245,376,000
Closing balance	704,290,988	676,087,907



	2017 Taka	2016 Taka
18. Contingent liabilities		
Acceptances and endorsements	3,043,413,391	1,856,855,059
Letters of Guarantee (note 18.1)	2,810,536,030	2,346,444,973
Irrevocable letters of credit (note 18.2)	4,126,404,481	3,805,785,291
Bills for collection (note 18.3)	967,377,539	701,183,799
Other contingent liabilities		
Bangladesh Shanchaya Patra	816,100,000	535,100,000
	11,763,831,442	9,245,369,121
18.1 Letters of guarantee		
Money for which the bank is contingently liable in respect of guarantees issued favoring:		
Directors	-	-
Government	515,166,432	399,939,716
Banks and other financial institutions	-	-
Others	2,295,369,598	1,946,505,257
	2,810,536,030	2,346,444,973
18.2 Irrevocable letters of credit		
Local		
Irrevocable letters of credit- sight	21,132,501	24,827,682
Irrevocable letters of credit- usance	10,402,120	400,213,774
Irrevocable letters of credit- back to back	54,648,332	53,879,472
	86,182,953	478,920,928
Foreign		
Irrevocable letters of credit- sight	2,822,707,474	3,236,254,369
Irrevocable letters of credit- usance	1,191,321,227	48,624,134
Irrevocable letters of credit- back to back	26,192,828	41,985,859
	4,040,221,528	3,326,864,362
	4,126,404,481	3,805,785,291
18.3 Bills for collection		
Outward local bills	9,033,357	4,003,043
Local documentary bills for collection	634,091,948	312,307,673
Foreign documentary bills for collection	324,252,234	384,873,083
	967,377,539	701,183,799

19. Particulars of profit and loss account

Income

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

2017 Taka	2016 Taka
4,764,888,426	3,843,962,422
-	1,643,143
175,028,407	113,704,979
-	-
1,006,844,262	1,141,925,848
243,951,198	99,317,195
-	-
87,882,281	68,843,851
-	-
6,278,594,575	5,269,397,438

Expenses

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

2,802,476,484	2,307,330,523
-	-
1,187,179,761	925,501,953
319,853,495	400,491,278
149,786,367	116,190,864
4,459,296,106	3,749,514,619
1,819,298,469	1,519,882,819

Profit before provision

20. Administrative expenses

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

791,398,022	594,936,744
320,350,708	264,422,335
1,862,941	915,275
27,486,903	23,565,732
24,039,889	20,262,010
12,233,548	12,490,000
2,968,000	3,040,000
402,500	345,000
6,437,250	5,524,858
1,187,179,761	925,501,953

21. Interest Income

Interest on loans and advances

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

1,610,106,126	1,305,694,146
958,697,444	778,009,077
203,764,529	65,497,114
192,522,359	287,751,268
10,282,262	676,957
524,057,555	352,603,547
3,333,430	3,004,911
190,405,211	130,205,525
55,348,579	67,191,335
56,811,807	16,912,308
385,217,349	298,535,872
117,480,931	106,943,187
1,682,167	1,532,690
4,746,318	163,513
14,143,329	8,284,052
14,404,826	10,459,777
4,343,004,222	3,433,465,278
534,938	7,682,097
393,012,236	320,597,719
28,337,030	82,217,328
4,764,888,426	3,843,962,422

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

22. Interest paid on deposits and borrowings

Interest on Deposits

	2017 Taka	2016 Taka
Interest on savings deposits	60,172,273	37,913,848
Interest on special notice deposits	88,147,134	51,344,207
Interest on monthly savings schemes	88,711,209	49,300,329
Interest on monthly benefit schemes	137,707,930	134,141,120
Interest on special benefit schemes	102,888,287	84,902,546
Interest on fixed deposits	2,229,866,239	1,863,653,271
	2,707,493,072	2,221,255,322
Interest on call borrowing	70,136,305	62,583,875
Interest on credit lines	2,669,377	828,125
Interest on Bangladesh Bank Re-financing facilities	7,132,431	5,190,030
Interest on borrowing under REPO	15,045,298	17,473,172
	2,802,476,484	2,307,330,523

23. Investment Income

Dividend Received on Shares	-	1,643,143
Income on treasury bills, bonds and debentures		
Interest on treasury bonds	474,160,813	503,363,574
Interest on treasury bills	13,439,395	4,564,844
Interest on reverse REPO	25,322	-
Gains on trading of government securities	519,218,732	633,997,430
	1,006,844,262	1,141,925,848
Gains on Capital Market	-	-
	1,006,844,262	1,143,568,991

24. Commission, Exchange and Brokerage

Fees, commission and brokerage

Commission on bills & remittance	1,590,111	1,455,369
Commission on letters of credit	92,371,493	59,951,757
Commission on letters of guarantee	45,289,826	34,173,863
Commission on acceptances	29,359,585	17,502,408
Commission on add confirmation	5,722,302	570,583
Commission on bank underwriting	695,090	51,000
	175,028,407	113,704,979
Exchange earnings (net)	243,951,198	99,317,195
	418,979,605	213,022,174

