

Modhumoti Bank Limited

Independent Auditor's Report

and

Audited Financial Statements

As at and for the year ended 31 December 2019

Independent auditor's report
To the shareholders of Modhumoti Bank Limited
Report On the audit of financial statements

Opinion

We have audited the financial statements of Modhumoti Bank Limited ("the Bank"), which comprise the balance sheet as at 31 December 2019, and the profit and loss account, cash flow statement, statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the balance sheet of the Bank as at 31 December 2019, and of its profit and loss account, its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note #2 and comply with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The Financial Statements of the Bank as at and for the year ended 31 December 2018 were audited by A. Qasem & Co. who expressed an unmodified opinion on those statements on 20 May 2019.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter with those charged with governance.

Responsibilities of management and those charged with governance for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with IFRS as explained in note 2, and for such Internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Banking Companies Act, 1991 (as amended up to date) and the Bangladesh Bank Regulations require the management to ensure effective internal audit, internal control and risk management function of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

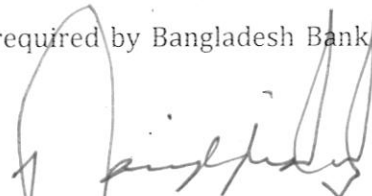
- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal control;
 - a) internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;
 - b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank.
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;

MABS & J Partners

Chartered Accountants

- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred were for the purpose of the Bank's business for the year;
- (vii) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (viii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 985 person hours for the audit of the books and account of the Bank; and
- (xi) capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dated: Dhaka, 27 June 2020



Nasir Uddin Ahmed FCA

Senior Partner

MABS & J Partners, Chartered Accountants

Modhumoti Bank Limited

Balance Sheet

As at 31 December 2019

<u>Particulars</u>	Notes	<u>Amount in BDT</u>	
		2019	2018
<u>PROPERTY AND ASSETS</u>			
Cash	4		
Cash in hand (including foreign currencies)		409,669,225	346,997,220
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		2,888,273,679	2,328,701,550
		3,297,942,904	2,675,698,770
Balance with other banks and financial institutions	5		
In Bangladesh		8,315,569,609	5,906,344,808
Outside Bangladesh		197,242,698	206,111,851
		8,512,812,307	6,112,456,658
Money at call on short notice	6	154,400,000	180,600,000
Investments	7		
Government		12,615,028,126	4,982,615,418
Others		547,978,832	103,267,586
		13,163,006,958	5,085,883,003
Loans and advances	8		
Loans, Cash Credit, Overdrafts etc.		39,266,920,736	32,693,770,419
Bills purchased and discounted		3,240,337,010	2,881,878,941
		42,507,257,746	35,575,649,360
Fixed assets including premises, furniture and fixtures	9	891,915,781	215,784,296
Other assets	10	2,599,603,240	1,846,668,543
Non - banking assets		-	-
Total assets		71,126,938,936	51,692,740,630
<u>LIABILITIES AND CAPITAL</u>			
Liabilities			
Borrowings from other banks, financial institutions and its agents	11	9,851,151,402	4,863,549,307
Deposits and other accounts	12		
Current Accounts and other Accounts		4,706,573,556	4,787,481,334
Bills Payable		1,109,393,079	1,171,494,988
Savings Bank Deposits		4,739,987,282	2,814,372,369
Special Notice Deposits (SND)		3,722,884,004	3,378,602,792
Fixed Deposits		35,842,106,740	25,591,960,038
Other Deposits		-	-
		50,120,944,660	37,743,911,522
Other Liabilities	13	4,555,288,573	2,828,373,216
Total Liabilities		64,527,384,635	45,435,834,044
Capital/Shareholders' Equity			
Paid up Capital	14.2	4,746,000,000	4,520,000,000
Statutory Reserve	15	1,371,215,695	1,053,286,265
Revaluation Reserve	16	3,653,005	343,207
Foreign currency translation gain	17	148,369	105,706
Surplus in Profit and Loss Account/ Retained Earnings	17 (a)	478,537,232	683,171,408
Total Shareholders' Equity		6,599,554,301	6,256,906,586
Total Liabilities and Shareholders' Equity		71,126,938,936	51,692,740,630

	Amount in BDT	
	2019	2018
Off-Balance Sheet Items		
Contingent liabilities		
Acceptances and Endorsements	5,419,147,997	3,953,511,356
Letters of Guarantees	14,864,559,864	12,497,052,615
Irrevocable Letter of Credits	5,373,564,514	4,427,456,601
Bills for Collection	2,445,929,194	1,994,499,092
Other Contingent Liabilities	678,235,200	128,535,600
Total Contingent Liabilities	28,781,436,770	23,001,055,263
Other Commitments		
Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Total other commitments	-	-
Total Off-Balance Sheet Items including Contingent Liabilities	28,781,436,770	23,001,055,263

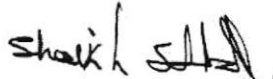
These Financial Statements should be read in conjunction with the annexed notes 1 to 37



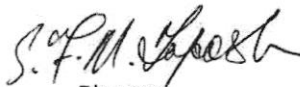
Chairman



Vice Chairman



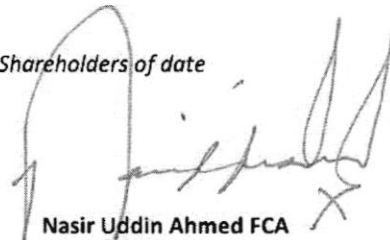
Director



Managing Director & CEO



See annexed Auditors' Report to the Shareholders of date



Nasir Uddin Ahmed FCA

Senior Partner

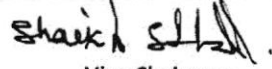
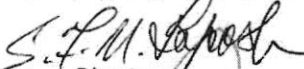


MABS & J Partners, Chartered Accountants

Dhaka, 27 June 2020

Modhumoti Bank Limited
Profit and Loss Account
For the year ended 31 December 2019

Particulars	Notes	Amount in BDT	
		2019	2018
Interest income	20	5,406,713,358	4,386,049,124
Interest paid on deposits and borrowings etc.	21	3,560,466,062	2,501,714,999
Net interest income		1,846,247,296	1,884,334,125
Investment income	22	636,384,241	373,629,915
Commission, exchange and brokerage	23	533,047,624	486,560,723
Other operating income	24	89,531,264	62,227,387
		1,258,963,130	922,418,026
Total operating income (A)		3,105,210,425	2,806,752,151
Salaries and allowances	25	522,402,473	446,419,992
Rent, taxes, insurance, electricity etc.	26	83,205,183	152,729,689
Legal expenses		485,000	385,000
Postage, stamp, telecommunication etc.	27	27,059,363	25,425,915
Stationery, printing, advertisements etc.	28	56,971,959	48,914,360
Managing Director's salary and fees	29	10,549,736	9,516,927
Directors' fees	30	1,808,000	1,464,000
Auditors' fees		250,000	250,000
Depreciation and repairs to bank's assets	31	175,327,352	63,860,131
Other expenses	32	149,554,210	115,853,173
Total operating expenses (B)		1,027,613,275	864,819,187
Profit before provision (C=A-B)		2,077,597,150	1,941,932,964
Provision for loans and advances	13.1		
General provision		72,600,000	60,400,000
Specific provision		316,500,000	141,900,000
Provision for Off-shore Banking unit		4,500,000	1,500,000
Provision for others	13.1 (b)	39,150,000	-
Provision for off-balance sheet items	13.2	52,200,000	55,700,000
Provision for Incentive of Good Borrowers	13.1 (a)	3,000,000	-
Total provision (D)		487,950,000	259,500,000
Total profit before tax (C-D)		1,589,647,150	1,682,432,964
Provision for taxation	33		
Current		716,297,467	704,174,341
Deferred Tax		82,054,429	(3,731,572)
		798,351,896	700,442,769
Net profit after tax		791,295,254	981,990,195
Retained Earnings brought forward from previous years		5,171,408	37,667,806
		796,466,662	1,019,658,001
Appropriations			
Statutory Reserve	15	317,929,430	336,486,593
Other Reserve		-	-
		317,929,430	336,486,593
Retained Surplus	17	478,537,232	683,171,408
Earnings Per Share (EPS)	36	1.67	2.07

Financial Statements should be read in conjunction with the annexed notes 1 to 37

Chairman  Vice Chairman  Director  Managing Director & CEO 

See annexed Auditors' Report to the Shareholders of date

Dhaka, 27 June 2020

Nasir Uddin Ahmed FCA
Senior Partner
MABS & J Partners, Chartered Accountants

Modhumoti Bank Limited
Cash Flow Statement
For the year ended 31 December 2019

	Notes	Amount in BDT	
		2019	2018
A. Cash Flow from Operating Activities			
Interest receipts in cash		5,808,827,351	4,792,313,656
Interest payments		(3,252,679,370)	(2,305,114,640)
Dividend receipts		8,780,820	8,219,744
Fees and commission receipts in cash		533,047,624	486,560,723
Recoveries on Loans previously written-off		-	-
Cash payments to employees		(502,952,209)	(435,936,919)
Cash payments to suppliers		(57,161,026)	(48,877,846)
Income taxes paid		(720,077,577)	(523,058,338)
Receipts from other operating activities	34	91,693,578	67,604,623
Payments for other operating activities	35	(326,438,227)	(297,158,093)
Operating profit before changes in operating assets and liabilities (i)		1,583,040,965	1,744,552,910
Increase / (decrease) in operating assets and liabilities			
Purchase of trading securities (Treasury bond/bill)		(4,721,144,334)	(113,220,696)
Loans and advances to customers		(6,931,608,385)	(5,394,350,200)
Other Assets		(3,327,125)	127,730,830
Deposits from other banks/ Borrowings		5,187,602,096	(513,109,193)
Deposits from customers		11,951,818,189	3,705,594,668
Other liabilities account of customers		(62,101,909)	855,320,183
Other Liabilities		89,594,058	19,271,348
Cash received from operating assets and liabilities (ii)		5,510,832,589	(1,312,763,061)
Net cash from operating activities (A=i+ii)		7,093,873,554	431,789,850
B. Cash flow from investing activities			
Proceeds from sale of securities		-	-
Payment for purchase of securities (Treasury bond/bill/shares)		(3,352,394,522)	(568,936,205)
Purchase of property, plant & equipment		(836,330,446)	(46,871,633)
Proceeds from Sale of property, plant & equipment		143,323	309,533
Net cash from investing activities (B)		(4,188,581,645)	(615,498,305)
C. Cash flows from financing activities			
Receipts from issue of ordinary shares		-	-
Proceeds from Lease Liability		673,463,233	-
Payment of Lease Liability (principal reduction)		(109,652,888)	-
Interest Expense on lease liabilities paid in cash		(20,469,834)	-
Dividends paid		(452,000,000)	(452,000,000)
Net cash from financing activities (C)		91,340,511	(452,000,000)
D. Net increase / decrease in cash & cash equivalent (A+B+C)		2,996,632,420	(635,708,456)
E. Effects of exchange rate changes on cash and cash equivalents		42,663	(584,493)
F. Cash and cash equivalents at beginning period		8,969,122,428	9,605,415,377
G. Cash and cash equivalents at end of period (D+E)		11,965,797,511	8,969,122,428
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)		409,669,225	346,997,220
Balance with Bangladesh Bank & its agent bank (including foreign currencies)		2,888,273,679	2,328,701,550
Balance with other banks and financial institutions		8,512,812,307	6,112,456,658
Money at call and on short notice		154,400,000	180,600,000
Prize bond (note: 7.1)		642,300	367,000
		11,965,797,511	8,969,122,428

These Financial Statements should be read in conjunction with the annexed notes 1 to 37



Chairman



Shaukat Hossain
Vice Chairman



Director



Managing Director & CEO

Modhumoti Bank Limited
Statement of Changes in Equity
For the year ended 31 December 2019

Amount in BDT

Particulars	Paid up capital	Statutory Reserve	Revaluation Reserve	Foreign currency translation gain	Surplus in Profit and Loss Account/ Retained Earnings	Total
Balance as at 1 January 2019	4,520,000,000	1,053,286,265	343,207	105,706	683,171,408	6,256,906,586
Statutory Reserve	-	317,929,430	-	-	(317,929,430)	-
Suplus/deficit on account of revaluation of investment	-	-	3,309,798	-	-	3,309,798
Issue of ordinary share	-	-	-	-	-	-
Cash dividend	-	-	-	-	(452,000,000)	(452,000,000)
Dividend (Bonus Share)	226,000,000	-	-	-	(226,000,000)	-
Foreign currency translation gain	-	-	-	42,663	-	42,663
Net profit for the year	-	-	-	-	791,295,254	791,295,254
Balance as at 31 December 2019	4,746,000,000	1,371,215,695	3,653,005	148,369	478,537,232	6,599,554,301
Balance as at 31 December 2018	4,520,000,000	1,053,286,265	343,207	105,706	683,171,408	6,256,906,586

These Financial Statements should be read in conjunction with the annexed notes 1 to 37



Chairman




Vice Chairman



Director



Managing Director & CEO

Modhumoti Bank Limited
Liquidity Statement
(Assets and liabilities Maturity Analysis)
As at 31 December 2019

Amount in BDT

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets:						
Cash in hand	870,966,804	-	-	-	2,426,976,100	3,297,942,904
Balance with other banks and financial institutions	5,552,812,307	2,060,000,000	900,000,000	-	-	8,512,812,307
Money at call and on short notice	154,400,000	-	-	-	-	154,400,000
Investments	642,300	3,251,001,767	968,548,332	5,038,087,553	3,904,727,005	13,163,006,958
Loans and advances	5,609,235,475	5,829,291,555	13,659,512,058	12,438,780,743	4,970,437,915	42,507,257,746
Fixed assets incl. premises, furniture and fixtures	-	-	39,789,074	734,189,897	117,936,809	891,915,781
Other assets	182,255,458	421,676,243	1,995,671,539	-	-	2,599,603,240
Non banking assets	-	-	-	-	-	-
Total assets (A)	12,370,312,344	11,561,969,565	17,563,521,003	18,211,058,194	11,420,077,830	71,126,938,936
Liabilities:						
Borrowings from Bangladesh bank, other banks, financial institutions and its agents	6,536,720,000	2,630,050,000	-	684,381,402	-	9,851,151,402
Deposits	5,603,034,758	9,471,389,787	19,969,128,947	11,728,901,059	3,348,490,109	50,120,944,660
Provision and other liabilities	-	-	-	2,263,043,118	2,292,245,455	4,555,288,573
Total liabilities (B)	12,139,754,758	12,101,439,787	19,969,128,947	14,676,325,580	5,640,735,564	64,527,384,635
Net liquidity gap (A - B)	230,557,586	(539,470,222)	(2,405,607,943)	3,534,732,614	5,779,342,266	6,599,554,301

Modhumoti Bank Limited
Notes to the Financial Statements
As at and for the year ended 31 December 2019

1. Reporting entity

1.1 Legal status and nature of the Bank

Modhumoti Bank Limited (the "Bank") is a scheduled commercial bank in the private sector established under the Bank Companies Act 1991 and incorporated in Bangladesh as a public limited company to carry out banking business in Bangladesh. The registered office of the Bank is located at Banglar Bani Bhaban, 81, Motijheel C/A, Dhaka-1000. The Bank has been running its banking operation following the Bank Companies Act 1991 (as Amended up to 2013), Central Bank's (Bangladesh Bank) regulation, Bangladesh Securities and Exchange Commission (BSEC) Rules & Regulations and all other laws & rules applicable in Bangladesh. The financial statements of the Bank as at and for the year ended 31 December 2019 provide financial information that is useful to existing and potential investors, borrowers, depositors, customers, creditors, regulators and other stakeholders to make their decision on banking & financial transactions, non-financial as well as compliance related issues.

1.2 Principal activities of the Bank

The Bank has 41 branches and 1 Off-shore Banking Unit as on 31 December 2019. The Bank offers services for all commercial banking needs of the customers, which includes deposit banking, loans and advances, export import financing, inland and international remittance facility, etc. The Bank is being run by a competent 'Management Team', under supervision of a strategic Board of Directors, having long sound background to serve the enterprises ranging from micro, small and medium enterprises and industries to large corporate houses keeping the tagline in mind, "Your Access to Success".

1.3 Off-shore Banking Unit (OBU)

The Bank obtained the Off-shore Banking Unit permission vide letter no. BRPD (P-3)744(124)/2015-2447, dated 02 April 2015. The Off-shore Banking Unit commenced its commercial operation on 23 September 2015. The Bank established its Offshore Banking Unit (OBU) with a view of catering the banking requirement of non-resident customers to increase foreign trade business at Export Processing Zones (EPZs). Over the years, OBU has become an important strategic business unit due to growing demand of cheaper foreign currency loan and Usance Payable at Sight (UPAS) Letter of Credit from the clients. The principal activities of the Unit are to provide all kinds of commercial banking services to its customers in foreign currencies approved by the Bangladesh Bank. Presently, the Bank has one Off-shore Banking Unit in operation in Bangladesh. The Unit is governed under the rules and guidelines of Bangladesh Bank.

2. basis of preparation of Financial Statements

2.1 Statement of compliance

The financial statements of the Bank have been made for the year ended 31 December 2019 and are prepared under the historical cost basis, except for certain investments which are stated at fair/market value in accordance with the First Schedule (Sec-38) of the Bank Companies Act 1991 (as Amended up to 2013), BRPD Circular # 14 dated June 25, 2003 and DFIM Circular # 11, dated December 23, 2009, other Bangladesh Bank Circulars, International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") adopted by the Institute of Chartered Accountants of Bangladesh ("ICAB"), the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges' listing regulations and other laws & rules applicable in Bangladesh. In cases where the requirements of Bangladesh Bank differ with those of IAS/IFRS, the requirements of Bangladesh Bank have been applied.

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is to be formed and it is to issue financial reporting standards for public interest entities such as banks. The Bank Companies Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International Financial Reporting Standards (IFRS) as issued by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable.

Accordingly, the financial statements of the Bank continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, Securities and Exchange Rules 1987. In case, any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

2.1.2 Use of estimates and judgments

In preparation of the financial statements management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas where estimates and judgments have been applied are to calculate provision for loans, advances and investments as per Bangladesh Bank guideline.

2.1.3 Foreign currency transaction

Foreign currency transactions are converted into equivalent BDT using the prevailing exchange rates on the dates of respective transactions as per IAS-21, "The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into BDT at weighted average rate of inter-bank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into equivalent BDT.

Assets and liabilities & income and expenses of Off-shore Banking Units have been converted into BDT currency @ US\$1 = Taka 84.90 (closing rate as at 31st December 2019) and Taka 84.49 (average rate at year-end).

Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at rates mentioned in contracts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in BDT terms at the rates of exchange prevailing on the balance sheet date.

Translation gains and losses

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

2.1.4 Statement of cash flows

Statement of cash flows have been prepared in accordance with the BRPD Circular No. 14, dated June 25, 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

2.1.5 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

- i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term;
- ii) Investments are on the basis of their respective maturity;
- iii) Loans and advances / investments are on the basis of their repayment schedule;
- iv) Fixed assets are on the basis of their useful lives;
- v) Other assets are on the basis of their realization / amortization;
- vi) Borrowing from other Banks, financial institutions and agents, etc. are as per their maturity / repayment terms;
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors;
- viii) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

2.1.6 Reporting period

These financial statements cover one calendar year from 1st January to 31st December 2019.

2.1.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2 Assets and basis of their valuation

2.2.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the Bank management for its short-term commitments.

2.2.2 Loans, advances and lease / investments

a) Loans and advances are stated in the balance sheet on gross basis.
b) Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realised from borrowers. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.

