# IAMUNABANK

# **FINANCIAL STATEMENTS 2016**

### **Notes to the Financial Statements** For the year ended 31 December 2016

### 3.02 Assets and basis of their valuation

3.02.1 Cash and cash equivalents Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, money at call and on short notice,

investments in treasury bills and prize bond. 3.02.2 Investments All investment securities are initially recognized at cost, including acquisition charges associated with the

### investment. Premiums are amortized and discounts are accredited. Held to maturity

Investments which have, 'fixed or determinable payments' and are intended to be held to maturity are classified as 'Held to Maturity'.

Held for trading Investment 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. Re-measured bond

### As per DOS circular letter no. 2 dated 19 January 2012, Treasury bond held in HFT category by the Primary

Dealer (PD) may be re-measured at amortized cost instead of fair value.

As per the DOS Circular letter no. 5 dated 26 May 2008, HFT securities are revaluated each week using Marking to Market concept and HTM securities are amortized once a year according to Bangladesh Bank guidelines.

Market value

Amortized value

### Value of investments has been shown as under:

<u>Items</u> Assessment of accounting Bangladesh Bank bills Amortized value Government treasury bills-HTM Amortized value

### Government treasury bonds-HFT Market value Prize bond & other bonds Cost price

Shares & debentures Cost or market price whichever is lower

### 3.02.3 Loans & advances and provision

Government treasury bills-HFT

Government treasury bonds-HTM

Interest is calculated on daily product basis but charged and accounted for quarterly on accrual basis. Interest on classified loans is kept in interest suspense account as per Bangladesh Bank guidelines and such interest is not accounted for as income until realized from borrowers. Interests are not charged on bad / loss loans as per instructions of Bangladesh Bank. Advances are stated at gross value.

Provision for loans and advances is made on the basis of year-end review by the management and on the basis of instructions contained in Bangladesh Bank BCD Circular No- 34 of 1989, BCD Circular No. 20 dated 27 December 1994, BRPD Circular No-12 dated 04 September 1995, BRPD Circular No- 16 dated 06 December 1998, BRPD Circular No-9 dated 14 May 2001, BRPD Circular No-8 of 2005 and BRPD Circular No-14 dated 23 September 2012, BRPD Circular No-19, dated 27 December 2012, BRPD Circular No-5, dated 29 May 2013 at the following rates:

Particulars	Rate
General provision on	
a. Consumer financing (House financing and loans to professional)	2%
b. Consumer Financing ( Other than 'a' )	5%
c. Small and medium enterprise financing (SMEF)	0.25%
d. Short term agriculture & micro credit	2.5%
e. Loans to BHs/ MBs/ Sds against shares etc	2%
f. All other credit	1%
Specific provision on	
a. Substandard loans and advances	
i. Short term agri. credit & micro credit	5%
ii. Other than short term agri. credit & micro credit	20%
b. Doubtful loans and advances	

c. Bad/Loss loans and advances 100% Loans and advances are written off to the extent that there is no realistic prospect to recovery as per guideline of Bangladesh Bank. However, write off will not reduce the claim against the borrower. Detailed records for all such write off accounts are maintained.

### 3.02.4 Property, plant and equipment and their depreciation Recognition and measurement

Short term agri. credit & micro credit

ii. Other than short term agri. credit & micro credit

Items of fixed assets excluding land are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses, if any. Land is measured at cost/revaluation.

Cost includes expenditure that are directly attributable to the acquisition of asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner.

When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed asset, and is recognized in other income/other expenses in

Property, Plant and Equipment are recognized as assets in accordance with Bangladesh Accounting Standards (BAS) 16 "Property Plant and Equipment".

# The cost of replacing a component of an item of fixed assets is recognized in the carrying amount of the item

if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the dayto-day servicing of fixed assets are recognized in profit or loss as incurred.

During the period under audit, depreciation is charged at the following annual rates on straight-line method on all fixed assets except land. Depreciation has been charged on addition during the period when respective assets put into use and in case of sale, up to the date of sale.

