



# Annual Report 2014



**SOUTH BANGLA AGRICULTURE & COMMERCE BANK LTD.**

**সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিঃ**

**LOCAL BANK GLOBAL VISION**



## Freedom

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

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

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

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

# 2<sup>nd</sup>

Annual General Meeting (AGM) of SBAC Bank Ltd. will be held at Head Office, 37 Dilkusha C/A, Dhaka-1000







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 and profitability with strong liquidity. Our cherished dream is to establish ourselves firmly at home and abroad as a front ranking Bank of the country.



## Our Mission

- To provide a customer-friendly environment.
- To deliver service excellence for all of our corporate, agro based, SME and retail segments.
- To maximize shareholders' value.
- To foster emerging economy of green Bangladesh with the help of advanced Information Technology.
- To establish different compatible delivery channels.
- To expand financial inclusions.
- 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.  
Registrar of Joint Stock Companies & Firms  
Bangladesh Bank  
Bangladesh Securities & Exchange Commission (BSEC)

**Subject: Annual Report 2014 of South Bangla Agriculture & Commerce Bank Ltd.**

Dear Sir/Madam (s),

Reference to the above, we enclose herewith the copy of Annual Report of South Bangla Agriculture & Commerce Bank Limited along with Audited Financial Statements as at 31st December 2014. This report includes Income Statements, Balance Sheet, Cash Flow Statements, Liquidity Statements, Statements of Changes in Equity and Notes to the Accounts thereon of South Bangla Agriculture & Commerce Bank Limited.

This is for your kind information and ready reference.

**Md. Mokaddess Ali**  
First Vice President &  
Company Secretary



## NOTICE OF THE 2ND ANNUAL GENERAL MEETING

Notice is hereby given to all Members of South Bangla Agriculture & Commerce Bank Limited (the "Company") that the 2nd Annual General Meeting of the Members of the Company will be held on Saturday, March 28, 2015 at 11:00 a.m. at Head Office, Sun Moon Start Tower, 37 Dilkusha C/A to transact the following business and adopt necessary resolutions :

### AGENDA :

1. Confirmation of minutes of the 1st Annual General Meeting
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2014 together with the reports of the Board and the Auditors thereon.
3. To elect Directors in place of those who shall retire in accordance with the provisions of the laws and the Articles of Association of the Company.
4. To appoint Auditors of the Company for the term until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. To transact any other business with permission of the Chair.

Dhaka  
Date- 12/03/2015

By order of the Board,

Md. Mokaddess Ali  
First Vice President &  
Company Secretary

### NOTES:

- a. The date of Book Closure (Record Date) shall be March 12, 2015.
- b. The Shareholders whose names appear in the Register of Members of the Company as at the close of the business on March 12, 2015 will only be entitled to the dividend declared in the AGM, if any.
- c. Any member of the Company entitled to attend and vote at the General Meeting may appoint a proxy to attend and vote on his/her behalf.
- d. The instrument appointing proxy duly signed by the Member(s) and stamped must be submitted at the Registered Office of the Company at least 48 hours before the Meeting.
- e. Members are requested to notify change of address, if any, to the Company Secretariat on or before March 12, 2015.





## commitments

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

### Client Focus :

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

### Hard Work :

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

### Transparency :

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

### Integrity :

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

### Innovation:

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

**Teamwork:**

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

**Respect to the Individual:**

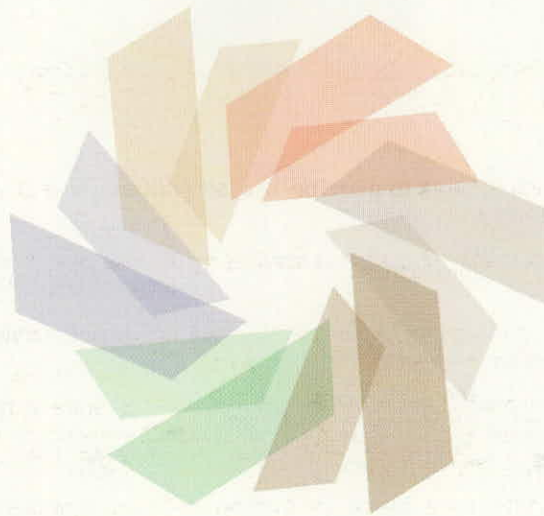
- We respect the individual whether an employee, a client, a shareholder or a member of the communities in which we live and operate.
- We treat one another with dignity and respect and take time to answer questions and respond to concerns.
- We firmly believe each individual must feel free to make suggestions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





## STRATEGIC PRIORITIES:

- Expansion of branch network to make banking services available at important locations throughout the country.
- Maintaining highest quality of customer services by offering best products compatible with customers' needs.
- Financial inclusion through widening the coverage of banking services specially by including the disadvantaged section of society.
- 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.
- Improvement of IT infrastructure in order to develop new IT based products and service
- Develop Human Resources Management system to motivate and retain Human Resources and transform them into Human Assets through continuous skill development.
- Cost minimization and efficiency optimization at all levels of operation by ensuring budgetary control.
- Expansion of activities related to Corporate Social Responsibility and Green Banking within the framework of organizational goals.
- Maintain strong capital base by ensuring borrowers' rating, concentrating on lending portfolio having lower capital charge, strengthening Internal Capital Adequacy Assessment Process (ICAAP).
- Ensuring efficient and effective risks management for sustainable business growth.
- Increasing brand visibility by creating positive image of the Bank.
- To add value for all stakeholders.
- To be compliant with all organizational and regulatory requirements by adherence to all laws, rules, regulations relating to banking.



## COMPANY HISTORY







## Corporate Information

### Name of the Company

South Bangla Agriculture & Commerce Bank Limited

### Chairman

Mr. S.M. Amzad Hossain

### Vice Chariman

Mr. Talukder Abdul Khaleque

### Managing Director

Mr. Md. Rafiqul Islam

### Company Secretary

Mr. Md. Mokaddess Ali

### Legal Status

Public Limited Company

### Line of Business

Banking

### Date of Incorporation

February 20th, 2013

Registered Office : Sun Moon Start Tower

37 Dilkusha C/A, Dhaka-1000

SWIFT : SBACBDDH

E-mail : info@sbacbank.com

Website : www.sbacbank.com



## Milestone

SL.No.	Event Issue	Date
1	Letter of Intent	17-04-2012
2	Certificate of Incorporation	20-02-2013
3	Certificate for Commencement of Business	20-02-2013
4	License Issued by Bangladesh Bank favoring South Bangla Agriculture & Commerce Bank Ltd.	07-03-2013
5	Inclusion of SBAC Bank in Bangladesh Gazette	31-03-2013
6	Enlistment as Scheduled Bank	01-04-2013
7	Inauguration of Head Office	03-04-2013
8	Inauguration of Principal Branch	28-04-2013
9	Obtaining Foreign Currency Transactions License (Head Office & Principal Branch)	13-05-2013
10	Inauguration of SWIFT Operation	04-08-2013
11	Inauguration of BACPS & BEFTN Operation	20-11-2013
12	Openning of Nostro Account:	
	AB Bank (Mumbai Branch)	22-05-2013
	United Bank Of India	17-06-2013
	Sonali Bank (UK)	25-06-2013
	Mashreq Bank Psc (Newyork)	25-09-2013
	National Bank of Pakistan (Tokyo, Japan)	20-03-2014
	Mashreq Bank Psc (London, U.K)	23-06-2014
	Sonali Bank (Kolkata)	11-02-2015
13	Signing agreement with ITCL for launching ATM operation	23-11-2013
14	Live ATM and Card Operation	09-03-2014
15	1st AGM held on	30-03-2014
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	Mashreq Bank Psc NY USA approved credit line	February, 2015





## ACHIEVEMENTS

FROM APRIL 2013 (OPENING OF BANK) TO DECEMBER 2014

### Branch Network:

The bank has so far opened 34 branches at important locations in Bangladesh at 1:1 (urban:rural) ratio, being leading one among new generation banks.

### Balance Sheet Size:

As on December 2014, size of Balance Sheet of the bank stood at Tk. 23,385.40 million.

### Business Growth:

The bank made robust business growth in all respects in 2014 compared to the previous year. Growth of Assets, Deposits, Loans & Advances and Earning Per Share was 174.79%, 319.88%, 349.59% and 44.45% respectively.

### Operating Profit:

The bank earned operating profit of TK.318.42 million in 2014 which is 128.82% higher than previous year.

### Contributions to National Exchequer:

Up to December 2014, the bank has contributed TK. 223.19 million to the National exchequer.

### New Products:

To foster Financial Inclusion Program, the bank has obtained approval for operation of Agent Banking from Bangladesh Bank. A number of deposit products have been introduced for Senior Citizens, Students and Tk.10 Privileged Saving Account.

### Human Resources Development:

To transform human resources of the bank into human capital, the bank established a Training institute at Head Office at the beginning of 2014, first of its kind among the new generation banks.

### Recruitment & Selection:

As on December 2014, the bank has recruited officers through fair screening mechanism. To strengthen human capital base, the bank has selected 100 Management Trainee Officers (MTO) through Written Test conducted by IBA, Dhaka University.

### Green Financing:

The Bank has already formulated "Green Finance Policy" incorporating 47 green products duly approved by the Board. Under this policy the loan will be disbursed at flexible terms and subsidized interest rate as per Bangladesh Bank Guidelines.

### Non performing Loans:

One of the indicators to assess financial health of a bank is quality of its assets measured by percentage of non performing loans & advances. SBAC Bank has no non performing loans & advances, even any in Special Mention account.

### Information & Communication Technology:

SBAC Bank is highly technology based bank. All 34 branches are on line with world famous CBS Temenos-T24. All other systems/operations of the bank are run by the software. The bank has successfully implemented all projects initiated by Bangladesh Bank like BACPS, EFTN, and CIB online.

### International Trade Finance:

Among new generation banks, SBAC Bank was the first to go on live with SWIFT, open USD Nostro Accounts with Correspondent Banks in the USA, get Credit Line Arrangements for LC confirmation and discounting thereof with UBAF, Mashreq Bank Psc and Sonali Bank (UK) Ltd for foreign trade businesses. The bank has established Drawing Arrangements with Wall Street Finance LLC, USA. Remittance through Instant cash and Account Credit has also started with arrangements of sub-agency. To support Non-AD branches, the bank has established Central Trade Processing Unit (TPU) at Head Office.

### Launching of SMS Banking:

The Bank launched SMS banking to boost the quality of banking services.

### Corporate Governance:

The bank adheres strictly to the regulatory guidelines on corporate governance.

### Capital Management:

SBAC Bank has strong capital base. Total capital of the bank stood at TK 4,364.66 million as on December 31, 2014 against the regulatory requirement of TK 400.00 crores. Capital Adequacy Ratio is 29.54% against required 10% as per Basel-II.

### Anti Money Laundering and Combating Terrorist Financing:

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



LEADERSHIP





## THE BOARD AND ITS COMMITTEES

### BOARD OF DIRECTORS

#### Chairman

Mr. S.M. Amzad Hossain

#### Vice Chairman

Mr. Talukder Abdul Khaleque

#### Directors

Mr. Maksudur Rahman

Mr. Abdul Kadir Molla

Mr. AZM Shofiuddin

Engr. Md. Moklesur Rahman

Mr. Muhammad Mohsin

Begum Sufia Amjad

(Alternate Director Mr. S.M. Abul Hossain)

Mr. Md. Amzad Hossain

Mrs. Sanawar Bano

Mr. Hafizur Rahman Babu

Mr. Anwar Hussain

Mrs. Tahmina Afroz

Mr. Shakhawat Hossain

Mr. Mrinal Kanti Debnath

Mr. Mohammed Ilias

Ms. Kamrun Nahar

Mr. Khan Habibur Rahman

Mr. Md. Mizanur Rahman

### EXECUTIVE COMMITTEE

#### Chairman

Mr. Maksudur Rahman

#### Vice Chairman

Mr. Abdul Kadir Molla

#### Members

Mr. Talukder Abdul Khaleque

Mr. Anwar Hussain

Mr. Md. Amzad Hossain

Mr. Hafizur Rahman Babu

Mr. Shakhawat Hossain

### AUDIT COMMITTEE

#### Chairman

Mr. AZM Shofiuddin

#### Members

Mr. Muhammad Mohsin

Mr. Mrinal Kanti Debnath

### RISK MANAGEMENT COMMITTEE

#### Chairman

Engr. Md. Moklesur Rahman

#### Members

Mr. AZM Shofiuddin

Mr. Anwar Hussain

Mr. Mrinal Kanti Debnath

**COMPANY SECRETARY:** Mr. Md. Mokaddess Ali



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



**Mr. Talukdar Abdul Khaleque**

Vice-Chairman

Mr. Talukder Abdul Khaleque is the Vice-Chairman of South Bangla Agriculture and Commerce Bank Limited since the inception on February 20, 2013. He graduated from M M City College in 1974. He is a veteran politician of Bangladesh. Mr. Talukder is former State Minister and former Mayor of Khulna City Corporation. He has been a member of parliament since 1991.



**Mr. Maksudur Rahman**

Director & Chairman, Executive  
Committee of the Board

Mr. Maksudur Rahman is one of the Directors and the Chairman of the Executive Committee of the Board of South Bangla Agriculture & Commerce Bank Limited. He is the Managing Director of Ratanpur Steel Re-Rolling Mills Ltd., was born in 1950. He is a graduate and having 41 years of business experience. He is the founder of the RSRM group and the Ratanpur Steel Re-rolling Mills Limited which is one of the concerns of the RSRM group. Upon completion of his Graduation, Mr. Rahman started his business in the year 1972 and established a steel Re-rolling Mill in Chittagong in the year 1986. After realizing the business risk diversification regarding back ward 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 regarding scrap ship breaking. 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 retains multi-dimensional business knowledge and he knows better how to reduce the

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





**Mr. Abdul Kadir Molla**

Director & Vice-Chairman, Executive  
Committee of the Board

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

Monohardi, Narsingdi. He has established 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 achieved 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.



**Engr. Md. Moklesur Rahman**

Director and Chairman, Risk  
Management Committee of the Board.

Engr Md. Moklesur Rahman is one of the visionary industrialists in Bangladesh. He obtained his BSC 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 working for 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. Moklesur Rahman is a hard working man and he had still not quenched his thirst for running new businesses and helping

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





**Mr. Muhammad Mohsin**

Director

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

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





**Mr. A.Z.M Shofiuddin**

Director and Chairman, Audit Committee of the Board.

Mr. AZM 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 is the Chairman of Audit Committee and Member of Risk Management Committee of the Board. He has started his business in 1992 and established SQ Group of Companies which has extended to ten subsidiaries presently. He is the Chairman of Techno Electricals Ltd., SQ Wire & Cable Co. Ltd., & SQ Lights Ltd. He is also the Managing Director of TSCO Power Ltd., TS Transformers Ltd., sponsor Director of Microgenix BD Ltd., and Managing Partner of SQ Trading & Engineering.



**Begum Sufia Amjad**

Director

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



**Mr. Md. Amzad Hossain**  
Director

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



**Mrs. Sanawar Bano**  
Director

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



**Mr. Hafizur Rahman Babu**  
Director

Mr. Hafizur Rahman Babu is one of the prominent business person and renowned entrepreneur of the country. He is one of the sponsor Directors of South Bangla Agriculture & Commerce Bank Ltd. and the Chairman of S.B. Group, one of the 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 various 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 etc. He is also the Member of Dhaka Stock Exchange Limited and founding entrepreneur of the Canadian Trillium School. He participated in various professional workshops and seminars at home and abroad and is also associated with many social, cultural and charitable organizations.



**Mr. Anwar Hussain**  
Director

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





**Ms. Tahmina Afroz**

Director

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



**Mr. Md. Shakhawat Hossain**

Director

Mr. Md. Shakhawat Hossain 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. Presently he is working as General Manager in Anwer Khan Modern Hospital Ltd. & Diagnostic Centre.



**Mr. Mrinal Kanti Debnath**

Director

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



**Mr. Mohammed Ilias**

Director

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



**Ms. Kamrun Nahar**  
Director

Ms. Kamrun Nahar is a successful housewife in her personal life. She is maintaining her family life with her husband including two daughters and one son. Besides that, she is a successful businessman also. She has business interest in diversified fields such as Livelihood, Insurance, Aviation and Travel, Education, Medical Services, Construction etc. She is also the founder and patron of different socio-cultural organizations in the country.



**Mr. Khan Habibur Rahman**  
Director

Mr. Khan Habibur Rahman is one of the Directors of South Bangla Agriculture & Commerce Bank Limited. He acquired his Bachelor of Arts (B.A.) degree in the year 1975. He is also the Director of Rupsha Fish & Allied Industry Limited, Khulna Printing & Packaging Limited and Bangladesh Poly Printing International limited. Besides, he is also involved with many social welfare & cultural activities in the country.





**Mr. Md. Mizanur Rahman**  
Director

Mr. Md. Mizanur Rahman is one of the Directors of the Bank nominated by M/S. Contech Construction Ltd. He is the Executive Director of M/S. Contech Construction Ltd. including its following sister concerns which are B&T Cables Ltd., B&T Development Ltd., B&T Cold Storage Ltd., B&T Distribution Ltd. & Pre-stressed Pole Ltd., He obtained his M.Com (Accounting) degree from Jagannath College & University in 1979. He also obtained different training courses from Management Development Centre & Bangladesh Institute of Management.



**Mr. S.M. Abul Hossain**  
Director

Mr. S.M. Abul Hossain is the Alternate Director of Begum Sufia Amjad who is one of the Sponsor Directors of South Bangla Agriculture & Commerce Bank Ltd. He is a prominent business person of the country particularly in the southern region. He has diversified business experience especially in the frozen food industries. He is the Managing Director of Lockpur Group and also the Director of Rupsha Fish & Allied Industry Limited, Khulna Printing & Packaging Limited and Bangladesh Poly Printing International limited. Besides, he is also associated with a number of organizations involved in social welfare & cultural activities in the country.



## Management Committee of the Bank

Sl. No	Name	Designation	Position in the committee
1	Mr. Md. Rafiqul Islam	MD & CEO	Chairman
2	Mr. A K M Ashraf Uddin Khan	AMD	Member
3	Mr. Md. Dilwar Hossain Bhuiyan	DMD	Member
4	Mr. Md. Shawkat Ali	DMD	Member
5	Mr. Md. Ghulam Nabi	SEVP	Member
6	Mr. Harun Ar Rashid	SEVP	Member
7	Mr. Md. Mizanur Rahman	SVP	Member
8	Mr. K N M Md. Enamul Haque	VP	Member
9	Mr. Md. Masoodur Rahman	VP	Member
10	Mr. Mohammad Asadul Haque	VP	Member
11	Mr. Md. Nishadul Islam	VP	Member
12	Mr. Md. Mokaddess Ali	Company Secretary	Member Secretary





## List of Executives of the Bank

SL NO	Name	Designation
1	Mr. Md. Rafiqul Islam	MD & CEO
2	Mr. A K M Ashraf Uddin Khan	AMD
3	Mr. Md. Dilwar Hossain Bhuiyan	DMD
4	Mr. Md. Shawkat Ali	DMD
5	Mr. Md. Ghulam Nabi	SEVP
6	Mr. Harun Ar Rashid	SEVP
7	Mr. Mohammed Salim Chowdhury	SEVP
8	Mr. Md. Kamal Uddin	EVP
9	Mr. Md. Altaf Hossain Bhuyan	EVP
10	Mr. Md. Mizanur Rahman	SVP
11	Mr. Md. Nurul Azim	SVP
12	Mr. Md. Saiful Islam	SVP
13	Ms. Sheikh Rebeka Rahman	SVP
14	Mr. Salahuddin Ahmed	SVP
15	Mr. K.N.M. Md. Enamul Haque	VP
16	Mr. Md. Masoodur Rahman	VP
17	Mr. Mohammad Asadul Haque	VP
18	Mr. S.M. Iqbal Mehedi	VP
19	Mr. Md. Nishadul Islam	VP
20	Mr. Asirul Haque	VP
21	Mr. Mohammed Imtiaz	VP
22	Mr. Foysal Ahmed	VP
23	Mr. Minhazul Islam	VP
24	Mr. Md. Monzur Murshed Khan	VP
25	Mr. Abu Bayazid SK	FVP
26	Mr. Yousuf Solaiman Russel	FVP
27	Mr. Md. Mokaddess Ali	FVP
28	Mr. Emdad Haider	FVP
29	Mr. Mohammed Anwarul Kabir	FVP
30	Mr. Md. Mostafizur Rahman	FVP
31	Mr. A.N.M. Mejbahul Hasan	AVP
32	Mr. A.N.M. Moyeej Ahmed	AVP
33	Mr. Abu Salem Mohammad Hojaiffa Noman	AVP
34	Mr. Mohammad Shafiul Azam	AVP
35	Mr. Sahab Uddin	AVP
36	Mr. Mannan Bapari	AVP
37	Mr. Hasan Mahmud	AVP
38	Ms. Sultana Razia	AVP
39	Mr. Md. Delowar Hossain Mondol	AVP
40	Mr. Mohammad Yousuf Chowdhury	AVP
41	Mr. Md. Shahidur Rahman	AVP
42	Mr. Bidhan Kumar Saha	AVP
43	Mr. Md. Khalequzzaman	AVP
44	Mr. Md. Fakhrul Islam	AVP
45	Mr. Sheikh Sharfuddin	AVP
46	Mr. Md. Mazharul Hasan	AVP
47	Mr. Dewan Arifur Rahman	AVP





## CHAIRMAN'S ADDRESS



*Bismillahir Rahmanir Rahim*

### Distinguished Shareholders,

By the grace of almighty Allah, this year your bank completes 2 years of journey and marching with a momentum in our growth by accumulating a series of successes which includes deployment of an world class Core Banking Solution and implementing all Central Bank initiated projects (BACPS, BEFTN, Online CIB, goAML etc.) within shortest time, expanding branch network, launching innovative products & services, achieving remarkable profitability etc.

It is my privilege to place before you, on behalf of the Board of Directors of South Bangla Agriculture and Commerce Bank Ltd. the Annual Report-2014 and the financial statements of the Bank for the year ended 31st December 2014. I express my heartfelt gratitude to you for your continued support and the cooperation you have given throughout the year. It is a pleasure to be with you at the 2nd Annual General Meeting of South Bangla Agriculture and Commerce Bank Limited.

### My honourable fellow shareholders,

If we look at the world economic features, we would see that the GDP growth in emerging markets and developing economies expected to be moderate at 5 percent but advanced economies are likely to grow at

suggesting lackluster export prospects for the developing world. World GDP growth is expected to edge up from 3.3 percent in 2014 to 3.8 percent in 2015. In the midst of dull growth of the emerging giants, China and India, Bangladesh's projected growth at 6.4 percent in 2015 seems quite respectable. All three sectors of the economy: agriculture, industry, and services, are performing well. Industrial growth has been faster than others as expected. The trend analysis shows 8 percent plus growth for industry and around 4 percent for agriculture. Services, being the largest sector (more than 50 percent), grows at 6 percent. The share of investment in GDP is around 29 percent- adequate to generate 6 percent plus growth in output. Public investment in infrastructure and energy is essential in this regard. The implementation of Annual Development Program (ADP) requires speeding up to accomplish mega public projects that always create space for greater private investment. Although Bangladesh's Debt-GDP ratio is one of the lowest in the region, this ratio indicates the opportunities of productive debt by the government- which can be used to build infrastructure and institutions that expedite financial activities. Government borrowings from the banking sector are decreasing, but increased borrowings from the nonbanking sector may raise the cost of fund and eventually prevent lending rates from falling. Export growth, though remained around 1 percent in the first





4 Months of FY 2015 showed a sign of rebound since November. Import growth speeded up at the end of 2014, exceeding the growth of exports.

In advanced economies, the legacies of the pre-crisis boom and the subsequent crisis, including high private and public debt, still cast a shadow on the recovery. Emerging markets are adjusting to rates of economic growth lower than those reached in the pre-crisis boom and the post-crisis recovery. Overall, the pace of recovery is becoming more country specific. Financial markets have been optimistic, with higher equity prices, compressed spreads, and very low volatility.

#### My honourable colleagues,

Your Bank has delivered another good year despite the uncertain and challenging economic environment. The result is attributable to the Bank's better position in the industry and the continued focus on providing sustainable banking services to the community. The Bank's strategy and focus of serving our customers remains paramount. We continue to move onward with perseverance and at the same time we are sensitive to changes in the external environment, while competing strongly in all the market segments that we serve.

Your Bank expanded its business significantly during the year 2014: deposits Tk. 1864.19 crore, loans and advances Tk. 1351.80 crore and operating profit Tk. 31.84 crore. The Bank maintained a healthy loan deposit ratio of 72.51% during the year. South Bangla Agriculture and Commerce Bank Limited has ensured its presence in 32 different parts of the country i.e. the Bank now has 32 branches across Bangladesh. The Branches is equipped with modern technology and highly skill human resources. Currently your bank has a workforce consisting of almost 386 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.

#### Dear Shareholders

As the Government has embarked on strengthening the rural economy of Bangladesh, the Bank has opened a number of rural branches countrywide such as at Hemayetpur, Ashulia and Keranigonj in Dhaka, Mawna in Gazipur, Katakhal and Digraj in Bagerhat, Bhatiari and

Modunaghat in Chittagong, Velanagar and Shorbolaxona in Narsingdi, Chuknagar in Khulna, Shyamnagar in Satkhira, Mainamati in Comilla, Bangla Bazar in Noakhali, Islampur in Sylhet, Shibu Market in Narayanganj, Ghonapara in Gopalganj. We developed fascinating agri-loan products in order to better synchronize the Bank's financing approach with specific financial needs of different sub sectors of agriculture. Our Retail Banking and SME units are extending fully fledged financial facilities to retail customers & small and medium enterprises under the refinance scheme of Bangladesh Bank. For this purpose we have already concluded a Refinance Agreement with Bangladesh Bank. It is my strongest belief that it will be promoting self-employment in the economy, and contributing towards creation of new job opportunities.

Your Bank has a vision 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. Your Bank continues to thrive in the SME sector with a realistic target.

The year 2014 will be remembered as 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, your Bank was able to maintain its corporate asset portfolio at BDT 2383.54 crore.

Financially your Bank turned in a solid performance. We took advantage from both the favorable and unfavorable conditions in the banking industry to enable us to reach a position of long-term sustainability. Our strength, confidence and your cooperation helped us make 128.74% growth in operating profit in a challenging environment. In 2014, our operating profit stood at 31.84 crore. Our total assets stood at 2383.54 crore, compared to 867.39 crore in 2013, with a growth rate of 174.79%. During the year our total deposits was 1864.19 crore in comparison to 443.98 crore in 2013, showing a growth rate of 319.88%. Our Net Profit was 6.60





crore in 2014 which is 42.55% higher than that of 2013. Our Capital and Reserve grew to 436.47 crore and 19.44 in 2014, respectively, strengthening of capital base and sustainability of the Bank.

**My dear Colleagues,**

I am delighted to announce that your Bank was the first among the new nine banks that obtained credit line arrangement for LC confirmation and discounting thereof with UBAF ( Union De Banques Arabes Et Francaises) and Mashreq Bank Psc. For foreign trade business of our valued customers our Bank has 06 (Six) Authorized Dealer (AD) branches. Moreover, with a view to support Branches instantly a centralized Trade Processing Unit (TPU) has been established at the Head Office on July 1, 2014. At present your bank is equipped enough to facilitate cross border trade transactions with high-end, efficient tested core banking solution (Temonos T-24), and a team with committed and skilled workforce. At present your Bank is maintaining 134 RMAs (Relationship Management Applications) and 12 Nostro Accounts with its Correspondent Banks at different location of the world.

I am pleased to mention here that we are the pioneer of having tied up with an exchange company as a direct agent for remittance business among the new generation Banks. We have mobilised remittance of USD 900,000 since July 2014. We have also started Foreign Remittance service including Instant Cash and Account Credit remittance during 2014 through some renowned exchange companies such as - Xpress Money Services, Trans-Fast Remittance, Wall Street Finance LLC etc. Signing agreement for remittance service with more exchange companies are under process.

Your Bank has a skilled and dynamic Treasury Management Team. They are entrusted with Cash Management, Liquidity Planning and Liquidity Protection through dealings in Money Market, Fixed Income Market, Foreign Exchange, Asset Liability Management and Primary Dealer's Business. The Treasury Division is also regarded as a Profit Center, which generates income by trading in instruments in the Financial Markets. They have a remarkable performance in 2014:

- Efficient Fund Management of Local Currency
- Efficient Fund Management of Foreign Currency

- Efficient Integrated Treasury Management
- Developed all important Treasury Policies
- Prepared Treasury Operations Manual
- Conduct effective monthly ALCO Meetings
- Management of Assets and Liabilities of the Bank efficiently.

Your bank is using a state-of-the-art IT Platform in operating banking business. During the year 2014 our banking operation was significantly focused on automating and simplifying the existing processes, establishing and managing IT Infrastructure for 32 (thirty two) branches including 20 (twenty) new branches which were inaugurated during 2014. Migrating physical servers to virtual machines and consolidating the server requirement has resulted in lowering energy consumption and cooling needs thereby reducing the carbon footprint for the Data Centre.

There has been a lot of progress in recent years in the development of e-transactions, which promises to be one of the greatest revolutions in the payment system of Banking Industry. Your Bank has a Card Division constituted with the commitment of service excellence, providing diversified and innovative Card products to its clients through latest technological facilities. Considering the client's needs, compared to the existing competitor bank's given services, and to provide the customer an uninterrupted 24x7 hours cash withdrawal facilities, SBAC Bank started live ATM service & Debit card operation on 9th March 2014.

Your Bank is connected with a network consortium named Q-cash, which consists of more than 25 member banks. There is approximate 2000 shared ATMs in Q-cash consortium network. Q cash has also a network sharing arrangement with Omnibus and DBBL ATM networks. Meanwhile we have introduced Proprietorship Debit card and so far we have issued 3,500 debit cards to our account holders.

In October 2014 we joined National Payment Switch Bangladesh (NPSB) under the control of Bangladesh Bank; our card holders can withdraw cash from any ATM Booths of any Banks located in each corner of the country. Similarly, cardholders of other Banks can withdraw money from SBAC Bank ATMs. Now SBAC Bank cardholders have access to more than 5,600 ATMs countrywide.





clear, well defined strategy. Sound management of risks, capital and costs will continue to be a priority. While continuing to pursue business targets, your Bank is committed to maintaining a high standard of Corporate Governance in the operations of the Bank.

In accordance with Bangladesh Bank guidelines, we are happy to inform you that our present capital adequacy ratio is 29.32% of Risk weighted Assets (RWA) and paid up capital 408.96 crore.

We are committed to work for the people and are actively engaged in socially responsible projects throughout. The Board of SBAC Bank Ltd. has approved a policy for CSR.

Under CSR Program the Bank has distributed 8,000 (eight thousand) blankets worth BDT 2.20 million for the cold bitten people, particularly in the northern districts of the Country. The Bank also donated BDT 1.6 million to Bangladesh Table Tennis Federation, Tk.1.00 million to celebrate " Lakho Konthe Sonar Bangla Program", Tk.1.00 million to the Prime Minister's Relief Fund for flood affected people, Tk.0.50 million to celebrate 50th anniversary of BTB.

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.

In fine, 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 continued 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 2015.

I would like to express our firm commitment to our valuable shareholders as we continue our effort to work for enhancing our wealth.

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

Allah Hafiz,

S. M. Amzad Hossain  
Chairman





## MESSAGE FROM THE MANAGING DIRECTOR

*"Since inception we have firm commitment of excellent customer services having differentiated features that are compatible to contemporary needs by application of latest information technology. In one year and eight months operation we have opened 34 branches with full-fledged online banking services. We have achieved expected progress in all areas in 2014 having Balance Sheet Size of Tk. 23,835.40 million. Our aim is to build the bank as an institution of Financial Excellence"*

*Bismillahir Rahmanir Rahim*

I am very pleased and feel honored to present the progress and achievements of the bank in 2014.

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 2014. The bank has earned Tk. 318.42 million operating profit, maintained adequate capital adequacy ratio, established branch network, upheld asset qualities, developed work environment with effective and efficient workforce and took appropriate measures for Risk Management.

The sound development of a Bank cannot take place when it is not serving a healthy, growing real economy. Growth projection for both advanced and emerging economies has been down scaled because of their slower than expected rate of recovery from the post-crisis stage. However, in a comparative scenario, the global

outlook portrays a slightly encouraging picture for the world since its output growth is expected to rise from 3.3% in 2014 to 3.8 % in 2015. Although growth in emerging markets and developing economies will be moderate at 5 %, advanced economies are likely to grow at 2.3 % in 2015, suggesting lackluster export prospects for the developing world.

Bangladesh economy showed its resilience in all economic indicators registering 6.40% GDP growth against 5.00% GDP growth of developing countries. However, the Government of Bangladesh projected the economic growth at 7.3% for 2014-2015. The international reserve stood at USD 22309.80 million at the end of December 2014 which can meet more than six months import cost. The monetary stance in January-June 2015 takes these recent economic and financial sector developments into account and will target a





monetary growth which aims to bring average inflation down to 6.5%, while ensuring that credit growth is sufficient to stimulate inclusive economic growth. The ceiling for private sector credit growth of 15.5% has been kept well in line with economic growth targets. All three sectors of the economy: agriculture, industry, and services are performing well. Industrial growth has been faster than others as expected. The trend analysis shows 8 % plus growth for industry and around 4 % growth for agriculture. Services, being the largest sector (more than 50 %), grows at 6 % on the trend. The share of investment in GDP is around 29 % - adequate to generate 6 % plus growth in output. Public investment in infrastructure and energy is essential in this regard. The implementation of Annual Development Program (ADP) requires speeding up to accomplish mega public projects that always create space for greater private investment.

Total Deposits (excluding interbank deposits and government deposits) in the banking system stood at Tk. 6,588,516 million in December 2014 as against Tk. 5,806,965 million in December 2013 registering 13.46% growth whereas Total Bank Credit stood at Tk. 5,451,495 million in December 2014 as against Tk. 4,761,510 million in December 2013 registering 14.49 % growth. Non-performing loans (NPLs), in gross terms, increased at the end of December 2014 to Tk.501,560 million (9.69 % of total loans) from 405,800 million (12.80 % of total loans) at the end of December 2013 but recorded a favorable decrease in percentage terms. Favorable economic condition until December 2014 has also helped to bring down the share of NPLs. Most of the Banks have been able to bring down the share of NPLs. The fresh loan may enter into classified territory, if the political unrest persists. The SBAC Bank has made robust growth in all areas in 2014. The operating profit stood at Tk. 318.42 million registering 128.82% growth having no classified loans, even a single account in the SMA (Special Mention Account). Total assets stood at Tk. 23,835.40 million (174.79% growth), total deposits Tk. 18,641.90 million (319.88% growth) , total loans and advances Tk. 13,518.049 million (349.59% growth), Earnings per share Tk.0.16 (44.45% growth) , advance deposits ratio 72.519%, surplus capital Tk. 364.66 million and Income per employee Tk. 5.24 million. The bank has opened so far 34 branches maintaining rural urban ratio 1:1 which is the highest number of branches among the new banks.

We firmly believe in sustainable development. Accordingly we have integrated sustainability principles into day to day activities of the Bank. Our aim is to do the best to ensure that the credit we extend to our customers is utilized for environmentally sound and sustainable purposes which are ultimately turned into economic development of the country. We have diversified the credit portfolio in corporate exposure, emphasized on retail, SME and agricultural loan, addressed gender issue by providing loans to women entrepreneurs in SME segment and also emphasized on geographical diversification. The SBAC Bank since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2014. Consolidated loans and advances stood at Tk 13,518.049 million of which Loan disbursed to SME sector amounting Tk. 3,733.61 million, Industrial credit Tk. 5,909.84 million, Agriculture loan Tk.158.74 million and Trade & Commerce Loan Tk. 2,625.10 million.

As we are committed to uphold the interest of depositors, we are playing trustworthy and stewardship functions. We attracted depositors by offering lucrative rates and benefits. The deposits of SBAC Bank stood at Tk. 18,641.90 million at the end of 2014. This has become possible by the support of branch network and high standard service provided to depositors along with concerted and unwavering efforts of the employees of the Bank.

Non Interest earning through foreign trade business plays vital role in the profitability of bank. Among the new generation banks , SBAC Bank Ltd was first to go on live with SWIFT and open USD Nostro account with correspondent banks in USA, get credit line arrangement for LC confirmation and discounting thereof with UBAF (Union De Banques Arabes Et Francaises), Mashreq Bank Psc. and Sonali Bank (UK) Ltd to facilitate foreign trade business. Out of 34 branches , 6 branches with AD license. In order to support the Non-AD (Authorized Dealer) branches, SBAC Bank Ltd established a central trade processing unit at Head office). To encourage foreign remittance, Bank established direct drawing arrangement with Wall Street Finance LLC USA. Remittance through Instant Cash and Account Credit has also been started with the arrangement of Sub-agency. At present we have such arrangement with X-Press Money and Transfast through Mercantile Bank Ltd and





Jamuna Bank Ltd respectively. We are going to make such more arrangements with Banks and Remittance Company. Export Import and Remittance services have been increasing over the years.. Total exports and Import in 2014 was USD 72.13 Million & USD 100.24 million respectively where as it was USD 10.68 Million & USD 10.31 in 2013 indicating rapid growth in export and import business.

We have prepared the financial statements as at and for the year ended 31 December 2014 to present fairly, in all material respects, its state of affairs, the results of its operations, cash flows and changes in equity complying all the rules and regulations applicable in this regards.

SBAC Bank has already formulated an Internal Control and Compliance (ICC) Policy Guidelines duly approved by the Board. The ICC Guidelines are being used for effective internal control mechanism to safeguard shareholders' investments, depositor's assets and others stakeholders interest. The Board has delegated authority to the Audit Committee for reviewing of adequacy and effectiveness of the system of internal controls. A resonant internal control system helps a bank grow in a safe and sustainable way. The design and implementation of any internal control system depends largely on a bank's size, the mode of its operation and its risk profile. The Internal Control and Compliance practices of SBAC Bank include - control environment, risk assessment, control activities, segregation & rotation of duties, accounting information and reconciliation, IT security and self-assessment/monitoring.

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

SBAC Bank recognizes the impact of shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per directives of the Bangladesh Bank, the banks are required to maintain capital at 10.00 % of its risk-weighted assets under Basel-II or Tk.400.00 crore whichever is higher. Tier-I capital should be minimum 5 % of total capital. Total capital stood at Tk. 4,364.66 million in 2014 registering surplus capital of Tk. 364.66 million and capital adequacy ratio (CAR) is 29.54%. Human Resources of any organization is an important asset and key to success. SBAC Bank is working with a vision of converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution.

A healthy environment has been created where employees enjoy working with pride. We believe that human resources are main elements behind success and future sustainability of the bank. The bank is developing and motivating the workforce with contemporary HR policies and attractive benefits. The SBAC bank is not only offering a job but also creating opportunities for learning, challenging and rewarding career. The total regular employees of the Bank stood at 377 as on December 31, 2014.

The Bank established Training Institute in 2014 for development of human resources. The bank offered over 350 employees, at all levels, a wide range of training opportunities throughout the year in order to build their professional competencies, increase their knowledge, and improve their skill so that they can contribute to Bank's mission and enhance their individual opportunities for future growth. To strengthen the organizational capability and human resources base, the bank has selected 100 talented, meritorious and deserving candidates as MTO (Management Trainee Officer) who have come out successful after rigorous selection procedures. So far 38 new recruits MTO have joined.