25. Other Operating Income

Banking service charge	69,946,505	55,895,979
SWIFT charge	11,952,192	8,128,786
Card operation charge	2,370,482	1,210,878
Locker rent	12,000	-
Miscellaneous income	3,601,101	2,887,701
	87,882,281	68,123,343

26. Salary and Allowances

	2017 Taka	2016 Taka
Basic salary	285,795,968	213,069,554
House rent allowance	127,673,009	94,869,732
Conveyance allowance	25,596,889	19,970,694
Medical allowance	38,737,369	29,306,569
Other allowances	95,003,825	72,403,142
Festival bonus	53,188,520	39,789,653
Incentive bonus for previous year	51,483,227	42,477,160
Bank's contribution on provident fund	25,472,658	19,011,465
Gratuity	17,500,000	8,000,000
Salary to casual labourer	70,946,558	56,038,775
	791,398,022	594,936,744

27. Rent, taxes, insurance, electricity etc.

Rent - Office Premises	229,433,014	198,566,171
Rent - ATM Booths and other installations	2,848,991	916,143
Rates and taxes	21,106,820	15,903,732
Utilities	34,795,211	24,816,914
Insurance	32,166,672	24,219,375
	320,350,708	264,422,335

28. Legal and professional expenses

Legal expenses	767,366	485,050
Professional fees	1,095,575	430,225
	1,862,941	915,275

29. Postage, stamp, telecommunication etc.

Postage	825,373	680,589
Telephone, fax etc.	3,861,491	3,577,893
Internet	19,351,099	15,187,896
SWIFT	3,448,939	3,398,846
	27,486,903	22,845,224

30. Stationery, Printing, Advertisement etc.

Office stationery	9,902,064	8,711,437
Computer stationery	2,965,210	2,270,567
Security stationery	213,292	282,981
Advertisement and publicity	10,959,323	8,997,026
	24,039,889	20,262,010

31. Managing Director's salary and allowances

Basic salary	5,146,774	5,250,000
House rent allowance	1,924,839	1,749,996
House maintenance allowance	827,903	875,004
Medical allowance	1,566,129	1,749,996
Festival bonus	940,000	990,000
Incentive bonus for previous year	1,000,000	1,000,000
Utility allowance	827,903	875,004
	12,233,548	12,490,000

	2017 Taka	2016 Taka
32. Directors' fees		
Meeting attendance fees	2,968,000	3,040,000
Each director of the bank was paid Tk. 8,000/- per attendance in board meeting and committee meeting held.		

33. Audit fees		
Audit fees	350,000	300,000
VAT on audit fees	52,500	45,000
	402,500	345,000

34. Depreciation and repairs of Bank's assets		
Depreciation / amortization		
Motor vehicles	6,758,659	5,425,462
Machinery and equipments	36,708,851	31,730,315
Furniture & fixtures	6,245,328	5,445,081
Interior decoration	20,143,943	16,401,155
Computer and peripherals	36,555,761	32,604,620
Software	39,238,436	21,400,936
Office tools and accessories	4,135,389	3,183,296
	149,786,367	116,190,864
Repairs of bank's assets	6,437,250	5,524,858
	156,223,616	121,715,722

35. Other Expenses		
Entertainment expenses	9,342,124	11,263,356
Workshop and training	1,145,236	759,488
Travel and daily allowance	4,581,681	5,342,147
Fuel and lubricants expenses - bank's vehicles	915,200	927,776
Fuel and lubricants expenses - executives' vehicles	37,877,646	35,992,418
Subscriptions to trade associations	2,383,710	2,968,457
Expenses on bank's CSR activities	80,976,820	32,793,080
Business promotion and development	3,626,670	2,631,334
News papers & periodicals	1,066,383	898,418
Charges & duties to Government	1,698,600	265,940
Local conveyance	1,849,776	1,544,994
Cash carrying expenses	2,791,943	1,996,673
Cartage and freight	87,953	72,654
Washing and cleaning	1,460,487	986,702
Nostro account charges	1,099,165	1,734,405
Remittance charges	515,854	366,165
Clearing House and other bank charge	1,077,660	3,858,153
Expenses on AGM	155,490	191,510
Expenses on managers' conference	1,498,819	381,540
Antivirus and other software	7,029,426	12,284,761
Miscellaneous expenses	757,392	747,517
Loss on sale/purchase of securities & investments	8,816,748	46,058,683
Loss on revaluation of investment	148,406,502	235,672,812
Branch & head office inauguration expenses	692,209	752,294
	319,853,495	400,491,278

36. Earning per share (EPS)

- a) Net profit after tax
b) Number of ordinary shares
Earnings per share (a ÷ b)

2017 Taka	2016 Taka
982,035,859	949,456,718
498,522,240	498,522,240
1.97	1.90

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

37. Increase / (decrease) of other assets

- Closing -
Stock of stationeries and stamps
Advance rent, advertisement, etc.
Security deposits
Suspense accounts

7,523,979	8,081,723
221,559,369	278,709,782
511,149	504,484
59,915,088	65,841,752
289,509,584	353,137,741

- Opening -
Stock of stationeries and stamps
Advance rent, advertisement, etc.
Security deposits
Suspense accounts