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

d) Provision for loans and advances is made on the basis of year-end review by the management following instructions contained in Bangladesh Bank BCD Circular no. 34, dated November 16, 1989, BCD Circular no. 20, dated December 27, 1994, BCD Circular no. 12, dated September 4, 1995, BRPD Circular no. 16, dated December 6, 1998, BRPD Circular no. 9, dated May 14, 2001, BRPD Circular no.02, February 2005, BRPD Circular no. 09, August 2005, BRPD Circular no. 17, dated December 06, 2005, BRPD circular no.32, dated October 27, 2010, BRPD Circular no.14, dated September 23, 2012, BRPD Circular no19, dated December 27, 2012, BRPD Circular no 05, dated May 29, 2013, BRPD Circular no 16, dated November 18, 2014, BRPD Circular no12, dated August 20,2017, BRPD Circular no 15, dated September 27, 2017, BRPD Circular No. 07, dated June 21, 2018 and BRPD Circular No. 13 dated October 18, 2018. The rates of provision for loans and advances are given below:

Particulars	Rate
General provision on unclassified general loans and advances / investments	1%
General provision on unclassified small enterprise financing	0.25%
General provision on interest receivable on loans / investments	1%
General provision on unclassified loans / investments for housing finance, loans for professionals to set-up business and loans to share business	2%
General provision on unclassified consumer financing other than housing finance, loan for professionals and loans for BGs/MBs/SDs	5%
General provision on Special Mention Account (SMA) except Short Term Agriculture Loans	0.25% - 5%
Specific provision on substandard loans and advances / investments	20%
Specific provision on doubtful loans and advances / investments	50%
Specific provision on bad / loss loans and advances / investments	100%

e) Loans and advances / investments are written-off to the extent that (i) there is no realistic prospect of recovery, and (ii) against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. These write-off however will not undermine / affect the claim amount against the borrower. During the year no loan account has been written off from the loan book of the Bank.

f) Amounts receivable on credit cards are included in advances to customers at the amounts expected to be recovered.

g) General Provision has been calculated against all unclassified Credit Card loans under Consumer Financing as per Bangladesh Bank guideline (ref: BRPD Circular No. 12 dated August 20, 2017).

h) Provision for Short-term Agricultural and Micro-Credits: BRPD Circular No- 15 dated 27 September, 2017.

2.2.3 Investments

All investment securities are initially recognised at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accredited, using the effective yield method 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 recognised in the statement of income for the period in which it arises. These investments are subsequently revalued at current market value on weekly basis as per Bangladesh Bank Guideline. Revaluation gain has been shown in revaluation reserve account & revaluation loss has been shown in Profit & Loss account.

Value of investments has been enumerated as follows :

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

2.2.4 Property, plant and equipment

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

a) All fixed assets are stated at cost less accumulated depreciation as per IAS-16 " Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

b) The Bank recognises, in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. 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.

c) Depreciation is charged for the year at the following rates on reducing balance method on all fixed assets other than vehicles and software on which straight line depreciation method is followed and no depreciation is charged on land:

Category of fixed assets	Rate of depreciation
Land	Nil
Buildings	2.50%
Furniture and fixtures	10%
Office equipments	20%
Library books	30%
Electrical equipments	20%
Computer equipments	20%
Motor Vehicles	20%

d) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.

e) On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds.

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

g) Leasehold properties are recorded at present value of minimum lease payments or fair market value, whichever is lower as per the provisions of IAS-17. The carrying value of leasehold properties is amortized over the remaining lease term or useful life of leasehold property, whichever is lower.

2.2.5 Intangible assets

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

b) Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. Intangible assets are carried at its 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 of 10 (ten) years commencing from the date of the application. Software is available for use over the best estimate of its useful economic life.

2.2.6 Impairment of Assets:

The policy for all assets or cash-generating units for the purpose of assessing such assets for impairment is as follows:

The Bank assesses at the end of each reporting period or more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired, whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the bank makes an estimate of the asset's recoverable amount. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered as impaired and is written down to its recoverable amount by debiting to profit & loss account.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired.

2.2.7 Other assets

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

2.2.8 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.

2.2.9 Receivables

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

2.2.10 Inventories

Inventories are measured at the lower of cost and net realizable value.

2.2.11 Leases

IFRS 16 defines that a contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 significantly changes how a lessee accounts for the transactions under operating leases.

Recognition & Measurement of Leases as a Lessee (detail accounting policy in Note 9)

Under IFRS 16, an entity shall be recognizing a Right-of-Use (ROU) Asset (i.e. the right to use the office building, branches, service center, call center, warehouse, etc.) and a corresponding lease liability. The asset and the liability are initially measured at the present value of unavoidable lease payments. The Depreciation on the ROU Assets and the Interest Expense on the lease liability is recognized in the Profit or Loss account over the lease term replacing the previous treatment as per IAS 17 i.e. charging 'lease rent expenses' under Operating Lease.

Accordingly, the Bank assesses whether a contract is a lease, in accordance with the guidance stated in the IFRS 16: Leases, by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value. Office premises for which monthly lease rental is the amount not exceeding Taka 25,000, ATM Booths and other installations are considered as low value asset.

2.2.12 Non-banking assets:

Non-banking assets are acquired on account of the failure of a borrower to repay the loan on time after receiving the decree from the Court regarding the right and title of the mortgage property. The Banks are 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 are determined and reported in the financial statements on the basis of valuation report of an Independent valuer. The Modhumoti Bank Limited is yet to acquire any non-banking asset till to the date of December 31, 2018

2.2.13 Reconciliation of inter-bank and inter-branch account

Accounts with regard to inter-bank are reconciled regularly and there are no material differences which may affect the financial statements significantly. Un-reconciled entries / balances in the case of inter-branch transactions as on the reporting date are not material.

2.3 basis for valuation of liabilities and provisions

2.3.1 Borrowings from other banks, financial institutions and agents:

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

Disclosures of borrowings against Repo are shown in notes- 7.

2.3.2 Deposits and other accounts

Deposits by customers and banks are recognised 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.

2.3.3 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, the Income Tax Ordinance 1984 and internal policy of the Bank. Details are shown in Notes 13.

2.3.4 Provision for liabilities

A provision is recognised in the balance sheet when the Bank has 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 IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provision for loans and advances have been accounted for in the financial statements following the Bangladesh Bank circulars & guidelines.

2.3.5 Provision for Off-balance sheet exposures

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. As per BRPD Circular # 14, dated September 23, 2012, banks are advised to maintain provision @1% against off-balance sheet exposures. The instructions mentioned in the BRPD Circular # 07, dated June 21, 2018 and BRPD Circular # 13, dated October 18, 2018 have also been followed for calculating provision against off-balance sheet exposures.

2.3.6 Provision for nostro accounts

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

2.3.7 Provision for rebate to good borrowers

As per BRPD Circular No. 06 (dated 19 March 2015) and BRPD Circular Letter No 03 (dated 16 February 2016) issued by Bangladesh Bank, Banks are required to provide 10% rebate on the interest closed from "good borrowers" subject to some qualifying criteria. Accordingly, the Bank has kept provision in the financial statements for the year ended 31 December 2019.

2.3.8 Provision for climate risk fund

As per GBCSRD Circular No 04 (9 July 2015) issued by Bangladesh Bank, Banks are required to maintain a climate risk fund of 10% of the CSR budget. To comply with this requirement the Bank has kept provision in the financial statements for the year ended 31 December 2019.

2.3.9 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act, 2019 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with IAS-12, "Income Taxes".

2.3.10 Deferred taxation

Deferred tax is accounted for in accordance with IAS 12, "Income Taxes". 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.

2.3.11 Benefits to the employees

The retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

a) Provident fund

Provident fund benefits are given to the permanent employees of the Bank in accordance with Bank's service rules. Accordingly a trust deed and provident fund rules were prepared. The Commissioner of Income Tax, National Board of Revenue, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from June 04, 2013. The Fund is operated by a Board of Trustees consisting six members (03 members from the Management and other 03 members from the Board of Directors) of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis.

b) Gratuity fund

The Bank operates a funded gratuity scheme on "Continuing Fund basis", in respect of which provision will be made annually according to the recommendation based on Actuarial valuation covering all of its permanent eligible employees in accordance with Bank's Service Rules. The Fund will be operating by a Board of Trustees consisting members from the Board of Directors and Management of the Bank. Actuarial valuation of gratuity scheme will be made to assess the adequacy of the liabilities provided for the scheme as per IAS-19 "Employees Benefit". Contributions to the fund shall be made on the basis of actuarial recommendations.

Recognition of Gratuity fund has been done by the National Board of Revenue vide their letter number 08.01.0000.035.02.264.19/603 dated January 16, 2020 and actuarial valuation for assessing the adequacy of liabilities of the fund is under process which will be completed within a short time.

c) Incentive bonus

Incentive bonus is given to the employees every year considering the overall performance of the Bank as well as individual's performance. This bonus amount is distributed among the employees based on their performance. The bonus amount is paid annually, normally in first quarter of every following year and the costs is accounted for in the period to which it relates. Generally, a certain percentage of disclosed net profit is disbursed among the employees. The aforesaid percentage is approved in the Board meeting so that adequate provision can be made for Incentive Bonus as per IAS-37.

2.4 Share Capital

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

2.4.1 Authorised Capital

Authorised capital is the maximum amount of share capital that the Bank is authorised by its Memorandum and Articles of Association. Details are shown in note 14.1.

2.4.2 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 are entitled to vote at shareholders' meetings. In the event of winding-up of the Bank, ordinary shareholders are ranked after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation. Details are shown in note 14.2.

2.4.3 Statutory Reserve

As per Bank Companies Act, the Bank requires to transfer 20% of its current year's profit before tax to statutory reserve until such reserve equals to its paid up capital. The Bank does comply with this requirement of law every year.

2.4.4 Revaluation reserve on government securities

When an asset's carrying amount is increased as a result of revaluation, the increased amount is credited directly to equity under the Head of Revaluation Surplus. Revaluation reserve arises from the revaluation of land and buildings as well as the revaluation of Treasury bills and bonds (HFT & HTM) in accordance with the DOS circular no. 5 dated 26 May 2008 and DOS(SR) 1153/120/2010 dated 8 December 2010. The Bank has not yet recognized any revaluation surplus against any kind of its fixed assets till to the balance sheet date. The tax effect on revaluation gain is measured and recognised in the financial statements as per IAS 12: Income Taxes.

2.5 Contingent liabilities

A contingent liability is -

A possible obligation that arises from 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 is not recognised because:

- a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

2.6 Revenue recognition

2.6.1 Interest income

In terms of the provisions of the IAS-18 "Revenue", the interest income is recognised on accrual basis. Interest on unclassified loans and advances are calculated at the prescribed rates to be taken into income. Interest is ceased to be taken into income when such loans and advances are marked as classified as per criteria prescribed by the Bangladesh Bank. It is then kept in interest suspense account. Interest on classified advances is accounted for on a cash receipt basis.

2.6.2 Investment income

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

2.6.3 Fees and commission income

Fees and commission income arising on services provided by the Bank are recognised when those are realized. Commission charged to customers on letters of credit and letters of guarantee is credited to income at the time of transactions being recorded in the books of accounts.

2.6.4 Income on Bills Purchased and Discounted

Income on Bills Purchased and Discounted is recognised upon realisation since there is no uncertainty as to its realisation and accrued on a monthly basis

2.6.5 Interest and fees receivable on credit cards

Interest and fees receivable on credit cards are recognised on an accrual basis. Interest and fees cease to be taken into income when the recovery of interest and fees is in arrear for three months. Thereafter, interest and fees are accounted for on realisation basis.

2.6.6 Dividend income on shares

Dividend income on shares is recognised during the period when right to receive is established.

2.6.7 Interest paid and other expenses

In terms of the provisions of IAS-1 "Presentation of Financial Statements", interest and other expenses are recognised on accrual basis.

2.6.8 Dividend payments

Interim dividend is recognised when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders.

The proposed dividend for the year 2019 has not been recognized as a liability in the balance sheet in accordance with the IAS-10 : Events After the Reporting Period.

Dividend payable to the Bank's shareholders is recognized as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive payment is established.

2.7 Risk management

Risk and return are inversely related. Making perfect balance between these two aspects is a classical predicament to successful growth of a business. The role of risk management started from this point which actually is the process of identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities.

The MANCOM, All Risk Committee (Management Level), Credit Evaluation Committee (CEC), Asset Liability Management Committee (ALCO), Supervisory Review Process (SRP) Team and IASel Unit (Supervisory Committee) comprising Executive and Senior Management, are high level management committees responsible for the overall management of the risk profile of the Bank. In view of core risk guidelines, the bank has established various divisions/units to address specific risk, e.g. credit risk management, credit administration, internal control & compliance, anti- money laundering, ICT, treasury division etc. Further to manage the overall risks of the Bank in line with Basel accords, the Bank has formed a dedicated a Risk Management Division (RMD).

The Bank faces a number of risks stemming from credit risk, liquidity risk, market risk, foreign exchange risk, interest rate risk, equity price risk, operational risk, legal risk and also reputation risk. The risk management systems in place at the Bank are discussed below:

2.7.1 Credit risk

Credit risk is the risk of loss that may occur from the default of any counterparty to repay in accordance with agreed terms and conditions and/or deterioration of creditworthiness. The failure may result from unwillingness of the counter party or decline in his / her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

A methodical assessment & due diligence are done before sanction of any credit facility at Credit Risk Management Division of the Bank. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facilities and various critical risk factors. The assessment process starts at Branch Credit department by the Officer and ends at Credit Risk Management Division in Head Office where it is approved / declined by the competent authority. Credit approval authority has been partially delegated to the individual executives. Proposal beyond their delegation are approved / declined by the Board / Executive Committee (EC) of the Board.

Credit Administration (CAD) monitors the documentation aspects of approved credits and also manages the deteriorating accounts as there is no Legal & Recovery Unit yet in the Bank.

All other remaining risk in regards to credit portfolio are addressed by the Risk Management Division (RMD), the primary responsibility of this Division is to identify and assess the severity of risks and highlight the same to the management for strategic decision making in regard to Residual Risk (documentation risk, valuation error etc.) and concentration risk etc.

2.7.2 Foreign Exchange Risk

Foreign exchange risk is the exposure of an institution to the potential impact of movements in foreign exchange rates. The risk is that adverse fluctuations in exchange rates may result in a loss in earnings. As per the guidelines of Bangladesh Bank, Modhumoti Bank Limited has developed a detailed Foreign Exchange Risk Management policies to minimize different types of risks associated with foreign exchange transactions. The Bank has also developed different strategies to handle foreign exchange risk by setting different types of limits and risk parameters to measure and monitor foreign exchange risk exposure of the Bank.

The foreign exchange desk of treasury division is involved in foreign exchange dealing activities with different counterparts; the treasury back office is engaged in transfer of funds and passing of the transaction entries in the books of accounts, and the mid office is responsible for verification of the deals. All foreign exchange transactions are revalued at market rate as per the directive of Bangladesh Bank. All Nostro Accounts are reconciled on a monthly basis and outstanding entries beyond 30 days are reviewed by the management for its settlement.

2.7.3 Asset Liability Management

Responsibility of managing and controlling liquidity of the bank lies with Asset Liability Committee (ALCO) that meets at least once in a month. Asset Liability Management (ALM) desk being primarily responsible for management of liquidity risk closely monitors and controls liquidity requirements on a daily basis by appropriate coordination of funding activities. A monthly projection of fund flows is reviewed in ALCO meeting regularly. On monthly basis, ALCO monitors liquidity management by examining key ratios, maximum cumulative outflow, upcoming funding requirement from all business units, asset-liability mismatch etc.

Asset-Liability Committee (ALCO) reviews country's overall economic position, the Bank's liquidity position, key performance ratios, interest rate risk, deposit and advance growth, cost of deposit & yield on advances, deposit & lending pricing strategy and different forecasted balance sheet risks of the Bank.

By strongly monitoring the maturity GAP of assets and liabilities and interest rates movement, Bank is able to maintain optimum liquidity with required regulatory compliances. A policy guideline on Assets Liability Management is formulated and approved by the Board of Directors of the Bank and revise it from time to time.

2.7.4 Money Laundering Risk

The bank has board approved 'Money Laundering and Terrorist Financing Risk Management Guidelines' to prevent the money laundering and terrorist financing risk of the Bank. For mitigating the risks, the Bank has a designated Chief Anti Money Laundering Compliance Officer (CAMLCO) and Deputy Anti Money Laundering Compliance Officer (De-CAMLCO) at Head Office and Branch Anti Money Laundering Compliance Officer (BMALCO) in the Branches, who independently review the transactions of the accounts to verify suspicious transactions. Training is continuously given to all category of Officers and Executives for developing awareness and skill for identifying suspicious activities / transactions.

The CAMLCO, De-CMALCO and BAMLCO ensures the reporting of Suspicious Transactions Reports (STR), and ensure AML & CFT compliance culture throughout the bank.

2.7.5 Internal Control & Compliance Risk

Internal control is the process, effected by the Board of Directors, Management & other personnel designed to provide reasonable assurance regarding the achievement of objectives with effectiveness & efficiency of operations. It encompasses all controls incorporated into the strategic, governance and management processes, covering the bank's entire range of activities and operations, and not just those directly related to financial operations and reporting. Its scope is not confined to those aspects of a business that could broadly be defined as compliance matters, but extends also to the performance aspects of a business.

Modhumoti Bank Ltd has established a System of Internal Control, which is designed to manage all the risks of failure to a reasonable level, achieve aims and objectives/goals of the Bank and this System provides reasonable assurance of effective & efficient operations covering all controls including financial & operational controls, reliability of the financial information, compliance with applicable laws & regulations, adherence to management policies, safeguarding of Bank's Assets, prevention & detection of fraud & errors, and accuracy & completeness of the accounting records.

2.7.6 Information and communication technology

With the increasing use of Information and Communication Technology in the activities of the Banks, risk management for Information and Communication Technology has become important. ICT Division is aimed to provide uninterrupted & efficient operations of all products, services and deliverables – Banks already offered or intends to do in future. In banking institutions, all risks should be recognized, addressed and managed in a prudent manner according to the fundamental characteristics and challenges. ICT risk is the risk associated with the use, ownership, operation, involvement, influence and adoption of ICT within an organization. Risks surrounding Information Technology, such as unauthorized access to a system, network failure, software failure, lack of skills, hacking, viruses attack and poor system integration poses threat for the organization. ICT risk of the Bank is addressed by finding out the weakness in a particular operation and initiating appropriate/ suitable strategy within the approved policies and procedures. To assist Risk Management Committee of Board of Directors, ICT Risk Management committee has been formed from Management team on 07th Sep. 2016 vide Office Order# HO/HRD/2016/1072 as per guideline of Bangladesh Bank.

MMBL has a comprehensive ICT Security Policy and procedures which are formally documented and approved by the Board of Directors of the Bank. The Bank follows the bottom-up approach that has been proven helpful in developing a set of relevant and important risk scenarios as followings:

2.7.7 Liquidity risk

The objective of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding IASe comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Treasury Department under approved policy guidelines. Treasury front office is supported by a very structured Mid office and Back office. The Liquidity management is monitored by the Asset Liability Committee (ALCO) on a regular basis. A written contingency plan is in place to manage extreme situation.

2.7.8 Market risk

The exposure of market risk of the Bank is restricted to foreign exchange risk, interest rate risk and equity risk.

Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings 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. No foreign exchange dealing on Bank's account was conducted during the year.

Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days is reviewed by the management for its settlement. The position maintained by the bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank.

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 held for trading. 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. The Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

Equity risk

Equity risk arises from movement in market value of equities held. The risks are monitored by the Investment Committee under a well designed policy framework.

2.7.9 Reputation risk arising from money laundering incidents

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 Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been established and transaction profile has been introduced. Training is continuously given to all category of Officers and Executives for developing awareness and skill for identifying suspicious activities / transactions.

2.7.10 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 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.

RISK MITIGATION PROCESS

Risk mitigation involves prioritizing, evaluating, and implementing the appropriate risk-reducing controls recommended from the risk assessment process. Risk mitigation is a systematic methodology used by senior management to reduce mission risk. Risk mitigation can be achieved through any of the following risk mitigation options:

Risk Assumption: To accept the potential risk and continue operating the IT system or to implement controls to lower the risk to an acceptable level.

Risk Avoidance: To avoid the risk by eliminating the risk cause and/or consequence (e.g., forgo certain functions of the system or shut down the system when risks are identified)

Risk Limitation: To limit the risk by implementing controls that minimize the adverse impact of a threat's exercising vulnerability (e.g., use of supporting, preventive, detective controls)

Risk Planning: To manage risk by developing risk mitigation plan that prioritizes, implements, and maintains controls

Research and Acknowledgment: To lower the risk of loss by acknowledging the vulnerability or flaw and researching controls to correct the vulnerability

Risk Transference: To transfer the risk by using other options to compensate for the loss, such as purchasing insurance.

Risk mitigation strategy was articulated in the following rules-

Option-1: When vulnerability (or flaw, weakness) exists, implement assurance techniques to reduce the likelihood of vulnerability's being exercised.

Option-2: When vulnerability can be exercised, apply layered protections, architectural designs, and administrative controls to minimize the risk of or prevent this occurrence.

Option-3: When the attacker's cost is less than the potential gain, apply protections to decrease an attacker's motivation by increasing the attacker's cost (e.g., use of system controls such as limiting what a system user can access and do can significantly reduce an attacker's gain).