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

Being a socially responsible Bank, SBAC Bank engages





itself in CSR. The Bank incurred expenses of Tk. 4.64 million in 2014 under CSR activities e.g. help for victims of Rana Plaza disaster, blankets distribution for cold stricken poor people, Table Tennis Federation, Lakho Konthe Sonar Bangla Program, flood affected people, 50th anniversary of BTV, National Institute of Burn and Plastic Surgery etc.

The environmental degradation needs to be tackled in a concerted manner by all. Society demands that business also take responsibility in safeguarding the planet. As a responsible Corporate Citizen, SBAC Bank Ltd reinforced its Green Banking initiatives at the inception of its operation. "A Green Banking Policy" of South Bangla Agriculture & Commerce Bank has been formulated and approved by the Board of Directors. To fulfill the target of Green Finance which least 3% of total loan disbursed, the Bank has already formulated "Green Finance Policy" incorporating 47 green products duly approved by the Board. Under this policy the loan will be disbursed at flexible terms and subsidized interest rate.

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

As a Corporate body, during the calendar year 2014 we contributed Tk. 103.61 million as Tax, Tk. 38.89 million as advance tax & Tk. 40.60 million as VAT and excise duty to national exchequer.

The Management of the Bank engages its all out efforts to maximize the shareholders' wealth. Total assets of the bank stood Tk. 23,835.40 million registering 174.79% growth from the previous year. The shareholder equity stood at Tk. 4,242.71 million in 2014 as against 4,137.70 million in 2013 and Earnings per share Tk.0.16 in 2014 as against Tk.0.11 in 2013 registering 44.45% growth.

Our strategic priorities and actions plan for future are to expand of branch net work throughout country to make banking facilities available at the remote area. The Bank has already opened 34 branches and opening of 10 more branches is under process to be completed by June 2015. We have a plan to increase the branches to 50 by December 2015.

We want to improve Deposit Mix by maintaining efficient

deposit mix, increasing share of low cost and no cost deposit in total deposit; increase non-funded business; maintain adequate level of liquidity 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.

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

In fine we beg to add that we build upon our strengths and we are confident that we can make 2015 another prosperous year and cross more mile stones.

Md. Rafiqul Islam  
Managing Director & CEO





## PERFORMANCE HIGHLIGHTS





## PERFORMANCE HIGHLIGHTS

(Amount in Million Taka)

Particulars	2014	2013	Change
Number of Branches	34*	12	22
Total assets/Total Liabilities	23,835.40	8,673.89	15,161.51
Interest earning assets	21,177.31	7,537.73	13,639.58
Non interest earning assets	2,658.09	1,136.16	1,521.93
Total shareholders' Equity	4,242.71	4,137.70	105.01
Total capital (Tier I +II)	4,364.66	4,170.15	194.51
Surplus/(deficit) capital	364.66	170.15	194.51
Capital Adequacy Ratio (CAR)	29.54%	61.99%	(32.45%)
Total deposits	18,641.90	4,441.95	14,199.95
Total loans and advances	13,518.05	3,006.76	10,511.29
Total contingent liabilities and commitments	2,976.73	501.37	2,475.36
Advance deposits ratio (%)	72.51%	67.69%	4.82%
Classified loans	NIL	NIL	NIL
Total Export	72.13	10.68	61.45
Total Import	100.24	10.31	89.93
Total Income	1,975.37	469.49	1,505.88
Total Remittance	0.90	0.01	0.89
Total Expenses	1,656.95	330.33	1,326.62
Profit before tax and provision (Operating Profit)	318.42	139.16	179.26
Profit after tax and provision (Net Profit)	66.00	46.34	19.66
Classified advance	NIL	NIL	NIL
Provision kept against classified advance	NIL	NIL	NIL
Yield on Advance (%)	15.37%	15.81%	(0.44%)
Cost of fund (%)	13.27%	15.45%	(2.18%)
Net spread (%)	2.10%	0.36%	1.74%
Return on investment (ROI) (%)	11.50%	9.43%	2.07%
Return on Assets (ROA) (%)	0.41%	0.53%	(0.12%)
Return on Equity (ROE) (%)	1.58%	1.92%	(0.34%)
Earnings per share (EPS)	0.16	0.11	0.05
Net Asset Value Per Share	10.75	10.20	0.55
Number of employees	377	187	190

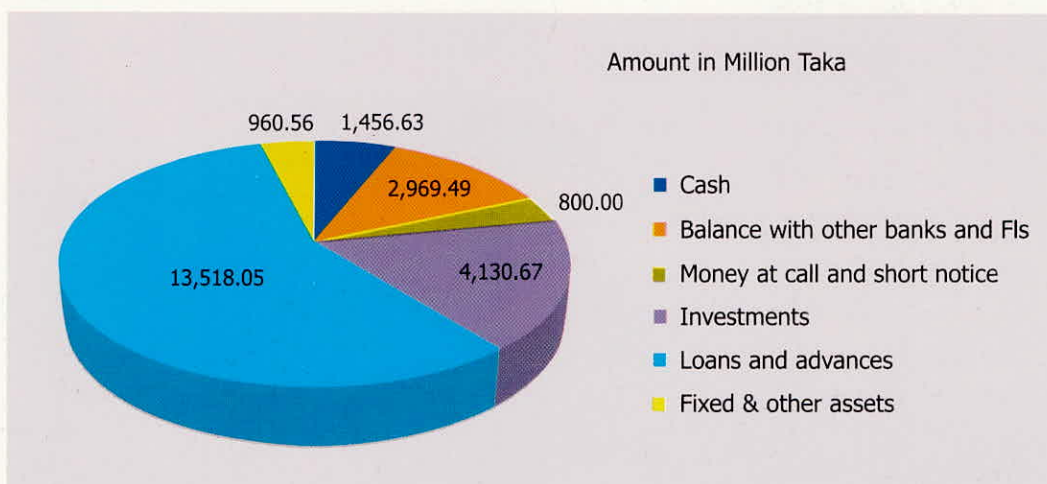
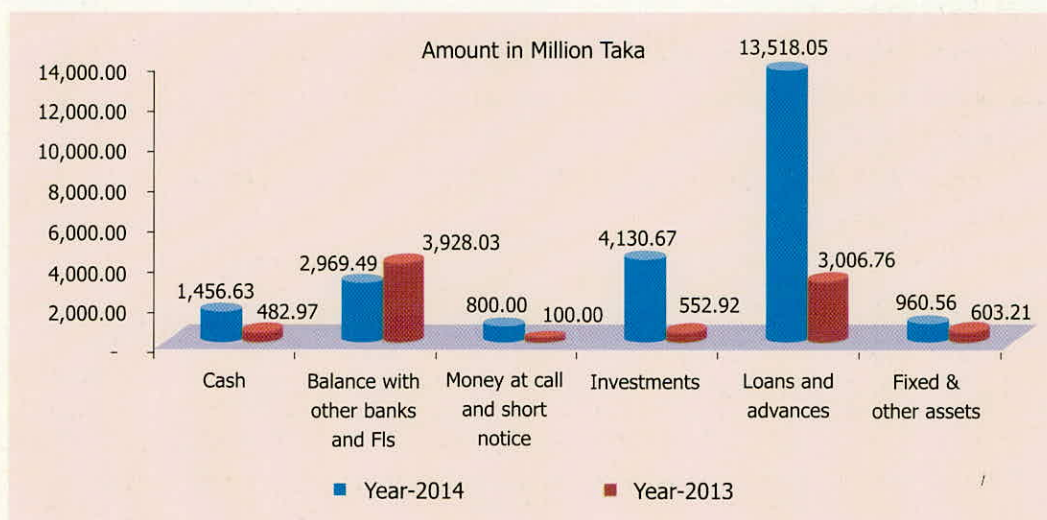
\* up to January 2015



**Total assets:**

(Amount in Million Taka)

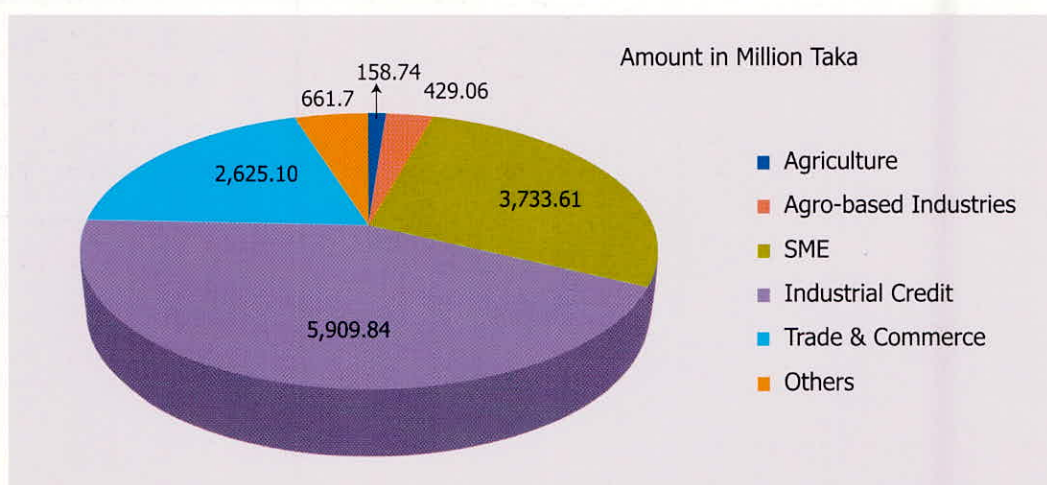
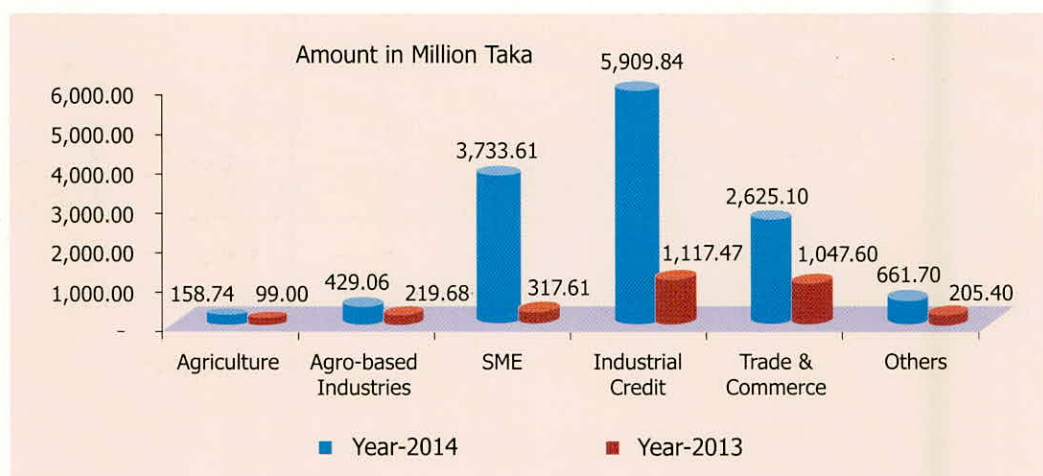
Particulars	2014	2013	Growth (%)
Cash	1,456.63	482.97	201.60
Balance with other banks and FIs	2,969.49	3,928.03	(24.40)
Money at call and short notice	800.00	100.00	700.00
Investments	4,130.67	552.92	647.06
Loans and advances	13,518.05	3,006.76	349.59
Fixed & other assets	960.56	603.21	59.24
<b>Total Assets</b>	<b>23,835.40</b>	<b>8,673.89</b>	<b>174.79</b>

**Total Assets as on 31.12.2014****Comparison of Assets in 2013 & 2014**

**Loans and advances:**
**i) Sector wise Loans and advances:**

(Amount in Million Taka)

Particular of Sectors	2014	2013	Growth (%)
Agriculture, Fisheries & Forestry	158.74	99.00	60.34%
Agro-based Industries	429.06	219.68	95.31%
Small & Medium Enterprise (SME)	3,733.61	317.61	1,075.53%
Industrial Credit	5,909.84	1,117.47	428.86%
Trade & Commerce	2,625.10	1,047.60	150.58%
Others	661.70	205.40	222.15%
<b>Total</b>	<b>13,518.05</b>	<b>3,006.76</b>	<b>349.59%</b>

**Sector wise Loans and advances as on 31.12.2014**

**Comparison of sector wise Loans and advances in 2013 & 2014**




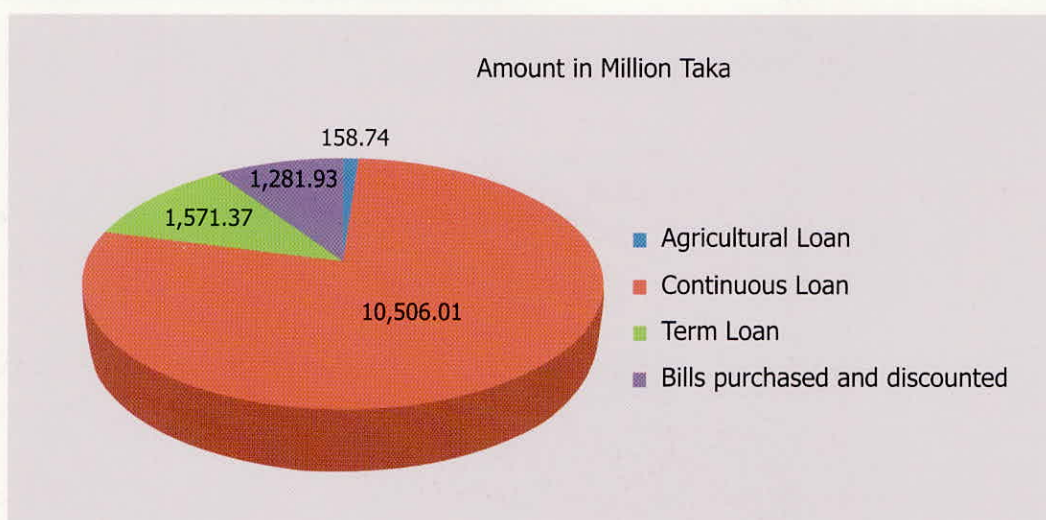


## ii) Category-wise Loans and advances

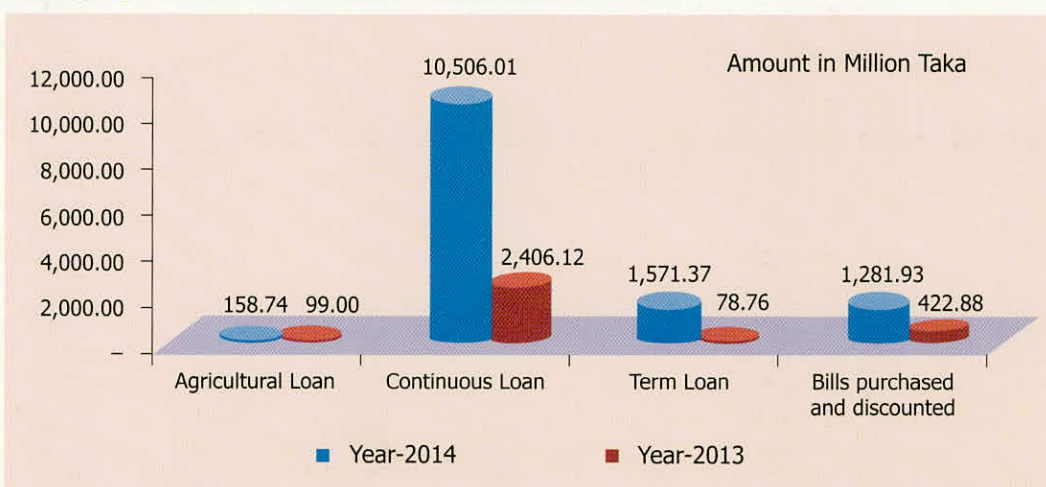
(Amount in Million Taka)

Category of Loans and advances	2014	2013	Growth (%)
Agricultural Loan	158.74	99.00	60.34%
Continuous Loan	10,506.01	2,406.12	336.64%
Term Loan	1,571.37	78.76	1,895.14%
Bills purchased and discounted	1,281.93	422.88	203.14%
<b>Total</b>	<b>13,518.05</b>	<b>3,006.76</b>	<b>349.59%</b>

### Category-wise Loans and advances as on 31.12.2014



### Comparison of Category-wise Loans and advances in 2013 & 2014

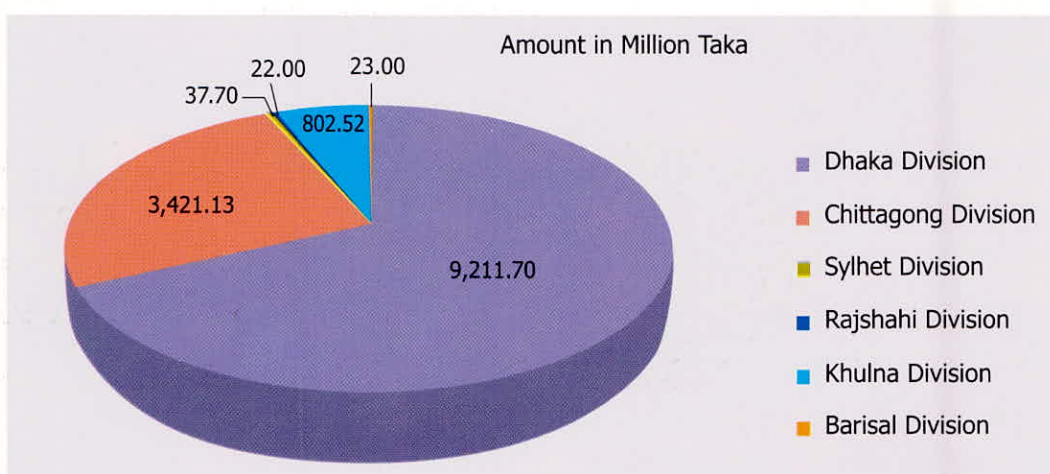


iii) Division wise of Loans and advances :

(Amount in Million Taka)

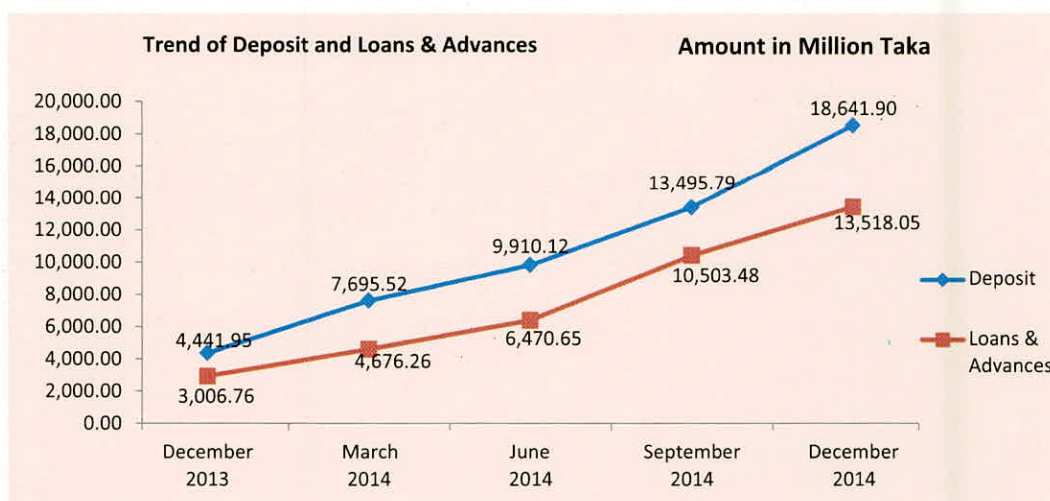
Name of Area	Outstanding as on 31.12.2014	% of total Loan & Advances
Dhaka Division	9,211.70	68.14%
Chittagong Division	3,421.13	25.31%
Sylhet Division	37.70	0.28%
Rajshahi Division	22.00	0.16%
Rangpur	0.00	0.00%
Khulna Division	802.52	5.94%
Barisal Division	23.00	0.17%
<b>Total</b>	<b>13,518.05</b>	<b>100.00%</b>

Division wise of Loans and advances as on 31.12.2014



Quarter wise Deposit and Loans & Advances

Name of Quarter	Deposit	Loans & Advances
December 2013	4,441.95	3,006.76
March 2014	7,695.52	4,676.26
June 2014	9,910.12	6,470.65
September 2014	13,495.79	10,503.48
December 2014	18,641.90	13,518.05



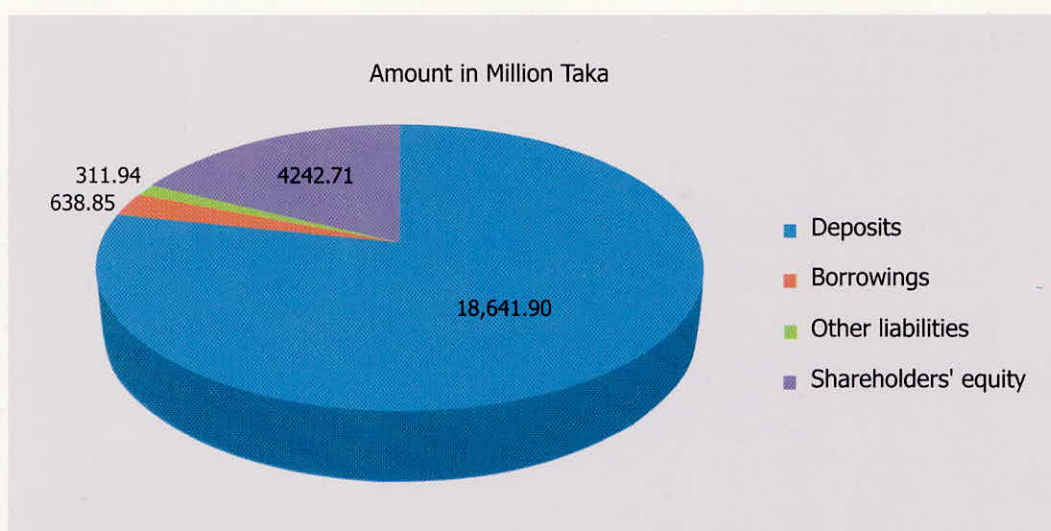




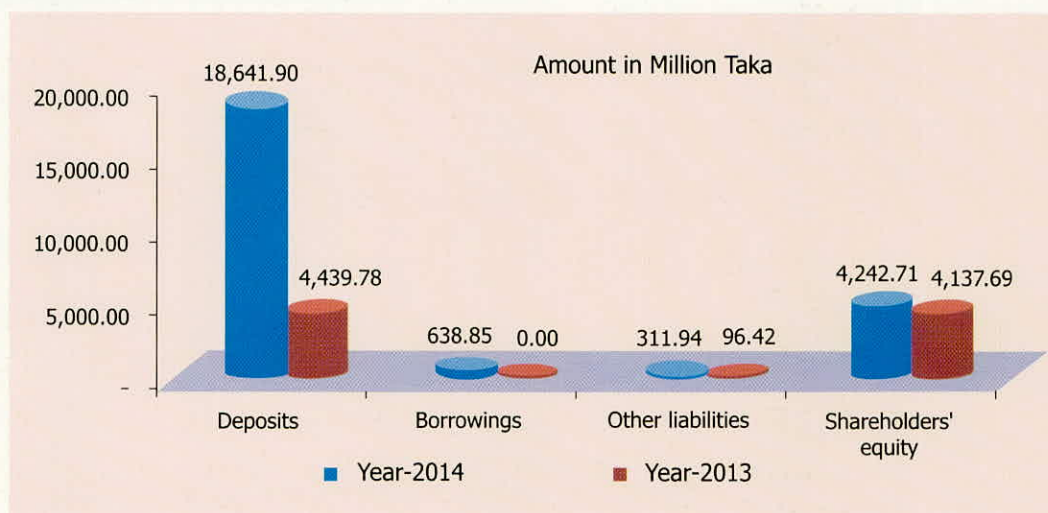
### Total Liabilities:

Particulars	2014	2013	Growth (%)
Deposits	18,641.90	4,439.78	319.88
Borrowings	638.85	-	-
Other liabilities	311.94	96.42	223.52
Shareholders' equity	4,242.71	4,137.69	2.54
<b>Total liabilities</b>	<b>23,835.40</b>	<b>8,673.89</b>	<b>174.79</b>

### Total Liabilities as on 31.12.2014:



### Comparison of Liabilities in 2013 & 2014

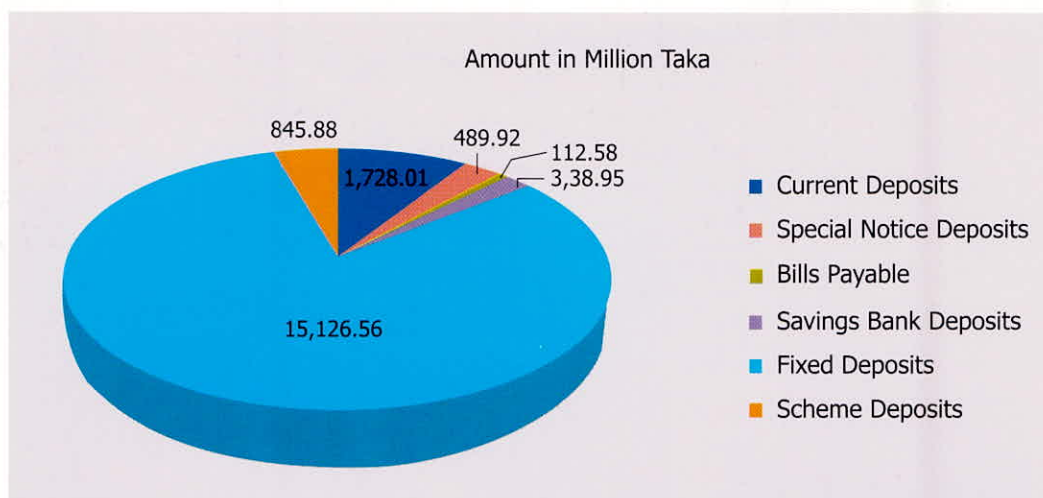




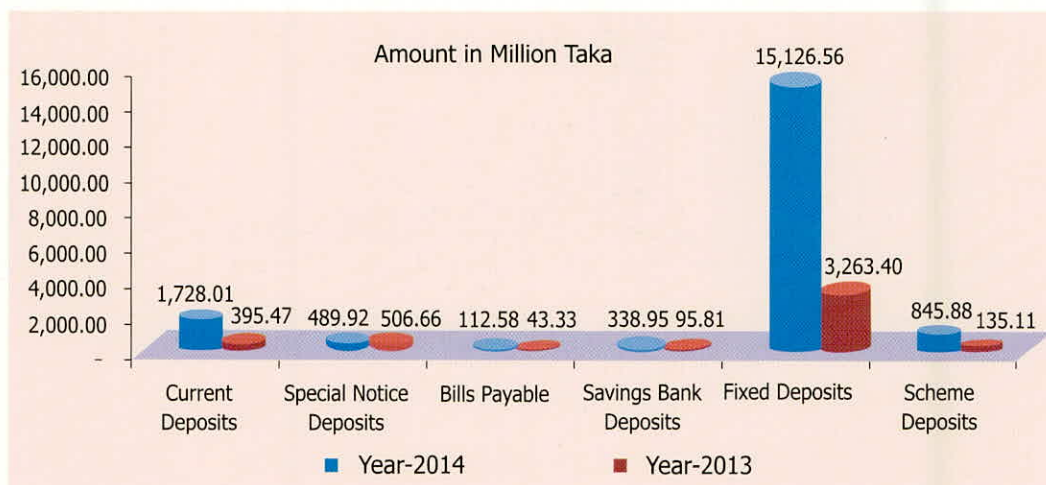
## Deposits:

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2014	2013		2014	2013
Current Deposits	1,728.01	395.47	336.95	9.27	8.91
Special Notice Deposits	489.92	506.66	(3.30)	2.63	11.41
Bills Payable	112.58	43.33	159.80	0.60	0.98
Savings Bank Deposits	338.95	95.81	253.79	1.82	2.16
Fixed Deposits	15,126.56	3,263.40	363.52	81.14	73.50
Scheme Deposits	845.88	135.11	526.06	4.54	3.04
<b>Total</b>	<b>18,641.90</b>	<b>4,439.78</b>	<b>319.88</b>	<b>100.00</b>	<b>100.00</b>

## Deposit Mix as on 31.12.2014:



## Comparison of Deposit Mix in 2013 & 2014



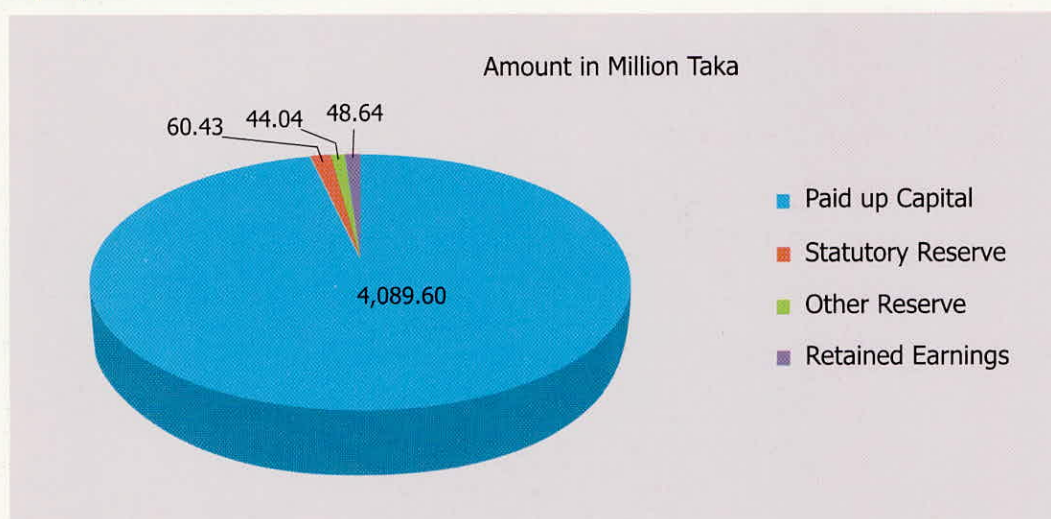




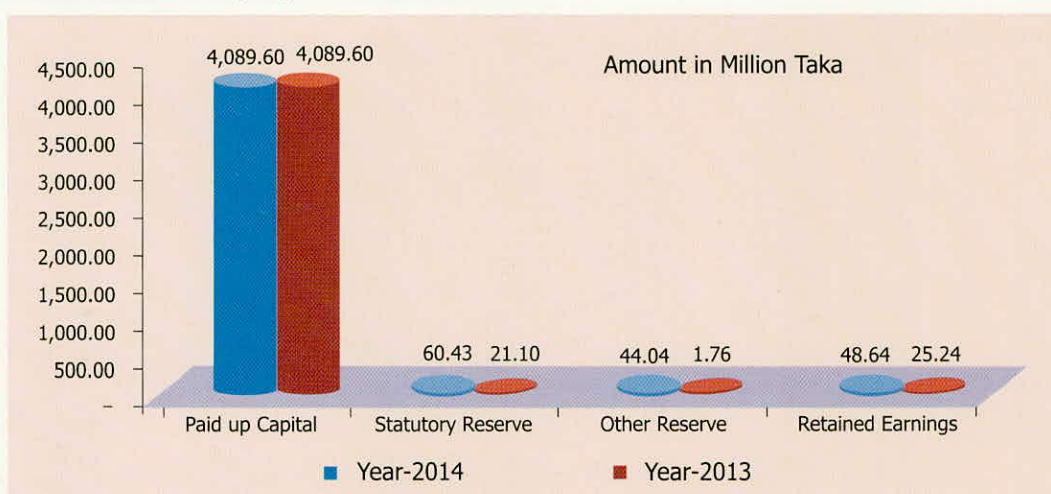
### Shareholders' Equity:

Particulars	2014	2013	Growth (%)
Paid up Capital	4,089.60	4,089.60	0.00
Statutory Reserve	60.43	21.10	186.40
Other Reserve	44.04	1.76	2,402.27
Retained Earnings	48.64	25.24	92.71
<b>Total Shareholders' equity</b>	<b>4,242.71</b>	<b>4,137.70</b>	<b>2.54</b>

### Shareholders' Equity as on 31.12.2014:



### Comparison of Shareholders' Equity in 2013 & 2014

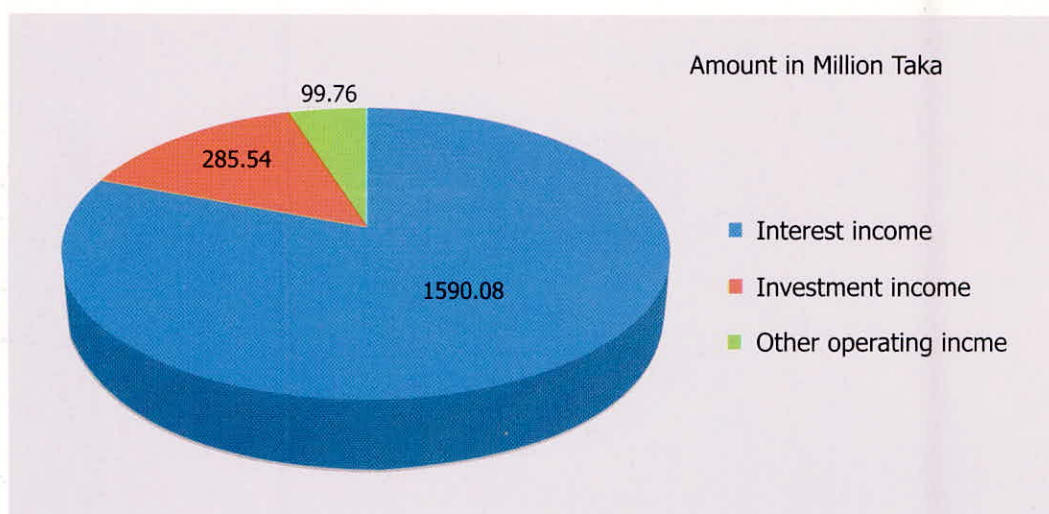




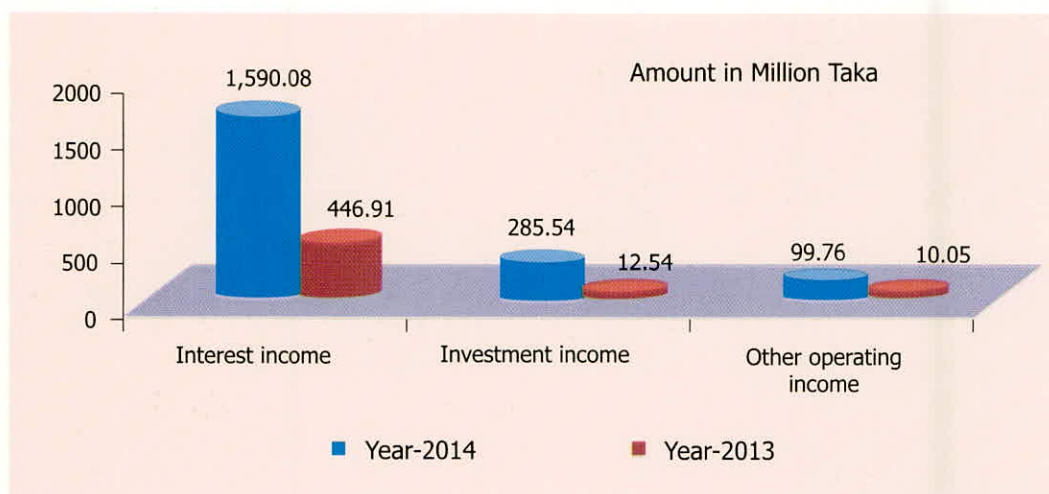
### Total Income:

Types of Income	Outstanding Taka in Million		Growth (%)	Income Mix (%)	
	2014	2013		2014	2013
Interest income	1,590.08	446.91	255.80	80.50	95.19
Investment income	285.54	12.54	2,176.92	14.45	2.67
Other operating income	99.76	10.05	892.86	5.05	2.14
<b>Total income</b>	<b>1,975.37</b>	<b>469.49</b>	<b>320.75</b>	<b>100.00</b>	<b>100.00</b>

### Total Income as on 31.12.2014:



### Comparison of Income in 2013 & 2014



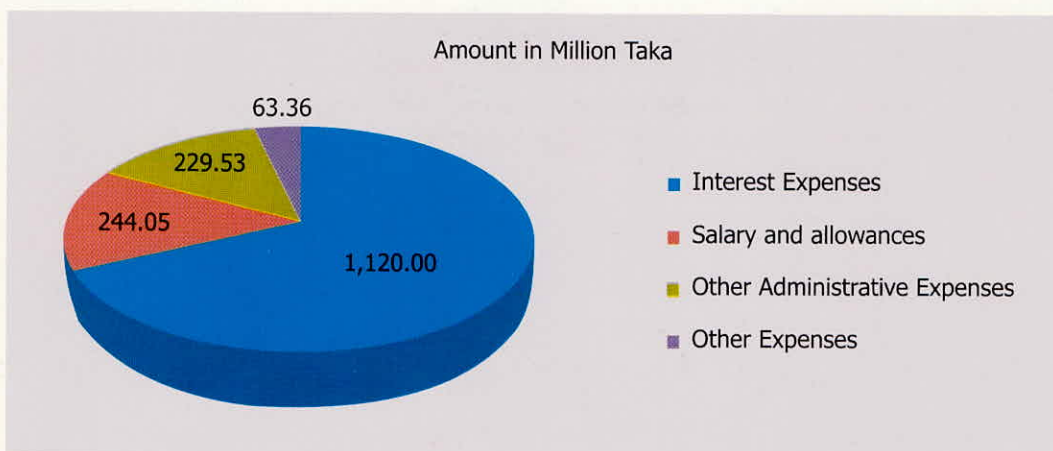




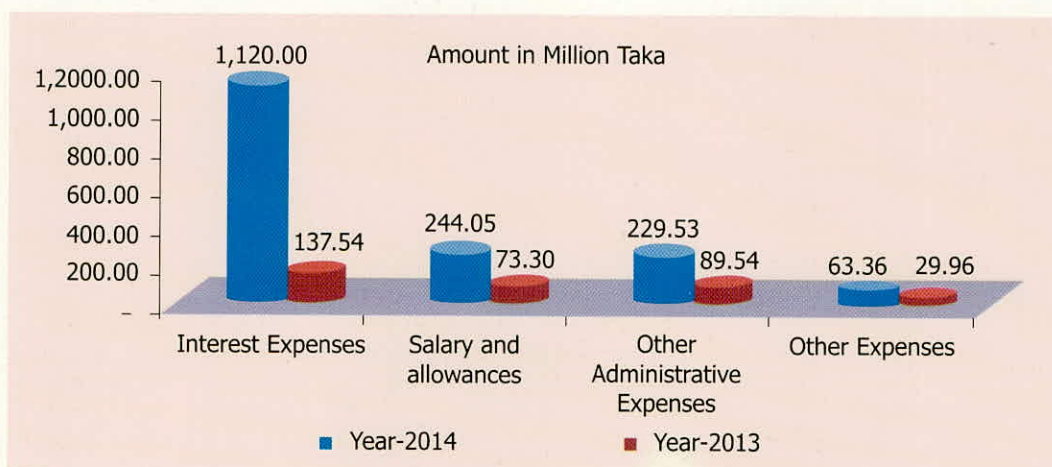
### Total Expenses:

Types of Expense	Outstanding Taka in Million		Growth (%)	Expense Mix (%)	
	2014	2013		2014	2013
Interest Expenses	1,120.00	137.54	714.32	67.59	41.64
Salary and allowances	244.05	73.30	232.96	14.73	22.19
Other Administrative Expenses	229.53	89.54	156.35	13.85	27.11
Other expenses	63.36	29.96	111.53	3.82	9.07
<b>Total Expenses</b>	<b>1,656.95</b>	<b>330.33</b>	<b>401.60</b>	<b>100.00</b>	<b>100.00</b>