8,081,723	2,297,373
278,709,782	314,331,678
504,484	492,264
65,841,752	25,335,719
353,137,741	342,457,035
(63,628,157)	10,680,707

38. Increase / (decrease) of other liabilities

- Closing -
Sundry creditors
Central EFT adjustment account

16,831,738	14,501,775
27,355,446	9,955,684
44,187,184	24,457,459

- Opening -
Sundry creditors
Central EFT adjustment account

14,501,775	30,466,443
9,955,684	4,427,700
24,457,459	34,894,142
19,729,725	(10,436,683)

39. Net asset value (NAV) per share

- a) Capital / shareholders' equity for the period
b) Number of outstanding shares
Net asset value (NAV) per share (a÷b)

6,538,992,142	5,616,330,771
498,522,240	433,497,600
13.12	12.96

40. Risk Factors and Risk Management

The Bank is following comprehensive Core Risks Management guidelines issued by Bangladesh Bank. Credit Risk Grading is done for all commercial exposures to minimize credit risks. Bank's Asset Liability Committee is entrusted with the responsibility of managing short-term & long-term liquidity. ALM guidelines have also been implemented. The Bank has established its KYC & operation control procedures for prevention of Money Laundering. The Bank has strengthened the internal control system and audit division to guard against lapses, fraud and forgeries. A comprehensive ICT policy has been formulated as per Bangladesh Bank guidelines and approved by the board of directors to minimize ICT risks which is followed meticulously.

41. Disclosure on audit committee of the Board

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

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

The Audit Committee of the Board convened 05 (five) meetings during 2017 further in which, among others, the following salient issues were discussed :

- The Committee reviewed the inspection reports of different branches including divisions of Head Office of the Bank conducted and submitted by the Bank's Internal Control & Compliance Division and Bangladesh Bank and gave necessary instructions to the management for proper and prompt rectification / solution of the irregularities / objections stated therein.
- The Committee reviewed the Management Letter / Report for the year 2016 submitted by the external auditors of the Bank.
- The Committee reviewed the Quarterly, Half-yearly and Annual Financial Statements of the Bank.
- The Committee reviewed the Yearly Report on over all position as on 31 December 2016 as submitted by Internal Control & Compliance Division under the Risk Based Internal Audit system of the Bank.
- The Committee reviewed the introduction of modern, efficient Internal Control & Compliance system to mitigate the risks.
- The Committee reviewed the overall performance of Internal Control & Compliance Division.
- The Committee reviewed and approved the Annual Financial Statements for the year ended 31 December 2017.

42. Number of employees

As per the Schedule XI of the Companies Act, 1994, the number of employees (including contractual employees) engaged for the whole year or part thereof who received more than total remuneration of Tk 36,000 per annum or Tk 3,000 per month were 716 as at 31 December 2017 compared to 696 as at 31 December 2016.

43. Events after the balance sheet date

The Board of Directors in its 75th meeting held on 21 March 2018 recommended stock dividend @ 13.50% (thirteen point five percent) for the year 2017. The total amount of dividend is Tk 673,005,024 (Taka sixty seven crore thirty lac five thousand twenty four) only.

44. General

- Figures appearing in these financial statements have been rounded off to the nearest Taka.
- Figures of 2016 have been rearranged as per current year's presentation.


Chairman


Director


Director


Managing Director & CEO

Related party disclosures

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

i) Directors' interest in different entities:

SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
1	Mr. S. M. Amzad Hossain	Chairman	23,000,000 & 4.61%	1. Lockpur Fish Processing Co. Ltd.	80.00%	
				2. Khulna Printing & Packaging Ltd.	20.00%	
				3. Bagerhat Seafood Ind. Ltd.	75.00%	
				4. Shampa Ice & Cold Storage Ltd.	90.00%	
				5. Western Inn International Ltd.	20.00%	
				6. Metro Bricks Ltd.	51.00%	
				7. Moon Star Jute Mills Ltd.	44.00%	
				8. Khulna Builders Ltd.	51.00%	
				9. Bangladesh Poly Printing Int'l Ltd.	50.00%	
				10. Rupsha Fish & Allied Industry Ltd.	45.00%	
				11. Ideal Polymer Export Ltd.	30.00%	
				12. Eastern Polymer Ltd.	50.00%	
				13. Moon Star Fish Ltd.	60.00%	
				14. Khulna Apparels Ltd.	50.00%	
				15. Woman Wears Ltd.	50.00%	
				16. Ocean Trade International	100.00%	
2	Mr. Talukder Abdul Khaleque	Vice- Chairman (Independent Director)	0	1. M/S Nahar Trading	100.00%	
				2. Bangladesh Poly Printing Int'l Ltd.	30.00%	
				3. Eastern Polymer Ltd.	50.00%	
3	Capt. M. Moazzam Hossain	Director	24,863,000 & 4.99%	1. E-Securities Ltd.	66.08%	
				2. Agrovita Ltd.	60.00%	
				3. Admiral Trading Corp.	100.00%	
				4. Ekushey Homes Ltd.	60.00%	
				5. United Corp. Advisory Ltd.	20.00%	
				6. Masters Ocean Voyage	100.00%	
				7. Athena Venture and Equity Ltd.	15.00%	
				8. Radiant Dredging Ltd.	49.00%	
				9. Shoppers World Ltd.	20.00%	
				10. Paramount Properties Ltd.	25.00%	
				11. SS Steel Private Ltd.	8.00%	
				12. Canadian Trillinium School	Chairman, Board of Governor	
				13. Sonar Bangla Insurance Ltd.	10.00%	
				14. People's Leasing and Financial Services Ltd.	2.40%	
				15. Great Walls Land Property Ltd	27.00%	
				16. Fareast International University	Member, Board of Trustees	
4	Mr. Maksudur Rahman	Director	20,844,900 & 4.18%	1. Ratanpur Steel Re-Rolling Mills Ltd.	22.69%	
				2. Ratanpur Shipping Lines Ltd.	60.00%	
				3. Ratanpur Ship Re-cycling Inds. Ltd.	60.00%	
				4. Ratanpur Shipping Services Ltd.	40.00%	
				5. Ratanpur Real-State Ltd.	25.00%	
				6. Sapphire Corporation Ltd.	65.00%	



SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
5	Begum Sufia Amjad	Director	21,850,000 & 4.38%	1. Lockpur Fish Processing Co. Ltd.	20.00%	
				2. Khulna Printing & Packaging Ltd.	10.00%	
				3. Bagerhat Seafood Ind. Ltd.	25.00%	
				4. Shampa Ice & Cold Storage Ltd.	10.00%	
				5. Western Inn International Ltd.	60.00%	
				6. Metro Bricks Ltd.	49.00%	
				7. Moon Star Jute Mills Ltd.	7.41%	
				8. Khulna Builders Ltd.	49.00%	
				9. Rupsha Fish & Allied Industry Ltd.	23.00%	
				10. Ideal Polymer Export Ltd.	30.00%	
				11. Moon Star Fish Ltd.	40.00%	
				12. Khulna Apparels Ltd.	50.00%	
				13. Woman Wears Ltd.	50.00%	
6	Mr. Abu Zafar Mohammad Shofiuddin	Director	24,380,000 & 4.89%	1. SQ Wire & Cable Co. Ltd	32.24%	
				2. SQ Trading & Engineering	55.00%	
				3. SQ Light Ltd.	35.00%	
				4. SQ Wood Preservatives	35.00%	
				5. Techno Electricals Ltd.	16.89%	
				6. TSCO Power Ltd.	19.50%	
				7. TS Transformers Ltd	34.50%	
				8. Microgenix BD Ltd.	25.00%	
				9. SQ Energy Ltd.	50.00%	
				10. SRN Power	50.00%	
				11. Power-AD	50.00%	
				12. Meter D Tech	50.00%	
7	Mr. Abdul Kadir Molla	Director	24,380,000 & 4.89%	1. Thermax Textile Mills Ltd.	29.98%	
				2. Thermax Knit Yarn Ltd.	30.00%	
				3. Thermax Spinning Ltd.	60.00%	
				4. Thermax Blended Yarn Ltd.	30.00%	
				5. Indigo Spinning Ltd.	55.00%	
				6. Thermax Melanage Spinning Mills Ltd.	60.00%	
				7. Thermax Yarn Dyeing Ltd.	50.00%	
				8. Adury Knit Composite Ltd.	50.00%	
				9. Adury Apparels Ltd.	12.00%	
				10. Thermax Woven Dyeing Ltd.	60.00%	
				11. Thermax Yarn Dyed Fabrics Ltd.	20.00%	
				12. Sister Denim Composite Ltd.	19.00%	
				13. Thermax Check Fabrics Ltd.	60.00%	
				14. Thermax Colour Cotton Ltd.	20.00%	
				15. Sister Garments Ltd.	50.00%	
				16. Sultana Filling Point Ltd.	55.00%	
				17. Adury Fashion & Print Ltd.	60.00%	
				18. Adury Ring Denim Spun Ltd.	20.00%	
				19. Kadir Molla Medical College & Hospital Ltd.	30.00%	
				20. Sultana Enterprise	100.00%	
8	Al-Haj Mizanur Rahman	Director	20,000,000 & 4.01%	1. M R Trading Co.	100.00%	
				2. Modina Properties Ltd.	90.00%	
				3. Moon Bangladesh Ltd.	90.00%	
				4. Moon Group of Industries Ltd.	90.00%	
				5. Sun Moon Star Real Estate International	100.00%	