Option-4: When loss is too great, apply design principles, architectural designs, and technical and non-technical protections to limit the extent of the attack, thereby reducing the potential for loss.

2.8 Earnings per share

Basic earnings per share

Basic earnings per share is calculated in accordance with IAS 33 "Earnings per Share" and is shown on the face of the profit and loss account. This has been calculated by dividing the IASic earnings by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share is not required to be calculated for the year as there was no scope for dilution during the year under review.

2.9 Events after the reporting period

Where necessary, all the material events after the reporting period have been considered and appropriate adjustment / disclosures have been made in the financial statements. Detail is presented in Note 37.6.

2.10 Memorandum items

Memorandum items are maintained to have control over all items of importance and for such transactions where the Bank has only a business responsibility and no legal commitment. Bills for collection, savings certificates, wage earners bonds etc. fall under the memorandum items. However, Bills for Collection is shown under contingent liabilities as per Bangladesh Bank's format of reporting.

2.11 Related party transaction

Related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged. Detail of related parties transaction are given in note- 37.

3. **Compliance report on International Financial Reporting Standards (IFRS/IFRS) and International Accounting Standards (IAS):**

Name of the standards	Ref.	Status
First-time Adoption of International Financial Reporting Standards	IFRS-1	Not applicable
Share-based Payment	IFRS-2	Not applicable
Business Combinations	IFRS-3	Not applicable
Insurance Contracts	IFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	IFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	IFRS-6	Not applicable
Financial Instruments: Disclosures	IFRS-7	Applied
Operating Segments	IFRS-8	Applied
Financial Instruments	IFRS-9	Not applied
Consolidated Financial Statements	IFRS-10	Applied
Joint Arrangements	IFRS-11	Not applicable
Disclosure of Interests in other Entities	IFRS-12	Not applicable
Fair Value Measurement	IFRS-13	Applied
Regulatory deferral accounts	IFRS-14	Not applicable
Revenue from contractors with customers	IFRS-15	Applied
Leases	IFRS-16	Applied
Insurance Contracts	IFRS-17	Not applicable
Presentation of Financial Statements	IAS-1	Applied *
Inventories	IAS-2	Not Applicable
Statement of Cash Flows	IAS-7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	IAS-8	Applied
Events after the Reporting Period	IAS-10	Applied
Construction Contracts	IAS-11	Not Applicable
Income Taxes	IAS-12	Applied
Property, Plant and Equipment	IAS-16	Applied
Leases	IAS-17	Applied
Revenue	IAS-18	Applied
Employee Benefits	IAS-19	Applied
Accounting for Government Grants and Disclosure of Government	IAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	IAS-21	Applied
Borrowing Costs	IAS-23	Applied
Related Party Disclosures	IAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	IAS-26	Not Applicable **
Separate Financial Statements	IAS-27	Not Applicable
Interests in Joint Ventures	IAS-31	Not Applicable
Financial Instruments: Presentation	IAS-32	Applied *
Earnings per Share	IAS-33	Applied
Interim Financial Reporting	IAS-34	Applied ***
Impairment of Assets	IAS-36	Not Applicable
Provisions, Contingent Liabilities and Contingent Assets	IAS-37	Applied
Intangible Assets	IAS-38	Applied
Financial Instruments: Recognition and Measurement	IAS-39	Applied *
Investment property	IAS-40	Not Applicable
Agriculture	IAS-41	Not Applicable

* In order to comply with certain specific rules and regulations of the local Central Bank (Bangladesh Bank) which are different to IAS/IFRS, some of the requirements specified in these IAS/IFRSs are not applied. Refer below (note - 3.2) for such recognition and measurement differences that are most relevant and material to the Bank.

** This Standard regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan. Therefore, it is not applicable for the Bank's annual report as it is the employer and not the retirement benefit plan itself.

*** The objective of IAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period and hence it is not applicable for annual financial statements.

3.1 Impact of New Accounting Standards

The Bank has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

(a) IFRS 16 Leases

IFRS 16, issued in January 2016 replaces existing guidance related to lease transactions and effective for reporting period beginning on or after 1 January 2019. IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Interest expense on lease liability and depreciation on ROU assets are charged in the Profit and Loss Account. Detail accounting policy is stated in note no. 9.

(b) IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

There are no other standards that are yet to be effective and that would be expected to have a material impact on the Bank's financial statements in the current or future reporting periods and on foreseeable future transactions.

3.2 Departures from IAS/IFRS

The financial statements of the Bank as at and for the year ended 31 December 2018 have been prepared under the historical cost convention except investments and in accordance with the "First Schedule" (section 38) of the Bank Companies Act 1991, as amended by Bangladesh Bank (the Central Bank of Bangladesh) through BRPD Circular No. 14 dated 25 June 2003, other Bangladesh Bank Circulars, International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and Dhaka & Chittagong Stock Exchange's listing regulations. In case, any requirement of provisions and circulars issued by Bangladesh Bank differs with those of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail. Material departures from the requirements of IFRS/IFRS are stated as under:

i) Investment in shares and Securities

IFRS: As per requirements of IFRS 9, classification and measurement of investment in shares and securities will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Based on these factors it would generally fall either under "at fair value through profit or loss account" or under "at fair value through other comprehensive income" where any change in fair value (as measured in accordance with IFRS 13) at the year end is taken to profit and loss account or other comprehensive income respectively.

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

ii) Revaluation gain/loss on Government securities

IFRS: As per requirement of IFRS 9 where securities will fall under the category of fair value through profit or loss account, any change in the fair value of assets is recognised through the profit and loss account. Securities designated as amortised cost are measured at effective interest rate method and interest income is recognised through the profit and loss account.

T-bills and T-bonds designated as 'held to maturity' are measured at amortized cost method and interest income is recognized through the profit & 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 recognised 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 amortisation of discount are recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at the year end and gains or losses on amortisation are recognised in other reserve as a part of equity.

iii) Provision on loans and advances

IFRS: As per IFRS 9 an entity shall recognise an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 month expected credit losses that may result from default events on such loans and advances that are possible within 12 months after reporting date.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 June 2012, 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 loan, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 14 dated 23 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 IFRS 9.

iv) Recognition of interest in suspense

IFRS: Loans and advances to customers are generally classified at amortised cost as per IFRS 9 and interest income is recognised by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently becomes credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.

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

v) Other comprehensive income

IFRS: As per IAS 1, Other Comprehensive Income is a component of financial statements or the elements of Other Comprehensive Income are to be included in a Single Other Comprehensive Income (OCI) 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 or the elements of Other Comprehensive Income allowed to include 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 IFRS 9. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

vii) Repo and Reverse Repo transactions

IFRS: As per IFRS 9 when an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is treated as a loan and the underlying asset continues to be recognised at amortised cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank: As per DOS Circular letter no. 6 dated 15 July 2010 and subsequent clarification in DOS circular no.2 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book. However, as per DMD circular letter no.7 dated 29 July 2012, non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralised repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognise the asset.

viii) Financial guarantees

IFRS: As per IFRS 9, financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The financial guarantee liability is subsequently measured at the higher of the amount of loss allowance for expected credit losses as per impairment requirement and the amount initially recognised less, income recognised in accordance with the principles of IFRS 15. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD circular no: 14 dated 25 June 2003, financial guarantees such as L/C, L/G will be treated as Off-Balance Sheet items. No liability is recognized for the guarantee except the cash margin.

ix) Cash and cash equivalent

IFRS: Cash and cash equivalent items should be reported as cash item as per IAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', Treasury bills, Prize bond are not shown as cash and cash equivalent. Money at call and on short notice is shown as a face item in balance sheet, and Treasury bills, Prize bonds are shown in Investment.

x) Non-banking asset

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

Bangladesh Bank: As per BRPD circular no: 14 dated 25 June 2003, there must exist a face item named Non-banking asset.

xi) Cash flow statement

IFRS: Cash flow statement can be prepared either in direct method or in 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 as per IAS 7.

Bangladesh Bank: As per BRPD circular no: 14 dated: 25 June 2003, cash flow is the mixture of direct and indirect method.

xii) Balance with Bangladesh Bank: (CRR)

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

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

xiii) Presentation of intangible asset

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

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

xiv) Off-balance sheet items

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

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

xv) Disclosure of appropriation of profit

IFRS: There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

Bangladesh Bank: As per BRPD circular no: 14 dated: 25 June 2003, an appropriation of profit should be disclosed in the face of Profit and Loss Account.

xvi) Loans and advance net of provision

IFRS: Loans and advances should be presented net of provisions.

Bangladesh Bank: As per BRPD circular no: 14 dated: 25 June 2003, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

3.3 The Bank's compliance with related pronouncements by Bangladesh Bank:

i) Internal Control

Main objective of internal control is to ensure that management has reasonable assurance on some issues such as (i) operations are effective, efficient and aligned with strategy, (ii) financial reporting and management information is reliable, complete and timely accessible, (iii) the entity is in compliance with applicable laws and regulations as well as its internal policies and ethical values including sustainability, and (iv) assets of the company are safeguarded and frauds & errors are prevented or detected.

Modhumoti Bank Limited has established an effective internal control system whose primary aim is to ensure the overall control of risks and provide reasonable assurance that the objectives set by the Bank will be met. It has designed to develop a high level risk culture among the Bank officials, establish efficient and qualified operating model of the Bank, ensure reliability of internal and external information including accounting and financial information, secure the Bank's operations and assets, and comply with laws, regulatory requirements and internal policies.

The Board of Directors of Modhumoti Bank Limited, through its Audit Committee, periodically reviews the effectiveness of Bank's internal control system covering all the material controls, including financial, operational and compliance controls, risk management systems, the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, training programs, budget, etc. Audit Committee of the Board reviews the actions taken on internal control issues identified by the Internal & External Auditors and Regulatory Authorities. It has active oversight on the internal audit's independence, scope of work and resources and it also reviews the functions of Internal Control & Compliance Division (ICCD) of Head Office, particularly the scope of the annual audit plan and frequency of the internal audit activities.

ii) Internal Audit

Internal Audit Mechanism is used as an important element to ensure good governance of Modhumoti Bank Limited. Internal Audit is the continuous and systematic process of examining and reporting on the activities of an organization undertaken by the specially assigned staff(s). They assure the Bank management that the Internal Controls are adequate and in operations, the policies and systems laid down are being adhered to and accounting records provided by the lower level are correct. Bank's internal audit Activities are effective and provide senior management with a number of important services. These include detecting and preventing fraud, testing internal control, and monitoring compliance with own policies & procedures, applicable rules & regulations, instructions/ guidelines of regulatory authority etc.

During the year 2018, ICCD conducted inspection on many of the Branches and Divisions of Head Office of the Bank and submitted reports presenting the findings of the audits/ inspections. Necessary control measures and corrective actions have been taken on the suggestions or observations made in these reports. The reports or key points of the Reports have also been discussed in the meetings of the Audit Committee of the Board and necessary steps have been taken according to the decision of the said Committee for correct functioning of Internal Controls & Compliance.

iii) Fraud and Forgeries

The term 'fraud' commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery and extortion. The increasing wave of fraud and forgery cases in the banking sector of Bangladesh in recent time calls for concerted steps in identifying ways for reducing or preventing frauds and forgeries by analyzing the causes and effect of frauds and forgeries, and prescribing effective control strategies for salvaging frauds. Modhumoti Bank Limited does always pay due attention on anti-fraud internal controls for prevention of fraud and forgery. The Bank has already implemented some strategies like Financial Control Strategy, Personnel Control Strategy, Credit Control Strategy, Administrative Control strategy, Process Control Strategy etc. in order to strengthening the control system further. Pre-employment screening process has been adopted for verifying the qualification, experience, credit check, criminal history search etc. in case of recruitment of officials. Although it is not possible to eliminate all frauds because of the inherent limitations of Internal Control System, the Board of Directors and Bank Management have taken all the measures to keep the operational risk in a very minimum level. Internal Control and Compliance Division (ICCD) assesses and evaluates the effectiveness of Bank's anti-fraud internal control measures, recommends for further improvement in implementation of aforesaid strategies and reports to the Bangladesh Bank on effectiveness of controls at the end of each quarter following their prescribed format.

3.4 Operating segments

The Bank have no identified operating segment and as such presentation of segmental reporting is not made in the financial statements as per IFRS 8.

3.5 Approval of financial statements

The Bank in its 49th Board Meeting held on 27 June, 2020 approved the Financial Statements for the year ended 31 December 2019.

3.6 General

- a) These financial statements are presented in BDT (Taka), which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest BDT (Taka).
- b) The expenses, irrespective of capital or revenue nature, accrued/ due but not paid have been provided for in the Books of the Bank.
- c) Figures of previous year have been rearranged whenever necessary to conform to current year's presentation.

	Amount in BDT	
	2019	2018
4. Cash of the Bank		
In hand:		
Local currency	405,266,677	343,654,739
Foreign currencies	4,402,548	3,342,481
	409,669,225	346,997,220
Balance with Bangladesh Bank:		
Local currency	2,799,171,955	2,170,545,168
Foreign currencies	83,500,805	153,575,029
	2,882,672,760	2,324,120,198
Balance with Sonali Bank Limited (as agent of Bangladesh Bank):		
Local currency	5,600,920	4,581,352
	2,888,273,679	2,328,701,550
	3,297,942,904	2,675,698,770

- 4.1** Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with Section 33 of Bank Company Act 1991, DOS circular no. 01 dated 19 January 2014, MPD circular no. 01 dated 23 June 2014 and MPD circular no. 01 dated 03 April 2018.

The Cash Reserve Requirement on the Bank's time and demand liabilities has been calculated at the rate of 5% on daily basis and 5.5% on bi-weekly basis and maintained with Bangladesh Bank in current account and 13% Statutory Liquidity Ratio, is calculated on the same liabilities and has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both reserves maintained by the Bank are shown below:

4.1.1 Cash Reserve Requirement (CRR)

As per Bangladesh Bank DOS Circular No. 01 dated January 01, 2014, MPD circular no. 01 dated 23 June 2014 and MPD circular no. 01 dated 03 April 2018, Bank has to maintain CRR @ 5.5% on bi-weekly average basis and minimum @ 5% on daily basis.

i) Daily basis

5% of average Demand and Time Liabilities

Required reserve	2,426,976,100	1,769,764,854
Actual reserve held (Average daily on bi-weekly basis)	2,806,444,849	2,143,695,741
Surplus	379,468,749	373,930,888

ii) Bi-weekly average basis

5.5% of average Demand and Time Liabilities

Required reserve	2,669,673,710	1,946,741,339
Actual reserve held (Average daily on bi-weekly basis)	2,806,444,849	2,143,695,741
Surplus	136,771,139	196,954,402

4.1.2 Statutory Liquidity Ratio (SLR)

13% of required Average Demand and Time Liabilities:

Required reserve	6,310,137,860	4,601,388,619
Actual reserve held	13,024,659,377	5,526,200,040
Surplus	6,714,521,517	924,811,420

Held for Statutory Liquidity Ratio

Cash in hand	409,669,225	346,997,220
Balance with agent bank (Sonali Bank Ltd.) as per statement	-	-
Prize Bond	-	-
Excess of CRR	136,771,140	196,954,402
Bangladesh Bank Bills	-	-
Government treasury bonds	12,478,219,012	4,982,248,418
	13,024,659,377	5,526,200,040

5 Balance with other banks and financial institutions

In Bangladesh (Note -5.1)

Outside Bangladesh (Note-5.2)

8,315,569,609	5,906,344,808
197,242,698	206,111,851
8,512,812,307	6,112,456,658

Also refer to note 5.3 for maturity wise grouping

5.1 In Bangladesh

Current account:

Prime Bank Limited
Jamuna Bank Limited
Trust Bank Limited
Sonali Bank Limited

51,894	104,569
2,437,672	1,228,013
6,877,265	4,106,046
-	-
9,366,831	5,438,629

Short term deposits account:

Prime Bank Limited
Eastern Bank Limited
Janata Bank Limited
The City Bank Limited
Sonali Bank Limited
Bank Asia Limited
Habib Bank Limited

5,007,253	9,633,952
3,045,710	1,044,780
35,431,317	66,349,291
3,055,906	3,882,412
76,564,784	11,593,521
3,025,539	5,097,439
72,269	35,904,784
126,202,778	133,506,179

Fixed deposits:

In Banks

Meghna Bank Limited
Premier Bank Limited
South Bangla Agricultural Bank Limited
Habib Bank Limited
Jamuna Bank Limited

500,000,000	-
500,000,000	-
700,000,000	200,000,000
300,000,000	300,000,000
-	500,000,000
2,000,000,000	1,000,000,000

In Financial Institutions

Prime Finance & Investment Limited
Bay Leasing and Investment Limited
Industrial and Infrastructure Development Finance Company Limited
Phoenix Finance and Investment Company Ltd.
Union Capital Ltd.
Bangladesh Finance and Investment Co. Ltd.
Fareast Finance & Investment Ltd.
Premier Leasing International Ltd.
LankaBangla Finance Limited
Uttara Finance and Investments Ltd.
GSP Finance
CAPM Venture Capital and Finance Limited
National Finance Ltd.
IPDC of Bangladesh Ltd.
IDLC Finance Limited

-	-
260,000,000	610,000,000
1,100,000,000	450,000,000
821,000,000	520,000,000
810,000,000	700,000,000
524,000,000	500,000,000
-	30,000,000
325,000,000	235,000,000
800,000,000	350,000,000
1,100,000,000	-
60,000,000	100,000,000
80,000,000	140,000,000
-	50,000,000
-	998,500,000
300,000,000	-
6,180,000,000	4,683,500,000

In Foreign Currency

The City Bank Limited
NRB Bank Limited
AB Bank Limited

-	-
-	83,900,000
-	-
-	83,900,000
8,315,569,609	5,906,344,808

5.2 Outside Bangladesh (NOSTRO Accounts)

Name of the Foreign Bank / Correspondent	2019				2018
	Currency	Amount In	Conversion	Amount in	Amount in
		F.C	Rate	Taka	Taka
AB Bank Ltd. (MUMBI)	ACU	423,655.62	84.9000	35,968,362	94,337
Sonali Bank (Kolikata)	ACU	244,654.85	84.9000	20,771,197	1,005,467
Masherq Bank, PSC, NY (OBU)	USD	442,721.47	84.9000	37,587,053	-
Masherq Bank, PSC, NY	USD	148,349.56	84.9000	12,594,878	151,399,038
Habib American Bank	USD	454,698.56	84.9000	38,603,908	-
Masherq Bank, PSC, (UK)	GBP			-	148,516
Banca Popolare DI Sondrio	GBP	6,169.29	111.3336	686,849	-
United Bank of India (KOLIKATA)	ACU	61,732.36	84.9000	5,241,077	1,661,233
State Bank of India (Sydney)	AUD	6,278.50	59.3281	372,491	146,662
MCB Bank Ltd. (Karachi)	ACU	9,471.10	84.9000	804,096	2,113,609
Masherq Bank, PSC, (EURO)	EURO			-	5,791,908
Institute Centrale Delle Banche Popolari It	EURO	4,091.12	95.0583	388,895	-
Bank of Huzhou Co. Ltd. (CNY)	CNY	13,290.12	12.1595	161,601	-
National Bank of Pakistan (TOKYO)	YEN	168,555.00	0.7776	131,068	395,763
Axis Bank Ltd. Mumbai (ACU)	ACU	66,730.50	84.9000	5,665,419	25,727,063
Kookmin Bank, Seoul (USD)	USD	5,744.40	84.9000	487,700	1,333,716
Masherq Bank Mumbai, (ACU)	ACU	444,971.76	84.9000	37,778,102	16,294,540
Total				197,242,698	206,111,851