### Total Expenses as on 31.12.2014:



### Comparison of Expenses in 2013 & 2014

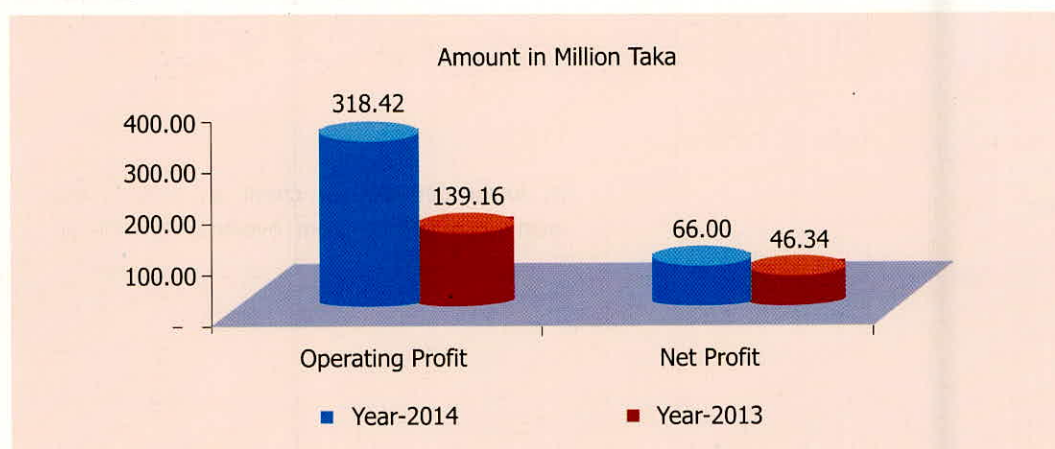




### Profitability:

Particulars	2014	2013	Growth (%)
Operating Profit	318.42	139.16	128.82
Net Profit	66.00	46.34	42.43

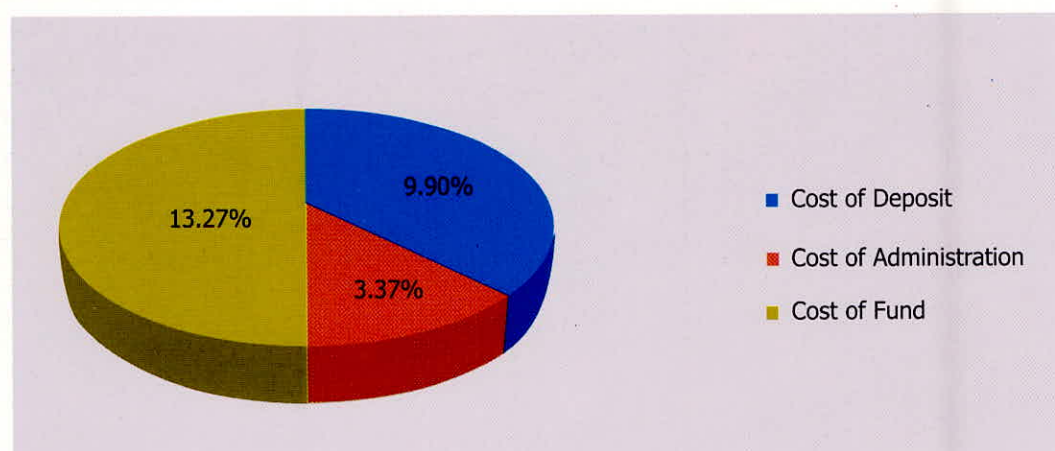
### Comparison of Profitability in 2013 & 2014



### Average Cost of Funds:

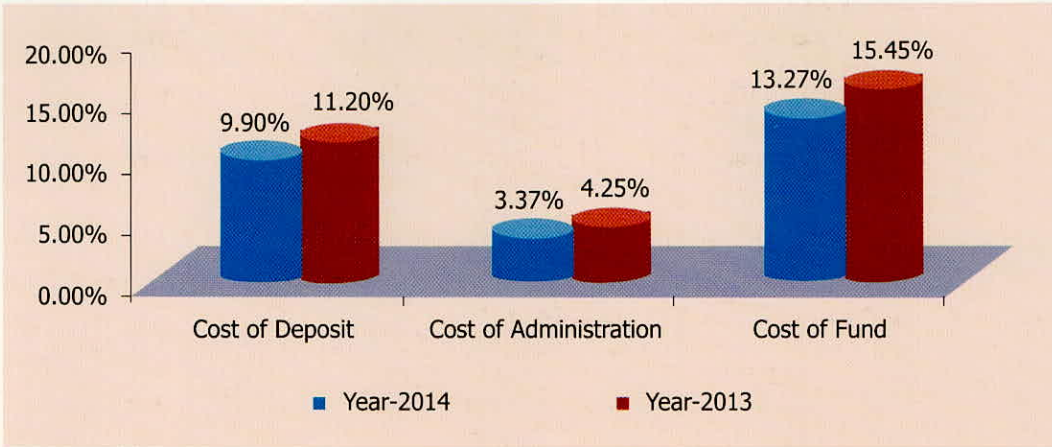
Particulars	2014	2013	Change
Cost of Deposit	9.90%	11.20%	(1.30%)
Cost of Administration	3.37%	4.25%	(0.88%)
<b>Cost of Fund</b>	<b>13.27%</b>	<b>15.45%</b>	<b>(2.18%)</b>

### Average Cost of Fund in 2014:





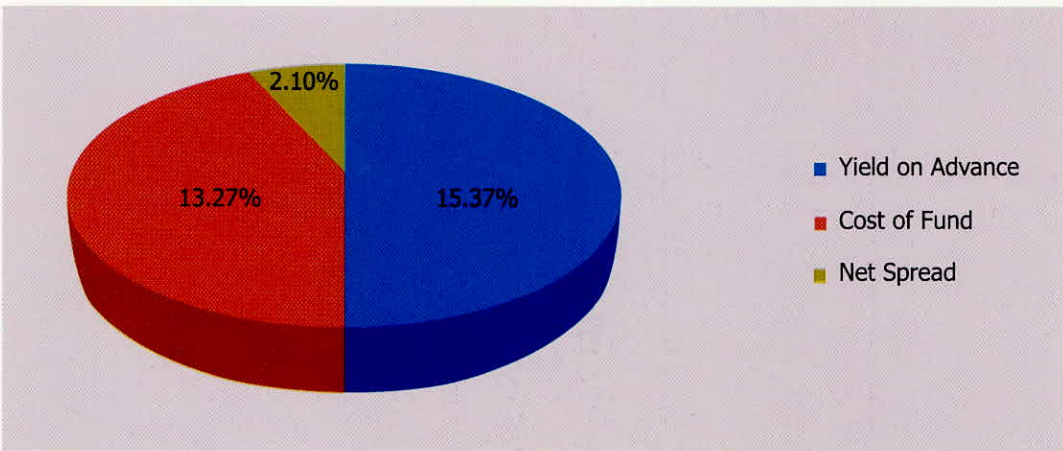
Comparison of Cost of Fund in 2013 & 2014

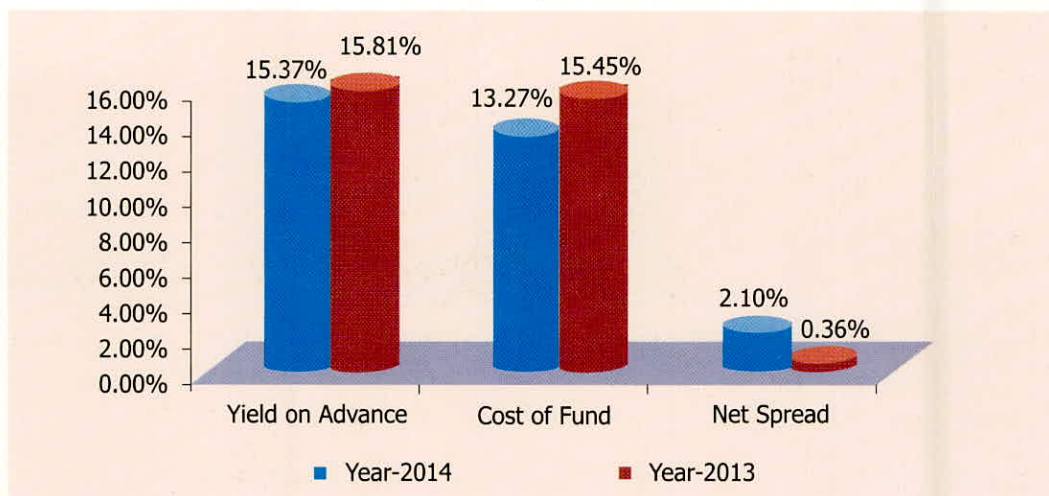


Net Spread:

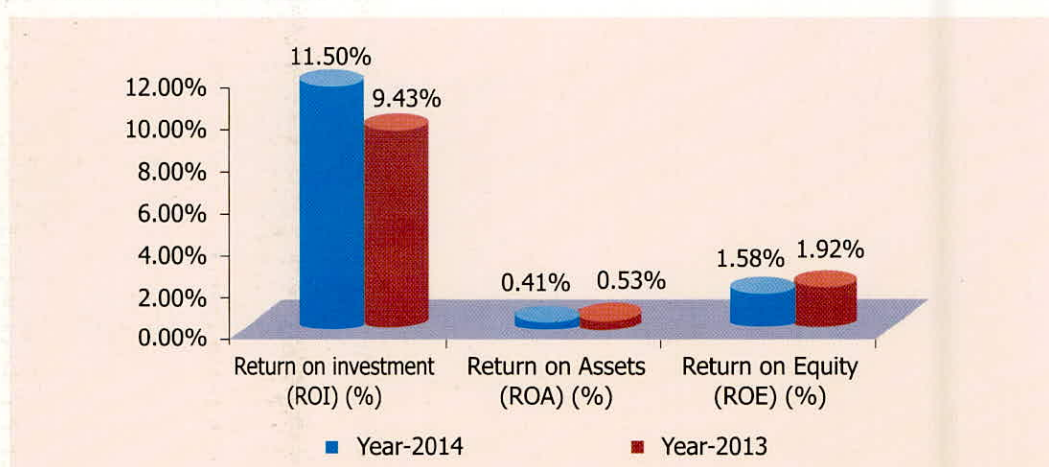
Types of Income	2014	2013	Change
Yield on Advance	15.37%	15.81%	(0.44%)
Cost of Fund	13.27%	15.45%	(2.18%)
Net Spread	2.10%	0.36%	1.74%

Net Spread as on 31.12.2014:



**Comparison of Yield on Advance, Cost of Fund & Net Spread in 2013 & 2014****Return:**

Particulars	2014	2013
Return on investment (ROI) (%)	11.50%	9.43%
Return on Assets (ROA) (%)	0.41%	0.53%
Return on Equity (ROE) (%)	1.58%	1.92%

**Comparison of Return in 2013 & 2014**





## DIRECTORS' REPORT





# DIRECTORS' REPORT 2014

(Under Section 184 of Companies Act 1994)



Meeting of Board of Directors in progress

The Board of Directors of South Bangla Agriculture & Commerce (SBAC) Bank Limited has the pleasure and feels honored in welcoming you all to the 2nd Annual General Meeting (AGM) and presenting the 2nd Annual Report and Audited Financial Statements for the year 2014 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 2015-2016 have also been provided in this Report.

## GLOBAL ECONOMY: An Overview

The World Economic Outlook has lowered the global growth prediction for 2015 from 3.9 percent to 3.8 percent. Growth projection for both advanced and emerging economies has been down scaled because of their slower than expected rate of recovery from the post-crisis stage. However, in a comparative scenario, the global outlook portrays a slightly encouraging picture for the world since its output growth is expected to rise from 3.3 percent in 2014 to 3.8 percent in 2015.

World GDP growth is expected to edge up from 3.3 percent in 2014 to 3.8 percent in 2015. Although growth in emerging markets and developing economies will be moderate at 5 percent, advanced economies are likely to grow at 2.3 percent in 2015, suggesting lackluster

export prospects for the developing world. In the midst of dull growth of the emerging giants, China and India, Bangladesh's projected growth at 6.4 percent in 2015 seems quite respectable. The reason for expected escalating growth in 2015 is the projected higher growth of Advanced Economy, Euro Area, USA, Emerging Markets and Developing Economies. The recovery of global economy continues but in weaker pace than forecast.

World GDP Growth Rate  
Year -on-Year in Percent

Particular	Actual		Projections	
	2012	2013	2014	2015
World	3.4	3.3	3.3	3.8
Advanced Economies	1.2	1.4	1.8	2.3
USA	2.3	2.2	2.2	3.1
Euro Area	-0.7	-0.4	0.8	1.3
Other Advanced Economies	1.6	2.1	2.9	2.9
Emerging Market and Developing Economies	5.1	4.7	4.4	5.0
China	7.7	7.7	7.4	7.1
India	4.7	5.0	5.6	6.4
Bangladesh	6.3	6.1	6.2	6.4

Source: IMF World Economic Outlook (October 2014)

## World Outlook 2015:

In the backdrop of the aforementioned trend the main contributor to this growth performance is Asia and the Pacific region. Europe is still expected to flounder in slow growth as low as 1.3 percent in 2015. The average growth of the emerging and developing economies likely to be at 5 percent while both China and India will outperform the 5 percent mark in 2015, the expected





growth rate of 7.1 percent that China is the lowest in its history of past 29 years.

As India's growth has slid down, Bangladesh is expected to earn a growth rate of 6.4 percent - predicts the IMF. The US is likely to earn a growth rate of 3.1 percent in 2015 - as against 2.2 percent in 2014.

These results of Europe and the US emit mixed signals for Bangladesh's exports. Vis-à-vis the broadening recovery in the US in the Euro area headwinds from necessary forces continue to weaken industrial production and investment sentiment. Growth may be picking up in Japan, again on the back of stronger exports, aided partially by further quantitative easing that led to a depreciation of the yen.

In major emerging market economies, downside risks to growth from elevated inflation, low commodity prices, deteriorating labor market condition, and sluggish domestic demand have become accentuated and their endeavors to adjusting to rates of growth lower than the pre-crisis boom is becoming more country specific.

Commodity prices fell by 28 percent within July-December 2014, mainly reflecting the sharp drop in oil price. Global food prices have also declined by about 10 percent over the past six months and FAO forecasts global food prices to remain reasonably stable over the next six months.

#### BANGLADESH ECONOMY: An Overview

##### Domestic output growth Performance:

A time-series perspective of Bangladesh reveals that its growth entered a new era of buoyancy and upward trend since the early 1990s. Data on bank advances show that the growth of outstanding credit to the trade and commerce sector increased by 15.2 percent at the end of the first quarter (July-September) and to the transport sector by 9.1 percent. Agriculture including fishing and forestry experienced an impressive growth of 18.49 percent in the first quarter. Term loans including working capital also recorded 15.85 percent growth. While loans to SME appear to be more productive, its share in total loan by banks and non-bank financial institutions has increased to 23.73 percent in the first

have increased by 15.67 percent.

##### Inflation:

The 12-month average inflation based on the consumer price index (CPI) maintained a declining trend during the last six months and came down to 6.99 percent in December 2014 from 7.28 percent in July 2014 mainly because of declining food prices. The FY 2014-2015 inflation target announced in the Budget is 6.5 percent. Reducing average inflation from its current 6.99 percent level to that level may prove challenging. With increased aggregate demand is likely and a possible upward price movement of oil will significantly affect commodity prices as we saw a strong correlation between the rates of change in commodity and oil prices. An expected rise in gas and electricity prices and inflation expectations emanating from the upcoming salary hike in the public sector and the resulting wage hike in the private sector may exert pressure on prices particularly on the nonfood items.

Rate of Inflation (as measured by CPI, base 2005-06)	January, 2015	December, 2014	January, 2014
Point to point	6.04%	6.11%	7.50%
Monthly Average(Twelve Month)	6.87%	6.99%	7.60%

##### Foreign Direct Investment (FDI):

Foreign Direct Investment in the first five months of FY 2014-2015 stood at USD 585 million. Medium and long term loan disbursements in the first five months of FY 2014-2015 were USD 748 million relative to USD 641 million during the corresponding period of FY 2013-2014. Improved external balances are reflected in the accumulation of international reserves to over USD22 billion at the end of the first half of FY 2014-2015.

##### Remittances:

The Remittance for the year 2014 was USD 14,942.68 million against USD 13,832.12 million in 2013. Remittance growth in FY 2013-2014 was negative by 1.6 percent against larger growth of 12.6 percent in FY 2012-2013. However, remittance growth in the first half of FY 2014-2015 is recovering to normalcy and recorded a growth of 10.30 percent.



### Government borrowing from the banking system:

Government borrowing (net) from the banking system was significantly lower than projected in the first half of FY 2014-2015. There is a budget provision of Taka 312 billion for the whole of FY 2014-2015. Prominent factor behind the low levels of borrowing from the banking sector is differential between returns of National Savings Certificates and that of bank time deposit.

Import, Export & International Reserve:

Total import stood USD 34,084 million in the FY 2013-2014 as against USD 40,732 million in the FY 2012-2013 registering growth of 21.39 %. The growth of Import was mainly due to increase of food grain, edible oil, sugar, petroleum oil & lubricants (POL), capital machinery, Iron, steel and other basemetals, Plastics and rubber articles thereof import. Aggregate exports increased by 11.7 percent in FY 2013-2014 to USD 30176.8 million from USD 27027.4 million in FY 2013-2014. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (above four fifths) share of the export basket in FY 2014. The international reserve stood at USD 22309.80 million at the end of December 2014 which can meet more than six months import cost.

### Private sector credit growth:

Private sector credit registered 12.7 percent growth at the end of November 2014 against target of 14.0 percent at the end of December 2014. However, Bangladeshi corporates are now being allowed to tap foreign sources of financing. Political uncertainty and infrastructural

bottlenecks are holding the pace of expected private investment back. The monetary stance in the second half of FY 2014-2015 takes the recent economic and financial sector

developments for which Private sector credit growth has been targeted to grow at 15.5 percent at the end of FY 2014-2015. The central bank target of average annual inflation of 6.5 percent also projects credit growth to stimulate inclusive economic growth.

### Call money market:

Call money rates have leveled off and average retail interest rate spreads have fallen close to 5 percent. Since their peaks at 20 percent in early 2012 the rate fell in the January-June of FY2013 to around 7 percent. They have since leveled off at around 6.5-7.9 percent in July-December 2014.

### Lending Rates and Deposit Rates:

At the retail level both deposit and lending rates fell in the second half of FY2014 and since then interest rate spreads have on average fallen - from 5.31 percent in June 2014 to 5.17 percent in November 2014. Domestic lending rates have fallen due to lower cost of funds for banks, lower demand for credit as well as due to increasing competition from overseas lenders whose lending rates are in single digits. However, infrastructural problems and other gaps should be more focused on than interest rate while considering further investments.

### Banking Industry Outlook:

Total Deposits (excluding interbank deposits and Government deposits) in the banking system stood at Tk. 6,588,516 million in December 2014 registering 13.46 % increase and total Bank Credits including Investments stood at Tk. 7,227,546 million in December 2014 registering 15.69 % increase over the year. But the Bills (Import & Inlands Bills) showed negative growth of 8.61 % in the same period.

Deposits held in Deposit Money Banks : (Taka in Millions)					
Items	December 2014	November, 2014	December 2013	Percentage Changes of December, 2014 over	
				November, 2014	December 2013
Demand Deposits*	656,360	610,792	5,53,650	7.46	18.55
Time Deposits*	5,932,156	5,826,366	5,253,315	1.82	12.92
<b>Total</b>	<b>6,588,516</b>	<b>6,437,158</b>	<b>5,806,965</b>	<b>2.35</b>	<b>13.46</b>

Source: Statistics Department, Bangladesh Bank.

Note: \* Excludes Interbank Deposits and Government Deposits.





<b>Bank Credit</b>		(Taka in Millions)			
Items	December, 2014	November, 2014	December, 2013	Percentage Changes of December, 2014 over	
				November, 2014	November, 2014
Advances	5,274,637	5,126,785	4,567,984	2.88	15.47
Bills (Import & Inlands Bills)	176,858	179,883	193,526	-1.68	-8.61
Investments	1,776,051	1,767,646	1,485,902	0.48	19.53
<b>Total</b>	<b>7,227,546</b>	<b>7,074,314</b>	<b>6,247,412</b>	<b>2.17</b>	<b>15.69</b>

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 2014 to Tk.501,560 million (9.69 percent of total loans) from 405,800 million (12.80 percent of total loans) at the end of December 2013 but recorded a favorable decrease in percentage terms.

The Capital adequacy ratio (CAR) of the banking industry decreased to 10.6 percent at the end of September 2014 from 11.5 percent in December 2013 though stayed above the Basel accord minimum of 10 percent. Data show that while private commercial banks (PCB) and foreign commercial banks (FCB) are successfully maintaining the prevailing standard since December 2010, SCBs and specialized banks (SB) are still struggling to fulfill this regulatory requirement.

Return on assets (ROA) was declining since 2010 from 1.8 percent to 0.6 percent in June 2013 and increased to 0.9 percent in December 2013 mainly because of the temporary relaxation of loan rescheduling policy from December 2013 to June 2014. The ratio declined again to 0.61 percent at the end of June 2014 owing to maintaining higher provision for the increased amount of nonperforming loans and the net losses sustained by state-owned commercial banks (SCB).

#### **Bangladesh Economy Outlook 2015:**

The Government projected the economic growth at 7.3% for 2014-2015. The monetary stance in January-June

2015 takes these recent economic and financial sector developments into account and will target a monetary growth which aims to bring average inflation down to 6.5%, while ensuring that credit growth is sufficient to stimulate inclusive economic growth. The ceiling for private sector credit growth of 15.5% has been kept well in line with economic growth targets. All three sectors of the economy: agriculture, industry, and services are performing well. Industrial growth has been faster than others as expected. The trend analysis shows 8 percent plus growth for industry and around 4 percent growth for agriculture. Services, being the largest sector (more than 50 percent), grows at 6 percent on the trend. The share of investment in GDP is around 29 percent - adequate to generate 6 percent plus growth in output. Public investment in infrastructure and energy is essential in this regard. The implementation of Annual Development Program (ADP) requires speeding up to accomplish mega public projects that always create space for greater private investment.

#### **HISTORY OF SBAC BANK LIMITED:**

With the slogan "A Local Bank with Global Vision" SBAC Bank Limited started its journey on April 28, 2013 with the firm commitment of excellent customer service with a difference. Its vision remained 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 34 branches located at important places of Bangladesh with online facilities supported by world famous Temenos 24 software.





## 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 (5% of total loans), lease and hire purchase financing, remittance services etc.

## 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.

## REVIEW OF FINANCIAL REPORTING:

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

### ■ Fair Presentation of Financial Statements

Financial Statements for the year ended on 31 December 2014 have been prepared in a very fair way with inclusion of all material aspects viz, its state of affairs, the results of its operations, cash flows and changes in equity. Opinion of the External Auditors, MASIH MUHITH HAQUE & CO'S has been incorporated in the report.

### ■ Maintenance of Proper Books of Accounts

Books of account as required by law have been kept by SBAC Bank Limited properly. The External Auditors

MASIH MUHITH HAQUE & CO., Chartered Accountants have provided their positive opinion in their report in the "Opinion Paragraph".

### ■ Application of Accounting Policies and Accounting Estimates

Appropriate accounting policies have been consistently applied in preparation of the financial statements of the Bank and the accounting estimates are based on reasonable and prudent judgment. Estimates and underlying assumptions are reviewed on ongoing basis and any revisions to these are recognized in the period 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 2014.

### ■ Preparation of Financial Statements as per BAS/ BFRS and any departure there-from

The financial statements of the Bank for the year ended on 31 December 2014 have been prepared under historical cost convention and in accordance with Bangladesh Financial Reporting Standards (BFRSs), the "First Schedule" (section 38) of the Bank Companies Act 1991, as amended by the BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchange's listing regulations and other laws and rules applicable in Bangladesh.

### ■ Going Concern of Bank's Business

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

### ■ Disclosure of Related Party Transactions

The related party transactions have been disclosed in details in the Financial Statements 2014.





### RISK MANAGEMENT:

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

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

### CAPITAL MANAGEMENT:

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

SBAC Bank Limited recognizes the impact of shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per directives of the Bangladesh Bank, the banks are required to maintain capital at 10.00 percent of its risk-weighted assets under Basel-II or Tk.400.00

crore whichever is higher. Tier-I capital should be minimum 5 percent of total capital (10 percent). The bank also has the readiness for Basel-III as its Tier-I capital is equivalent to 10 percent of risk weighted assets on consolidated basis and has significant holdings of Government Treasury Bills/Bonds which will support the maintenance of liquidity coverage ratio. Details of capital are as follows:

(Amount in million Taka)

<b>A. Core capital (Tier –I)</b>	2014	2013
Paid up capital	4,089.60	4,089.60
Statutory reserve	60.44	21.10
Surplus / (deficit) in profit & loss account	48.64	25.24
<b>Total Core capital (Tier –I)</b>	<b>4,198.68</b>	<b>4,135.94</b>
<b>B. Supplementary capital (Tier –II)</b>		
General provision on unclassified loans & Off-balance sheet exposures	143.96	32.46
Revaluation reserve for HFT securities	22.02	1.75
<b>Total Supplementary capital (Tier –II)</b>	<b>165.98</b>	<b>34.21</b>
<b>C. Total capital (A + B)</b>	<b>4,364.66</b>	<b>4,170.15</b>
Total risk weighted assets	14,776.64	6,727.04
<b>D. Required capital 10% on risk weighted assets or 400.00 crore whichever is higher</b>	<b>4,000.00</b>	<b>4,000.00</b>
<b>E. Surplus of capital (C-D)</b>	<b>364.66</b>	<b>170.15</b>
<b>F. Capital adequacy ratio</b>	<b>29.54%</b>	<b>61.99%</b>
<b>G. Capital Adequacy ratio-core capital</b>	<b>28.41%</b>	<b>61.48%</b>

### HUMAN RESOURCES:

Human Resource of any organization is an important asset and key to success. The goals of the Human Resources Division is to help SBAC Bank Limited achieve its strategic mission, while ensuring employees are engaged and motivated to help the Bank succeed. HR's success will be measured by its ability to align and integrate processes with the strategic mission. In moving forward, HR has targeted its operational initiatives to align to the SBAC Strategic Plan by converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution.

The HR Division has a focus to establish SBAC Bank Limited as the best employer of choice in the banking sector by creating an attractive, inclusive and safe environment that recognizes the talents and encourages





employees to take ownership for their professional and personal growth. HR Division has been coming up with relentless recommendations and contributions in each stage of employee life cycle starting from hire to retire. The Division has undertaken an initiative to align its core HR functions including but 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.

#### ➤ Excellent Working environment

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

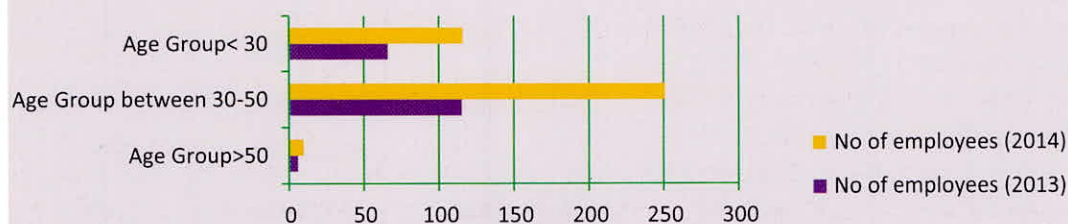
#### ➤ Diversity in workforce

From inception, the bank is trying to bring diversity in workforce in context of age, gender, ethnicity and locality. There is an increasing trend in workforce along with the business and span of service. With 34 branches, the bank is a proud employer of a diversified pull of people.

#### Total Workforce by Age Group

Age ranges	Total no. employees	
	2014	2013
Above 50:	10	06
30-50	251	115
Below 30	116	66
<b>Total</b>	<b>377</b>	<b>187</b>

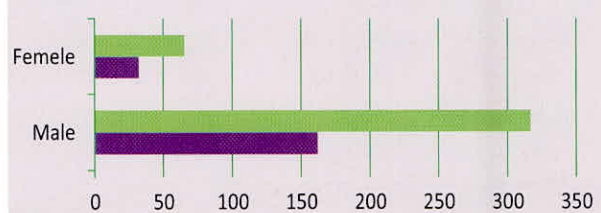
#### Age Group wise Employee Position of the Bank in year 2014



#### Total Workforce by Gender:

Particular	2014	2013
No. of Female Employee	63	27
No. of Male Employee	314	160
<b>Total</b>	<b>377</b>	<b>187</b>

#### Gender wise Employee Position of the Bank in year 2014



■ No of employees (2014)

■ No of employees (2013)

#### ➤ Quality of working relations

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

Having a say:

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





### ➤ Compensation & Benefit policy

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

### ➤ Training, Learning and Development

To transform the human resources into human asset, SBAC 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 2014, the Institute arranged 02 Foundation Training course for Trainee Officers where 50 Trainee officers participated and completed the programs. Total 07 (seven) training programs/workshops were arranged by the Training Institute in 2014 where 320 employees of different grades of the Bank participated. Details of the training programs/workshops, no. of participants and the costs incurred in 2014 are as follows:

SL No	Name of Course/workshop	No of Participants
01	Foundation Training Course (1 <sup>st</sup> batch)	25
02	Foundation Training Course (2 <sup>nd</sup> batch)	25
	Workshop ISS Reporting	29
03	Workshop ISS Reporting & Foreign Remittance Service	41
04	Accounting for Bankers	26
05	Workshop on T-24 (Trade Finance Module)	39
06	Workshop on SBS 2 & 3	44
07	Workshop on AML/CFT	91
	<b>Total</b>	<b>320</b>

Training Institute of the Bank is committed to offer need-based and task oriented training of the employees in a pragmatic way so that the employees can discharge their duties and responsibilities efficiently and effectively. With these objectives, the Institute designed Training Calendar for 2015 duly approved by the Board of Directors of the Bank. As per Training Calendar for 2015, Training Institute would arrange 36 Training Courses and 9 workshops where about 725 employees will participate.



Closing ceremony of Foundation Training Course (2<sup>nd</sup> Batch) of Trainee Officers

### ➤ Recruitment and Selection

The recruitment and selection unit of HR Division has carried out a massive talent acquisition during 2014... 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. To strengthen the organizational capability and human resources base, the bank has selected 100 talented, meritorious and deserving candidates who have come out successful after rigorous selection procedures of which 38 joined the bank.

#### Recruitment in 2014

Particular	2014	2013
Fresh Entrance	16%	24%
Lateral Entrance	84%	76%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Recruitment in the year 2014



#### Recruitment in the year 2013







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 176 including both fresh and lateral candidates in 2014.

#### INTERNATIONAL TRADE FINANCE:

International Division of SBAC Bank Ltd commenced its activities from 13.05.2013 after having license from Bangladesh Bank. In order to accommodate foreign trade business favoring valued customers International Division played an active role from the very beginning. Among the new generation banks of the country, SBAC Bank Ltd was first to go on live with SWIFT and open USD Nostro account with correspondent banks in USA. Export Import and Remittance services have been increasing over the years. In order to support the Non-AD (Authorized Dealer) branches SBAC Bank Ltd established a central trade processing unit at Head office).

#### Export:

In order to patronize the exports 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. As RMG (Ready Made Garments) sector is the largest sector of foreign currency earnings of the country, SBAC Bank Ltd concentrated to finance in this sector. It Invested in Spinning, Sweater, Knit, woven, dyeing and finishing sector of RMG industry. Frozen shrimp export is another thrust sector of the country. SBAC Bank Ltd also invested in this sector to support the Shrimp export. SBAC Bank Ltd takes care for the agriculture based export. In future, SBAC Bank will continue its support to the non-traditional exports like: vegetable, fruit, handicrafts etc. Our exporter mainly exports their manufactured items destined to UK, USA, Canada, Dubai, Japan, Italy, Switzerland, France, Greece, Netherland and India. Total exports in 2014 was USD 72.13 Million where as it was USD 10.68 Million in 2013. It Indicates rapid growth in export over the year . Need based support to the exporter, rapid increase of branch networks, a pool of dedicated manpower, and lastly almost stable political condition during the whole period of the year 2014 helped to raise our export business.

#### Import:

Bangladesh is historically Import based economy though its export volume is increasing significantly over the years. Import Customers of SBAC Bank Ltd are of various types. Among them Export oriented Garments industry, and general traders are remarkable. The main import items include rice, wheat, onion, Garlic, animal feeds, medical instruments, chemicals, vehicles, coal, , raw cotton, packaging materials and capital machinery of export oriented industry. They Import mainly from China, Taiwan, Singapore, India, Ireland, Germany, Dubai, Qatar, Thailand, Indonesia, Malaysia, and Japan . Import volume in the year 2014 was USD 100.24 Million whereas it was USD 10.31 Million in the year of 2013. It indicates rapid Growth compared to the previous year.

#### Remittance:

Remittance procurement through banking channel plays a vital role in the economy. Bangladesh Bank promotes scheduled banks to procure remittance through proper channel. SBAC Bank Ltd is committed to this aspect. We are the pioneer of having tie up with an exchange company as a direct agent for remittance business among the new generation Banks. In July, 2014 we established direct drawing arrangement with Wall Street Finance LLC USA. Remittance through Instant Cash and Account Credit has also been started with the arrangement of Sub-agency. At present we have such arrangement with X-Press Money and Transfast through Mercantile Bank Ltd and Jamuna Bank Ltd respectively. Some other exchange companies are in the queue to tie up with our Bank. Volume of remittance in the year 2014 was USD 0.90 Million which was USD 0.01 Million in the year 2013. It indicates rapid growth compared to the previous year.







Figure: Foreign Exchange Performance 2013-2014

### Trade business with Non-AD Branches:

SBAC Bank Ltd opened 31 branches as on 31.12.2014 (34 branches as on 28.02.2015) out of which 6 branches are Authorized Dealer (AD) Branches (as on 28.02.2015). With a view to supporting the Non-AD branches in terms of cross border trade transaction, SBAC Bank Ltd has established Trade Processing Unit (TPU). From July 01 2014 TPU commenced its activities. TPU process FX related transaction of Non-AD branches with a view to better service but in a compliant manner. Customers are getting quick service from TPU.

Since July01 2014 to December 31 2014, TPU handled Export business in USD 1.40 Million and Import Business in USD 4.91 Million.

### Correspondent Banking:

Correspondent relationship is essential for smooth operation of Foreign Exchange business. SBAC Bank Ltd emphasis on establishing and maintaining relationship with Correspondent banks and Financial Institutions with a view to smooth function of foreign exchange business and keep the pace of its growth. We are maintaining correspondent relationship with 134 banks and their world-wide 796 branch network in 30 countries across the globe. We are maintaining Relationship Management Application (RMA) with world renowned banks like Mashreq Bank Psc, UBAF, BNP Paribas, Wells Fargo Bank, Unicredit, Habib Bank AG Zurich, Habib Bank, Axis Bank, ICICI Bank covering the countries like USA, UK, Germany, Italy, Belgium, Taiwan, Hongkong, Singapore, China, UAE, Quwet, France, India etc. SBAC Bank Ltd has credit line arrangement for LC confirmation and discounting thereof with UBAF (Union De Banques Arabes Et Francaises), Mashreq Bank Psc. and Sonali Bank (UK) Ltd.

Here is a glimpse of correspondent banking of SBAC Bank Ltd:

Category	Number
Authorized Dealer(AD) Branches	06 (six)
Relationship Management Application( RMA)	134 ( One Hundred Thirty Four Only)
Nostro Account	12 ( Twelve)
Credit Line with foreign correspondent	03 (Three)
Direct Drawing arrangement with Exchange House for Remittance services	01 (one)
In-Direct (Sub-agent) Drawing arrangement with Exchange House for Remittance services	02 (Two)

### TREASURY OPERATIONS:

SBAC Bank has well trained Treasury team who are engaged with Cash Management, Liquidity Planning and Liquidity Protection through dealing with Money Market, Fixed Income Market, Foreign Exchange, Asset Liability Management and Primary Dealer's Business. The Treasury Division is also regarded as a Profit Center, which generates income by trading instruments in the Financial Markets.

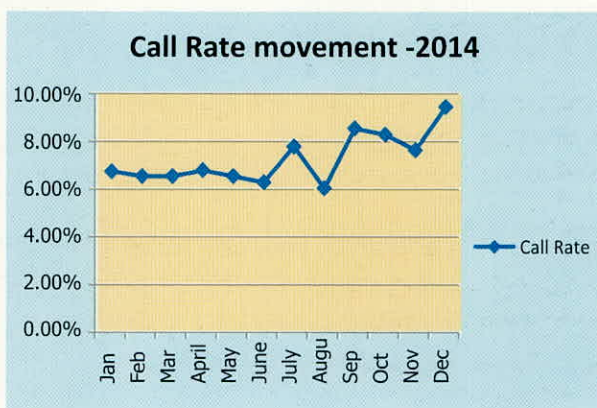
Primarily our Treasury Division is divided into following three wings:

1. Front Office (Dealing Room)
2. Back Office
3. Mid Office

In 2014, SBAC Treasury has played around with its specific priorities set at the beginning of the year. We acted to optimize our priorities through following means in maximizing overall profitability and sound liquidity management.

Monitoring market behavior closely to catch significant business prospects out of volatility:

We experienced volatility in 2014.



As a result overall economic activity was slow. Although overall economy became so bumps in the second quarter, it could not put any pressure on the overall liquidity and interest rate structure. Our main strategy in

2014 was to increase the treasury asset duration and decrease treasury liability duration. In this way, we were able to enhance the spread in the down market.





### Maximizing portfolio size as well as portfolio returns by discovering new investment opportunities:

In Bangladesh, T-Bill and T-Bond rates move along with the inter-bank rates with a time lag of 2-3 months period and 5-6 months period respectively. As inter-bank rates started to slide after second quarter 2013 and expectation was flat, it was almost obvious since the beginning of 2014 that overall interest rates structure of Govt. Securities (G. Sec.) will be downward. So, taking this fact into consideration, SBAC treasury took considerable long position in G. Sec. which eventually yielded substantial earnings in this category. Taking right position in right time was the key to success in this arena.

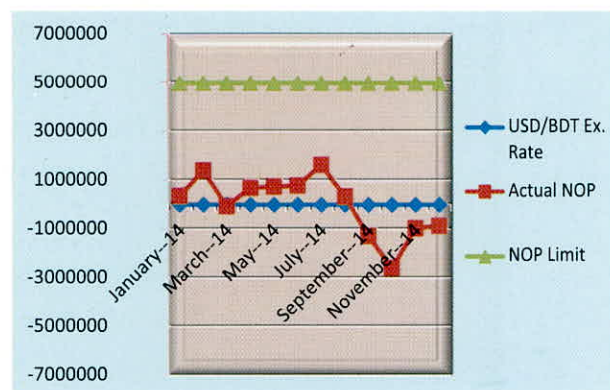
### Building rapport with external and internal counterparts

Treasury business, in all over the world, is relationship based. It is no different in Bangladesh and we put optimum effort in building rapport with all of our interbank and corporate counterparts. In 2014, we continually engaged ourselves in various calls and meetings with the stakeholders which have contributed to improve our business relationships.

### Foreign Exchange Position Management

SBAC Bank Forex Desk is engaged in Foreign Exchange market through buy and sell of foreign currency in Inter-bank Market. The Bank has good sources of Foreign Currency through its own export customers and Non-residence Remittances.