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SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
9	Mr. Md. Amzad Hossain, Nominated by Rupsha Fish & Allied Industry Ltd.	Director	0	1. Khulna Printing & Packaging Ltd. 2. Bangladesh Poly Printing International Ltd. 3. Ideal Polymar Export Ltd. 4. International Core Factory Ltd.	5.00% 5.00% 10.00% 10.00%	
10	Engr. Md. Moklesur Rahman	Director	24,380,000 & 4.89%	1. Contech Construction Ltd. 2. Pre Stressed Pole Ltd. 3. B&T Cables Ltd. 4. B&T Cold Storage Ltd. 5. B&T Development Ltd. 6. B&T Spinning Mills Ltd. 7. B&T Distribution 8. B&T Meter Ltd. 9. Tushar Ceramics Ltd. 10. B&T Transformer Ltd.	65.00% 65.00% 70.00% 6.67% 25.00% 50.00% 100.00% 55.00% 25.00% 33.33%	
11	Mrs. Tahmina Afroz	Director	24,380,000 & 4.89%	1. Anwer Khan Modern Hospital Ltd. 2. Haji Shakhawat Anwara Eye Hospital Ltd. 3. Modern Diabetic Centre Ltd. 4. Far East Finance & Investment Ltd. 5. Modern Holdings Ltd. 6. Mother Trade Centre	10.00% 10.00% 10.00% 1.34% 50.00% 100.00%	
12	Mr. Muhammad Mohsin	Director	14,628,000 & 2.93%	1. Chittagong Fibre Board Ltd. 2. SAAD MUSA Fabrics Ltd. (Weaving Division) 3. SAAD MUSA Fabrics Ltd. (Dyeing Division) 4. Rokeya Spining Mills Ltd. 5. Emdad Etima Spinning Mills Ltd. 6. Mahamud Sajid Cotton Mills Ltd. 7. Sultana Habiba Fabrics Mills Ltd. 8. Saima Samira Textiles Mills Ltd. 9. SAAD MUSA Fabrics Ltd. (Garments Division) 10. M A Rahaman Dyeing Industry Ltd. 11. SAAD MUSA Hometex & Clothing Ltd. 12. Hasni Vanaspati Manufacturing Co. Ltd. 13. Ahmadi Oil Mills Ltd. 14. Al-Mustafa Vegetable Oil Industry 15. SAAD MUSA Housing Complex 16. Desh Computers 17. SAAD MUSA City Centre 18. MARSS Automobile 19. Crescent Industries Ltd. 20. SAAD MUSA Properties Ltd. 21. Shade Developers Ltd. 22. Crescent Park Neighbor Hood 23. SAAD MUSA Fishing Project 24. S M Avenue Motors	43.33% 40.08% 40.08% 55.27% 55.27% 55.27% 55.27% 55.27% 40.08% 40.40% 40.40% 79.18% 78.00% 77.12% 100.00% 100.00% 100.00% 100.00% 2.50% 100.00% 86.78% 100.00% 100.00% 100.00%	
13	Mr. Hafizur Rahman Babu	Director	18,285,000 & 3.67%	1. Joytun Securities International Ltd. 2. Joytun Developers Ltd. 3. S.B. Agro Fertilizer Industries Ltd. 4. Sheikh Cement Mills Ltd. 5. Gold Hill Properties Ltd. 6. Sheikh Jute Mills Ltd. 7. M/S. Sheikh Brothers 8. M/S. Hafizur Rahman Babu 9. Joytun Tours & Travels 10. Joytun Agro Auto Rice Mills Ltd. 11. Sheikh Shipping Lines Ltd. 12. Sheikh LPG Ltd. 13. Sheikh Agro Food Industries	85.12% 50.00% 33.33% 18.18% 15.00% 16.67% 100.00% 100.00% 100.00% 33.33% 33.33% 33.33% 100.00%	

SL No.	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) holding in the company	Remarks
14	Mr. Anwar Hussain	Director	3,047,500 & 0.61%	1. SAFAH CNG Refuelling Station Ltd .	8.33%	
				2. Anwar Corporation	100.00%	
				3. HAR Industries Ltd.	30.00%	
				4. Abdul Gaffar & Co. (Pvt.) Ltd.	30.40%	
				5. Asuka CNG Filling Station Ltd.	25.00%	
				6. AGI Corporation	100.00%	
15	Ms. Kamrun Nahar	Director	6,095,000 & 1.22%	1. Canadian Trillinium School	12.50%	
				2. Noor Asset Development	25.00%	
				3. Intelligent Technology Solutions Ltd.	33.33%	
				4. MK Fisheries	100.00%	
				5. People's Leasing & Financial Services Ltd.	1.00%	
16	Mr. Sk. Shyedujaman	Director	2,300,000 & 0.46%	1. Sadiana Trading	100.00%	
				2. South East Union Ceramic Industries Ltd.	5.00%	
17	Mr. Mohammad Nawaz	Director	19,991,600 & 4.01%	1. Famous Printing & Packaging Ltd.	29.15%	
				2. Famous Iberchem Flavours & Fragnances Ltd.	29.16%	
				3. Famous General Agencies Ltd.	29.05%	
				4. Matcon limited	28.96%	
				5. F.S. Printing & Packaging Ltd.	29.11%	
				6. Green Soap & Chemical Co. Ltd.	29.07%	
				7. Famous Flavours & Fragnances Ltd.	40.00%	
				8. Eden Multicare Hospital	2.50%	
18	Mr. Mohammed Ayub	Director	20,380,000 & 4.09%	1. Ayub & Co. Ltd.	80.00%	
				2. Pioneer Enterprise	100.00%	
				3. United Enterprise	100.00%	
				4. Pacific Enterprise	70.00%	
19	Mr. Sakawat Hussain, Nominated by Hazi Shakhawat Anwara Eye Hospital Ltd.	Director	0	General Manager, Anwer Khan Modern Hospital Ltd. & Diagnostic Centre	N/A	
20	Dr. Syed Hafizur Rahman	Independent Director	0	1. Shrimpex.com	100.00%	
				2. Coal Mark	100.00%	
				3. Alliums Trade Associate	100.00%	