		Amount in BDT	
		2019	2018
5.3	Maturity grouping of balance with other banks and financial institutions		
	On demand	206,609,528	341,550,479
	Not more than three months	7,406,202,778	5,130,906,179
	More than three months but not more than six months	900,000,000	770,000,000
	More than six months but not more than one year	-	-
	More than one year but less than five years	-	-
	Above five years	-	-
		8,512,812,307	6,242,456,658
6	Money at call and on short notice	154,400,000	180,600,000
7	Investments		
	Government securities (Note-7.1)	12,615,028,126	4,982,615,418
	Others (Note-7.2)	547,978,832	103,267,586
		13,163,006,958	5,085,883,003
7.1	Government Securities		
	91 days Treasury Bills	2,408,654,419	-
	182 days Treasury Bills	842,347,348	-
	364 days Treasury Bills	665,469,500	-
	2 years BGTB Bond	2,954,811,022	-
	5 years BGTB Bond	1,378,249,875	439,511,200
	10 years BGTB Bond	1,729,044,243	1,998,645,855
	15 years BGTB Bond	1,230,979,470	1,185,781,943
	20 years BGTB Bond	1,404,829,949	1,358,309,420
	Prize Bonds	642,300	367,000
		12,615,028,126	4,982,615,418
	Add: Reverse repo with other banks	-	-
		12,615,028,126	4,982,615,418
7.2	Other Investment		
	Investment in Preference Shares (Note-7.2.1)	207,400,000	100,000,000
	Investment in Shares (Note-7.2.2)	340,578,832	3,267,586
		547,978,832	103,267,586
7.2.1	Investment in Preference Shares	2019	2018
		Market Price (BDT)	Cost Price (BDT)
	Summit Narayangonj Power Limited	54,000,000	54,000,000
	Summit LNG Terminal Co.(Pvt) Ltd.	123,400,000	123,400,000
	Summit Barisal Power Limited	30,000,000	30,000,000
		207,400,000	100,000,000
7.2.2	Investment in Shares	2019	2018
		Market Price (BDT)	Cost Price (BDT)
	Quoted:		
	Coppertech	111,414	47,410
	NewLine	111,192	75,130
	RINGSHINE	1,864,918	1,810,600
	Grameen Phone	263,275,816	299,999,732
	Bashundhara Paper	-	-
	SK Trim	-	-
	VSFTDL	-	-
	Amman Cotton	-	-
	SILVAPHL	110,504	36,470
	Runner Auto	428,757	540,450
	KTL	-	-
	S.Steel Ltd.	-	-
	AND Telecom	569,040	569,040
	Genexil	-	-
		266,471,641	303,078,832
	Unquoted:		
	Investment in CCBL	37,500,000	37,500,000
		303,971,641	3,267,585

		Amount in BDT	
		2019	2018
7.3	Investments classified as per Bangladesh Bank Circular		
	Held for trading (HFT)	5,225,566,067	504,421,733
	Held to maturity (HTM)	7,388,819,759	4,477,826,685
	Other securities	642,300	367,000
		12,615,028,126	4,982,615,418
7.4	Maturity-wise grouping		
	On demand	642,300	367,000
	Not more than three months	3,251,001,767	-
	More than three months but not more than one year	968,548,332	250,441,319
	More than one year but not more than five years	5,038,087,553	439,511,200
	Above five years	3,904,727,006	4,395,563,484
		13,163,006,959	5,085,883,003
7.5	Repo and Reverse-repo		
7.5.1	Repo as on 31 December 2019		
	<u>Counter party name</u>	<u>Agreement date</u>	<u>Reversal date</u>
	Bangladesh Bank	30/12/2019	1/01/2020
			<u>Amount</u>
			850,000,000
7.5.2	Transactions of Repo and Reverse-repo during the year 2019		
		<u>Minimum outstanding</u>	<u>Maximum outstanding</u>
		<u>BDT</u>	<u>BDT</u>
	Securities sold under repo		
	i) With Bangladesh Bank	-	-
	ii) With Other Bank & FIs	93,960,800	1,494,440,500
	Securities purchase under reverse repo		
	i) With Bangladesh Bank	-	-
	ii) With Other Bank & FIs	98,489,977	405,404,518
8	Loans and advances		
	Loans, cash credit, overdrafts etc. (Note 8.1)	39,266,920,736	32,693,770,419
	Bills purchased and discounted (Note 8.13)	3,240,337,010	2,881,878,941
		42,507,257,746	35,575,649,360
8.1	Loans, cash credit, overdrafts etc.		
	In Bangladesh		
	Cash credit and overdrafts	17,567,758,666	14,060,871,690
	Loans (General)	17,329,049,216	14,097,520,323
	House building loan	838,073,151	860,372,160
	Loan against trust receipt	1,320,265,827	1,558,327,247
	Other Loans	2,211,773,877	2,116,678,999
		39,266,920,736	32,693,770,419
	Outside Bangladesh	-	-
		39,266,920,736	32,693,770,419
8.2	Performing loans and advances		
	Gross loans and advances	41,433,698,156	34,924,988,408
	Non-performing loans and advances	1,073,559,590	650,660,952
		42,507,257,746	35,575,649,360
8.3	Maturity-wise grouping		
	On demand	2,956,872,827	3,634,475,012
	Less than three months	8,481,654,203	5,015,153,030
	More than three months but less than one year	13,659,512,058	10,833,335,147
	More than one year but less than five years	12,438,780,743	9,753,104,235
	More than five years	4,970,437,915	6,339,581,936
		42,507,257,746	35,575,649,360

		Amount in BDT	
		2019	2018
8.4	Loans and Advances on the basis of significant concentration		
	Advances to allied concerns of directors	-	-
	Advances to chief executive and other senior executives	20,012,755	27,558,962
	Advances to customers' group:		
	Advances to large and medium industries	25,399,949,378	29,388,094,939
	Advances to small and cottage industries	2,504,440,445	3,079,361,445
	Commercial Lending	13,196,660,519	2,079,590,039
	House Building Loan	838,073,151	619,493,473
	Consumer Credit Scheme	43,533,626	40,459,888
	Other Loans and Advances	504,587,873	341,090,614
		42,507,257,746	35,575,649,360

8.5 Sector-wise allocation of loans and advances

	% of total loan	2019	2018
Agriculture, fishing, forestry and dairy firm	0.61%	260,769,857	146,115,449
Industry (Other than working capital)	13.55%	5,758,111,173	6,008,352,887
Working capital financing	22.51%	9,567,081,866	8,630,830,117
Export credit	2.36%	1,003,807,299	1,492,472,949
Import credit	3.31%	1,406,478,979	3,450,222,889
Commercial credit	31.05%	13,196,660,519	3,079,361,445
Constructions	18.99%	8,071,313,266	4,597,471,899
Transport and Communication	1.63%	694,386,115	688,662,996
Consumer Credit	1.14%	484,516,581	401,868,577
Others	4.86%	2,064,132,089	7,080,290,153
	100.00%	42,507,257,746	35,575,649,360

8.6 Details of large loans and advances

Number of clients with outstanding amount and classified loans exceeding 10% of total capital of the Bank. Total capital of the Bank was Taka 723.76 crore as at 31 December 2019 (Taka 677.07 crore in 2018).

Number of clients	77	67
Amount of outstanding loans and advances (BDT in crore)	3,565.28	2,632.01
Amount of classified loans and advances	-	-
Measures taken for recovery	-	-

Name of clients	Outstanding (BDT in crore)		Total BDT in crore	Total BDT in crore
	Funded	Non-Funded		
IFAD Autos Limited	40.61	-	40.61	65.09
IFAD Motors Limited	22.81	4.79	27.60	-
Hashem Foods Limited	89.54	1.59	91.13	90.53
A.K.M. Knit Wear Limited	26.11	196.80	222.91	65.90
Al Muslim Washing Limited	7.54	0.62	8.16	9.60
Pacific Blue Jeans Ltd	19.59	0.56	20.15	21.04
Mir Akhter Hossain Limited	89.52	142.47	231.99	102.55
Toma Construction & Co. Limited	29.49	530.11	559.60	401.06
Drug International Limited	-	53.28	53.28	56.04
ATI Ceramics Limited	-	37.90	37.90	-
Harnest Label Industries Limited	-	0.94	0.94	-
Afil Paper Mills Limited	59.73	10.89	70.62	93.09
Smart Technologies [BD] Limited	-	93.27	93.27	84.06
Smart Properties Ltd	3.05	-	3.05	-
AL-Mostafa Printing & Packaging Industries Ltd. Unit-1	-	-	-	6.08
AL-Mostafa Printing & Packaging Industries Ltd. Unit-2	0.77	-	0.77	4.81
Mercantile Color Print & Pack	7.79	-	7.79	-
Sunny Foils & Polymer Industries Ltd.	-	1.35	1.35	5.40
Meghna Star Cables & Electrical Appliances Ltd	91.71	57.03	148.74	76.99
Thai- Foils & Ploymer Industries Ltd	-	10.88	10.88	19.41

Name of clients	Amount in BDT			
	Outstanding (BDT in crore)		2019	2018
	Funded	Non-Funded	Total BDT in crore	Total BDT in crore
GAZI Satellite Television Ltd.	3.59	-	3.59	12.23
GAZI Pipes	26.28	0.87	27.15	40.02
GAZI Tanks	9.95	-	9.95	9.96
GAZI International	1.16	-	1.16	6.10
GAZI Infrastructure Development Company Limited	5.80	0.89	6.69	16.33
MAX Infrastruture Limited	-	-	-	-
Poton Traders	52.22	35.05	87.27	-
CLC Power Company Ltd.	-	-	-	-
Nitol Motors Limited	73.32	3.56	76.88	79.60
Abdul Monem Limited	51.98	69.51	121.49	63.18
Pran Dairy Limited	30.09	14.96	45.06	46.39
Sylvan Technologies Limited	31.01	31.70	62.71	42.05
Advance Personal Care Limited	10.31	-	10.31	9.78
Evince Textiles Limited	107.99	41.60	149.58	124.15
Evince Retail Limited	-	-	-	11.22
Libas Knitwear Ltd.	6.18	19.20	25.38	-
Lan-tabur Apparels Ltd.	11.78	5.41	17.19	-
Taqwa Fabrics Ltd.	17.96	10.24	28.20	-
Energypac Engineering Limited	21.69	3.37	25.06	23.44
ECPV Chitagong Ltd.	75.55	-	75.55	72.35
EPV Thakurgaon Ltd.	-	81.04	81.04	34.57
Patriot Spinning Mills Ltd.	54.53	41.95	96.48	59.85
Navana Construction Ltd.	35.52	5.40	40.92	36.25
Pratibha-Navana JV	2.53	-	2.53	2.85
Navana Batteries Limited	13.77	5.34	19.11	16.80
Navana Limited	-	-	-	5.68
Winter Dress Ltd.	-	-	-	20.01
A & A Fashion Sweater Industries Ltd.	-	-	-	18.89
American International University Bangladesh	71.56	-	71.56	83.12
The Fashion Ltd.	1.15	-	1.15	6.34
Knit City Ltd.	0.36	6.44	6.80	0.49
Riviera Resources Ltd.	-	-	-	-
Riviera Composite Industries Ltd.	39.60	1.01	40.61	32.11
Core Spun Apparel Ltd.	-	-	-	1.51
Purbachal Apparel Ltd.	-	-	-	18.39
Baraka Engineers Ltd.	76.18	6.41	82.59	85.98
Business Information Technology Ltd.	-	0.05	0.05	-
Baraka Renewable Energy	-	2.14	2.14	-
CMECC-BEL JV	-	18.33	18.33	-
BUCG-BEL JV	-	14.75	14.75	-
Abul Khair Tobacco Co. Limited	79.70	-	79.70	70.01
Clamoon Garments Limited	1.46	11.87	13.33	-
Crossline Woven Apparels Ltd.	2.81	37.05	39.86	-
Crossline Woven Garments Limited	2.04	7.04	9.08	-
Sonali Paper & Board Mills Limited	30.76	9.89	40.65	68.45
Sonali Dredger Ltd	3.27	17.59	20.86	-
Younus Paper Mills Limited	43.55	2.19	45.74	52.43
YSR Logistics Ltd	0.50	-	0.50	0.49
Five Star Ice & Cold Stroge (Pvt) Ltd	4.32	-	4.32	4.86
Fly Glaxy Tours Travels	-	0.20	0.20	0.20
Srinagar Ice & Cold Stroge Ltd	12.83	-	12.83	11.02
Western Engineering (Pvt.) Ltd.	87.98	75.86	163.84	160.59
Oversease Marketing Corp Ltd	12.47	13.32	25.79	37.18
Global Instrument Supply Co.	-	3.81	3.81	-
Mahabub Brothers (Pvt) ltd	108.97	14.38	123.35	16.95
Mahabub Brothers (Pvt) ltd & G.K.B & Company (Pvt) Ltd	-	-	-	26.79
Ambient Steel (BD) Ltd	-	27.53	27.53	12.57
Disney Sweater Ltd.	-	22.83	22.83	34.31
A. K. Oxygen Ltd.	17.33	0.23	17.56	24.22
Mittal Ispat Ltd	31.49	-	31.49	30.65
	1,759.80	1,805.48	3,565.28	2,632.01

		Amount in BDT	
		2019	2018
8.7	Category-wise Small Medium Enterprise Loans and Advances (SME)		
	Service Sector	4,228,171,945	2,955,313,010
	Trading Sector	959,432,745	1,366,502,491
	Industrial Sector	1,956,420,154	3,509,234,432
		7,144,024,844	7,831,049,933
8.8	Geographical location-wise allocations of loans and advances		
		% of total loan	
	Dhaka region	81.67%	34,714,194,531
	Chittagong region	12.51%	5,316,181,021
	Rajshahi region	0.53%	223,664,700
	Sylhet region	0.25%	104,672,946
	Khulna region	4.51%	1,916,293,853
	Mymensing Region	0.11%	47,749,294
	Rangpur region	0.35%	150,537,245
	Barisal region	0.08%	33,964,157
		100.00%	42,507,257,746
			35,575,649,360
8.9	Classification of loans and advances		
	Unclassified:	2019	2018
	Standard including staff loan	96.26% 40,915,775,355	94.08% 33,470,198,268
	Special Mention Account (SMA)	1.22% 517,922,801	4.09% 1,454,790,140
		97.47% 41,433,698,156	98.17% 34,924,988,408
	Classified:		
	Sub-standard	0.83% 350,716,092	0.31% 111,950,247
	Doubtful	0.15% 64,294,274	0.70% 248,124,419
	Bad and loss	1.55% 658,549,224	0.82% 290,586,286
		2.53% 1,073,559,590	1.83% 650,660,952
		100% 42,507,257,746	100% 35,575,649,360
8.10	Particulars of loans and advances		
	i) Debts considered good in respect of which the bank is fully secured;	35,963,624,015	31,074,366,730
	Debts considered good for which the bank holds no other security than the debtors'		
	ii) personal guarantee;	1,165,010,713	768,899,681
	iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal guarantee of the debtors;	5,226,295,117	3,597,156,955
	iv) Debts adversely classified; provision not maintained thereagainst		-
	v) Debts due by directors or officers of the bank or any of them either severally or jointly with any other persons;	152,327,900	135,225,994
	vi) Debts due by companies or firms in which the directors or officers of the bank are interested as directors, partners or managing agents or, in case of private companies, as members;	-	-
	Maximum total amount of advances, including temporary advances made any time during the year to directors or managers or officers of the bank or any of them either severally or jointly with any other persons;	152,327,900	135,225,994
	Maximum total amount of advances, including temporary advances made any time during the year to directors or managers or officers of the bank or any of them either severally or jointly with any other persons; advances granted during the year to companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in case of private companies, as members;	-	-
	ix) Due from banking companies;	-	-
	x) Classified loans/investments for which interest has not been charged:		
	(a) Increase/decrease of provision (specific)		
	Amount of debts written off	-	-
	Amount realized against the debts previously written off	-	-
	(b) Provision against the debt classified as bad/loss at the date of balance sheet	383,439,041	69,359,818
	(c) Amount of interest charged in suspense account	129,127,988	24,686,001
	xi) Loans written off:		
	- Current year	-	-
	- Cumulative to-date	-	-
	- The amount of written off loans for which lawsuit filed	-	-

			<u>Amount in BDT</u>		
			<u>2019</u>	<u>2018</u>	
8.11	Particulars of required provision for loans and advances/investments				
			2019	2018	
	Outstanding Loans	Base for Provision	% of required provision	Required provision	
For loans and advances:					
Unclassified - General provision					
	All unclassified loans (other than small enterprises, housing finance, Loan to MBs, loans for professional, consumer financing and special mention account)			328,171,903	255,035,972
	32,969,518,227	32,969,518,227	1%		
	Small and medium enterprise financing			15,347,938	15,817,956
	6,123,590,676	6,123,590,676	0.25%		
	Loan to BHs/MBs/SDs against shares			15,878,968	16,219,715
	793,948,400	793,948,400	2%		
	Housing			2,834,316	2,953,560
	283,431,613	283,431,613	1%		
	Loan for professional			-	-
	-	-	2%		
	Consumer finance			22,052,573	14,553,097
	484,516,581	484,516,581	5%		
	Agriculture finance			2,607,699	646,819
	260,769,857	260,769,857	1.00%		
	Special Mention Account (SMA)			3,880,203	8,462,712
	517,922,801	517,922,801	0.25%-5%		
	41,433,698,156	41,433,698,156		390,773,600	313,689,831

			2019	2018	
			Required provision	Required provision	
	Outstanding Loans	Base for Provision	% of required provision		
Classified - Specific provision:					
	Sub-standard			64,183,697	10,335,455
	350,716,092	320,918,483	20%		
	Doubtful			22,689,396	74,182,651
	64,294,274	45,378,791	50%		
	Bad and loss			383,439,041	69,359,818
	658,549,224	383,439,041	100%		
	1,073,559,590	749,736,315		470,312,133	153,877,924
	Required provision for loans and advances			861,085,733	467,567,755
	Total provision maintained			861,840,000	468,240,000
	Excess provision at 31 December			754,267	672,245

8.12 Listing of assets pledged as security/collaterals
Nature of the secured assets

Gold & Gold Ornaments	-	-
Shares & Securities	39,939,143	444,264,017
Merchandise	2,470,892,128	6,044,369,660
Machinery with other Fixed Asset and Financial obligation	1,153,224,932	851,767,779
Real Estate with Financial obligation	20,553,656,006	14,144,462,670
Financial Obligation only (Insurance policies, Savings certificates, Bank deposit etc)	2,536,760,325	725,182,525
Miscellaneous;		
i) Crops/stock of crops hypothecations	200,307,699	-
ii) Guarantee of individuals/ Institutions	6,391,305,830	3,597,303,116
ii) Others	9,161,171,683	9,768,299,593
	42,507,257,746	35,575,649,360

8.13 Bills purchased and discounted

In Bangladesh	2,757,582,062	2,342,894,941
Outside Bangladesh	482,754,948	538,984,001
	3,240,337,010	2,881,878,941

8.13.1 Maturity-wise grouping

On demand	91,694,223	89,718,891
Less than three months	414,318,567	155,151,701
More than three months but less than one year	2,734,324,220	2,637,008,350
More than one year but less than five years	-	-
More than five years	-	-
	3,240,337,010	2,881,878,941

		Amount in BDT	
		2019	2018
9	Fixed assets including premises, furniture and fixtures		
	Cost Price:		
	Land	-	-
	Building	-	-
	Furniture and fixture	177,572,916	153,190,398
	Computer and Computer peripheral	68,034,817	53,798,167
	Electrical Equipments	153,573,665	121,668,525
	Motor vehicles	28,830,002	34,980,000
	Capital work in progress (CWIP)	45,835,930	-
		473,847,330	363,637,089
	Less: Accumulated depreciation:		
	Land	-	-
	Building	-	-
	Furniture and fixture	57,190,509	45,148,733
	Computer and Computer peripheral	34,826,947	28,120,447
	Electrical Equipments	70,641,482	54,363,769
	Motor vehicles	16,346,368	28,552,099
		179,005,306	156,185,048
		294,842,024	207,452,042
	Leased Assets:		
	Right-of-Use (ROU) Assets	669,264,344	-
	Less: Accumulated depreciation on ROU Assets	111,979,662	-
		557,284,683	-
	Software:		
	Computer Software	68,529,974	45,969,000
	SWIFT Software	4,221,235	4,221,235
	Capital work in progress (CWIP)	13,646,000	-
		86,397,209	50,190,235
	Less: Amortization during the year	46,608,135	41,857,981
		39,789,074	8,332,254
	Written down value at the end of the year	891,915,781	215,784,296
	Detail of fixed assets is presented in Annexure-A		

**Leased Assets:
Accounting Policy:**

The Bank assesses whether a contract is a lease, in accordance with the guidance stated in the IFRS 16: Leases, by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value. Office premises for which monthly lease rental is the amount not exceeding Taka 25,000 , ATM Booths and other installations are considered as low value asset.

Where the Bank is a lessee and the lease is deemed in scope, it recognizes a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. It is considered as 5%. The liability is recognized in 'Other liabilities'. A corresponding right-of-use (ROU) Asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognized in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Bank is reasonably certain, it will exercise.

The Bank subsequently depreciates the right-of-use (ROU) asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation of the asset is recognized in 'Depreciation and amortization', and interest on the lease liability is recognized in 'Interest expense'.

The judgements in determining lease balances are the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Bank considers a range of characteristics such as premises function, conditions mentioned in the lease contracts and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised.