Throughout the year, SBAC Treasury always kept its open position within its set limit of USD 5.00 million. SBAC Treasury makes forecast about future exchange rate movement on a regular basis and maintains its open position according to its future projection- that is when



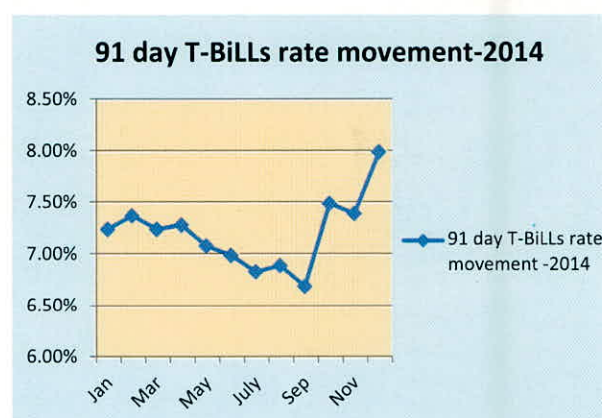
treasury's forecast is BDT will depreciate against USD and the projected depreciation rate of BDT is more than the Money Market funding rate, it maintains and holds position long. When Treasury's projection is appreciation of BDT against USD, it maintains its position short.

### SBAC Treasury in Money Market

Money-Market dealers arrange short and medium term funds at most economical terms which are required by the bank aside from customer deposit mobilization efforts. Money Market desk ensures that the Bank remains sufficiently liquid, meeting all of its financial commitments and obligations to its customers besides meeting the SLR & CRR requirement at minimum risk and cost to the bank. In tresses liquidity condition, the desk always manages sufficient fund to provide business needs. It also invests surplus funds in different maturity buckets.

### Investments

Investment desk in Treasury Front Office operates within the policy frame approved by the Board of Directors of the Bank. Fund invested in different securities both for maintenance of SLR & income generating activities. The philosophy is to manage funds efficiently and maximize income within certain parameters and limits. It also includes use of effective duration, rate shock analysis, as well as total return to analyze and manage the investment portfolio and determine the effect of movements on the yield and value of the bank's portfolio.



There was no devolvement in the 1st quarter of 2014 as Treasury Bills/Bonds rate was downward from the very beginning of the year. SBAC Treasury always monitors interest rate movement of Government Securities to maximize its profit from volatile Market.





### 5 yrs T-Bond Rate movement -2014



Demand for Treasury Bonds was very high throughout the year as the rate of T-Bond was sliding. SBAC Treasury could maximize its portfolio of Government Treasury Bonds to get higher return from its investment. Investment desk operates within available investment opportunities in the country. The desk keeps an eye on the market movement to reap on every opportunity and to get the best of every penny invested and maximize profit as well as shareholders value.

### Asset Liability Management (ALM)

Asset Liability Management is one of the major functions of Treasury. The ALM desk provides analysis, recommendations and guidelines in the area of asset liability management in order to promote the financial wellbeing of the Bank and proper management of Balance Sheet. Objective of the desk is to ensure efficient allocation of funds within an acceptable, measurable and defined risk structure. ALM desk is responsible for preparation of ALCO papers and conduct regular ALCO meetings once in a month and in case of urgent situation, special meeting is arranged.

### Primary Dealer

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

### SBAC Treasury Priorities in 2015

- Continuing to explore new avenues to utilize market opportunities especially in the field of derivatives.
- Maximizing portfolio size as well as returns by

discovering new investment opportunities.

- Putting more efforts to build rapport with external and internal counterparts.
- Managing Balance Sheet with specific focus on interest rate movement.
- Creating stronger sales desk of Government Securities.
- Automation of Treasury Front office and ALM activities.

### GENERAL SERVICES DIVISION:

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

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

### Achievements of GSD for the year 2014:

1. Commencement of banking operation through collecting licenses and NOCs from different government organizations.
2. Timely inauguration of 22 new Branches around the urban areas as well as rural areas of our country.
3. Introducing more secured newly designed security instruments (i.e. cheque leaves) in compliance with Bangladesh Bank instructions and equipping the branches with proper and modern state of the art technology to make banking more secure for our customers.





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



A Branch Opening ceremony in progress

#### GSD Target in 2015:

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

#### INFORMATION TECHNOLOGY DIVISION

Information Technology Division is closely aligned to the Bank's business strategies by delivering customer focused, innovative and secured solutions. Customers' banking needs are fulfilled through our application systems on an operationally robust and efficient technology platform. SBAC Bank aims to be the leading NEW Generation Banks in Bangladesh with regional expertise, global outreach and technology based innovative financial solutions; and to be a value-adding partner, leveraging cutting-edge technology and superior human capital. Keeping this view in mind, we are utilizing technology to play a key role in delivering superior customer service and exceptional value for money.

During the 2<sup>nd</sup> year of our banking operation, we focused mainly on automating and simplifying the existing processes, establishing and managing IT Infrastructure for 34 (thirty four) branches including 22 (twenty two) new branches which were inaugurated during 2014 and streamlining customer-centric processes using Core Banking System. Migrating physical servers to virtual machines and consolidating the server requirement has resulted in lowering energy consumption and cooling needs thereby reducing the carbon footprint for the Data

Centre. Besides, extensive efforts have been made by all concerned for implementation of leading-edge IT Infrastructure & services, which continues to make significant progress. Ongoing technology enhancements continued to position SBAC Bank at the forefront of product development and delivery, sustaining and strengthening the Bank's competitive edge.

SBAC Bank aspires to become one of the leaders in the application of technology to financial services. With our world class and leading core banking platform, we are now focusing more on extracting the benefits of this CBS (core banking software) and building a customer-focused culture. We believe, within a short span of time, we will be well positioned to achieve this aspiration. Our efforts are focused on two areas: convenience & simplicity:

- **Convenience:** Now-a-days, technology is transforming the way we reach our clients. More than ever, they want mobility and are interested to connect with us through smart phones, laptops and other mobile devices. This is an opportunity we are determined to grasp and that is why we have introduced SMS Alert Service for the convenience of our customer. This IT initiative also contributed to the Bank's green credentials.
- **Simplicity:** Our customers are telling us that they want things simpler, so they can have more control of what they are doing. We are progressively applying new technology to enable customers to play a greater part in product design. That helps us create more intuitive products and services, readily understandable to our customers and more tailored to their individual needs. Besides, new preventive and detective controls were introduced across all critical business channels, while information leakage prevention and monitoring controls were enhanced across the network traffic and data storage.

We have made significant progress so far, and we are confident that we will build on that momentum, deliver Strategy for 2015 and position SBAC Bank as a winner in the upcoming year. Through technology-driven innovation, we are trying to empower our clients, cut costs and improve risk management, reinventing every aspect of the business. We are committed to follow best practices, introduce new technology for the convenience of the customers and comply with all the regulations and become the leading client-centric bank of the country.





### ATM & CARDS SERVICES

There has been a lot of concentration in recent years in the development of electronic transaction, which promises to be one of the greatest revolutions in payment industry since the development of electronic transaction itself. This development has been in the making for quite some time now, from the inception of bank cheques to the creation of Debit/credit cards and the implementation of ATM, CDM & electronic money transfers, financial services practices and new technology has been coming together to produce the greatest leap in the way in which we conduct our everyday monetary transactions. The usage & wider acceptance of a Debit/Credit card by the ATM & retailer would have incredible effects in our lives, and very possibly, in the future development of electronic commerce as a means of distance selling.

SBAC Bank Card division constituted with the commitment of service excellence, providing diversified and innovative Card products to its clients through latest technological facilities. Considering the client's needs, compare to the existing competitor bank's given services, and to provide the customer an uninterrupted 24X7 hours cash withdrawal facilities, SBAC Bank started live ATM service & Debit card operation on 9th March 2014 by the technical assistance of country's largest ATM & Card service provider ITCL (IT Consultant Ltd).

ITCL constituted a transaction network consortium named Q-cash, which consists with more than 25 member banks. There is approximate 2000 shared ATMs in Q-cash consortium network. Q cash has also a network sharing arrangement with Omnibus and DBBL ATM networks. Presently SBAC bank has 5 ATMs in different branch locations and more ATMs are yet to be opened shortly. Meanwhile we have introduced Proprietorship Debit card and so far we have issued 3,500 debit cards to our account holders.

In October 2014 we have joined National Payment Switch Bangladesh (NPSB) under central Bank, as a NPSB member bank, our card holder can withdraw cash from any Bank ATM countrywide, at the same way any Bank cardholder can withdraw money from SBAC Bank ATMs. Now SBAC Bank cardholder can get access to more than 5,600 ATMs countrywide for using their Debit cards. By using SBAC bank debit card, cardholders can enjoy shopping, dining and other services from different service outlet under Q-cash, The City Bank and EBL

Point of Sale (POS) network. According to the central Bank information, after successful implementation of Merchant acquiring project of NPSB our card holder can use their debit cards to all shopping outlets, restaurant, hotel, hospital etc countrywide.

The expansion of ATM network & installation of ATMs to all branches and prime places is under process. For wider acceptance and more flexibility of electronic transaction including online shopping, we are under process to get VISA membership. 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 robust card management system with switch, ATM & POS controller. We are also trying to cover all individual account by issuing SBAC Bank debit cards. The corporate discount tie up program are also undergoing with different types of business entities to offer our valued cardholders privileged services and attractive discount while using their debit cards in selected merchant outlets including Hospitals, Hotels, restaurants and shopping malls.

As credit card improves individual's life style, social status and shopping behavior, under consumer retail financing we are working on implementing different types of credit cards for our customers including local international, and dual currency credit card..



Opening ceremony of an ATM Booth.

### CORPORATE SUSTAINABILITY:

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

### CORPORATE GOVERNANCE:

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



### CSR ACTIVITIES:

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

- South Bangla Agriculture & Commerce (SBAC) Bank has extended its helping hand to victims of Rana Plaza disaster through giving BDT 1.00 million to Prime Minister's Relief & Welfare Fund in 2013 as part CSR activities which was accounted for in 2014.
- The bank distributed 3,000 (three thousand) blankets worth of BDT 0.74 million to poor to cold stricken of our country, especially in the districts of North Bengal and char areas in 2013 which was accounted for in 2014 .
- The Bank extended financial grants to Bangladesh Table Tennis Federation worth BDT 1.6 million in 2014.
- The Bank contributed Tk.1.00 million to celebrate " Lakho Konthe Sonar Bangla Program" in 2014.
- The Bank donated Tk.1.00 million to the Prime Minister's Relief & Welfare Fund for flood affected people in 2014 of which Tk.0.70 million has been accounted for in 2015.
- The Bank contributed Tk.0.50 million to celebrate 50th anniversary of BTV in 2015.
- The Bank distributed 8,000 blankets worth of Tk.2.20 million in 2015 to the people who are poor and suffering from cold weather of our country of which 5,000 blankets donated to the Prime Minister's Relief & Welfare Fund .



One of the Directors of the Bank handing blankets to the Prime Minister's Relief Fund under CSR program.

- The Bank donated Tk.1.00 million to the National Institute of Burn and Plastic Surgery (NIBPS) for in 2015.
- The Bank incurred expenses BDT 4.64 million in 2014 under CSR activities.

We have firm commitment to contribute more in

Corporate Social Responsibility (CSR) activities in coming days.

### GREEN BANKING:

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

### INCLUSIVE BANKING:

SBAC Bank believes in inclusive banking by including the disadvantaged section of the society in the formal financial systems. The bank has introduced Tk.10 privileged saving account, senior citizen saving account and students saving account. Besides the bank has already obtained "AGENT BANKING" operation approval from Bangladesh Bank.

### 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 2014, our contributions are as follows:

Particulars	2014	2013
Tax	103.61	16.82
Advance Tax	38.89	21.08
VAT and Excise Duty	40.60	10.19
<b>Total</b>	<b>183.10</b>	<b>48.09</b>

### PERFORMANCE OF SBAC BANK LIMITED IN 2014:

The operation of SBAC Bank Limited including eight other new Banks started in 2013 which heightened the competition in the Banking arena. Despite various challenges, SBAC Bank Limited has been able to record





progress in almost all the areas of operation in 2014. The bank earned Tk.318.42 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 2013. The Financial performances of the Bank are as follow:

### Total Assets

Total assets of the bank stood at Tk 23,835.40 million in 2014 as against Tk 8,673.89 million in 2013 registering a growth of 174.80 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.1,456.63 million in 2014 of which Tk. 243.57 million in the form of cash and rest of Tk. 1,213.06 million held with Bangladesh Bank & its Agent as against Tk. 482.97 million in 2013 of which Tk. 155.34 million in the form of cash and rest of Tk.327.63 million held with Bangladesh Bank & its Agent registering growth of 201.60percent. 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 the bank is Tk 2,969.49 million in 2014 of which Tk.2,928.98 million in Bangladesh and Tk.40.51 million outside Bangladesh as against Tk 3,928.03 million in 2013 of which Tk.3,918.96 million in Bangladesh and Tk.9.07 million outside Bangladesh. The balance with other banks and financial institutions in Bangladesh decreased by Tk.989.98 million

(Tk.2,928.98 million - Tk.3,918.96 million) in 2014 due to investment in Government Securities at higher rate. . The balance in outside Bangladesh increased by Tk.31.44 million (Tk.40.51 million - Tk.9.07 million) in 2014 due increase in both number and balance of nostro accounts maintained with overseas banks. Adequate funds were maintained with correspondent banks for payment against LC commitments.

### Investment

The position of Investment of the Bank is Tk.4,130.67 million in 2014 as against Tk.552.92 million in 2013. The investment increased during the year 2014 by Tk.3,577.75 million (Tk.4,130.67 million- Tk.552.92 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

(Amount in million Taka)

Particular of Sectors	2014	2013	Growth (%)
Agriculture, Fisheries and Forestry	158.74	99.00	60.34
Agro-based Processing Industries	429.06	219.68	95.31
Small & Medium Enterprise (SME)	3,733.61	317.61	1075.53
RMG & Textile Industries	1,264.80	554.79	127.98
Hospitals, Clinics & Medical Colleges	312.40	96.08	225.15
Trade & Commerce	2,625.10	1,047.60	150.58
Transport and Communications	610.41	-	-
Rubber & Plastic Industries	341.53	-	-
Iron, steel & Aluminum Industries	870.62	-	-
Other Manufacturing Industries	2,510.08	466.60	437.95
Housing & Construction	106.52	54.00	97.26
Consumer Credit	66.09	12.10	446.20
Others	489.09	139.30	251.11
<b>Total</b>	<b>13,518.05</b>	<b>3,006.76</b>	<b>349.59</b>

successful in 2014. The loans and advances stood at 13,518.05 million in 2014 against Tk 3,006.76 million in 2013 registering growth of 349.59 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bank decreased to 15.37 percent from the level of 15.81 percent of previous year due to decrease of lending rates.

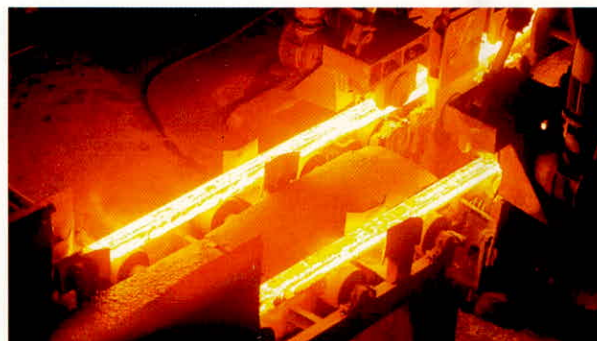
To minimize risks, the loan and advances has been given to diversified sectors. The sector wise disbursed loan



## Glimpse of diversified sectorial financing



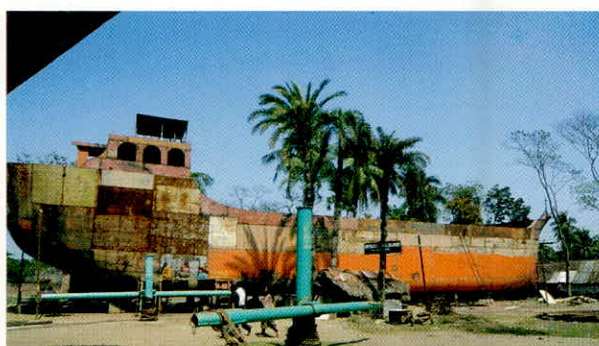
A view of export oriented frozen fish project financed by the Bank



Bayzid Steel, a steel re-rolling mills financed by SBAC Bank



SBAC Bank financed Polymer industry



Rupsha Dockyard, financed by SBAC Bank



SBAC Bank financed fishing trawler in the Bay



A view of production of R.N. Spinning Ltd. financed by SBAC Bank



A garments factory financed by SBAC Bank



A fishery project financed by SBAC Bank





## Liabilities

The liabilities (excluding equity) of the Bank stood at Tk.19,592.69 million in 2014 of which Tk. 18,641.90 million (95.15%) was deposit and rest Tk. 950.79 million (4.85%) was borrowing & other liabilities as against Tk 4,536.20 million in 2013 of which Tk. 4,439.78 million (97.87%) was deposit and rest Tk. 96.42 million (2.13%) was other liabilities registering growth of 331.92%. The increase in liability was mainly due to growth in deposits and borrowings. The borrowing of stood at Tk 638.85 million in 2014 which represents Bank's borrowing from Bangladesh Bank under various Refinance Scheme & EDF.

## Deposits

The deposits of the Bank stood Tk. 18,641.90 million in 2014 as against Tk. 4,439.78 million in 2013 registering growth of 319.88 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 81.14 percent of the total deposits. Interest cost of deposit decreased to 9.90 percent as against 11.20 percent of the previous year as a result of decrease in rates of high cost term deposits fueled by the liquidity position in the market. The clientele group of the Bank was individuals, corporation, NGO, NBFI, government bodies etc.

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

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2014	2013		2014	2013
Current Deposits	1728.01	395.47	336.95	9.27	8.91
Special Notice Deposits	489.92	506.66	(3.30)	2.63	11.41
Bills Payable	112.58	43.33	159.80	0.60	0.98
Savings Bank Deposits	338.95	95.81	253.79	1.82	2.16
Fixed Deposits	15126.56	3263.40	363.52	81.14	73.50
Scheme Deposits	845.88	135.11	526.06	4.54	3.04
<b>Total</b>	<b>18,641.90</b>	<b>4,439.78</b>	<b>319.88</b>	<b>100.00</b>	<b>100.00</b>

## Shareholders' Equity

The shareholders' equity of the Bank stood Tk. 4,242.71million in 2014 as against Tk. 4,137.70 million in 2013 registering growth of 2.54%. 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	2014	2013	Growth (%)
Cash	1,456.63	482.97	201.60
Balance with other banks and financial institution	2,969.49	3,928.03	(24.40)
Money at call and short notice	800.00	100.00	700.00
Investments	4,130.67	552.92	647.06
Loans and advances	13,518.05	3,006.77	349.59
Fixed assets including premises, furniture and fixtures	306.22	181.67	68.56
Other assets	654.34	421.53	55.23
<b>TOTAL PROPERTY &amp; ASSETS</b>	<b>23,835.40</b>	<b>8,673.89</b>	<b>174.79</b>
Deposits and other accounts	18,641.90	4,439.78	319.88
Borrowings	638.85	-	-
Other liabilities	311.94	96.42	223.52
Total shareholders' equity	4242.71	4,137.69	2.54
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>23,835.40</b>	<b>8,673.89</b>	<b>174.79</b>

## Interest Income

The interest income stood at Tk. 1,590.07 million in 2014 as against Tk. 446.91 million in 2013 showing growth of 255.79 percent. Interest income consists of Interest earned from loans & advances amounting Tk.1,101.32 million and Interest received on FDR & SND account kept with other banks and financial institutions amounting Tk.488.75 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:





Amount in million Taka

Types of Interest Income	Amount Taka in Million		Growth (%)	Interest Income Mix (%)	
	2014	2013		2014	2013
Interest earned from loans & advances	1,101.32	151.07	629.01	69.26	33.80
Interest received from Banks & Financial Institutions	488.75	295.84	65.21	30.74	66.20
<b>Total Interest Income</b>	<b>1,590.07</b>	<b>446.91</b>	<b>255.79</b>	<b>100.00</b>	<b>100.00</b>

**Interest Expense**

The interest expense stood at Tk. 1,120.01 million in 2014 as against Tk. 137.54 million in 2013 showing growth of 714.32 percent. Interest cost of deposits was the main component of interest expenses whereas interest cost of borrowings also had impact in 2014. Interest cost of deposits decreased to 9.90 percent in 2014 from 11.20 percent in the previous year due to decrease in rates of interest on deposits arising from high liquidity in the market. Moreover, high liquidity in the market induced the bank, a Primary Dealer, to go for mobilization of deposits at low cost. Details of Interest Expense are as follows:

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. 99.76 million in 2014 of which Tk.79.06 million was non-interest income and Tk.20.70 was other operating income as against Tk. 10.04 million in 2013 of which Non-interest income was Tk.8.19 million and other operating income is Tk.1.85 million showing growth of 893.63 percent. The growth was due to overall growth of banking business of the bank in 2014 .

Amount in million Taka

Types of Interest Expense	Amount Taka in Million		Growth (%)	Interest Expense Mix (%)	
	2014	2013		2014	2013
Interest on Deposits	1,032.31	137.46	650.99	92.17	99.94
Interest on Borrowings	87.70	0.08	109525.00	7.83	0.06
<b>Total Interest expense</b>	<b>1,120.01</b>	<b>137.54</b>	<b>714.32</b>	<b>100.00</b>	<b>100.00</b>

**Net Interest Income**

The interest income stood at Tk. 470.06 million in 2014 as against Tk. 309.37 million in 2013 showing growth of 51.94 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 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. 285.54 million in 2014 as against Tk. 12.54 million in 2013 showing growth of 2177.03 percent. Net Interest Income increased due to increase in Investment in Government

**Total Operating Income**

The operating income stood at Tk. 855.36 million in 2014 as against Tk331.95 million in 2013 showing growth of 157.68 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. 536.94 million in 2014 as against Tk. 192.79 million in 2013 registering growth of 178.51. 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 2014 mainly due to increase in manpower expenses for 20 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 187 as on December 31, 2013. The productivity of the employees is measured in the following ratio:

(Amount in Lac Taka)

Particular	2014	2013	Growth (%)
Income per employee	52.4	17.74	195.38
Expense per employee	43.95	10.30	326.70
Profit before provision per employee	8.45	7.44	13.58
Profit before tax per employee	5.22	5.64	(7.45)
Assets per employee	632.24	463.84	36.31

#### Provision of Classified Loans:

As there were no classified loans at the end of December 2014, no provision for classified loans was required to maintain.

#### General Provision

The provision against unclassified loans and advances including off-balance sheet exposures was made to the tune of Tk 111.50 million during 2014 of which Tk. 87.40 million was made for unclassified loans and advances and Tk.24.10 million was made for off-balance sheet exposures as against Tk. 32.46 million in 2013 of which Tk. 27.45 million was made for unclassified loans and advances and Tk.5.01 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 provision of Tk.10.24 million was made in 2014 for diminution in value of investment against Tk.1.21 million in 2013. The required provision in this regards increased due to decrease the market value of purchased listed shares

#### Net Profit before Tax

After making above provisions, net profit before tax of SBAC Bank Limited stood at Tk 196.68 million in 2014 as against Tk. 105.48 million in 2013 showing growth of 86.46 percent. The growth was due to

overall growth of banking business of the bank in 2014.

#### Provision for Income Tax

Provision against current year income tax of SBAC Bank Limited was Tk. 130.68 million as against Tk. 59.14 million in 2013. The requirement was increased due to increase of net profit before tax in 2014.

#### Net Profit after Tax

Net profit after tax stood at Tk 66.00 million in 2014 as against Tk. 46.34 million in 2013

showing growth of 42.43 percent. The growth was due to overall growth of banking business of the bank in 2014. Average ROA and ROE stood at 0.41 percent & 1.58 percent in 2014 as against 0.53% percent and 1.92 percent respectively in 2013.

#### Statutory Reserve

As per Bank Companies Act 1991, 20 percent of profit before tax is required to be transferred to statutory reserve. As such an amount of Tk. 39.34 million has been transferred to statutory reserve in 2014 which was Tk. 21.10 million in 2013. Total statutory reserve stood at Tk.60.44 million. as on December 31, 2014 .

#### Dividends

The SBAC Bank Limited started its operation in 2013. In spite of having distributable profit of Tk. 48.64 million in 2014, the Board of Directors decided not to declare dividend in any form for future growth and strengthen capital base.

#### OPERATING PERFORMANCE OF THE BANK

Particulars	Amount in million Taka		
	2014	2013	Growth (%)
Interest Income	1,590.07	446.91	255.79
Less: Interest Expense	(1,120.01)	(137.54)	714.32
<b>Net Interest Income</b>	<b>470.06</b>	<b>309.37</b>	51.94
Investment Income	285.54	12.54	2177.03
Non-Interest Income & Other Operating Income	99.76	10.04	893.63
<b>Total Operating Income</b>	<b>855.36</b>	<b>331.95</b>	157.68
Less: Operating Expense	(536.94)	(192.79)	178.51
<b>Profit before provision</b>	<b>318.42</b>	<b>139.16</b>	128.82
Less: Provision	(121.74)	(33.67)	261.57
<b>Net Profit before Tax</b>	<b>196.68</b>	<b>105.48</b>	86.46
Provision for Income Tax	(130.68)	(59.14)	120.97
<b>Net Profit after Tax</b>	<b>66.00</b>	<b>46.34</b>	42.43
Less: Statutory Reserve	39.34	(21.10)	86.45
<b>Profit available to ordinary share holders</b>	<b>26.66</b>	<b>25.24</b>	5.63
<b>Earnings Per Share</b>	<b>Tk. 0.16 per share</b>	<b>Tk. 0.11 per share</b>	45.45



**MEETINGS IN 2014:**

During the year 2014, 14 Board Meetings, 10 Executive Committee Meetings, 05 Audit Committee Meetings and 04 Risk Management Committee Meetings were held. Details of the participation are as follows:

Sl. No.	Name of Director	Meetings (2014)							
		Board		EC		AC		RMC	
		Held	Attend.	Held	Attend.	Held	Attend.	Held	Attend.
1	Mr. S.M. Amzad Hossain	14	14	-	-	-	-	-	-
2	Mr. Talukder Abdul Khaleque	14	14	10	7	-	-	-	-
3	Mr. Maksudur Rahman	14	14	10	8	-	-	-	-
4	Mr. Md. Moklesur Rahman	14	13	-	-	-	-	4	4
5	Begum Sufia Amjad Alternate Director: Mr. S.M. Abul Hossain	14	12	-	-	-	-	-	-
6	Mr. Abu Zafar Mohammad Shofiuddin	14	10	-	-	5	4	4	2
7	Mr. Abdul Kadir Molla	14	14	10	10	-	-	-	-
8	Mr. Md. Amzad Hossain	14	12	10	8	-	-	-	-
9	Mrs. Sanawar Bano	14	8	-	-	5	4	-	-
10	Mr. Hafizur Rahman Babu	14	13	10	9	-	-	-	-
11	Mr. Anwar Hussain	14	13	10	8	-	-	4	4
12	Mrs. Tahmina Afroz	14	11	-	-	-	-	-	-
13	Mr. Shakhawat Hossain Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.	14	14	10	10	-	-	-	-
14	Mr. Mrinal Kanti Debnath	14	13	-	-	5	5	4	3
15	Mr. Mohammed Ilias	14	7	-	-	-	-	-	-
16	Mr. Muhammad Mohsin	14	10	-	-	5	5	-	-
17	Mrs. Kamrun Nahar Appointed on 16-04-2014	14	6	-	-	-	-	-	-
18	Mr. Khan Habibur Rahman Appointed on 17-11-2014	14	1	-	-	-	-	-	-
19	Mr. Md. Mizanur Rahman Nominated by : M/S. Contech Construction Ltd. Appointed on 03-12-2014	14	-	-	-	-	-	-	-





#### PATTERN OF SHAREHOLDING:

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

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

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
1	Mr. S.M. Amzad Hossain	Chairman	20,000,000	Begum Sufia Amjad	19,000,000
				S. M. Ruhan Hossain	Nil
2	Mr. Talukder Abdul Khaleque	Vice-Chairman	2,000,000	Mrs. Habibun Nahar	Nil
3	Begum Sufia Amjad	Director	19,000,000	Mr. S.M. Amzad Hossain	20,000,000
				S. M. Ruhan Hossain	Nil
4	Mr. Maksudur Rahman	Director	17,100,000	Mrs. Shamsun Nahar Rahman	2,000,000
5	Mr. Abu Zafar Mohammad Shofiuddin	Director	20,000,000	Mrs. Afroza Sultana	Nil
				A Z M Sahib Quader	Nil
6	Mr. Abdul Kadir Molla	Director	40,000,000	Mrs. Nasima Begum	Nil
				Nawrin Sultana Adury	Nil
7	Mr. Md. Amzad Hossain	Director	6,500,000	Mrs. Nargis Hossain	Nil
8	Engr. Md. Moklesur Rahman	Director	20,000,000	Mrs. Quamrun Nahar	Nil
9	Mrs. Sanawar Bano	Director	20,000,000	Late Mohammad Farooq	Nil
10	Mr. Hafizur Rahman Babu	Director	15,000,000	Mrs. Nasima Rahman Nipa	Nil
				Nabila Rahman Rafa	Nil
				Nusaiba Rahman Raita	Nil
11	Mr. Anwar Hussain	Director	2,500,000	Mrs. Fadia Naz	Nil
12	Mrs. Tahmina Afroz	Director	20,000,000	Mr. Anwer Hossain Khan	Nil
				Adil Mohammad Khan Akash	Nil
13	Mr. Shakhawat Hossain Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.	Director	20,000,000	Mrs. Rokeya Begum	Nil
14	Mr. Mrinal Kanti Debnath	Director	6,000,000	Mrs. Tripti Rani Debnath	Nil

15	Mr. Mohammed Ilias	Director	15,000,000	Mrs. Parvin Ilias	Nil
				Mohammed Ilham	Nil
				Mohammed Israk	Nil
				Mohammed Imtinan	Nil
16	Mr. Muhammad Mohsin	Director	12,000,000	Mrs. Shamima Nargis	Nil
				Abida Samira Mahmud	Nil
17	Mrs. Kamrun Nahar	Director	5,000,000	Mr. Motiur Rahman	4,000,000
				Manjum Hasan Khabir	Nil
				Mamduha Khabir	Nil
18	Mr. Khan Habibur Rahman	Director	2,000,000	Mrs. Hosne Ara	Nil
19	Mr. Md. Mizanur Rahman Nominated by : M/S. Contech Construction Ltd.	Director	20,000,000	Mrs. Sufia Akmal	Nil
20	Mr. Md. Rafiqul Islam	Managing Director & CEO	Nil	Mrs. Nurunnahar Begum	Nil
21	Mr. Md. Masoodur Rahman	VP & CFO	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	Nil
22	Mr. Md. Mokaddess Ali	FVP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Anima Mehraj Mehrin	Nil
				Hasnine Farhad	Nil
23	Mr. Md. Nishadul Islam	VP & Head of ICC	Nil	Mrs. Mosharifa Rahman	Nil
				Md. Nazmus Sadat	Nil

Executives [top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit] as on 31-12-2014

SL. No.	Name	Status	No. of Shares
1	Mr. Md. Dilwar Hossain Bhuiyan	DMD	Nil
2	Mr. Md. Altaf Hossain Bhuyan	EVP	Nil
3	Mr. Harun Ar Rashid	EVP	Nil
4	Mr. Mohammed Salim Chowdhury	EVP	Nil
5	Mr. Md. Ghulam Nabi	EVP	Nil





### RE-APPOINTMENT OF AUDITORS:

MASIH MUHITH HAQUE & CO., Chartered Accountants was appointed as external auditors of the bank for the year 2014. They have expressed their willingness to continue as external auditors for the year 2015. As per Bangladesh Bank guidelines they are eligible for re-appointment.



A view of the 1<sup>st</sup> AGM of SBAC Bank

### ANNUAL GENERAL MEETING:

Annual General Meeting will be held on March 28, 2015 at 37, Dilkusha C/A, SBAC Bank Limited, Head Office. The Financial Statements were approved at 28th Board Meeting held on March 28, 2015 for presentation to the shareholders.



Chief Election Commissioner declaring the result of election in the 1<sup>st</sup> AGM of the Bank

### 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 shall retire from the office of the Directors effective from the close of business of the 2nd Annual General Meeting of the Bank to be held on March 28, 2015 but they will be eligible for re-election:

1. Mr. Mohammed Ilias, Director
2. Mrs. Sanawar Bano, Director
3. Mr. Mrinal Kanti Debnath, Director
4. Ms. Kamrun Nahar, Director
5. Khan Habibur Rahman, Director
6. Mr. Md. Mizanur Rahman, Director

### STRATEGIC PLAN FOR 2015-2016:

The strategic priorities and actions plans as stated in the bank's Strategic Plan (2015-2016) are mentioned below:

1. Expansion of branch network to make banking services available at important locations throughout the country. The Bank has already opened 34 branches up to January 31, 2015 and opening of 10 more branches is under process which to be completed by June 2015. The bank has a plan to increase number of branches to 50 by December 31, 2015 and 70 branches by December 31, 2016 .
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 force within June 2015.
4. 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.
5. 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.
6. Maintaining required level of liquidity through skillfully managing asset-liability mismatch and recovery of past due loans.
7. Administering regular and effective monitoring and conducting recovery drive to ensure that loans and advances do not turn non-performing.
8. Diversification of products and services by introducing IT based innovative products and engaging alternate delivery channels. The operation of Mobile & Internet Banking will come into force within June 2015.
9. Expediting delivery of inward remittance to increase the flow of foreign remittance.
10. Continuously improving internal governance through strengthening good corporate cultures, motivation, training and supervision at all levels of management.





1<sup>st</sup> Business Conference of the Bank in progress

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

On behalf of the Board of Directors

S.M Amzad Hossain  
Chairman of the Board of Directors  
March 04, 2015

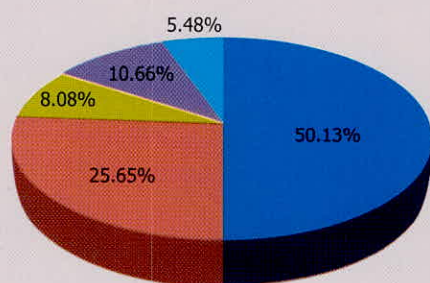
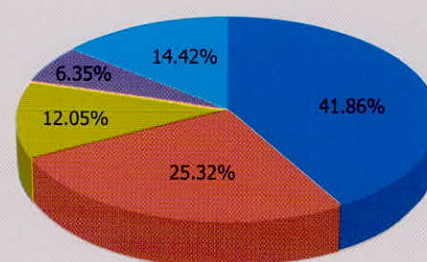




## Value Added Statement

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 continue operation and expansion of the bank. The value added statement of the bank is given below:

	2014 Taka	%	2013 Taka	%
<b>Value Created</b>				
Income from banking service	1,975,371,053		469,490,414	
Less: Cost of services & Supplies	1,361,006,437		245,916,398	
Value added by banking service	614,364,616		223,574,016	
Non-banking income	-		-	
Provision for deferred tax	(5,826,328)		(14,813,079)	
Provision for loans & other assets	(121,738,911)		(33,675,218)	
	<b>486,799,377</b>		<b>175,085,719</b>	
<b>Value distributed</b>				
To employees as salaries & allowances	244,050,023	50.13%	73,296,312	41.86%
To shareholders as dividend	-	-	-	-
To Government as income tax	124,857,401	25.65%	44,329,911	25.32%
	368,907,424	75.78%	117,626,223	67.18%
<b>Value retained</b> (to maintain and develop operations)				
Statutory reserve	39,336,589	8.08%	21,097,469	12.05%
Depreciation	51,892,738	10.66%	11,117,727	6.35%
Retained earnings	26,662,626	5.48%	25,244,300	14.42%
	117,891,953	24.22%	57,459,496	32.82%
	<b>486,799,377</b>	<b>100.00%</b>	<b>175,085,719</b>	<b>100.00%</b>

**2014**

**2013**


- To employees as salaries & allowances
- To Government as income tax
- Statutory reserve
- Depreciation
- Retained earnings



## 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. This cost of equity is calculated by taking proxy rate i.e. Average Return on Equity (ROE) of the Banking Industry as mentioned in Bangladesh Bank Annual Report 2013-2014.

	2014 Taka	2013 Taka
Shareholders' equity	4,242,705,946	4,137,701,488
Add: Provision for loans & advances and other assets	155,414,129	33,675,218
Closing Shareholders' equity	<b>4,398,120,075</b>	<b>4,171,376,706</b>
Opening shareholders' equity	<b>4,171,376,706</b>	<b>4,089,600,000</b>
<b>Average shareholders's equity</b>	<b>4,284,748,391</b>	<b>4,130,488,353</b>
<b>Earnings</b>		
Profit after taxation	65,999,215	46,341,768
Add: Provision for loans & advances and other assets	121,738,911	33,675,218
	<b>187,738,126</b>	<b>80,016,986</b>
Average cost of equity	8.40%	8.21%
Cost of average equity	239,945,910	226,075,396
<b>Economic value added</b>	<b>(52,207,784)</b>	<b>(146,058,410)</b>
<b>Net Assets Value Per Share</b>	<b>10.75</b>	<b>10.20</b>





## RESPONSIBILITY





## Report of the Chief Risk Officer (CRO)

Risk Management in bank operations includes risk identification, measurement and assessment and its objective is to minimize negative effects, risks can have on the financial result and capital of a bank. SBAC Bank LTD is committed to its stakeholders to attain a sustainable business growth commensurate with its strategy through implementation of risk management framework within the organization. To this end, the bank has adopted Core Risk management policy issued by Bangladesh bank and is implementing those meticulously.

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 risk management paper, performing stress testing, process manuals, developing various risk models, and acting as operational layer for internal Capital Adequacy Assessment Process. RMD prepares, inter alia, risk management papers identifying and measuring potential risks in bank's activities and portfolios, arrange meetings of Board's Risk Management Committee and apprise the Board/Executive committee of the identified risks and management's recommendations to address the risks.

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 Engr. Moklesur Rahman to look after the risk management issues of the bank. In the year 2014, 4(four) meetings of RMC were held. Instructions of RMC were communicated to the divisions/branches for compliance.

### Pillar-1 of Basel -II: 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-II. At the end of the year 2014, under Basel-II, SBAC Bank was maintained capital requirement 29.54% against regulatory requirement 10%. SBAC Bank complied fully Pillar-1 under Credit Risk, Market Risk and operational risk. For effective and efficient management of credit risks, credit functions have been segregated into (a) credit approval (b) credit administration and (c) credit monitoring and recovery. The bank has a board approved credit policy where major policy guidelines, growth strategy, exposure limits and risk management strategies have been described in details. Before allowing credit facilities to clients, the bank collects up-to-date CIB report from Bangladesh Bank. The bank is trying to get corporate clients rated by Credit Rating Agencies not only to have expert opinion on the borrowers but also to get capital relief.

In order to assess and address issues emanating from liquidity and other market related risks, meeting of bank's Asset Liability Committee (ALCO) is held regularly, at least once in a month. Treasury Department actively manages market risks within the limits fixed by ALCO. Operational risk events, resulting from inadequate or failed internal processes, people, and system or from external events are looked into by internal control & compliance division (ICCD). ICCD conduct regular and special audit and inspection. During 2014, all auditable 12(twelve) branches were audited. 2(two) Surprise/special inspections were made on the branches. ICCD works under direct supervision of Audit committee.

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

Under 2nd pillar of Basel -II, a sound and vibrant Supervisory Review Process (SRP) of Risk Based Capital Adequacy Framework has been ensured in SBAC Bank. The key principle of 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 adequate level". Risk Management Committee, SRP Team headed By Managing Director &CEO and an operational unit are looking after three Layer structures of SRP viz Strategic Layer, Managerial Layer and Operational Layer respectively. SRP covers additional risks like Residual Risk, Concentration Risk,





Liquidity Risk, Reputation risk, Strategic risk, Environmental & Climate Change risk, Settlement risk etc. SBAC Bank assesses its additional capital requirement under pillar-2 and prepares ICAAP report and sends it to Bangladesh Bank timely. 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-II Accord.