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

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

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

iv) Related party transactions (loan to directors):

(Amount in Crore taka)

Name of the Borrower	Representing Director	Nature of Facilities	Outstanding as at 31 Dec 2017	Outstanding as at 31 Dec 2016
Mother Trade Center	Mrs Tahmina Afroz	Cash Credit	9.56	-
Haji Shakwat Anwara Eye Hospital	Mrs Tahmina Afroz	Cash Credit	9.95	1.32
Khulna Builders Ltd.	Mr. SM Amzad Hossain & Mrs. Begum Sufia Amzad	Cash Credit	20.53	16.00
Radient Dredging Ltd.	Capt. M. Moazzam Hossain	Lease Finance & SOD (Gen)	4.83	6.18
Saima Samira Textile Miles Ltd.	Mr. Mohammad Mohsin	Cash Credit	10.00	10.27
Anwar Hussain & Imran Hossain	Mr. Anwar Hussain	House Building Loan	1.65	1.43
M M Fisheries	Mrs. Kamrun nahar	SOD (Gen)	4.00	4.11



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v) Lending policies to related parties:

Related parties are allowed loans and advances as per the guidelines of Bangladesh Bank and credit policy of the bank.

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

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

Nature of contract	Branch Name	Name of the Director and related by	Remarks
Lease agreement	Katakhali Branch	Mr. S. M. Amzad Hossain, Director & owner of the premises	Lease period: 01.07.2013 to 30.06.2023
Lease agreement	Head Office	Al-Haj Mizanur Rahman, Director & owner of M.R. Trading (Common Director)	Lease period: 01.01.2016 to 31.01.2019

b) Brokerage house :

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

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

South Bangla Agriculture and Commerce Bank Limited
Schedule of Fixed Assets
as at 31 December 2017

Particulars	Cost			Accumulated Depreciation			Net book value as at 31 December 2017
	Balance as at 01 January 2017	Additions during the year	Disposals during the year	Balance as at 01 January 2017	Charge for the year	On disposal during the year	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Motor vehicles	27,127,310	19,997,280	-	12,666,341	6,758,659	-	27,699,589
Machinery and equipments	183,704,859	26,660,144	-	73,250,797	36,708,851	-	100,405,355
Furniture and fixtures	61,104,030	4,450,943	-	12,628,558	6,245,328	-	46,681,087
Interior decoration	198,153,179	22,520,318	-	32,568,718	20,143,943	-	167,960,835
Computers and accessories	177,388,174	14,388,129	-	95,968,037	36,555,761	-	59,252,505
Softwares	73,548,042	69,250,000	-	38,660,790	39,238,436	-	64,898,816
Other tools	19,868,828	3,479,900	-	6,355,418	4,135,389	-	12,857,921
At 31 December 2017	740,894,422	160,746,714	-	272,098,660	149,786,367	-	479,756,109
At 31 December 2016	638,407,954	102,486,468	-	155,907,795	116,190,864	-	468,795,762

Rate of Depreciation

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

Particulars	Rate
Motor vehicles	20%
Machinery and equipments	20%
Furniture and fixtures	10%
Interior decoration	10%
Computers and accessories	20%
Softwares	20% or usable licence period
Other tools	20%



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

(Amount in Tk.)

Sl. No.	Particulars	2017	2016
01	Paid up capital	4,985,222,400	4,334,976,000
02	Total capital (Tier I +II)	7,012,696,176	5,821,618,266
03	Capital surplus/(deficit)	2,773,724,968	1,821,618,266
04	Total assets	58,940,783,878	45,599,984,614
05	Total deposits	50,121,490,467	38,337,200,603
06	Total loans and advances	43,284,965,225	30,174,092,815
07	Total contingent liabilities and commitments	11,763,831,442	9,245,369,121
08	Advance deposits ratio (%)	83.99%	78.71%
09	Classified loans to advance ratio (%)	0.87%	0.00%
10	Profit after tax and provision	982,035,859	949,456,718
11	Classified loans and advances at the end of the year	375,248,795	-
12	Provision kept against classified loans and advances	82,921,644	-
13	Surplus/(deficit) provision against classified advances	-	-
14	Cost of fund including operating cost (%)	9.51%	9.91%
15	Interest earning assets	53,613,972,835	41,243,621,169
16	Non interest earning assets	5,326,811,043	4,356,363,445
17	Return on investments (ROI) [Income from Investment/ Average Investments]	18.19%	24.46%
18	Return on Assets (ROA) [PAT/Average assets]	1.88%	2.31%
19	Return on Equity (ROE) [PAT/Average shareholders equity]	16.16%	18.09%
20	Net Asset Value per Share (NAV) [Shareholders equity/No. of Ordinary Share]	13.12	12.96
21	Income from investments	1,006,844,262	1,143,568,991
22	Earnings per share	1.97	1.90
23	Profit per share	1.97	1.90
24	Price - earnings ratio (times)	N/A	N/A