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates as permitted by those contracts and changes to payments due to rent being contractually linked to an inflation index. In general, the remeasurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

Amount in BDT
2019 2018

Prior period information is not restated, i.e. it is presented, as previously reported, under IAS 17 and related interpretations in which the Bank as lessee recognized lease payments in operating expenses on a straight-line basis.

The total rental expenses during the year 2019 for premises leases was Taka 161,250,721 out of which Taka 130,122,722 has been presented in accordance with the IFRS 16: Leases and remaining Taka 31,127,999 is presented as stated above as per IAS 17. Reconciliation of rental expense has been presented in Note 26.1 for detail.

The right-of-use asset balances and depreciation charges are disclosed in Note 9 & Note 31 respectively. The lease liability balance is disclosed in Note 13 and the interest expense on lease liabilities is disclosed in Note 21.

	2019	2018
10 Other assets	2,599,603,240	1,846,668,543
10.1 Classification of other assets		
Interest Receivable (Accrued Interest Income)	421,676,243	198,349,129
Other receivable-Bangladesh Industrial Finance Company Ltd.	130,000,000	130,000,000
Stationery, stamps, printing materials, etc.	1,645,321	1,456,254
Advance rent	150,064,168	77,259,411
Preliminary, formation and organizational expenses, renovation, development and prepaid expenses	3,437,011	5,558,366
Branch adjustment (Note 10.3)	-	-
Off-shore Banking Unit	670,710,000	847,390,000
Advance income tax (Note 10.2)	1,845,607,371	1,392,320,737
Others	47,173,126	41,724,646
	3,270,313,240	2,694,058,543
Less: Off-shore Banking Unit	670,710,000	847,390,000
	2,599,603,240	1,846,668,543
10.2 Advance income tax		
Opening balance	1,392,320,737	1,113,566,467
Paid during the year	720,077,577	523,058,338
	2,112,398,314	1,636,624,805
Less: Settlement/ Adjustment of previous year's tax liability	266,790,943	244,304,068
Closing balance	1,845,607,372	1,392,320,737
10.3 Branches' adjustment		
General accounts debit	-	-
	-	-
11 Borrowing from other banks, financial institutions and agents		
In Bangladesh (Note 11.1)	9,346,937,742	4,384,637,500
Outside Bangladesh (Note 11.2)	504,213,660	478,911,807
	9,851,151,402	4,863,549,307
11.1 In Bangladesh		
A) Re-Finance from Bangladesh Bank:		
Re-finance for women entrepreneurs	5,200,000	1,187,500
Re-Finance for UBSP JICA FUND	174,967,742	-
Re-Finance scheme for small / micro enterprise holding 10 Taka Account	-	1,550,000
	180,167,742	2,737,500
B) Borrowing from Banks (In Local Currency):		
Janata Bank Limited	200,000,000	100,000,000
Eastern Bank Limited	520,000,000	-
United Commercial Bank Limited	250,000,000	-
Rupali Bank Limited	-	250,000,000
Uttara Bank Limited	620,000,000	-
Agrani Bank Limited	-	1,000,000,000
Community Bank Bangladesh Limited	100,000,000	-
Pubali Bank Limited	50,000,000	-
Sonali Bank Limited	1,400,000,000	500,000,000
Jamuna Bank Limited	-	550,000,000
Commercial Bank of Ceylon PLC.	160,000,000	80,000,000
Meghna Bank Limited	590,000,000	60,000,000
One Bank Limited	250,000,000	-
Midland Bank Limited	380,000,000	-
Bangladesh Development Bank Ltd.	420,000,000	-
Prime Bank Limited	80,000,000	-
Habib Bank Limited	130,000,000	-
Basic Bank Limited	300,000,000	-
AB Bank Limited	550,000,000	-
South Bangla Agriculture and Commerce Bank Ltd.	-	80,000,000
	6,000,000,000	2,620,000,000

	2019	2018
C) Borrowing from Banks (In Foreign Currency):		
United Commercial Bank Limited	509,400,000	209,750,000
National Credit and Commerce Bank Limited	254,700,000	83,900,000
Rupali Bank Limited	-	1,132,650,000
NRB Bank Ltd.	339,600,000	83,900,000
South Bangla Agriculture and Commerce Bank Ltd.	-	83,900,000
Bank Asia Ltd	764,100,000	167,800,000
Off-shore Banking Unit	670,710,000	847,390,000
One Bank Limited	169,800,000	-
NRB Global Bank Limited	254,700,000	-
Southeast Bank Limited	254,700,000	-
Pubali Bank Limited	169,800,000	-
Habib Bank Limited	67,920,000	-
Commercial Bank of Ceylon PLC.	84,900,000	-
Jamuna Bank Limited	297,150,000	-
	3,837,480,000	2,609,290,000
Less: Off-shore Banking Unit	670,710,000	847,390,000
	3,166,770,000	1,761,900,000
(A+B+C) In Bangladesh	9,346,937,742	4,384,637,500
11.2 Outside Bangladesh		
Symbiotics S.A	470,179,716	464,641,675
Value Port Ltd.	34,033,945	14,270,132
	504,213,660	478,911,807
	9,851,151,402	4,863,549,307
11.3 Maturity grouping of borrowings		
Repayable on demand	4,090,000,000	1,040,000,000
Repayable within one month	2,446,720,000	1,842,400,000
Over one month but within six months	2,630,050,000	1,499,500,000
Over six months but within one year	-	-
Over one year	684,381,402	481,649,307
	9,851,151,402	4,863,549,307
12 Deposits and other accounts		
Current and other accounts		
Current deposits	1,592,174,475	2,131,436,371
Foreign currency deposits	590,459,336	347,419,370
Sundry deposits (Note 12.1)	2,523,939,745	2,308,625,593
	4,706,573,556	4,787,481,334
Bills payable		
Payment order issued	1,109,393,079	1,171,494,988
Demand draft	-	-
	1,109,393,079	1,171,494,988
Savings bank deposits	4,739,987,282	2,814,372,369
Term/Fixed deposits		
Fixed deposits Receipts (FDR)	27,144,231,292	20,912,260,080
Special notice deposits (SND)	3,722,884,004	3,378,602,792
Scheme deposits	7,892,306,153	4,161,447,522
Interest Payable on FDR/Scheme	805,569,295	518,252,437
	39,564,990,744	28,970,562,830
	50,120,944,660	37,743,911,522

	2019	2018
12.1 Sundry deposits		
Margin deposits	1,274,885,442	1,087,647,097
Withholding Tax, VAT and Excise duty etc.	153,588,514	118,561,292
FC held against Export Development Fund (EDF)	577,873,052	643,161,557
BLO account -USD	412,945,456	372,342,485
Others	104,647,280	86,913,162
	2,523,939,745	2,308,625,593
12.2 Deposits and Other Accounts		
Deposits from Banks	200,000,000	-
Deposits from Customers	49,920,944,660	37,743,911,522
	50,120,944,660	37,743,911,522
12.3 Sector-wise break-up of Deposits and Others account		
Government	4,208,613,128	3,504,843,578
Deposit money banks	200,000,000	-
Other public	6,779,885,990	5,832,162,983
Foreign currency	590,459,336	347,419,370
Private	38,341,986,206	28,059,485,591
	50,120,944,660	37,743,911,522
12.4 Analysis of residual maturity grouping of deposits		
Inter-bank deposits		
Repayable on demand	-	-
Repayable within 1 month	200,000,000	-
Over 1 month but within 6 months	-	-
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
	200,000,000	-
Other Deposits		
Repayable on demand	1,005,841,487	1,138,261,368
Repayable within 1 month	4,397,193,271	2,125,467,627
Over 1 month but within 6 months	19,448,224,231	15,083,247,328
Over 6 months but within 1 year	9,992,294,503	11,046,351,813
Over 1 year but within 5 years	11,728,901,059	7,483,731,415
Over 5 years but within 10 years	3,348,490,109	866,851,971
	49,920,944,660	37,743,911,522
	50,120,944,660	37,743,911,522
12.5 Unclaimed Deposits and valuables	-	-
	-	-
13.00 Other liabilities		
Provision for loans and advances (Note 13.1)	861,840,000	468,240,000
Provision for Incentive of Good borrowers (Note 13.1 (a))	4,500,000	1,500,000
Provision for diminution in value of investments (Note 13.1 (b))	36,900,000	-
Provision for other assets (Note 13.1 (b))	250,000	-
Lease Liability	563,810,345	-
Provision for Risk Coverage Fund (Note 13.1 (b))	2,000,000	-
Provision for off-balance sheet exposures (Note 13.2)	250,500,000	198,300,000
Provision for taxation (Note 13.3)	2,479,534,589	1,947,973,636
Provision for incentive bonus	48,290,788	40,468,701
Interest Suspense Account (Note 13.4)	129,127,988	29,893,032
Accrued expenses	2,056,279	8,223,321
Interest payable on borrowings	75,619,445	16,905,461
Branch adjustment (Note-13.5)	621	-
Provision for audit fee	250,000	250,000
Others	100,608,518	116,619,064
	4,555,288,573	2,828,373,216

	<u>2019</u>	<u>2018</u>
13.1 Provision for loans and advances		
A. General		
Provision held as on 1 January	291,240,000	230,840,000
Add: Provision made during the year	72,600,000	60,400,000
Provision held as on 31 December	363,840,000	291,240,000
B. Specific		
Movement in specific provision on classified loans		
Provision held as on 1 January	154,000,000	12,100,000
Less: Fully provided debts written off during the year	-	-
Add: Specific provision made during the year for other accounts	316,500,000	141,900,000
Less: Provision no longer required	-	-
Add: Transferred from Provision for OBU	-	-
Provision held as on 31 December	470,500,000	154,000,000
C. Provision for Off-shore Banking Unit (OBU)		
Provision held as on 1 January	23,000,000	21,500,000
Less: Transferred to Specific Provision	-	-
Add: Provision made during the year	4,500,000	1,500,000
Provision held as on 31 December	27,500,000	23,000,000
Total provision on loans and advances (A+B+C)	861,840,000	468,240,000
13.1 (a) Provision for Incentive of Good borrowers		
Provision held as on 1 January	1,500,000	1,500,000
Add: Provision made during the year	3,000,000	-
	4,500,000	1,500,000
Less: Paid during the year	-	-
Provision held as on 31 December	4,500,000	1,500,000
<p>Provision for incentive to the eligible good borrowers has been maintained as per Bangladesh Bank, BRPD Circular no. 6, dated March 19, 2015 and BRPD Circular letter no. 3 dated February 16, 2016 based on the criteria prescribed therein. For all types of loan, repayment behaviour of the borrowers during last three years time will be assessed against the conditions mentioned in the Sanction letter as well as aforesaid Circulars before allowing them the said incentive i.e. 10% Rebate on realised interest during third year (1 year's interest) which might be continued in subsequent years subject to compliance of terms & conditions.</p>		
13.1 (b) Provision for others		
Provision for diminution in value of investments	36,900,000	-
Provision for other assets	250,000	-
Provision for Risk Coverage Fund	2,000,000	-
	39,150,000	-
13.2 Provision for off-balance sheet exposures		
Provision held as on 1 January	198,300,000	142,600,000
Add: Provision made during the year	52,200,000	55,700,000
	250,500,000	198,300,000
Less: Adjustments made during the year	-	-
Provision held as on 31 December	250,500,000	198,300,000
13.3 Provision for taxation		
Current tax (Note 13.3.1)	2,390,718,294	1,552,497,260
Deferred tax (Note 13.3.2)	88,816,295	6,761,866
	2,479,534,589	1,559,259,126

	2019	2018	
13.3.1 Provision for current tax			
Provision			
Balance at the beginning of the year	1,941,211,770	1,481,341,497	
Add: Provision made during the year	716,297,467	704,174,341	
	2,657,509,237	2,185,515,838	
Less: Settlement/ Adjustment of previous year's tax liability	266,790,943	244,304,068	
Balance at the end of the year	2,390,718,294	1,941,211,770	
Provision for current tax of Taka 716,297,467/- has been made @ 37.50% as prescribed by Finance Act 2019 of the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per "Income Tax Ordinance 1984".			
13.3.2 Provision for deferred tax			
Balance at the beginning of the year	6,761,866	10,493,438	
Add : Provision made for deferred tax liabilities:			
Charged/(credited) to profit and loss account	82,054,429	(3,731,572)	
	88,816,295	6,761,866	
Adjustment made during the year	-	-	
	88,816,295	6,761,866	
Less: Provision made for deferred tax assets	-	-	
Balance at the end of the year	88,816,295	6,761,866	
13.4 Interest Suspenses Account			
Balance at the beginning of the year	29,893,032	5,207,031	
Add: Amount transferred during the year	227,939,957	99,135,157	
Less: Amount recovered during the year	(128,705,001)	(74,449,156)	
Less: Amount written off during the year	-	-	
Balance at the end of the year	129,127,988	29,893,032	
13.5 Branches' adjustment			
General accounts debit	-	-	
General accounts credit	621	-	
	621	-	
14 Share capital			
14.1 Authorised capital:			
2,000,000,000 ordinary shares of BDT 10 each	20,000,000,000	20,000,000,000	
14.2 Issued, subscribed and paid up capital:			
452,000,000 ordinary shares of BDT 10 each issued for cash	4,520,000,000	4,520,000,000	
22,600,000 ordinary shares of BDT 10 each issued for bonus share	226,000,000	-	
	4,746,000,000	4,520,000,000	
14.3 Share capital at a glance from inception			
	Number of	Capital	Capital
<u>Year</u>	<u>shares</u>	<u>amount</u>	<u>amount</u>
2013	452,000,000	4,520,000,000	4,520,000,000
2018	22,600,000	226,000,000	-
	474,600,000	4,746,000,000	4,520,000,000

2019

2018

14.4 Name of the Directors and their shareholdings in the year 2019

Sl	Name of the directors	Status	Number of Shares	
			At 31 December 2019	At 31 December 2018
1	Mr. Humayun Kabir	Chairman	12,600,000	12,000,000
2	Mr. Shaikh Salahuddin	Vice- Chairman	18,900,000	18,000,000
3	Mr. Sheikh Fazle Noor Taposh	Director	42,000,000	40,000,000
4	Sharmin Apparels Limited Represented by Mr. Mohammad Ismail Hossain	Director	21,000,000	20,000,000
5	Sandhani Life Insurance Company Limited Represented by Mr. Nemai Kumer Saha	Director	31,500,000	30,000,000
6	Mr. Salahuddin Alamgir	Director	21,000,000	20,000,000
7	Tanveer Oils Limited Represented by Mr. Mostafa Kamal	Director	21,000,000	20,000,000
8	Everest Power Generation Company Limited Represented by Mrs. Tanjima Binthe Mostafa	Director	21,000,000	20,000,000
9	Mr. Humayun Kabir Bablu	Director	21,000,000	20,000,000
10	Mrs. Shahana Yasmin	Director	21,000,000	20,000,000
11	Mrs. Sultana Jahan	Director	21,000,000	20,000,000
12	Mango Teleservices Limited Represented by Mr. A. Mannan Khan	Director	21,000,000	20,000,000
13	Azbal International Limited Represented by Mrs. Ferdousi Islam	Director	21,000,000	20,000,000
14	Anwar Jute Spinning Mills Limited Represented by Mr. Manwar Hossain	Director	10,500,000	10,000,000
15	Meghna Flour & Dal Mills Limited Represented by Mr. Tanveer Ahmed Mostafa	Director	12,600,000	12,000,000
16	Mona Financial Consultancy & Securities Limited Represented by Mr. Md. Mahbubur Rahman	Director	10,500,000	10,000,000
17	Mr. Didarul Alam	Director	8,400,000	8,000,000
18	Sharmin Fashions Limited Represented by Mrs. Syeda Sharmin Hossain	Director	8,400,000	8,000,000
			344,400,000	328,000,000

14.5 Classification of shareholders by holding

	Number of holders		% of total holding	
	2019	2018	2019	2018
Less than 500 shares	-	-	-	-
500 to 5,000 shares	-	-	-	-
5,001 to 10,000 shares	-	-	-	-
10,001 to 20,000 shares	-	-	-	-
20,001 to 30,000 shares	-	-	-	-
30,001 to 40,000 shares	-	-	-	-
40,001 to 50,000 shares	-	-	-	-
50,001 to 100,000 shares	-	-	-	-
100,001 to 1,000,000 shares	-	9	-	1.99
Over 1,000,000 shares	41	32	100.00	98.01
	41	41	100.00	100.00

14.6 Capital to Risk weighted Asset Ratio (CRAR):

In terms of Section 13 (2) of the Bank Company Act 1991, the Guideline on Risk Based Capital Adequacy (RBCA) under Basel-III issued vide BRPD Circular No.18 dated December 21, 2014 (effective from January 01, 2015), BRPD Circular No.2 dated March 04, 2015, and BRPD Circular No. 5 dated May 31, 2016, the calculation of Capital to Risk Weighted Asset Ratio (CRAR) is done at the end of every quarter in a year. Calculation of minimum total capital plus capital conservation buffer of the Bank at the end of December 2019 against the regulatory requirement of 12.50% is presented as under:

1) Tier-1 -Core capital (Going Concern Capital)

a) Common Equity - Tier-1 (CET 1) Capital

	2019	2018
Paid up capital	4,746,000,000	4,520,000,000
Share premium	-	-
Statutory reserve (Note 14)	1,371,215,695	1,053,286,265
General reserve	-	-
Surplus in Profit and Loss account/ Retained earnings (Note 17)	478,537,232	683,171,408
	6,595,752,927	6,256,457,673
b) Additional Tier-1 Capital	-	-
Total Tier-1 Capital	6,595,752,927	6,256,457,673

2) Tier-2 Capital (Gone-concern Capital)

General provision maintained against unclassified loan	391,340,000	314,240,000
General provision on off-balance sheet items	250,500,000	198,300,000
Asset revaluation reserve	-	-
Revaluation reserve (50% of Fixed Assets & Securities and 10% of Equities)	8,535,650	8,535,650
	650,375,650	521,075,650

Less: Regulatory Adjustment

Revaluation Reserve for Fixed Assets, Securities & Equity Securities (deduction of 100% in 2019 as per Basel-III Guidelines)	8,535,650	6,828,520
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Total Tier-2 Capital

	641,840,000	514,247,130
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A) Regulatory Capital (1+2)

	7,237,592,927	6,770,704,803
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B) Risk weighted assets (RWA)

Credit Risk		
On-Balance Sheet	34,530,210,856	29,073,907,706
Off-Balance Sheet	13,312,334,272	12,664,553,112
	47,842,545,128	41,738,460,819
Market Risk Weighted Assets	1,466,152,933	971,062,977
Operational Risk Weighted Assets	2,702,928,884	2,298,912,061
Total RWA	52,011,626,945	45,008,435,857

C) Required capital (Required Capital Tk.400.00 crore or actual whichever is higher)

	5,201,162,694	4,500,843,586
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D) Surplus (A-C)

	2,036,430,232	2,269,861,217
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Capital to Risk weighted Asset Ratio (CRAR):

On Core Capital, i.e. CET 1 - (against standard of minimum 6%)	12.68%	13.90%
On Total Capital to Risk Weighted Asset Ratio (CRAR)- [against standard of minimum 10% plus Capital Conservation Buffer 2.50% (total 12.50%)]	13.92%	15.04%

Any Bank with a Common Equity Tier 1 (CET 1) Capital ratio below 7% is required to conserve a certain percentage of its earnings in the subsequent year. In that case, a restriction is imposed on dividend payout as stated in the Basel III guideline. Above Calculation reveals that CET 1 of Modhumoti Bank Limited (12.68%) is well above the required level.