### Name of the assets Rate of depreciation

Building	2.50%
Furniture & fixture	10%
Office equipment	15%
Motor vehicle	20%
Books	20%

# 3.02.5 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 in the overall financial condition of the Bank.

# Non-banking assets are acquired on account of the failure of a borrower to repay the loan on time after

3.02.6 Non-banking assets

receiving the decree from the Court regarding the right and title of the mortgage property. The Bank has been awarded ownership of the mortgage properties according to the verdict of the Honorable Court in accordance with the section 33 (7) of "Artharin Adalat-2003". The value of Non-Banking Assets has been determined and reported in the financial statemetrs on the basis of valuation report of an Independent

# Liabilities and basis of their valuation

# 3.03.1 Deposits and other accounts

Deposits by customers and banks are recognized when the bank enters into contractual provisions of the arrangements with the counter parties, which is generally on trade date, and initially measured at the

### 3.03.2 Other liabilities Other liabilities comprise items such as provision for loans and advances/investments, provision for taxation,

interest payable, interest suspense, accrued expenses, obligation under finance lease etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, Income Tax Ordinance 1984 and internal policy of the Bank. 3.03.2 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 the BAS - 37 "Provisions, Contingent Liabilities and Contingent Assets".

# 3.03.3 Share Capital

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

3.03.4 Authorised Capital Authorised capital is the maximum amount of share capital that the Bank is authorised by its Memorandum

# and Articles of Association.

3.03.5 Paid up Capital Paid up capital represents total amount of shareholders' capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and

# proceeds of liquidation

are entitled to vote at shareholders' meetings. In the event of a winding-up of the Bank, ordinary shareholders are ranked after all other shareholders and creditors and are fully entitled to any residual Minority interest in subsidiaries Minority interest in business is an accounting concept that refers to the portion of a subsidiary corporation's

stock that is not owned by the parent corporation. The magnitude of the minority interest in the subsidiary company is always less than 50% of the outstanding shares, else the corporation would cease to be a subsidiary of the parent. Minority interest is reported on the consolidated income statement as a share of

profit belonging to minority shareholders. Statutory reserve

The 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. The Bank transferred 20% of its profit before tax for the year 2016 to statutory reserve account.

### Contingent liabilities, commitments and other off-balance sheet settlements A contingent liability is -

suspense account until realization.

A possible obligation that arises form past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the

### Bank; or A present obligation that arises from past events but it is not recognized because: \* it is not probable that an outflow of resources embodying economic benefits will be required to settle

- the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

### Revenue recognition The revenue during the period under audit is recognized satisfying the conditions as specified in Bangladesh Accounting Standards (BAS) 18 "Revenue Recognition". Details are as under:

# 3.07.1 Interest/profit income

# Interest is calculated on daily product on unclassified loans and advances but charged on quarterly and

card outstanding is calculated on daily product but charged on monthly basis. iii. Commission and discounts on bills purchased and discounted are recognized at the time of realization.

ii. Interest is charged on classified loans and advances by crediting interest suspense account as per BRPD

Circular No 16 of 1998 and such interest is taken into income account upon realization. Interest on credit

- iv. For Islamic Banking, profit is charged on unclassified investments on daily product basis and charged to
- the clients on quarterly and monthly basis, where applicable. Islamic Banking branches calculate profit on classified investments and credits the same to profit

- 3.07.2 Fees, commission and discounts income
- Fees, commission and discounts on bills purchased and discounted are recognized at the time of realization.
- 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. Interest/profit paid and other expenses
- In terms of the provisions of BAS-1 "Presentation of Financial Statements" interest/profit and other expenses
- are recognized on accrual basis. 3.09 Taxation

### a) Current tax

Provision for current tax has been made @ 40% as prescribed in the Finance Act, 2016 of the profit made by the Bank considering major taxable allowances and disallowances.

Deferred tax is calculated on the taxable/deductible temporary differences between tax base amount and carrying amount of assets and liabilities as required by Bangladesh Accounting Standard (BAS)-12 "Income

## Deferred tax normally results in a liability being recognized within the Statement of Financial Position. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all

taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

### 3.10 Provision for nostro accounts

As such, the Bank does not require to make provision.

As per instruction contained in the circular letter no. FEPD (FEMO)/01/2005-677 dated September 13, 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank, Bank are required to make provision regarding the un-reconciled debit balance of nostro account over more than 3 months as on the reporting date in these financials. Since there is no un-reconciled entries which are outstanding more than 3 months.