#### Pillar- 3 of Basel-II: 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. The board and bank management are well aware that identifying, measuring, monitoring and controlling various types of risks are vital for health of a bank as well as the whole financial

system. With the objective of promoting more resilient banking sector, the Basel Committee on Banking Supervision(BCBS) issued" Basel-III: A Global Regulatory Framework for more resilient banks and banking system" in December 2010. In line with, Bangladesh Bank has issued transitional arrangements for Basel-III implementation in Bangladesh. The phase in arrangements for Basel-III implementation in Bangladesh will start in 2015 and end in 2019. SBAC Bank is committed and ready to take the challenge of Basel-III implementation in the bank and we are strengthening our theoretical base on the issue.

**Md. Dilwar Hossain Bhuiyan**

Deputy Managing Director & CRO  
SBAC Bank Limited



## 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.

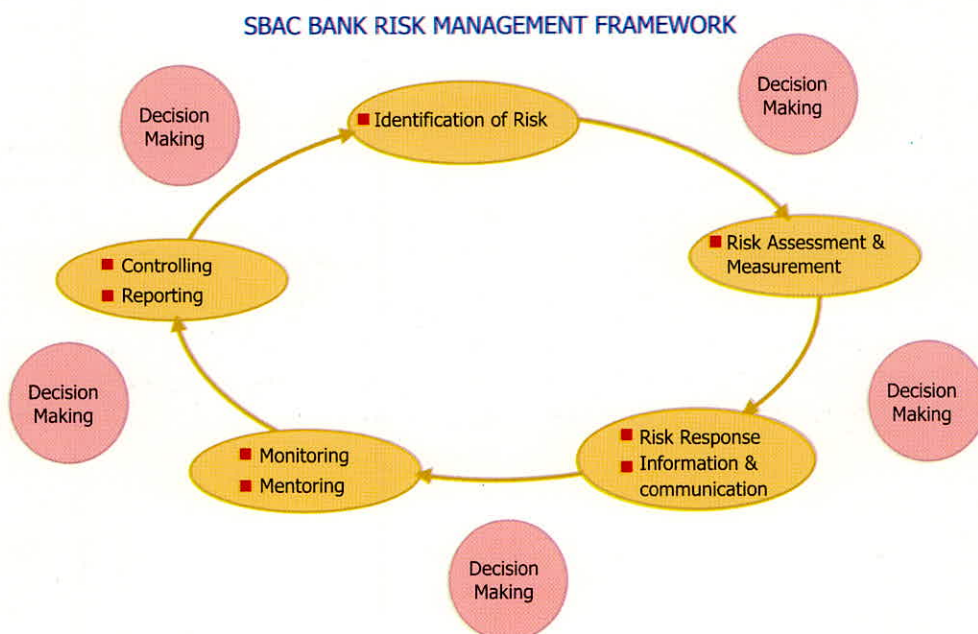
Risk-taking is an inherent element of the banking business and, indeed, profits are in part the reward for successful risk taking in business. On the other hand, excessive and poorly managed risk can lead to losses and thus endanger the safety of a bank's depositors.

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

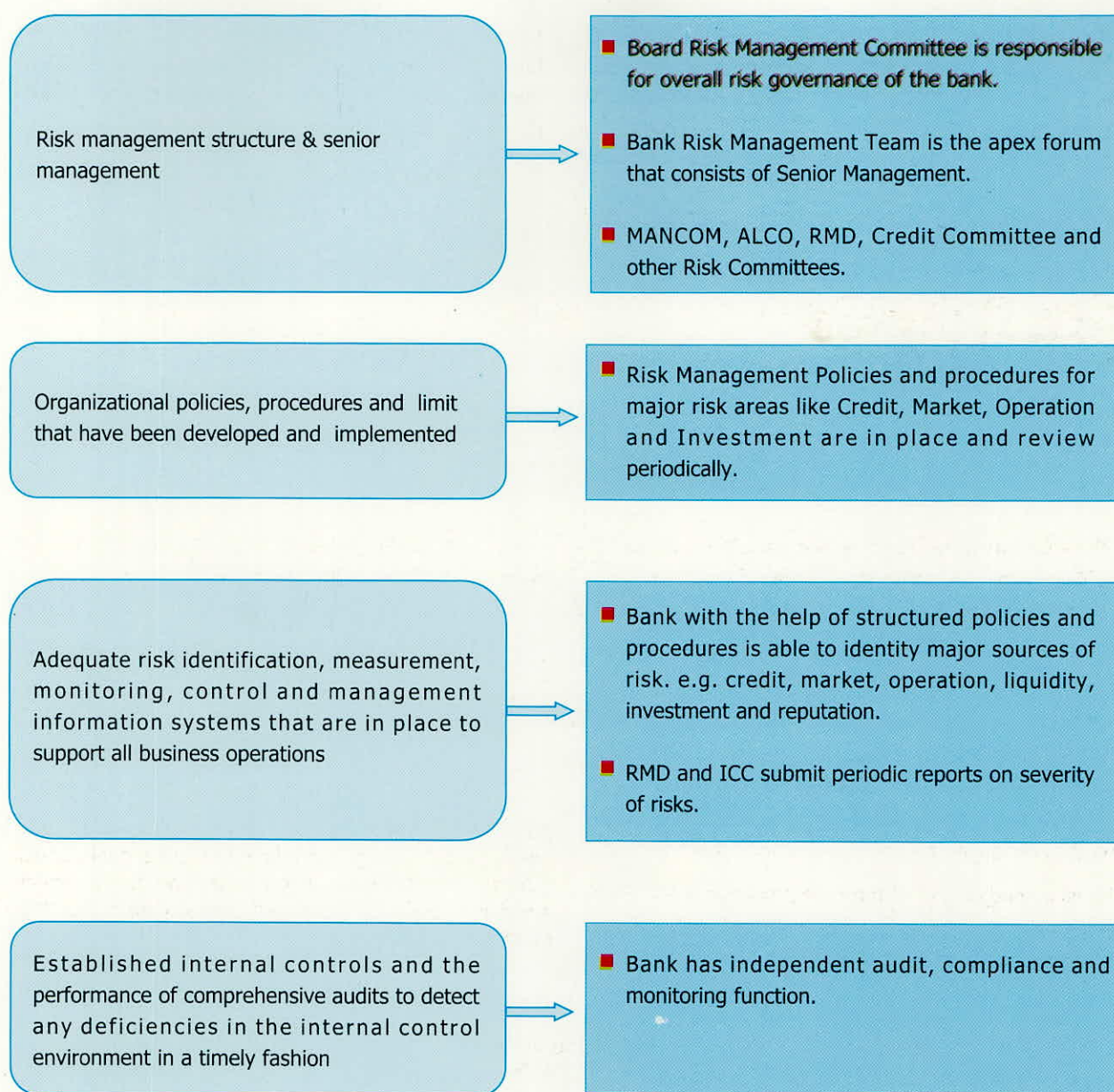
returns. In banking arena, key risks include credit, market, operational, liquidity, reputation risk and other risks like strategic risk, concentration risk, compliance risk etc. The risk management strategy of SBAC Bank is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

### 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.







### 3. Principles of Risk Management

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

**3.1. Protecting the Bank's financial strength:** SBAC Bank controls risks in order to limit the impact of potential adverse event, both on its capital and on its financial results. The risk appetite distributes proportional for the available capital.

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

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

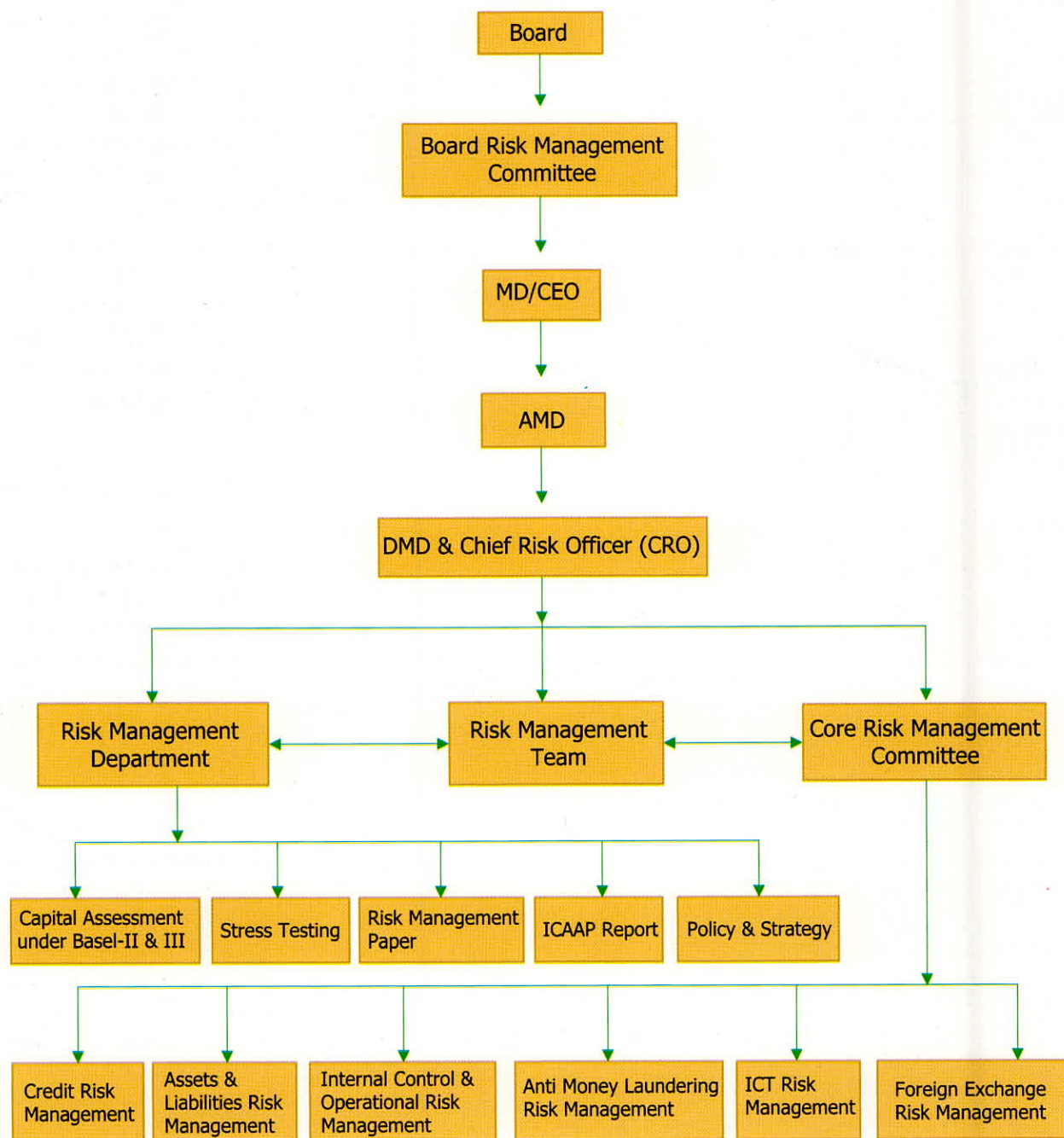


**3.4 Management Responsibility:** The management of bank is responsible for its result as well as for their risks associated with its operations. A balance is made between risk and return, while, of course duly observing the relevant risk limits.

**3.5 Independent Risk Control:** This is the structured

process of identifying, measuring, controlling, monitoring and reporting risks. In order to ensure integrity, the Risk Management Department operates independently to administer risks.

**4. Organizational Structure of Risk Management:**







#### 4.1. Board Risk Management Committee:

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

Sl. No.	Name of Directors	Position of the Committee
1	Engr. Md. Moklesur Rahman	Chairman
2	Mr. Abu Zafar Mohammad Shofiuddin	Member
3	Mr. Anwar Hussain	Member
4	Mr. Mrinal Kanti Debnath	Member

#### 4.2. Risk Management Team with Executives of the Bank:

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

Sl.No.	Name & Designation	Position
1	Mr.Md. Dilwar Hossain Bhuiyan, Deputy Managing Director & CRO	Chairman
2	Mr.Md. Shawkat Ali, Deputy Managing Director	Member
3	Mr. Md. Ghulam Nabi, Senior Executive Vice President, Head of HRD	Member
4	Mr. Harun Ar Rashid, Senior Executive Vice President, Head of ID & Credit	Member
5	Mr. Md. Mizanur Rahman, Senior Vice President, Head of ICT	Member
6	Mr. Mohammad Asadul Haque, Vice President, Head of Treasury	Member
7	Mr. Md. Masoodur Rahman, Vice President, Head of FAD	Member
8	Mr. Md. Nishadul Islam, Vice President, Head of ICCD	Member
9	Mr. Mannan Bapari, Head of RMD	Member Secretary

#### 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 should also set out guidelines for the pricing, term and maturity of loans and deposits. The use of derivatives, if any, should also be controlled by policy, which should 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-term 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 of 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. 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 yearly basis the overall effectiveness of internal control system and provide a certification on the effectiveness of Internal Control Policy, Practice and procedure.

Effective control of the capital assessment process includes an independent review and, where appropriate, the involvement of internal or external audits.





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

#### 4.3.4. Money Laundering 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;
- Cash Transaction report (CTR) is to be sent to the Bangladesh Bank on every month for the customers depositing or withdrawing cash above Tk.1.00 million in a day in a bank branch;
- Record is maintained for 5(five) years;
- Appoint BAMLCO in every branch and CAMLCO at Head Office;
- MD & CEO's message addressing all officials of the bank at regular interval to take measures against ALM/CFT.
- Train officials on anti-money laundering
- STR is 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 "TEMENOS T24" 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:

Board of Directors should:

- Approve 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
- Direct senior management to submit a comprehensive written report to the board of directors of the bank on the management of exposure to foreign exchange risk at least once a year.

#### ii) Strategy, Monitoring and Control:

A bank should establish a written policy on foreign exchange risk that:

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





#### 4.4. Core Risk Management Committees:

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

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

**4.4.2. Foreign Exchange Risk Management Committee:** The committee oversees foreign exchange risk, treasury, net open position, import & export business, dealing room operations and antimoney laundering aspects in foreign exchange transactions etc.

#### 4.4.3. Information & Communication Technology Risk Management Committee:

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

**4.4.4. Money Laundering Risk Management Committee:** The committee looks after the money laundering activities, STR, 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 Bank 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;
- 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 quarterly 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 to the Managing Director & CEO of the Bank with dotted line reporting to the Risk Management Committee of the bank. The Risk Management Department is headed by Chief Risk Officer who is a Deputy Managing Director of the Bank.

#### 4.5.1. Capital Assessment under Basel-II:

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

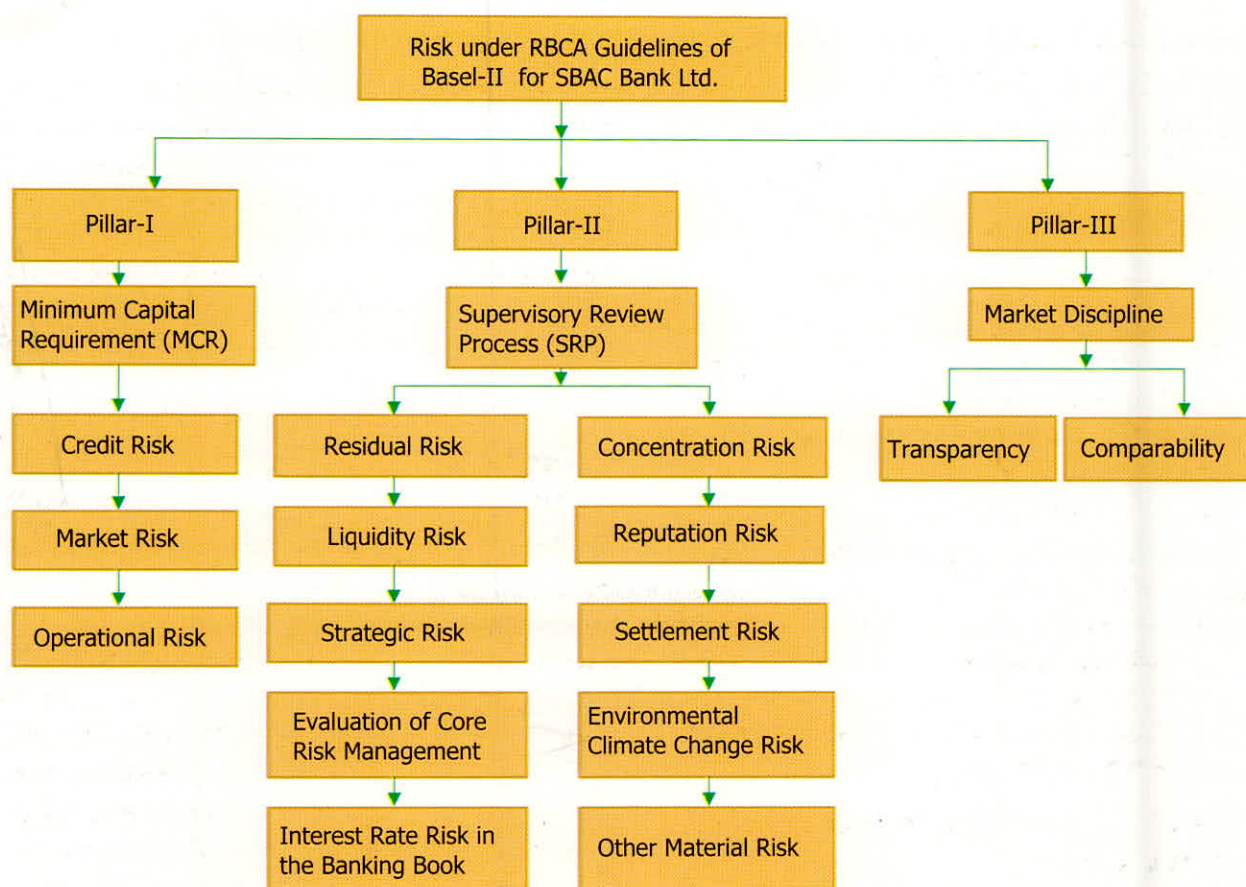
#### 4.5.2. Capital Position of SBAC Bank Limited:

As per directives of the Bangladesh Bank, every bank is required to maintain capital at 10.00 percent of its risk-weighted assets under Basel-II or Tk.400.00 crore whichever is higher. Tier-I capital should be minimum 5 percent of total capital. SBAC Bank maintained total eligible capital Tk.436.47 crore as on 31.12.2014 which was Tk.417.02 crore as on 31.12.2013. The Capital Adequacy Ratio of the bank was 29.54% as on 31.12.2014 which was 61.99% as on 31.12.2013. 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-II):

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 II) was introduced from January 01, 2009 as a parallel run with BRPD Circular No. 10, dated November 25, 2002 (Basel I). At the end of parallel run, Basel II regime started from January 01, 2010 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 Minimum Capital Requirement (MCR):

As per guidelines of Risk Based Capital Adequacy (RBCA) of Bangladesh Bank, every scheduled bank should maintain Minimum Capital Requirement of 10% of Risk Weighted Assets (RWA). Under this requirement, Capital Adequacy Ratio stood 29.54% of RWA as on 31.12.2014. While calculating Risk Weighted Assets, Credit Risk, Market Risk and Operational Risk are taken into consideration. These are described below:

##### A) Credit Risk:

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

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

##### i) Credit Policy:

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





## ii) Lending guidelines:

Bank's credit strategy is to determine the risk appetite of the Bank. So Bank's focus should be to maintain a credit portfolio keeping in mind of our risk absorbing capacity. Thus its strategy will be invigorating loan processing steps including identifying, measuring, containing risks as maintaining a balance portfolio through minimizing loan concentration, encouraging loan diversification, 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. As on 31 December 2014, bank set aside BDT 1.22 crore by charging against its profit and loss account to cover the differential amount between purchase price and market price of securities traded in the secondary market.

**iv) Commodity Risk:**

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

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

**C) Operational Risk:**

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

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

**i) Mitigating operational risk:**

Operational Risks result from inadequate or failed internal process, people and system or from external events. Within the Bank, Operational Risk may arise from negligence and dishonesty of the employees, lack of management supervision, inadequate operational control, lack of physical security, poor technology, lack of automation, non-compliance of 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-II 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". Banks 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 Managerial Layer SBAC Bank formed an exclusive body naming SRP Team which was constituted by the

concerned departmental heads of the bank and headed by Managing Director. The SRP Team and its Terms of Reference (ToR) were approved by the Board of Directors. The members of the SRP Team are as follows:

#### A) Residual Risk:

Under 2nd Pillar of Basel-II, 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)

SL. No.	Name	Designation	Position
01	Mr.Md. Rafiqul Islam	Managing Director & CEO	Head of SRP Team
02	Mr. Md. Ghulam Nabi	Senior Executive Vice President	Member
03	Mr. Harun Ar Rashid	Senior Executive Vice President	Member
04	Mr. K.N.M. Md. Enamul Haque	Vice President	Member
05	Mr. Md. Mizanur Rahman	Senior Vice President	Member
06	Mr. Md. Masoodur Rahman	Vice President	Member
07	Mr. Mohammad Asadul Haque	Vice President	Member
08	Mr. Md. Nishadul Islam	Vice President	Member
09	Mr. Md. Mokaddess Ali	First Vice President	Member
10	Mr. Md. Abu Bayazid SK.	First Vice President	Member
11	Mr. A.S.M. Hojaiffa Noman	Assistant Vice President	Member
12	Mr. Mannan Bapari	Assistant Vice President	Member Secretary
13	Mr. Mohammad Shafiu Azam	Assistant Vice President	Member
14	Mr. Salil Kumar Dutta	First Asstt. Vice President	Member





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 their 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 CAR set by BB from time to time.

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

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

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

#### **i) SBAC Bank Steps for conducting Simple Sensitivity Analysis:**

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

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

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

#### **F) Concentration Risk:**

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

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

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

#### **iii) Assessment of Credit Concentration Risk:**

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

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





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

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

#### **G) Reputation Risk:**

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

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

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

#### **H) Settlement Risk:**

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

with 10% of minimum CAR 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 DOS circular no. 01 dated February 2011.





**A) The position of Capital Adequacy Ratio (CAR) after shock for Individual as on 31.12.2014:**

Individual Shocks	CAR before Shock	CAR after Shocks		
		Minor	Moderate	Major
Performing Loans directly downgraded to B/L-Sectoral Concentration 1	29.54	29.30	28.83	28.36
Performing Loans directly downgraded to B/L-Sectoral Concentration 2	29.54	29.49	29.40	29.30
Increase in NPLs due to default of top large borrowers	29.54	24.80	17.58	12.21
Negative shift in NPLs categories	29.54	29.54	29.54	29.54
Decrease in the Forced Sale Value (FSV) of the collateral	29.54	29.54	29.54	29.54
Interest rate shock	29.54	26.30	23.07	19.83
Foreign exchange shock	29.54	29.51	29.48	29.45
Equity shock	29.54	29.52	29.51	29.48

**B) The comparative position of Capital Adequacy Ratio (CAR) after shocks:**

Combined Shocks	December Quarter-2013			December Quarter-2014		
	Minor	Moderate	Major	Minor	Moderate	Major
	Change in CAR	Change in CAR	Change in CAR	Change in CAR	Change in CAR	Change in CAR
Decrease in the FSV of the collateral	0.0 0	0.0 0	0.0 0	0.0 0	0.0 0	0.0 0
Increase in NPLs	-0.2 4	-0.7 3	-1.5 7	-0.2 7	-0.8 2	-2.8 6
Negative shift in NPLs categories	0.0 0	0.0 0	0.0 0	0.0 0	0.0 0	0.0 0
Interest Rate	0.6 2	1.2 4	-1.8 7	-3.2 4	-6.4 7	-9.7 1
FEX: Currency Appreciation	-0.0 1	-0.0 1	-0.0 2	-0.0 3	-0.0 6	-0.0 9
Equity Shock	-0.0 3	-0.0 6	-0.1 1	-0.0 1	-0.0 3	-0.0 6
Total Change in CAR	0.3 5	0.4 4	0.1 7	-3.5 5	-7.3 8	-12.7 2
<b>CAR after shock (%)</b>	<b>62.33</b>	<b>62.42</b>	<b>62.15</b>	<b>25.99</b>	<b>22.16</b>	<b>16.82</b>
<b>Required CAR (%)</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>
<b>Excess CAR (%)</b>	<b>52.33</b>	<b>52.42</b>	<b>52.15</b>	<b>15.99</b>	<b>12.16</b>	<b>6.82</b>

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





### C) Credit Shock:

Stress test for credit risk assesses the impact (on the bank capital adequacy ratio or CAR) of the increase of non-performing loans triggered by five 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 (Other Manufacturing Industries):**

It is a measure of the concentration risk where the bank has the highest loans. It assumes that 3%, 9% and 15% of the performing loans will be directly downgraded to B/L category in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 29.54% before apply the shock for December quarter 2014 against the requirement of 10% showing excess CAR 19.54%. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 29.30%, 28.83% and 28.36% 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 loans. It assumes that 3%, 9% and 15% of the performing loans will be directly downgraded to B/L category in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 29.54% before apply the shock for December quarter 2014. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 29.49%, 29.40% and 29.30% 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 Adequacy Ratio (CAR) of SBAC Bank was 29.54% before apply the shock for December quarter 2014. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 24.80%, 17.58% and 12.21% in minor, moderate and

major respectively when considering individual shock. The bank as a part of strategy is reducing the exposure of large Loan 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 Adequacy Ratio (CAR) of SBAC Bank was 29.54% before applying the shock for December quarter 2014. After applying shock, the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 29.54%, 29.54% and 29.54% in minor, moderate and major 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 Adequacy Ratio (CAR) of SBAC Bank was 29.54% before apply the shock for December quarter 2014. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 29.54%, 29.54% and 29.54% 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 Adequacy Ratio (CAR) of SBAC Bank was 29.54% before apply the shock for December quarter 2014. After apply shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 26.30%, 23.07% and 19.83% in minor, moderate and major respectively when considering individual shock.





#### vii) Foreign exchange shock:

It represents the condition of the bank when exchange rate changes significantly. It is based on the assumption that exchange rate will change by 5%, 10% and 15% in minor, moderate and major levels of shock respectively. Capital Adequacy Ratio (CAR) of SBAC Bank was 29.54% before applying the shock for December quarter 2014. After applying shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 29.51%, 29.48% and 29.45% 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 Adequacy Ratio (CAR) of SBAC Bank was 29.54% before applying the shock for December quarter 2014. After applying shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 29.52%, 29.51% and 29.48% in minor, moderate and major respectively when considering individual shock.

#### D) Combined Shock:

The stress test also measures effect of combined shocks on Capital Adequacy Ratio (CAR) for assumptions that includes: decrease in the FSV of the collateral, increase in Non Performing Loans, negative shift in NPL categories, change in interest rate, change in foreign exchange rate and change in the market value of shares and securities. Capital Adequacy Ratio (CAR) of SBAC Bank was 29.54% before applying the shock for December quarter 2014. After applying shock the Capital Adequacy Ratio (CAR) of SBAC Bank would stand at 25.99%, 22.16% and 16.82% in minor, moderate and major respectively when considering combined shock.

#### E) Credit Shock under Basel-II:

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

level of shock is 5%, 10% and 15% of credit shock under Basel-II.

#### 4.5.5. Risk Management Paper:

In compliance with Bangladesh Bank, Risk Management Department prepares Risk Management Paper (RMP) and presents it before Risk Management Team on monthly basis for taking necessary steps to mitigate various risks.

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

Internal capital adequacy assessment process (ICAAP), including an evaluation of the bank's preferred risk profile, the actual risks identified, the means by which they will be mitigated, and what risks will be covered by capital. The ICAAP reporting must be approved by the Board of Directors of the banks before submitting to Bangladesh Bank. The information provided in the ICAAP reporting will be verified by Inspection Departments of Bangladesh Bank. In the year 2014 SBAC Bank sent the ICAAP Report based on December 31, 2013 and Supplementary Documents after approval of the Board of Directors.

#### 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. 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. "Basel III: A global regulatory framework for more resilient banks and banking systems" (known as Basel III capital regulations) in December 2010. Basel III reforms strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress.



Besides, the reforms have a macro prudential focus also, addressing system wide risks, which can build up across the banking sector, as well as the procyclical amplification of these risks over time. 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.

The macro prudential aspects of Basel III are largely enshrined in the capital buffers. Both the buffers i.e. the capital conservation buffer and the countercyclical buffer

are intended to protect the banking sector from periods of excess credit growth.

To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. Consequently, Basel III capital regulations would be fully implemented as on January 1, 2020.

The Committee introduced transitional arrangements to implement the new standards that help ensure that the banking sector can meet the higher capital standards through reasonable earnings retention and capital rising, while still supporting lending to the economy. In line with the Basel framework, Bangladesh Bank issued transitional arrangements for Basel III implementation in Bangladesh. The phase-in arrangements for Basel III implementation in Bangladesh will be as follows:

### Road Map of SBAC Bank for implementation of Basel III

Particulars	2015	2016	2017	2018	2019
Minimum Common Equity Tier-1 (CET-1) Capital Ratio	4.50 %	4.50 %	4.50 %	4.50 %	4.50 %
Capital Conservation Buffer	-	0.625 %	1.25 %	1.875 %	2.50 %
Minimum CET-1 plus Capital Conservation Buffer	4.50 %	5.125 %	5.75 %	6.375 %	7.00 %
Minimum T-1 Capital Ratio	5.50 %	5.50 %	6.00 %	6.00 %	6.00 %
Minimum Total Capital Ratio	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %
Minimum Total Capital plus Capital Conservation Buffer	10.00 %	10.625 %	11.25 %	11.875 %	12.50 %
Phase-in of deductions from CET1					
Excess Investment over 10% of a bank's equity in the equity of banking, financial and insurance entities	20%	40%	60%	80%	100%
Phase-in of deductions from Tier2 Revaluation Reserves (RR)					
RR for Fixed Assets, Securities and Equity Securities	20%	40%	60%	80%	100%
Leverage Ratio	3%	3%	3%	Migration to Pillar 1	
			Readjustment		
Liquidity Coverage Ratio	100% (From Sep.)	≥100 %	≥100 %	≥100 %	≥100 %
Net Stable Funding Ratio	> 100% (From Sep.)	>100 %	>100 %	>100 %	>100 %





## GREEN BANKING





## GREEN BANKING

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

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

### a) Policy Formulation and Governance :

The Board of Directors of SBAC Bank Limited approved

comprehensive "Green Banking Policy" in line with global norms so as to protect environmental degradation and ensure sustainable banking practices.

The Risk Management Committee of the Board has been empowered to perform as High Powered Committee for reviewing the bank's environmental policies, strategies and programs. The Committee has been continuously monitoring and supervising the activities of Green Banking of the Bank. The Bank established "Green Banking Policy Implementation Unit (GBPIU)" entrusting the responsibilities of designing, evaluating and administering related green banking issues of the bank. A fund of Tk.600.00 million has been allocated for financing green products.

### b) Incorporation of Environmental Risk in CRM :

The Environment Risk has been incorporated in the Board approved Credit Policy of the Bank. As per Environmental Risk Management (ERM) guidelines of Bangladesh Bank, the Bank made Environmental Risk Rating (EnvRR) mandatory while appraising credit proposals. The project(s) having high Environmental Risk is/are not being eligible for credit facilities in the Bank. In the year 2014, there were 17 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. 5202.00 million to the 17 projects in 2014 having status "Standard" at the end of 2014.

### c) In-house Environment Management :

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





i. Take measures to save electricity, energy, water, paper and stationery consumption. As such progress report of the consumption pattern of paper, stationery, electricity, energy, water etc. is required to be prepared and reviewed periodically (at least monthly) by the branches and Head Office divisions for taking necessary appropriate measures for improving efficiency i.e. utilization of resources. Inventory details of the Banks in the year 2014 are as follows:

Sl No	Particular		Taka (million)
01	Consumption of water		0.354
02	Consumption of paper		0.211
03	Consumption energy	Electricity	9.475
		Gas	0.044
		Fuel	1.507

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

iii. Installation of energy efficient electronic equipments and automatic shutdown of computers, fans, lights, air coolers etc shall be implemented in consultation with concerned divisions of Head Office gradually for reducing electricity consumption. Replacement of normal bulbs in branches/head offices of the banks with energy saving bulbs may be taken as an immediate step in this regard.

iv. Use of solar energy at the premises as an alternative source of electricity may be initiated in consultation with and approval from concerned authority of the Bank.

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

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

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

viii. Planning corporate business travel well ahead and in

coordinated manner to economize costs.

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

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

#### **d) Introducing Green Finance :**

The Board of Directors of the Bank approved "Green Finance Policy of SBAC Bank Limited" to extend credit facilities for 47 environmental friendly products/projects so far identified by Bangladesh Bank under comparatively more favorable terms and conditions and the Bank has allocated Tk.600.00 million for Green Finance to encourage/support environmental friendly products/projects as well as to achieve target set by Bangladesh Bank.

#### **e) Online Banking :**

SBAC Bank has opened 34 branches at 1:1 rural-urban ratio. Our Branches are fully equipped with modern banking facilities having full-fledged online banking facilities through our Switzerland based world renowned Temenos-24 Banking Software.

#### **f) 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.

#### **g) Climate Risk Fund :**

A fund of Tk.600.00 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 2014, the Bank distributed 8,000 blankets costing Tk. 2.20 million to the cold stricken poor people in different areas in Bangladesh.





**h) 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 will 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

The Audit Committee of the Board was duly reconstituted by the Board of Directors of the Bank in its 15th meeting held on March 30, 2014 in compliance with the guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC). Audit Committee efficiently conducts the monitoring activities of the bank and also plays an effective role in the supervision and execution of strategies and work plans so devised towards smooth operation of the bank. The Committee supervises whether banking activities are carried out in line with the laws and rules and regulations imposed by the regulatory bodies as well as internal control management and audit system.

## Composition

As per regulatory guidelines stipulated in Bangladesh Bank BRPD Circular No. 12 dated December 23, 2002 and BRPD Circular No.11 dated October 27, 2013, the composition of the Audit Committee of a bank shall comply with the following:

- i. Members of the committee shall be selected from among the directors of the board.
- ii. Audit Committee of the board shall comprise maximum 05 (five) members including at least 2 (two) members as independent directors. But as per section 15(9) of the bank Companies Act 1991 (amended up to 2013) we have been given time for appointing independent directors up to July 21, 2016.
- iii. An independent Director will be the chairman of the Audit Committee, Board of Directors.
- iv. Audit Committee shall be constituted with those members of the Board, who are not included in the Executive Committee.
- v. Members shall be elected for a term of 03 (three) years.

vi. Company Secretary of the Bank shall be secretary of the Audit Committee.

## Current Audit Committee of the Bank

SL No.	Name	Status with the Bank	Status with the committee	Educational Qualification	No. meetings held in 2014	No. of meetings attended
1	Mr. Abu Zafar Mohammad Shofiuddin	Director	Chairman	B.Com. (Hons), M. Com.	5	4
2	Mr. Muhammad Mohsin	Director	Member	MSS	5	5
3	Mr. Mrinal Kanti Debnath	Director	Member	B.SC	5	5

- At present we do not have any independent member

## Duties and responsibilities of Audit Committee

### Internal control:

Evaluate whether the bank management has been able to build a compliance culture with respect to bank's internal control system; whether bank employees/workforce have been clearly advised about their duties and responsibilities in this regard and whether management has established full control on their activities;

- Review all initiatives taken by bank management as regards building a suitable Management Information System (MIS) along with the state of computer application in banking system and uses thereof;
- Consider the oversight of bank's compliance with 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 authorities or identification of such other areas and remedial measures thereof.





### Disclosure of Financial Report:

- Scrutinize whether complete and true information is reflected in annual financial statements and conventional rules and regulations, standards along with BB guidelines are complied with in making such statements;
- Exchange views with the external auditors and the managing director/CEO before confirmation of the financial statements.

### Internal Audit:

- Review if internal control management is able to conduct its operation 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 effectiveness of internal audit system;
- Examine appropriateness about observations / recommendations of the internal auditors regarding banking operation and mitigation of irregularities identified.
- Review auditing activities of external auditors and their audit report;
- Examine appropriateness about observations / recommendations of the external auditors regarding banking operation and mitigation of irregularities identified;
- Submit recommendations for appointment of external auditors to perform audit activities of the bank.

### Meeting of the Committee during 2014

Complying with rules and regulations, 5(Five) meetings of the Committee were held in the year 2014. The committee from time to time invited the Managing Director, the Head of Internal Control and other responsible officials entrusted with internal control activities or any other personnel to participate in their meetings, as deemed necessary. All recommendations/observations of the committee were recorded in minutes form.

### Key Activities of the Audit Committee in 2014

During the year 2014, the Committee carried out the following activities:

- The committee put strong emphasis for Operation

Manual, Financial and Accounting Policy, Treasury Policy, ICC policy, CSR Policy of the Bank.

- The committee minutely analyzed and examined the Risk Based Inspection Reports on Bank's Branches and gave necessary decisions.
- The committee recommended for submission of Quarterly statement of Self-Assessment of Anti-Fraud Internal Controls under DOS Circular Letter No.17 dated November 07, 2012 of Bangladesh Bank.
- The Committee monitored the progress of implementation status of Audit plan 2014 and approved the "Annual Audit Plan-2015" of the Bank.
- The committee recommended for reviewing and increasing portfolios of Agriculture loan, SME financing and Green financing in thrust sector of the economy.
- The Committee reviewed statement on "Internal Capital Adequacy Assessment Process (ICAAP)" of the Bank under BASEL-II, Pillar-2(SRP - Supervisory Review Process) as per guideline of Bangladesh Bank.
- The committee directed the top management of the organization to frame and implement policies and procedures to prevent illegal or unethical activities, appoint quality personnel and increase the adequacy of staffing in Internal Control & Compliance Division (ICCD), explore areas of risks, legal or regulatory matters and last but not the least to inspect branches periodically.
- The committee recommended appointment of External Auditors of the Bank considering suitability and following Bangladesh Bank Guidelines.
- The Committee reviewed the ICC policy and recommended necessary changes before presenting to the Board for consideration.
- The committee approved a new organogram of ICCD and responsibility of Head of ICCD was designed to align with the objective, function and fragmented the ICCD in 3 units. A unique integration point, headed by senior executive of the bank, was set to accelerate audit & inspection with a view to ensuring smooth work flow and at the same time overcoming administrative hassles.





- The committee put strong emphasis on the Credit Risk Management issues, directed for updating and completing all loan documentation to ensure mitigation of risk factors inherent in banking business and to build strong credit administration division for smooth operation of the Bank.

- Audit and Inspection Reports of the branches and the Departments of Head Office conducted by ICCD of the Bank were placed before the audit committee. In this regard, the Committee recommended to the management that Branches and Head Office Departments should be audited by Bank's internal audit team at least once a year whereas big branches should be audited at least twice a year.

- The committee also directed that the corrective measures should be taken by the management as regards the management report, internal audit reports, reports relating to deficiencies in internal control or other issues detected by internal and external auditors and inspectors of the regulatory authorities.

- The Committee also reviewed and finalized the financial statement of first quarter as of 31 March 2014, half-yearly as of 30 June 2014 and third quarter as of 30 September 2014 of the Bank.

#### Steps Taken for Implementation of Effective Internal Control Procedure of the Bank

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.

#### Approval of Financial Statements

The Audit Committee reviewed and examined the Bank's Annual Financial Statements for the year ended on December 31, 2014, prepared by the Management and audited by External Auditors M/s. MASIH MUHITH HAQUE & CO, Chartered Accountants with a recommendation to the Board for consideration and approval.