List of Existing Branches

SL. NO.	Branch Name	Address	Phone Number
1	Principal Branch	Zaman Chamber 47, Dilkusha C/A, Dhaka - 1000	(02) 9587346-48
2	Hemayetpur Branch	Ashraf Shopping Complex, Jadurchar, Hemayetpur Bazar, Savar, Dhaka.	(02) 7724939
3	Agrabad Branch	96, Agrabad Ba/A Agrabad, Chittagong.	(031) 2516183-85
4	Bhatiary Branch	N.D. Bhaban, DT Road, Bhatiary, Shitakunda, Chittagong	(037) 2781271
5	Khulna Branch	Chamber Building Complex, 05, KDA Avenue Khan a Sobur Road, Khulna.	733464, 733426
6	Katakhali Branch	Katakhali More, Khulna Mongla Road, Fakirhat, Bagerhat.	(046) 6356117
7	Keranigonj Branch	Aktar Tower, Bridze Road, South Kadamtoli Aganagar, South Keranigonj, Dhaka	(02) 7764456-57
8	Uttara Branch	Plot-71, Sector-07, Cosmo Shopping Centre, Azampur Uttara, Dhaka.	(02) 7911951 7911863, 7911471
9	Gulshan Branch	Casablanca 114, Gulshan Avenue, Dhaka-1212.	(02) 9853091
10	Velanagar Branch	Mahbub Molla Concord Tower, Jailkhana More, DC Road Narshingdi Sadar, Narshingdi.	(02) 9452487-88
11	Imamgonj Branch	Crown Bhaban 59, Midford Road, Imamgonj, Dhaka.	(02) 7342223
12	Ashulia Branch	Holding: 4104 Baipile, Bashundhara, Ashulia, Dhaka.	(02) 7789414-15
13	Dhanmondi Branch	A M M Center, Shat Masjid Road Road: 3/A, House: 56/A, Dhanmondi, Dhaka.	(02) 9665264 9665267
14	Sylhet Branch	11, Naya Shorok, Sylmart Complex, East Zinda Bazar, Sylhet.	(0821)-726297-98
15	Jubilee Road Branch	Ali Building (2nd Floor), 837, Jubilee Road, Chittagong.	(031) 2856695-96
16	Bogra Branch	Padma Mansion, Dutta Store (2nd Floor) 742, Jhautola Rajabazar, Bogra.	(051) 69727, 62412, 62108
17	Mawna Branch	Hazi Abdul Khaleque Master Super Market, Mulaid Telihati, Sreepur, Gazipur.	(0447) 8984788
18	Islampur Branch	Siddik Mansion, Islampur Bazar, Thana: Shahporan, Sylhet.	(0821)-762168
19	Modunaghat Branch	South Madarsha, Rashid Bari, Hathazari, Chittagong.	(031) 671552, 671542
20	Shyamnagar Branch	469, Moti Morol Super Market Badghata, Shyamnagar, Satkhira.	(04726)-44182, 44063
21	Gazipur Branch	Tajpur Tower (2nd Floor), Bhaoal College Road, Chandura Square, Gazipur.	(02) 9294506-07
22	Moynamoti Branch	Mostafa Palace and Hazi Faruk Plaza, Nischintopur, Moynamoti Cantonment, Comilla.	(081) 73740
23	Bangla Bazar Branch	Patowari Plaza (1st Floor), Nadna, Bangla Bazar, Sonaimuri, Noakhali.	01787-693618
24	Banani Branch	28 & 30, Kemal Ataturk Avenue, Banani, Dhaka.	(02) 9822365-68
25	Chuknagar Branch	Holding # 240 (1st Floor), Chuknagar, Dumuria, Khulna	01787-693625
26	Satkhira Branch	Holding # 44/46 (Gr. Floor), Sultanpur, Satkhira Sadar Satkhira.	(0471)-63806, 63804, 63810
27	Barisal Branch	City Plaza (1st & 2nd Floor), 449 K.B. Hemayet Uddin Road, Barisal.	(0431) 2177718, 2177714
28	Sarbolokkhona Branch	Holding #26 (1st Floor), Bagher Bitar Bazar Sarbolokkhona, Manohardi, Narsingdi.	01787-693621
29	Rajshahi Branch	ARC Bijoy Tower, 30 (New), Rani Bazar, Boalia, Rajshahi.	(0721)-773375 773395, 773693