### Employee benefits The retirement benefits accrued for the employees of the Bank during reporting period have been accounted for in accordance with the provisions of BAS-19 "Employees Benefit".

### 3.11.1 Provident fund

Provident Fund benefits are given to the employees of the Bank in accordance with the locally registered Provident Fund Rules. This Fund is being operated under a Trustee Board. This fund got approval from the National Board of Revenue (NBR) on 28 August 2002. All employees of the bank are contributing 10% of the basic salary as subscription to the fund. The bank also contributes equal amount to the fund.

### 3.11.2 Superannuation fund

The Bank operates a Social Security Superannuation Fund and it is operated by a separate Board of Trustees and Superannuation Fund Rules of the Bank. This fund got approval from the National Board of Revenue (NBR) on 04 January 2004.

### 3.11.3 Gratuity

The Bank operates a funded gratuity scheme approved by the National Board of Revenue (NBR) on 04 April 2010. In the Bank gratuity scheme covers all permanent employees of the Bank. The company made provision to meet-up claim of out going employees. The gratuity is calculated on the basis of last basic pay and is payable at the rate of two months basic pay for every completed year of service upon fullfilling the eligibility criteria instead of accounting for gratuity from the year of joining as per BAS 19. The eligibility criteria for accounting for gratuity is 6 (six) years of continued service with the Bank or a period of 3 (three) years with other Banks and 3 (three) years with Jamuna Bank Limited. Actuarial valuation has been done as per the requirements of BAS 19 for the year 2015.

normally in first month of every following the year and the costs are accounted for in the period to which it

### 3.11.4 Incentive bonus An incentive bonus is given to the employees in every year. The incentive bonus amount is paid annually,

5%

50%

3.12 Number of employees

The number of employees engaged for the whole year or part thereof who received a total yearly remuneration of Tk 36,000 or above were 2,452 in 2016 and 2,302 in 2015. Earnings per share (EPS)

Earnings per share have been calculated in accordance with BAS-33:"Earnings per Share". The Group and the Bank present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group/Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### Reconciliation of inter-bank/books of accounts

Books of Accounts with regard to inter-bank (in Bangladesh & out side Bangladesh) and inter-branch have been reconciled and there is no material difference, which might effect the financial statements significantly. Reconciliation statement with Bangladesh Bank enclosed in Annexure- A-1.

In banking organization, risk is the possibility that outcome of an action or event could bring up adverse impact. Such outcome could either result in a direct loss of earnings/capital or may result in imposition of constraints on banks' ability to meet their business objectives. Risk is the outcome of losses due to sudden downturn in economy or falling interest rates. Banks have to rely on their capital as a buffer to absorb such losses. The types and degree of risks an organization may be exposed depend upon a number of factors such as its size, complexity business activities, volume etc. Initially Bangladesh Bank has issued guidelines on six core risk areas and accordingly scheduled banks operating in Bangladesh has implemented the guidelines for better risk management practice. Implementation of core risk management guidelines by Jamuna Bank Limited (JBL) and its status are discussed below.

# 3.15.1 Credit risk management

Credit monitoring

Credit risk arises while the borrowers or counterparty to a financial transaction fails to discharge an obligation as per agreed covenants, resulting in financial loss to the Bank. Credit exposures may arise from both the banking and trading books as well as Off-Balance sheet exposures. Credit risk is managed in the JBL through a framework that spell out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework. Credit policies and standards are considered and approved by the Board of Directors.

# Credit rating and measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention. The standard credit risk grading (CRG) system is used in both Corporate and SME Banking. The grading is used to assess the client along with a range of quantitative and qualitative factors. Our credit grades against Corporate & Medium clients are supported by external credit grades, and ratings assigned by external ratings agencies.

### exposures are reviewed by the Head Office Credit Committee (HOCC) and HOCC recommend the loan to the approval authority. All credit approval authorities are delegated by the Board of Directors to executives based on their capability, experience & business acumen. Credit origination and approval roles are segregated in all cases.