Leverage Ratio (against standard of 3%):	7.86%	9.88%
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15 Statutory reserve

Balance as at 1 January 2019	1,053,286,265	716,799,672
Addition during the year (20% of pre-tax profit)	317,929,430	336,486,593
Balance as at 31 December 2019	1,371,215,695	1,053,286,265

	2019	2018
16 Revaluation gain/(loss) on investment		
Revaluation reserve on HTM securities		
Balance as at 1 January 2019	193,143	2,609
Addition during the year	2,950,186	190,534
	3,143,329	193,143
Adjustment of amortization/ revaluation gain against sale/maturity	-	-
Balance as at 31 Decer CET 1 of Modhumoti Bank Limited	3,143,329	193,143
Revaluation reserve on HFT securities		
Balance as at 1 January 2019	150,064	3,948,845
Addition during the year	509,676	(3,798,781)
	659,740	150,064
Adjustment of amortization/ revaluation gain against sale/maturity	150,064	-
Balance as at 31 December	509,676	150,064
	3,653,005	343,207
17 Foreign currency translation gain/(loss)		
Balance as at 1 January 2019	105,706	690,199
Addition during the year	148,369	105,706
Disposal during the year	(105,706)	(690,199)
Balance as on 31 December 2019	148,369	105,706
17(a) Surplus in profit and loss account/Retained earnings		
Balance as at 1 January 2019	683,171,408	489,667,806
Prior year adjustment	-	-
	683,171,408	489,667,806
Add: Addition during the year	791,295,254	981,990,195
	1,474,466,662	1,471,658,001
Less:		
Transfer to Statutory reserve	317,929,430	336,486,593
Issue of bonus shares	226,000,000	-
Cash dividend paid	452,000,000	452,000,000
	995,929,430	788,486,593
Balance as on 31 December 2019	478,537,232	683,171,408
18 Contingent liabilities		
18.1 Acceptances and endorsements		
Acceptance under Letters of Credit -Cash (Foreign) Deferred	3,745,144,474	3,099,544,921
Acceptance under Letters of Credit -BTB (Foreign) Usance	433,928,949	334,589,544
Acceptance under Letters of Credit -BTB EPZ (Foreign) Usance	99,745,051	44,653,575
Acceptance under Letters of Credit -BTB (Local) Usance	1,140,329,522	474,723,316
Acceptance under Letters of Credit -BTB (Foreign) EDF	-	-
Acceptance under Letters of Credit -Others	-	-
	5,419,147,997	3,953,511,356
Less: Margin	-	-
	5,419,147,997	3,953,511,356
18.2 Letters of guarantee		
Letters of guarantee (Local)	13,647,528,777	10,392,973,609
Letters of guarantee (Foreign)	1,217,031,087	2,104,079,006
Foreign counter guarantees	-	-
	14,864,559,864	12,497,052,615
Less: Margin	752,530,665	578,832,867
	14,112,029,199	11,918,219,748

	2019	2018
Money for which the Bank is contingently liable in respect of guarantee issued favouring:		
Directors or officers	29,059,335	48,710,222
Government	-	-
Banks and other financial institutions	-	-
Others	14,835,500,529	12,448,342,393
	14,864,559,864	12,497,052,615
Less: Margin	752,530,665	578,832,867
	14,112,029,199	11,918,219,748
18.3 Irrevocable letters of credit		
Letter of Credit - Foreign	3,380,145,078	3,340,709,974
Letter of Credit - BTB Foreign	654,564,977	379,031,275
Letter of Credit - BTB - EPZ	74,086,830	39,514,173
Letter of Credit - BTB (Local)	1,169,792,985	588,001,448
Letter of Credit - EDF & Others	94,974,644	80,199,731
	5,373,564,514	4,427,456,601
Less: Margin	522,354,777	508,814,230
	4,851,209,737	3,918,642,371
18.4 Bills for collection		
Foreign bills for collection	1,069,864,813	602,661,613
Local bills for collection	1,376,064,381	1,391,837,479
	2,445,929,194	1,994,499,092
18.5 Other contingent liabilities		
Other contingent liabilities	678,235,200	128,535,600
	678,235,200	128,535,600
19 Income statement		
Income:		
Interest, discount and similar income	6,010,172,973	4,760,288,438
Dividend income	8,780,820	8,219,744
Fees, commission and brokerage	293,282,319	257,411,693
Gains less losses arising from dealing securities	-	-
Gains less losses arising from investment securities	24,143,806	(8,829,142)
Gains less losses arising from dealing in foreign currencies	239,765,305	229,149,031
Income from non-banking assets	-	-
Other operating income	89,531,264	62,227,387
Profit less losses on interest rate changes	-	-
	6,665,676,488	5,308,467,150
Expenses:		
Interest, fees and commission	3,560,466,062	2,501,714,999
Losses on loans and advances	-	-
Administrative expenses	717,268,428	697,572,763
Other operating expenses	150,289,210	116,488,173
Depreciation on banking assets	160,055,638	50,758,251
	4,588,079,338	3,366,534,186
Income over expenditure	2,077,597,150	1,941,932,964
20 Interest income		
Interest on loans and advances	4,625,019,935	3,796,761,758
Interest on placement with other banks and financial institutions	767,211,796	580,326,669
Interest income from OBU	27,383,068	18,349,221
Interest on foreign currency balances	14,481,627	8,960,698
	5,434,096,426	4,404,398,345
Less: Interest income from OBU	27,383,068	18,349,221
	5,406,713,358	4,386,049,124

	<u>2019</u>	<u>2018</u>
21 Interest paid on deposits and borrowings etc.		
Interest on deposits	3,104,796,811	2,139,880,832
Interest on borrowings	435,199,418	361,834,167
Interest expense on lease liability	20,469,834	-
Interest paid on borrowings (OBU)	27,383,068	18,349,221
	3,587,849,130	2,520,064,220
Less: Interest paid on borrowings (OBU)	27,383,068	18,349,221
	3,560,466,062	2,501,714,999
22 Investment income		
Interest income from Government Securities (Note-22.1)	601,297,301	368,862,077
Gain on sale of Government Securities (Note-22.2)	24,143,806	(8,829,142)
Dividend on shares	8,780,820	8,219,744
Other Investment Income	-	-
Gain on sale of shares	2,162,314	5,377,236
	636,384,241	373,629,915
22.1 Interest Income from Government Securities		
Interest on treasury bills	-	-
Interest on treasury bonds	915,601,885	466,988,372
	915,601,885	466,988,372
Interest Expenses on treasury bills/bonds	(314,304,584)	(98,126,295)
Interest Income from Government Securities	601,297,301	368,862,077
22.2 Capital Gain on Government Securities		
Capital Gain on treasury bills	-	-
Capital Gain on treasury bonds	24,143,806	(8,829,142)
	24,143,806	(8,829,142)
23 Commission, exchange and brokerage		
Commission on L/Cs	88,205,591	83,311,416
Commission on L/Cs - EPZ	1,842,671	1,800,855
Commission on Inland L/Cs	1,370,349	1,484,037
Commission on L/Cs-back to back	32,708,960	21,212,897
Commission on L/Gs	158,156,836	139,828,197
Commission on Export L/C	2,601,884	1,137,436
Commission on remittance	197,736	185,891
Commission on collection on FDBP/ FDBC/ FDD	3,775,548	3,195,925
Others Commission	4,422,745	5,255,039
Exchange gain (Note-23.1)	239,765,305	229,149,031
	533,047,624	486,560,723
23.1 Exchange gain		
Exchange gain from revaluation/trade of foreign currency	239,765,305	229,149,031
Exchange loss from revaluation/trade of foreign currency	-	-
	239,765,305	229,149,031
24 Other operating income		
Account Maintenance Charges	9,968,542	10,477,316
Postage / SWIFT/ fax recoveries from Import L/Cs	17,563,371	13,888,249
Postage / SWIFT/ fax recoveries from Export related L/Cs	7,716,406	4,620,030
Fees on Share Transfer	-	5,000
Cards Fees and Charges (Note 24.1)	7,360,851	5,923,272
Other Fees and Charges	31,890,347	11,520,322
Fees and Charges on Export related L/Cs	15,031,749	15,793,198
	89,531,264	62,227,387

	2019	2018
24.1 Cards Fees and Charges:		
Fees and Charges (debit and prepaid card)	4,107,750	2,279,850
Credit Cards:		
Annual Fees	821,959	444,625
VISA POS Reimbursement charges	1,283,351	1,038,740
Cash Advance Fees	389,556	269,632
Late payment and overlimit fees	1,491,609	717,095
Card Cheque Fees (Processing and Issues)	1,085,982	1,000,435
Replacement Fees and Others	1,964,986	2,745,487
	11,145,194	8,495,863
Cards Direct Expenses:		
VISA POS Reimbursement Charges	68,499	58,458
VISA Associated Membership Sponsor Charges	300,600	796,620
Fees and Charges of Card	3,142,463	1,445,512
ATM Expenses NPSB	272,781	272,001
	3,784,343	2,572,591
Cards Fees and Charges (Net)	7,360,851	5,923,272
25 Salaries and Allowances		
Basic salary	183,552,350	153,319,481
Bonus	63,405,198	50,392,511
Other Salary & Allowances	257,031,146	227,283,676
Bank Contribution to Provident Fund	18,413,779	15,424,323
	522,402,473	446,419,992
26 Rent, taxes, insurance, Electricity etc.		
Rent, rates and taxes (26.1)	37,039,075	114,351,336
Insurance	26,592,664	21,956,669
Utilities (except telecommunication)	19,573,444	16,421,684
	83,205,183	152,729,689
26.1 Rent, rates and taxes		
Rent for Office	27,146,005	95,532,174
Rent for ATM Booth	2,224,543	1,609,728
Rent for Garage	-	268,000
VAT on Rent	3,981,994	14,342,283
Rates and Taxes	3,686,535	2,599,151
	37,039,075	114,351,336

Since 'IFRS 16: Leases' has been implemented for the very first time in Bangladesh to comply with the International Financial Reporting Standards, out of total rental expense of Taka 161,341,332, an amount of rental expenses (office premises for head office & twenty four branches) of Taka 130,122,722 is converted into the Interest expense on lease liability and Depreciation expense on ROU Assets. The changes have been adopted only for disclosure purpose which are not affecting the payments of actual rental expense (there is no impact on cash outflow).

Reconciliation of rental expense is presented as under:

A) Total Rent expense incurred for office premises paid during 2019:

Rent Expenses	140,296,198	-
VAT on Rent	20,954,523	-
	161,250,721	-

B) Rental expense converted into the Interest expense on lease liability & depreciation expense on ROU Assets:

Rent Expenses	113,150,193	-
VAT on Rent Expenses	16,972,529	-
	130,122,722	-

C) = (A-B), Rent Expenses presented in Note 26.1:

Rent Expenses	27,146,005	-
VAT on Rent	3,981,994	-
	31,127,999	-

	2019	2018
D) Expenses charged during 2019 for adoption of IFRS 16- Leases:		
Interest Expenses on lease liability (Note 21)	20,469,834	-
Depreciation Expenses on ROU Assets (Note 31)	116,178,550	-
Total expenses charged for ROU Assets during the year	136,648,384	-
E) = (D-B), Additional expense incurred for leases during 2019	<u>6,525,662</u>	<u>-</u>
27 Postage, stamp, telecommunication etc.		
Postage	3,807,033	3,108,202
Telephone / Mobile	5,415,910	5,004,083
Networklink, Internet, SWIFT, Reuters etc.	17,836,420	17,313,630
	<u>27,059,363</u>	<u>25,425,915</u>
28 Stationery, printing, advertisements etc.		
Printing & security stationery	10,173,566	3,689,290
Petty stationery	6,235,525	9,878,513
Computer consumable stationery	1,486,654	2,088,782
Publicity and advertisement	39,076,214	33,257,776
	<u>56,971,959</u>	<u>48,914,360</u>
29 Managing Director's salary and fees		
Basic Salary	4,916,129	4,200,000
Bonus	1,400,000	1,400,000
Other Salary & Allowance	3,741,994	3,496,927
Bank Contribution to Provident Fund	491,613	420,000
	<u>10,549,736</u>	<u>9,516,927</u>
30 Directors' fees and expenses		
Meeting attendance fees	1,808,000	1,464,000
	<u>1,808,000</u>	<u>1,464,000</u>

As per BRPD circular letter no. 11 dated 04 October 2015, Taka 8,000/- has been paid as Honorarium to the Directors, for attending per Board Meeting, Board Audit Committee Meeting and Risk Management Committee Meeting held during the year 2019.

31 Depreciation and repairs of Bank's assets		
A) Depreciation on Fixed Assets:		
Furniture and fixtures	12,040,570	11,467,924
Machinery & Equipment	16,485,596	15,245,264
Computer and Computer peripherals	6,706,500	6,422,908
Motor Vehicles	3,894,267	6,463,676
Software	4,750,154	11,158,479
	<u>43,877,088</u>	<u>50,758,251</u>
B) Depreciation on Right-of-Use Assets:	<u>116,178,550</u>	-
C) Repairs/ Replacements of the Bank's assets:		
Furniture & Fixtures	270,970	67,770
Machinery & Equipment	4,098,158	1,113,916
Motor Vehicles	471,392	898,944
Software maintenance	10,431,194	11,021,250
	<u>15,271,714</u>	<u>13,101,880</u>
D) = (A+B+C), See Annexure - A for detail of Depreciation expense	<u>175,327,352</u>	<u>63,860,131</u>

As stated in note 26.1, in accordance with IFRS 16, lease rental are now capitalized and related depreciation on ROU Assets is shown above.

	2019	2018
32 Other expenses		
Security and cleaning	33,492,956	28,742,499
Salary of casual staff	16,381,114	14,357,013
Entertainment	8,108,544	8,992,091
Other Professional Service charges	253,750	250,000
Books and periodicals	362,515	402,523
Subscription	1,350,500	1,184,497
Donation	23,271,279	19,620,000
Travelling expenses	4,941,531	6,105,173
Conveyance	2,628,343	2,082,773
Gratuity expenses	24,000,000	4,200,000
Fuel	1,705,649	1,579,910
Leverage & Uniform	639,065	522,295
Training/seminar	3,427,076	2,051,749
Annual General Meeting (AGM)	2,574,981	879,429
Bank charges	6,785,072	5,970,678
Cash carrying charges	3,237,653	2,930,949
Amortization of prepaid expenses	-	693,986
VAT on expenditure	3,145,216	5,586,490
Miscellaneous Expenses	13,248,966	9,701,117
	149,554,210	115,853,173
33 Tax expense		
Current tax	716,297,467	704,174,341
Deferred tax	82,054,429	(3,731,572)
	798,351,896	700,442,769
34 Cash received from other operating activities		
Account Maintenance Charges	9,968,542	10,477,316
Postage / SWIFT/ fax recoveries from Import L/Cs	17,563,371	13,888,249
Postage / SWIFT/ fax recoveries from Export related L/Cs	7,716,406	4,620,030
Gain on sale of shares	2,162,314	5,377,236
Fees on Share Transfer	-	5,000
Cards Fees and Charges	7,360,851	5,923,272
Other Fees and Charges	31,890,347	11,520,322
Fees and Charges on Export related L/Cs	15,031,749	15,793,198
	91,693,578	67,604,623
35 Payments for other operating activities		
Rent, rates and taxes	156,009,940	152,729,689
Postage	27,059,363	25,425,915
Directors fees	1,808,000	1,464,000
Repairs	15,271,714	13,101,880
Legal expenses	485,000	385,000
Audit fees	250,000	250,000
Others expenses (Note 32)	125,554,210	111,653,173
	326,438,227	305,009,657
36 Earnings per share (EPS)		
Net profit after tax for the year ended 31 December (BDT)	791,295,254	981,990,195
Number of ordinary shares outstanding	474,600,000	474,600,000
Weighted average number of ordinary shares	474,600,000	474,600,000
Earnings per share (EPS) on closing number of share	1.67	2.07
Earnings per share (EPS) - (Weighted Average)	1.67	2.07

Earnings per share (EPS) has been calculated in accordance with IAS - 33: "Earnings Per Share (EPS)". Previous year's figure (2018: Taka 2.17 per share) has been adjusted for the issue of bonus shares during the year.

37 General

37.1 Audit Committee

Audit Committee of the Board of Directors of the Bank has been reformed by the Board of Directors in their meeting held on 27 June 2019 following re-constitution earlier as on 28 July 2016. Its roles and responsibilities were defined in line with Bangladesh Bank's BRPD Circular No. 11 dated October 27, 2013. Composition of the Audit Committee and qualification of its members is presented below:

<u>Sl. no.</u>	<u>Name</u>	<u>Status with the committee</u>	<u>Educational qualification</u>
1)	Mr. Shaikh Salahuddin	Chairman	H. S .C
2)	Mr. A. Mannan Khan	Member	B. Sc. in Engineering Specilization in Tele-Communications
3)	Mr. Md. Mahbubur Rahman	Member	MBA

Role of the Bank's Audit Committee:

To oversee financial reporting process, the Audit Committee does the following tasks:

- i) Monitor, choice of accounting policies and principles
- ii) Review the financial statements
- iii) Review the appropriateness of the Bank's accounting policy
- iv) Oversee the Bank's relationship with external auditors
- v) Review the Bank's existing system and upgradation of systems
- vi) Review the adequacy of internal audit functions
- vii) Review all reports of internal auditors
- viii) Review Management's report on risk management
- ix) Review the internal control weakness as submitted by statutory auditors
- x) Review Audit Committee's own terms of reference within the purview of BRPD Circular No. 11 dated 27 October 2013 issued by Bangladesh Bank.

During the year 2019, there are 4 (four) meetings conducted by the Audit Committee. In these meetings, the Committee reviewed quarterly unaudited Financial Statements as well as audited Financial Statements for the year 2019 in presence of external auditors. They also reviewed Inspection Reports prepared by ICCD of the Bank from time to time and Bangladesh Bank Inspection Reports to become aware of the effectiveness of Internal Control System of the Modhumoti Bank Limited and overall status regarding compliance of Bangladesh Bank's guidelines & regulation. They advised the Bank Management for ensuring compliance of rules & regulation of the regulators and also for establishing an effective Internal Control and Audit System within the Bank which will ultimately ensure the sustainable growth.

37.2 Related party/(ies) disclosure

37.2.1 Related party transactions

During the year 2019, the Bank conducted business deals with the following organisations in which the directors has interest:

i) Loans and advances to directors and their related concern

Name of party	Name of Directors	Related by	Nature of Facilities	Outstanding as on 31.12.2019	Status
Everest CNG Re-Fuelling and Conversion Ltd.	Mr. Mostafa Kamal	Director	BG	6,288,600	Regular
Sonargaon Seeds Crushing Mills Limited	Mr. Mostafa Kamal	Director	BG	2,440,635	Regular
Meghna Container Terminal Ltd.	Mr. Mostafa Kamal	Director	BG	2,500,000	Regular
Meghna Edible Oils Refinery Limited	Mr. Mostafa Kamal	Director	BG	10,846,700	Regular
Meghna Pulp & Papers Mills Ltd.	Mr. Mostafa Kamal	Director	LC	2,981,800	Regular
United Sugar Mills Limited	Mr. Mostafa Kamal	Director	BG	1,983,400	Regular
M.S.A Services Limited	Mr. Md. Didarul Alam	Director	BG	5,000,000	Regular
Mr. Didarul Alam	Mr. Md. Didarul Alam	Director	SOD	2,553,865	Regular

ii) Significant contracts where Bank is a party and wherein Directors have interest during the year 2019

a) (BDT in Taka)

Name of Directors	Relationship with the Bank	Nature of transaction	Limit	Security Value	Outstanding as on 31.12.2019
Mr. Sheikh Fazle Noor Taposh	Director	Credit Card	2,000,000	Lien on FDR for Tk. 20,00,000/-	-
Mr. Mohammad Ismail Hossain	Director	Credit Card	500,000	Lien on FDR for Tk. 5,00,000/-	BDT. 68,600.40
		Credit Card	USD 50,000	Lien on ERQ A/c for USD 50,000	
Mr. Salahuddin Alamgir	Director	Credit Card	2,000,000	Lien on FDR for Tk. 20,00,000/-	-
Mr. Manwar Hossain	Director	Credit Card	500,000	Lien on FDR for Tk. 5,00,000/-	-
Mrs. Syeda Sharmin Hossain	Director	Credit Card	500,000	Lien on FDR for Tk. 5,00,000/-	USD. 18,650.00
		Credit Card	USD 20,000	Lien on ERQ A/c for USD 20,000	
Mr. Humayun Kabir	Director	Credit Card	2,100,000	Lien on DBSR for Tk. 25,00,000/-	BDT. 4,391.75
			USD. 5000		
Mr. Didarul Alam	Director	Credit Card	750,000	Lien on FDR for Tk. 7,50,000/-	-

b) Bank has rented a portion of 10,150 square feet of Bengal House located at House No.12/A, Road No.63 Gulshan-2, Dhaka-1212 at a monthly rent of BDT 1,600,000.00. The Bank has paid BDT 50,400,000.00 as advance against Office Rent. During the year, Bank has paid total rent of BDT 19,473,705.00 and outstanding balance of advance is Zero as on 31 December 2019.

c) Related party transactions

Nature of Party/ Contract	Relationship	Amount
Information Technology Consultants Limited (ITCL)	Common Director	5,041,513
Bengal Media Corporation Ltd.	Common Director	8,327,500

37.3 Number of employees

The number of regular employees engaged for the whole year or part thereof who received a total remuneration of BDT 144,000 p.a. or above were 528 at the end of December 2019.