#### Deliberation of the Audit Committee in 2014

- The rules and regulations of the Bangladesh Bank and all other regulatory authorities and Banks own policy guidelines approved by the Board of Directors of the Bank have been complied with.

- The adequacy of the internal control & security measures undertaken by the Bank in facilitating on-line banking, internet banking, mobile banking and all kinds of computerized banking transactions.

- The Bank's system of internal control and its reporting processes including appropriate Management Reporting System (MRS) are in place towards creation of a compliance culture in the Bank.

- The Bank should form, procure or construct a few fixed assets in Bank's own name.

The terms of reference of the Audit committee specified in notification No. SEC/CMRRCD/2006-158/134/Admin /44 dated 07 August 2012 of Bangladesh Securities and Exchange Commission.

#### Acknowledgement

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

A.Z.M Shofiuddin  
Chairman

**Audit Committee of the Board**





## Corporate Governance Practices in South Bangla Agriculture and Commerce Bank Limited

### Conceptual Framework

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

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

### Guiding Philosophy of Corporate Governance Practices

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

to 'Corporate Governance' which is 'Due Diligence' in observing responsibilities by the Board as well as by the management to safeguard 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 standards in corporate governance, professionalism and integrity in driving South Bangla Agriculture & Commerce Bank Ltd. to create and deliver long-term sustainable value. In line with the Bank's mission and vision, the Board has continued to ensure that the highest standards in corporate governance are upheld, with a view to enhancing stakeholders' value, increasing investors' confidence, establishing customers' trust in building a competitive organization.

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





The number of the board members of the Bank is 19 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 2013) includes provisions for prior approval of Bangladesh Bank before the appointment of new directors, as well as dismissal, termination or removal of any director from the post; director's fit & proper criteria; maximum number of directors; appointment of independent directors; appointment of maximum number of 2(two) directors from a family etc. The Board of Directors of our bank is formed as per provisions of laws.

#### Composition

All directors of the Board are non-executive directors. As per section 15(9) of Bank Companies Act 1991 (amended up to 2013) we have been given time for appointing independent directors up to July 15, 2016. The Chairman has been independent of the CEO, and has been in practice from the inception of SBAC Bank. This also complies with Section 1.4 of the BSEC's notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012 on Corporate Governance Guidelines.

#### Selection and Appointment of New Directors

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

- 1) Frequent assessment of the size and structure of the Board and the mix of knowledge, skills, experience and perceptions that may be necessary to allow the Board to perform its functions
- 2) Recognize any capabilities not sufficiently represented and approve the procedure necessary to be certain that an applicant proposed by the shareholders with those capabilities is nominated. The directors are selected by the shareholders in the Annual General Meeting. Casual vacancies, if any, are filled up by the Board in accordance with the provision of the Companies Act 1994 and Articles of Association

of the Bank.

Under section 15(4) of the Bank Companies Act, 1991 (amended up to 2013), prior approval is taken at the time of appointment of 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 SEC Circular No. EC/ CMRRCD/ 2006-158/ 134/Admin/ 44 dated August 07, 2012, 1/5th of total number of Directors should be Independent Directors. But as per section 15(9) of Bank Companies Act 1991 (amended up to 2013) we have been given time for appointing independent directors up to July 21, 2016.

#### Vacation of office of Director

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





b. If the office of a director is vacated by a notice under section 17 of Bank Companies Act 1991, the person will not be eligible to become a director of the bank for one year from the date of repayment of the total amount due to the bank. It is mentionable here that the dues can be adjusted with the shares held by the director in that bank. When a director receives a notice under section 17 of Bank Companies Act, 1991, he/she cannot transfer his/her shares of that bank until he/she repays all the liabilities of the notifying bank or financial institution.

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

#### Removal of Directors from office

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

#### Appointment of Alternate Director

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

- a. Bank has to collect and properly maintain the documentary evidences relating to departure and arrival of the original director. If there is any exception, the chief executive officer should immediately inform it to Bangladesh Bank.
- b. The copy of the decision of the board regarding appointment of alternate director, with original director's probable date of returning from abroad, is sent to Bangladesh Bank within 7 days of taking the

decision and the director's arrival date is intimated to Bangladesh Bank immediately after his/her return.

c. Any loan defaulter or any person who is not eligible to become a director as per any rules & regulation is not appointed as an alternate director.

d. As appointment of alternate director is a temporary measure, therefore, he/she is not included in any kind of committee constituted by the board.

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

#### Information Regarding Directors

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

- a. the Bank keeps an updated list of bank's directors,
- b. Bank sends a list 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 specific demarcation of responsibilities and authorities among controlling bodies over bank's affairs in compliance with provisions of Bank Companies Act, 1991 (amended up to 2013). The newly included Section 15(kha) & (ga) give responsibility to the board of directors for establishing relevant policies such as policy for investments, procurement of assets, recruitment, risk management, internal controls, internal audit and compliance and for ensuring their implementation. The Board of SBAC Bank Ltd.





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

#### Authority of the Board of Directors

##### **a) Work-planning and strategic management:**

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

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

##### **b) Credit and Risk management:**

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

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

##### **c) Internal control management:**

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

##### **d) Human resources management and development:**

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

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

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

##### **e) Financial management:**

The annual budget and the statutory financial statements are finalized with the approval of the Board of Directors. The board reviews/monitors the positions in respect of bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan loss provision and steps taken





for recovery of defaulted loans including legal measures on a quarterly basis.

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

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

#### **f) Appointment of Chief Executive Officer (CEO):**

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

#### **g) Other responsibilities of the Board:**

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

The Board's responsibilities include but not limited to:

- Analyzing and approving the strategies and business plans for the Bank
- Approval of the Bank's annual budget and carrying out periodic review of the achievements by the various operating divisions against their respective business targets
- Setting the minimum standards and establishing policies on the management of credit risks and other key areas of the Bank's operations
- Ensuring that the operating infrastructure, system of control, system for risk identification and

management, financial and operational controls are in place and properly implemented

- Reviewing the adequacy and efficacy of the Bank's internal control systems
- Overseeing the Bank's businesses vis-à-vis business plans
- Succession planning including ensuring that all candidates appointed to senior management positions are capable and experienced and program are in place to provide for the orderly succession of senior management
- Reviewing succession planning and talent management plans for the Bank and approving the appointment and compensation of senior management staff
- Approving changes in the corporate organization structure
- Approving policies relating to corporate branding, public relations, investor relations and shareholder communication programs
- Reviewing the Bank's strategies on promotion of sustainability focusing on environmental, social and governance aspects

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

#### **Code of Conduct for the Board of Directors**

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

#### **The Code of Conduct states:**

- 1) The Members shall act honestly in good faith and in the best interests of the shareholders and the company;
- 2) The members shall not make improper use of information acquired as a director;





- 3) The members shall not take improper advantage of the position as a director;
- 4) The members will be obligated to be independent in judgment and actions and take all reasonable steps to be satisfied as to the soundness of decision taken by the Board of Directors;
- 5) Confidential information acquired by the members in the course of exercise of directorial duties shall be treated as the property of the company and it will be improper to disclose or allow it to be disclosed, unless that disclosure has been authorized by the company, or the person from whom the information has been received;
- 6) Members shall make every effort to attend all Board and Committee Meetings during their tenure. They will not absent themselves without good reasons or without confirming leave of absence;
- 7) To maximize effectiveness of the Board/Committee Meetings, contribution of individual director shall be monitored and appraised on an annual basis;
- 8) Board members having interest of any nature in the agenda of the meeting shall declare beforehand the nature of their interest and withdraw themselves from the room unless they have a dispensation to speak;
- 9) Training opportunities/orientation/workshops will be arranged for the members (especially for the newly inducted members) to make them acquainted with the international best practices, their fiduciary obligations, Code of Conduct etc.
- 10) Members shall always maintain 'Fit and Proper Test Criteria', clean CIB status and other obligations declared by the Primary and other Regulators
- 11) Members shall be judicious about their entitlement of benefits/privileges as per Banking Companies Act -1991 (amended up to 2013) and all circulars issued by Bangladesh Bank and shall be willing to produce supporting documents, if

required;

- 12) Every Director will assure annually signing a confirmation that they have gone through, have complied with and will continue to comply with the set of codes approved by the Board of Directors.

#### Directors' Remuneration

Directors are not eligible to any remuneration other than fees for attending meetings of the Board and its Committee. As per BRPD Circular No. 03 dated January 18, 2010 and Article 95 of Articles of Association of the Bank directors are eligible to the remuneration of BDT 5,000 only for each meeting attended by them.

#### Meeting of Board

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

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





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

#### Formation of committees from the Board of Directors

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

#### Executive committee

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

#### Organizational structure:

- i. Members of the committee will be nominated by the board of directors from themselves;
- ii. The executive committee will 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;
- iii. To perform his or her role effectively each

committee member should have adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and its risks.

#### Roles and Responsibilities of the Executive Committee:

The executive committee can decide or can act in those cases as instructed by the Board of directors and those not specifically assigned on full board through the Bank Companies Act, 1991 and other laws and regulations.

The executive committee can take all necessary decisions or can approve cases within power delegated by the board of directors.

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

The board 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:**

- i. 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;
- ii. Discuss with management and the external auditors to review the financial statements before its finalization.

##### **Internal Audit:**

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





### External Audit

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

### Compliance with existing laws and regulations:

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

### Other Responsibilities:

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

### Meetings:

- i. The audit committee should hold at least 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 four 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;
- iv. 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 are 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 2013) and/or other relevant laws and regulations in discharging routine functions of the bank.
- iii) The CEO shall include information on violation of any law, rules, regulation including Bank Companies Act, 1991 (amended up to 2013) while presenting memos before the Board or the committee formed by the board.





iv) CEO 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
- 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.

d. 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  
Status of Corporate  
Governance







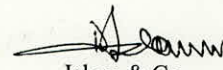
**Certificate of compliance of corporate governance guidelines to the Shareholders  
of  
South Bangla Agriculture & Commerce Bank Limited**

We have examined the status report alongwith 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 2014. 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 to 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 and related issues as the Bank is allowed to appoint Independent Directors within 3 years from 22 July 2013 as per section 15 (9) of the Bank Companies Act 1991 as amended in 2013.

We further state that such compliance is neither an assurance as to future viability of the Company nor a certification on the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Dated: Dhaka;  
08 March 2015.

  
 Islam & Co.  
 Chartered Accountants

**Office :** House #11 (1st Floor), Road # 06, Shakhertech, Mohammadpur, Dhaka-1207.  
**Phone :** 8190573-4, Cell : 01713-185788, E-mail : islamfca@gmail.com



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

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status (Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.1	Board Size 1. Board members should not be less than 5 (five) and not more than 20 (twenty)	✓		
1.2	<b>Independent Director (ID)</b>			Noted for future compliance (as per section 15 (9) of Bank Companies Act 1991 (amended in 2013) we have been given time up to 21 <sup>st</sup> July, 2016 for appointment of ID)
1.3	<b>Qualification of Independent Director (ID)</b>			N/A
1.4	<b>Chairman of the Board and Chief Executive Officer:</b>			
	The positions of the Chairman of the Board and the Chief Executive Officer of the company 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	<b>The Directors' Report to Shareholders shall include following additional statements</b>			
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			N/A





	instruments.			
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.			N/A
1.5 (x)	Remuneration to directors including independent directors.	√		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
1.5 (xii)	Proper books of account of the issuer company have been maintained	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized			N/A
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	√		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	<b>The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-</b>			
1.5 (xxii) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxii) (b)	Directors, Chief Executive Officer, Company			



	Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxii) (c)	Executives (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 (xxii) (d)	Shareholders holding ten percent (10%) or more votes' interest in the company (name wise details).	✓		
1.5 (xxiii) (a)	A brief resume of the director	✓		
1.5 (xxiii) (b)	Nature of his/her expertise in specific functional areas;	✓		
1.5 (xxiii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
2	<b>Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS):</b>			
2.1	<b>Appointment:</b>			
	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	<b>Requirement to attend the Board Meetings:</b>			
	Attendance of CFO and the company secretary at Board of Directors' meeting	✓		
3.	<b>Audit Committee:</b>			
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	<b>Constitution of the Audit Committee:</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1 (ii)	Constitution of Committee with Board members including one Independent Director			Noted for appointment of ID (as per section 15(9) of Bank Companies Act 1991 (amended in 2013))





3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Filing of casual vacancy in committee.	✓		
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.			Noted for appointment of ID (as per section 15(9) of Bank Companies Act 1991 (amended in 2013))
3.2	<b>Chairman of the Audit Committee</b>			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.			Noted for appointment of ID (as per section 15(9) of Bank Companies Act 1991 (amended in 2013))
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3	<b>Role of Audit Committee</b>			
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	<b>Reporting of Audit Committee:</b>			
3.4.1	<b>Reporting to the Board of Directors</b>			
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	<b>Reporting to the Authorities</b>			
	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	<b>Reporting to Shareholders and General Investors</b>			
	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.	<b>External/Statutory Auditors</b>			
	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.	<b>Subsidiary Company</b>			N/A
6.	<b>Duties of Chief Executive Officer (CEO) And Chief Financial Officer (CFO):</b>			
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.	<b>Reporting and Compliance of Corporate Governance:</b>			
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 II)





## South Bangla Agriculture and Commerce Bank Ltd

### Disclosures under Risk Based Capital (Basel II)

For the year ended on 31 December 2014

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

The purpose of market discipline in the Revised Capital Adequacy Framework is to disclose relevant information on capital adequacy in relation to various risks of the bank so that stakeholders can assess the position of a bank regarding holding of assets, identify the risks relating to the assets and capital adequacy and can make economic decision. The disclosures under Pillar-III of Basel II framework of the bank as on 31 December 2014 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



## A) Scope of Application

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





## B) Capital Structure

Qualitative Disclosures:		
a)	Summary information on the terms and condition of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier I or Tier II.	<p>Regulatory capital, as stipulated by the revised RBCA guidelines by Bangladesh Bank, is categorized into three tiers according to the order of quality of capital (Tier I, II &amp; III).</p> <p>i) Tier-I capital called 'Core Capital' comprises of highest quality of capital elements that consists of paid up capital, statutory reserves, general reserve eligible for inclusion in Tier-I capital that comply with requirement specified by Bangladesh Bank.</p> <p>ii) Tier-II capital called 'Supplementary Capital' represents other elements, which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank and consists of revaluation reserve, general provision etc.</p> <p>iii) <b>Tier-III capital</b> called 'Additional Supplementary Capital' consists of short-term subordinated debt, which would be solely for the purpose of meeting a proportion of the capital requirements for market risk. The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the revised RBCA guidelines by Bangladesh Bank as per following details:</p> <p><b>1) Requirements:</b> The amount of Tier II capital will be limited to 100% of the amount of Tier I capital.  <b>Status of Compliance:</b> Complied</p> <p><b>2) Requirements:</b> 50% of revaluation reserves for fixed assets and securities eligible for Tier II capital.  <b>Status of Compliance:</b> Complied</p> <p><b>3) Requirements:</b> 10% of revaluation reserves for equity instruments eligible for Tier II capital.  <b>Status of Compliance:</b> There was no revaluation reserve from quoted equities as on the reporting date.</p> <p><b>4) Requirements:</b> Subordinated debt shall be limited to a maximum of 30% of the amount of Tier-I capital.  <b>Status of Compliance:</b> As on the reporting date there was no subordinated debt in the capital structure of South Bangla Agriculture and Commerce Bank Ltd.</p> <p><b>5) Requirements:</b> Limitation of Tier III: A minimum of about 28.5% of market risk needs to be supported by Tier-I capital. Supporting of Market Risk from Tier III capital shall be limited up to maximum of 250% of a bank's Tier-I capital that is available after meeting credit risk capital requirement.  <b>Compliance Status:</b> As on the reporting date there was no subordinated debt in the capital structure of South Bangla Agriculture and Commerce Bank Ltd.</p>



**Quantitative Disclosures:** As on reporting date, the Bank had a total capital of BDT 436.47 Crore comprising Tier-I capital of BDT 419.87 Crore and Tier-II capital of BDT 16.60 Crore (South Bangla Agriculture and Commerce Bank had no Tier III element in its capital structure). Following table presents component wise details of capital as on reporting date i.e. 31 December 2014:

Amount in crore Tk.

Sl No.	Particulars	Solo
1	Elements of Tier-I Capital:	
2	Paid up capital	408.96
3	Statutory Reserve	6.04
4	Non-repayable Share Premium Account	-
5	General Reserve	-
6	Retained Earnings	4.86
7	Minority Interest in Subsidiaries	-
8	Non-Cumulative Irredeemable Preferences shares	-
9	Dividend Equalization Account	-
10	Other (if any item approved by Bangladesh Bank)	-
<b>11</b>	<b>Sub Total(1+2+-----+10)</b>	<b>419.87</b>
<b>12</b>	<b>Deductions from Tier-I Capital</b>	<b>-</b>
<b>13</b>	<b>Total eligible Tier -I Capital (Core Capital) (11-12)</b>	<b>419.87</b>
<b>14</b>	<b>Total amount of Tier-II Capital</b>	<b>16.60</b>
<b>15</b>	<b>Total amount of Tier-III Capital</b>	<b>-</b>
<b>16</b>	<b>Other deductions from Capital</b>	<b>-</b>
<b>17</b>	<b>Total Eligible Capital (13+14+15-16)</b>	<b>436.47</b>





### C) Capital Adequacy

#### Qualitative Disclosures:

a) A summary discussion of the bank's approach to assess the adequacy of its capital to support current and future activities.	<p>In terms of RBCA guidelines on Basel-II framework issued by Bangladesh Bank, the bank has adopted the standardized approach for credit risk, standardized (rule based) approach for market risk and basic indicator approach for operational risk. As per capital adequacy guidelines, the bank is required to maintain a minimum CAR of 10.00% with regards to Risk Weighted Assets.</p> <p>South Bangla Agriculture and Commerce Bank Ltd. focuses on strengthening and enhancing its risk management culture and internal control processes rather than increasing capital to cover up weak risk management and control practices. The bank is able to maintain capital adequacy ratio (CAR) at 29.54% on solo basis against the regulatory minimum level of 10.00%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalized at all times.</p>
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#### b) Quantitative Disclosures:

Amount in crore Tk

Sl No.	Particulars	Solo
1	Capital Requirement for Credit Risk	112.99
2	Capital Requirement for Market Risk	25.87
3	Capital Requirement for Operational Risk	8.91
4	Total and Tier I Capital Ratio	28.41%
5	Minimum Capital Requirement	400.00
6	Total Risk Weighted Assets (RWA)	1,477.66
7	Total CAR	29.54 %
8	Tier-I CAR	28.41 %
9	Tier-II CAR	1.13%



## D) Credit Risk

Qualitative Disclosures		
a) The general qualitative disclosures:		
i)	Definitions of past due and impaired (for accounting purposes)	<p>As per relevant Bangladesh Bank guidelines, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective / Quantitative Criteria and (ii) Qualitative judgment. For this purposes, all loans and advances are grouped into four (4) categories namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural &amp; Micro Credit.</p> <p><b>Definition of past due/overdue:</b></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><b>Definition of impaired / classified / non-performing loans and advances are as follows:</b></p> <p><b>Continuous loan are classified are as follows:</b></p> <ul style="list-style-type: none"> <li>• <b>Substandard:</b> If it is past due /overdue for 3 (three) months or beyond but less than 6 (six) months;</li> <li>• <b>Doubtful:</b> If it is past due / overdue for 6 (six) months or beyond but less than 9 (nine) months;</li> <li>• <b>Bad / Loss:</b> If is past due / overdue for 9 (nine) months or beyond</li> </ul> <p><b>Demand loan are classified are as follows:</b></p> <ul style="list-style-type: none"> <li>• <b>Substandard:</b> 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;</li> <li>• <b>Doubtful:</b> 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;</li> <li>• <b>Bad / Loss:</b> 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.</li> </ul> <p><b>Fixed Term Loans are classified are as follows:</b></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>





		<p><b>Substandard:</b> 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";</p> <p><b>Doubtful:</b> 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";</p> <p><b>Bad / Loss:</b> 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> <p><b>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:</b></p> <p><b>Substandard :</b> 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";</p> <p><b>Doubtful:</b> 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";</p> <p><b>Bad / Loss:</b> 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> <p><b>Short-term Agricultural and Micro-Credit:</b> 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</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><b>a) Calculation of base for provision for unclassified /standard loans:</b> Outstanding amount less suspended interest, if any;</p> <p><b>b) Calculation of base for provision for the classified loans, the higher of the following two amounts:</b></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>

Particulars	Short Term Agriculture and Micro Credit	Consumer Financing			Small Enterprise Financing	Credits to BHs/MBs /SDs	All Other Credits	
		Other than HF & LP	HF	LP				
Unclassified	Standard	2.5%	5%	2%	2%	0.25%	2%	1%
	SMA	2.5%	5%	2%	2%	0.25%	2%	1%
Classified	SS	5%	20%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%	50%
	B/L	100%	100%	100%	100%	100%	100%	100%

Discussion of the banks credit risk management policy.	Risk is inherent in all aspects of a commercial operation; however for Banks and financial institutions, credit risk is an essential factor that needs to be managed. Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions. To manage credit risk South Bangla Agriculture and Commerce Bank Ltd follows Bangladesh Bank's circulated "CREDIT RISK MANAGEMENT Guidelines".
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<b>b) Quantitative Disclosures:</b>																																																	
Total gross credit risk exposures broken down by major types of credit exposures	<p>Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2014.</p> <p style="text-align: right;">Amount in Crore Tk.</p> <table><tr><th>Sl.</th><th>Mode-wise Credit</th><th>Exposure</th><th>Mix (%)</th></tr><tr><td>1</td><td>Overdrafts</td><td>397.47</td><td>29.40</td></tr><tr><td>2</td><td>General loans</td><td>113.77</td><td>8.42</td></tr><tr><td>3</td><td>Cash credit</td><td>448.52</td><td>33.18</td></tr><tr><td>4</td><td>Loan against trust receipt</td><td>122.22</td><td>9.05</td></tr><tr><td>5</td><td>Time Loan</td><td>20.57</td><td>1.52</td></tr><tr><td>6</td><td>EDF Loan</td><td>62.92</td><td>4.65</td></tr><tr><td>7</td><td>Personal Loan</td><td>5.24</td><td>0.39</td></tr><tr><td>8</td><td>Lease finance</td><td>38.54</td><td>2.85</td></tr><tr><td>9</td><td>Staff loan</td><td>14.36</td><td>1.06</td></tr><tr><td>10</td><td>Inland bills purchased</td><td>128.19</td><td>9.48</td></tr><tr><td colspan="2"><b>Total</b></td><td><b>1,351.80</b></td><td><b>100.00</b></td></tr></table>	Sl.	Mode-wise Credit	Exposure	Mix (%)	1	Overdrafts	397.47	29.40	2	General loans	113.77	8.42	3	Cash credit	448.52	33.18	4	Loan against trust receipt	122.22	9.05	5	Time Loan	20.57	1.52	6	EDF Loan	62.92	4.65	7	Personal Loan	5.24	0.39	8	Lease finance	38.54	2.85	9	Staff loan	14.36	1.06	10	Inland bills purchased	128.19	9.48	<b>Total</b>		<b>1,351.80</b>	<b>100.00</b>
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10	Inland bills purchased	128.19	9.48																																														
<b>Total</b>		<b>1,351.80</b>	<b>100.00</b>																																														
Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	<p>Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December 2014 are as follows:</p> <p style="text-align: right;">Amount in Crore Tk</p> <table><tr><th>Sl.</th><th>Division-wise Loan</th><th>Exposure</th><th>Mix (%)</th></tr><tr><td>1</td><td>Dhaka</td><td>921.17</td><td>68.14</td></tr><tr><td>2</td><td>Chittagong</td><td>342.11</td><td>25.31</td></tr><tr><td>3</td><td>Khulna</td><td>80.25</td><td>5.94</td></tr><tr><td>4</td><td>Sylhet</td><td>3.77</td><td>0.28</td></tr><tr><td>5</td><td>Rajshahi</td><td>2.20</td><td>0.16</td></tr><tr><td>6</td><td>Barisal</td><td>2.30</td><td>0.17</td></tr><tr><td colspan="2"><b>Total</b></td><td><b>1351.80</b></td><td><b>100.00</b></td></tr></table>	Sl.	Division-wise Loan	Exposure	Mix (%)	1	Dhaka	921.17	68.14	2	Chittagong	342.11	25.31	3	Khulna	80.25	5.94	4	Sylhet	3.77	0.28	5	Rajshahi	2.20	0.16	6	Barisal	2.30	0.17	<b>Total</b>		<b>1351.80</b>	<b>100.00</b>																
Sl.	Division-wise Loan	Exposure	Mix (%)																																														
1	Dhaka	921.17	68.14																																														
2	Chittagong	342.11	25.31																																														
3	Khulna	80.25	5.94																																														
4	Sylhet	3.77	0.28																																														
5	Rajshahi	2.20	0.16																																														
6	Barisal	2.30	0.17																																														
<b>Total</b>		<b>1351.80</b>	<b>100.00</b>																																														





Industry or counterparty type distribution of exposures, broken down by major types of credit exposures.	Industry or counterparty type distribution of exposures, broken down by major types of credit exposures as per the disclosures in the audited financial statements as of 31 December 2014 are as follows:		
	Amount in Crore Tk		
	Sl.	Industry-wise Loans	Mix (%)
	1	Agriculture, Fisheries, and Forestry	1.16
	2	Agro base processing industries	3.17
	3	Small and Medium Enterprise Financing(SMEF)	27.62
	4	RMG & Textile Industries	9.36
	5	Hospitals, Clinics & Medical Colleges	2.31
	6	Trade & Commerce	19.42
	7	Transport & Communications	4.52
	8	Rubber & Plastic Industries	2.53
	9	Iron, Steel & Aluminum Industries	6.44
	10	Other Manufacturing Industries	18.57
	11	Housing & Construction Industries	0.79
	12	Consumer Credit	0.49
13	Others	3.62	
	Total	100.00	
Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposures	Residual contractual maturity of exposures as per the disclosures furnished in the audited financial statements as of 31 December 2014 are as follows:		
	Amount in Crore Tk		
	Sl.	Item	Mix (%)
	1	On demand	-
	2	Within one month	18.34
	3	Within one to three month	27.04
	4	Within three to twelve month	41.59
	5	Within one to five years	11.96
6	More than five years	1.07	
	Total	100.00	
By major industry or counterparty type:	No past dues against impaired Loans.		

Specific and general provisions	Amount in Crore Tk	
	Provision required	Provisions as on 31.12.2014
	Unclassified Loans	11.48
	Special mention accounts (SMA)	-
	<b>Sub total</b>	<b>11.48</b>
	Substandard	-
	Doubtful	-
	Bad/Loss	-
	<b>Sub total</b>	<b>-</b>
	<b>Total</b>	<b>11.48</b>

\*\*\*Provision for off-balance sheet item- BDT 2.91 crore

#### E) Equities: Disclosures for Banking Book Positions

a) <b>Qualitative Disclosures:</b>	
<b>The general qualitative disclosures requirement with respect to equity risk, including:</b>	
Differentiation between Holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.	Not applicable
Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	Quoted and unquoted shares are valued at cost. Provisions are made for any loss arising from diminution in value of investment.



**Quantitative Disclosures:**

b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Amounting Core Tk.	
		At Cost	At Market Value
		4.09	2.94
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2014) period.	0.89	
d)	• Total unrealized gains (losses)	(1.14)	
	• Total latent revaluation gains (losses)	-	
	• Any amounts of the above included in Tier II capital.	-	
e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.	Capital charge on banking book equities has been BDT 5.11 crore, calculated by giving 125% risk weight.	

**F) Interest Rate Risk in Banking Book (IRRBB)**

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

**Quantitative Disclosures:**

The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) due to changes in Interest rate. CAR before-shock (%) 29.54

Amount in crore Tk

Profit Rate Stress	Minor	Moderate	Major
Assumed change in Interest Rate	1%	2%	3%
Net interest income impact			
<12 months	2.43	4.86	7.30
Capital after-shock	438.90	441.33	443.77
CAR after-shock (%)	29.70	29.87	30.03
Change in CAR after-shock (%)	0.16	0.33	0.49

Impact of fluctuation in the interest rates on economic value of a financial institution is tested in the stress test. Economic value is affected both by changes in future cash flows and discount rate used for determining present value. To determine the impact of increase in interest rate risk 3 scenarios are tested, in minor level of shock of 1% increase in interest rate cause CAR to 29.70% from 29.54 % and 2% increase in interest rate cause CAR to 29.87%, finally a major shock of 3% increase in interest rate cause CAR to 30.03%.

Amount in crore Tk

Interest Rate Risk- Increase in Interest Rate	Minor Level of Shock	Moderate Level of Shock	Major Level of Shock
Magnitude of Shock	1%	2%	3%
Duration GAP (year)	0.82	0.82	0.82
Fall in MVE (on-balance sheet)	-17.36	-34.71	-52.07
Revised Capital	419.11	401.76	384.40
Revised RWA	1,476.68	1,476.68	1,476.68
Revised CAR (%)	28.38	27.21	26.03
Net Interest Income Impact (<12 Month)	2.43	4.86	7.30

\*The stress testing was conducted considering CAR of 29.54% before finalizing the Financial Statement 2014.





## G) Market Risk

a) Qualitative Disclosures:		
	Views of Board of Directors on trading/ investment activities:	<p>The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Banks balance sheet:</p> <ul style="list-style-type: none"> <li>i) Interest rate risk;</li> <li>ii) Equity price risk;</li> <li>iii) Foreign exchange risk; and</li> <li>iv) Commodity price risk.</li> </ul>
	Methods used to measure Market risk:	<p>Methods used to measure Market risk as per relevant Bangladesh Bank guidelines, Standardize approach has been used to measure the Market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculate capital charges for "specific risk" and "general market risk".</p>
	Market Risk Management system:	<p>The Treasury Division of the Bank manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Assets-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meet at least once in a month.</p>
	Policies and processes for mitigating market risk:	<p>There are approved limits for credit deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on a daily basis to review the prevailing market condition, exchange rate, foreign exchange position, and transactions to mitigate foreign exchange risks.</p>

**b) Quantitative Disclosures:**

Amount in crore Tk

Particulars	Total Capital Charge
Interest Rate Related Instruments	-
<b>Equities</b> <b>Specific Risk</b> - Market value of investment in equities BDT 388.96 Crore. Capital Charge at 10% of market value amounting BDT 0.00 Crore  <b>General Market Risk</b> -Market value of investment in equities BDT 388.96 Crore. Capital Charge at 10% of market value amounting BDT 25.19 Crore.	25.19
Foreign Exchange Position	0.68
Commodities	-
<b>Total</b>	<b>25.87</b>

**H) Operational Risk**

Qualitative Disclosures		
a)	i) Views of Board of Directors (BOD) on system to reduce Operational Risk	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Internal Control and Compliance Division (IC&CD) to protect against all operational risk.
	ii) Performance gap of executives and staffs	The Bank has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. The Bank's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
	iii) Potential external events	No potential external event is expected to expose the Bank to significant operational risk.
	iv) Policies and processes for mitigating operational risk	No potential external events are expected to expose the Bank to significant operational risk. The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Policy guidelines on Risk Based Internal Audit (RBIA) System is in operation. As per RBIA, branches are rated according to their risk status and branches scoring more on risk status are subjected to more frequent audit by Internal Control and Compliance Division (IC&CD). IC&CD directly report to Audit Committee of the Board. In addition there is a Vigilance Cell established in 2013 to reinforce operational risk management of the Bank. Bank's Anti-Money laundering activities are headed by CAMLCO and their activities are devoted to protect against all money laundering and terrorist finance related activities.





		Apart from that, there is adequate check and balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.
	v) Approaches for calculating capital charge for operational risk	<p>The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 35 dated 29 December 2010[Guidelines on "Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Basel II)]". The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by (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> $K = [(GI1 + GI2 + GI3) \alpha] / n$ <p>Where:</p> <p>K = the capital charge under the Basic Indicator Approach</p> <p>GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)</p> <p><math>\alpha</math> = 15 percent</p> <p>n = number of the previous three years for which gross income is positive.</p> <p>Besides, Gross Income (GI) is calculated as "Net Interest Income" plus "Net non-Interest Income". The GI is also the net result of :</p> <ul style="list-style-type: none"> <li>i) Gross of any provisions;</li> <li>ii) Gross of operating expenses, including fees paid to outsourcing service providers;</li> <li>iii) Excluding realized profits/losses from the sale of securities held to maturity in the banking book;</li> <li>iv) Excluding extraordinary or irregular items;</li> <li>v) Excluding income derived from insurance.</li> </ul>

#### b) Quantitative Disclosures:

Amount in Crore Tk

The capital requirements for operational risk	89.05
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#### Capital Charge for Operational Risk- Basic Indicator Approach

Amount in Crore Tk

Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge = 15% of AGI
2013	33.19	33.19	4.98
2014	85.53	59.36	8.90



04 March, 2015

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

**SUB: Managing Director & CEO and CFOs' 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, 2014:

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

Md. Masoodur Rahman  
Chief Financial Officer

Md. Rafiqul Islam  
Managing Director & CEO





# FINANCIAL STATEMENT





## Independent Auditor's Report

To the Shareholders of  
**South Bangla Agriculture and Commerce Bank Limited.**

### Report on the Financial Statements

We have audited the accompanying financial statements of South Bangla Agriculture and Commerce Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31st December, 2014 and the Profit and Loss account, Statement of Changes in Equity and Cash Flow Statement for the period 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 of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1 and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank Companies Act, 1991 and the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 on the effectiveness of the entity's internal control. 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 evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31/12/2014, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards 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 Companies Act, 1991 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 2.14 of the financial statements appeared to be adequate;
  - ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;
- (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 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 accounting standards as well as with related guidance issued by Bangladesh Bank;
- (f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (h) the information and explanation required by us have been received and found satisfactory; and
- (i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 2070 person hours for the audit of the books and accounts of the Bank.