Major credit exposures to individual borrowers, groups of connected counterparties and portfolios of retail

We regularly monitor credit exposures, portfolio performance, and external trends through relationship and corporate administration team at Branch and Head Office. Internal risk management reports containing information on key environmental, political and economic trends across major portfolios; portfolio delinquency and loan impairment performance; as well as credit grade migration are presented to risk committees (HOCC and PAMC). The HOCC & PAMC meets regularly to assess the impact of external events and trends on the credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy and procedures. Accounts or portfolios are placed on Early Alert (EA) when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process overseen by the Monitoring & Recovery Division. Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Recovery unit. In Retail/Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behavior is also tracked and informed in lending decisions. Accounts which are past due are subject to a collections process, monitored in collaboration with the Relationship manager by the Risk function. Charged-off accounts of the Bank are managed by specialist recovery teams. Concentration risk

counterparty, for industry sector; and for product. Additional targets are set and monitored for concentrations by credit committee. Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Bank are reviewed and approved at least annually by the Board of Directors.

Credit concentration risk is managed within concentration caps set for counterparty or groups of connected

# Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, insurance, and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Collateral is valued in accordance with our credit policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value. 3.15.2 Foreign exchange risk

### rates. The risk that an investor will have to close out a long or short position in a foreign currency at a loss due to an adverse movement in exchange rates. The risk is most acute for businesses that deal in more than

one currency. However, other businesses are indirectly exposed to foreign exchange risk if, for example, their business relies on imported products and services. Foreign exchange risk should be managed where fluctuations in exchange rates impact the business profitability.

Foreign exchange risk is the risk that an investment's value changing due to changes in currency exchange

### Sources of foreign exchange risk: Foreign exchange risk for a business may arise from a number of sources, including: where the business is

- · where other costs, such as capital expenditure, are denominated in foreign currency
- where other income, such as royalties, interest, dividends etc, is received in foreign currency where the loans are denominated (and therefore payable) in foreign currency · where the business has offshore assets such as operations or subsidiaries that are valued in a foreign currency, or foreign currency deposits.
- Methods of measuring foreign exchange risk: There are many ways to measure foreign exchange risk, ranging from simple to complex measures.
- Following are some of the examples of the simpler measures which can be applied and understood by most
- MIS of foreign currency exposures Table of projected foreign currency cash-flows Sensitivity analysis

where export bill is received in foreign currency

Like other banks and financial institutions, Jamuna Bank Ltd. is also exposed to Foreign Exchange Risk that sprouts externally due to convergence and divergence of many factors in the international market. The foreign exchange business of the bank, fully backed by the underlying transactions, is well-managed as per Bank's internal risk management policies and guidelines and the guidelines of Bangladesh Bank (Central Bank of Bangladesh) . The Asset Liability Management Committee (ALCO) of the bank, headed by the Managing Director & CEO, reviews the risk management position of the bank on regular intervals and provides insights and guidelines to the Treasury Division to manage the foreign exchange risk of the Bank with minimum financial impact.

### 3.15.3 Asset Liability Management Risk The Bank has established an Asset Liability Committee (ALCO) contains 10 (ten) members headed by

Value at risk

Managing Director. The committee meets at least once in every month. The main responsibilities of ALCO are to look after the Financial Market activities, manage liquidity and interest rate risk, understand the market position and competition etc. The Asset Liability Management Committee also monitored the balance sheet risk. The balance sheet risk is defined as potential changes in earnings due to change in rate of interest and exchange earnings which are not of trading nature. To support ALM process, the most important strategy of the ALM of the Bank is medium to short-term funding and adequate liquidity both in local and foreign currency all time at the most appropriate funding cost. An important objective of ALCO is to provide cost effective funding to finance the asset growth and trade related transactions, optimize the funding cost, increase spread with the lowest possible liquidity, maturity, foreign exchange and interest rate risks.

### 3.15.4 Internal control and compliance risk:

Internal controls are the policies and procedures established and implemented alone, or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Bank is exposed to or in which it is engaged.