37.4 Highlights on the overall activities of the Bank

Highlights on the overall activities of the Bank have been furnished in Annexure - C.

37.5 Coverage of External Audit

The external auditor of the Bank, M/S MABS & J Partners, Chartered Accountants worked about in excess of 985 person hours. During their audit, they audited above 80% of the Bank's risk weighted assets as on the Balance.

37.6 Events after the Reporting Period

A) Covid 19

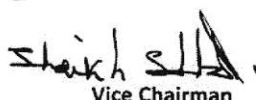
The COVID-19 (Corona Virus) pandemic has evolved rapidly in 2020 and it impacts how Banks & other business entities evaluate and disclose events after the reporting date ('subsequent events'). The World Health Organization (WHO) declared a global pandemic due to Corona Virus related respiratory disease commonly called as COVID-19 after the Balance Sheet date of the Bank on 11 March 2020. To contain the spread of this disease, along with many other countries of the world, The Government of Bangladesh has also taken a number of necessary measures such as declaration of general holiday, enforcement of lock down, social distancing etc. This global pandemic has had an impact on the overall business and economic activities of the Banking industry in Bangladesh. The Bank Management considered COVID 19 as subsequent event and in accordance with IAS 10, they have concluded that this is a non-adjusting event (i.e. an event after the reporting period that is indicative of a condition that arose after the end of the reporting period) because the significant changes in business activities and economic conditions as a result of COVID 19 events took place well after the reporting date of 31 December 2019. Although the business operation and profitability of the Bank are impacted due to COVID 19, but as the situation is constantly changing and there is no certainty at present as to how long the situation will prevail, the potential impact of COVID 19 related matters on Bank's operation and financial result cannot be reasonably assessed.

B) Dividend

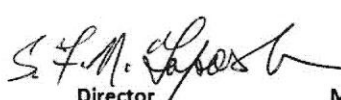
The Board of Directors in its meeting decided to recommended payment of% Cash dividend and% Stock Dividend for the year 2019.



Chairman



Vice Chairman



Director



Managing Director & CEO

Modhumoti Bank Limited

Schedule of Fixed Assets

As at 31 December 2019

Particulars	Cost				Rate of Dep.	Depreciation				Amount in BDT
	Opening balance as on 01.01.2019	Addition during the year	Disposal/ Adjustment during the year	Balance as at 31.12.2019		Opening balance as on 01.01.2019	Charged during the year	Disposal/ Adjustment during the year	Balance as at 31.12.2019	Written down value as at 31.12.2019
	Land	-	-	-		-		-	-	-
Building	-	-	-	-		-	-	-	-	-
Furniture and fixtures	153,190,398	24,382,518	-	177,572,916	10%	45,145,045	12,040,570	-	57,185,616	120,387,301
Computer and Computer peripheral	53,798,167	14,236,650	-	68,034,817	20%	28,120,447	6,706,500	-	34,826,947	33,207,870
Electrical Equipments	121,668,525	32,255,140	350,000	153,573,665	20%	54,367,457	16,485,596	206,677	70,646,376	82,927,289
Motor vehicles	34,980,000	9,950,000	16,099,999	28,830,001	20%	28,552,099	3,894,267	16,099,999	16,346,367	12,483,634
Right-of-Use (ROU) Assets	-	673,463,233	4,198,889	669,264,344	**	-	116,178,550	4,198,889	111,979,662	557,284,683
Capital work in progress (CWIP)	-	45,835,930	-	45,835,930		-	-	-	-	45,835,930
	363,637,090	800,123,472	20,648,888	1,143,111,674		156,185,049	155,305,484	20,505,565	290,984,968	852,126,707
Software	50,190,235	22,560,974	-	72,751,209	20%	41,857,981	4,750,154	-	46,608,135	26,143,074
Capital work in progress (CWIP)	-	13,646,000	-	13,646,000		-	-	-	-	13,646,000
	50,190,235	36,206,974	-	86,397,209		41,857,981	4,750,154	-	46,608,135	39,789,074
Total as at 31st December 2019	413,827,325	836,330,446	20,648,888	1,229,508,883		198,043,030	160,055,638	20,505,565	337,593,103	891,915,781
Total as at 31st December 2018	367,555,692	46,871,633	600,000	413,827,325		147,569,021	50,764,476	290,467	198,043,030	215,784,296

** Straight line method of depreciation is followed throughout the lease period as mentioned in the contracts.

Name of the Directors of the Bank and their interest in different entities

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
1	Mr. Humayun Kabir	Chairman	Dhaka Ice Cream Industries Limited (POLAR)	Chairman
			Zest Agro Food Processing Limited	Managing Director
			Northern Hatcheries Limited (Deshi Meat)	Managing Director
			Northern Agri Science Limited	Managing Director
2	Mr. Shaikh Salahuddin	Vice Chairman	Islami Commercial Insurance Company Limited	Shareholder
			Ajmeer Navigation	Proprietor
			Fardin Fish (Deep Sea Fishing)	Proprietor
			Khulna Shipping Lines	Proprietor
3	Mr. Sheikh Fazle Noor Taposh	Director	Sheikh & Chowdhury	Partner
			Banglar Bani Films, Media and Publications Limited	Chairman
4	Mr. Mohammad Ismail Hossain Representing Sharmin Apparels Limited	Director	Sharmin Group	Managing Director
			Sharmin Apparels Limited	Managing Director
			Sharmin Fashions Limited	Managing Director
			Sharaf Apparels Limited	Managing Director
			Ishayat Apparels Limited	Managing Director
			Sharaf Washing & Dyeing Industries Limited	Managing Director
			Sharaf Embroidery & Printing Limited	Managing Director
			A.M. Design Ltd.	Managing Director
			A.M. Fashions Limited	Managing Director
			Limeeyat Apparels Limited	Managing Director
			Limeeyat Washing & Dyeing Industries Limited	Managing Director
			Jaflong Velly Broading School	Director
			5	Mr. Nemai Kumer Saha Representing Sandhani Life Insurance Company Limited
6	Mr. Salahuddin Alamgir	Director	Labib Group	Chairman
			Matrix Sweaters Limited	Managing Director
			Starlight Sweaters Limited	Managing Director
			Raidha Collections Limited	Managing Director
			Sultana Sweaters Limited	Managing Director
			Starlight Knitters Limited	Managing Director
			Labib Fashions Limited	Managing Director
			Excel Sweaters Limited	Managing Director
			Sweater Cottage Limited	Managing Director
			Juthi Packaging Industries Limited	Managing Director
			Salma Packers Limited	Managing Director
			Labib Dyeing Mills Limited	Managing Director
			Nice Cotton Limited	Managing Director
			Excel Telecom (Pvt) Limited	Managing Director
			R & R Agro Complex Limited	Managing Director
			Labib Poultry & Fisheries Limited	Managing Director
			Information Technology Consultants Limited (ITCL)	Director
			X- Telecom (pvt) Limited	Director
United Mineral Water & Pet Industries Limited	Managing Director			
United Sugar Mills Limited	Managing Director			
Unique Cement Industries Limited	Managing Director			
Unique Power Plant Limited	Managing Director			
Unique Hatchery & Feeds Limited	Managing Director			
Tanveer Oil's Limited	Managing Director			
Tanveer Food Limited	Managing Director			

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
7	Mr. Mostafa Kamal Representing Tanveer Oils Limited	Director	Tanveer Polymer Industries Limited	Managing Director
			Tanveer Steel Mills Limited	Managing Director
			Tanveer Paper Mills Limited	Managing Director
			Everest CNG Refueling & Conversion Limited	Managing Director
			Everest Power Generation Co. Limited	Managing Director
			G.Shipping Lines Limited	Managing Director
			Janata Flour & Dal Mills Limited	Managing Director
			Meghna Shipbuilders & Dockyard Limited	Managing Director
			Global Ad Star Bag Industries Limited	Managing Director
			Surma Mustard Oil Mills Limited	Managing Director
			Tasnim Chemical Complex Limited	Managing Director
			Sonargaon Salt Industries Limited	Managing Director
			Tasnim Condensed Milk Limited	Managing Director
			Dhaka Securities Limited	Managing Director
			Meghna Seeds Crushing Mills Limited	Managing Director
			Tanveer Printing & Packaging Industries Limited	Managing Director
			Meghna Edible Oils Refinery Limited	Managing Director
			Meghna Pulp & Paper Mills Limited	Managing Director
			A Class Builders Limited	Managing Director
			USB International Lines Limited	Managing Director
			Meghna Tea Company Limited	Managing Director
			Titanic Shipping Lines Limited	Managing Director
			Talelink Bangladesh Limited	Managing Director
			IMEX Shipping Bangladesh Limited	Managing Director
			Meghna PVC Limited	Managing Director
			MPP Power Plant Limited	Managing Director
Sonargaon Flour & Dal Mills Limited	Managing Director			
Meghna Beverage Limited	Managing Director			
8	Ms. Tanjima Binthe Mostafa Representing Everest Power Generation Company Limited	Director	United Feeds Limited	Director
			United Mineral Water & Pet Industries Limited	Director
			United Sugar Mills Limited	Director
			Unique Cement Industries Limited	Director
			Unique Power Plant Limited	Director
			Unique Hatchery & Feeds Limited	Director
			Tanveer Oil's Limited	Director
			Tanveer Food Limited	Director
			Tanveer Polymer Industries Limited	Director
			Tanveer Steel Mills Limited	Director
			Tanveer Paper Mills Limited	Director
			Everest CNG Refueling & Conversion Limited	Director
			Everest Power Generation Co. Limited	Director
			G.Shipping Lines Limited	Director
			Janata Flour & Dal Mills Limited	Director
			Meghna Shipbuilders & Dockyard Limited	Director
			Global Ad Star Bag Industries Limited	Director
			Surma Mustard Oil Mills Limited	Director
			Tasnim Chemical Complex Limited	Director
			Sonargaon Salt Industries Limited	Director
			Tasnim Condensed Milk Limited	Director
Dhaka Securities Limited	Director			
Meghna Seeds Crushing Mills Limited	Director			
Tanveer Printing & Packaging Industries Limited	Director			
Meghna Edible Oils Refinery Limited	Director			

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
			Meghna Pulp & Paper Mills Limited	Director
			A Class Builders Limited	Director
			USB International Lines Limited	Director
			Meghna Tea Company Limited	Director
			Titanic Shipping Lines Limited	Director
			Talelink Bangladesh Limited	Director
			IMEX Shipping Bangladesh Limited	Director
			Meghna PVC Limited	Director
			MPP Power Plant Limited	Director
			Sonargaon Flour and Dal Mills Limited	Director
			Meghna Beverage Limited	Director
			9	Mr. Humayun Kabir Bablu
Euphoria Apparels Ltd.	Managing Director			
Romania Food & Beverage Limited	Managing Director			
Linnex Electronics Bangladesh Limited	Managing Director			
Bengal Windsor Thermoplastics Limited	Managing Director			
Bengal Hotel & Resorts Limited	Managing Director			
Bengal Plastics Limited	Director			
Bengal Polymer Wares Limited	Director			
Bengal Plastic Pipes Limited	Director			
Bengal Poly and PaperSack Limited	Director			
Bengal Flexipack Limited	Director			
Bengal Adhesive & Chemical Products Limited	Director			
Bengal Cement Limited	Director			
Bengal Overseas Corporation Limited	Director			
Bengal Concept & Holdings Limited	Director			
Bengal Feed and Fisheries Limited	Director			
Bengal Corrugated Carton industries Limited	Director			
Bengal Renewable Engery Limited	Director			
Power Utility BD Limited	Director			
Hemilton Metal Corporation Limited	Director			
10	Mrs. Shahana Yasmin	Director	Farzan Fising	Proprietor
			Farzan Navigation	Proprietor
11	Mrs. Sultana Jahan	Director	Labib Group	Vice Chairman
			X- Telecom (pvt) Limited	Managing Director
			Matrix Sweaters Limited	Director
			Starlight Sweaters Limited	Director
			Raidha Collections Limited	Director
			Sultana Sweaters Limited	Director
			Starlight Knitters Limited	Director
			Labib Fashions Limited	Director
			Excel Sweaters Limited	Director
			Sweater Cottage Limited	Director
			Juthi Packaging Industries Limited	Director
			Salma Packers Limited	Director
			Labib Dyeing Mills Limited	Director
			Nice Cotton Limited	Director
			Excel Telecom (Pvt) Limited	Director
			R& R Agro Complex Limited	Director
Labib Poultry & Fisheries Limited	Director			
			Mango Teleservices Limited	Chairman
			Mango Electronics Limited	Chairman
			CSL Distribution Limited	Chairman
			Mango Holdings Limited	Managing Director

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
12	Mr. A Mannan Khan Representing Mango Teleservices Limited	Director	Playpen School	Managing Partner
			Clix Limited	Chairman
			Telefort Limited	Chairman
			Bangladesh Auto Industries Limited	Chairman
			Mango Technologies Limited	Chairman
			Bangladesh Lithium Battery Limited	Chairman
13	Mrs. Ferdousi Islam Representing Azbal International Limited	Director	China Bangla Ceramic Industries Limited	Chairman
			Bajnabo Textile Mills Limited	Chairman
			China Bangla Engineering & Technology Services Limited	Chairman
			Azbal International Limited	Chairman
			Trustee Securities Limited	Managing Director
			Northern General Insurance Co.Limited	Director
			Total Merchandising & Trims Limited	Director
			United Shipping Lines Limited	Director
			Bengal Tiger Cement Industries Limited	Director
14	Mr. Manwar Hossain Representing Anwar Jute Spinning Mills Limited	Director	Anwar Group of Industries	Group Managing Director
			BD Finance & Investment Company Limited	Chairman
			BD Finance Securities Limited	Chairman
			BD Finance Capital Holdings Limited	Chairman
			Anwar Landmark Limited	Vice Chairman
			Anwar Ispat Limited	Managing Director
			Anwar Integrated Steel Plant Limited	Managing Director
			Anwar Galvanizing Limited	Managing Director
			Anwar Cement Limited	Managing Director
			Anwar Cement Sheet Limited	Managing Director
			A-One Polymer Limited	Managing Director
			Anwar Silk Mills Limited	Director
			Mehmud Industries (Pvt) Limited	Director
			Hossain Dyeing and Printing Mills Limited	Director
			Anwar Jute Spinning Mills Limited	Director
			AG Automobiles Limited	Director
			City General Insurance Company Limited	Director
			Commerce Bank Securities and Investment Limited	Director
15	Mr. Tanveer Ahmed Mostafa Representing Meghna Flour & Dal Mills Limited	Director	Meghna Flour & Dal Mills Limited	Managing Director
			Unique Power Plant Limited	Director
			United Sugar Mills Limited	Director
			Tanveer Paper Mills Limited	Director
			Meghna Shipbuilders & Dockyard Limited	Director
			Meghna Properties Limited	Director
			Global Ad Star Bag Industries Limited	Director
			Tasnim Condensed Milk Limited	Director
			Dhaka Securities Limited	Director
			Meghna Seeds Crushing Mills Limited	Director
			Tanveer Printing & Packaging Industries Limited	Director
			Meghna Milk Products Limited	Director
			Meghna Electricity Generation Co. Limited	Director
			Meghna Aviation Limited	Director
			Meghna Edible Oils Refinery Limited	Director
			Meghna Pulp & Paper Mills Limited	Director
			Meghna Chicks & Farms Limited	Director
			A Class Builders Limited	Director
			USB International Lines Limited	Director
			Ekattur Media Company Limited	Director
Meghna Tea Company Limited	Director			

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
16	Mr. Md. Mahbubur Rahman Representing Mona Financial Consultancy & Securities Limited	Director	Mona Financial Consultancy & Securities Limited	Company Secretary
17	Mr. Didarul Alam	Director	M.S.A. Services Limited	Chairman
			Golden Oxygen Limited	Managing Director
			T. R.Ship Breakers Limited	Managing Director
			T. R.Fishing Limited	Managing Director
			Taher & Company Limited	Managing Director
			Al Haj Mostafa Hakim Cement Industries Limited	Managing Director
			Al Haj Mostafa Hakim Housing Real Estate Limited	Managing Director
			Kumira Ship Breakers Limited	Managing Director
			Taseen Steels Limited	Managing Director
			Kadam Rasul Steel Ship Breaking Limited	Managing Director
			A. Razzak Dobush & Sons Limited	Managing Director
			S.B.Corporation	Managing Partner
			Golden Bricks Works Limited	Director
			M/s. Didarul Alam & Brothers	Proprietor
			Silk Line Travels	Proprietor
Amena Fishing	Proprietor			
18	Mrs. Syeda Sharmin Hossain Representing Sharmin Fashions Limited	Director	Sharmin Apparels Limited	Director
			Sharmin Fashions Limited	Director
			Sharaf Apparels Limited	Director
			Ishayat Apparels Limited	Director
			Sharaf Washing & Dyeing Industries Limited	Director
			Sharaf Embroidery & Printing Limited	Director
			A.M. Design Ltd	Director
			A.M.Fashions Limited	Director
			Limeeyat Apparels Limited	Director
Limeeyat Washing & Dyeing Industries Limited	Director			
19	Mr. Md. Shafiul Azam	Managing Director & CEO	-	-

Modhumoti Bank Limited
Highlights on the overall activities
As at and for the year ended 31 December 2019

Sl. No.	Particulars		2019	2018
1	Paid-up capital	Taka	4,746,000,000	4,520,000,000
2	Total capital	Taka	7,237,592,927	6,770,704,803
3	Capital surplus	Taka	2,036,430,232	2,269,861,217
4	Total assets	Taka	71,126,938,936	51,692,740,630
5	Total deposits	Taka	50,120,944,660	37,743,911,522
6	Total loans and advances	Taka	42,507,257,746	35,575,649,360
7	Total contingent liabilities and commitments	Taka	28,781,436,770	23,001,055,263
8	Advance Deposit Ratio (ADR)	%	74.34%	88.59%
9	Percentage of classified loans against total loans and advances (NPL Ratio)	%	2.53%	1.83%
10	Net Profit after tax and provision (NPAT)	Taka	791,295,254	981,990,195
11	Amount of classified loans (NPL)	Taka	1,073,559,590	650,660,952
12	Provisions kept against Classified Loans	Taka	470,500,000	154,000,000
13	Provision surplus/(deficit) against classified loans	Taka	754,267	672,245
14	Cost of fund	%	8.60%	8.42%
15	Interest earning assets	Taka	64,130,867,482	46,743,038,543
16	Non-interest earning assets	Taka	6,996,071,454	4,949,702,087
17	Return on investment (ROI) [PAT/{Average Equity+Long Term Borrowings+Deposits-Non Cash Fund}]	%	1.32%	2.06%
18	Return on assets (ROA) [PAT/ Average assets]	%	1.29%	2.02%
19	Income from investment	Taka	636,384,241	373,629,915
20	Capital to Risk weighted Asset Ratio (CRAR)	%	13.92%	15.04%
21	Stock dividend		-	5.00%
22	Earnings per share (EPS)	Taka	1.67	2.07
23	Net income per share	Taka	1.67	2.07
24	Price Earning Ratio (PE Ratio)	Times	-	-

Segment Reporting

IFRS 8 Operating Segments, requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), or whose operating results are reviewed regularly by the entity's chief decision maker to make decisions about resources to be allocated to the segment and assess its performance, and, for which discrete financial information is available. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments who have earned at least 10% revenue compared to the entity's total revenue, or, earned at least 10% profit/ (loss) compared to cumulative profit/ (loss), or, have at least 10% assets compared to total assets of all operating segments.