Place: Dhaka  
March 04, 2015

(Masih Muhith Haque & Co.)  
Chartered Accountants

**South Bangla Agriculture and Commerce Bank Limited****Balance Sheet  
As at 31 December 2014**

	Notes	2014 Taka	2013 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
Cash in hand (Including foreign currencies)	3	243,564,871	155,342,064
Balance with Bangladesh Bank and its agent bank(s)	4	1,213,062,442	327,624,903
		<b>1,456,627,314</b>	<b>482,966,967</b>
<b>Balance with other banks and financial institutions</b>			
In Bangladesh	5	2,928,978,943	3,918,968,648
Outside Bangladesh		40,510,946	9,065,050
		<b>2,969,489,889</b>	<b>3,928,033,698</b>
<b>Money at call and short notice</b>			
	6	800,000,000	100,000,000
<b>Investments :</b>			
Government	7	3,889,771,584	502,930,886
Others		240,897,887	49,993,419
		<b>4,130,669,470</b>	<b>552,924,305</b>
<b>Loans and advances</b>			
Loans, cash credits, overdrafts etc.	8	12,236,116,081	2,583,890,587
Bills purchased & discounted		1,281,933,375	422,877,389
		<b>13,518,049,457</b>	<b>3,006,767,976</b>
Fixed assets including land, buildings, furniture and fixtures	9	306,223,841	181,674,080
Other assets	10	654,340,410	421,527,652
Non-banking assets		-	-
<b>TOTAL ASSETS</b>		<b>23,835,400,380</b>	<b>8,673,894,676</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowings from other banks, financial institutions and agents	11	638,845,432	-
<b>Deposits and other accounts</b>			
Current deposits and other accounts	12	1,728,012,642	395,469,969
Special notice deposits		489,919,025	506,660,420
Bills payable		112,579,609	43,332,482
Savings bank deposits		338,949,351	95,806,056
Fixed deposits		15,126,558,925	3,263,396,812
Term deposits		845,884,457	135,112,549
		<b>18,641,904,008</b>	<b>4,439,778,287</b>
Subordinated bonds		-	-
Other liabilities	13	311,944,994	96,414,901
<b>TOTAL LIABILITIES</b>		<b>19,592,694,434</b>	<b>4,536,193,188</b>
<b>Shareholders' equity</b>			
Paid up capital	14	4,089,600,000	4,089,600,000
Statutory reserve	15	60,434,058	21,097,469
General reserve		-	-
Other reserves (revaluation reserve on Govt. Securities)	16	44,028,833	1,759,720
Retained earnings	17	48,643,054	25,244,299
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,242,705,946</b>	<b>4,137,701,488</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>23,835,400,380</b>	<b>8,673,894,676</b>

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

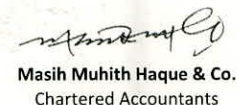
  
Chairman

  
Director

  
Director

  
Managing Director & CEO
Auditors' report to the Shareholders  
See annexed report of date

Date : March 04, 2015

  
Masih Muhith Haque & Co.  
Chartered Accountants





## South Bangla Agriculture and Commerce Bank Limited

### Balance Sheet As at 31 December 2014

	Notes	2014 Taka	2013 Taka
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	18		
Acceptance and endorsements		952,124,703	49,711,022
Letters of guarantee		999,443,726	149,504,282
Irrevocable letters of credit		959,572,107	302,157,743
Bills for collection		41,062,502	-
		<b>2,952,203,039</b>	<b>501,373,047</b>
<b>Other contingent liabilities</b>			
Bangladesh Sanchayapatra in hand		24,525,000	-
Travelers' cheques in hand		-	-
		<b>24,525,000</b>	<b>-</b>
<b>Total contingent liabilities</b>		<b>2,976,728,039</b>	<b>501,373,047</b>
<b>Other commitments</b>			
Lease rental commitments		-	-
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Spot and forward foreign exchange rate contracts		-	-
other exchange contracts		-	-
Claims against the Bank not acknowledged as debt		-	-
<b>Total other commitments</b>		<b>-</b>	<b>-</b>
<b>Total off balance sheet items (including contingent liabilities)</b>		<b>2,976,728,039</b>	<b>501,373,047</b>

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

Chairman

Director

Director

Managing Director &amp; CEO

Auditors' report to the Shareholder  
See annexed report of date

Date : March 04, 2015

Masih Muhith Haque & Co.  
Chartered Accountants

**South Bangla Agriculture and Commerce Bank Limited****Profit & Loss Statement  
For the year ended 31 December 2014**

	Notes	2014 Taka	2013 Taka
Interest income	21	1,590,076,894	446,905,038
Less: Interest paid on deposits and borrowings	22	1,120,004,284	137,539,300
<b>Net interest income</b>		<b>470,072,610</b>	<b>309,365,738</b>
Investment income	23	285,535,198	12,540,399
Commission, exchange and brokerage	24	79,061,103	8,187,889
Other operating income	25	20,697,858	1,857,089
		<b>385,294,159</b>	<b>22,585,376</b>
<b>Total operating income</b>		<b>855,366,769</b>	<b>331,951,114</b>
Salary and allowances	26	234,650,023	67,296,312
Rent, taxes, insurance, electricity etc.	27	144,955,626	71,049,113
Legal & professional expenses	28	1,048,173	165,545
Postage, stamp, telecommunication etc.	29	10,453,838	2,529,670
Stationery, printing, advertisement etc.	30	20,302,910	4,411,043
Managing director's salary and allowances	31	9,400,000	6,000,000
Directors' fees and other benefits	32	1,555,000	700,500
Audit fees	33	287,500	57,500
Repairs, maintenance and depreciation	34	52,771,264	11,384,379
Other expenses	35	61,520,581	29,197,075
<b>Total operating expenses</b>		<b>536,944,914</b>	<b>192,791,137</b>
<b>Profit before provision</b>		<b>318,421,855</b>	<b>139,159,977</b>
<b>Provision for loans and advances</b>			
Specific provision		-	-
General provision (including off balance sheet items)	13.5&13.6	111,499,566	32,464,768
		111,499,566	32,464,768
Provision for diminution in value of investment	13.4	10,239,345	1,210,450
<b>Total provision</b>		<b>121,738,911</b>	<b>33,675,218</b>
<b>Profit before taxes</b>		<b>196,682,944</b>	<b>105,484,758</b>
<b>Provision for taxation</b>			
Current tax	13.2	124,857,401	44,329,911
Deferred taxes (income)/ expenses	13.3	5,826,328	14,813,079
		<b>130,683,729</b>	<b>59,142,990</b>
<b>Net profit after taxation</b>		<b>65,999,215</b>	<b>46,341,768</b>
Retained earnings brought forward from previous period		25,244,299	-
Prior period adjustment	27	(3,263,871)	-
		21,980,428	-
		<b>87,979,643</b>	<b>46,341,768</b>
<b>Appropriations</b>			
Statutory reserve	15	39,336,589	21,097,469
<b>Retained earnings carried forward</b>	17	<b>48,643,054</b>	<b>25,244,299</b>
Earnings per share (EPS)	36	<b>0.16</b>	<b>0.11</b>

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

Chairman

Director

Director

Managing Director &amp; CEO

Auditors' report to the Shareholders  
See annexed report of dateMasih Muhith Haque & Co.  
Chartered Accountants

Date : March 04, 2015





## South Bangla Agriculture and Commerce Bank Limited

### Statement of Cash Flows For the year ended 31 December 2014

	Notes	2014 Taka	2013 Taka
<b>A) Cash flows from operating activities</b>			
Interest received		1,577,726,118	387,838,486
Interest paid		(833,656,911)	(88,971,425)
Dividend received		1,596,500	-
Gain on sale of shares		8,919,085	-
Income from Government securities		202,558,676	9,585,060
Fees, commission, exchange & brokerage received		79,134,468	7,877,536
Cash paid to employees		(242,550,023)	(73,296,312)
Cash paid to suppliers		(173,767,106)	(76,565,772)
Income taxes paid		(96,019,586)	(21,083,592)
Received from other operating activities		20,697,858	1,857,089
Paid for other operating activities		(68,553,651)	(30,387,272)
<b>Operating cash flow before changes in operating assets and liabilities</b>		<b>476,085,430</b>	<b>116,853,797</b>
<b>Increase / (decrease) in operating assets &amp; liabilities</b>			
Changes in trading securities		(190,904,468)	(49,993,419)
Loans and advances to other banks		-	-
Loans and advances to customers		(10,511,281,481)	(3,006,767,976)
Other assets	37	(96,985,752)	(338,111,816)
Deposits from other banks		800,000,000	-
Deposits from customers		13,115,778,347	4,391,210,412
Other liabilities	38	4,593,114	2,172,638
		3,121,199,759	998,509,840
<b>Net cash received from operating activities</b>		<b>3,597,285,189</b>	<b>1,115,363,637</b>
<b>B) Cash flows from investing activities</b>			
Changes in non-trading securities		-	-
Changes in Government securities		42,269,114	1,759,720
Purchase of property, plant and equipment		(176,442,499)	(192,791,807)
Sale proceeds of fixed assets		-	-
<b>Net cash used in investing activities</b>		<b>(134,173,385)</b>	<b>(191,032,087)</b>
<b>C) Cash flows from financing activities</b>			
Borrowing from other banks, financial institutions and agents		638,845,432	-
Issue of share capital		-	4,089,600,000
<b>Net cash received from financing activities</b>		<b>638,845,432</b>	<b>4,089,600,000</b>
<b>D) Net increase / (decrease) in cash and cash-equivalents (A + B + C)</b>		<b>4,101,957,236</b>	<b>5,013,931,550</b>
<b>E) Cash and cash-equivalents at beginning of the year</b>		<b>5,013,931,550</b>	<b>-</b>
<b>F) Cash and cash-equivalents at end of the year (D + E)</b>		<b>9,115,888,786</b>	<b>5,013,931,550</b>
<b>G) Cash and cash-equivalents at end of the year</b>			
Cash in hand including foreign currencies	3	243,564,871	155,342,064
Balances with Bangladesh Bank and its agent bank(s) including foreign currencies	4	1,213,062,442	327,624,903
Balances with other Banks and Financial institutions	5	2,969,489,889	3,928,033,698
Money at call and short notice	6	800,000,000	100,000,000
Government securities	7	3,889,771,584	502,930,886
		<b>9,115,888,786</b>	<b>5,013,931,550</b>

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

Chairman

Director

Director

Managing Director & CEO

Auditors' report to the Shareholders  
See annexed report of date

Masih Muhith Haque & Co.  
Chartered Accountants

Date : March 04, 2015

**South Bangla Agriculture and Commerce Bank Limited****Statement of Changes in Equity  
For the year ended 31 December 2014**

Particulars	Paid Up Capital	Statutory Reserve	General Reserve	Other Reserve	Retained Earnings	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Balance as on 01 January 2014	4,089,600,000	21,097,469	-	1,759,720	25,244,299	4,137,701,488
Prior period adjustment					(3,263,871)	(3,263,871)
Net profit for the year	-	-	-	-	65,999,215	65,999,215
Transfer to statutory reserve	-	39,336,589	-	-	(39,336,589)	-
Revaluation of Govt. treasury bills, bonds and other investments	-	-	-	42,269,114	-	42,269,114
<b>Balance as on 31 December 2014</b>	<b>4,089,600,000</b>	<b>60,434,058</b>	<b>-</b>	<b>44,028,833</b>	<b>48,643,054</b>	<b>4,242,705,946</b>
<b>Balance as on 31 December 2013</b>	<b>4,089,600,000</b>	<b>21,097,469</b>	<b>-</b>	<b>1,759,720</b>	<b>25,244,299</b>	<b>4,137,701,488</b>

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

Chairman

Director

Director

Managing Director &amp; CEO

Date : March 04, 2015

**Masih Muhith Haque & Co.**  
Chartered Accountants





## South Bangla Agriculture and Commerce Bank Limited

### Liquidity Statement (Asset and Liabilities Maturity Analysis) As at 31 December 2014

Particulars	Within one month	Within one to three months	within three to twelve months	Within one to five years	More than five years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets:</b>						
Cash in hand including balance with Bangladesh Bank and its agent Banks	551,096,584	-	-	-	905,530,730	1,456,627,314
Balance with other banks & financial	719,489,889	1,300,000,000	950,000,000	-	-	2,969,489,889
Money at call and short notice	800,000,000	-	-	-	-	800,000,000
Investments	240,988,287	78,773,040	221,817,020	121,623,839	3,467,467,284	4,130,669,470
Loans and advances	2,479,210,270	3,655,280,573	5,622,156,769	1,616,849,541	144,552,303	13,518,049,457
Fixed assets including premises, furniture and fixtures	5,320,929	10,641,858	47,888,364	200,673,921	41,698,769	306,223,841
Other assets	62,086,455	166,859,144	189,171,692	236,223,119	-	654,340,410
Non-Banking assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>4,858,192,414</b>	<b>5,211,554,615</b>	<b>7,031,033,845</b>	<b>2,175,370,420</b>	<b>4,559,249,086</b>	<b>23,835,400,380</b>
<b>Liabilities:</b>						
Borrowings from other banks, financial institutions and agents	96,779,979	181,241,123	360,824,331	-	-	638,845,433
Deposits and other accounts	3,566,540,407	3,231,989,395	8,307,879,825	3,099,199,655	436,294,725	18,641,904,008
Provisions and other liabilities	5,068,779	5,066,294	124,256,385	22,139,407	155,414,129	311,944,994
<b>Total Liabilities</b>	<b>3,668,389,166</b>	<b>3,418,296,812</b>	<b>8,792,960,540</b>	<b>3,121,339,062</b>	<b>591,708,855</b>	<b>19,592,694,435</b>
<b>Net liquidity gap</b>	<b>1,189,803,248</b>	<b>1,793,257,803</b>	<b>(1,761,926,696)</b>	<b>(945,968,642)</b>	<b>3,967,540,232</b>	<b>4,242,705,946</b>

Net result of liquidity statement represents the shareholders' equity.

Chairman

Director

Director

Managing Director & CEO

Masih Muhith Haque & Co.  
Chartered Accountants

Date : March 04, 2015

# South Bangla Agriculture and Commerce Bank Limited

## Notes to the Financial Statements For the year ended 31 December, 2014

### 1 General information

#### 1.1 Status of the bank

South Bangla Agriculture and Commerce Bank Limited ("the Bank") was incorporated in Bangladesh as a public limited company with limited liability by shares as on February 20th, 2013 under Companies Act 1994 to carry out banking business. It obtained license from Bangladesh Bank for carrying out banking business on March 25th, 2013 under Bank Companies Act 1991. The Bank has been carrying out its business through its thirty one (31) 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, 2014 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 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. 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, this item must be presented on the face of the financial statements as 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 prepared using 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 commencing from the date of application when software is available for use.





### xiii) Off-balance sheet items

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

**Bangladesh Bank:** As per BRPD 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 Foreign currency transaction

### a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates, i.e. the functional currency. The financial statements of the Bank are presented in Bangladeshi Taka which is the Bank's functional and presentation currency.

### b) Foreign currencies translation

Amounts in foreign currency are translated in accordance with the principles set forth in 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.

## 2.4 Cash flow statement

Cash flow statement has been prepared in accordance with BAS 7 - "Statement of Cash Flows" and under the guideline of 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.

## 2.5 Liquidity statement

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.

## 2.6 Reporting period

These financial statements of the Bank cover one calendar year from 1 January to 31 December 2014.

## 2.7 Assets and basis of their valuation

### 2.7.1 Investment in Govt. Securities

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

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

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

Value of investments has been enumerated as follows:

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





### 2.7.2 Loans and advances

- a) Loans and advances are stated in the balance sheet on gross basis.
- b) Commission and discounts on bills purchased and discounted are recognized at the time of realization.
- c) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. These written off accounts however will not undermine / affect the claimed amount against the borrower. Detailed memorandum records for all such written off accounts are meticulously maintained and followed up. Before being written off 100% provision is made against loans and advances.

### 2.7.3 Lease finance

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

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

### 2.7.4 Property, plant and equipment

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

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

Category of fixed assets	Rate
Motor vehicles	20%
Machinery & equipments	20%
Furniture & Fixture	10%
Interior Decoration	10%
Computer & Accessories	20%
Software	20% or for remaining usable period
Other tools	20%

- c) For additions during the period, depreciation is charged for the remaining days of the period from the month those have been put into use and for disposal depreciation is charged up to the date of disposal.
- d) On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the 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.

#### 2.7.5 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant considering the overall financial condition of the Bank.

#### 2.7.6 Securities purchased under re-sale agreement

Securities purchased under re-sale agreements are treated as collateralized lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as loans and advances to customers or loans to other banks.

The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

#### 2.7.7 Receivables

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

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

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

#### 2.8 Share capital

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

#### 2.9 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.

#### 2.10 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.

#### 2.11 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.

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

##### 2.12.1 Employees benefits

###### a. Short term benefits

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





#### b. Provident fund

The benefits of provident fund are given to the employees of the Bank in accordance with the Provident Fund Rules as per section 2(52) of Income Tax Ordinance, 1984. The Provident Fund was not recognized by National Board of Revenue. Separate bank account is maintained to manage the fund. All confirmed employees of the Bank contribute 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount to the Fund. Interest earned from the investments of fund is credited to the members' 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 year of service.

#### d. Other benefits

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

### 2.12.2 Provision for liabilities

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

### 2.12.3 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.

### 2.12.4 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act, 2014 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".

### 2.12.5 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.

## 2.13 Revenue recognition

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

### 2.13.1 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.



#### 2.13.2 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.

#### 2.13.3 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.

#### 2.13.4 Dividend income on shares

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

#### 2.13.5 Interest paid on borrowings and deposits

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

#### 2.13.6 Management and other expenses

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

### 2.14 Risk management

#### 2.14.1 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.

#### 2.14.2 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.

#### 2.14.3 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.

#### 2.14.4 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.

#### 2.14.5 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.

#### 2.14.6 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.

#### 2.14.7 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 is 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.

#### 2.14.8 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 communicates 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.

#### 2.15 Earnings per share (EPS)

Earnings per share (EPS) has 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 2014.



**2.16 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.

**2.17 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.





	2014 Taka	2013 Taka
<b>3. Cash in hand (including foreign currencies)</b>		
Local currency	241,436,836	154,778,376
Foreign currencies	2,128,035	563,688
	<b>243,564,871</b>	<b>155,342,064</b>
<b>4. Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)</b>		
Bangladesh Bank		
In local currency	1,128,502,116	314,289,540
In foreign currencies	84,560,326	13,335,363
	1,213,062,442	327,624,903
Sonali Bank Limited (as Agent of Bangladesh Bank) - local currency	-	-
	<b>1,213,062,442</b>	<b>327,624,903</b>

#### 4.1 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 33 of the 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 Ratio (CRR) : 6.50% of average demand and time liabilities

<b>Required reserve</b>	905,530,730	150,342,720
Actual reserve maintained		
Balance with Bangladesh Bank - local currency (note 4)	1,128,502,116	314,289,540
<b>Surplus / (deficit)</b>	<b>222,971,386</b>	<b>163,946,820</b>
<b>Maintained ratio</b>	<b>8.10%</b>	<b>12.54%</b>

CRR was maintained at 8.10% on 31.12.2014 against minimum requirement of 6.50%. The excess was due to huge amount of sudden outward clearing (normal value) placed on that date.

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

<b>Required reserve</b>	1,811,061,460	325,742,560
Available for maintenance :		
Cash in hand (including foreign currencies)	243,564,871	155,342,064
Balance with Sonali Bank Limited (as an agent of Bangladesh Bank)	-	-
Excess of CRR requirement	222,971,386	163,946,820
Unencumbered approved securities (treasury bills and bonds, debentures etc.)	3,889,681,184	502,874,086
	4,356,217,441	822,162,970
<b>Surplus / (deficit)</b>	<b>2,545,155,981</b>	<b>496,420,410</b>
<b>Maintained Ratio</b>	<b>31.27%</b>	<b>32.81%</b>
<b>Average time and demand liabilities</b>	<b>13,931,242,000</b>	<b>2,505,712,000</b>

SLR was 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. The comparative figure (as at 31.12.2013) has been stated on the basis of the current requirement (of 13%) in place.

**5. Balance with other banks and financial institutions**

	2014 Taka	2013 Taka
In Bangladesh (note 5.1)	2,928,978,943	3,918,968,648
Outside Bangladesh (note 5.2)	40,510,946	9,065,050
	<b>2,969,489,889</b>	<b>3,928,033,698</b>

**5.1 In Bangladesh****Balance with other banks :****In current deposit accounts with**

Sonali Bank Limited	1,468,731	-
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**In special notice deposit accounts with**

Janata Bank Limited	10,461,914	2,442,593
Eastern Bank Limited	226,570,383	400,000
Mercantile Bank Limited	2,755	5,001
Bank Asia Limited	945	2,500
Standard Bank Limited	9,927,307	15,616,553
Jamuna Bank Limited	22,574	2,000
Al-Arafa Islami Bank Ltd.	2,005,979	500,000
Sonali Bank Limited	5,000	-
Trust Bank Limited	1,411,445	-
Dutch Bangla Bank Limited	17,380	-
Union Bank Limited	50,000	-
IFIC Bank Limited	27,034,530	-
	<b>277,510,212</b>	<b>18,968,648</b>

**In fixed deposit accounts with**

Janata Bank Ltd.	-	1,800,000,000
Rupali Bank Ltd.	500,000,000	750,000,000
Mercantile Bank Ltd.	200,000,000	-
	<b>700,000,000</b>	<b>2,550,000,000</b>

**Balance with financial institutions :****In fixed deposit accounts with**

G. S. P. Finance & Investment Limited	-	50,000,000
Lanka Bangla Finance Limited	200,000,000	300,000,000
Uttara Finance Limited	200,000,000	300,000,000
Phoenix Finance Limited	200,000,000	200,000,000
People's Leasing and Financial Services Limited	200,000,000	200,000,000
Prime Finance & Investment Limited	200,000,000	50,000,000
International Leasing & Financial Services Limited	500,000,000	100,000,000
Reliance Finance Limited	-	100,000,000
IDLC Finance Limited	300,000,000	50,000,000
United Finance Limited	150,000,000	-
	<b>1,950,000,000</b>	<b>1,350,000,000</b>
	<b>2,928,978,943</b>	<b>3,918,968,648</b>





## 5.2 Outside Bangladesh

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

Particulars	Currency	2014			2013		
		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 Ltd. UK	USD	43,747.98	77.9500	3,410,155	12,965	77.7500	1,008,042
Sonali Bank Ltd. UK	EURO	28,385.56	94.6079	2,685,498	10,640	106.7600	1,135,873
Mashreq Bank PSC, New York	USD	281,796.53	77.9500	21,966,040	10,294	77.7500	800,362
AB Bank, Mumbai	ACU	114,249.67	77.9500	8,905,762	62,269	77.7500	4,841,396
United Bank of India	ACU	1,583.96	77.9500	123,470	16,455	77.7500	1,279,376
National Bank of Pakistan, Tokyo	JPY	229,722.00	0.6473	148,699	-	-	-
Mashreq Bank PSC, London	GBP	8,786.33	120.9472	1,062,682	-	-	-
Mashreq Bank PSC, London	EURO	23,345.20	94.6079	2,208,640	-	-	-
				<b>40,510,946</b>			<b>9,065,050</b>

### In demand deposit accounts (interest bearing)

#### Total Outside Bangladesh

**40,510,946**

**9,065,050**

2014  
Taka

2013  
Taka

## 5.3 Maturity grouping of balance with other banks and financial institutions

On demand	319,489,889	28,033,698
Within one month	400,000,000	-
Within one to three months	1,300,000,000	2,750,000,000
Within three to twelve months	950,000,000	1,150,000,000
Within one to five years	-	-
More than five years	-	-
	<b>2,969,489,889</b>	<b>3,928,033,698</b>

## 6. Money at call and short notice

### With banks

Mutual Trust Bank Limited
Midland Bank Limited
NRB Bank Limited

-	100,000,000
50,000,000	-
50,000,000	-
<b>100,000,000</b>	<b>100,000,000</b>

### With financial institutions

United Finance Limited
Fareast Finance & Investment Limited
Prime Finance & Investment Limited
Delta Brac Housing Finance Corporation Ltd.
Lanka Bangla Finance Limited
International Leasing & Financial Services Ltd.

100,000,000	-
50,000,000	-
100,000,000	-
200,000,000	-
150,000,000	-
100,000,000	-
<b>700,000,000</b>	<b>-</b>
<b>800,000,000</b>	<b>100,000,000</b>



## 7. Investments

### Government securities

#### Treasury bills

28-days treasury bills

91-days treasury bills

182-days treasury bills

1- Year treasury bills

#### Treasury bonds

2-Years treasury bonds

5-Years treasury bonds

10-Years treasury bonds

15-Years treasury bonds

20-Years treasury bonds

#### Total treasury bills and bonds

Prize bonds

#### Total Government securities

#### Other investments

Reverse- REPO with Bangladesh Bank

Shares in quoted companies (at cost) (note 7.3)

	2014 Taka	2013 Taka
	-	-
	78,773,040	9,840,530
	136,158,860	112,500,631
	85,658,160	223,586,327
	<b>300,590,060</b>	<b>345,927,488</b>
	50,891,287	-
	70,732,552	-
	1,141,772,284	69,899,851
	1,136,987,947	77,024,996
	1,188,707,053	10,021,750
	<b>3,589,091,124</b>	<b>156,946,598</b>
	<b>3,889,681,184</b>	<b>502,874,086</b>
	90,400	56,800
	<b>3,889,771,584</b>	<b>502,930,886</b>
	200,000,000	-
	40,897,887	49,993,419
	<b>240,897,887</b>	<b>49,993,419</b>
	<b>4,130,669,470</b>	<b>552,924,305</b>

### 7.1 Classification of investments

Government treasury bills and bonds

Held for Trading (HFT)

Held to Maturity (HTM)

#### Total investments in government securities

Prize bonds

Reverse-REPO with Bangladesh Bank

Other investments

	1,885,868,977	502,874,086
	2,003,812,207	-
	<b>3,889,681,184</b>	<b>502,874,086</b>
	90,400	56,800
	200,000,000	-
	40,897,887	49,993,419
	<b>4,130,669,470</b>	<b>552,924,305</b>

### 7.2 Shares in quoted companies (at cost)

AB Bank Ltd.

Al-Arafah Islami Bank Ltd.

BRAC Bank Ltd.

Jamuna Bank Ltd.

Lafarge Surma Cement Ltd.

Mutual Trust Bank Ltd.

One Bank Ltd.

Square Pharma Ltd.

Titas Gas Transmission and Distribution Company Ltd.

Uttara Bank Ltd.

Lanka Bangla Finance Ltd.

Summit Purbchal Power Co. Ltd.

	-	2,101,811
	-	6,597,561
	-	6,368,111
	-	249,871
	-	8,835,717
	-	256,896
	5,599,530	5,065,668
	-	1,924,713
	-	15,257,063
	-	3,336,008
	19,095,195	-
	16,203,162	-
	<b>40,897,887</b>	<b>49,993,419</b>

### 7.3 Valuation of shares in quoted companies

Particulars	Number of shares	Cost per share	Total cost	Market value as on 31 December 2014
Lanka Bangla Finance Ltd.	262,500	72.7436	19,095,195	11,550,000
One Bank Ltd.	368,500	15.1955	5,599,530	5,822,300
Summit Purbachal Power Co. Ltd.	242,000	66.9552	16,203,162	12,075,800
<b>Total</b>	<b>873,000</b>		<b>40,897,887</b>	<b>29,448,100</b>





#### 7.4 Maturity grouping of investments

	2014 Taka	2013 Taka
On demand	200,090,400	56,800
Within one month	40,897,887	49,993,419
Within one to three months	78,773,040	9,840,530
Within three to twelve months	221,817,020	336,086,958
Within one to five years	121,623,839	-
More than five years	3,467,467,284	156,946,598
	<b>4,130,669,470</b>	<b>552,924,305</b>

#### 7.5 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 :

##### 7.5.1 Disclosure regarding outstanding REPO as on 31 December 2014

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

##### 7.5.2 Disclosure regarding outstanding Reverse REPO as on 31 December 2014

Sl. No.	Name of the counterparty	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
	Bangladesh Bank	30.12.2014	01.01.2015	200,000,000

##### 7.5.3 Disclosure regarding overall transactions of REPO and Reverse REPO for the year ended 31 December 2014

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
	Taka	Taka	Taka
<b>Securities sold under repo :</b>			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	78,804,079	1,092,677,774	162,636,394
<b>Securities purchased under reverse repo</b>			
i) with Bangladesh Bank	200,000,000	200,000,000	1,095,890
ii) with other banks & FIs	99,738,730	419,467,550	6,901,039

**8. Loans and advances**

Loans , cash credit, overdrafts etc. (note 8.1)  
Bills purchased and discounted (note 8.2)

2014 Taka	2013 Taka
12,236,116,081	2,583,890,587
1,281,933,375	422,877,389
<b>13,518,049,457</b>	<b>3,006,767,976</b>

**8.1 Loans , cash credit, overdrafts etc.****In Bangladesh:****Overdrafts****Cash credit :**

General 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

Lease finance

House building finance

General term loans

SME term loans

Personal loans

Auto loans

Staff loans

<b>3,974,660,019</b>	<b>694,703,828</b>
2,733,002,740	1,425,473,912
1,752,204,912	-
<b>4,485,207,652</b>	<b>1,425,473,912</b>
1,222,228,408	377,357,568
4,044,892	-
19,407,917	-
77,486,731	-
205,728,185	7,588,542
629,209,349	-
385,457,351	2,000,000
22,238,050	-
886,148,861	10,662,418
126,295,559	-
52,489,594	-
1,915,527	-
143,597,987	66,104,318
<b>3,776,248,410</b>	<b>463,712,846</b>
<b>12,236,116,081</b>	<b>2,583,890,587</b>
<b>12,236,116,081</b>	<b>2,583,890,587</b>

**Outside Bangladesh****8.2 Bills purchased and discounted****Payable in Bangladesh**

Inland bills purchased and discounted

**Payable outside Bangladesh**

Foreign bills purchased and discounted

1,254,740,391	422,877,389
27,192,984	-
<b>1,281,933,375</b>	<b>422,877,389</b>

**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

-	-
2,479,210,270	332,627, 794
3,655,280,573	822,072, 207
5,622,156,769	1,751,733,987
1,616,849,541	53,517,000
144,552,303	46,816,988
<b>13,518,049,457</b>	<b>3,006,767,976</b>

**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**

3,776,248,410	463,712,846
4,485,207,652	1,425,473,912
3,974,660,019	694,703,828
<b>12,236,116,081</b>	<b>2,583,890,587</b>
<b>12,236,116,081</b>	<b>2,583,890,587</b>

**(b) Bills purchased and discounted**

In Bangladesh

Outside Bangladesh

1,254,740,391	422,877,389
27,192,984	-
<b>1,281,933,375</b>	<b>422,877,389</b>
<b>13,518,049,457</b>	<b>3,006,767,976</b>





	2014 Taka	2013 Taka
<b>8.5 Loans and advances including bills purchased and discounted on the basis of significant concentration</b>		
i. Loans and advances to Directors of the bank	203,462,722	196,492,087
ii. Loans and advances to CEO and other senior executives	132,668,280	66,104,318
iii. Loans and advances to customers' group	13,181,918,455	2,744,171,571
	<b>13,518,049,457</b>	<b>3,006,767,976</b>

**iv. Disclosure on large loans**

Disclosure on large loans i.e. loan sanctioned to any individual or enterprise or any organization of a group amounting to 10% or more of the Bank's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Mentionable that, total capital of the Bank was Taka 4,364,655,864 as at 31 December 2014 and Taka 4,170,156,451 as at 31 December 2013.

<b>iv (a)</b> Number of the clients to whom loans and advances sanctioned more than 10% of the Bank's total capital	18	4
<b>iv (b)</b> Amount of outstanding loans and advances to the clients mentioned in iv (a) above	8,361,900,000	1,753,150,000
<b>iv (c)</b> Amount of classified loans and advances out of the amount mentioned in iv (b) above	-	-
<b>iv (d)</b> Measures taken for recovery of the amount mentioned in iv (c) above	-	-

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

Dhaka Division	9,211,712,416	2,812,317,758
Chittagong Division	3,421,114,892	87,484,075
Khulna Division	802,509,939	106,966,142
Sylhet Division	37,700,132	-
Rajshahi Division	22,002,805	-
Barisal Division	23,009,273	-
	<b>13,518,049,457</b>	<b>3,006,767,976</b>

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

Agriculture, fisheries and forestry	158,736,813	-
Agro base processing industries	429,058,270	219,684,835
Small & medium enterprise financing (SMEF)	3,733,612,447	317,612,704
RMG & textile industries	1,264,800,000	554,787,862
Hospitals, clinics & medical colleges	312,401,133	96,076,085
Trade & commerce	2,625,101,322	1,047,602,171
Transport and communications	610,412,415	-
Rubber & plastic industries	341,533,609	-
Iron, steel & aluminium industries	870,616,675	-
Other manufacturing industries	2,510,083,095	466,600,000
Housing & construction industries	106,510,792	54,004,318
Consumer credit	66,092,804	12,100,000
Others	489,090,081	238,300,000
	<b>13,518,049,457</b>	<b>3,006,767,975</b>



2014  
Taka

2013  
Taka

### 8.8 Required provision for loans and advances including bills purchased and discounted

Particulars	Amount of outstanding loans and advances as at 31 December 2014	Base for Provision	Rate	Amount of required provision as at 31 December 2014	Amount of required provision as at 31 December 2013
I) Unclassified loans and advances :					
a) Consumer finance	35,504,936	35,504,936	5.00%	1,775,247	533,121
b) Staff loans	143,597,987	143,597,987	0.00%	-	-
c) Housing finance	22,238,050	22,238,050	2.00%	444,761	-
d) Loans to professional	5,062,844	5,062,844	2.00%	101,257	-
e) Small enterprise finance	3,728,621,241	3,728,621,241	0.25%	9,321,553	794,032
f) Loans to BH, MB, SD, etc.	499,881,507	499,881,507	2.00%	9,997,630	-
g) Agricultural credit	158,736,813	158,736,813	2.50%	3,968,420	-
e) Others	8,924,406,078	8,924,406,078	1.00%	89,244,061	26,123,885
	<b>13,518,049,457</b>	<b>13,518,049,457</b>		<b>114,852,929</b>	<b>27,451,038</b>
(II) Sub-standard	-	-	20.00%	-	-
(III) Doubtful	-	-	50.00%	-	-
(IV) Bad / loss	-	-	100.00%	-	-
<b>Total provision required</b>	<b>13,518,049,457</b>	<b>13,518,049,457</b>		<b>114,852,929</b>	<b>27,451,038</b>
<b>Total provision maintained</b>				<b>114,852,929</b>	<b>27,451,038</b>
<b>Surplus / (deficit)</b>				<b>-</b>	<b>-</b>

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

#### Unclassified (including staff loans)

i) Standard	13,518,049,457	3,006,767,975
ii) Special mention account (SMA)	-	-
	<b>13,518,049,457</b>	<b>3,006,767,975</b>
Sub-standard	-	-
Doubtful	-	-
Bad / loss	-	-
<b>Total</b>	<b>13,518,049,457</b>	<b>3,006,767,975</b>

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

i) Loans considered good in respect of which the banking company is fully secured	11,111,010,000	2,992,656,865
ii) Loans considered good for which the banking company holds no security other than the debtor's personal guarantee	2,340,946,653	-
iii) Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	66,092,804	14,111,111
iv) Loans adversely classified; provision not maintained there against	-	-
	<b>13,518,049,457</b>	<b>3,006,767,975</b>
v) Loans due by directors or officers of the banking company or any of them either separately or jointly with any other person	329,160,367	262,596,405
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	203,462,722	196,492,087
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	329,160,367	262,596,405





	2014 Taka	2013 Taka
viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firm in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members	203,462,722	196,492,087
ix) Due from banking companies	-	-
x) Amount of classified loan on which interest has not been charged	-	-
(a) (Decrease)/increase in specific provision	-	-
(b) Amount of loan written off during the year	-	-
(c) Amount realized against loan previously written off	-	-
(d) Amount of provision kept against loan classified as bad/loss as on the Balance Sheet date	-	-
(e) Interest creditable to the interest suspense accounts	-	-
xi) Cumulative amount of the written off loan:	-	-
xii) Amount written off in the year	-	-
xiii) Amount of written off loan for which lawsuit has been filed for recovery	-	-
<b>8.11 Bills purchased and discounted</b>		
Payable -		
In Bangladesh	1,254,740,391	422,877,389
Outside Bangladesh	27,192,984	-
	<b>1,281,933,375</b>	<b>422,877,389</b>
<b>8.12 Bills purchased and discounted on the basis of the residual maturity grouping</b>		
On demand	-	-
Within one month	384,580,013	303,034,158
Within one to three months	512,773,350	17,017,651
Within three to twelve months	384,580,013	102,825,580
Within one to five years	-	-
More than five years	-	-
	<b>1,281,933,375</b>	<b>422,877,389</b>



	2014 Taka	2013 Taka
<b>9. Fixed Assets (Annexure - B)</b>		
Motor vehicles	7,985,000	4,600,000
Machinery and equipments	98,888,311	41,677,664
Furniture and fixtures	33,204,580	15,728,737
Interior decoration	66,752,527	16,902,561
Computers and accessories	144,311,637	102,631,872
Softwares	10,516,774	9,353,023
Other tools	7,575,476	1,897,950
	<b>369,234,305</b>	<b>192,791,807</b>
Less : Accumulated depreciation	63,010,465	11,117,727
	<b>306,223,841</b>	<b>181,674,080</b>
<b>10. Other Assets</b>		
Advance income tax (note 10.1)	72,172,251	21,083,592
Stock of stationeries and stamps (note 10.2)	2,217,193	570,513
Advance rent, advertisement, etc. (note 10.3)	317,114,555	208,794,858
Accrued interest and commission receivable (note 10.4)	147,070,592	62,332,244
Security deposits	308,819	66,550
Suspense accounts (note 10.5)	115,457,001	128,679,895
	<b>654,340,410</b>	<b>421,527,652</b>
<b>10.1 Advance income tax</b>		
Opening balance	21,083,592	-
Add : Paid during the year		
Income tax deducted at source	57,178,447	21,083,592
Income tax paid u/s 64 & 74 of Income Tax Ordinance 1984	38,841,139	-
	96,019,586	21,083,592
	117,103,178	21,083,592
Less : Adjustment during the year	44,930,927	-
Closing balance	<b>72,172,251</b>	<b>21,083,592</b>
<b>10.2 Stock of stationeries and stamps</b>		
Stock of printing stationeries	1,508,343	513,303
Stock of security stationeries	186,456	-
Stock of stamps	522,394	57,210
	<b>2,217,193</b>	<b>570,513</b>
<b>10.3 Advance rent, advertisement, etc.</b>		
Advance rent	317,114,555	207,294,858
Advance advertisement	-	1,500,000
	<b>317,114,555</b>	<b>208,794,858</b>
<b>10.4 Accrued interest and commission receivable</b>		
Interest on loans and advances	720,869	106,199
Accrued interest on call loans	491,979	19,444
Interest on other banks' deposits	70,204,480	58,940,909
Accrued income on HFT securities	75,416,276	2,955,339
Commission receivables	236,988	310,353
	<b>147,070,592</b>	<b>62,332,244</b>





	2014 Taka	2013 Taka
<b>10.5 Suspense accounts</b>		
Sundry debtors	3,758	6,581
Suspense for Sanchayapatra	31,030	-
Advance against expenses	1,407,234	1,433,269
Advance against fixed assets (note 10.5.1)	113,016,549	126,681,784
SBACBL general account	-	701
Other prepaid expenses	998,430	557,560
	<b>115,457,001</b>	<b>128,679,895</b>
<b>10.5.1 Advance against fixed assets</b>		
Advance against fixed assets has been made for which final bill has not being received :		
Furniture and fixtures	2,897,615	1,812,773
Interior Decoration	61,100,262	36,256,711
Machineries and equipments	9,472,347	36,065,975
Computers, accessories and software	39,546,326	52,546,326
	<b>113,016,549</b>	<b>126,681,784</b>
<b>11. Borrowings from other banks, financial institutions and agents</b>		
<b>a) In Bangladesh</b>		
<b>Refinance from Bangladesh Bank</b>		
Agro based industries	6,592,083	-
Small enterprise entrepreneurs	3,044,000	-
Export Development Fund (EDF)	629,209,349	-
	638,845,432	-
<b>b) Outside Bangladesh</b>	-	-
	<b>638,845,432</b>	<b>-</b>
<b>11.1 Residual maturity grouping of borrowings from other banks, financial institutions and agents</b>		
On demand	13,116,218	-
Within one month	83,663,761	-
Within one to three months	181,241,123	-
Within three to twelve months	360,824,331	-
Within one to five years	-	-
More than five years	-	-
	<b>638,845,433</b>	<b>-</b>
<b>12. Deposits and other accounts</b>		
Current deposits and other accounts [note : 12.1]	1,728,012,642	395,469,969
Special notice deposits	489,919,025	506,660,420
Bills payable	112,579,609	43,332,482
Savings bank deposits	338,949,351	95,806,056
Fixed deposits	15,126,558,925	3,263,396,812
Other term deposits [note : 12.2]	845,884,457	135,112,549
	<b>18,641,904,008</b>	<b>4,439,778,287</b>

**12.1 Current Deposits and other accounts**

	2014 Taka	2013 Taka
Current deposits	955,779,003	294,088,490
FGN currency deposits	7,332,020	-
ERQ accounts	1,949,535	-
FC held against BTB L/Cs	196,136,563	5,038,201
Margin against L/Cs	182,318,899	23,034,546
Margin against L/Gs	17,768,328	11,980,997
Margin on SOD (pay order)	156,050	-
Sundry deposits - excise duty	133,670	1,423,319
Sundry deposits - local bills	8,032,697	31,019
Sundry deposits - Sanchayapatra	2,500,000	-
Other security deposits	5,521,485	1,726,615
Sundry deposits - foreign correspondents charge	3,448,817	-
Sundry deposits - risk fund	76,800	20,000
Sundry deposits - advance installment on Lease	64,000	-
Sundry deposits - Tax Deducted at source	4,467,880	5,772,854
Sundry deposits - VAT deducted at source	602,539	180,477
Sundry deposits - VAT Service Bills	997,646	3,605,575
Sundry deposits - Q-Cash settlement account	313,121	-
Sundry deposits - IPO Refund	5,498,340	-
Interest payable on deposits	334,915,249	48,567,875
	<b>1,728,012,642</b>	<b>395,469,969</b>

**12.2 Other term deposits**

MSS Deposits	72,896,721	6,262,930
MBS Deposits	540,564,000	61,360,089
Special Deposit Scheme	231,959,830	67,485,270
Other Savings Schemes	463,906	4,260
	<b>845,884,457</b>	<b>135,112,549</b>

**12.3 Segregation of deposits and other accounts**

Other than inter-bank deposits	17,841,904,008	4,439,778,287
Inter-bank deposits	800,000,000	-
	<b>18,641,904,008</b>	<b>4,439,778,287</b>

**12.4 Details of inter-bank deposits****In fixed deposit accounts**

Sonali Bank Limited	300,000,000	-
Rupali Bank Limited	500,000,000	-
	<b>800,000,000</b>	<b>-</b>

**12.5 Residual maturity grouping of deposits and other accounts**

On demand	891,635,102	232,799,225
Within one month	2,674,905,306	704,915,586
Within one to three months	3,231,989,395	633,853,067
Within three to six months	2,386,831,640	919,116,600
Within six to twelve months	5,921,048,185	1,378,674,899
Within one to five years	3,099,199,655	393,670,936
More than five years	436,294,725	176,747,974
	<b>18,641,904,008</b>	<b>4,439,778,287</b>





	2014 Taka	2013 Taka
<b>12.6</b> Unclaimed deposits for ten years and more held by the bank	-	-
<b>12.7</b> As on the reporting date of these financial statements, there were no valuable items unclaimed for ten years or more held by the bank		
<b>13. Other liabilities</b>		
Sundry creditors	1,696,972	2,172,638
Provision for expenses	3,369,322	1,424,055
Central EFT adjustment account	5,068,779	-
Provision for gratuity (note 13.1)	1,500,000	-
Provision for taxation (note 13.2)	124,256,385	44,329,911
Provision for deferred tax liability (note 13.3)	20,639,407	14,813,079
Provision for diminution in value of investment (note 13.4)	11,449,795	1,210,450
General provision on loans & advances (note 13.5)	114,852,929	27,451,038
General provision on Off Balance Sheet exposures (note 13.6)	29,111,405	5,013,730
	<b>311,944,994</b>	<b>96,414,901</b>
<b>13.1 Provision for gratuity</b>		
Opening balance	-	-
Add : Provision made for the year	1,500,000	-
	1,500,000	-
Less : Paid during the year	-	-
<b>Closing balance</b>	<b>1,500,000</b>	<b>-</b>
<b>13.2 Provision for taxation</b>		
Opening balance	44,329,911	-
Add : Provision made for the year	124,857,401	44,329,911
	169,187,312	44,329,911
Less : Adjustment during the year	44,930,927	-
<b>Closing balance</b>	<b>124,256,385</b>	<b>44,329,911</b>
Provision for income tax has been kept as per the provisions of Income Tax Ordinance 1984. Income tax assessment for the financial year 2013 (corresponding to the assessment year 2014-2015) is under process of Completion.		
<b>13.3 Provision for deferred tax liability</b>		
Opening balance	14,813,079	-
Add : Deferred tax liability / (assets) for the year	5,826,328	14,813,079
<b>Closing Balance</b>	<b>20,639,407</b>	<b>14,813,079</b>

### 13.3.1 Detailed calculation of deferred tax liability / (assets)

In terms of instructions contained in BRPD Circular No. 11 dated 12 December 2011 and provision of BAS 12 - Taxation , the detail calculation of deferred tax (assets) / liability of the Bank is furnished as under :

i) Temporary timing difference in written down value (WDV) of fixed assets :

	2014 Taka	2013 Taka
WDV (carrying amount) of fixed assets	306,223,841	181,674,080
WDV of fixed assets as per Tax (Tax Base) as on the balance sheet date	256,160,530	146,819,776
	50,063,311	34,854,304
ii) Temporary timing difference in provision for Gratuity	1,500,000	-
Total amount of temporary timing difference in liability / (assets)	48,563,311	34,854,304
Effective tax rate	42.50%	42.50%
Deferred tax liability / (assets)	20,639,407	14,813,079
Deferred tax expense / (income) for the year	5,826,328	14,813,079

### 13.4 Provision for diminution in value of investments

Opening balance	1,210,450	-
Add : Provision made for the year	10,239,345	1,210,450
	11,449,795	1,210,450
Less: Adjustment during the period	-	-
<b>Closing balance</b>	<b>11,449,795</b>	<b>1,210,450</b>

Provision has been kept on unrealized loss (gain net off) according to DOS Circular No. 4 dated 24 November 2011.