Objective of internal control: The primary objective of internal control system in a bank is to help the bank perform better through the use of its resources. Through internal control system bank identifies its weaknesses and takes appropriate measures to overcome the same. The main objectives of internal control are as follows:

- Efficiency and effectiveness of activities (performance objectives)
- · Reliability, completeness and timelines of financial and management information (information
- . Compliance with applicable laws and regulations (compliance objectives), Risk Recognition and
- Internal control system has been designed in such a way to recognize and assess all of the material risks that could adversely affect the achievement of the Bank's goals.
- Effective risk assessments identify and consider both internal and external factors.
- · Risk assessment by Internal Control System differs from the business risk management process which typically focuses more on the review of business strategies developed to maximize the risk/reward tradeoff within the different areas of the Bank. The risk assessment by Internal Control focuses more on compliance with regulatory requirements, social, ethical and environmental risks those affect the

Money Laundering Risk is one of the 6(six) core risk elements in banking business. Money Laundering Risk is

defined as reputational and legal risk under operational risk and expenses incurred as penalty for being non-

### 3.15.5 Money laundering risk:

banking industry.

complied in prevention of money laundering. In order to manage the AML risk, the bank has set up an effective Anti-Money Laundering programme in line with Anti-Money Laundering Act, 2012 and Bangladesh Bank guidance which has been updated through inclusion of Anti-Terrorist Act, 2012. The Bank has developed manuals for prevention of money laundering and introduced know Your Customer (KYC) program and Transaction Profile (TP) including uniform A/c opening form at branch level for meticulous compliance. The Bank recognizes this risk as a separate classification emphasizing due importance for being compliant on it by way of making conversant of all Executives/Officers through issuing Circulars and providing necessary training of AML and CFT issues by AML Division of the Bank. Designation of anti money laundering compliance officers (AMLCO):

### The Bank has designated a Chief Anti-Money Laundering Compliance Officer (CAMLCO) at its Head Office

initiated different projects considering Risk Management into consideration.

organized by Information Technology Division of the Bank.

procedures and measures and who reports directly to Senior Management and the Board of Directors. This provides evidence of Senior Management's commitment to efforts to combat money laundering and terrorist financing and more importantly, provides added assurance that the officers have sufficient clout to investigate potentially suspicious activities. 3.15.6 Information communication technology risk

In the year 2016 Bank has taken different initiatives to minimize ICT risks. Throughout the year Bank has

In the year 2012, the ICT Policy of the Bank was revised and amended to cope up with the recent ICT trends

and risks. IT Audit Team performed comprehensive IT Audit on different aspects of IT for the Data Centre,

who is empowered with sufficient authority to implement and enforce anti-money laundering policies,

Disaster Recovery Site and also for branches. The audit recommendations and suggestions were considered and accordingly steps were taken to minimize associated ICT Risks. Bank has arranged awareness programs and trainings on the field of ICT Risk and its mitigation for both business and technical human resources, from top management to the trainee officers. The idea behind this practice was to increase average ICT knowledge of the Bank through which probability of occurrence of policy noncompliance in the Bank will be minimized. A special session on ICT Risk Management was

Bank has amended its Risk Management Policy as per the standard Risk Management frameworks, which has been approved by the Board of Directors of the Bank. Practice of this Risk Management Policy has already been started in the organization in ICT fields in the vision of minimizing the ICT Risks.

Fault tolerant hardware along with high availability infrastructure was considered during procurement of

different hardware for commenced Projects of 2013. This will ensure hardware failure risks to minimize. The pursuit to control ICT risks was repeated throughout the year. This endeavor will further continue in the year 2016.

### 3.15.7 Interest rate risk Interest rate risk may arise either from trading portfolio or non-trading portfolio. The trading portfolio of the

Bank consists of Government treasury bills of 28 days maturity. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

### 3.15.8 Equity risk Equity risk arises from movement in market value of equities held. The risks are monitored by Investment

than the cost price at the balance sheet date 3.15.9 Operational Risk Operational risk may arise from error and fraud due to lack of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and Compliance Division undertakes periodical and special audit of the branches and divisions at the

Committee under a well designed policy framework. The market value of equities held was, however, lower

### Head Office for review of the operation and compliance of statutory requirements. The Audit Committee of the Board subsequently reviews the reports of the Internal Control and Compliance Division.

dated October 27, 2013.