The Bank has not yet assessed its Operating Segments in terms of the criteria stated above as it is too early to identify. But, operating profit, assets & liabilities of main two operating segments i.e. on-shore banking business (main operation) and off-shore banking unit (OBU) are presented below:

Amount in BDT

Particular	Main Operation	OBU	Total
External Revenue			
Interest Income	5,876,403,470	131,607,189	6,008,010,659
Less: Interest Expense	3,458,189,382	102,276,680	3,560,466,062
Net Interest Income	2,418,214,088	29,330,509	2,447,544,597
Commission, exchange and brokerage	530,032,002	3,015,622	533,047,624
Capital gain	24,143,806	-	24,143,806
Other Income	100,474,398	-	100,474,398
Operating Income	3,072,864,294	32,346,131	3,105,210,425
Less: Administrative Expense	1,025,841,964	1,771,312	1,027,613,275
Profit	2,047,022,330	30,574,820	2,077,597,150
Inter-Segment Revenue	-	-	-
Total Segment profit before provision	2,047,022,330	30,574,820	2,077,597,150
Segment Assets	68,352,527,415	2,774,411,521	71,126,938,936
Segment Liabilities	61,783,696,302	2,743,688,333	64,527,384,635

**Statement of Tax Position of the Bank
As at December 31, 2019**

Sl. No.	Income Year	Assessment year	Provision made for tax expense as per financial statements	Assessment Status
1	2013	2014-2015	46,223,473	Complete
2	2014	2015-2016	132,091,071	Complete
3	2015	2016-2017	204,508,433	Under process
4	2016	2017-2018	308,347,484	Under process
5	2017	2018-2019	545,866,968	Under process
6	2018	2019-2020	704,174,341	Under process
7	2019	2020-2021	716,297,467	Submission of Tax Return is not due
Total			2,657,509,237	

Modhumoti Bank Limited

Off-shore Banking Unit

Balance Sheet

As at 31 December 2019

Note	31-12-2019		31-12-2018	
	USD	BDT	USD	BDT
PROPERTY AND ASSETS				
Cash				
	-	-	-	-
Cash in hand (including foreign currency)	-	-	-	-
Balance with Bangladesh Bank and its Agents Bank (including foreign currency)	-	-	-	-
Balance with other Banks and financial institutions	442,721	37,587,053	237,284	19,908,131
In Bangladesh	-	-	-	-
Outside Bangladesh	442,721	37,587,053	237,284	19,908,131
Money at call on short notice	-	-	-	-
Investments				
	-	-	-	-
Government securities	-	-	-	-
Other investments	-	-	-	-
Outside Bangladesh	-	-	-	-
Loans and advances	32,206,410	2,734,324,220	27,417,127	2,300,296,994
Loans, cash credits, overdrafts, etc.	-	-	-	-
Bills purchased and discounted	32,206,410	2,734,324,220	27,417,127	2,300,296,994
Fixed assets including premises, furniture and fixtures	3,219	273,307	3,878	325,339
Other assets	26,230	2,226,941	56,865	4,770,937
Non Banking Assets	-	-	-	-
Total assets	32,678,581	2,774,411,521	27,715,154	2,325,301,401
LIABILITIES AND CAPITAL				
Liabilities				
Borrowing from other banks, financial Institutions and agents	32,138,912	2,728,593,660	27,308,126	2,291,151,807
In Bangladesh	26,200,000	2,224,380,000	21,600,000	1,812,240,000
Outside Bangladesh	5,938,912	504,213,660	5,708,126	478,911,807
Deposit and other accounts	58,235	4,944,148	58,235	4,885,913
Current deposits and other accounts	58,235	4,944,148	58,235	4,885,913
Bills payable	-	-	-	-
Savings bank deposits	-	-	-	-
Term deposits	-	-	-	-
Other liabilities	119,559	10,150,524	84,528	7,091,861
Total liabilities	32,316,706	2,743,688,333	27,450,889	2,303,129,581
Capital / Shareholders' equity				
Paid up capital	-	-	-	-
Statutory reserve	-	-	-	-
Other reserve	-	-	-	-
Foreign currency translation gain	-	148,369	-	105,706
Surplus in Profit and Loss Account	361,875	30,574,820	264,265	22,066,114
Total shareholders' equity	361,875	30,723,188	264,265	22,171,820
Total liabilities and shareholders' equity	32,678,581	2,774,411,521	27,715,154	2,325,301,401

Modhumoti Bank Limited
Off-shore Banking Unit
Profit and Loss Account
For the year ended 31 December 2019

Particulars	Note	2019		2018	
		USD	BDT	USD	BDT
Interest income	13	1,557,666	131,607,189	1,324,462	110,592,551
Less: Interest paid on deposits, borrowings, etc	14	1,210,518	102,276,680	1,074,626	89,731,281
Net Interest income		347,148	29,330,509	249,836	20,861,270
Income from investment		-	-	-	-
Commission, exchange and brokerage	15	35,692	3,015,622	36,489	3,046,847
Other operating income	16	-	-	320	26,720
Total operating income		382,840	32,346,131	286,645	23,934,837
Salaries and allowances	17	16,623	1,404,496	14,147	1,181,289
Rent, taxes, insurance, lighting and travelling	18	1,712	144,651	4,187	349,588
Legal expenses		-	-	-	-
Postage, stamp, telegram and telephone	19	4	302	6	481
Auditors' fee		-	-	-	-
Stationery, printing and advertisement	20	92	7,747	159	13,296
Charges on loan loss		-	-	-	-
Managing Director's salary		-	-	-	-
Directors' meeting fee		-	-	-	-
Repair, maintenance and depreciation of assets	21	659	55,640	697	58,170
Other expenses	22	1,876	158,476	3,184	265,899
Total operating expenses		20,965	1,771,312	22,380	1,868,722
Profit before provision		361,875	30,574,820	264,265	22,066,114
Provision for loans & advance, other assets & off BS items		-	-	-	-
Profit before taxation		361,875	30,574,820	264,265	22,066,114

Modhumoti Bank Limited
Off-shore Banking Unit
Cash Flow Statement
For the year ended 31 December 2019

Particulars	Note	2019		2018	
		USD	BDT	USD	BDT
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received in cash		1,557,666	131,607,189	1,324,462	110,592,551
Interest payments		(1,210,518)	(102,276,680)	(1,074,626)	(89,731,281)
Dividend received		-	-	-	-
Fees and commission received in cash		35,692	3,015,622	36,489	3,046,847
Recovery of loans and advances in cash previously written-off		-	-	-	-
Cash paid to employees		(16,623)	(1,404,496)	(14,147)	(1,181,289)
Income tax paid		-	-	-	-
Cash received from other operating activities		-	-	320	26,720
Cash paid for other operating activities		(3,683)	(160,547)	(7,565)	(541,263)
Cash flows before charges in operating assets and liabilities		362,534	30,781,088	264,933	22,212,285
Increase / Decrease in operating assets and liabilities					
Loans and advances to customers		(4,789,283)	(434,027,226)	(1,447,857)	(152,638,367)
Other assets		30,634	2,543,996	32,423	2,613,168
Borrowing from Banks		-	-	-	-
Deposits from other Banks		-	-	-	-
Deposit from customers		-	58,235	(173,377)	(14,268,384)
Other Liabilities		35,031	2,904,426	(94,197)	(7,803,394)
		(4,723,617)	(428,520,569)	(1,683,009)	(172,096,978)
Net cash from operating activities		(4,361,084)	(397,739,480)	(1,418,076)	(149,884,693)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of securities		-	-	-	-
Cash payments for purchase of securities		-	-	-	-
Purchase/ Sale of property, Plant & equipment of fixed assets		-	-	-	-
Sales of fixed assets		-	-	-	-
Net cash from investing activities		-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowing from other banks, financial institutions and agents		4,830,786	437,441,854	1,825,126	183,707,707
Net profit transferred to main operations		(264,265)	(22,066,114)	(362,671)	(29,283,564)
Net Cash from Financing activities		4,566,521	415,375,739	1,462,456	154,424,143
Net increase/(decrease) in cash and cash equivalent		205,437	17,636,259	44,380	4,539,449
Effects of exchange rate changes on cash and cash equivalents		-	42,663	-	(584,493)
Opening cash and cash equivalent		237,284	19,908,131	192,904	15,953,175
Closing cash and cash equivalent		442,721	37,587,053	237,284	19,908,131

Off-shore Banking Unit
Notes to the Financial Statements
As at and for the year ended 31 December 2019

1. Reporting entity

1.1 Status of the units

The Bank obtained the Off-shore Banking Unit permission vide letter no. BRPD (P-3)744(124)/2015-2447, dated 02 April 2015. The Off-shore Banking Unit commenced its commercial operation on 23 September 2015. The Bank established its Offshore Banking Unit (OBU) with a view of catering the banking requirement of non-resident customers to increase foreign trade business at Export Processing Zones (EPZs). Over the years, OBU has become an important strategic business unit due to growing demand of cheaper foreign currency loan and Usance Payable at Sight (UPAS) Letter of Credit (L/C) from the clients.

1.1.1 Principal activities

Presently, the Bank has one Off-shore Banking Unit operating in Bangladesh. The principal activities of the Unit are to provide all kinds of commercial banking services to its customers in foreign currencies approved by the Bangladesh Bank. The Unit is governed under the rules and guidelines of Bangladesh Bank.

1.2 Significant accounting policies and basis of preparation of financial statements

1.2.1 Basis of accounting

The Off-shore Banking Unit maintains its accounting records in USD from which accounts are prepared according to the Bank Companies Act, 1991 (as amended in 2013), International Financial Reporting Standards and other applicable directives issued by Bangladesh Bank.

1.2.2 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

1.2.3 Foreign currency transaction

a) Foreign currencies translation

Foreign currency transactions are converted into equivalent Taka using the ruling exchange rates on the dates of respective transactions as per IAS-21 "The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into Taka at weighted average rate of inter-bank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into Taka equivalent.

b) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letter of credit and letter of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance date.

c) Translation gains and losses

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

1.2.4 Cash flow statement

Cash flow statement has been prepared in accordance with the International Accounting Standard-7 "Cash Flow Statement" under direct method as recommended in the BRPD Circular No. 14, dated June 25, 2003 issued by the Banking Regulation & Policy Department (BRPD) of Bangladesh Bank.

1.2.5 Reporting period

These financial statements cover one calendar year from 1st January to 31st December 2019.

1.3 Assets and basis of their valuation

1.3.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the unit management for its short-term commitments.

1.3.2 Loans, advances and lease / investments

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

b) Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.

1.3.3 Fixed assets and depreciation

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.

b) Depreciation is charged for the year at the following rates on reducing balance method on all fixed assets.

Category of fixed assets	Rate of
Furniture and fixtures	10%
Office equipments	20%

c) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.

1.4 Basis for valuation of liabilities and provisions

1.4.1 Benefits to the employees

The retirement benefits accrued for the employees of the Unit as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

a) Provident fund

Provident fund benefits are given to the permanent employees of OBU under the provident fund rule of the Bank. The Commissioner of Income Tax, National Board of Revenue, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from June 04, 2013. The Fund is operated by a Board of Trustees consisting six members (03 members from management and other 03 members from the Board of Directors) of the Bank. All confirmed employees of the Unit are contributing 10% of their basic salary as subscription to the Fund. The Unit also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis.

b) Gratuity fund

The Bank operates a funded gratuity scheme on "Continuing Fund Basis", in respect of which provision will be made annually according to the recommendation based on Actuarial valuation covering all its permanent eligible employees in accordance with Bank's Service Rules. The Fund will be operating by a Board of Trustees consisting members from the Board of Directors and Management of the Bank. Actuarial valuation of gratuity scheme will be made to assess the adequacy of the liabilities provided for the scheme as per IAS-19 "Employees Benefit". Contributions to the fund shall be made by the Unit on the basis of actuarial recommendations.

c) Incentive bonus

Incentive bonus is given to the employees every year considering the overall performance of the Bank as well as individual's performance. This bonus amount is distributed among the employees based on their performance. The bonus amount is paid annually, normally first quarter of every following year and the costs is accounted for in the period to which it relates. Generally, a certain percentage of disclosed net profit is disbursed among the employees. The aforesaid percentage is approved in the Board meeting so that adequate provision can be made for Incentive Bonus as per IAS-37.

1.4.2 Provision for liabilities

A provision is recognized in the balance sheet when the unit 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 IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

1.5 Revenue recognition

1.5.1 Interest income

In terms of the provisions of the IAS-18 "Revenue", the interest income is recognised on accrual basis.

1.5.2 Fees and commission income

Fees and commission income arising on services provided by the Bank are recognised when those are realized. Commission charged to customers on letters of credit and letters of guarantee is credited to income at the time of transactions being recorded in the books of accounts.

1.5.3 Interest paid and other expenses

In terms of the provisions of BAS-1 "Presentation of Financial Statements", interest and other expenses are recognised on accrual basis.

2.00 General

- a) These financial statements are presented in BDT (Taka), which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest BDT (Taka).
- b) Assets and liabilities & income and expenses have been converted into Taka currency @ US\$1 = Taka 84.90 (closing rate as at 31st December 2019) and Taka 84.49 (average rate which represents the year end).
- c) Figures of previous year have been rearranged whenever necessary to conform to current year's presentation.

	31-Dec-2019		31-Dec-2018	
	USD	BDT	USD	BDT
3.00 Balance with other Banks and Financial Institutions				
In Bangladesh (Note -3.01)	-	-	-	-
Outside Bangladesh (Note -3.02)	442,721	37,587,053	237,284	19,908,131
	442,721	37,587,053	237,284	19,908,131
3.01 In Bangladesh	-	-	-	-
3.02 Outside Bangladesh				
Current Account	442,721	37,587,053	237,284	19,908,131
	442,721	37,587,053	237,284	19,908,131
4.00 Loans and advances				
i) Loans, cash credits, overdrafts, etc				
Term Loan				
Lease Finance				
T.R. Loan				
ii) Bills purchased and discounted (note-5)				
Inside Bangladesh				
Inland bills purchased and discounted	31,575,899	2,680,793,823	27,125,458	2,275,825,965
Outside Bangladesh				
Foreign bills purchased and discounted	630,511	53,530,397	291,669	24,471,029
	32,206,410	2,734,324,220	27,417,127	2,300,296,994
	32,206,410	2,734,324,220	27,417,127	2,300,296,994
4.01 Geographical location-wise Loans and Advances				
Dhaka	32,206,410	2,734,324,220	27,417,127	2,300,296,994
Chittagong Division	-	-	-	-
Sylhet	-	-	-	-
Rajshahi Division	-	-	-	-
Khulna	-	-	-	-
Barisal	-	-	-	-
	32,206,410	2,734,324,220	27,417,127	2,300,296,994
4.02 Classification of Loans and Advances				
Unclassified :				
(i) Standard	32,206,410	2,734,324,220	27,417,127	2,300,296,994
(ii) Special mention account	-	-	-	-
Classified :				
(i) Substandard	-	-	-	-
(ii) Doubtful	-	-	-	-
(iii) Bad / Loss	-	-	-	-
	32,206,410	2,734,324,220	27,417,127	2,300,296,994

	31-Dec-2019		31-Dec-2018	
	USD	BDT	USD	BDT
5.00 Bills purchased and discounted				
In Bangladesh	31,575,899	2,680,793,823	27,125,458	2,275,825,965
Outside Bangladesh	630,511	53,530,397	291,669	24,471,029
	32,206,410	2,734,324,220	27,417,127	2,300,296,994
6.00 Fixed assets including premises, furniture and fixtures				
Cost				
Furniture and fixtures	4,196	356,281	4,196	352,085
Electrical Equipments	1,452	123,294	1,452	121,842
	5,649	479,575	5,649	473,927
Less: Accumulated depreciation				
Furniture and fixture	1,436	121,899	1,047	87,811
Electrical Equipments	994	84,370	724	60,777
	2,430	206,269	1,771	148,588
	3,219	273,307	3,878	325,339
7.00 Other assets				
Advance deposits and advance rent	25,105	2,131,437	1,125	94,380
Other prepaid expense	1,125	95,505	55,740	4,676,557
Interest receivable on Bills discount				
	26,230	2,226,941	56,865	4,770,937
8.00 Borrowing from other banks, financial Institutions and its agents				
In Bangladesh:				
Modhumoti Bank Limited	7,900,000	670,710,000	10,100,000	847,390,000
Jamuna Bank Limited	1,500,000	127,350,000	-	-
Rupali Bank Limited		-	7,500,000	629,250,000
South Bangla Agriculture and Commerce Bank Ltd.		-	1,000,000	83,900,000
National Credit and Commerce Bank Limited	3,000,000	254,700,000	1,000,000	83,900,000
Bank Asia Limited	2,000,000	169,800,000	-	-
United Commercial Bank Limited	6,000,000	509,400,000	1,000,000	83,900,000
Southeast Bank Ltd.	2,000,000	169,800,000	-	-
Pubali Bank Ltd.	2,000,000	169,800,000	-	-
Habib Bank Ltd.	800,000	67,920,000	-	-
NRB Global Bank Ltd.	1,000,000	84,900,000	-	-
NRB Bank Ltd.	-	-	1,000,000	83,900,000
	26,200,000	2,224,380,000	21,600,000	1,812,240,000
Outside Bangladesh	5,938,912	504,213,660	5,708,126	478,911,807
	32,138,912	2,728,593,660	27,308,126	2,291,151,807
9.00 Deposit and other accounts				
Current deposits and other accounts	58,235	4,944,148	58,235	4,885,913
Modhumoti Bank Limited				
Bangladesh Bank	-	-	-	-
	58,235	4,944,148	58,235	4,885,913
10.00 Other liabilities				
Interest payable on borrowings	111,353	9,453,876	68,594	5,755,056
Due to Head Office	8,206	696,649	15,933	1,336,806
Others	-	-	-	-
	119,559	10,150,524	84,528	7,091,861
11.00 Surplus in Profit and Loss Account				
Opening balance	264,265	22,066,114	362,671	29,283,564
Less: Adjustment/ payment for the year	(264,265)	(22,066,114)	(362,671)	(29,283,564)
Add: Addition during the year	361,875	30,574,820	264,265	22,066,114
	361,875	30,574,820	264,265	22,066,114

	31-Dec-2019		31-Dec-2018	
	USD	BDT	USD	BDT
12.00 Contingent liabilities				
12.01 Acceptance & endorsement				
Back to Back bills	-	-	-	-
Less: Margin	-	-	-	-
12.02 Letters of credits				
Letters of credits	-	-	-	-
Back to Back letter of credit	-	-	-	-
Less: Margin	-	-	-	-
12.03 Letter of guarantee				
Letters of guarantee (Local)	-	-	-	-
Letters of guarantee (Foreign)	-	-	-	-
Foreign counter guarantees	-	-	-	-
Less: Margin	-	-	-	-
12.04 Bills for collection				
Outward local bills for collection	-	-	-	-
Inward foreign bills for collection	-	-	-	-
Less: Margin	-	-	-	-
13.00 Interest income				
Term Loan				
LTR loan				
Bills discount	1,550,354	130,989,441	1,322,167	110,400,981
Others	-	-	-	-
Interest on loans and advances	1,550,354	130,989,441	1,322,167	110,400,981
Interest on balance with other banks and financial institutions	7,312	617,749	2,294	191,570
Interest received from foreign banks	-	-	-	-
	7,312	617,749	2,294	191,570
Total Interest income	1,557,666	131,607,189	1,324,462	110,592,551
14.00 Interest paid on deposits, borrowings, etc.				
Interest paid on borrowings, etc.	1,210,518	102,276,680	1,074,626	89,731,281
Interest paid on Bangladesh Bank				
	1,210,518	102,276,680	1,074,626	89,731,281
15.00 Commission, exchange and brokerage				
Commission, exchange and brokerage	35,692	3,015,622	36,489	3,046,847
	35,692	3,015,622	36,489	3,046,847
16.00 Other operating income				
Postage / SWIFT/ fax recoveries from Others Business	-	-	320	26,720
	-	-	320	26,720

	31-Dec-2019		31-Dec-2018	
	USD	BDT	USD	BDT
17.00 Salaries and Allowances				
Basic salary	6,422	542,579	4,324	361,088
Other Salary & Allowances	9,573	808,857	9,390	784,092
Provident Fund	628	53,060	432	36,109
	16,623	1,404,496	14,147	1,181,289
18.00 Rent, taxes, insurance, electricity etc.				
Rent, rates and taxes	1,495	126,313	3,588	299,598
Insurance	-	-	26	2,155
Electricity and lighting	217	18,339	573	47,835
	1,712	144,651	4,187	349,588
19.00 Postage, stamp, telecommunication etc.				
Postage	4	302	6	481
Telephone	-	-	-	-
	4	302	6	481
20.00 Stationery, printing, advertisements etc.				
Petty stationery	48	4,020	119	9,907
Publicity and advertisement	44	3,727	41	3,388
	92	7,747	159	13,296
21.00 Depreciation and repairs of Bank's assets				
Furniture and fixtures	389	32,882	395	32,948
Electrical appliance	269	22,758	273	22,805
Repairs of assets	-	-	29	2,417
	659	55,640	697	58,170
22.00 Other expenses				
Security and cleaning	1,639	138,453	2,636	220,074
Entertainment	74	6,220	218	18,231
Travelling expenses	-	-	-	-
Conveyance	22	1,887	62	5,160
Other expense	141	11,916	269	22,433
	1,876	158,476	3,184	265,899