### 13.5 Provision for unclassified loans and advances (note 07.11)

Opening balance	27,451,038	-
Add : Provision made for the year	87,401,891	27,451,038
	114,852,929	27,451,038
Less: Adjustment during the period	-	-
<b>Closing balance</b>	<b>114,852,929</b>	<b>27,451,038</b>

### 13.6 Provision for off balance sheet exposures

Opening balance	5,013,730	-
Add : Provision made for the year	24,097,675	5,013,730
	29,111,405	5,013,730
Less: Adjustment during the period	-	-
<b>Closing balance</b>	<b>29,111,405</b>	<b>5,013,730</b>





#### 14. Share capital

##### 14.1 Authorized share capital

100,00,00,000 ordinary shares of Tk. 10/- each

2014 Taka	2013 Taka
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10,000,000,000	10,000,000,000
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##### 14.2 Issued, subscribed and paid up share capital

40,89,60,000 ordinary shares of Tk. 10/- each

4,089,600,000	4,089,600,000
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#### 14.3 Group-wise shareholding position

Particulars	2014			2013		
	No. of shares	Percentage (%) of holding	Taka	No. of shares	Percentage (%) of holding	Taka
Sponsor directors	282,100,000	68.98%	2,821,000,000	326,100,000	79.74%	3,261,000,000
Sponsor shareholders	126,860,000	31.02%	1,268,600,000	82,860,000	20.26%	828,600,000
<b>Total</b>	<b>408,960,000</b>	<b>100.00%</b>	<b>4,089,600,000</b>	<b>408,960,000</b>	<b>100.00%</b>	<b>4,089,600,000</b>

#### 14.4 Range-wise shareholdings as on 31 December 2014

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	13	3.18%	13,000,000	130,000,000
10,00,001 and above	39	96.82%	395,960,000	3,959,600,000
<b>Total</b>	<b>52</b>	<b>100.00%</b>	<b>408,960,000</b>	<b>4,089,600,000</b>

#### 14.5 Capital adequacy ratio

As per Section 13 of the Bank Companies Act, 1991 (Amended in 2013) and instructions contained in BRPD Circular Letter No. 11 dated 14 August 2008, BRPD Circular No. 10 dated 10 March 2010, BRPD Circular No. 35 dated 29 December 2010 [Guidelines on Risk Based capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel II)], the risk based capital (eligible regulatory capital) of the Bank as of 31 December 2014 stood at Taka 4,364,655,864.00 against the risk based capital requirement of Taka 4,000,000,000.00. As a result, there was a capital surplus of Taka 364,655,864.00 in risk based capital adequacy ratio as on 31 December 2014.

As per Section 13(2) of the Bank Companies Act, 1991 (Amended in 2013) and instructions contained in BRPD Circular Letter No. 11 dated 14 August 2008, the paid-up share capital, statutory reserve, other reserves and retained earnings should be at least Taka 4,000 million. The paid-up share capital, retained earnings and statutory reserve of the Bank was Taka 4,198.68 million (paid-up share capital, Taka 4,089.60 million and statutory reserve, Taka 60.43 million and retained earnings, Taka 48.64 million) as on 31 December 2014.

##### Details of capital adequacy ratio are furnished below :

##### Tier - I (Core capital)

Paid up capital	4,089,600,000	4,089,600,000
Statutory reserve	60,434,058	21,097,469
Retained earnings	48,643,054	25,244,299
	4,198,677,113	4,135,941,768

##### Tier - II (Supplementary capital)

General provision on unclassified loans and off-balance sheet exposures	143,964,334	32,464,768
Revaluation reserve for HFT securities	22,014,417	1,749,915
	165,978,751	34,214,683

##### Tier - III (Additional supplementary capital)

<b>A. Total capital</b>	<b>4,364,655,864</b>	<b>4,170,156,451</b>
<b>B. Total risk weighted assets</b>	<b>14,776,640,749</b>	<b>6,727,038,443</b>
<b>C. Required capital - 10% on risk weighted assets or 400.00 crore whichever is higher</b>	<b>4,000,000,000</b>	<b>4,000,000,000</b>
<b>Surplus/(shortfall) (A - C)</b>	<b>364,655,864</b>	<b>170,156,451</b>
<b>Capital adequacy ratio on core capital (against standard of minimum 5.00%)</b>	<b>28.41%</b>	<b>61.48%</b>
<b>Capital Adequacy ratio on total capital (against standard of minimum 10.00%)</b>	<b>29.54%</b>	<b>61.99%</b>



	2014 Taka	2013 Taka
<b>15. Statutory reserve</b>		
As per Section 24(1) of the Bank Companies Act, 1991, an amount equivalent to 20% of profit before taxes for the year has been transferred to the statutory reserve fund		
Opening balance	21,097,469	-
Add : Transferred from profit during the year	39,336,589	21,097,469
<b>Closing balance</b>	<b>60,434,058</b>	<b>21,097,469</b>
<b>16. Revaluation reserve on Govt. Securities</b>		
Opening balance	1,759,720	-
Add : Reserve made during the year	42,269,114	1,759,720
<b>Closing balance</b>	<b>44,028,833</b>	<b>1,759,720</b>
<b>17. Retained earnings</b>		
Opening balance	25,244,299	-
Prior period adjustment (note 27)	(3,263,871)	-
Net profit for the year	65,999,215	46,341,768
Transfer to statutory reserve	(39,336,589)	(21,097,469)
<b>Closing balance</b>	<b>48,643,054</b>	<b>25,244,299</b>
<b>18. Contingent liabilities</b>		
Acceptances and endorsements	952,124,703	49,711,022
Letters of Guarantee (note 18.1)	999,443,726	149,504,282
Irrevocable letters of credit (note 18.2)	959,572,107	302,157,743
Bills for collection (note 18.3)	41,062,502	-
	<b>2,952,203,039</b>	<b>501,373,047</b>
<b>18.1 Letters of guarantee</b>		
Money for which the bank is contingently liable in respect of guarantees issued favoring:		
Directors	-	-
Government	149,916,559	-
Banks and other financial institutions	-	-
Others	849,527,167	149,504,282
	<b>999,443,726</b>	<b>149,504,282</b>
<b>18.2 Irrevocable letters of credit</b>		
<b>Local</b>		
Irrevocable letters of credit- cash sight	567,360	376,600
Irrevocable letters of credit- back to back	25,209,401	1,382,832
	25,776,761	1,759,432
<b>Foreign</b>		
Irrevocable letters of credit- cash sight	751,231,200	272,060,803
Irrevocable letters of credit- cash usance	153,263,802	27,985,017
Irrevocable letters of credit- back to back	29,300,344	352,490
	933,795,346	300,398,310
	<b>959,572,107</b>	<b>302,157,743</b>
<b>18.3 Bills for collection</b>		
Outward local bills	4,147,648	-
Local documentary bills for collection	7,023,324	-
Foreign documentary bills for collection	29,891,530	-
	<b>41,062,502</b>	<b>-</b>





## 19. Particulars of profit and loss account

### Income

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

2014 Taka	2013 Taka
1,590,076,894	446,905,038
1,596,500	-
47,823,019	4,950,993
8,919,085	-
275,019,613	12,540,399
31,238,084	3,236,896
-	-
20,697,858	1,857,089
-	-
<b>1,975,371,053</b>	<b>469,490,414</b>

### Expenses

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

1,120,004,284	137,539,300
-	-
423,531,594	152,476,336
61,520,581	29,197,075
51,892,738	11,117,727
<b>1,656,949,198</b>	<b>330,330,437</b>
<b>318,421,855</b>	<b>139,159,977</b>

### Profit before provision

## 20. Administrative expenses

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

234,650,023	67,296,312
144,955,626	71,049,113
1,048,173	165,545
10,453,838	2,529,670
20,302,910	4,411,043
9,400,000	6,000,000
1,555,000	700,500
287,500	57,500
878,526	266,652
<b>423,531,594</b>	<b>152,476,336</b>

## 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 agriculture & rural credit
Interest on staff loans

401,568,786	51,227,134
302,442,727	37,699,131
41,624	-
172,978,239	48,016,099
165,946	-
113,154,395	12,943,920
6,166,681	-
10,977,237	88,542
28,779,729	18,889
606,400	-
49,914,873	406,990
8,603,140	-
135,254	-
49,463	-
5,740,626	671,447
<b>1,101,325,120</b>	<b>151,072,152</b>
31,758,452	25,403,611
404,405,695	251,618,731
52,587,627	18,810,544
<b>1,590,076,894</b>	<b>446,905,038</b>

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



	2014 Taka	2013 Taka
<b>22. Interest paid on deposits and borrowings</b>		
<b>Interest on Deposits</b>		
Interest on savings deposits	8,383,571	1,603,915
Interest on special notice deposits	17,911,516	12,132,474
Interest on monthly savings schemes	4,123,675	147,849
Interest on monthly benefit schemes	37,094,463	2,275,106
Interest on special benefit schemes	17,347,376	1,490,774
Interest on fixed deposits	947,449,086	119,811,404
	<b>1,032,309,687</b>	<b>137,461,522</b>
Interest on call borrowing	67,424,355	77,778
Interest on credit lines	7,505,417	-
Interest on Bangladesh Bank Re-financing facilities	157,222	-
Interest on borrowing under REPO	12,607,604	-
	<b>1,120,004,284</b>	<b>137,539,300</b>
<b>23. Investment Income</b>		
Dividend Received on Shares	1,596,500	-
Income on treasury bills, bonds and debentures		
Interest on treasury bonds	210,967,070	899,485
Interest on treasury bills	21,291,079	11,640,914
Interest on reverse REPO	645,411	-
Gains on trading of government securities	42,116,053	-
	<b>275,019,613</b>	<b>12,540,399</b>
Gains on Capital Market	8,919,085	-
	<b>285,535,198</b>	<b>12,540,399</b>
<b>24. Commission, Exchange and Brokerage</b>		
Fees, commission and brokerage		
Commission on bills & remittance	103,462	1,150
Commission on letters of credit	26,393,790	2,672,874
Commission on letters of guarantee	14,407,782	1,621,568
Commission on acceptances	6,687,622	255,860
Commission on add confirmation	900	89,188
Commission on bank underwriting	229,463	310,353
	<b>47,823,019</b>	<b>4,950,993</b>
Exchange earnings (net)	31,238,084	3,236,896
	<b>79,061,103</b>	<b>8,187,889</b>
<b>25. Other Operating Income</b>		
Banking service charge	16,466,453	1,672,408
Postage charge recovery	356,101	2,025
SWIFT charge recovery	2,485,282	158,600
Miscellaneous income	1,390,022	24,056
	<b>20,697,858</b>	<b>1,857,089</b>





	2014 Taka	2013 Taka
<b>26. Salary and Allowances</b>		
Basic salary	93,089,446	32,267,332
House rent allowance	38,638,526	11,039,140
Conveyance allowance	7,507,730	1,710,749
Medical allowance	11,969,821	3,531,739
House maintenance allowance	9,632,154	2,696,972
Utility allowance	9,654,231	2,681,394
Leave fare assistance	10,154,955	3,050,839
Festival bonus	16,419,547	6,864,600
Incentive bonus	6,989,533	-
Bank's contribution on provident fund	7,608,600	1,961,846
Provision for gratuity	1,500,000	-
Salary to casual labourer	21,485,480	1,491,701
	<b>234,650,023</b>	<b>67,296,312</b>
<b>27. Rent, taxes, insurance, electricity etc.</b>		
Rent	116,810,599	63,091,519
Rates and taxes	5,205,784	1,461,353
Utilities	14,644,730	2,725,845
Insurance	8,294,512	3,770,396
	<b>144,955,626</b>	<b>71,049,113</b>
Rent amounting to Taka 3,263,871 paid during the year relates to 2013. Prior period adjustment was made in this regard by derecognizing the amount from rent and adjusting it with retained earnings brought forward.		
<b>28. Legal and professional expenses</b>		
Legal expenses	308,507	165,545
Professional fees	739,666	-
	<b>1,048,173</b>	<b>165,545</b>
<b>29. Postage, stamp, telecommunication etc.</b>		
Postage	612,194	39,699
Telephone and fax	827,376	104,227
Internet	6,405,696	1,901,724
SWIFT	2,608,571	484,020
	<b>10,453,838</b>	<b>2,529,670</b>
<b>30. Stationery, Printing, Advertisement etc.</b>		
Computer stationery	877,854	249,214
Printing stationery	3,267,487	237,036
Security stationery	510,058	5,560
Petty stationery	4,163,876	856,295
Advertisement and publicity	11,483,634	3,062,938
	<b>20,302,910</b>	<b>4,411,043</b>
<b>31. Managing Director's salary and allowances</b>		
Basic	4,050,000	2,700,000
House Rent	1,350,003	1,215,000
House maintenance	674,997	450,000
Medical	1,350,003	585,000
Festival bonus	700,000	600,000
Incentive bonus	600,000	-
Utility	674,997	450,000
	<b>9,400,000</b>	<b>6,000,000</b>



	2014 Taka	2013 Taka
<b>32. Directors' fees</b>		
Meeting attendance fees	1,555,000	700,500
Each director of the bank is paid Tk. 5,000/- per attendance in in board meeting and committee meeting.		
<b>33. Audit fees</b>		
Audit fees	250,000	50,000
VAT on audit fees	37,500	7,500
	<b>287,500</b>	<b>57,500</b>
<b>34. Repairs, maintenance and depreciation</b>		
Repair and maintenance	878,526	266,652
Depreciation / amortization		
Motor vehicles	1,202,083	613,334
Machinery and equipments	15,535,332	908,685
Furniture	7,131,361	1,148,423
Computer and peripherals	24,909,144	8,030,900
Software	2,178,165	334,557
Office tools and accessories	936,652	81,827
	51,892,738	11,117,727
	<b>52,771,264</b>	<b>11,384,379</b>
<b>35. Other Expenses</b>		
Entertainment expenses	4,302,897	1,035,565
Training expenses	2,574,807	312,223
Local travel expenses	3,523,995	759,348
Fuel and maintenance expenses - bank's vehicles	879,413	307,465
Fuel and maintenance expenses - executives' vehicles	20,451,536	4,559,100
Subscriptions to trade associations	2,387,849	-
CSR expenses	4,642,410	-
Business promotion and development	1,211,824	47,080
Charges & duties to Government	51,400	-
Conveyance	1,024,440	341,681
Cash carrying charge	808,395	61,225
Cartage and freight	40,600	43,820
Welfare and recreation	12,045	-
Washing and cleaning	1,048,356	1,146,829
Nostro account charges	870,543	-
Remittance charges	14,321	-
Clearing House and other bank charge	60,646	15,000
Expenses on AGM	111,653	455,710
Expenses on Managers' Conference	105,540	-
Miscellaneous Expenses	386,014	409,829
Loss on Sale/Purchase of Govt. Securities	1,938,886	-
Loss on Revaluation of Investment	12,674,079	1,169,512
Branch & head office inauguration expenses	2,398,933	3,563,042
Preliminary expenses	-	14,969,645
	<b>61,520,581</b>	<b>29,197,075</b>





	2014 Taka	2013 Taka
<b>36. Earning per share (EPS)</b>		
a) Net profit after tax	65,999,215	46,341,768
b) Number of ordinary shares	408,960,000	408,960,000
<b>Earnings per share ( a ÷ b)</b>	<b>0.16</b>	<b>0.11</b>
<b>37. Increase / (decrease) of other assets</b>		
Closing -		
Stock of stationeries and stamps	2,217,193	570,513
Advance rent, advertisement, etc.	294,892,875	208,794,858
Security deposits	308,819	66,550
Suspense accounts	137,678,681	128,679,895
	<b>435,097,568</b>	<b>338,111,816</b>
Opening -		
Stock of stationeries and stamps	570,513	-
Advance rent, advertisement, etc.	208,794,858	-
Security deposits	66,550	-
Suspense accounts	128,679,895	-
	<b>338,111,816</b>	<b>-</b>
	<b>96,985,752</b>	<b>338,111,816</b>
<b>38. Increase / (decrease) of other liabilities</b>		
Closing -		
Sundry creditors	1,696,972	2,172,638
Central EFT adjustment account	5,068,779	-
	<b>6,765,751</b>	<b>2,172,638</b>
Opening -		
Sundry creditors	2,172,638	-
Central EFT adjustment account	-	-
	<b>2,172,638</b>	<b>-</b>
	<b>4,593,114</b>	<b>2,172,638</b>
<b>39. Net asset value per share (NAV)</b>		
a) Capital / shareholders' equity for the period	4,242,705,946	4,137,701,488
b) Number of outstanding shares	408,960,000	408,960,000
<b>Net asset value per share (NAV) ( a÷b)</b>	<b>10.37</b>	<b>10.12</b>
<b>40. Net operating cash flow per share</b>		
a) Net cash flow from operating activities	3,597,285,189	1,115,363,637
b) Number of outstanding shares	408,960,000	408,960,000
<b>Net operating cash flow per share (NAV) ( a÷b)</b>	<b>8.80</b>	<b>2.73</b>
<b>41. Risk Factors and Risk Management</b>		

The Bank is following comprehensive Core Risks Management guidelines issued by Bangladesh Bank. Credit Risk Grading is done for all commercial exposures to minimize credit risks. Bank's Asset Liability Committee is entrusted with the responsibility of managing short-term & long-term liquidity. ALM guidelines have also been implemented. The Bank has established its KYC & operation control procedures for prevention of Money Laundering. The Bank has strengthened the internal control system and audit division to guard against lapses, fraud and forgeries. A comprehensive ICT policy has been formulated as per Bangladesh Bank guidelines and approved by the board of directors to minimize ICT risks which is followed meticulously.



**42. Number of employees**

The number of employees engaged for the whole period or part thereof who received a total remuneration of Tk. 36,000/- p.a or above were 386.

**43. Event after the balance sheet date**

No material event occurred after the balance sheet date.

**44. General**

- i) Figures appearing in these financial statements have been rounded off to the nearest Taka.
- ii) Figures of 2013 have been rearranged as per current year's presentation.

Chairman

Director

Director

Managing Director & CEO





## Annexure - A

## South Bangla Agriculture and Commerce Bank Ltd

### Related party disclosures

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

#### i) Directors' interest in different entities:

SL No	Name of the Director	Status with the Bank	No. of shares and percentage (%) share holding in the Bank	Name of the firms/companies/others (Trade Commerce, Financial, Agriculture & others) in which they are interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Percentage (%) share holding in the company	Remarks
1	Mr. S. M. Amzad Hossain	Chairman	2,00,00,000 & 4.89%	1. Lockpur Fish Processing Co. Ltd. 2. Khulna Printing & Packaging Ltd. 3. Bagerhat Seafood Ind. Ltd. 4. Southern Foods Ltd. 5. Shampa Ice & Cold Storage Ltd. 6. Western Inn International Ltd. 7. Metro Bricks Ltd. 8. Moon Star Jute Mills Ltd. 9. Khulna Builders Ltd. 10. Bangladesh Poly Printing Int'l Ltd. 11. Rupsha Fish & Allied Industry Ltd. 12. Ideal Polymer Export Ltd. 13. Eastern Polymer Ltd. 14. Moon Star Fish Ltd. 15. Khulna Apparels Ltd. 16. Woman Wears Ltd. 17. Ocean Trade International	80.00% 19.88% 75.00% 30.00% 90.00% 20.00% 51.00% 44.00% 51.00% 50.00% 45.00% 30.00% 50.00% 60.00% 50.00% 50.00% 100.00%	
2	Mr. Talukder Abdul Khaleque	Vice-Chairman	*20,00,000 & 0.49%	1. M/S Nahar Trading	100.00%	
3	Ms. Begum Sufia Amjad	Director	1,90,00,000 & 4.65%	1. Lockpur Fish Processing Co. Ltd. 2. Khulna Printing & Packaging Ltd. 3. Bagerhat Seafood Ind. Ltd. 4. Southern Foods Ltd. 5. Shampa Ice & Cold Storage Ltd. 6. Western Inn International Ltd. 7. Metro Bricks Ltd. 8. Moon Star Jute Mills Ltd. 9. Khulna Builders Ltd. 10. Bangladesh Poly Printing Int'l Ltd. 11. Rupsha Fish & Allied Industry Ltd. 12. Ideal Polymer Export Ltd. 13. Eastern Polymer Ltd. 14. Moon Star Fish Ltd. 15. Khulna Apparels Ltd. 16. Woman Wears Ltd.	20.00% 9.88% 25.00% 40.00% 10.00% 60.00% 49.00% 7.41% 49.00% 25.00% 23.00% 30.00% 50.00% 40.00% 50.00% 50.00%	



4	Mr. Maksudur Rahman	Director	1,71,00,000 & 4.18%	1. Ratanpur Steel Re-Rolling Mills Ltd.	27.23%	
				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 Poultry & Agro Products	100.00%	
				6. Modern Steel Mills Ltd.	30.08%	
				7. Ratanpur Real-State & Development Ltd.	25.00%	
				8. Sapphire Corporation Ltd.	65.00%	
5	Mr. AZM Shofiuddin	Director	2,00,00,000 & 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%	
6	Mr. Abdul Kadir Molla	Director	4,00,00,000 & 9.78%	1. Thermax Textile Mills Ltd.	29.98%	
				2. Thermax Knit Yarn Ltd.	30.00%	
				3. Thermax Spinning Ltd.	60.00%	
				4. Thermax Blended Yarn Ltd.	30.00%	
				5. Indigo Spinning Ltd.	55.00%	
				6. Thermax Melange Spinning Mills Ltd.	60.00%	
				7. Thermax Yarn Dyeing Ltd.	50.00%	
				8. Adury Knit Composite Ltd.	50.00%	
				9. Adury Apparels Ltd.	12.00%	
				10. Thermax Woven Dyeing Ltd.	60.00%	
				11. Thermax Yarn Dyed Fabrics Ltd.	20.00%	
				12. Sister Denim Composite Ltd.	19.00%	
				13. Thermax Check Fabrics Ltd.	60.00%	
				14. Thermax Colour Cotton Ltd.	20.00%	
				15. Sister Garments Ltd.	50.00%	
				16. Sultana Filling Point Ltd.	55.00%	
				17. Kadir Molla Medical College & Hospital Ltd.	30.00%	
				18. Thermax Printing & Embroidery Ltd.	60.00%	
7	Mr. Md. Amzad Hossain	Director	*65,00,000 & 1.59%	1. Khulna Printing & Packaging Ltd.	5.00%	
				2. Bangladesh Poly Printing International Ltd.	5.00%	
				3. Ideal Polymar Export Ltd.	10.00%	
				4. International Core Factory Ltd.	10.00%	
8	Engr. Md. Moklesur Rahman	Director	2,00,00,000 & 4.89%	1. Contech Construction Ltd.	65.00%	
				2. Pre Stressed Pole Ltd	65.00%	
				3. B&T Cables Ltd	70.00%	
				4. B&T Cold Storage Ltd.	6.67%	
				5. B&T Development Ltd.	33.33%	
				6. Helvetia Agro Industries Ltd.	50.00%	
				7. B&T Distribution	100.00%	
				8. B&T Meter	100.00%	
9	Ms. Sanawar Bano	Director	2,00,00,000 & 4.89%	1. Famous Printing & Packaging Ltd.	0.04%	
				2. Famous Iberchem Flavours & Fragnances Ltd.	0.01%	
				3. Famous General Agencies Ltd.	0.40%	
				4. Matcon limited	0.72%	
				5. F.S. Printing & Packaging Ltd.	0.18%	
				6. Green Soap & Chemical Co. Ltd.	0.34%	
				7. Famous Flavours & Fragnances Ltd.	40.00%	
				8. M/S Sanawar Bano	100.00%	
10	Mr. Hafizur Rahman Babu	Director	1,50,00,000 & 3.67%	1. Joytun Securities International Ltd	85.12%	
				2. Joytun Developers Ltd.	50.00%	
				3. S.B. Agro Fertilizer Industries Ltd.	33.33%	
				4. Sheikh Cement Mills Ltd.	18.18%	





				5. Gold Hill Properties Ltd.	15.00%	
				6. Sheikh Jute Mills Ltd.	16.67%	
				7. M/S. Sheikh Brothers	100.00%	
				8. M/S. Hafizur Rahman Babu	100.00%	
11	Mr. Anwar Hussain	Director	*25,00,000 & 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.	10.00%	
				5. Asuka CNG Filling Station Ltd.	25.00%	
12	Ms. Tahmina Afroz	Director	2,00,00,000 & 4.89%	1. Anwer Khan Modern Hospital Ltd.	10.00%	
				2. Haji Shakhawat Anwara Eye Hospital Ltd.	10.00%	
				3. Modern Diabetic Centre Ltd.	10.00%	
				4. Far East Finance & Investment Ltd.	1.34%	
				5. Modern Holdings Ltd.	50.00%	
				6. Mother Trade Centre	100.00%	
13	Mr. Shakhawat Hossain Representing Hazi Shakhawat Anwara Eye Hospital Ltd.	Director	2,00,00,000 & 4.89%	General Manager, Anwer Khan Modern Hospital Ltd. & Diagnostic Centre.	N/A	
14	Mr. Mrinal Kanti Debnath	Director	*60,00,000 & 1.47%	1. Khulna Printing & Packaging Ltd.	5.00%	
				2. Bangladesh Poly Printing International Ltd.	5.00%	
				3. Rupsha Fish & Allied Industry Ltd.	5.00%	
15	Mr. Mohammed Ilias	Director	1,50,00,000 & 3.67%	1. Liberty Enterprise Ltd. ✓	80.00%	
				2. Liberty Accessories (BD) Ltd.	80.00%	
				3. MIP (BD) Ltd.	50.00%	
				4. Sunrise Accessories Ltd.	75.00%	
				5. Chittagong Cartons Ltd.	75.00%	
				6. Liberty Poly Zone (BD) Ltd.	80.00%	
				7. AMI Accessories (BD) Pvt. Ltd. ✓	25.00%	
				8. Elfat Poly Packaging and Accessories Ltd.	40.00%	
				9. Rahman Poly, Hanger & Accessories Industry Ltd.	65.00%	
16	Mr. Muhammad Mohsin	Director	1,20,00,000 & 2.93%	1. Chittagong Fibre Board Ltd.	43.33%	
				2. SAAD MUSA Fabrics Ltd. (Weaving Division)	22.33%	
				3. SAAD MUSA Fabrics Ltd. (Dyeing Division)	22.33%	
				4. Rokeya Spining Mills Ltd.	60.00%	
				5. Emdad Etima Spinning Mills Ltd.	60.00%	
				6. Mahamud Sajid Cotton Mills Ltd.	60.00%	
				7. Sultana Habiba Fabrics Mills Ltd.	60.00%	
				8. Saima Samira Textiles Mills Ltd.	60.00%	
				9. SAAD MUSA Fabrics Ltd.	22.33%	
				10. M A Rahaman Dyeing Industry Ltd.	40.00%	
				11. SAAD MUSA Hometex & Clothing Ltd.	40.00%	
				12. Hasni Vanaspati Manufacturing Co. Ltd.	79.18%	
				13. Ahmadi Oil Mills Ltd.	78.00%	
				14. Al-Mustafa Vegetable Oil Industry	77.12%	
				15. SAAD MUSA Housing Complex	100.00%	
				16. Desh Computers	100.00%	
				17. SAAD MUSA City Centre	100.00%	
				18. MARSS Automobile	100.00%	
				19. Crescent Industries Ltd.	2.50%	
				20. SAAD MUSA Properties Ltd.	100.00%	
				21. Shade Developers Ltd.	86.78%	
				22. Crescent Park Neighbor Hood	100.00%	
				23. SAAD MUSA Fishing Project	100.00%	
				24. S M Avenue Motors	100.00%	



17	Ms. Kamrun Nahar	Director	*50,00,000 & 1.22%	1. Canadian Trillium School	12.00%	
				2. Noor Asset Development	25.00%	
				3. Intelligent Technology Solutions Ltd.	20.00%	
				4. Far East International University	8.00%	
				5. MK Fisheries	100.00%	
18	Mr. Khan Habibur Rahman	Director	*20,00,000 & 0.49%	6. People's Leasing & Financial Services Ltd.	4.00%	
				1. Khulna Printing & Packaging Ltd.	5.00%	
				2. Bangladesh Poly Printing International Ltd.	5.00%	
19	Mr. Md. Mizanur Rahman Representing M/S. Contech Construction Ltd.	Director	2,00,00,000 & 4.89%	3. Rupsha Fish & Allied Industry Ltd.	5.00%	
				Executive Director, M/S. Contech Construction Ltd.	N/A	

\* 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 2014	Outstanding as at 31 Dec 2013
Mother Trade Center	Mrs Tahmina Afroz, Proprietor	Cash Credit	10.37	10.04
Haji Shakwat Anwara Eye Hospital	Mrs Tahmina Afroz, Director and Mr. Md. Shakwat Hossain, Managing Director	Cash Credit	9.97	9.61

- v) Lending policies to related parties:  
Related parties are allowed loans and advances as per general policy of the bank.
- vi) Business other than banking business with any related concern of the directors as per section 8 (2) of the 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	Lease period: 01.07.2013 to 30.06.2023

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





## South Bangla Agriculture and Commerce Bank Limited

Annexure - B

Schedule of Fixed Assets  
as at 31 December 2014

Particulars	Cost			Accumulated Depreciation			Net book value as at 31 December 2014
	Balance as at 01 January 2014	Additions during the year	Disposals during the year	Balance at 31 December 2014	Charge for the year	On disposal during the year	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Motor vehicles	4,600,000	3,385,000	-	7,985,000	1,202,083	-	6,169,583
Machinery and equipments	41,677,664	57,210,648	-	98,888,311	15,535,332	-	82,444,294
Furniture and fixtures	15,728,737	17,475,843	-	33,204,580	2,368,955	-	30,282,069
Interior decoration	16,902,561	49,849,966	-	66,752,527	4,762,406	-	61,395,254
Computers and accessories	102,631,872	41,679,765	-	144,311,637	24,909,144	-	111,371,593
Softwares	9,353,023	1,163,751	-	10,516,774	2,178,165	-	8,004,051
Other tools	1,897,950	5,677,526	-	7,575,476	936,652	-	6,556,997
<b>At 31 December 2014</b>	<b>192,791,807</b>	<b>176,442,499</b>	<b>-</b>	<b>369,234,305</b>	<b>51,892,738</b>	<b>-</b>	<b>306,223,841</b>
<b>At 31 December 2013</b>	<b>-</b>	<b>192,791,807</b>	<b>-</b>	<b>192,791,807</b>	<b>11,117,727</b>	<b>-</b>	<b>181,674,080</b>

### Rate of Depreciation

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

Particulars	Rate
Motor vehicles	20%
Machinery and equipments	20%
Furniture and fixtures	10%
Interior decoration	10%
Computers and accessories	20%
Softwares	20% or usable license 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	2014	2013
01	Paid up capital	4,089,600,000	4,089,600,000
02	Total capital (Tier I +II)	4,364,655,864	4,170,156,452
03	Surplus/(deficit) capital	364,655,864	170,156,452
04	Total assets	23,835,400,380	8,673,893,977
05	Total deposits	18,641,904,008	4,439,778,287
06	Total loans and advances	13,518,049,457	3,006,767,976
07	Total contingent liabilities and commitments	2,976,728,039	501,373,047
08	Advance deposits ratio (%)	72.51%	67.72%
09	Classified loans to advance ratio ( %)	-	-
10	Profit after tax and provision	65,999,215	46,341,768
11	Classified advances	-	-
12	Provision kept against classified advances	-	-
13	Surplus/(deficit) provision	-	-
14	Cost of fund (%)	13.27%	15.45%
15	Interest earning assets	21,177,310,929	7,537,732,559
16	Non interest earning assets	2,658,089,451	1,136,161,418
17	Return on investments (ROI) (%)	11.50%	9.43%
18	Return on Assets (ROA) (%)	0.41%	0.53%
19	Income from investments	285,535,197	12,540,399
20	Earnings per share	0.16	0.11
21	Profit per share	0.16	0.11
22	Price - earnings ratio (times)	-	-





## List of Existing Branches

SL NO.	Branch	Address	Phone Number
1	Principal Branch	Zaman Chamber, 47, Dilkusha C/A, Dhaka-1000.	02-9587346-48
2	Hemayetpur Branch	Hazi Ashraf Shopping Complex, Jadurchar Hemayetpur Bazar, Savar, Dhaka.	02-7742939
3	Ashulia Branch	Holding - 4104, Baipail, Bashundhara, Ashulia, Dhaka.	7789414, 7789415
4	Gulshan Branch	Casablanca 114, Gulshan Avenue, Gulshan Dhaka - 1212.	02-9853091, 9853093
5	Imamganj Branch	Crown Bhaban, 59 Mitford Road, Imamganj, Dhaka.	7342223
6	Uttara Branch	Plot - 71, Sector - 07, Cosmo Shopping Centre Azampur, Uttara, Dhaka.	02-7911471, 791186
7	Bhatiari Branch	N.D. Bhaban, D.T. Road, Bhatiari, Shitakunda Chittagong.	031-2781271
8	Agrabad Branch	96, Agrabad C/A, Agrabad, Chittagong.	031-2516183-85
9	Keraniganj Branch	Akhter Tower, Bridge Road, Dakkhin Kadamtoli Aganagar, Dakkhin Keraniganj, Dhaka.	02-7764456, 776445
10	Khulna Branch	Chamber Building Complex, 05 KDA Avenue Khan A Sabur Road, Khulna.	041-733426, 733464
11	Velanagar Branch	Mahbub Molla Concord Tower, Jailkhana Mor DC Road, Narsingdi Sadar, Narsingdi.	9452487
12	Katakhali Branch	Katakhali Mor, Khulna Mangla Sharak, Fakirhat Bagerhat.	046-6356117
13	Dhanmondi Branch	A M M Center (1st floor), Sat Masjid Road, Road - 3/A, House - 56/A, Dhanmondi, Dhaka.	01711 169 675
14	Sylhet Branch	Sylmart Complex (1st floor), 11, Naya Shorok East Zinda Bazar Sylhet	0821-726297-8
15	Jubilee Road Branch	Ali Building (1st Floor), 837, Jubilee Road Chittagong.	031-2856695-96
16	Bogra Branch	Padma Mansion, Dutta Store (1st Floor) 742, Jhautola Rajabazar, Bogra.	051-69727
17	Mawna Branch	Hazi Abdul Khaleque Master Super Market, Mulaid Telihati, Sreepur, Gazipur.	044-78984788
18	Islampur Branch	Siddik Mansion, Islampur Bazar, Thana - Shahporan Sylhet.	0821-761441, 76216
19	Modunaghat Branch	South Madarsha, Rashid Bari, Hathazari, Chittagong.	031-671552, 671542
20	Shyamnagar Branch	469, Moti Morol Super Market Badghata, Shyamnagar Satkhira.	04-72644182
21	Gazipur Branch	Tajpur Tower (1st Floor), Bhaoal College Road Chandura Square, Gazipur	02-9294506, 9294507
22	Mainamati Branch	Haji Mustafa Palace & Faruk Plaza, Nishchintopur Mainamati Cantonment, Comilla	081-73730, 73740
23	Banglabazar Branch	Patwari Plaza (1st floor), Banglabazar, Nadna Sonaimuri, Noakhali.	01717 498 960
24	Banani Branch	28 & 30, Kemal Ataturk Avenue, Banani, Dhaka.	02-9822365-68
25	Chuknagar Branch	Holding: 240 (1st Floor), Chuknagar, Dumuria, Khulna	



SL NO.	Branch	Address	Phone Number
26	Satkhira Branch	Holding # 44/46 (Ground Floor), P.N. High School Road Sultanpur, Satkhira.	0471-63804, 63806
27	Barisal Branch	City Plaza (1st floor), 449 K.B. Hemayetuddin Road Barisal.	0431-2177718
28	Sarbolokkhona Branch	Holding #26 (1st Floor), Bagher Bitar Bazar Sarbolokkhona, Manohardi, Narsingdi.	
29	Rajshahi Branch	ARC Bijoy Tower, Holding # 3415 (Old), 30 (New) Rani Bazar, Boalia, Rajshahi.	0721-773375 0721-773653 0721-773395 0721-773693
30	Nababpur Branch	Holding # 219/220 (Old), 42 (New) Nababpur Road Sutrapur, Dhaka.	02-9512007 02-9512016 02-9512047 02-9512059
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.	
33	Ghonapara Branch	Ghonapara, Vate Dour, Gopalganj.	01714 747 065
34	Digraj Branch	Shaheen Market, Digraj, Biddar Baon 2 Burir Danga-Union, Mongla, Bagerhat.	0466-275208-09

## Proposed Branches:

SL NO.	LOCATION	DISTRICT
1	Motijheel	Dhaka
2	Nasirabad	Chittagong
3	Fatikchari	Chittagong
4	Rangpur	Rangpur
5	Jessore	Jessore
6	Narayanganj	Narayanganj
7	Baburhat	Narsingdi
8	Tekerhat	Madaripur
9	Morrelganj	Bagerhat
10	Bhomra	Satkhira





**SBAC Bank Limited**

সাউথ বাংলা এগ্রিকালচার এ্যান্ড কমার্স ব্যাংক লিমিটেড  
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 2<sup>nd</sup> AGM of the Company to be held on **Saturday, March 28th, 2015** or at any adjournment thereof.

Signed this ..... day of ....., 2015.

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 2nd AGM of the Company being held on **Saturday, March 28th, 2015 at 10.30** a.m. in our head office.

Name of Member/Proxy (In Block Letters) .....

Folio No. ....

No. of Shares held.....

Signature of the Member/Proxy .....

Date .....

N.B: 1. Members attending the Meeting in person or by proxy are requested to complete the Attendance Slip and deposit the same at the registration counter on the day of the Meeting.

2. Please note that AGM can be attended only by the Members or properly constituted Proxy. Therefore, any friend or children accompanying the Members or Proxy cannot be allowed in the Meeting.



### **Head Office**

Sun Moon Star Tower (Level - 10), 37 Dilkhusa C/A, Dhaka - 1000, Bangladesh.  
Tel: +8802 9577207 - 11, Fax: +8802 9577212, SWIFT: SBACBDDH.  
E - mail: [info@sbacbank.com](mailto:info@sbacbank.com), Web: [sbacbank.com](http://sbacbank.com)