Name of the BAS

3.15.10 Risk Management Committee Disclosures The Board of Directors constituted with the following members of the Risk Management Committee of the Board, the third Committee of the Board besides the Executive Committee and the Audit Committee in accordance with Bank Company (Amendment) Act 2013 and it does comply with the BRPD Circular no. 11,

SI.	Name of Member	Status with Bank	Status with Committee	
1	Mr. Md. Sirajul Islam Varosha	Director	Chairman	
2	Engr. A. K. M. Mosharraf Hussain	Director	Member	
3	Mr. Sakhawat, Abu Khair Mohammad	Director	Member	
4	Mr. Md. Mahmudul Hoque	Director	Member	
5	Mrs Tasmin Mahmud	Director	Member	

The Risk Management Committee of the Board has been formed after the Central Bank's instruction issued in October 27, 2013. The Committee conducted 4 (Four) meeting during the year where the following

- important issues were discussed / reviewed:
- i) Review the internal limit of sector and area wise exposure of the Bank; ii) Review the internal limit against off-balance sheet exposure; iii) Centralization process of the Bank;
- iv) Compliance of core risk inspection by Bangladesh Bank; v) Strengthening and updating risk management system of the Bank;
- vi) Review the internal capital adequacy assessment process; vii) Maximization of collateral securities on account of top borrowers to reduce probable impact on CAR due to instance of default;
- vii) Focus on rewarding business like Fuel, Energy and Fertilizer etc.. ix) Imposing cap for commodity financing; x) Review the business continuity plan and disaster recovery;

xi) Review the quarterly Risk Management paper and Strss Testing report;

- xii) Comprehensive Risk rating provided by Bangladesh Bank; xiii) Formation of Basel Uinit; xiv) Arrangement of regular training and workshop for head office and branch officials to create awareness;
- xv) Review the revised green nbanking policy, green stategic plan and green office guide; xvi) Monitoring of large loans and work order financing; xvii) Stock monitoring through routine and surprise physical inspection of the premises of the borrowers.

preparing the financial statements, the Bank applied most of the BASs and BFRSs as applicable.

3.16 Compliance of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as

BAS No

Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). While

Name of the BAS	BAS No	Status
Presentation of Financial Statements	1	Complied with some departure (Note 2.01.1)
Inventories	2	N/A
Cash Flow Statements	7	Complied with some departure (Note 2.01.1)
Accounting Policies, Changes in Accounting Estimates and Errors	8	Complied
Events after the Reporting Period	10	Complied
Construction Contracts	11	N/A
Income Taxes	12	Complied
Property, Plant and Equipment	16	Complied
Lease	17	N/A
Revenue	18	Complied
Employee Benefits	19	Complied with some departure (Note 2.01.1)
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Complied
Borrowing Costs	23	Complied
Related Party Disclosures	24	Complied
Accounting and Reporting by Retirement Benefit Plans	26	Complied
Consolidated and Separate Financial Statements	27	Complied
Investment in Associates	28	N/A
Interest in Joint Ventures	31	N/A
Financial Instruments: Presentation	32	Complied with some departure (Note 2.01.1)
Earning Per Share	33	Complied
Interim Financial Reporting	34	Complied
Impairment of Assets	36	Complied
Provisions , Contingent Liabilities and Contingent Assets	37	Complied
Intangible Assets	38	Complied
Financial Instruments: Recognition & Measurement	39	Complied with some departure (Note 2.01.1)
Investment Property	40	N/A
Agriculture	41	N/A
Name of the BFRS	BFRS No.	Status
The second secon	27 112 1121	210102

10

11

12

13

N/A

N/A

Complied

N/A

N/A

Complied

N/A

Complied

Complied

Complied with some departure (Note 2.01.1)

Complied with some departure (Note 2.01.1)

### Fair Value Measurement \* N/A = Not Applicable \*\* Relevant disclosures are made according to the requirement of Bangladesh Bank.

Reporting Standards

Share Based Payment

nsurance Contract

Operating Segments

Joint Arrangements

Resources

**Business Combinations** 

Discontinued Operations

Financial Instrument Disclosures

Consolidated Financial Statements

Disclosure of Interests in Other Entities

current year's presentation.

First-time adoption of Bangladesh Financial

Non-current Assets Held for sale and

Exploration for and Evaluation of Mineral

3.17 General i) Figures of previous years have been rearranged wherever considered necessary to conform to the

- Figures have been rounded off to the nearest Taka.
- iii) Expenses are shown including Value Added Tax (VAT) where applicable.