SL. NO.	Branch	Address	Phone Number
30	Nababpur Branch	Holding:219/220 (Old), 42 (New), Nababpur Road, Sutrapur, Dhaka.	(02) 9512007, 9512016, 9512047, 9512059
31	Mirpur Branch	Galaxy Hospital Bhaban, Holding:29 & 30, Section:6 Main Road:1, Mirpur, Dhaka.	(02) 9032960-63
32	Shibu Market Branch	Kutub Ail, Khijirpur, Fatullah, Narayanganj.	7635122, 7635123
33	Ghonapara Branch	Ghonapara, Vate Dour, Gopalganj.	01714-747065
34	Digraj Branch	Shaheen Market, Digraj, Biddar Baon, 2 Burir Danga-Union, Mongla, Bagerhat.	(0466) 275208, 275209
35	Baburhat Branch	1st Lane, Manchester City(1st Floor), Shakerchar, Baburhat, Narsingdi.	02-9446060
36	Narayanganj Branch	Building:71, 99 Bangabandu Road, Ukil Para, Narayanganj.	02-7647593
37	Motijheel Branch	64 Purana Paltan,Motijheel, Dhaka.	02-9511241
38	Rangpur Branch	Paper Palace Tower(1st Floor), Paira Chattar,Rangpur.	(0521) 56481-3
39	Jessore Branch	36 (Old), 84 (New) Rabindranath Road (1st Floor), Jessore.	042172124
40	Takerhat Branch	Takerhat Mor, Takerhat, Madaripur.	(066)-23563991
41	Fatikchhari Branch	S A Centre (1st Floor), College Road, Bibirhat Fatikchhari, Chittagong.	(030) 2256345
42	Nasirabad Branch	Yakub Trade Centre, 89/304 East Nasirabad, Chittagong.	(031) 2550321
43	Bhomra Branch	C&F Association Bhaban (1st Floor), Bhomra, Satkhira.	047181133-35
44	Morrelganj Branch	Morrelganj Bazar Main Road, Morrelganj Bagerhat.	0465-656418
45	Hasnabad Branch	Shamsu Rani Vila, Hasnabad, Ekuria, South Keranigonj Dhaka	01787 693 620
46	Kharabad Baintola Branch	Kharabad Baintola, Amirpur, Botiaghata,Khulna.	01711 398 751
47	Chalakchor Branch	Chalakchor Bazar Near Chalakchor Bus Stand Monohordi, Narshingdi	
48	Panthapath Branch	Selim Center, 19/2 West Panthapath, Dhaka	02-9134139
49	Mouchak Branch	Mouchak, Kaliakair, Gazipur	01787 693 645
50	Maligram Branch	Maligram Bazar, Vanga, Faridpur	01714 084 822
51	Chittagong EPZ Branch	Amin Tower, Bondortila, EPZ Chittagong	01787 693 604
52	Dinajpur Branch	Moniza Khatun Complex Buti Babur More, South Munchipara, Dinajpur	01787 693 643
53	KDA C/A Branch	A 51, Mojid Avenue, Shib Bari, Khulna	
54	Natore Branch	House: 555 (1st floor) Nahar Market, Kanaikhali, Natore.	0771-67010
55	Feni Branch	House:371(1st floor), Opposite to Feni Tower, SSK Road,Feni.	0331-73144
56	Kushtia Branch	Nurul Islam Tower, 262/2 (1st floor), NS Road, Kushtia.	01712-699291
57	Labonchora Branch	Madina Tower, Banda Bazar,Labonchora, Main Road, Khulna.	01673-825757
58	Pragati Sarani Branch	G-99/3/A&B, Manama M.S.Toren, Pragati Sarani, Middle Badda,Dhaka.	01730434793
59	Khatungonj Branch	Achiya Manson, 282 Khatungonj, Kotowali, Chittagong.	01787693608
60	Amin Bazar Branch	Haji Shafiullah Community Center 2nd Floor, Amin Bazar, Savar, Dhaka.	01714038319
61	Banari Para Branch	261, Shanto Shisto Complex Thana: Banari Para, Barisal.	01745265876
62	Faltita Branch	Battola Bazar, Faltita, Fakirhat, Bagerhat.	01711507244
63	Addabazar Branch	Union: Adda, Upazila:Barura, Comilla.	01787693707
64	Jibonnagar Branch	Torofder new market, Jibannagar Bazar, Jibannagar, Chuadanga	01718279646



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 5th AGM of the Company to be held at 11:30 a.m. on
Thursday, May, 10, 2018 or at any adjournment thereof.
Signed this day of, 2018.

Signature of Proxy
Signature of Member
Folio No.
No. of Shares held

Revenue
Stamp

Tk. 20/-

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

ATTENDANCE SLIP

I hereby record my attendance at the 5th AGM of the Company being held on Thursday, May, 10, 2018 at 11:30 a.m. at Antara Hall of Radisson Blu Dhaka Water Garden, Airport Road, Dhaka Cantonment, Dhaka 1206.
Name of Member/Proxy (In Block Letters).....
Folio No.
No. of Shares held
Signature of the Member/Proxy
Date

N.B: 1. Members attending the Meeting in person or by proxy are requested to complete the Attendance Slip and deposit the same at the registration counter on the day of the Meeting.
2. Please note that AGM can be attended only by the Members or properly constituted Proxy. Therefore, any friend or children accompanying the Members or Proxy cannot be allowed in the Meeting.



Head Office

Sun Moon Star Tower (Level - 10), 37 Dilkhusha C/A, Dhaka - 1000, Bangladesh.

Tel: +8802 9577207 - 11, Fax: +8802 9577212, SWIFT: SBACBDDH.

E - mail: info@sbacbank.com, Web: sbacbank.com